



鷹美(國際)控股有限公司

**EAGLE NICE (INTERNATIONAL) HOLDINGS LIMITED**

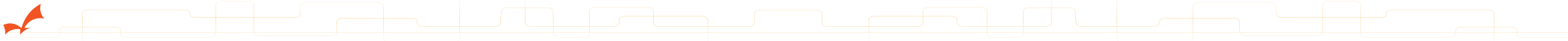
(Incorporated in the Cayman Islands with limited liability)

(於開曼群島註冊成立之有限公司)

(Stock Code 股份代號 : 02368)

2020

**環境、社會及管治報告**  
**ENVIRONMENTAL, SOCIAL AND**  
**GOVERNANCE REPORT**



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## Section 1 About this Report

### 1.1 Foreword

Eagle Nice (International) Holdings Limited (the “Company”) and its subsidiaries (the “Group”) share a vision: to work closely with leading global sports brands as the latter’s major business partner. Since its inception in 1993, the Group has established long-term relationships with brand customers by adhering to its business philosophy of “attaining excellence in quality, service and value for customers”. To achieve its corporate mission of “leading in innovation, bringing benefits to customers, empowering employees and rewarding shareholders”, the Group has in recent years invested substantially in advanced automated machinery and equipment to improve its production process. We have also collaborated with customers in new product development in a bid to strengthen talent development and training, with the eventual aim of generating solid and steady profit for shareholders.

The Group appreciates the importance of sustainable development for the society and the environment. In addition to the commitment to managing products, services and technology initiatives according to international standards, the Group also regards environmental protection, community involvement and social inclusiveness for the welfare of society as some of its top priorities. In fulfilment of its corporate social responsibility, the Group conducts its strategic planning and day-to-day operations with consistent reference to the principle of sustainable development.

### 1.2 Basis for the Compilation of the Report

The contents of this Environmental, Social and Governance report (“the Report”) is compiled in accordance with The Environmental, Social and Governance Reporting Guide of Appendix 27 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. The Report is published annually for each financial year.

### 1.3 Period and Scope of Reporting

This Report covers the Group’s sportswear manufacturing business operations at its Hong Kong headquarters and 6 factories located variously in China, Indonesia and Vietnam for the year commencing on 1 April 2019 and ending on 31 March 2020:

- i. Hong Kong headquarters
- ii. Yumei (Shantou) Garments Co., Ltd. (“Shantou”)
- iii. Maitex Co., Ltd of Huilai (“Huilai”)
- iv. Eagle Nice (Yifeng) Garments Co., Ltd. (“Yifeng”)
- v. PT. Eagle Nice Indonesia (“Indonesia”)
- vi. Pro Kingtex Vietnam Company Limited (“Vietnam”)
- vii. Hubei LPV Sports Co., Ltd. (“Hubei”)

## Section 2 Engagement with Stakeholders

### 2.0 Engagement with Stakeholders

We have fostered an engaging environment focused on transparent and open communications with stakeholders. Shareholders’ meetings are convened at which our board of directors reports on the Group’s business and actively exchanges views with shareholders. Investors are furnished with periodic reports on the business performance of the Group. We maintain close relations with customers, suppliers and other stakeholders through visits, proactive dialogue, social media and customer service.



*Yumei ( Shantou ) Garments Co., LTD., located at Shantou, Guangdong, China.*



## Section 3 Environmental, Social and Governance Performance

### 3.1 Environmental

#### 3.1.1 Emissions

The Group is well aware that emission reduction is a priority issue on the agenda of the global community. As such, we have been making vigorous efforts in environmental protection, such as the introduction of upgrades to our energy conservation facilities and the establishment of system for the prevention of environmental pollution.

#### Solid Waste Management

Solid wastes generated by the manufacturing process, including waste paper and plastics, as well as production scrap such as unused fabrics and cotton, are sorted for recycling.

Different types of solid wastes are separately stored, so that they can be efficiently collected by recyclers for proper use or disposal. All of our departments are committed to the reduction of solid wastes and measures have been adopted to reduce the dispersion and leakage of wastes.

The Group has established and implemented internal management procedures for the handling of hazardous waste. Wastes are centrally stored in an isolated location before they are delivered to accredited recyclers for processing. To lower the risk of accidents occurring, waste management training has been provided to employees to enhance their awareness in this regard.

Automated and advanced technologies, such as the automated cutting machine and computer-based cutting table, are being employed at the Group's manufacturing facilities during the stage of product development to increase the level of precision in the cutting process. This has contributed to the reduction of production scrap generated by the Group by more than 130 tonnes each year.

Hazardous wastes generated by the Group's operations comprise mainly machine oil, scrap light tubes, discarded chemical containers, waste active carbon and contaminated rags. Non-hazardous waste include scrap fabric, scrap cotton, paper waste, plastic waste (including plastic bags, plastic cores and plastic plates) as well as domestic waste (including kitchen waste).

As shown in the table below, a higher amount of waste was generated during the reporting year, as compared to the previous year. While the total volume of waste generated for the reporting year was higher as compared to the previous year, which was in line with the increase in its annual production volume, the Group's overall emission intensity, calculated on a per production unit basis, was slightly lower than that of the previous year.

		Annual emission volume	
		2020	2019
Hazardous waste	(tonne)	4.06	2.09
Non-hazardous waste	(tonne)	1,997.40	1,598.88
Annual production volume	(piece)	20,903,779	16,963,520
Emission intensity of hazardous waste (per production unit)	(gram/piece)	0.19	0.12
Emission intensity of non-hazardous waste (per production unit)	(gram/piece)	95.55	94.25

#### Wastewater Management

Wastewater discharged by the Group's factories comprises mainly domestic wastewater and industrial wastewater generated from the printing processes at selected factories. To avoid environmental pollution and ensure compliance with pertinent laws and regulations, the Group procures the normal operation of its wastewater treatment and purification facilities and monitors the discharge of wastewater to ensure that such discharge does not exceed limits permissible under the laws. During the reporting period, the Group as a whole processed no less than 148,610 cubic metres of wastewater.

#### Exhaust Air Management

The Group manages emissions of air pollutants in accordance with government regulations. The incineration within factory premises of plastic waste that might generate toxic and hazardous gases is prohibited. For some factories, filtration devices (such as those using active carbons and negative ionic high pressure technologies) are installed on ventilation ducts to ensure that the filtered exhaust gas is in compliance with relevant environmental test standards. Moreover, the following equipment for exhaust treatment or reduction were installed in selected factories during the reporting year as part of our effort to prevent air pollution.

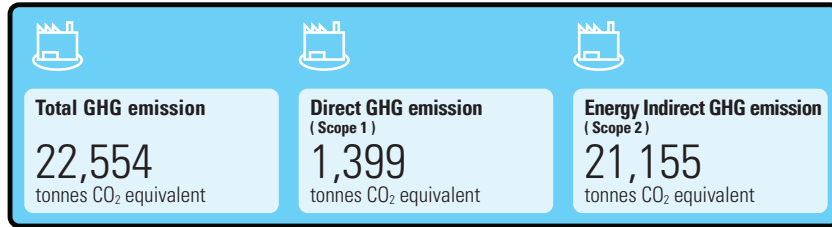
Manufacturing site	New equipment for exhaust gas treatment
Shantou	Equipment for photocatalytic decomposition of volatile organic compounds (VOC)
Huilai	Electrostatic purification equipment for removal of oil and smoke installed along the exhaust duct in the cafeteria
Hubei	Equipment for laser UV photolysis of exhaust gas and electrostatic oil and smoke removal in the cafeteria; and Use of electricity in place of natural gas for equipment in the cafeteria and dormitory to reduce direct emission of exhaust gas arising from the consumption of natural gas
Yifeng	Equipment for exhaust treatment
Indonesia	Regular compliance check on exhaust gas emission from electricity generators (Note: exhaust gas tests are conducted at an interval of every 3 months. Electricity generators emit exhaust gas during power outage and preheating start-up. Maintenance is conducted by internal electricians on a month basis and by third-party contractors each year. Test results have indicated that the level of gas emission from the electricity generators has been acceptable.)



## Measures to Reduce Greenhouse Gas (GHG) Emission

The Group understands that business trips represent one of the sources contributing to the increase in energy consumption and GHG emission. To reduce GHG emission, we have cut business trips or the headcount of staff going on business trips and arranged phone or video conferences instead.

The Group was not aware of any emissions in violation of pertinent environmental laws and regulations during the reporting period. Major GHG sources and their emission volumes for the period are summarised in the following table:



Major source of GHG emission	Total annual consumption	
	2020	2019
Diesel consumption (litre)	24,594	12,432
Gasoline consumption (litre)	76,155	52,872
Natural gas consumption <sup>Note 1</sup> (cubic metre)	527,007	---
Electricity consumption (kWh)	25,592,413	18,861,467
Annual production volume (piece)	20,903,779	16,963,520
<b>Total GHG emission ( tonne CO<sub>2</sub> equivalent )</b>	<b>22,554</b>	<b>15,473</b>
<b>GHG emission Intensity ( gram CO<sub>2</sub> equivalent / piece )</b>	<b>1,078.94</b>	<b>912.13</b>

Note 1: The scope of reporting for the year includes the new Hubei manufacturing site, which uses natural gas as one of its sources of energy supply. Hence, natural gas is added as a major GHG source in the table above for the reporting year only, as no other manufacturing sites used natural gas in the previous year.

## 3.1.2 Use of Resources

The Group appreciates that the Earth's resources are limited and has adopted appropriate measures for conservation.

### Energy Conservation

Employees must assume responsibility in energy conservation and emission reduction. For example, they should take heed to switch off equipment not in use and ensure that all energy-consuming equipments are disconnected from power supply before the end of the day. Energy conservation and environmental protection are advocated among employees to foster eco-friendly practices in their day-to-day work.

Model with energy-saving features are the key criteria in the purchase of equipment and components. Upgrades to technologies and production processes are introduced in a vigorous effort to enhance production efficiency, improve the utilisation rate of materials and reduce wastage. For the factory in Vietnam, for example, a number of energy-saving production equipments, such as the automated hot stamping machine, digital-controlled sewing machine (with laser device), small-scale open-side gluing machine, electronic pattern sewing machine (with side-sliding device), fringed pocket machine, template cutting machine, automated template sewing machine and automated template sewing machine (with laser device), among others, were introduced through purchase or replacement during the reporting year, resulting in reduction of annual electricity consumption by approximately 12,600 kWh.

Our efforts in energy conservation also underpin the way in which our production processes are managed. Worn equipment components requiring higher energy consumption are repaired or replaced in a timely manner. Installation of unauthorised energy-consuming equipment by employees are prohibited. Excessive lightings are removed and energy-saving lighting is installed so far as practicable. By comparing with electricity consumption in the use of traditional lightings, our factories reduced consumption by approximately 1,024,200 kWh through the use of energy-saving lightings.

The Group assesses the utilisation rate of production and office facilities, and the possibility of excessive use. Replacement is approved only when it is deemed reasonable and necessary. Solar power and other forms of renewable energy are considered where appropriate. During the reporting period, solar power was used mainly for lighting and the domestic supply of hot water. On a consolidated basis, our factories achieved savings in urban electricity consumption of approximately 74,390 kWh for the full year.





## Water Conservation

The use of water-consuming equipment is under the supervision of dedicated personnel, who are responsible for the regular cleaning, maintenance and inspection of such equipment. Water supply facilities and parts with leaks or wear-and-tear identified during inspection are repaired or replaced in a timely manner to reduce water wastage. Some factories have replaced built-in fire-service water pipes with exposed ones so that leakage can be readily identified and repair can be carried out promptly to avoid any unwarranted waste.

The Group emphasises water-saving features in the procurement of facilities. To maximise the utilisation of water resources and reduce discharge, the Group has made improvements to its production process and upgraded its facilities and components. For some factories, water is recycled and reused, so as to reduce the consumption of fresh water.

Moreover, water-consuming equipment employed in production operates only during working hours. The system is shut down after working hours and during holidays. The water conservation measures adopted by various factories are set out in the following table:

Manufacturing site	Water conservation measures
Shantou	Increasing the frequency of water pipeline maintenance while promoting water conservation on an ongoing basis, resulting in reduction of annual water consumption by approximately 6,330 cubic metres.
Huilai	Use of recycled water for irrigation, resulting in reduction of annual water consumption by approximately 180 cubic metres.
Yifeng	1) Reuse of wastewater for toilet flushing, resulting in reduction of annual water consumption by approximately 1,080 cubic metres. 2) Installation of a water curtain system that uses recycled water, resulting in reduction of annual water consumption by approximately 200 cubic metres.
Vietnam	1) Equipment upgrades enabling the adjustment of water flow at valves and suspension of the water curtain for at least 1 hour based on temperature, resulting in reduction of annual water consumption by approximately 5,160 cubic metres. 2) Pipelines of the water curtain designed for the use of recycled water, reducing water consumption by approximately 23 cubic metres each day and approximately 6,288 cubic metres annually.
Hubei	Reuse of wastewater generated from the artificial rainwater collection pool for restroom cleaning, resulting in reduction of annual water consumption by approximately 16,341 cubic metres.
Indonesia	1) Installation of a water-curtain system at the factory for water recycling purposes. 2) Water valves of the factory are turned off by security guards each night after office hours and on holidays to avoid any undetected water leakage, while all pipelines in the factory are inspected by the general works department to identify any leakage and ensure timely repair, resulting in reduction of annual water consumption by approximately 38,215 cubic metres, year-on-year.

In addition to equipment upgrades and regular maintenance, the Group has also vigorously promoting water conservation by displaying posters and banners with relevant messages to enhance the environmental awareness of its employees.

## Resource Conservation

Paper and raw materials for production are also among the major types of resources consumed by our factories. In order keep paper printing to a minimum, recycled single-sided paper is used and communication via e-mail and electronic files is encouraged. Elsewhere, our manufacturing sites are committed to the recycling of resources dumped in the process of production. Recycling measures adopted and results achieved by selected factories are described as follows:

Manufacturing site	Waste recycling measures
Huilai	Reuse of paper cartons for packaging two-piece set garments amounting to annual recycling of approximately 670 kilograms.
Yifeng	Reuse of scrap paper cartons for courier packaging, reducing annual consumption of paper resources by approximately 690 kilograms.
Indonesia	1) Extraction of metallic and wooden materials from waste for the making of a trolley and 16 tables for the internal use of the factory, reducing consumption of metallic materials by approximately 232 kilograms. 2) Recycling of paper cartons, paper tubes and acrylic boards for reuse by suppliers, reducing annual consumption by approximately 31,570 kilograms.
Vietnam	1) Recycled use of materials such as paper tubes and fabric bags. 2) Recycling of paper cartons and acrylic boards for reuse by suppliers reducing annual consumption of paper tubes by approximately 635 kilograms and acrylic boards by 8,946 kilograms.
Hubei	1) Recycling of scrap cartons for reuse as cushion on trucks during delivery or courier packaging. 2) Computerised office operation has been implemented to enhance efficiency and the paperless office with the aid of proprietary software systems such as DNERP (enterprise resource planning system), DNHR (human resource system), DNPMS (production management system) and DNPPS (production planning system), for which software copyright registration has been completed with relevant national authorities.





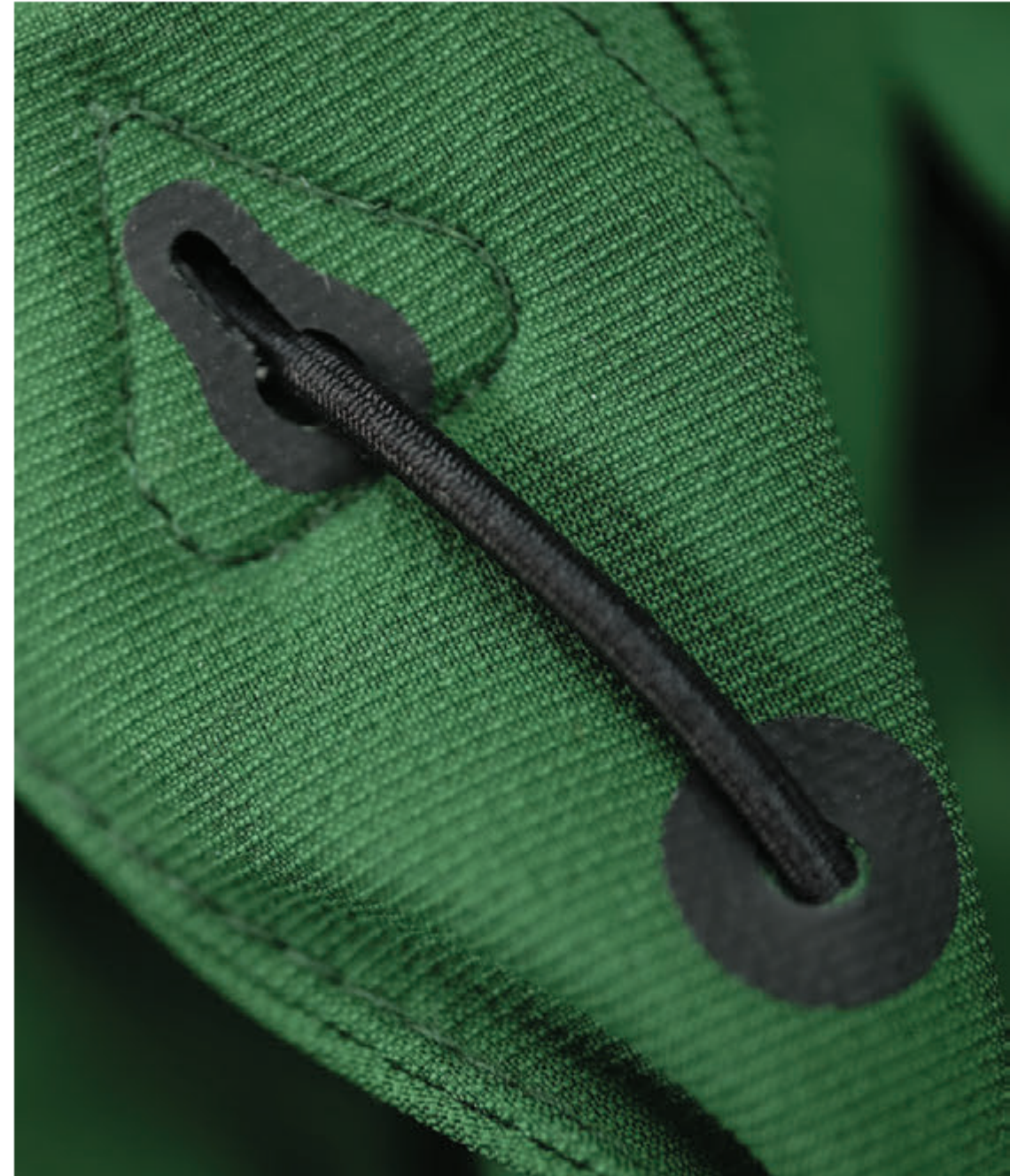
Following the implementation of conservation measures described above, the major resources consumed by the Group during the reporting period are summarised as follows:

Resources	Total Annual Consumption	
	2020	2019
Electricity (kWh)	25,592,413	18,861,467
Water (cubic metre)	442,918	420,063
Natural gas <sup>Note 2</sup> (cubic metre)	527,007	---
Packaging materials ( paper ) (tonne)	1,622	1,244
Packaging materials ( plastic ) (tonne)	336	192
<b>Annual production (piece)</b>	<b>20,903,779</b>	<b>16,963,520</b>

Resources	Intensity of consumption per unit of production	
	2020	2019
Electricity (kWh/piece)	1.22	1.11
Water (litre/piece)	21.19	24.76
Natural gas <sup>Note 2</sup> (litre/piece)	25.21	---
Packaging materials ( paper ) (gram/piece)	77.59	73.33
Packaging materials ( plastic ) (gram/piece)	16.07	11.32

Consumption of various major resources during the reporting year generally increased as compared with the previous year. In particular, there was a notable increase in the consumption of plastic packaging materials, with the intensity of the consumption of plastic packaging materials per unit of production growing by 42%, which was attributable to the change in product styles for the year.

Note 2: The scope of reporting for the year includes the new Hubei manufacturing site, which uses natural gas as one of its sources of energy supply. Hence, natural gas is added as one of the major GHG sources in the table above for the reporting year only, as no other manufacturing sites used natural gas in the previous year.





### 3.1.3 The Environment and Natural Resources

To address the environmental concerns of the community and its customers, the Group has adopted green ideas in the course of its procurement and production.

#### Green procurement

Except for production materials and equipment designated by customers, the Group typically procures materials with green certification or materials which are otherwise natural or non-hazardous. Eco-friendly equipment is used wherever appropriate. In our factories, for example, priority is given to the use of energy-efficient machinery, air conditioners using eco-friendly refrigerants, energy-efficient equipment (such as LED lighting) and consumables made from eco-friendly materials (such as plastic bags). The Group aims to support environmental conservation through the general practice of green procurement.

#### Green production

Other than wastewater generated by the printing process, wastewater discharged from the Group's factories mainly consists of domestic wastewater. Wastewater from the printing process is recycled. Solid wastes generated from production are isolated for collection and steps are taken to confirm whether such waste can be recycled. Elsewhere, the use of electronic files in lieu of printed ones for an increasing range of documents has also contributed to the conservation of resources.

Internal environmental assessments will be conducted at the Group's factories when capacity expansion or the installation of equipment is required by the production operations. The Group also conducts external environment assessments on a regular basis in accordance with applicable laws, covering items such as boundary noise level and the discharge of wastewater, exhaust gas, dust and specified pollutants. These tests are useful for monitoring the environmental impact of our operations, enabling us to implement necessary improvement measures in a timely manner.

### Environmental training

Staff training sessions and activities relating to environmental protection are organised by our factories to raise their environmental awareness. Induction training conducted during the reporting year covered areas such as EHS (environmental, health and safety) training, waste management, waste sorting, energy conservation and water conservation. A total of 9,884 participants from various regions completed an aggregate of 315 hours of training during the reporting year.







## 3.2 Social Aspects and Governance

### 3.2.1 Employment

On top of compliance with applicable employment laws, the Group has also established policies to ensure that each employee is treated on an equal basis and that his/her choices and rights are duly respected.

#### Recruitment and Promotion

The Group does not require a job applicant to disclose personal information irrelevant to the job position or not legally required, such as his/her religious belief, in the course of recruitment. The Group assures that no discrimination is held against any applicant because of his or her gender, ethnic origin, race, background, religious belief, marital status, sexual orientation, nationality or political views, among others, when a decision to hire an employee is made.

All employees are treated on an equal basis. Matters concerning appointment, wages, benefits, rewards, promotion and termination are considered solely on the basis of the employee's educational background, professional qualifications and competence. Male and female employees are treated equally.

#### Remuneration and Benefits

The Group ensures that an employee would be entitled to reasonable remuneration commensurate with his or her competence and be subject to the regime of wages and benefits in a manner irrespective of his or her gender.

In accordance with local employment regulations, the Group pays to each employee a salary not less than the minimum wage prescribed under applicable local laws. Overtime wages are calculated and paid and paid holidays, such as statutory festive holidays, annual leaves and work-related injury leaves, are granted in accordance with relevant regulations. The Group also provides employees with appropriate insurance coverage, such as social insurance and labour insurance, in accordance with local regulations.

Our care for employees is also highlighted by extra benefits beyond statutory requirements. Different types of benefits are designated to employees according to their needs. These include additional paid leaves, employee insurance, incentive bonus (e.g. attendance bonus), free accommodation, free lunch on work days, free shuttle bus, training allowance, and other relevant non-statutory holidays. In Vietnam, for example, a 24-hour accident insurance was introduced during the reporting year as a new employee benefit in addition to the legally required insurance coverage to offer more comprehensive protection for employees.

The Group's effort in caring for employees has been recognised and commended by relevant organisations and authorities. Our Yifeng Factory has been awarded the title "Exemplary Employees' Home in Yifeng" by "Yifeng Federation of Trade Unions", while our Shantou Factory has received commendations for outstanding foreign employees and the title of Advanced Enterprise at the invitation of the local human resources and social security bureau. These honours and accolades have underlined external stakeholders' recognition of the Group's excellent performance as an employer.

During the reporting period, the Group was not aware of or brought to the attention of any incidents of non-compliance or cases of complaint regarding discrimination or recruitment.

The increase in the Group's staff headcount for the year as compared to the previous year was primarily attributable to the addition of the Hubei Factory to the scope of reporting. Excluding the Hubei Factory, there was a year-on-year decrease of approximately 5.7% in the total number of employees in the remaining regions.

The Group's staff headcount and breakdown by various categories as at 31 March, 2020 is summarised as below:

	Headcount of Employees	
	2020	2019
<b>Gender</b>		
Male	2,632	2,091
Female	10,423	9,439
<b>Employment Type</b>		
Full Time	13,055	11,530
Part Time	0	0
<b>Age group</b>		
18 - 30	3,887	4,219
31 - 45	7,206	5,872
46 - 60	1,953	1,432
> 60	9	7
<b>Geographical region</b>		
Hong Kong	60	60
Mainland China	7,715	6,103
Indonesia	2,830	2,787
Vietnam	2,450	2,580
<b>Total</b>	<b>13,055</b>	<b>11,530</b>

Our overall employee turnover rate for the year, analysed by gender and by age group, was approximately 19% higher than that of the previous year, as summarised in the table below. Excluding the new Hubei Factory, employee turnover rate was approximately 10% lower than the average rate of the same regions for the previous year.

	Average Monthly Employee Turnover Rate (%)	
	2020	2019
<b>Gender</b>		
Male	2.99	2.39
Female	2.17	1.89
<b>Age group</b>		
18 - 30	4.09	3.44
31 - 45	1.95	1.38
46 - 60	1.65	1.53
> 60	1.19	0.00
<b>Geographical region</b>		
Hong Kong	0.55	0.14
Mainland China	3.47	3.26
Indonesia	0.50	0.40
Vietnam	1.72	1.69
<b>Overall average</b>	<b>2.38</b>	<b>2.00</b>



### 3.2.2 Health and Safety

The Group has established a health and safety system to supervise and effectively avoid accidents from happening and occupational diseases from occurring. The system covers management in various aspects, such as: fire equipment and fire drills, maintenance and repair of electrical machinery, management of hazardous materials and waste, safety education, use of protective equipment and contingency plan management. This year, training sessions organised across the regions covered epidemic prevention measures and work safety under the epidemic in a timely response to the impact of COVID-19, in addition to regular topics such as environmental, health and safety awareness, safe operation of production equipment, use of personal protective gears, first aid, fire safety, electrical safety in workshop and safe handling of hazardous wastes and chemicals. During the reporting period, a total of 42,694 participants enrolled in approximately 530 hours of training. The participation rate is about 140% higher compared to the previous year.



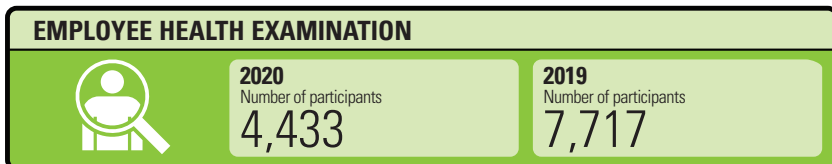
#### OHS Management at Workplace

The Group regularly conducts full-scale risk assessments for factory operations, on the basis of which improvement plans are proposed and goals for health and safety supervision are determined.

Efforts have been made to ensure compliance of our waste storage sites with relevant health and safety requirements. Incompatible wastes are stored separately. The sites are equipped with essential fire-fighting facilities complemented by the proper display of warning signs.

Directions for use of personal protective equipment (PPE) have been formulated. Employees have been provided with individual PPE at the cost of the Company and duly instructed as to the proper use of such equipment, so as to minimise the chance of their health being affected. Such protective equipment includes: dust masks (in the cutting area), metal gloves (for cutting operations), finger guards (installed in special sewing machines), goggles (protection against splashes during operation) and ear plugs (in high noise areas, such as the embroidery workshop). Some manufacturing sites also provide protective belts for workers moving heavy objects to offer protection against waist or back injuries.

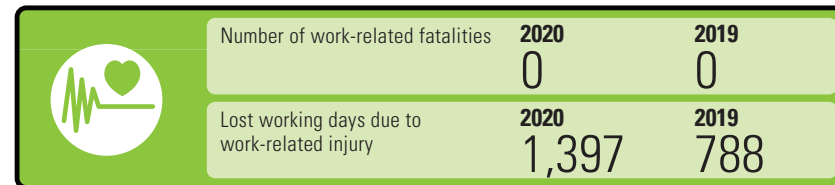
To identify any risk of employees working in potentially hazardous positions contracting occupational illness, the Group has arranged health examinations for them. Positions presenting potential hazards refer mainly to those requiring work under high noise levels, in dusty environments, or with exposure to chemicals or other hazardous substances (for example: laser). These positions are typically found in production departments involved in velvet filling, cutting, embroidering and printing, among others. A total of 4,433 employees underwent health examination during the reporting year and no cases of occupational illness were identified.



Other than health examination, a range of healthcare activities have also been arranged for staff at different factories. For examples, Huilai Factory organised a "Family Doctor Day" in collaboration with Huahu Health Centre, where 140 employees received free health examination. In Indonesia Factory, face masks have been provided to every employee to protect them against the epidemic. In addition, some factories conduct assessment of the noise levels at workplaces as necessary and provide PPE to the affected staff where the noise level exceeds designated limits.

The Group regularly inspects or seeks reliable sources of water supply to ensure that all drinking water supplied in the factories is compliant with relevant hygiene standards. We also ensure regular cleaning, maintenance and inspection of all water-related equipment.

The Group was not aware of any violation of the local OHS laws and regulations or any work-related fatality of staff during the reporting period. Statistics on the Group's lost working days due to work injuries of employees are set out as follows:



Excluding the new Hubei Factory, 967 working days were lost due to work-related injuries in the remaining regions for the reporting year, representing an increase by approximately 23% over the previous year.

#### Staff Communication / Management of Psychological Well-being

In addition to the aforesaid safety management measures, recreational and sports facilities have been built and leisure activities, such as festive celebrations, sporting tournaments and outward bound activities, have been organised by the factories for employees for the benefit of their psychological wellness. During the year, 26 recreational activities available to all employees were organised across the Group's factories for the enrichment of employees' leisure life.

Moreover, our Hong Kong headquarters participated in the "Happiness-at-Work" Promotional Scheme jointly organised by the "Promoting Happiness Index Foundation" and the "Hong Kong Productivity Council", with a view to fostering a pleasant workplace and raising the level of employees' happiness at work.

The Group cares about its staff and how they are doing in daily life. In this respect, we have established a channel for communication through which employees could seek advice on issues encountered at work and in everyday life. Employees may talk about their problems or request counselling via phone calls or in writing to voice their discontent regarding work allocation, management measures and reward system, among others, as well as any psychological distress resulting therefrom. Some factories have even launched employee visit initiatives. In Hubei Factory, for example, the factory management, including the workshop manager and members of the human resources department led by the executive deputy general manager, would pay visits to employees at their homes to have a better understanding of their work and life and to show the care of the Company.



### 3.2.3 Development and Training

The Group has established procedures for the development of staff training programmes, as well as measures for supervising the implementation of such programmes and assessing staff competence and the effectiveness of training.

The Group organises relevant training courses for various job positions, such as:

- for management personnel: laws and regulations on quality and management theories and methodologies;
- for technical personnel: technical knowledge and operational procedures;
- for QC personnel, quality control techniques and testing and inspection methods.

Induction training for new employees is arranged in a flexible manner depending on the ability and level of experience of the new recruits, who will undergo evaluation upon conclusion of the probation period. If it is determined that a new recruit does not meet the required level of competence, additional training or a job transfer would be arranged to ensure that his / her abilities fit in with requirements for the position.

Training may take the form of one or more of the following: internal training sessions, mentoring by veteran staff, external training, and internal training delivered by externally engaged experts. Candidates for specialised positions (such as electricians, pattern makers and QC staff) must have obtained relevant certifications or passed relevant professional assessments before they are officially appointed.

The Group develops annual training plans based on training requirements identified through the evaluation of training conducted during the past year and the appraisal results of such training, as well as operational changes anticipated for the ensuing year (such as the introduction of technological changes and new equipment and new quality requirements from customers), aiming to facilitate career advancement for the employees and drive sustainable business development for the Group.

Enrolment in the Group's staff training totalled 78,487 for the reporting period. Total enrolment in staff training for the full year, analysed by gender and age groups, is summarised in the table below. Overall enrolment increased by approximately 166%, year-on-year, while the average number of employees under training each month as a percentage of the total staff headcount was approximately 94% higher compared to the previous year.

Gender	Total enrolment in staff training	
	2020	2019
Male	12,782	5,297
Female	65,705	24,204
<b>Employee Category</b>		
Senior Management	533	211
Middle Management	4,909	2,129
Junior Employees	73,045	27,161
<b>Total</b>	<b>78,487</b>	<b>29,501</b>

Gender	Average monthly proportion of employees trained (%)	
	2020	2019
Male	43.75	24.85
Female	41.24	20.40
<b>Employee Category</b>		
Senior Management	33.98	13.81
Middle Management	51.68	35.15
Junior Employees	40.85	20.46
<b>Overall average</b>	<b>41.58</b>	<b>21.39</b>

Our employees in aggregate spent a total of 143,027 hours in training during the reporting period, representing a year-on-year increase of approximately 177%. In general, the average number of training hours each month per employee increased by approximately 152% as compared to the previous year, indicating the magnitude of training resources committed by the Group and its determination to enhance staff competence.

Gender	Total hours of employee training (hour)	
	2020	2019
Male	40,055	7,904
Female	102,972	43,653
<b>Employee Category</b>		
Senior Management	538	241
Middle Management	5,639	2,644
Junior Employees	136,850	48,672
<b>Total hours</b>	<b>143,027</b>	<b>51,557</b>

Gender	Monthly average of training hours per employee	
	2020	2019
Male	0.93	0.34
Female	0.73	0.31
<b>Employee Category</b>		
Senior Management	0.35	0.23
Middle Management	0.66	0.37
Junior Employees	0.78	0.29
<b>Overall average</b>	<b>0.78</b>	<b>0.31</b>



### 3.2.4 Labour Standards

The Group does not hire child labour aged below the relevant legal threshold. The furnishing of documentation proving the age of a job applicant is a mandatory requirement and the Group will verify such documentation in the course of recruitment.

The Group prohibits the use of forced labour in any form (including prison labour, indentured labour and bonded labour). Under no circumstances will the Group withhold the original copy of an employee's identity card, or require an employee to pay deposits or deduct an employee's wages against employment related costs and expenses, such as work visa, medical examination, work permit, and fees charged by agents / recruitment agencies.

Employees may be engaged in overtime work if they so wish. Any overtime work beyond the normal working hours shall be requested by the employees on a voluntary basis subject to the daily overtime limits imposed by local regulations. In the event of any violations, the Group would conduct investigation immediately. Moreover, the Group ensures that employees have the right to move free within the work premises during working hours and to leave the premises during meal breaks and after work.

The Group was not aware of any employment of child labour or any violation of laws against forced labour during the reporting period.

### 3.2.5 Supply-chain Management

The Group has formulated a code of conduct for suppliers, which sets out its requirements for their service performance in services and the safety and quality standards of their products for their compliance.

The geographical distribution of the Group's suppliers as of 31 March 2020 is set out as follows:

Geographical location	Number of Suppliers	
	2020	2019
China	168	58
Hong Kong	68	63
Taiwan	45	58
Indonesia	7	39
Korea	10	9
Japan	6	10
Thailand	9	15
United States	8	6
Vietnam	43	30
Malaysia	3	2
France	1	1
Germany	1	1
Spain	1	1
Italy	4	0
Sri Lanka	1	0
<b>Total</b>	<b>375</b>	<b>293</b>

The Group monitors its existing suppliers on an ongoing basis in terms of their product quality, timeliness of delivery, ability to deal with issues, responsiveness to feedback and service quality, among others. The Group assesses the performance of suppliers, other than those designated by customers, generally by way of product sample, review of quality inspection records, and other methods deemed suitable for gauging their compliance.



This year, we have engaged 82 new suppliers, the majority of which have been nominated by our customers, while the remaining ones have otherwise passed our evaluation. For existing suppliers who are crucial to our business, we have also conducted annual evaluation to ensure their ongoing compliance with designated requirements. The Group has worked out coordinated procedures with the new suppliers and monitored relevant raw materials and semi-finished products in accordance with the quality and technical requirements of customers.

Where necessary, the Group would discuss with customers the performances of suppliers and adjust the criteria for the selection and supervision of suppliers.



### 3.2.6 Product Responsibility

Through the employment of state-of-the-art technologies and effective quality control techniques, the Group ensures that every product manufactured fulfills the functional requirements of its customers and relevant product safety / quality standards, such as: AATCC158, AATCC135, AATCC179, AATCC8, and ISO1308. We ensure that finished products are kept in a securely guarded location to prevent theft or smuggling.

Furthermore, the Group is committed to obtaining accreditations relevant to its products and related processes for recognition of its practices and status of compliance. Examples of our accreditations include the title of "AEO Advanced Certified Enterprise" awarded to Yifeng Factory by Nanchang Customs of the People's Republic of China and Grade A Certification, the highest level of enterprise certification issued by the local customs, attained by our factory in Indonesia. In February 2020, we received an award from the Indonesian Customs citing our Company as an exemplary operator of the region having complied with all customs requirements, following the recognition of our outstanding ERPI system by the customs authorities.



A comprehensive mechanism for handling complaints has been established. Upon receipt of a customer's complaint or request to return defective products, the case would be passed on to the department in-charge for investigation and analysis. Upon verification of facts, rectifications would be devised and implemented within a stipulated time frame. Customer would be notified of the relevant outcomes and solutions.

The Group was not aware of any violation of product liability laws or customer complaints during the reporting period. No cases of product recall necessitated by safety or health reasons have been identified out of the total number of products sold.

### Quality Control for Raw Materials

Inspections of raw materials are carried out based on approved samples and in accordance with the sampling standards of customers. Only materials endorsed by third-party accreditation will be purchased. Raw materials with metal contents will undergo testing for verification of such contents. Raw materials meeting required standards would be dispatched for use in production, while non-conforming materials would be processed and handled according to designated procedures.

### Quality Control for Semi-finished Products

All semi-finished products are subject to quality control procedures and all cut pieces are required to undergo 100% inspection. Non-conforming cut pieces are forthwith replaced with colour-matched pieces. All outsourced semi-finished products are subject to 100% inspection and needle detection. Sub-contractors producing sub-standard output will be required to improve their quality.

### Quality Control for Finished Products

Prototype samples are being developed for all products prior to mass production. A meeting would be held for all production lines prior to commercial production to confirm the manufacturing requirements. The first prototype sample of a product should be approved by both the quality manager and the production manager before production in quantities. Every finished product from the commercial production process is subject to inspection by quality control personnel and remedies are promptly made in case of any defects. After rectification, the products would be inspected by the quality control personnel again. Data of non-conforming products are analysed and improvements to product quality are consistently made through the use of reliable quality control instruments.

Upon completion of the manufacturing process, finished products are being sent to testing agencies or customer-approved internal laboratories for verification of their safety and quality. After thorough inspection, finished products are packed and stored in the warehouse. Prior to shipment, products are inspected in accordance with the sampling standards specified by customers. Products would only be dispatched for delivery after their quality has been confirmed by test results.





## Monitoring Product Safety

To prevent the leftover of any residual sharp metallic elements in the products, a metal control area where the use of unauthorised metal tools are prohibited has been set up for each of the major production processes. Metal tools are registered and kept under lock. The use of such tools in daily operations is managed by designated personnel. The replacement of broken needles are recorded, while products stored in warehouse go through metal detection tests before packaging.

## Protection of Intellectual Property Rights

We ensure that customer information would only be internally circulated within the Group. The disclosure of customers' design information and product specifications to external parties by our staff is strictly prohibited. The following measures have been adopted to prevent the leak of customer information.

Restrictions have been set for e-mail accounts to allow correspondence with designated customers and suppliers only. Access is granted, to the extent appropriate, to personnel of specialised departments on an as-needed basis. The downloading of information from the Company's computers to devices such as USB drives, mobile phones or laptops are prohibited, as data transmission between computers and USB drives and external e-mail correspondence are under stringent control. Devices not registered with the Group are not allowed to be connected to the internal network.

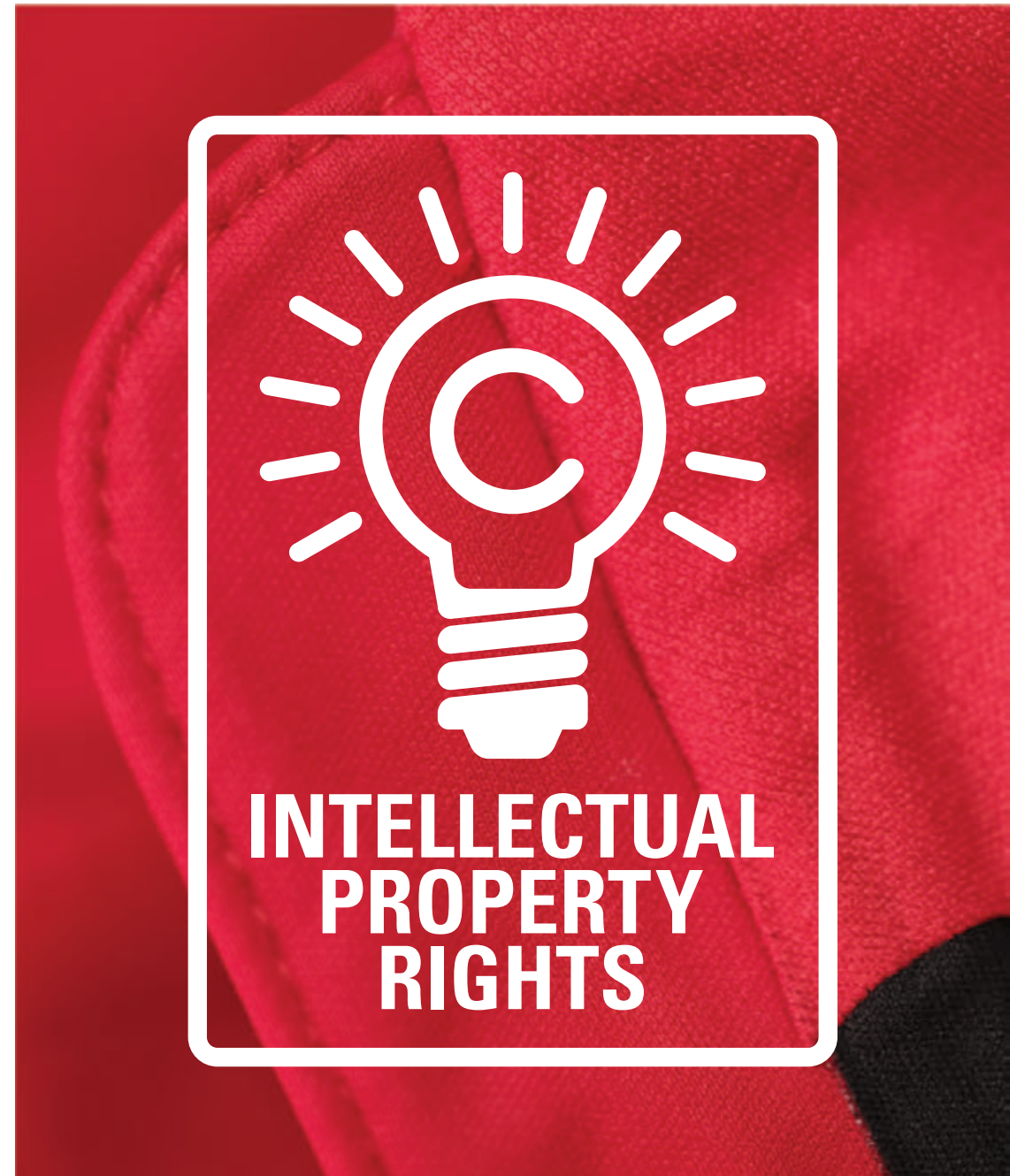
An authorisation mechanism has been established to ensure the viewing of relevant information by authorised personnel only. Access to customers' drawings is centrally authorised and managed by the Information Technology Department. Information of customers' products is centrally managed through the ERP system and accessible only by authorised personnel. The design information, confirmed fabric and samples of all customers are received by dedicated personnel of the Group, who will encrypt such information upon receipt.

Confidentiality agreements binding both the Group and its employees are in place. Training on information security is provided to personnel allocated such as instructions on computer logins and change of login passwords, permission to access shared directories and related precautions, document management, and rules for the sending and receipt of emails, among others. Unauthorised employees and visitors are not allowed to take photographs of the products while any relevant photographs taken must not be distributed to unauthorised personnel.

The Group respects the intellectual property rights of third parties and ensures that all business management software are legally in use and properly licensed.

## Protection of Consumers' Information and Privacy

We do not have a policy on consumer privacy, as such policy is not warranted given that our products are not delivered to end consumers directly.

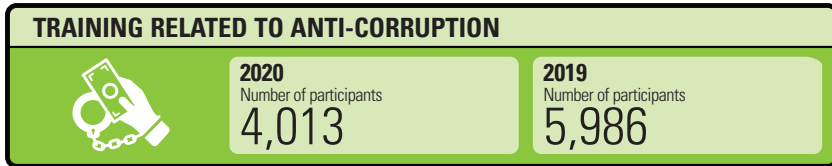




### 3.2.7 Anti-corruption

The Group has established an anti-corruption management system to regulate the conduct of all employees. They are prohibited from taking advantage of their positions to receive gifts or bribes or any payment in kind; embezzling properties or funds; soliciting gifts from suppliers; or taking advantage of the procurement process to seek personal gains. No gifts shall be accepted unless they have been authorised in accordance with the Group's policy and guidelines.

Upon recruitment, employees are requested to make a pledge to act with integrity and uphold ethical principles and reject corruption and bribery. The Group conducts education programmes to raise employees' awareness of anti-corruption. During the reporting period, the Group's factories organised a range of training sessions to facilitate employees' understanding of the company's anti-corruption policies and the importance of employee integrity through induction training, deliberations on the employee's code of conduct against the acceptance of improper benefits, and briefing on the whistle-blowing procedures. Throughout the reporting year, a total of 4,013 employees received anti-corruption related training for an aggregate of 303 hours.



Employees involved in the procurement process should avoid any conflict of interests that may compromise the fairness of their decisions. In particular, they are prohibited from taking advantage of their positions to narrow down the choices of suppliers and contractors. The selection process must resort to proper procedures, such as price comparisons and open tenders.

For items not designated by customers, procurement is generally conducted by comparing three suppliers against the evaluation criteria on product quality, price and other requirements of the Group.

The Group has determined different levels of examining and approving authority for the approval of service contracts based on the monetary amount involved.

The Group also assesses its corporate governance and corruption risks, as well as non-financial internal controls and risk management, on a regular basis.

To safeguard shareholders' interests, an independent third party has been engaged to audit the Group's financial accounts to ensure that the accounts are subject to accurate and adequate financial supervision.

### Whistle-blowing

The Group has established an internal communication mechanism to receive employees' opinions through e-mail, telephone, suggestion box and WeChat, among others. A complaint / reporting channel has also been set up. An employee who becomes aware of any suspicious matters relating to business ethics, corruption or bribery may lodge the case with management through e-mail, telephone hotline or the corporate WeChat account. The management team would investigate the case and rectify as appropriate if deficiency is identified.

During the reporting period, the Group was not aware of any cases of non-compliance or complaints relating to corruption.





### 3.2.8 Contribution to the Community

Social responsibility is an essential element in the Group's business philosophy. Over the years, the Group has been engaged in fruitful partnerships with various stakeholders to support initiatives for the benefit of the community and its members in need. Community activities which we have made contributions include poverty alleviation, compassionate visits, education sponsorships, and health-related projects. Concerned with the communal impact of the outbreak of COVID-19 in early 2020, we donated RMB226,000 to "Jingmen Duodao Red Cross" in support of anti-epidemic operations. In late March 2020, the Group was honoured by an appreciation letter from "Jingmen People's Government" in recognition of the Group's contribution towards the national effort in epidemic prevention.



In May 2019, the Hubei Factory donated RMB10,000 to "Jingmen Hi-tech School" to sponsor local education in support of the call of "Jingmen Duodao Charity". Outside Mainland China, the Vietnam Factory has made monetary donations as well as provided volunteer manpower in support of community initiatives relating to education, poverty alleviation, environment cleaning, charity, festive celebrations and cultural events.

In addition to donations, the Group also leverages its unique strengths to create employment opportunities for local residents. In May 2019, our Indonesian Company received an award from the Labour Authority of Banten Province, Indonesia in appreciation of our employment of 60 residents who were earthquake and tsunami victims and assisted the local Labour Department by providing these residents with a 3-month training session on sewing skills to facilitate their return to employment. Furthermore, Bina Bangsa University, Indonesia also presented an award to the Indonesian Factory to show appreciation for the Group's assistance in the research for identifying appropriate skills that its graduates should acquire to facilitate in job application and employment.



Award received from the Labour Authority of Banten Province, Indonesia



Award received from Bina Bangsa University, Indonesia

Depending on the needs of different regions, the Group gives back to the society and supports people in need by way of cash donation, donation in-kind and volunteer service. The table below summarises selected community events in which the Group's factories have participated during the reporting period.



Support for female committee members of Trade Union – Shantou



Compassionate visits to community residents – Yifeng



2020 voluntary blood donation event ("Pink Birthday") – Vietnam

Region	Event	Organiser	Details	Cash donation	Donation in-kind	Staff participation
Shantou	Recycling of old clothes for charity	Shantou General Association of Charity	Donation of 15,000 pieces of old clothes to be recycled and made into eco-friendly products for sale, the proceeds of which will be donated to "Shantou General Association of Charity" to finance the latter's poverty aid initiatives		✓	
Shantou	Education and promotion on prevention of Dengue Fever	Longhu Federation of Trade Unions, and Longhu Xinjin Street Neighbourhood Committee	1. Briefing on Dengue Fever 2. Distribution of protective resources to about 150 residents on Xinjin Street		✓	✓
Shantou	Support for female committee members of Trade Union	Longhu Federation of Trade Unions	Planning for tasks of female members of trade unions in the district and promotion of the development of the "Loving Moms' Cabin"			✓
Huilai	Voluntary blood donation	Huahu Government, Jieyang Blood Donation Office	Provision of manpower to assist in the organisation of the voluntary blood donation event, including logistics and marshalling			✓
Yifeng	Compassionate visits to community residents	Eagle Nice (Yifeng)	Compassionate visits to senior citizens living in the district	✓	✓	✓
Hubei	Donations to anti-epidemic initiatives	Jingmen Duodao Red Cross	Cash donation of RMB 226,000 to support anti-epidemic measures in the wake of COVID-19	✓		
Hubei	Educational sponsorship	Jingmen Duodao Charity	Donation of RMB10,000 to "Jingmen Hi-tech School"	✓		
Indonesia	Training in sewing skills for local residents	Labour Authority of Banten Province, Indonesia	Arranging staff to provide a 3-month sewing skill training session to 60 local residents who were earthquake and tsunami victims, so that they could get employment opportunities			✓
Indonesia	Eid al-Adha Ceremony	Eagle Nice (Indonesia)	Donation of resources (e.g. sheep and beverage) to the local village chief to support community festive activities		✓	
Indonesia	Fasting Day	Eagle Nice (Indonesia)	Inviting regional government leaders, village chiefs, members of the local police and army garrisons to dine at the company to show respect for Muslims during their festival		✓	✓
Indonesia	"Indonesian Independence Day" Celebrations	Kibin Community, Gorda village	Provision of manpower to support "Independence Day" celebrations, such as organizing contests and providing entertainment through stage performances such as singing and music playing			✓
Vietnam	"Charity Ticket" sponsorship	Ho Chi Minh City Group	1. Company donation of VND105,132,000 to purchase 139 transport tickets for workers to return home for the festival 2. Provision of manpower to support event planning, logistics and marshalling	✓		✓
Vietnam	Mid-Autumn Festival celebrations	Pro Kingtex Trade Union and Teenager Group	Donation of VND9,450,000 and arranging staff visit to underprivileged children in the nearby community to share the joy of Mid-Autumn Festival	✓	✓	✓
Vietnam	Ditching of "THAM LUONG" Drainage	Ho Chi Minh Technological Infrastructure Management Centre, Ho Chi Minh Drainage and Urban Environmental Office	Provision of manpower to clean up the rubbish and sludge in the river and by the riverside			✓
Vietnam	2020 voluntary blood donation event ("Pink Birthday")	Quan Binh Tan Red Cross	Sending staff to participate in blood donation			✓