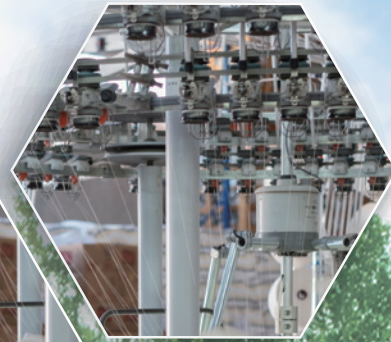




PACIFIC TEXTILES HOLDINGS LIMITED 互太紡織控股有限公司

(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 : 01382)



ENVIRONMENTAL, SOCIAL AND
GOVERNANCE REPORT

2018/19



SUMMARY AND SCOPE

Pursuant to the Environmental, Social and Governance (“ESG”) Reporting Guide (the “Guide”) as set out in Appendix 27 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”), Pacific Textiles Holdings Limited and its subsidiaries (the “Group” or “Pacific Textiles”) have prepared this Environmental, Social and Governance Report (the “Report”), to report on issues related to the business, operation and key environmental and social impacts of the Group. In accordance with the reporting principles of the Guide, the Group has assessed important environmental, social and governance issues in relation to its business, operation and stakeholders, in order to determine the scope and contents of the disclosures in the Report. In addition, we maintain an open dialogue with our stakeholders (including the management, employees, customers, suppliers and investors) to receive their comments and understand their expectation on what ESG issues matter the most via meetings, interviews and discussions. According to the results of the assessments and communications, the Report discloses the issues with key environmental, social and governance impacts of the Group’s two factories, a factory under Pacific (Panyu) Textiles Limited located in Nansha of Guangzhou City, the PRC (“Panyu Plant”) and a factory located in Hai Duong Province, Vietnam (“Vietnam Plant”), respectively. The key aspects disclosed in the Report include: emissions, use of resources, the environment and natural resources, employment, health and safety, development and training, labour standards, supply chain management, product responsibility, anti-corruption and community investment. Unless otherwise specified, the reporting period of the Report is from 1 April 2018 to 31 March 2019 (the “Reporting Period”).

VISION

“To make the world a more comfortable and better place through our products” – Pacific Textiles is a creative and sizeable knitted fabric manufacturer and distributor whose business scope covers integrated services of knitting, dyeing, printing and finishing.

MISSION

“In global textile community, we strive for:

- Quality products and services;
- Equitable opportunities and mutual respect;
- High returns to the investors;
- Excellent environmental protection;

through the faith of social responsibility and innovation.” – Pacific Textiles considers green manufacturing and environmental protection not only as the responsibility of a responsible corporate citizen, but also as the basis of long-term sustainability for any company. Pacific Textiles has been actively taking steps to ensure that by-products generated in the manufacturing process are disposed of properly with minimal effects on the environment and trying its best to achieve harmonious development of the company, natural environment and all stakeholders.

AWARDS AND HONOURS

During the Reporting Period and as at the date of this Report, the Group has made outstanding achievement in environment protection and received awards and honours from a number of organizations and government departments, including:

- 2017 Outstanding Model Project in Environmental Protection, awarded by Guangdong Environment Protection Industry Association in May 2018[#].
- 2017 Leading Energy Efficient Enterprise, honoured by The Economic & Information Commission of Guangdong Province in June 2018[#].
- One of the Top 10 Best Energy Saving Technologies and Best Practices Case selected by National Development and Reform Commission ("NDRC") and be further nominated by NDRC as a representative of China for an international award organized by IPEEC[#].
- 2018 Energy Management Insight Award granted by Clean Energy Ministerial ("CEM") in May 2018. This global award programme was organised by the Energy Management Working Group ("EMWG"), a joint venture of the Clean Energy Ministerial and the International Partnership for Energy Efficiency Cooperation ("IPEEC").
- 2018 Textile Industry Informatization Achievement Award (Problem Solution Award) – First Class Award granted by China National Textile & Apparel Council ("CNTAC") in September 2018[#].
- 2018 Textile Industry Informatization Achievement Award (Innovative Application Award) – Second Class Award granted by China National Textile & Apparel Council ("CNTAC") in September 2018[#].
- The technology of "Online Monitoring and Optimized Operation of Dyeing and Printing Wastewater Treatment" was included in the 12th batch of recommended catalogues of advanced technologies in energy saving and emission reduction in China's dyeing and printing industry in June 2018[#].
- Honoured as "Guangzhou Green Factory" by Industry & Information Technology Commission of Guangzhou Municipality in October 2018[#].
- Graded as an Environmental Integrity Enterprise (Green Card) by Department of Ecology and Environment of Guangdong Province in October 2018[#].
- Honoured as "National Green Factory" by the Ministry of Industry and Information Technology of PRC in October 2018[#].
- Selected as one of the Top 10 Energy-Saving Enterprises 2018 by Guangzhou Energy Conservation Association in January 2019[#].
- Bank of China (Hong Kong) Corporate Environmental Leadership Awards – EcoChallenger, granted by the Federation of Hong Kong Industries and Bank of China (Hong Kong) in May 2019.

[#] The English translation is for reference only. In case of any inconsistency between the Chinese and English contents, the Chinese version shall prevail.



Award/Certificate

Outstanding Model Project
in Environmental Protection

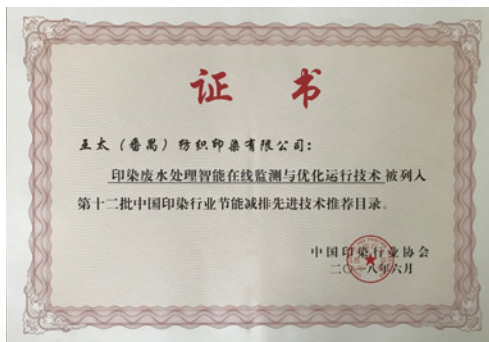
Issued by
Guangdong Environment
Protection Industry Association



Award/Certificate

2018 Textile Industry Informatization Achievement Award (Problem Solution Award) – First Class Award

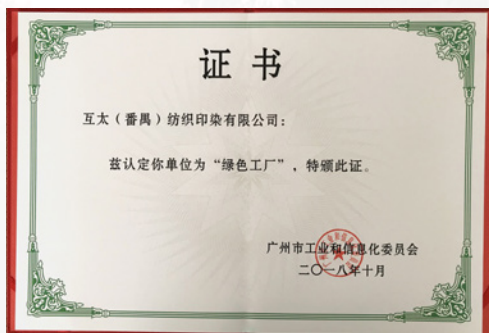
Issued by
China National Textile and Apparel Council



Award/Certificate

the 12th Batch of Recommended Catalogues of Advanced Technologies in Energy Saving and Emission Reduction

Issued by
China Dyeing and Printing Association



Award/Certificate

Guangzhou Green Factory

Issued by
Industry and Information Technology Commission of Guangzhou Municipality



Award/Certificate

National Green Factory

Issued by
Ministry of Industry and Information
Technology of PRC



Award/Certificate

Top 10 Energy-Saving Enterprises 2018

Issued by
Guangzhou Energy Conservation Association



Award/Certificate

Bank of China (Hong Kong) Corporate Environmental
Leadership Awards – EcoChallenger

Issued by
The Federation of Hong Kong Industries and
Bank of China (Hong Kong)

A. ENVIRONMENTAL

A1 EMISSIONS

Pacific Textiles understands the importance of environmental protection and strives to reduce emissions during its production. It also collects emission data from Panyu Plant and Vietnam Plant regularly for review and report on the impact of the Group's operations on the environment.

For hazardous wastes generated during the production process, Panyu Plant and Vietnam Plant entrust contractors with qualified credentials approved by local governments for centralised processing, in accordance with the local governments' policy requirements in relation to the disposal of hazardous wastes. The disposal compliance rate for hazardous wastes reached 100%. For non-hazardous wastes, Panyu Plant and Vietnam Plant sell the recyclable wastes to recyclers for recycling and send the non-recyclable wastes to the responsible parties approved by the local government authorities for centralised processing.

To the best knowledge of the management, the Group has complied with the key environmental protection laws and regulations in China during the Reporting Period. These include: "the Law of the People's Republic of China on the Prevention and Control of Water Pollution (《中華人民共和國水污染防治法》)", the Law of the People's Republic of China on the Prevention and Control of Environmental Pollution Caused by Solid Waste (《中華人民共和國固體廢物污染環境防治法》), the Administrative Measures on the Transfer of Hazardous Waste (《危險廢物轉移聯單管理辦法》) and Vietnam's key national technical regulations on industrial inorganic substances, dust and wastewater (which include: the "National Technical Regulation on Industrial Emission of Inorganic Substances and Dusts", "National Technical Regulation on Industrial Wastewater" and "National Technical Regulation on the Effluent of Textile Industry", etc.)

The Group rigorously manages the emissions from Panyu Plant and Vietnam Plant. The relevant performances are summarized as follows:

Panyu Plant

During the Reporting Period, the average sulphur oxide emissions per metric tonne of finished products at Panyu Plant maintained at approximately 0.04 g, similar to the period from 1 April 2017 to 31 March 2018 (the "Corresponding Period"). In addition, since Panyu Plant started to collect data on seven additional wastes for inclusion in the statistics of hazardous wastes in the Reporting Period, the average hazardous waste generated per metric tonne from the finished products recorded during the Reporting Period was approximately 3.9 kg higher as compared with the Corresponding Period. All other emissions demonstrated improved indicators as compared with the Corresponding Period:

- the average nitrogen oxide emissions per metric tonne of finished products decreased from 8.25 g to 7.83 g, representing a decrease of 5.09% as compared with the Corresponding Period;
- the average particulate matter emissions per metric tonne of finished products decreased from 0.77 g to 0.73 g, representing a decrease of 5% as compared with the Corresponding Period;
- the average carbon dioxide equivalent (CO₂-e) emissions per metric tonne of finished products decreased from 7.62 metric tonnes to 7.50 metric tonnes, representing a decrease of 1.57% as compared with the Corresponding Period; and
- the average amount of non-hazardous waste produced per metric tonne of finished products decreased from 865 kg to 348 kg, representing a decrease of 59.77% as compared with the Corresponding Period.

A. ENVIRONMENTAL (Cont'd)

A1 EMISSIONS (Cont'd)

Vietnam Plant

As Vietnam Plant has improved its production arrangement during the Reporting Period and there were no major incidents that would affect its production plan, the production efficiency of the equipment has significantly improved while emissions during production also decreased significantly:

- the average nitrogen oxides, sulfur oxides and particulate matter emissions per metric tonne of finished products decreased from 8.49 g, 0.22 g and 0.62 g, to 3.10 g, 0.08 g and 0.22 g, representing decreases of 63.49%, 64% and 64%, respectively, as compared with the Corresponding Period.
- the average carbon dioxide equivalent emissions per metric tonne of finished products decreased from 8.16 metric tonnes to 6.63 metric tonnes, representing a decrease of 18.75% as compared with the Corresponding Period;
- the average weight of hazardous waste generated per metric tonne of finished products decreased from 230.01 kg to 170.95 kg, representing a decrease of 25.68% as compared to the Corresponding Period; and
- the average weight of non-hazardous wastes produced per metric tonne of finished products decreased from 1,596.51 kg to 1,395.67 kg, representing a decrease of 12.58% as compared to the Corresponding Period.

A2 USE OF RESOURCES

The policies adopted by the Group in relation to the use of resources include: proactive application of advanced energy-saving technologies, increased efforts in research and development of low-energy consumption techniques, constant improvement of efficiency in energy use and promotion of energy consumption standards to become at par with advanced international standards. Panyu Plant has achieved excellent energy-saving efficiency by proactively adopting advanced energy-saving technologies, undertaking a number of industrial and national demonstration projects and making efforts in research and development of energy-saving techniques and technologies. The energy efficiency of Panyu Plant has also been adopted by Vietnam Plant as its target to meet.

The Group is proactive in promoting environmental protection, and invested in multiple projects in Panyu Plant and Vietnam Plant to improve efficiencies in the use of electricity and water as well as sewage treatment enhancement. During the Reporting Period, the direct and indirect energy consumption per metric tonne of finished products in Panyu Plant decreased from 21,435kWh to 21,045kWh, representing a decrease of 1.82%. The direct and indirect energy consumption per metric tonne of finished products in Vietnam Plant also decreased from 21,645kWh to 17,684kWh, representing a decrease of 18.30%.

Panyu Plant carried out the following improvement projects during the Reporting Period:

- It was selected by the National Development and Reform Commission and the New Energy and Industrial Technology Development Organization ("NEDO", see note 1) to commence a Sino-Japanese research project (the "NEDO Project"), a collaboration among the China Southern Power Grid Synthesis Energy Co., Ltd. and three power technology companies in Japan. The goal of the NEDO Project is to introduce the latest energy management system ("EMS"), a factory energy management platform ("FEMP"), so as to generate electricity and steam with higher efficiency and reduce energy consumption. After verifying the effectiveness of the NEDO project in energy saving, NEDO aims at promoting and popularizing the proven energy-saving technologies to other factories in China and other countries. The NEDO Project includes three optimization projects (a heat exchange and recovery of high-temperature emission from dyeing factory project, an energy supply improvement project and a project of variable frequency turbo on vapor absorption refrigerators). The three optimization projects are expected to be completed in 2020, and an annual saving of 9,000 metric tonnes of standard coal equivalent is expected upon the completion of the projects.
- It commenced a dyeing machine replacement project by introducing a new type of high-temperature low-liquor ratio overflow dyeing machine and phasing out the old water and airflow dyeing machines. The whole replacement project is projected to complete in 2020, and a saving of 45% in water consumption and 50% in electricity consumption over the old machines is expected upon the completion of the project.

Note 1: The New Energy and Industrial Technology Development Organization is one of the largest public research and development management organizations in Japan, which promotes greater utilization of new energy and improved energy conservation, and enhances industrial technology.

A. ENVIRONMENTAL (Cont'd)

A2 USE OF RESOURCES (Cont'd)

During the Reporting Period, Panyu Plant did not encounter any issues in sourcing water. The average water consumption per metric tonne of finished products during the Reporting Period increased from 164.77m³ to 200.51m³, representing an increase of 21.69% as compared with the Corresponding Period. The Group believes the following factors have contributed to the increase of water consumption:

- During the Reporting Period, the ratio of blended products to all products increased as compared with the Corresponding Period. Since more water is required for the production of blended products than that for other products of equal weight, there was an increase in average water consumption per metric tonne of finished products;
- The number of employees of Panyu Plant during the Reporting Period increased by 10% over that of the Corresponding Period, resulting in a corresponding increase in water consumption in the dormitories and canteens; and
- The dyeing machine replacement improvement project required the use of water for dyeing tests, leading to an increase in non-production water consumption.

If there are no major changes in the products mix, the Group expects the average water consumption of Panyu Plant to fall back after the replacement all dyeing machines with more water-efficient ones.

Vietnam Plant completed the following improvement projects during the Reporting Period:

- Construction of an emergency sewage storage tank with a volume of 4,500m³ for temporary sewage storage in case of malfunction or maintenance of the sewage treatment system;
- Construction of a sewage storage tank and sewage pipes with a volume of 13,650m³ and biological treatment technology for temporary storage of treated sewage;
- Installation of an online sewage monitoring system to constantly monitor various indicators of sewage and automatically control sewage discharge valves in order to ensure all indicators of the treated sewage are at a safe level before discharge;
- Introduction of resin absorption technology for the collection of wastewater pollutants to reduce the chemicals remaining in wastewater; and
- Installation of addition sludge extrusion equipment to speed up the treatment of sewage water.

During the Reporting Period, Vietnam Plant did not encounter any issues in sourcing water. The average water consumption per metric tonne of finished products during the Reporting Period increased from 89.64m³ to 104.10m³, representing an increase of 16.13% as compared with the Corresponding Period. The Group believes the following factors have contributed to the increase of water consumption:

- The production process of dyeing includes a cooling stage. In summer when water temperature is higher, more water has to be used. As production was suspended in the summer of the Corresponding Period while production continued throughout the Reporting Period, the average water consumption per batch of fabric increased.
- During the Reporting Period, there was a change of production workflow in Vietnam Plant to meet certain requirements by adding a process of fabric washing.

If there is no material change in the production season or in the products produced, the Group expects the average water consumption of Vietnam Plant to remain at the same level as that of the Reporting Period.

A. ENVIRONMENTAL (Cont'd)

A3 THE ENVIRONMENT AND NATURAL RESOURCES

The Group has set up work groups in Panyu Plant and Vietnam Plant, which are responsible to collect data on emissions and natural resource consumption, for the monitoring of impact from production and operation on the environment and natural resources. Considering that the Group may encounter incidents related to safety, environment and energy, including leakage of chemicals or fuel, explosions or fires at the production facilities, the Group has compiled the "Emergency Readiness and Response Management Procedures" (《應急準備與響應管理程序》), in which the handling of major environmental pollution incidents are clearly defined with response plans, procedures, control guidelines, measures and responsible departments. In addition, the Group formulates drill plans focusing on emergency response to safety, environmental and energy accidents annually, and conducts drills as planned to improve emergency responses and the ability to deal with emergencies.

B. SOCIAL

B1 EMPLOYMENT

The Group strives for equitable opportunities and respect through the faith of social responsibilities and innovation. The relevant corporate culture is reflected in the current employment management policies:

Panyu Plant:

- "Social Responsibility Management Guideline"
- "Employee Handbook"
- "Recruitment Policy"
- "Promotion Procedure"

Vietnam Plant

- "Employee Handbook"
- "Recruitment Policy"

As of March 2019, Panyu Plant employed 4,873 full-time employees (March 2018: 4,183). All employees were aged 18 or above. They came from various provinces in mainland China while most of them were from Hunan and Yunnan, with a male to female ratio of 0.65 : 0.35. As of March 2019, Vietnam Plant employed a total of 764 full-time employees (March 2018: 612). All employees were aged 18 or above and the employees of Vietnam Plant came from different provinces of Vietnam, with a male to female ratio of 0.70: 0.30.

To promote employees' work-life balance, the Group held various kinds of recreational activities for the employees during the Reporting Period. These activities included yoga classes, Tai Chi classes, basketball games, tug-of-war competitions, billiards competitions, table tennis competitions, badminton competitions, tea gathering, cooking competitions, football matches and annual parties.

As far as the management is aware of, the Group has complied with the employment laws including the "Labour Law of the People's Republic of China" (《中華人民共和國勞動法》) and the "Labor Code of Vietnam" during the Reporting Period.

B. SOCIAL (Cont'd)

B1 EMPLOYMENT (Cont'd)

Panyu Plant



Basketball competition



Tug-of-war competition



Billiards competition



Badminton competition



Table tennis competition



Football competition



Company trip



Tai Chi class

B. SOCIAL (Cont'd)

B1 EMPLOYMENT (Cont'd)

Vietnam Plant



Cooking competition



2018 Union football league

B2 HEALTH AND SAFETY

The Group attaches great importance to production safety management and occupational health management. It has spared no effort to implement an occupational health and safety policy of "compliance, care, safety, health, inspection of hidden dangers, risk control, safety assurance, full participation, aggressiveness, promotion of harmonious development", firmly enforced a policy of "observing laws and regulations, striving to control and reduce safety risks and adhering to the people-oriented principle with an aim to provide a safe and healthy workplace and living environment for employees", proactively carried out standard procedures for safety production, established a management system of standard procedures for safety production. Panyu Plant has obtained the ISO 45001 Occupational Health and Safety Management System Standard Certification, while Vietnam Plant manages its operations with reference to the safety measures adopted by Panyu Plant.

As far as the management is aware of, the Group has complied with occupational health and safety regulations during the Reporting Period, including the "Labour Law of the People's Republic of China" (《中華人民共和國勞動法》), "Regulations on Period of Medical Treatment of Diseases or Non-work-related Injuries of Employees" (《企業職工患病或非因工負傷醫療期規定》) and "Regulation on Work-Related Injury Insurance" of the PRC (《工傷保險條例》) as well as the "Labour Code" of Vietnam.

In terms of safety production management, Pacific Textiles conducts thorough hazards identification and risk assessment annually and has established risk control measures and necessary emergency drills for important hazards. Safety executives, who have participated in pre-job professional trainings and have passed tests and obtained qualifications from all departments, manage and control the significant sources of hazards and comprehensively control the potential safety hazards, so as to avoid work safety incidents.

Regarding occupational health management, Pacific Textiles has received the assessments of occupational hazards in respect of temperature, noise, air, dust, wind and gas at various job positions in Panyu Plant (by professional testing authorities in the PRC) and in Vietnam Plant (by Department of Health of the Hai Duong Provincial Government of Vietnam). According to the assessment results, Pacific Textiles implemented occupational hazard protection for the relevant job positions and occupational health protection for employees. All employees of the Group are required to sign employment contracts in accordance with local regulations. According to the local government requirements of Guangzhou, employees of Panyu Plant are required to sign the notice of occupational hazards issued by the Group. The notice mainly covers job title and duties, work hours, rest period, statutory benefits, reasons and preventive measures for occupational hazards etc.

B. SOCIAL (Cont'd)

B2 HEALTH AND SAFETY (Cont'd)

Vietnam Plant



Fire drill



First aid training



Annual health check

Pacific Textiles also provides the employees with proper personal protective equipment to prevent potential accidents at work and to minimise the impact of occupational hazards on the health of the employees at every job position. The supplies that Pacific Textiles provides to the employees, where applicable, include but are not limited to: ear plugs, goggles, dust respirators, masks, rubber gloves, boots, insulated shoes, aprons, hair nets, safety belts, etc. In addition to the protective measures, the Group also arranges annual health checks for all employees in Panyu Plant and Vietnam Plant, to help the employees to keep abreast of their health status. If necessary, the employees can report health issues to the Group for appropriate arrangement of work and assistance in carrying out treatments, to ensure that the employees' physical health is protected.

During the Reporting Period, the number of work-days lost due to work injuries in Panyu Plant was 2,207 man-days (Corresponding Period: 2,591 man-days). During the Reporting Period, the number of work-days lost due to work injury in Vietnam Plant was 98 man-days (Corresponding Period: 30 man-days).

During the Reporting Period, there was no serious work injury case and no work-related fatality was recorded. As Panyu Plant has always put emphasis on the assessment of potential hazards in the plant, and according to the results of the assessment of safety executives, training to enhance occupational health and safety has been strengthened, thereby enhancing the safety awareness and operational skills of employees. As such, the number of lost work-days in Panyu Plant decreased by 384 man-days as compared with the Corresponding Period. The number of lost work-days in Vietnam Plant increased by 68 man-days as compared with the Corresponding Period, mainly due to the nearly six-month interruption of production at Vietnam Plant during the Corresponding Period, resulting in a significant increase of approximately 133% in the number of production hours in the current Reporting Period as compared with the Corresponding Period. In view of the increase in the number of lost work-days and the large number of new employees employed by Vietnam Plant during the Reporting Period, the Group has stepped up training for all employees, in particular for the training of the new employees who may lack the awareness of occupational health and safety as well as experience, in order to minimise cases of work injuries.

B. SOCIAL (Cont'd)

B3 DEVELOPMENT AND TRAINING

The Group has set up long-standing policies and training schemes to improve employees' job knowledge and skills. These policies and schemes cover induction training courses for general workers, as well as internal and external vocational training courses for elementary-level, middle-level and university-level employees. The Group has been conducting various kinds of training and development programs in Panyu Plant and Vietnam Plant to enhance the working skills and knowledge of the employees when fulfilling their job duties and functions. These include:

- orientation for new employees to become familiar with the company environment and departmental requirements within a short period of time;
- training for security and canteen workers to understand environmental safety, protection of property and food safety control;
- first aid training for proper and effective way to handle accidents related to injured employees at work, as well as to strengthen occupational health and safety to prevent unexpected occupational diseases;
- fire-fighting protection training to enhance the awareness of fire prevention, and to fight minor fires, if any, in a proper and effective way; and
- on-the-job training in various departments to enhance the employees' work skills and techniques in terms of technical and management skills.

Occupational safety and health training was also introduced to Vietnam Plant to ensure that all employees were aware of occupational hazards and protective measures. During the Reporting Period, the Group commenced training regarding operation of cranes, excavators, forklifts and boilers in Vietnam Plant to ensure that the responsible staff members possess the necessary skills.

During the Reporting Period, the number of monthly training hours per employee in Panyu Plant was approximately 2.57 hours (Corresponding Period: 2.43 hours). The number of monthly training hours per employee in Vietnam Plant was approximately 1.17 hours (Corresponding Period: 0.33 hour).

Panyu Plant



Business etiquette training



Presentation and eloquence training

B. SOCIAL (Cont'd)

B3 DEVELOPMENT AND TRAINING (Cont'd)

Vietnam Plant



Occupational safety training



Forklift operation training

B4 LABOUR STANDARDS

The Group has formulated the policies of remuneration, recruitment, equal opportunity employment, anti-discrimination and general fringe benefits with reference to the latest relevant labor codes, decrees, circulars and articles announced by the local government. All applicable policies are included in the staff handbook of the relevant plants. Child labour and forced labour are strictly prohibited in both Panyu Plant and Vietnam Plant. Based on the understanding of the management, the Group has complied with the employment laws, including the "Labour Law of the People's Republic of China" (《中華人民共和國勞動法》), "Prohibition of Child Labour Provisions" (《禁止使用童工規定》), "Underage Workers Special Protection Provisions" (《未成年工特殊保護規定》), "Prohibition of Forced Labour and Prisoners Labour Policy and Procedures" (《禁止強迫勞工和囚工的政策及程序》) of the PRC and the "Labor Code" of Vietnam during the Reporting Period.

B5 SUPPLY CHAIN MANAGEMENT

The Group puts emphasis on product quality and safety. Panyu Plant and Vietnam Plant have stringent quality standards for the procurement of main raw materials used in production, including yarns, dyes, chemicals and auxiliary production materials. To ensure that products comply with safety and quality standards, Pacific Textiles has introduced a number of control measures:

- procurement of yarn from more than 40 suppliers in different regions to minimise geopolitical risks;
- a Restricted Substances List has been prepared by the Group in accordance with the "Manufacturing Restricted Substance List of ZDHC (Zero Discharge of Hazardous Chemicals Roadmap)" for dyes, auxiliary materials and chemicals that are used in production, and all relevant suppliers are requested to comply with the Group's requirements;
- new suppliers are subject to rigorous review, which includes the review of business licences, Authorized Economic Operator Certificate or Customs Trade Partnership Against Terrorism certificate issued by members of the World Customs Organization, to ensure that a supplier is a proper business enterprise for conducting transactions. Meanwhile, when a new supplier is brought in, reviews will be conducted on relevant certificates issued by international certification bodies, including but not limited to OEKO-TEX®, REACH, bluesign®, relevant ISO certifications and American Supima Association etc., in order to prove that the supplied products can satisfy the relevant safety and quality standards. In addition, samples from new suppliers will be required for quality testing if necessary. Suppliers are admitted as qualified suppliers only if they meet the Group's required standards;
- performing regular evaluations on various aspects of suppliers such as quality, price and degree of cooperation; and
- quality inspections will be conducted by professional testing institutions when needed. If the quality of yarns, dyes, chemicals and auxiliary production materials provided by the suppliers is found not meeting the Group's required standards, the Group will discontinue the use of the raw materials it supplies until the quality and safety issues are resolved.

B. SOCIAL (Cont'd)

B6 PRODUCT RESPONSIBILITY

The products of Pacific Textiles are manufactured in strict accordance with the international standards and regulations in relation to textile production. These include China's GB18401-2010, "the National general safety technical code for textile products" (《國家紡織產品基本安全技術規範》) and Oeko-Tex Standard 100. In addition, there are specific requirements for certain products, the relevant standards of which, when applicable, are also followed by the Group. These include mainly: the Global Organic Textile Standard and the Organic Content Standard and Global Recycle Standard.

As far as the management is aware of, all products of Pacific Textiles were manufactured in accordance with the above safety and health standards and regulations, and there was no case of product recall required by regulatory authorities during the Reporting Period.

If the Group receives any complaint from the customers in relation to its product qualities, an investigation will be conducted after a review of the reasons of complaints and product compliance. Depending on the nature of the complaint and its cause, the Group will refer the relevant information to the supplier if there is evidence showing that the complaint is related to the use of raw materials. If the complaint case is related to errors in the production process, a review will be carried out with the person-in-charge of the plant and improvements will be made as appropriate. If it is related to logistics process, follow-up actions will be made with the logistics suppliers.

The product inspections of Pacific Textiles are carried out in accordance with the inspection standards mutually agreed with the relevant customers. Pacific Textiles has established specific arrangements for the process of product recalls. If corrections need to be made to certain products, they will be returned to the relevant department of the plant for the necessary corrections. The products, after the correction and necessary quality check, will be sent to the relevant customer once again.

Pacific Textiles respects the customers' intellectual property rights, privacies and other trade secrets, and makes effort to protect them. After receiving the design drawings from the customers, Pacific Textiles will adopt measures to ensure the security of their intellectual property rights, privacies and other trade secrets, and prevent the disclosure of relevant confidential information without prior approval. With respect to certain products which involve intellectual property rights, Pacific Textiles will enter into confidentiality agreements in relation to the intellectual property rights and trade secrets with the relevant suppliers and customers.

B7 ANTI-CORRUPTION

The Group has established anti-corruption policies, regulations and provisions related to employees, contractors and suppliers of Panyu Plant and Vietnam Plant. In the event of any violation of these policies, regulations and provisions, the Group will, upon verification, consider terminating the employment or partnership relationship with the violating party.

Pacific Textiles will review the relevant policies, regulations, rules and procedures from time to time, to prevent any incidents of violation. Pacific Textiles has also established a complaint mechanism for the report of corrupted behaviors to the management through telephone hotline or mail box. As far as the management is aware of, there were no cases of lawsuits brought against the Group or its employees during the Reporting Period in this aspect.

B. SOCIAL (Cont'd)

B8 COMMUNITY INVESTMENT

The Group identifies and supports the needs of local communities in Panyu and Vietnam through various channels and ensures that the interests of the communities are well considered during the factories' production activities. In order to support the development of local communities and foster a sense of mutual belonging among the local communities, the employees of Pacific Textiles have participated in a number of community activities.

The Group participated in the following community events in China:

- Participation in environmental protection event: our employee representatives planted trees in Nansha District;
- Helping poor families: our representatives from the labour union distributed clothing to poor villages in Guiding County, Guizhou Province;
- Sponsorship to educational institutions and students: sponsorships were made to the students of Wuhan Textile University, the School of Chemical Engineering of Hunan Institute of Engineering, the Textile Institute of Zhongyuan University of Technology, the School of Environment and Energy of South China University of Technology and Guangzhou Textile and Garment Vocational School; scholarships were distributed to students with outstanding performance in the 2018 college entrance examination and underprivileged students in Tongxing Village, Wanqingsha Town; and
- Benefits provided to Wanqingsha Town and Tongxing Village: sponsorship of transportation expenses for the children of the villagers and Pacific Textiles employees; sponsorship for the expenses in the June 1st International Children's Day activity; distribution of old-age allowances to the elderly; issuance of electricity subsidies to the economic cooperatives; and sponsorship to the trade association of Wanqingsha Town.



Visit to the elderlies in Tongxing Village, 2019



Our employees participated in the town labour union's 2018 Fun Sports Day



2018 blood donation by our employees

The Group participated in the following community events in Vietnam:

- Provided funding for the building of a kindergarten;
- Planted trees at schools;
- Donation of necessities to poor families; and
- Participated in local sports and cultural activities.

B. SOCIAL (Cont'd)

B8 COMMUNITY INVESTMENT (Cont'd)



Funding for building of a kindergarten



Sponsorship of tree planting in the community



Donation of supplies to poor families



Donation of rubbish bins to the community



Visit to kindergarten



Cleaning up of the environment

ENVIRONMENTAL, SOCIAL AND GOVERNANCE DATA

During the Reporting Period, the key performance indicators of the Group in all aspects under the subject area of environment are as follows:

KPI		Panyu Plant and Vietnam Plant	Unit
Emissions from Gaseous Fuel Consumption and Vehicles	Nitrogen oxides (NO _x)	Total	543,638.80
		Per metric tonne of finished products	7.46
	Sulfur oxides (SO _x)	Total	2,984.01
		Per metric tonne of finished products	0.04
	Particulate matters (PM)	Total	50,416.33
		Per metric tonne of finished products	0.69
GHG direct emissions, indirect emissions and removals	Carbon dioxide equivalent (CO ₂ equivalent)	Total	541,512.30
		Per metric tonne of finished products	7.43
Hazardous wastes	Hazardous wastes	Total	1,394,066.38
		Per metric tonne of finished products	19.12
Non-hazardous wastes	Non-hazardous wastes	Total	31,433,728.60
		Per metric tonne of finished products	431.17
Energy consumption	Direct and indirect energy consumption	Total	1,514,813,888.19
		Per metric tonne of finished products	20,778.61
Water consumption	Water consumption	Total	14,059,933.00
		Per metric tonne of finished products	192.86
Packaging materials	Use of plastic material	Total	84,700.40
		Per metric tonne of finished products	1.16
	Use of paper material	Total	937,294.18
		Per metric tonne of finished products	12.86

The following publications were referenced in the calculation of the above key performance indicators:

1. "Appendix 2: Reporting Guidance on Environmental KPIs" by the Hong Kong Exchanges and Clearing Limited;
2. "List of Grid Emission Factors version 10.4" by the Institute for Global Environmental Strategies;
3. "2006 Guidelines for National Greenhouse Gas Inventories Volume 2" by the Intergovernmental Panel on Climate Change (IPCC);
4. "China Energy Statistical Yearbook 2017" by the National Statistics Bureau of the People's Republic of China;
5. "2011 and 2012 China Regional Grid Average Carbon Dioxide Emission Factor" by National Center for Climate Change Strategy and International Cooperation (NCSC) of the People's Republic of China;
6. "GB Standards on diesel, gasoline and liquefied petroleum gases" by Standardization Administration of the People's Republic of China; and
7. The "Energy Statistics Yearbook 2016" by United Nation Statistics Division.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE CONTENT INDEX

Subject Area A: Environment		
Aspect A1: Emissions		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste.	p. 5
A1.1	The types of emissions and respective emissions data.	p. 17
A1.2	Greenhouse gas emissions in total and intensity.	p. 17
A1.3	Total hazardous waste produced and intensity.	p. 17
A1.4	Total non-hazardous waste produced and intensity	p. 17
A1.5	Description of measures to mitigate emissions and results achieved.	p. 5-6
A1.6	Description of how hazardous and non-hazardous wastes are handled, reduction initiatives and results achieved.	p. 5-6
Aspect A2: Use of Resources		
General Disclosure	Policies on the efficient use of resources, including energy, water and other raw materials.	p. 6-7
A2.1	Direct and/or indirect energy consumption by type in total and intensity.	p. 17
A2.2	Water consumption in total and intensity.	p. 17
A2.3	Description of energy use efficiency initiatives and results achieved.	p. 6-7
A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency initiatives and results achieved.	p. 6-7
A2.5	Total packaging material used for finished products with reference to per unit produced.	p. 17
Aspect A3: The Environment and Natural Resources		
General Disclosure	Policies on minimising the issuer's significant impact on the environment and natural resources.	p. 8
A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	p. 8

ENVIRONMENTAL, SOCIAL AND GOVERNANCE CONTENT INDEX (Cont'd)

Subject Area B: Social		
Aspect B1: Employment		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare.	p. 8
Aspect B2: Health and Safety		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to providing a safe working environment and protecting employees from occupational hazards.	p. 10-11
Aspect B3: Development and Training		
General Disclosure	Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.	p. 12-13
Aspect B4: Labour Standards		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child and forced labour.	p. 13
Aspect B5: Supply Chain Management		
General Disclosure	Policies on managing environmental and social risks of the supply chain.	p. 13
Aspect B6: Product Responsibility		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress.	p. 14
Aspect B7: Anti-corruption		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering.	p. 14
Aspect B8: Community Investment		
General Disclosure	Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests.	p. 15



PACIFIC TEXTILES HOLDINGS LIMITED
互太紡織控股有限公司

(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 : 01382)

