



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



2020/21 *Environmental, Social and Governance Report*

環境、社會及管治報告

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MESSAGE FROM SENIOR MANAGEMENT

2020 was a challenging year for Pacific Textiles. In response to the ongoing 2019 coronavirus disease (COVID-19) pandemic, many regions around the world implemented lockdown measures, which significantly restricted people's daily life and economic activities. Our factories in Panyu and Vietnam were also shut down for certain periods in accordance with instructions of local governments. The economic downturn around the world had an adverse impact on the demand for the Group's products. Fortunately, Mainland China has successfully curbed the pandemic through stringent prevention and control measures, contributing to a strong economic recovery and thus supporting enterprises. As a result, the business of Pacific Textiles also rebounded. As compared to the same period of last year, the volume of finished products of Pacific Textiles increased by approximately 5% in 2020/21.

As a leader in textile industry, the Group has been adhering to the most stringent standards in respect of its operations and striving "to make the world a more comfortable and better place through our products" (讓我們的产品,令世界更舒適美好). By virtue of its pursuit of quality and persistence in innovation, Pacific Textiles has received recognitions from customers, business partners and other society stakeholders for many years. In recent years, relevant stakeholders have been paying increasing attention to corporate social responsibility, which has strengthened Pacific Textiles' determination to contribute to the sustainable development of the community where it operates, while creating financial returns to stakeholders. As always, Pacific Textiles endeavours to reduce emissions, improve efficiency in use of resources, protect rights and interests of employees, optimise internal governance and enhance community investment. In 2017, Pacific Textiles was selected by National Development and Reform Commission ("NDRC") as the pilot enterprise for the Sino-Japanese research project on energy conversation ("NEDO Project"), pursuant to which, the latest energy management system was introduced to the Group. The NEDO Project, which was completed in last year, is expected to save 9,000 metric tonnes of raw coals for Panyu Plant annually. Subsequently, Pacific Textiles was accredited as "National Green Factory" by the Ministry of Industry and Information Technology of the PRC in 2018, and gained the title of "Demonstrative Enterprise for Green Industrial Products Design" (工業產品綠色設計示範企業) by the Ministry of Industry and Information Technology of the PRC in 2019. In January 2021, 7 products of Pacific Textiles were accredited as "Green Design Products" in Guangzhou. In the same year, Pacific Textiles upgraded the equipment and facilities for both Panyu Plant and the staff quarter, aiming to improve the working and living environment of its employees. We subsidised 67 children from poor families in Yunnan to study in schools in Guangzhou and recruited over 280 employees from registered poor households, thus alleviating the difficulties facing poor households in enrolment in school and employment. In addition, as a support to the anti-pandemic efforts in Mainland China, Pacific Textiles donated approximately HK\$2,521,000 to the Disaster Relief Office of the Liaison Office of the Central People's Government of China in HKSAR (中央政府駐港聯絡辦賑災辦公室) in March 2020.

To further improve the overall environmental, social, and governance ("ESG") performance, Pacific Textiles has also formulated new policies and guidelines in respect of corporate social responsibility, established a corporate social responsibility governance structure led by the board of directors, and set specific goals for Panyu Plant, one of the Group's most important production facilities, details of which will be provided in the Report. Meanwhile, to enable stakeholders to understand our ESG performance in a more comprehensive and accurate manner, Pacific Textiles enhanced the disclosures in this ESG report to provide more detailed description of policies and measures as well as the relevant data for reference.

Looking into the future, Pacific Textiles will continue to optimise its operating performance, in the hope that we could lead the industry to progress and benefit the society.

BRIEF INTRODUCTION OF PACIFIC TEXTILES

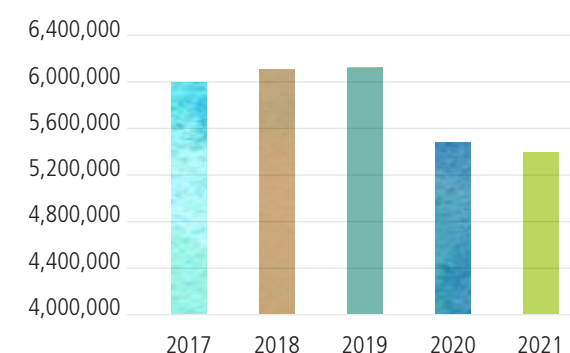


Founded in 1997, Pacific Textiles Holdings Limited ("Pacific Textiles" or "we") is principally engaged in manufacturing and trading of textiles products, including high quality cotton and synthetic knitted fabrics. Our headquarter is located in Hong Kong, the international business centre in the Asia-Pacific region. We have two major production facilities in Panyu, China and Vietnam, with over 5,000 employees, many of whom are experienced professionals in the textile industry. Pacific Textiles has established close partnership with a number of world-renowned apparel brand owners and manufacturers, with an annual production capacity of approximately 87 million kilograms. Our finished products include over 5,000 designs and specifications, which are sold worldwide.

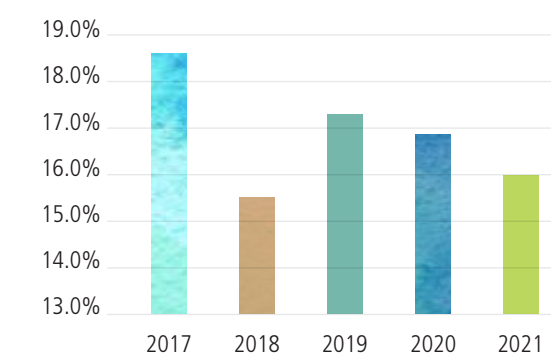
Pacific Textiles has been growing steadily over the years since it was listed on the Main Board of The Stock Exchange of Hong Kong Limited in May 2007 (stock code: 1382), creating sustainable values for shareholders. The following are the key financial indicators of Pacific Textiles for the past 5 years:



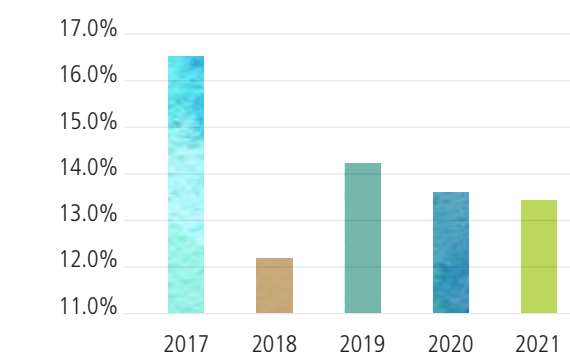
Turnover (HK\$'000)



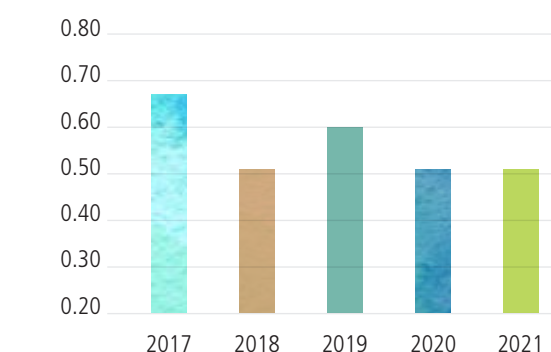
Gross profit margin



Net profit margin



Earnings per share (HK\$)



Corporate Culture

Pacific Textiles is committed to being the market leader in the textile industry and upholds the principle of exceeding customers' expectations. We strive to improve our production, technology and business processes, and work with customers and suppliers to launch new products and first-class services.

At the same time, Pacific Textiles insists on fulfilling its corporate citizenship responsibilities and strives to create values for local communities during its operations. Taking green production and environmental protection as the basis for our long-term sustainable development, Pacific Textiles has taken proactive measures to ensure that the by-products generated in the production process are properly dealt with, committed to minimise the impact on the environment and achieve harmonious development among the Company, the natural environment and each stakeholder.

Corporate Milestones

It has been more than 20 years since the establishment of Pacific Textiles. We innovate continuously in response to market demands as our business grows.

1997

Pacific Textiles was established and engaged principally in sales and marketing activities. In the same year, Pacific Textiles established its main production facility in Panyu, China.

2007

Pacific Textiles was listed on the Stock Exchange of Hong Kong Limited (stock code: 1382) in May.

2010

An agreement was entered into to set up joint-ventured textile mills in Vietnam.

2011

Teejay Lanka Plc. (an associate of the Group, formerly known as Textured Jersey Lanka PLC and Textured Jersey Lanka (Private) Limited) was listed on the Colombo Stock Exchange in Sri Lanka in August.

2013

In September, Pacific Textiles was accredited as "National Demonstrative Enterprises for Clean Production" (國家級清潔生產示範企業) by the Ministry of Industry and Information Technology of the PRC.

2014

In November, the National Low-carbon (Knitting) Engineering Technology Centre was established.

Panyu Plant was accredited as New& Hi-Tech Enterprise.

2015

In June, Pacific Textiles was selected as the "Pilot Enterprise for Ecological Design of Industrial Products (First Batch)" (工業產品生態設計試點企業) by the Ministry of Industry and Information Technology of the PRC.

Pacific Textiles' joint-ventured factory in Vietnam commenced operation in September.

In October, the Group became the first enterprise in the textile industry which has successfully implemented the end-to-end deployment of SAP Business Suite on HANA.

2017

Toray Industries Inc. has become a substantial shareholder of Pacific Textiles, potential for closer business relationship between Pacific Textiles and the Japanese clients and developing more new products.

Pacific Textiles was selected by NDRC to be a pilot enterprise for the Sino-Japanese research project on energy conversation (NEDO Project).

In December, Pacific Textiles was accredited as the "Leader in Water Use Efficiency among Major Water Consumption Enterprises" (重點用水企業水效領跑者) by the Ministry of Industry and Information Technology of the PRC.

2018

Pacific Textiles was awarded the honorary title of "National Green Factory" by the Ministry of Industry and Information Technology of PRC.

The international honour of 2018 Energy Management Insight Award was received from Clean Energy Ministerial ("CEM").

2019

Listed as one of the "Demonstrative Enterprises for Green Industrial Products Design" (工業產品綠色設計示範企業) by the Ministry of Industry and Information Technology of the PRC.

Acquired land to construct a new factory in Vietnam in December.

Business Management /Quality Certification



**Certified by ISO9001
Quality Management
System**

Issued by
Intertek Certification Limited
Accredited entity
Pacific (Panyu) Textiles Limited



**Certified by ISO14001
Environmental
Management System**

Issued by
Intertek Certification Limited
Accredited entity
Pacific (Panyu) Textiles Limited

Corporate Honours

Pacific Textiles won a number of awards, including the following major accreditations and awards related to product quality, technological innovation and environmental protection in recent years:



**Certified by ISO14001
Environmental
Management System**

Issued by
National Quality Assurance, U.K.
Accredited entity
Pacific Crystal Textiles Limited



**Certified by ISO 45001
Occupational Health
and Safety Management
Systems**

Issued by
Intertek Certification Limited
Accredited entity
Pacific (Panyu) Textiles Limited



**Certified by ISO50001
Energy Management
System**

Issued by
The British Standard Institution
Accredited entity
Pacific (Panyu) Textiles Limited



Oeko-Tex® Standard 100

Issued by
TESTEX AG,
Accredited entity
Pacific Textiles Limited



**Global Organic Textile
Standard (GOTS)**

Issued by
Ecocert Greenlife SAS
Accredited entity
Pacific Textiles Limited



Oeko-Tex® Standard 100

Issued by
TESTEX AG
Accredited entity
Pacific Crystal Textiles Limited



**Global Recycled Standard
(GRS)**

Issued by
Control Union Certification
Accredited entity
Pacific Textiles Limited

2018 Environmental and social related awards/honours



2018 Energy Management Insight Award

Issued by
The Energy Management Working Group (“EMWG”) at Clean Energy Ministerial (“CEM”)
Awarded entity/project
Pacific (Panyu) Textiles Limited



One of the Top 10 Best Energy Saving Technologies and Best Practices Case

Issued by
National Development and Reform Commission (“NDRC”)
Awarded entity/project
Pacific (Panyu) Textiles Limited



2017 Leading Energy Efficient Enterprise

Issued by
The Economic & Information Commission of Guangdong Province
Awarded entity/project
Pacific (Panyu) Textiles Limited



National Green Factory

Issued by
Ministry of Industry and Information Technology of PRC
Award-winning entity/project
Pacific (Panyu) Textiles Limited



Green Factory

Issued by
Industry & Information Technology Commission of Guangzhou Municipality
Award-winning entity/project
Pacific (Panyu) Textiles Limited

2019 Environmental and social related awards/honours



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

Issued by
Federation of Hong Kong Industries and Bank of China (Hong Kong)
Award-winning entity/project
Pacific (Panyu) Textiles Limited



Demonstrative Enterprise for Green Industrial Products Design (1st Batch)

Issued by
Ministry of Industry and Information Technology of PRC
Award-winning entity/project
Pacific (Panyu) Textiles Limited



Top 10 Energy-Saving Enterprises in Guangzhou 2019

Issued by
Guangzhou Energy Conservation Association
Award-winning entity/project
Pacific (Panyu) Textiles Limited



2020 Environmental and social related awards/honours



Second Class Award of Guangdong
Provincial Prize for Progress in
Science and Technology

Issued by
People's Government of Guangdong Province

Award-winning entity/project
Pacific (Panyu) Textiles Limited/Smart Management
Key Technology and Application for Dyeing and
Printing Wastewater Treatment



Excellent Clean Production
Enterprise in Guangzhou 2019

Issued by
Guangzhou Industry & Information Development Joint
Conference Office

Award-winning entity/project
Pacific (Panvu) Textiles Limited



Third Class Award of Measurement
Control and Instrumentation Science and
Technology Award of Guangdong Province

Issued by
Guangdong Society for Measurement and The Measurement Control
Technology and Equipment Application Promotion Association of
Guangdong Province

Award-winning entity/project
Pacific (Panyu) Textiles Limited/Study on Carbon Emissions and
Emission Reduction Pathways of Typical Textiles



14th Batch Advanced Technologies in Energy Saving and Emission Reduction in China's Dyeing and Printing Industry

Issued by
China Dyeing and Printing Association

Award-winning entity/project
Pacific (Panyu) Textiles Limited/The technology of "Heather Effect Dyeing Process on Polyester/Modified Polyester by One Bath Method"



Second Class Award of Scientific and Technological Progress

<p>Issued by China National Textile and Apparel Council</p> <p>Award-winning entity/project Pacific (Panyu) Textiles Limited/Key Technologies and Application of Optimal Operation of Printing and Dyeing Wastewater Treatment and Cloud Management</p>



Innovation Contribution
Award of Knitted Underwear

Issued by
China National Textile and Apparel Council

Award-winning entity/project
Pacific (Panyu) Textiles Limited/R&D and
Industrialisation on ECO-peach Skin Velvet
Fabric with Anti-microbial Function



Product Development Contribution Award

Issued by	China National Textile and Apparel Council
Award-winning entity/project	Pacific (Panyu) Textiles Limited

2021 Environmental and social related awards/honours



Environmental Integrity Enterprise (Green Card Enterprise)

Issued by	Guangzhou Municipal Ecological Environment Bureau
Award-winning entity/project	Pacific (Panyu) Textiles Limited



2020 Outstanding Demonstrative Project regarding
Environmental Protection of Guangdong Province

Issued by	Guangdong Association of Environmental Protection Industry
Award-winning entity/project	Pacific (Panyu) Textiles Limited/20000t/d Phase 5 Wastewater Treatment Project



Guangzhou Demonstrative Employment
Poverty Alleviation Base

Issued by
Guangzhou Municipal Human Resources and Social Security Bureau


Award-winning entity/project
Pacific (Panvu) Textiles Limited



2020 CKIA Advanced Unit in Group Standardisation Work

Issued by	China Knitting Industrial Association
Award-winning entity/project	Pacific (Panyu) Textiles Limited








In addition, after gaining certain experience and achievements, Pacific (Panyu) Textiles Limited, a member of the Group, also actively participated in and presided over the formulation of some PRC national standards and industry standards to contribute to the development of the industry, including “Calculation Method for Water Intake of Knitted Printing and Dyeing Products and Basic Rate of Unit Consumption”, “Standards on Air Pollutants Discharge for Textile Printing and Dyeing Industry”, “Safety Production Regulations for Printing and Dyeing Enterprises”, “Unit Consumption Standard for Processing Trade of Non-Fleece Knitted Dyeing and Finishing Fabrics Made of Cotton and Chemical Fibres”, “Accounting Method and Reporting Requirements for Greenhouse Gas Emissions of Textile Enterprise”, “Water Footprint Principles, Requirements and Guidelines for Environmental Management”, “Water Footprint Evaluation and Reporting Guidelines for Organisations”, “Green Design Product Evaluation Technical Specifications -Knitted Printing and Dyeing Fabrics”, “Implementation Guidelines for Energy Management System in Textile Industry”, “Evaluation Guidelines for Green Factory in Textile Industry” and “Evaluation Index System for Enterprises with Green Supply Chain Management in Textile Industry”.

A conceptual image featuring a glass globe resting on a bed of green moss. Several small, orange-topped mushrooms are scattered around the globe. The background is a soft-focus green field. On the right side, there are stylized watercolor washes in shades of green and blue, and several white butterfly silhouettes of various sizes.

Stakeholder Engagement and Key ESG Issues

Stakeholder and Communication Channels

Pacific Textiles understands that the Group's ESG issues not only affect the Company internally, but are closely related to all stakeholders. Therefore, the management of the Group has identified the major stakeholder groups that affect or are affected by the operations of the Group to understand their opinions through different channels and release important information to them on a regular basis. The Group will strive to meet the needs of stakeholders and improve performance in sustainable development.

Stakeholder Groups	Engagement Channels	Concerns
Employee 	<ul style="list-style-type: none"> Meetings and briefings Training courses Internal emails and publications Staff activities Survey and interview 	<ul style="list-style-type: none"> Remuneration, training and development Promotion opportunities Occupational health and safety
Customer 	<ul style="list-style-type: none"> Survey 	<ul style="list-style-type: none"> Product quality Product innovation and development Sustainable development strategy Customer relationship management
Supplier and business partner 	<ul style="list-style-type: none"> Screening and evaluation Business meeting Survey 	<ul style="list-style-type: none"> Continuous cooperation Financial and business performance Corporate governance
Investor and shareholder 	<ul style="list-style-type: none"> Shareholders' annual general meeting Analysis briefings and announcements 	<ul style="list-style-type: none"> Financial and business performance Corporate governance Legal and regulatory compliance Sustainable development strategy
Government and regulatory body 	<ul style="list-style-type: none"> Consultation 	<ul style="list-style-type: none"> Occupational safety Environmental impact Product compliance
Community 	<ul style="list-style-type: none"> Community events 	<ul style="list-style-type: none"> Community charity Sustainable development strategy
Media 	<ul style="list-style-type: none"> Press release Company website 	<ul style="list-style-type: none"> Corporate governance Sustainable development strategy

Identification Process and Results of Key ESG Issues

01 Identification of issues



In order to more effectively manage ESG performance and facilitate the ESG reporting process, Pacific Textiles conducted a materiality evaluation for ESG issues this year. The process involved the following three steps:

Pacific Textiles identified the ESG issues relevant to the Group's operations with reference to various ESG reporting standards such as the Task Force on Climate-related Financial Disclosures ("TCFD"), Global Reporting Initiative ("GRI") and the ESG Reporting Guide of The Stock Exchange of Hong Kong Limited ("Stock Exchange"), United Nations' Sustainable Development Goals ("SDGs"), disclosures of peer companies and expectations of other external stakeholders.

02 Materiality analysis



Discussed the materiality of each ESG issue identified in the above steps to Pacific Textiles itself and related stakeholders

1. **Materiality to Pacific Textiles:** Each ESG issue was scored in terms of its materiality to Pacific Textiles by reference to ISO26000, SDGs and CSR external assessment topics, benchmarks of peer companies as well as the Group's own business policies and strategies. Results were finalised after considering the advice of consultant.

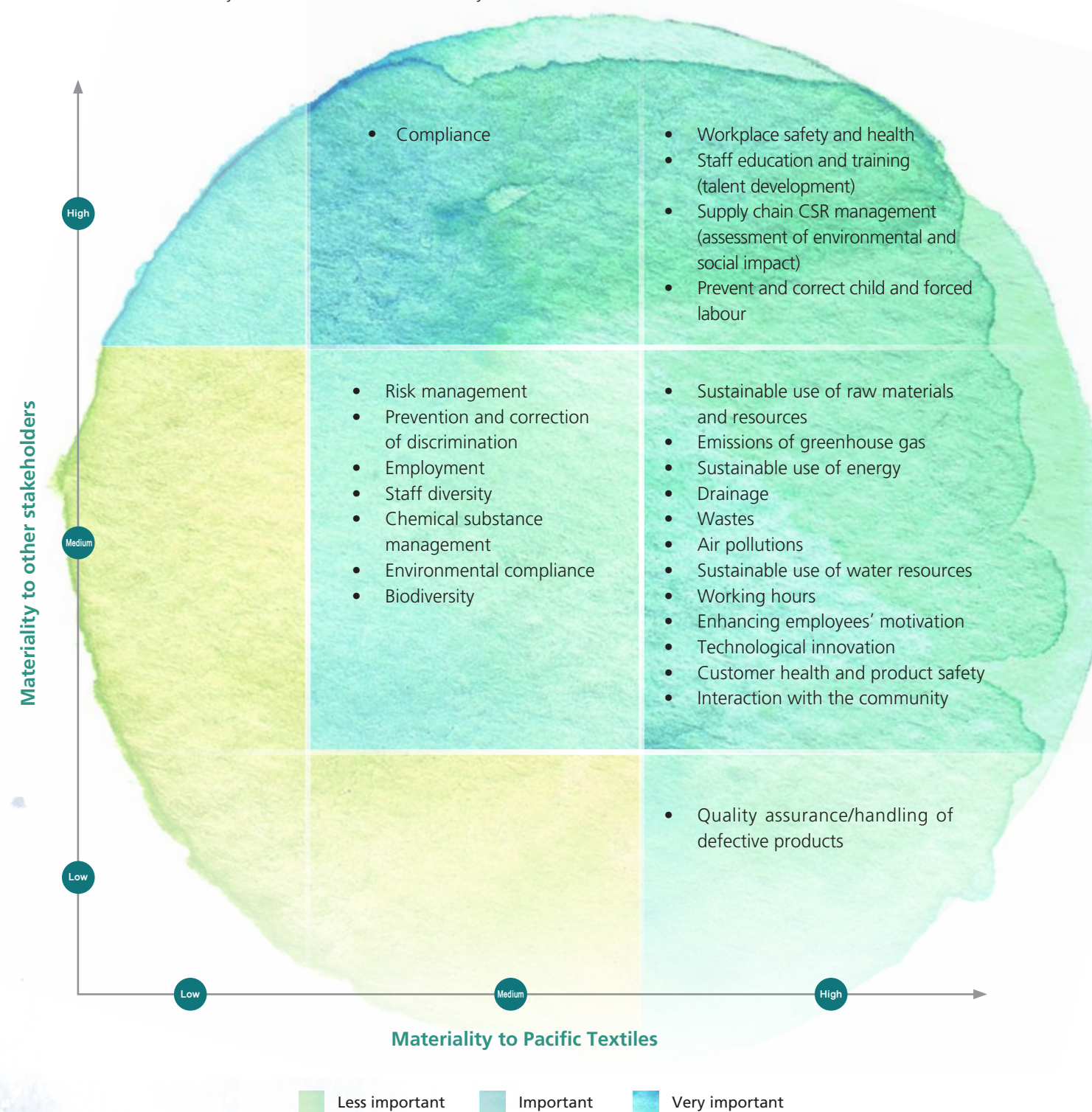
2. **Materiality to other stakeholders:** Each ESG issue was scored in terms of its materiality to the stakeholders based on the Group's understanding of the concerns of investors, employees, business partners and other stakeholders over each ESG issue, gained through different channels.

03 Confirmation of results



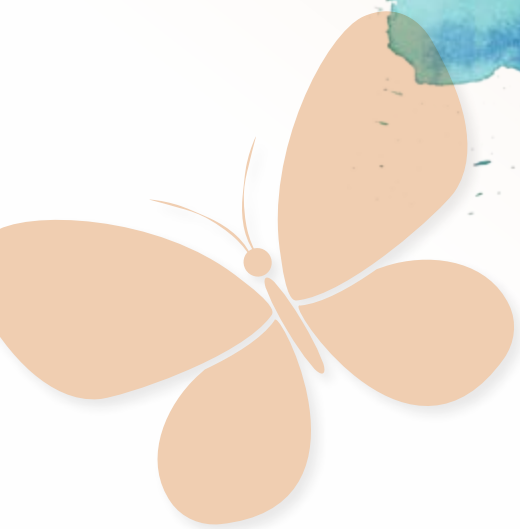
The management of the Group convened a meeting to review the scoring of each ESG issue to ensure its accuracy and confirm the final results.

The results of materiality evaluation for ESG issues this year are as follows:



The length of discussion in the Report on each of the above ESG issues will be adjusted according to their respective level of importance, so to place central focus on the ESG issues that are important to both the Group and other stakeholders.

ESG Governance Structure and Mechanism



Company Vision, Mission and Values

Always cherishing the vision “to make the world a more comfortable and better place through our products”, Pacific Textiles has been developing the Group into a creative and sizeable knitted fabric manufacturer and distributor whose business scope covers integrated services of knitting, dyeing, printing and finishing.

In global textile community, the Group “strives for: products and services of higher quality; equitable work opportunities and mutual respect; high returns to the investors; and 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.

To arrive at the vision and mission of the Group, members of Pacific Textiles uphold the value of tireless truth-seeking, humility and integrity, enterprising and innovation, responsibility and accountability, teamwork and people-orientation, making unremitting efforts in contributing to the growth of the Group.

In order to further improve the overall performance in environmental, social and governance (“ESG”), Pacific Textiles has also newly formulated a Corporate Social Responsibility (“CSR”) Policy Guide (“CSR Policy Guide”), covering each important area.

Vision

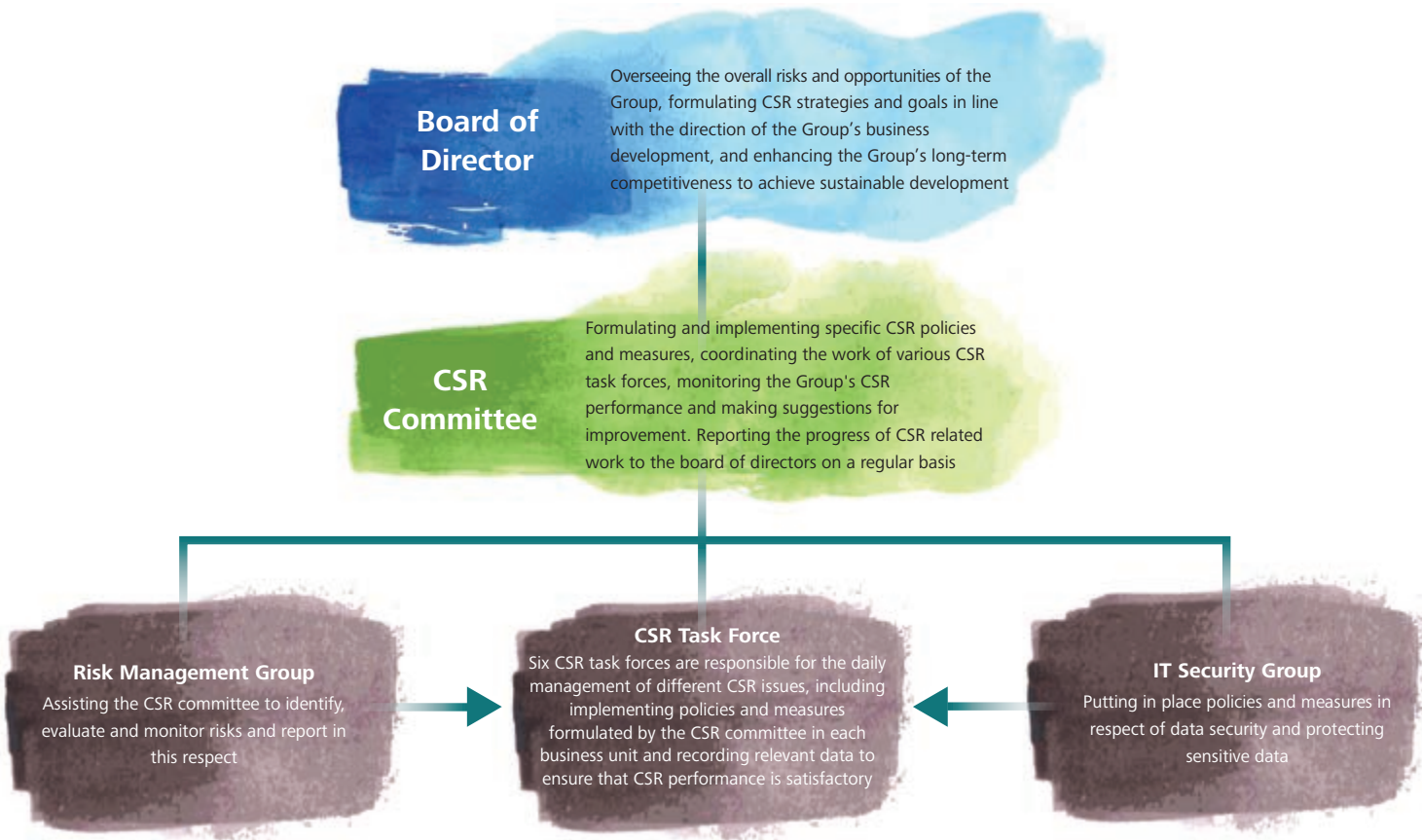
To make the world
a more comfortable and
better place through
our products

Mission



Work Responsibilities and Management Measures of the CSR Committee

Pacific Textiles attaches great importance to its ESG performance. To ensure effective governance, the Group has established a comprehensive governance structure. Under the direct supervision of the board of directors, the CSR committee implements relevant policies and measures, and addresses, through the CSR task forces under the committee, day-to-day issues in various areas. Meanwhile, the risk management group and the IT security group assist the CSR committee in managing issues in respect of risks and data security. CSR committee is chaired by a director of the Group, and its members include the Company’s senior management. The detailed work responsibilities are described as below:



Each CSR task force consists of representatives from various departments and takes charge of CSR issues and other related matters falling within the scope of its business, details of which are set out as below:

Scope of the CSR Policy Guide	Key ESG issues	CSR task force/ Other teams
1. Governance 2. Environment 3. Employee 4. Human rights 5. Consumer issues 6. Supply chain 7. Technological innovation 8. Local community	Compliance	Risk Management Group IT Security Group
	Sustainable use of raw materials and resources	Environmental Protection Group (Engineering Department)
	Emissions of greenhouse gas	
	Sustainable use of energy	
	Sustainable use of water resources	
	Drainage	
	Air pollutions	
	Wastes	
	Enhancing employees’ motivation	Labour and Social Welfare Group (HR/Administrative Department)
	Working hours	
	Workplace safety and health	
	Staff education and training (talent development)	
	Prevent and correct child labour and forced labour	
	Interaction with the community	
	Customer health and product safety	Production and Building Safety Group (Production Department)
		Customer Service/Administrative Group (Sales Department)
	Supply chain CSR management (assessment of environmental and social impact)	Production and Raw Material Safety Group (Raw Material Department, Innovative Product Development Department, Dyeing Factory)
	Technological innovation	
	Coordinate ESG reporting and related matters	Public Relations Group (Public Relations Department)

The aforesaid ESG issues are “very important” to the Group, and their materiality is determined through a rigorous process. For details, please refer to the previous chapter headed “Process and Results of Identification of Key ESG Issues”.

ESG Target Setting

In order to promote the continuous improvement of the Group’s ESG performance and to facilitate the measurement of the effectiveness of ESG policies and measures, Pacific Textiles has begun to formulate ESG goals this year. The plan is as follows:



2020/21 ESG Performance Overview

In the challenging year of 2020/21, Pacific Textiles continued to improve its environmental, social and governance performance. The followings are some of the highlights.



Product Responsibility

With the vision of “to make the world a more comfortable and better place through our products”, Pacific Textiles has always insisted on providing high-quality, safe and innovative products and services to meet customer needs. In order to continuously improve the quality of products and services, the Group actively listens to and properly adopts customer feedback and make improvement.

Topics of this section

Product and Service Innovation
Quality Management
Customer Service

The Stock Exchange ESG KPIs involved

B6.1 B6.2 B6.3 B6.4 B6.5

SDG topics involved



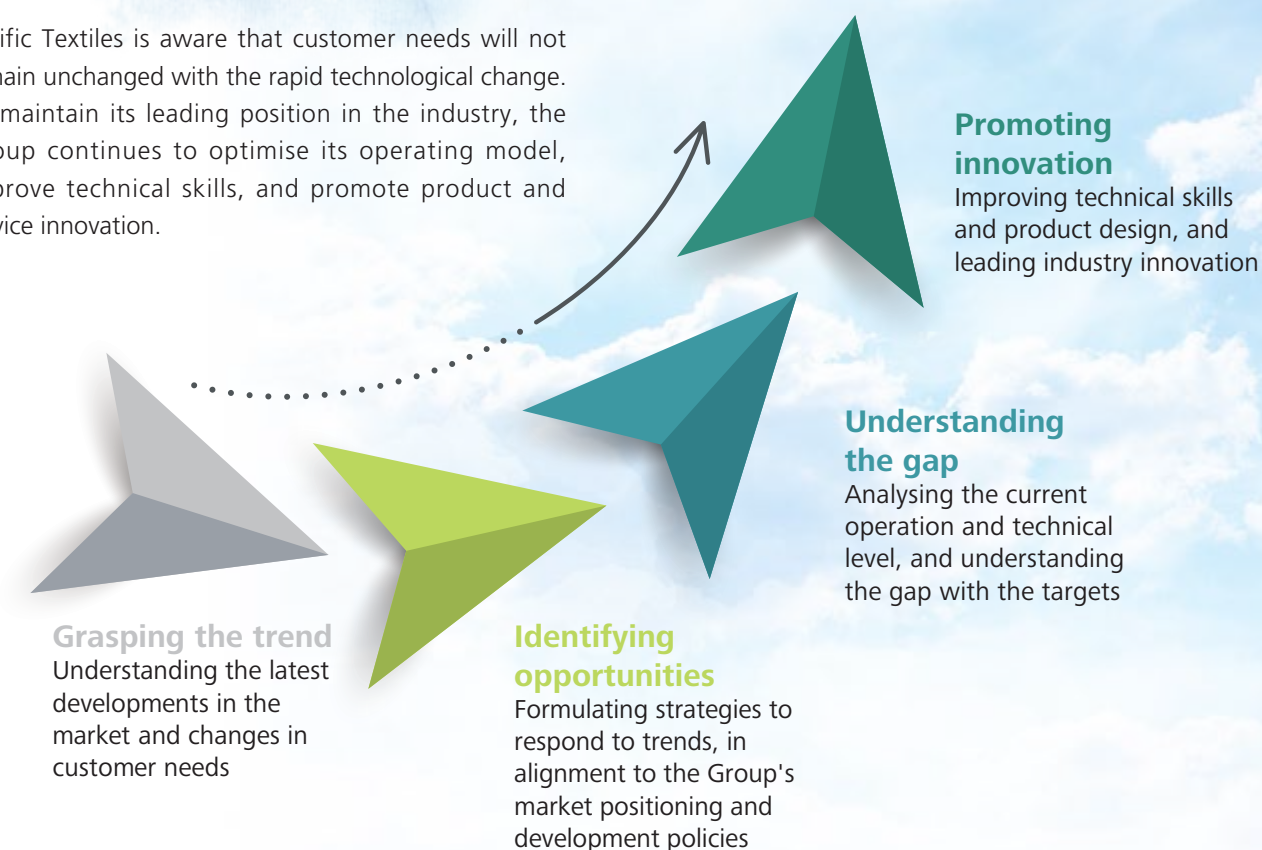
Targets of Panyu Plant

Scope	2023	2030	Measures
Technological Innovation	1. R&D investment will reach 3% or above of the plant's sales 2. Ensuring that certain products will be awarded "Excellent and Innovative Products in the Industry"		Increase R&D investment, actively carry out industry and academic research cooperation, encourage and motivate R&D personnel to conduct technological innovation and invention
Customer Health and product Safety	1. 100% of export products meet the requirements of OEKO-TEX® Standard 100 2. 100% of domestic products meet the requirements of GB18401 standard		Strictly control the production process to ensure that the requirements are satisfied

To the best knowledge of the management, during the Reporting Period, Pacific Textiles has complied with applicable local laws and regulations in terms of safety and health of products, intellectual property management and customer data protection and privacy management, and there have been no violations.

Product and Service Innovation

Pacific Textiles is aware that customer needs will not remain unchanged with the rapid technological change. To maintain its leading position in the industry, the Group continues to optimise its operating model, improve technical skills, and promote product and service innovation.



The Group's product innovation capabilities are well recognised. During the Reporting Period, the ECO-peach skin velvet fabric with anti-microbial function produced by Panyu Plant was awarded "China Functional Knitted Products Fashion Trends-Recommendation on Scientific and Technological New Product Innovation"; the rhomb jacquard warp knitted fabric was awarded "China Functional Knitted Products Fashion Trends-Recommendation on Comfortable Product Unit"; leisure shirt fabric was awarded "Excellent Products of Popular Fabrics in China". In addition, in response to the increasing demand from the market and customers for environmentally friendly products, the Group has devoted a greater effort to promote green design and production in recent years, and has also achieved remarkable results. For example, seven products (including, cotton Sorona® single jersey (Sorona® Plus), Tencel™ plaited jersey, cotton Sorona® single jersey (Sorona® icy fabric with anti-microbial function), CVC elastic sandwich-like Interlock, polyester cotton-like plated jersey, polyester spandex polar fleece and polyester cotton-like single jersey) were accredited as "Green Design Products" in Guangzhou; the project of R&D and industrialisation on ECO-peach skin velvet fabric with anti-microbial function was awarded the

Innovation Contribution Award of Knitted Underwear
by China National Textile and Apparel Council
("CNTAC").

The Group understands that intellectual property management is essential to technological innovation and the Group's operation, so it has applied for patents on key technologies and designs to prevent unauthorised use. The Group has also formulated the "Intellectual Property Rights Management Policy" (《知識產權管理制度》), which stipulates the management responsibilities for intellectual property (including scientific research achievement, patent rights, trademark rights, copyrights and business secrets, etc.), such as patent application, data storage, access rights and rewards. Relevant systems can help promote the Company's printing and dyeing technology management, improve the management of intellectual property rights, encourage R&D personnel to carry out technological innovation and invention, protect the legitimate rights and interests of enterprises and each related parties, and promote scientific research, technological development and the commercialisation and industrialisation of scientific and technological achievements.

Quality Management

Pacific Textiles adopts the most stringent quality management standards to ensure that the products delivered to customers are of high quality and safe. This includes quality inspection by quality assurance specialists after receiving samples of raw materials provided by suppliers to ensure that these products meet international quality standards before being put into production. After each process, including knitting, dyeing, printing and finishing, is completed, an overall inspection will be conducted to ensure quality and safety. During the production process, the Group strictly abides by the international standards and regulations in relation to textile. 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 Group will also follow relevant standards, mainly including the Global Organic Textile Standard, the Organic Content Standard and Global Recycle Standard, when applicable.

In addition to the quality of products, customers are attaching more importance to the social and environmental performance of plant operation. The Group's plants strictly abide by the manufacturer's code of conduct signed with customers, and have good track record in compliance reviews conducted by customers.

During the Reporting Period, there was no case of product recalls for safety and health reasons, compared with nil in the same period last year.



Customer Service

Pacific Textiles takes the interests of customers as the primary consideration, and strives to establish a close, mutually trusting and long-term relationship. In this regard, the Group pays special attention to customer complaint handling, customer property management and customer satisfaction management, and has formulated corresponding “customer complaint and return handling procedures”, “customer property management procedures” and “customer satisfaction analysis management procedures”, to specify the responsibilities of each department and related work procedures.

Specifically, after receiving complaints and returns from the customers in relation to its products, the Group will review the related reasons, and then launch an investigation after confirming the complaint. 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. Products will be delivered back to customers only after the correction and necessary quality check. For complaints with significant problems that may substantially impact production in the future, the Group requires that the content of the complaint and related product conditions to be filled in the “Report on Corrective and Preventive Action”(糾正預防措施報告), and the original or copy of the customer complaint sample shall be submitted to the manager of the responsible unit or the plant director, and the quality management department and the production department to jointly hold a coordination meeting to timely prevent the aggravation of this problem. After the procedure is completed, the Group will archive the relevant documents for future analysis and review.

In terms of customer property management, the Group respects customers’ intellectual property rights, privacy and other trade secrets, and strives 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, privacy and other trade secrets, and prevent the leakage of confidential information without prior approval. With respect to certain products which involve intellectual property rights, the Group will enter into confidentiality agreements in relation to the intellectual property rights and trade secrets with the relevant suppliers and customers.

In order to continuously improve customer satisfaction, each team of the Group’s production control department will issue the “Evaluation of Products and Services for Customers” (為客戶提供產品和服務的評價) form to the corresponding groups of sales department every year to inquire about customers’ evaluation of products and services provided by the Group. The Group will take improvement measures with reference to the evaluation results, striving to meet customer needs.

During the Reporting Period, the Group did not receive major complaints related to product quality, safety and health, compared with nil in the same period last year.

Environmental Responsibility

Pacific Textiles is committed to protecting the environment and supporting the regional sustainable development. The Group improves operation efficiency and adopts various measures to effectively use resources, reduce emissions and wastes, alleviate environmental impact and mitigate climate change, so that other stakeholders in the community can enjoy an undamaged natural environment.

Topics of this section

Energy Management

Water Resources Management

Emissions Management

Packaging Materials

Other Environmental Impact Management

Responding to Climate Change

The Stock Exchange ESG KPIs involved

A1.1 A1.2 A1.3 A1.4 A1.5 A1.6

A2.1 A2.2 A2.3 A2.4 A2.5

A3.1

A4.1

SDG topics involved



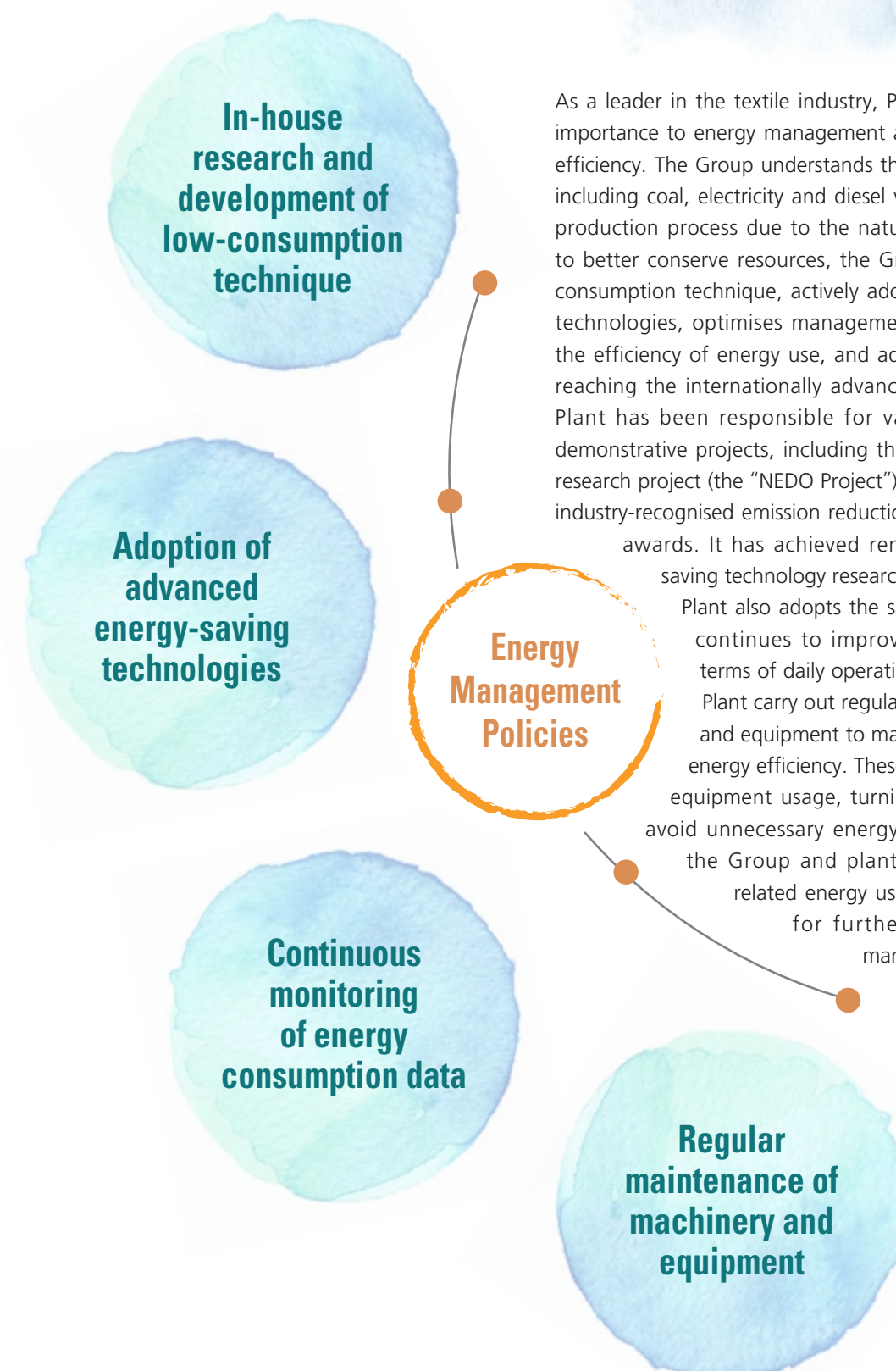
Targets of Panyu Plant

Scope	2023	2030	Measures
Sustainable use of raw materials and resources	1. Increase the ratio of GRS regenerative fibre products 2. The utilisation rate of dye packing cartons reaches 80% 3. The recovery rate of auxiliary packaging barrels of suppliers reaches 60%	1. Increase the ratio of GRS regenerative fibre products 2. The utilisation rate of dye packing cartons reaches 100% 3. The recovery rate of auxiliary packaging barrels of suppliers reaches 80%	1. Increase the production ratio of GRS products 2. Prevent dye cartons from pollution from the root to reduce the amount of hazardous waste of dye cartons 3. Encourage suppliers to recycle cleaned auxiliary packaging barrels
Greenhouse gas emissions	Greenhouse gas emissions per metric tonne of finished products decreases by 15% compared to 2019	Greenhouse gas emissions per metric tonne of finished products decreases by 30% compared to 2019	Upgrade production machinery and equipment, develop clean energy from solar and wind energy for use, source environmentally friendly raw materials for production, strive to improve product technique, reduce resources and energy consumption and prevent pollution
Sustainable use of energy	Renewable energy generating capacity reaches 5.7 million kWh	Renewable energy generating capacity reaches 10 million kWh	Develop solar photovoltaic projects and wind power projects
Sustainable use of water resources	Water reclamation ratio ¹ reaches 40%	Water reclamation ratio reaches 48.8%	Increase the utilisation rate of the reverse osmosis system as planned and increase the water production of reverse osmosis
Air pollutions	1. Density of nitrogen oxide discharge remains below 24.22mg/m ³ ; 2. Density of sulphur dioxide discharge remains below 8.75mg/m ³ ; 3. Density of flue gas discharge remains below 5.38mg/m ³	1. Density of nitrogen oxide discharge remains below 22.46mg/m ³ ; 2. Density of sulphur dioxide discharge remains below 8.11mg/m ³ ; 3. Density of flue gas discharge remains below 4.99mg/m ³	Strengthen operation management and equipment maintenance
Wastes	1. The waste rate of dye packaging cartons remains below 20% 2. The waste rate of auxiliary packaging barrels remains below 5%	1. The waste rate of dye packaging cartons decreases to 0% 2. The waste rate of auxiliary packaging barrels remains below 2%	1. Prevent dye cartons from pollution from the root to reduce the amount of hazardous waste of dye cartons 2. Make full use of the processing capacity of the dye and auxiliary packaging waste treatment workshop to reduce the waste rate of auxiliary barrels
Drainage	Annual average COD (chemical oxygen demand) concentration reaches about 40mg/L	Annual average COD (chemical oxygen demand) concentration reaches about 35mg/L	Construct a 20,000 metric tonne/day deep treatment project to improve efficiency of waste water treatment and reduce waste discharge

To the best knowledge of the management, during the Reporting Period, Pacific Textiles has complied with applicable local laws and regulations in terms of resources, emissions, packaging materials and environmental impact management, and there have been no violations.

¹ Water reclamation refers to waste water from production being further treatment after standard treatment to meet the quality requirements of production water and for reuse in production. Water reclamation ratio is the ratio of water reclamation volume to production waste water treatment volume.

Energy Management



As a leader in the textile industry, Pacific Textiles attaches great importance to energy management and actively improves energy efficiency. The Group understands that a large amount of energy including coal, electricity and diesel will inevitably be used in the production process due to the nature of the industry. In order to better conserve resources, the Group strives to develop low-consumption technique, actively adopts advanced energy-saving technologies, optimises management to continuously improve the efficiency of energy use, and advances energy consumption reaching the internationally advanced level. Specifically, Panyu Plant has been responsible for various industry and China demonstrative projects, including the Sino-Japanese cooperative research project (the "NEDO Project"), and has also been awarded industry-recognised emission reduction and energy saving related awards. It has achieved remarkable results in energy-saving technology research and development. Vietnam Plant also adopts the same resource use policy and continues to improve energy management. In terms of daily operation, Panyu Plant and Vietnam Plant carry out regular maintenance for machinery and equipment to maintain their performance and energy efficiency. These plants also regularly inspect equipment usage, turning off vacant equipment to avoid unnecessary energy consumption. Meanwhile, the Group and plants also continually monitor related energy usage to identify opportunities for further optimisation of energy management.

Environmental Responsibility

During the Reporting Period, the total energy consumption² of Panyu Plant and Vietnam Plant were 1,560,685,049 kWh and 133,983,355 kWh, respectively. In which, over 90% of the total energy consumption was attributed to raw coal consumption, which was mainly used for power generation for plant operations; purchased electricity was also used for plant operations; and other energy sources including diesel and petroleum gas were mainly used for transportation and plants' catering. The detailed consumption of Panyu Plant based on different types of energy is as follows:

Energy consumption of Panyu Plant (kWh)	2020/21	2019/20
Raw coal consumption	1,466,321,308	1,301,766,927
Consumption per metric tonne of finished products	22,588	21,867
Purchased electricity consumption	92,116,217	95,072,104 ³
Consumption per metric tonne of finished products	1,419	1,597
Other energy sources consumption	2,247,524	3,750,435
Consumption per metric tonne of finished products	35	63
Total energy consumption	1,560,685,049	1,400,589,465
Consumption per metric tonne of finished products	24,042	23,527

On the whole, the total energy consumption of Panyu Plant during the Reporting Period increased by approximately 11% compared with the same period last year, mainly due to the increase in raw coal consumption. The increase in total energy consumption was mainly due to the increase by approximately 9% in the output of Panyu Plant during the Reporting Period, and the actual energy use efficiency was close to that of last year, which was reflected in the total energy consumption per metric tonne of finished products.

The detailed consumption of Vietnam Plant based on different types of energy is as follows:

Energy consumption of Vietnam Plant (kWh)	2020/21	2019/20
Raw coal consumption	113,699,378	123,084,000
Consumption per metric tonne of finished products	15,486	12,993
Purchased electricity consumption	19,880,259	21,229,767
Consumption per metric tonne of finished products	2,708	2,241
Other energy sources consumption	403,718	510,168
Consumption per metric tonne of finished products	55	54
Total energy consumption	133,983,355	144,823,935
Consumption per metric tonne of finished products	18,249	15,288

Compared with the same period last year, energy consumption by energy type of Vietnam Plant during the Reporting Period has decreased, ranging from 2% to 8%. The decrease in energy consumption was mainly due to a decrease in output. Meanwhile, the reduction in output affected economies of scale of production equipment (the energy and water usage were largely fixed when preparing the production equipment for each order and a decrease in order size would not result in a proportional decrease in energy and water consumption), which also made the average total energy consumption per metric tonne of finished products of Vietnam Plant has increased by about 19% over the same period last year.

² The calculation of energy consumption in the Report refers to "Chinese Energy Statistical Yearbook 2018" by National Bureau of Statistics of the People's Republic of China, "Energy Statistics Yearbook 2018" by United Nation Statistics Division and "GB Standards on diesel, gasoline and liquefied petroleum gases" by Standardisation Administration of the People's Republic of China.

³ The purchased electricity consumption in 2019/20 is revised from 208,972,343 kWh to 95,072,104 kWh in this Report. After verification, the former is the total electricity consumption of Panyu Plant in 2019/20, including the consumption of self-generated electricity (which has been reflected in the consumption of raw coal), rather than purchased electricity only.

NEDO Project of Panyu Plant

Panyu Plant was selected by the National Development and Reform Commission and the New Energy and Industrial Technology Development Organisation 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, which introduced the latest energy management system (“EMS”), a factory energy management platform (“FEMP”), generating electricity and steam with higher efficiency and reducing energy consumption. It is expected to save 9,000 metric tonnes of coal each year. The NEDO Project includes three optimisation project is as follows:

Project 1: Energy Supply Improvement Project

The energy supply of Panyu Plant mainly includes self-generated electricity and steam from the coal-fired cogeneration power plant, and partly purchased electricity. There is still great potential for energy conservation and improvement in energy supply. The project mainly improves the performance of energy supply by improving the operation of power plant (including improving the efficiency of boiler, steam turbine and boiler feedwater heater, improving the avoidance of energy loss of temperature and pressure reducer and improving the efficiency of deaerator) and optimising the balance of energy supply.



Project 2: Heat Exchange and Recovery of High-Temperature Emission from Dyeing Factory Project

The original wastewater and waste heat recovery system of Panyu Plant becomes gradually obsolete due to its long service life, resulting in low heat energy recovery efficiency and thus failing to maximise the use of heat energy. Therefore, Panyu Plant has introduced Japanese CT+ spiral heat exchangers through the project to strengthen the recovery of wastewater and waste heat for production, indirectly reducing the consumption of other energy sources.

The project is
expected to save
about 9,000 metric
tonnes of coal in
Panyu Plant every year

9,000 metric
tonnes

Project 3: Project of Variable Frequency Turbo on Vapour Absorption Refrigerators

The central air conditioners originally used in Panyu Plant are steam absorption chillers, which use steam as a heat source for cooling, and there is room for improvement in efficiency. Therefore, Panyu Plant has introduced two electric-driven variable frequency turbines through the project, which have higher energy efficiency than existing steam absorption chillers, thereby reducing the overall energy consumption of central air conditioners.



During the project period, under the coordination of People's Government of Guangdong Province, China, Pacific Textiles conducted a number of technical exchange meetings to jointly research and share energy technologies with experts. Pacific Textiles focused on joint research with Japanese experts. Under the technical guidance of Japanese experts, planned projects have been successfully completed and energy management performance has been improved.



In addition to the NEDO Project, Panyu Plant and Vietnam Plant have also adopted other measures to reduce energy consumption and improve energy efficiency.

Use new water dyeing machines with higher energy efficiency and low liquor ratio to replace old dyeing machines (Panyu Plant)

It has lower electricity consumption by 60% compared with the airflow cylinder with low liquor ratio

60%

Refurbish the outer layer of the air compressor to reduce the temperature of the compressed gas and lubricating oil (Vietnam Plant)

It is expected to save 200 kWh of electricity per day

200 kWh

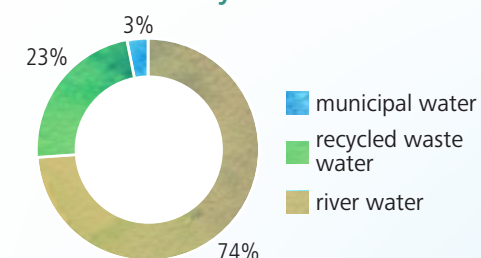
Water Resources Management

Pacific Textiles is deeply aware of the preciousness of water resources and the importance of water resources to the ecosystem. Due to the nature of the business, the Group will inevitably use a considerable amount of water resources and discharge a certain amount of sewage in the production process (especially in the dyeing process). In order to ensure the sustainable development of the region and the environment, the Group has formulated water resources management policies to reduce the consumption of water resources and improve the efficiency of water resources through research and development of low-consumption technologies and the adoption of advanced technologies. Specific measures include using more advanced low-liquor ratio waterflow dyeing machine to save water, regularly checking water supply systems and other water-using equipment to prevent leakage, and utilising of recycled water.

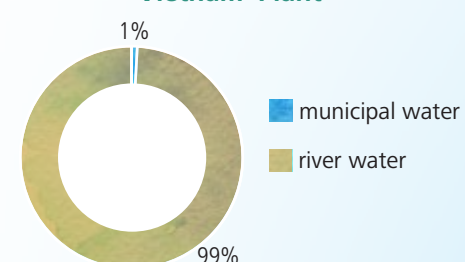
During the Reporting Period, the Panyu Plant and Vietnam Plant did not encounter any problem in finding suitable water resources. The water consumption of two factories mainly comes from the water used in the production process (taken from river water or recycled waste water used in the production process after treatment), while cooking and domestic water only accounts for a small part (taken from municipal water). In addition, there is internally recycled water used for air compressors and electrostatic precipitators in the Panyu Plant, but it will not cause additional water consumption.

It can be seen from the right figures that more than 20% of the water consumption of the Panyu Plant is recycled waste water, which greatly reduces the requirement for water to be taken from outside. The Vietnam Plant will also move in this direction in the future, hoping to increase the recycling rate of water resources. The comprehensive water consumption data of the Panyu Plant and the Vietnam Plant during the Reporting Period are as follows:

Comprehensive water consumption of Panyu Plant



Comprehensive water consumption of Vietnam Plant



Reducing water consumption in the dyeing process by about

40-50%

New low-liquor waterflow dyeing machine

Dyeing is one of the processes that consumes the most water resources in the process of producing knitted fabrics. In view of this, the Panyu Plant has been trying to reduce the water consumption for dyeing through different channels, such as optimising the process and improving the technology. In recent years, the Panyu Plant has purchased advanced new type of low-liquor ratio waterflow dyeing machine to replace the old one. The liquor ratio of low-liquor ratio waterflow dyeing machine is about 40% to 50% lower than the traditional one, which effectively reduces water consumption by about 40% to 50%.



Comprehensive water consumption of the Panyu Plant (m³)	2020/21	2019/20
River water consumption	12,718,074	10,571,079
Water consumption per metric tonne of finished products	195.92	177.57
Recycled waste water consumption	4,022,522	3,288,270
Water consumption per metric tonne of finished products	61.97	55.24
Municipal water consumption	497,675	498,283
Water consumption per metric tonne of finished products	7.67	8.37
Total water consumption	17,238,271	14,357,632⁴
Water consumption per metric tonne of finished products	265.55	241.18

Comprehensive water consumption of the Vietnam Plant (m³)	2020/21	2019/20
River water consumption	732,010	847,885
Water consumption per metric tonne of finished products	99.70	89.51
Municipal water consumption	9,055	7,650
Water consumption per metric tonne of finished products	1.23	0.81
Total water consumption	741,065	855,535
Water consumption per metric tonne of finished products	100.94	90.31

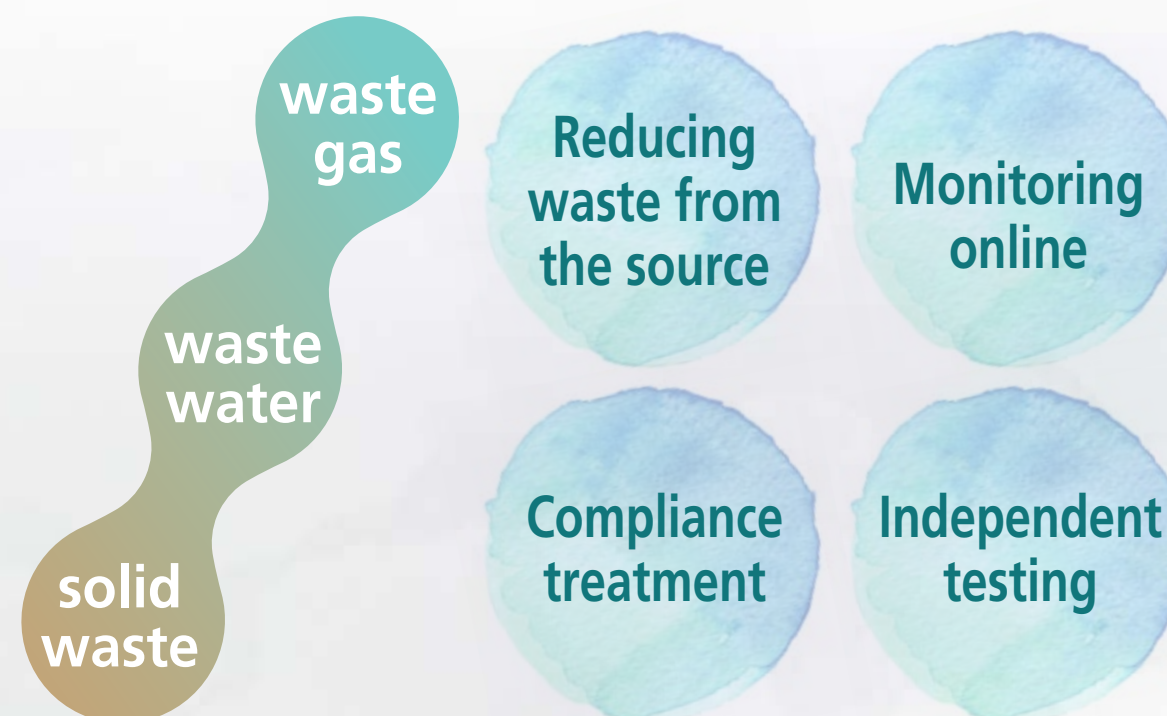
The increase in the total water consumption of the Panyu Plant was mainly due to the increase in output, while the total water consumption of the Vietnam Plant also decreased with the output. Overall, the water use efficiency of the Panyu Plant and the Vietnam Plant is roughly the same as in the past, and is reflected in the water consumption per metric tonne of finished products. The increase in the water consumption per metric tonne of finished products of Vietnam Plant was partly due to the increase in the proportion of finished products produced during the Reporting Period that required more water resources in production.

The Group will continue to closely monitor the water use data of two plants to identify opportunities to improve water use efficiency.

⁴ This report revised the total water consumption of the Panyu Plant in 2019/20 from 19,365,590 m³ to 14,357,632 m³. The difference (5,007,958 m³) is the amount of internally recycled water consumption, which is not included in the total water consumption as it will not cause additional water consumption for production.

Emissions Management

Pacific Textiles strictly manages the discharge of air, sewage and other solid waste to reduce the impact on the environment and ecosystem. The Group's policy here is to actively improve technology to reduce the generation of waste gas, waste water and waste from the source; monitor the emission process and data online; and dispose the emissions in accordance with local regulations. To ensure full compliance with regulatory requirements, the Group regularly hires a third-party testing organisation to conduct comprehensive testing. Relevant applicable laws and regulations 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 Atmospheric Pollution" (《中華人民共和國大氣污染防治法》), "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》) and Vietnam's key national technical regulations on industrial inorganic substances, dust and wastewater (such as 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.).



Most of the Group's air emissions are generated during the operation of boilers and setting machines of the power plant, including nitrogen oxides, sulphur oxides and particulate matters. The amount of air emissions produced is mainly affected by the quality of raw materials/fuels (mainly coal) and production technology. As the former is largely an external uncontrollable factor, the Group pays more attention to the investment to improve technology level. In this regard, Panyu Plant has made remarkable achievements. It adopts a comprehensive treatment project for ultralow emission of flue gas pollutants from circulating vulcanised bed coal-fired boilers, to desulfurise, denitrate and remove dust from the flue gas emitted from coal-fired boilers in power plants. The flue gas emission reaches the ultralow emission standard of Guangdong Province. The project was awarded the "Outstanding Demonstrative Project regarding Environmental Protection of Guangdong Province" in 2018. In addition, Panyu Plant also achieved good results by using advanced oil fume treatment equipment to treat the oil fume generated during the processing of fabrics. With advanced technology and outstanding performance, Panyu Plant and Pacific Textiles were invited to participate in the formulation of the national standard "Standards on Air Pollutants Discharge for Textile Printing and Dyeing Industry" (《紡織印染工業大氣污染物排放標準》). The air emission level of Vietnam Plant is also in full compliance with local regulations and standards. It will learn from the successful experience of Panyu Plant to actively improve the technology level and reduce emissions in the future.

In order to more accurately and comprehensively reflect air emissions of the Group's plant operation, air emissions data disclosed by the Group this year included air emissions of thermal power plant (the main source of air emissions of the Group), which is different from the previous disclosure including only gas fuel consumption and vehicle emissions. Since the change in data reporting scope will significantly affect the emissions data, in order to avoid misunderstandings among readers, this report will not provide comparison data of air emissions of previous years. The data of air emissions of two plants during the Reporting Period is as follows⁵:

Air emission of Panyu Plant(kg)	2020/21
Nitrogen oxides emissions	45,352
Emissions per metric tonne of finished products	0.70
Sulphur oxides emissions	9,308
Emissions per metric tonne of finished products	0.14
Particulate matter emissions	8,653
Emissions per metric tonne of finished products	0.13

Air emission of Vietnam Plant(kg)	2020/21
Nitrogen oxides emissions	38,231
Emissions per metric tonne of finished products	5.21
Sulphur oxides emissions	90,900
Emissions per metric tonne of finished products	12.38
Particulate matter emissions	20,780
Emissions per metric tonne of finished products	2.83

As shown above, air emissions per metric tonne of finished products of Vietnam Plant are significantly higher than that of Panyu Plant, which is mainly due to differences in technologies and equipment of the two plants, while the emissions at Vietnam Plant were also in full compliance with the local standards. As mentioned above, Vietnam Plant will leverage the experience of the Panyu Plant in the future to continuously improve its technology level and reduce air emissions.

⁵ The report refers to “Appendix II: Reporting Guidance on Environmental KPIs” of the Stock Exchange when calculating air emissions.

In addition to the above-mentioned waste gas, air emissions of the Group's plants also include Greenhouse gas. The relevant data is as follows⁶:

Greenhouse gas emissions of Panyu Plant (metric tonnes of CO ₂ e)	2020/21	2019/20
Direct (Scope 1) emissions	503,543	447,477
Emissions per metric tonne of finished products	7.76	7.52
Energy indirect (Scope 2) emissions	46,873	50,113
Emissions per metric tonne of finished products	0.72	0.84
Other indirect (Scope 3) emissions ⁸	4,404	4,266
Emissions per metric tonne of finished products	0.07	0.07

Greenhouse gas emissions of Vietnam Plant (metric tonnes of CO ₂ e)	2020/21	2019/20
Direct (Scope 1) emissions	39,105	42,341
Emissions per metric tonne of finished products	5.33	4.47
Energy indirect (Scope 2) emissions	11,906	12,331
Emissions per metric tonne of finished products	1.62	1.30
Other indirect (Scope 3) emissions	284	331
Emissions per metric tonne of finished products	0.04	0.03

Direct (Scope 1) greenhouse gas emissions mainly come from the consumption of raw coal. Energy indirect (Scope 2) greenhouse gas emissions mainly come from the consumption of purchased electricity. Other indirect (Scope 3) greenhouse gas emissions are mainly related to sewage discharge and the use of municipal water. The Group actively saves energy consumption to reduce greenhouse gas emissions. For details of energy management policies and measures and energy consumption data, please refer to the section headed “Energy Management” in the Report.

⁶ When calculating greenhouse gas emissions, this report refers to the “2006 Guidelines for National Greenhouse Gas Inventories Volume 2” by the Intergovernmental Panel on Climate Change (IPCC); the “2019 Baseline Emission Factors for Regional Power Grids in China” by the Ministry of Ecology and Environment of the People’s Republic of China; the “List of Grid Emission Factors version 10.10” by Institute for Global Environmental Strategies; the “Greenhouse gas reporting: conversion factors 2021” issued by the Department for Business, Energy & Industrial Strategy of the UK Government and the “Appendix 2: Reporting Guidance on Environmental KPIs” by the Stock Exchange.

⁷As mentioned above, this report revised the purchased electricity consumption in 2019/20 from 208,972,343 kWh to 95,072,104 kWh. Therefore, energy indirect (Scope 2) greenhouse gas emissions have also changed accordingly.

²In order to more fully reflect the Group's other indirect (Scope 3) greenhouse gas emissions, the data (covering Panyu Plant and Vietnam Plant) disclosed in this report starting this year includes newly added greenhouse gas emissions related to sewage discharge and the use of municipal water, which is different from the previous calculation of greenhouse gas emissions included only waste disposal and business travel. To help readers compare changes, other indirect (Scope 3) greenhouse gas emissions in 2019/20 disclosed in this report are also recalculated using new methodology.

In terms of sewage discharge, the Group focuses on the sewage treatment process to ensure that the types and concentrations of pollutants discharged comply with local regulations and standards. Specifically, the plant adopts a real-time monitoring system to monitor the quality of the treated sewage and ensure that it is only discharged when it is qualified. We also take samples daily to test the chemical composition of the treated sewage to evaluate the performance of sewage treatment. Regular sample tests are conducted by qualified third-party testing organisations to ensure that water quality meets legal requirements. In addition, the Group also actively improves sewage treatment technology. Panyu Plant, South China University of Technology and Guangzhou Branch of Shenyang Institute of Automation of Chinese Academy of Sciences(中科院瀋陽自動化研究院廣州分院) jointly conducted research on advanced treatment of printing and dyeing wastewater and intelligent online monitoring, and monitored the advanced treatment of printing and dyeing wastewater in real time. The treatment result is far better than the emission limit of standards on water pollutants discharge for textile printing and finishing industry (GB4287-2012). This technology was also awarded several honours, including the Guangdong Science and Technology Improvement Award (Second Class)(廣東省科學技術

進步二等獎), the Second Class Award of Scientific and Technological Progress of China National Textile and Apparel Council (中國紡織工業聯合會科技進步二等獎), and was included in the recommended catalogues of the 12th batch advanced technologies in energy saving and emission reduction in China's dyeing and printing industry.

During the Reporting Period, the total sewage discharge of Panyu Plant was 9,205,501 cubic meters (during the same period last year: 9,404,610 cubic meters), and the sewage discharge per metric tonne of finished products was 141.81 cubic meters (during the same period last year: 157.98 cubic meters). The total sewage discharge of Vietnam Plant was 638,537 cubic meters (during the same period last year: 746,076 cubic meters), and the sewage discharge per metric tonne of finished products was 86.97 cubic meters (during the same period last year: 78.76 cubic meters). Sewage discharge is mainly related to water consumption. The increase in sewage discharge per metric tonne of finished products in Vietnam Plant is partly due to the increase in the proportion of finished products produced during the Reporting Period that require more water resources during consumption.

In terms of waste treatment, Panyu Plant and Vietnam Plant refer to the relevant policies and requirements of the local government for hazardous waste treatment to dispose hazardous wastes generated during the production process, and entrust professional contractors with local government-accredited qualifications for central treatment. Disposal of hazardous waste was 100% compliant with local standards. In December 2020, the dye and auxiliaries packaging waste treatment workshop established by Panyu Plant passed the environmental impact assessment and was officially approved to start operation to process some waste chemical packaging and containers. Since then, dye packaging cartons produced can be used as biomass fuel to be incinerated in power plants after damage, and auxiliary packaging barrels can be recycled after cleaning, which reduce the Company's waste disposal costs and the impact to the environment. For non-hazardous wastes, Panyu Plant and Vietnam Plant sell recyclable waste to recyclers for recycling, and the remaining non-recyclable waste will be comprehensively disposed of by relevant units recognised by local government departments. The wastes generated by two plants during the Reporting Period are as follows:

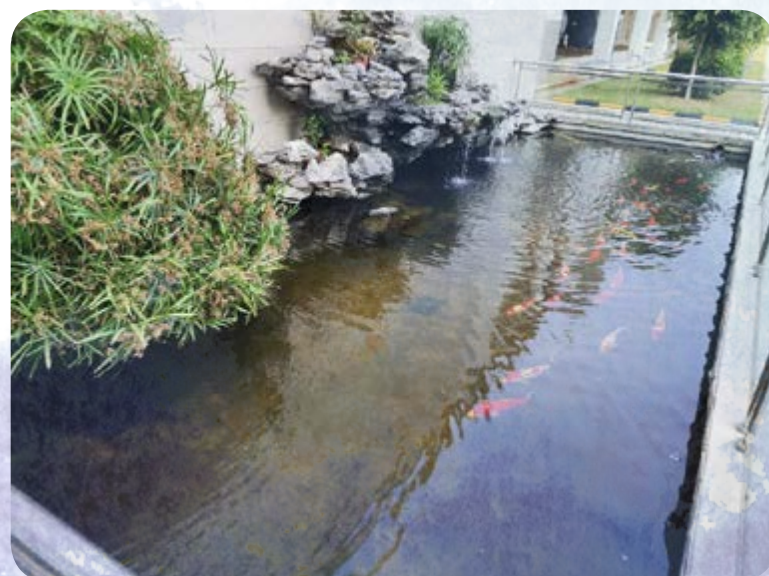
Amount of wastes generated by Panyu Plant (kg)	2020/21	2019/20
Amount of hazardous wastes generated	566,785	443,113
Amount generated per metric tonne of finished products	8.73	7.44
Amount of non-hazardous wastes generated	64,312,895	55,608,540
Amount generated per metric tonne of finished products	991	934

Amount of wastes generated by Vietnam Plant (kg)	2020/21	2019/20
Amount of hazardous wastes generated	2,741,260	1,496,160
Amount generated per metric tonne of finished products	373	158
Amount of non-hazardous wastes generated	7,884,618	8,992,921
Amount generated per metric tonne of finished products	1,074	945

The amount of hazardous and non-hazardous wastes generated per metric tonne of finished products in Panyu Plant was roughly the same as that of the same period last year. The significant increase in the amount of hazardous wastes generated by Vietnam Plant was mainly due to the introduction of a new high-efficiency sludge clarifier in the plant in April 2020 to treat the remaining sludge accumulated in the system. Its processing capacity is better than that of the old model, which greatly increased the sludge generated during the Reporting Period compared with the same period last year.

Fishpond with treated wastewater

After advanced treatment of the printing and dyeing wastewater of the Panyu Plant, the discharge index is far lower than the Class I standard in the second time period of in the “Discharge Limits of Water Pollutants” (DB44/26-2001) and the direct discharge standard in “Discharge Standards of Water Pollutants for Dyeing and Finishing of Textile Industry” (GB4287-2012 Table 2)) in Guangdong Province. The treated wastewater can be used to raise fish, proving the water quality. The picture shows the ornamental fishpond built by the Company that uses treated printing and dyeing wastewater.



Packaging Materials

Pacific Textiles has always used packaging materials carefully to reduce unnecessary wastes. The Group understands that after customers receive the Group's products, there is a high chance that they will not keep the packaging materials but discard them. Therefore, the Group actively takes different measures to reduce the use of packaging materials. For example, the Group optimises packaging design as much as possible, adopts more suitable packing material specifications according to the packing needs of products to achieve waste reduction from the source, guides the staff to avoid waste of packaging materials due to human error, and gives priority to using recyclable materials as packaging materials. In addition, all packing plastic bags and adhesive papers are recycled as covering materials for product protection during the production process, and the waste packing plastic bags and adhesive papers are all handed over for recycling. At the same time, the Group strictly controls the supply of packaging materials to prevent the use of materials that cause serious pollution to the environment.

The packaging materials used by the Group are mainly paper materials and plastic materials. The usage of Panyu Plant and Vietnam Plant during the Reporting Period is as follows:

Consumption of packaging materials of Panyu Plant (kg)	2020/21	2019/20
Consumption of paper packaging materials	711,175	635,990
Consumption per metric tonne of finished products	10.96	10.68
Consumption of plastic packaging materials	317,849	288,628
Consumption per metric tonne of finished products	4.90	4.85

Usage of packaging materials of Vietnam Plant (kg)	2020/21	2019/20
Consumption of paper packaging materials	60,642	95,678
Consumption per metric tonne of finished products	8.26	10.10
Consumption of plastic packaging materials	39,485	46,958
Consumption per metric tonne of finished products	5.38	4.96

As the energy consumption described in previous sections, the increase in the usage amount of packaging materials in Panyu Plant was mainly due to the increase in output, while the usage amount in Vietnam Plant decreased with the output. Packaging materials per metric tonne of finished products used in Panyu Plant were close to those used last year. Packaging materials per metric tonne of finished products used in Vietnam Plant saw a decrease of approximately 18%, partly due to less waste of packaging materials occurred.

Other Environmental Impact Management

The Group carefully handles the potential impact of the operation process on the surrounding environment in order to protect the ecosystem and biodiversity. Specifically, the environmental impacts of the operation of the Group's plants are mainly noise emission of the plants' production equipment and odour emission of aeration tanks of sewage treatment plants. The Group has taken measures to reduce related noise and odour. The ESG working groups of the Panyu Plant and the Vietnam Plant will also collect data on emissions and natural resources consumption to continuously monitor the impact of production and operations on the environment and natural resources.

In addition, considering sudden 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》), clearly stipulating the handling procedures of major environmental pollution incidents are clearly defined with response plans, procedures, control guidelines, measures and responsible departments, in order to deal with emergencies quickly and effectively and to minimise their impact on the surrounding environment. In addition, the Group also conducts emergency drills on an annual basis where the occurrence and handling of emergencies are simulated, in order to improve the ability of employees in addressing emergencies.

Environmental impact is also an important consideration for the Group when upgrading existing plants and designing new plants. Therefore, Pacific Textiles actively introduces new elements to create green and smart plants. For example, as part of Panyu Plant's upgrade plan by 2023, the Group is building a 6 megawatt-hour solar power generation system, and will also use liquefied natural gas instead of liquefied petroleum gas as fuel in some production processes. The Group is also evaluating the feasibility of using wind power generation in the Panyu Plant and researching methods to further reduce sludge. The Vietnam Plant also performed excellently in environmental aspect, and has been selected to be a demonstrative successful textiles factory in Vietnam 3 years in a row by the National Environmental Magazine affiliated to the Vietnam Environment Administration. In May 2019, the Vietnam Plant also commenced the energy audit plan to monitor the use of energy on an ongoing basis for improvement in efficiency. In addition, the Group plans to add a series of effective green designs to new plants to be built in Vietnam, including advanced sewage treatment technology, production discharge treatment system, ultra-clean boiler discharge treatment system (in accordance with China's most stringent domestic standards for boilers that use natural gas) and on-site production line heat recovery and cooling water, condensing steam recovery technology, etc., making plant operation more in line with environmental benefits.

Noise management

- Design the plant for indoor operations and install sound insulation boards on the fence of the plant boundary
- Use low-noise air compressors and air discharge ports to implement noise control in operation
- Continuously monitor noise data, and the Panyu Plant is monitored by a third-party environmental monitoring agency every year at the boundary

Odour management

- Cause odour mainly when treating sewage
- Install cover plates on sewage treatment aeration tanks to seal aeration tanks to prevent the spread of odour



Panyu Plant



The design of new plant in Vietnam



Vietnam Plant

Responding to Climate Change

Pacific Textiles considers climate change as an important operation risk, which will affect creatures and ecosystem of various regions throughout the world. As governments, regulators and individuals in various regions attach more importance on climate change issue, the Group, as a responsible corporate, has also formulated strategies to mitigate business' impact on regional environment and deal with potential threat generated from climate change. Specifically, extreme weather conditions (such as typhoon, storm and flood) incurred by climate change may damage plants' machines, make employees unable to go to work as usual, interrupt transportation and supply chain and damage goods, etc. They may also bring financial losses to the Group, force the Group to suspend operation partially and even threaten life safety of employees of the Group. Therefore, the Group has set up emergency measures for the above conditions, guiding employees' work arrangement and management methods under extreme weather conditions. As the most pivotal operation facility of the Group, Panyu Plant has established emergency group to direct emergency work and conduct specialised rehearsals each year.

In addition, the Group has also formulated emissions reduction target and corresponding measures to gradually reduce greenhouse gas emissions and make contributions to mitigating climate change.

The Group will constantly monitor weather condition of regions where it operates to make preparation on a timely basis. Meanwhile, the Group will also pay close attention to guidelines issued by local government, regulators and industrial associations and update internal policies and measures when appropriate.



Higg Facility Environmental Module Rating

Higg Index is a standardised self-assessment tool developed by Sustainable Apparel Coalition ("SAC") (SAC consists of some well-known apparel brand companies and the United States Environmental Protection Agency as well as other NGOs). It includes a facility environment module, namely Higg Facility Environmental Module ("Higg FEM"), allowing brands, retailers and facilities (at each stage of sustainable development tour) of various scale to precisely measure and grade the sustainable development performance of companies or products. The Company is required to undergo a self-assessment each year and engage a certified third-party recognised by SAC to complete the verification to arrive at the final score. The Company can continuously improve its performance with reference to the current assessment results.

The Higg FEM testing covers 1) environmental management system; 2) energy usage and greenhouse gas emissions; 3) water use; 4) wastewater; 5) emissions to air; 6) waste management; and 7) chemical management

The score of Panyu Plant in respect of Higg FEM from third-party assessment:

86.5 points
in 2020
and 73.2 point in 2019





Social Responsibility

Pacific Textiles attaches great importance to the common growth with the regions where it operates. The Group understands that our business development depends on the support of our employees and the local community. As a responsible corporate, the Group cares about the well-being of employees and invests enthusiastically in the community, with the hope to bring long-term value to the society.

Topics of this section

Caring for Employees Workplace Safety and Health
Diversity and Fair Employment Community Investment
Employee Training

The Stock Exchange ESG KPIs involved

B1.1 B1.2
B2.1 B2.2 B2.3
B3.1 B3.2
B4.1 B4.2
B8.1 B8.2

SDG topics involved



As far as the management is aware of, Pacific Textiles was in compliance with applicable local laws and regulations in respect of employment, employee health and safety and labour standards and there were no non-compliance cases noted during the Reporting Period.

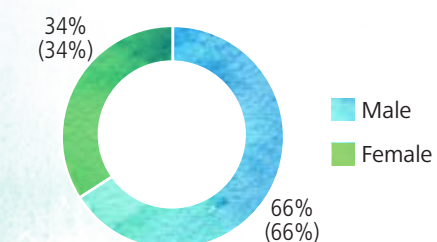


Caring for Employees

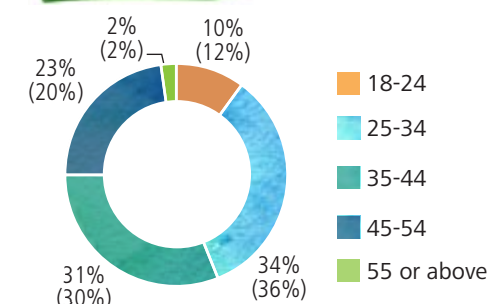
Pacific Textiles appreciates the contribution made by its staff and considers them as the most important asset. Therefore, the Group always provides competitive remuneration package to ensure the staff can have salary and welfare, including various insurance, subsidy and vocation, that correspond with his or her work performance, contribution and market level. To safeguard interests of the staff, we have formulated a series of internal policies to improve human resources management system, including "Employee Handbook", "Recruitment Policy", "Working Hours and Leave Management Regulations" and "Employee Resignation Management Regulations" to improve the human resources management system. In addition, the Group has also signed the "Wage Collective Negotiation Agreement" with the trade union representatives of the Panyu Plant and Vietnam Plant, and convenes trade union committee meetings as needed to discuss issues related to the vital interests of employees, such as annual salary increases, reimbursements for trade union expenditures, and employee travel expenses and group ticket booking during Spring Festival. The Group regularly reviews relevant internal regulations to ensure that its practices in respect of recruitment, promotion, resignation, working hours, salary and benefit comply with relevant laws and regulations, including the Labour Law of the People's Republic of China, the Labour Code of Vietnam ("Labour Code") and Employment Ordinance (Chapter 57) in Hong Kong, etc.

As of 31 March 2021, the Group had a total of 4,933 employees (during the same period last year: 5,197 employees), all of them are full-time employees, a breakdown of which is as follows⁹:

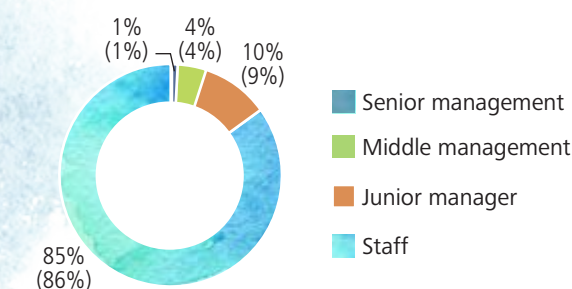
Gender



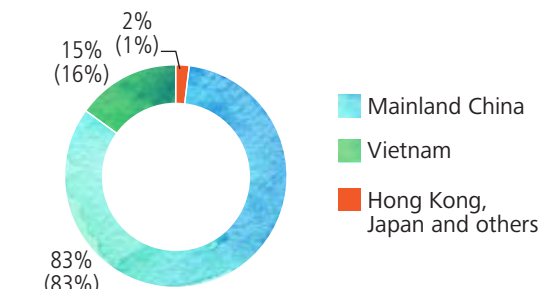
Age



Employee Category



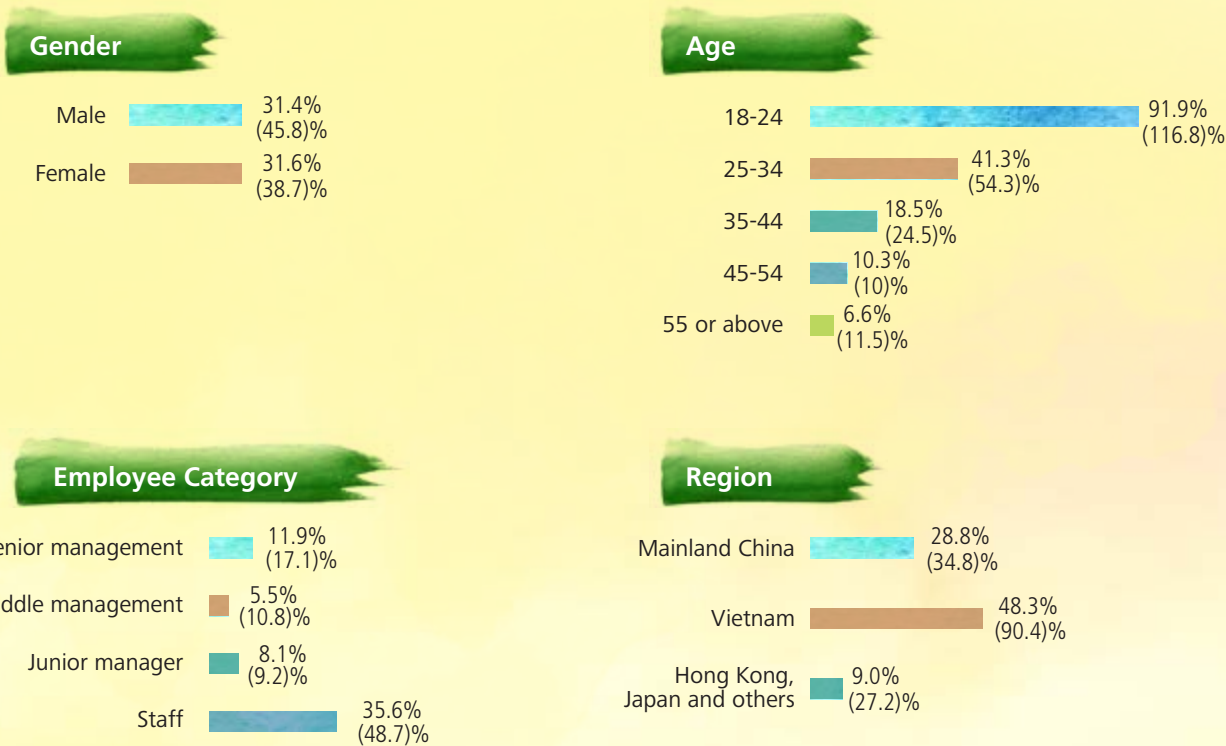
Region



*The data in parenthesis () represents the data of 2019/20.

⁹ In order to more comprehensively reflect the overall performance of the Group in respect of employees, the employee-related data (including employment, health and safety, and training, etc.) disclosed this year covers all employees of the Group, which is different from the previous annual ESG reports that only disclosed the data of Panyu Plant and Vietnam Plant. The relevant comparative data for 2019/20 disclosed in this report also adopts the same statistical methodology.

During the Reporting Period, a total of 1,552 employees of the Group resigned (during the same period last year: 2,254). The detailed data on the turnover rate of each category of employee is as follows:



*The data in parenthesis () represents the data of 2019/20

The Group regards the employee turnover rate as one of the important indicators in human resource management and strives to maintain it at a reasonable and stable level. As shown, the turnover rate of employees in all categories (except 45-54 age group) of the Group this year was lower than that of the same period of last year, such that the Group had a relatively stable work team. As for the employee turnover rate in the 18-24 age group, the turnover rate is significantly higher than that of other groups. This is mainly due to the characteristics of this group’s own career planning and higher workplace mobility, which is a normal industry phenomenon. The number of employees in this group only accounts for about 10% of the Group as a whole, so its high turnover rate does not have a significant impact on the Group’s overall operations.

In addition to the legal interests of employees such as insurances, holidays and overtime allowances, Pacific Textiles has been striving to improve the working environment in various aspects, organise various staff activities and offer additional allowances for meals and transportation, so as to further attract and retain talents and enhance the sense of belonging of employees. For example, in 2020, the Group added automation equipment to improve the ventilation environment and installed the new dye tank to reduce noise for Panyu Plant workshop; replaced the bed and cabinet, added washing machines and installed wireless Internet for the staff dormitory to improve the living conditions; and provided more exercise and fitness equipment for employees. The office in Hong Kong also underwent refurbishment and equipment upgrades, making the working environment more comfortable. In addition, the Group also organises recreational and sports activities such as basketball games, table tennis games, badminton games and football games, tug-of-war games, Tai Chi classes, yoga classes, Women’s Day activities and employee outings to relieve the work pressure of employees, cultivate team spirit and increase team cohesion.

Employee Activities



Reception



Rest space

Hong Kong Office Renovation Project



Office facilities



Smart security equipment



Pantry room



Diversity and Fair Employment

Pacific Textiles advocates diversity and is committed to providing employees with equal opportunities and creating a harmonious and inclusive working environment. The Group adopts objective criteria to evaluate employees in the recruitment, promotion, training and other processes, provides equal opportunities for all employees, and prohibits any kind of discrimination based on gender, race, ethnic origin, religion, marital status or disability. In addition, as a pioneer in the textile manufacturing industry, Pacific Textiles also attaches great importance to the principle of fair employment. The Group strictly prohibits the use of any form of forced labour in its operations (including labours forced to work through corporal punishment, abuse, labour repayment or trafficking), and strictly prohibits the employment of any child labour younger than the age required by local labour laws. In order to prevent the occurrence of related situations, the Group's factory strictly checks information of the ID card, birth certificate and address proof when recruiting and inducting employees. The Panyu Plant also applies for salary cards, and the bank checks whether the ID card information and police information are consistent to ensure the validity and accuracy of identification.



Employee Training

Pacific Textiles understands that the knowledge and skills of employees are the cornerstone of the Group's business development. Therefore, it attaches great importance to employee training and has formulated comprehensive training policies in accordance with business needs. The Group's internal training is mainly divided into 4 categories:

01

Pre-job training:

The HR Department explains corporate information, factory regulations, basic safety requirements, employee attendance, salary, labour union of the Company, etc. for employees who are on-boarding; each department introduces ISO45001, ISO9001, ISO14001, ISO50001 basic knowledge, crisis management, operating procedures, procedure documents, work instructions, etc. to teach basic operating skills.

02

Basic skills training:

Take the mode of apprenticeship, and teach relevant knowledge including operation skills, safe operation, quality awareness, environmental protection and occupational health on-the-job.

03

Advanced skills training:

Each plant department will carry out the training according to the annual training plan, focusing on improving the knowledge and skills of employees in individual projects.

04

Management training:

To provide training for management to improve their knowledge and skills of enterprise management, so as to lead the Group to continuously develop its business.

In addition, the Group also provides subsidies on external training courses for specific employees (such as security guards, forklift workers, safety officers, etc.) as needed to help them develop their work-related knowledge and skills. During the Reporting Period, the skills trainings carried out by the Group included Safety and Basic Skills of Welders and Electricians, Skills Improvement of Spinners, Safety Management Skills Improvement, Vocational Skills Improvement of Printing Workers, Vocational Skills Improvement of Quality Inspectors, Skills Improvement of Finishing Plant Operators and Skills Training of Dyeing Workers, etc; the training on improving the quality of life included Anti-fraud Knowledge Lecture and Foreign Language Training Class, etc.



Skills training for textile plant – Panyu Plant



Japanese speaking training class – Panyu Plant



¹⁰ In order to more accurately reflect the training resources allocated by the Group to each trained employee, the calculation method of "average training hours completed by each trained employee" disclosed this year is updated to the total training hours of the category divided by the number of trained employees of the category during the Reporting Period, which is different from the calculation method used in previous annual reports (the total training hours of the category divided by the number of employees of the category at the end of the Reporting Period). The relevant comparative data for 2019/20 disclosed in the Report also adopts this new calculation method.

Workplace Safety and Health

Pacific Textiles always considers the health and safety of its employees as its top priority, and undertakes to implement all necessary measures to protect its employees from occupational hazards. The Group has proactively carried out standard procedures for production safety, and established a management system of standard procedures for production safety. Panyu Plant has passed the ISO 45001 Occupational Health and Safety Management System certification, while Vietnam Plant has managed its operations with reference to the safety measures adopted by Panyu Plant. On this basis, the Group annually conducts comprehensive identification of source of hazardous and risk assessment, formulates risk control measures and Standard Process for Safety Operation (安全操作標準書) to address major source of hazards, and annually conducts various emergency drills (such as fire escape, restricted space, chemical spillage, explode of pressure vessels, leakage of sewage, etc.).



Emergency Drills for Boiler Pipeline Leakages in Panyu Plant

The boiler incident is a major source of hazards for the plant operation. To prevent and reduce boiler incident and standardise the management of emergency handling of relevant accidents, Panyu Plant conducted an emergency drill for boiler pipeline leakages in the morning on 8 September 2020. The drill simulated the scenario that a boiler pipeline leakage happened (including incident discovery, warning, inspection, repairs, back-up and resumption operation plan, etc.). During the drill, maintenance personnel confirmed the leakage point on site, wearing high-temperature protective clothing; the safety director made a preparation for safety caution on site; as the last step, there was also a debriefing session to summarise the results. The drill processes are summarised as below:



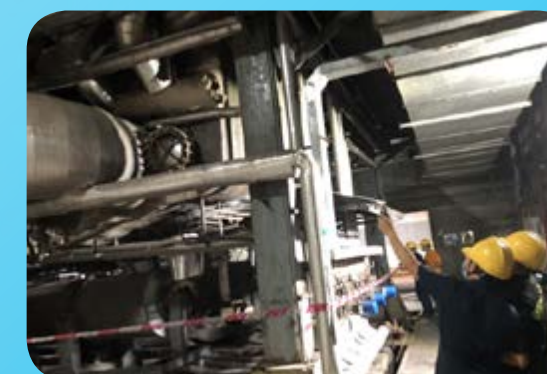
1. A leakage is spotted by inspection personnel



2. Safety evacuation



3. Inspect and confirm the exact point of leakage



4. Warning set-up



5. Cut off the boiler operation



6. Drill debriefing

In addition, the Group annually engages professional testing organisations to conduct assessments of occupational hazards in respect of temperature, noise, air, dust, wind and gas at various job positions in Panyu Plant and in Vietnam Plant and make announcement on the testing results, so as to enable employees to understand the occupational hazards of each job position. The Group will implement relevant preventive measures with reference to the results of the assessment report, and conduct relevant trainings for workers to understand the requirements and acquire the skills for preventing and controlling the occupational hazards. 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 covers job title and duties, working hours, rest period, statutory benefits and preventive measures for post-specific occupational hazards etc.

Meanwhile, the Group regularly performs testing and maintenance for plant equipment to ensure their safe and effective operation. The Group also provides the employees with proper personal protective equipment to prevent potential work-related accidents, aiming to minimise the impact of occupational hazards on the health of the employees at relevant post. The equipment includes ear plugs, goggles, dust respirators, masks, rubber gloves, boots, insulated shoes, aprons, hair nets, safety belts, etc. The Group also arranges

annual occupational health checks for all employees in Panyu Plant and Vietnam Plant, to help the employees 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, which ensures that the employees' physical health is safeguarded.

During the Reporting Period, the number of working days lost due to work-related injuries was 2,628 man-days (the same period last year: 2,064 man-days). The increase was partly due to the slight increase in the number of work-related injuries during the Reporting Period, and partly due to the enhanced awareness of occupational safety of the Group and its employees. With such enhanced awareness, in the event of work-related injuries, the employees are given longer rest time to ensure a full recovery before returning to work, while the employees also require more rest days, which also result in the increase in the average number of working days lost per employee due to work-related injuries. The Group will continue to strengthen the safety management in the workplace, provide personal protective equipment, conduct safety training, and seek to minimise work-related injuries. In the past 3 years, the Group did not record serious work injury case or work-related fatality.



Fire Fighting Training - Panyu Plant



Conducting Safety Test - Vietnam Plant



Chemical Leakage
Emergency Drills -
Panyu Plant



Safety Training Course - Vietnam Plant



Safety Quizzes Activities - Panyu Plant



Fire Emergency Drills - Panyu Plant



Disinfection Work for the Plant - Vietnam Plant

The outbreak of 2019 novel coronavirus disease (COVID-19) led to a global public health crisis, which threatened the health and safety of people all over the world. To effectively cope with the pandemic, the Group formulated Preventive Guidelines for Responding to Covid-19 Pandemic (《應對新型冠狀病毒肺炎防控指引》) and set up the Leading Group on Preventing and Controlling the Pandemic (疫情防控領導小組). The Group successfully maintained zero cases of infection among staff by implementing a series of preventive measures, ensuring the health and safety of the staff, customers and other relevant personnel. The preventive measures include provision of masks, sterilisation products, healthy catering and updated information on disease prevention; modification of staff canteen to comply with the social distance standards recommended by local government; arrangement of testing and regular temperature checks to identify staff with fever symptoms; setting aside a spare dormitory to hold staff with fever symptoms in isolation and for separate monitoring; and regular disinfection of workplaces.



Conducting COVID-19 Testing for the Employees - Vietnam Plant



Vaccinating the Employees - Panyu Plant



Conducting Nucleic Acid Testing for the
Employees - Panyu Plant

Community Investment

Pacific Textiles cares about the development of the regions where it operates, and insists to make contributions to the community while creating business value. Over years, the Group has been assisting the inclusive development of the community through various means (such as donation both in cash and in kind, coordinating various cultural recreation, sport, employment and charity activities, etc.), and sharing the fruits of its economic development. Notable results were achieved in this regard. With an aim to promote the regional sustainable development, the Group focuses on education assistance, employment promotion and improvement of living environment in respect of its community investment. In response to the outbreak of COVID-19 pandemic in 2019, the Group also donated approximately HK\$2,521,000 to support pandemic prevention work in mainland China on 2 March 2020 to facilitate its early recovery. The amount was transferred to the Disaster Relief Office of the Liaison Office of the Central People's Government of China in HKSAR (中央政府駐港聯絡辦賑災辦公室).



Education Assistance

The Group believes that education is a major approach to enhance human resource. People can acquire knowledge and skills and broaden their horizons through education, and hence improve the standard of living in the future. Therefore, the Group strives to improve the learning environment for those children and students who are from a family with financial difficulty and living in an underdeveloped region, enabling them to enjoy equal learning opportunity. The Group continues to provide financial support for building schools, improving the teaching and learning environment, and offering scholarships to students, so as to make contributions to the community by cultivating talents for the future.

Providing financial support for schools to purchase equipment



In August and September 2020, rainstorms had struck Central Vietnam and caused flood in various areas, which resulted in damages to properties as well as some schools. The Group therefore supported two schools (Quang Tien School and Phu Hoa School) to purchase computers and textbooks for students.

Providing financial support for building schools

In 2020, the Group continued to provide the Vietnam community with financial support to build the secondary school (Lai Vu Secondary School).



Funding children from poverty-stricken households for education



We funded 67 children from poverty-stricken households in Yunnan to further their education in Guangzhou and will arrange employment for them after they graduate. In the following years, we plan to fund 50 children from registered poverty-stricken households in the remote areas of Yunnan to further their education in Guangzhou each year.

Providing scholarship and funding school uniforms



Granting scholarship to outstanding students from Tongxing Village, Nansha District



Funding school uniforms of a school for the disabled in Nansha District



Donated clothing to impoverished villages in Guiding County, Guizhou

Promoting Employment

The Group understands that the significance of work to people is not only about bringing earning and improving life, but also in generating satisfaction and sense of achievement. For the society, work is indispensable for economic development. Therefore, the Group is delighted to create job opportunities for communities and help students develop their career.

Providing internship opportunities to poverty-stricken students



Sponsoring universities to hold recruitment fairs

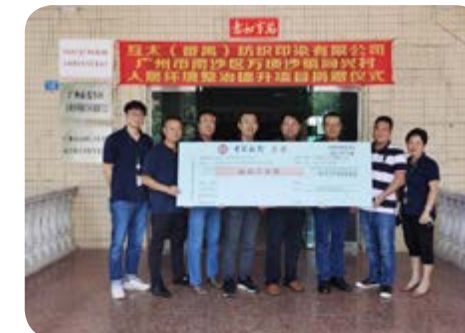
The Group participated in the recruitment fair held by Henan Polytechnic University for its students on 28 November 2020 and sponsored such recruitment fair activity through providing monetary assistance to its Student Affairs Division.

To completely implement the "East-West (Guangdong and Yunnan) Vocational Education Assistance Action Plan in 2018" (2018年職業教育東西(粵滇)協助行動計劃) of mainland China and address difficulties in living and education faced by the students participating in such plan after they arrive in Guangdong, Pacific Textiles cooperated with Guangzhou Vocational School of Textile and Garment to establish an order form class and provided economic assistance to students. We provide living expenses of RMB10,000 for each student of this class per year, up to two years. Students from order form class will work as an intern and be employed by the Company.

Improving Living Conditions

In addition to offering education assistance and promoting employment, the Group also helps create better living conditions for local residents in other aspects, including funding local construction projects, donating money and materials to impoverished residents and supporting cultural, recreational and sports activities.

Funding local construction projects



To improve the living conditions of Tongxing village, Nansha District, Panyu, Guangzhou, the Group donated RMB300,000 for the purpose of greening work, garbage classification and construction of fire roads, etc.

Supporting cultural, recreational and sports activities



In November 2020, the Group sent a team to participate in a football match held by Senior Union of Hai Yang Province, Vietnam for local industrial parks, to which the Group have provided funding.

Scoring of Higg Facility Social & Labour Module

The Higg Facility Social & Labour Module ("Higg FSLM") promotes safe and fair social and labour conditions for value chain workers all over the world. Institutions can use the score to understand hotspots and reduce audit fatigue. Instead of focusing on compliance only, they can dedicate time and resources to making lasting systemic changes. The Higg FSLM fully integrates the Converged Assessment Framework ("CAF") under the Social & Labour Convergence Project ("SLCP"), which helps assess the social and labour conditions required for plants and the effectiveness of their social management programs.

The Higg FSLM assess: 1) recruitment and hiring; 2) working hours; 3) wages and benefits; 4) employee treatment; 5) employee involvement; 6) health and safety; 7) termination; 8) management systems 9) empowering people and communities

The Higg SCLP score for Panyu Plant assessed by a third party is

87.7 points in 2020
and 72.2 points in 2019



Governance Responsibility

Pacific Textiles understands that good corporate governance is essential for business sustainability. The Group has established a sound corporate governance structure and strictly adhered to the applicable laws and regulations during the course of operation. The Group also operates its business free from all unethical and corrupt behaviours, including in business dealings with suppliers and other partners.

Topics of this section

Compliance and Anti-corruption
Supplier Management

The Stock Exchange ESG KPIs involved

B5.1 B5.2 B5.3 B5.4
B7.1 B7.2 B7.3

SDG topics involved



Targets of Panyu Plant

Scope	2023	2030	Measures
Product health and safety	Ratio of suppliers to satisfy ZDHC first-class chemicals (一級化學品) reaches 100%.	The ratio remains at 100%	For unsatisfied ZDHC first-class chemicals, searching for substitutes and continuously increasing the ratio of first-class chemicals

To the best knowledge of the management, Pacific Textiles has complied with the local applicable laws and regulations in respect of supply chain management and anti-corruption and there was no non-compliance during the Reporting Period.

Compliance and Anti-Corruption

At corporate level, Pacific Textiles has established a complete corporate governance structure, through which the Board monitors the overall operational risks and the management confirms the effectiveness of the internal control system of the Company. In daily operation, the Group adheres to the strictest business ethics standard to ensure compliance in operation and prevent corrupt behaviours.

To advocate an operational principle of honesty, integrity and fairness and provide employees with behavioural guidance on different situations that they may face with when performing their duties, the Group has formulated "Disciplinary Code". This code specifies disciplinary standards that the staff must strictly abide by, covering dealing with the conflict of interest, confidential information of the Company and relationships between suppliers and the contractors and others. The code explicitly inhibits the directors and staff of the Company from soliciting or accepting any interests from any parties who have business transactions with the Company (such as customers, suppliers and contractors); they are also not allowed to provide commercial interests to others without the approval from the Company.

In addition, the Group provides staff with anti-corruption trainings on a regular basis, and imparts relevant legal knowledge and advocates a spirit of

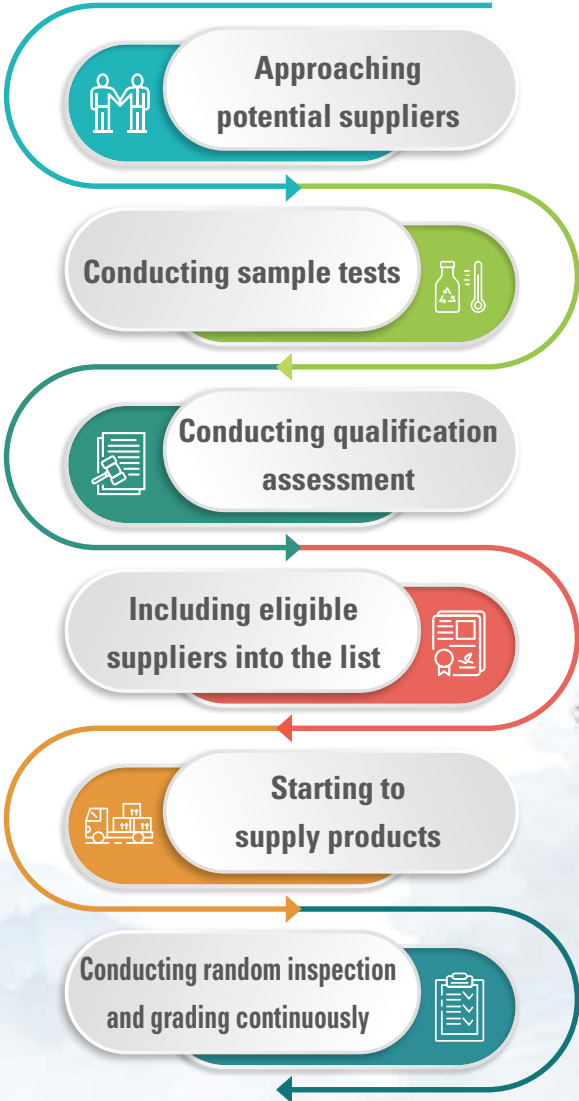
integrity. To deal with the higher risk of corruption in the procurement process, the procurement department of Panyu Plant is required to participate in the integrity and honesty management training to ensure that relevant staff understand the standards and requirements of the Group clearly. Pacific Textiles has also established a whistle-blowing mechanism for reporting corruptions. Staff can report to the management by hotline or mailbox if they discover any corrupt practices. Corruption cases will be followed up by the internal audit department or human resources department and the reporting process will also remain confidential.

Moreover, the Group has formulated relevant anti-corruption policies, regulations and stipulations related to the employees, contractors and suppliers of Panyu Plant and Vietnam Plant. If we discover any violations of these policies, regulations and stipulations, we may consider to terminate the employment or cooperation relationship with the offenders upon verification. During the Reporting Period, there were no concluded legal cases regarding corruption brought against the Group or its employees. The Group will continue to supervise the operation and make sure that it complies with relevant laws and regulations, including, among others, "Law of the People's Republic of China Against Unfair Competition", "Prevention of Bribery Ordinance" (Cap. 201) and anti-corruption laws in Vietnam.

Supplier Management

We understand that the quality of raw materials will affect the quality of products directly, so we have always implemented strict supplier management policies and improved the supplier management procedures to make sure that the raw materials satisfy our strict quality standards. For example, as to yarn suppliers, Pacific Textiles selects suppliers in accordance with the requirements in the “Rules for Suppliers Assessment” and the “Quality Management and Procedures of Procurement Control of Raw Yarn Suppliers”; as for suppliers of dyes and auxiliaries, we give preference to suppliers who satisfy the qualifications of Zero Discharge of Hazardous Chemicals Roadmap (“ZDHC”); and as for other material suppliers, we have established “Assessment and Appraisal Measures on Suppliers”. The supplier management procedures are specified as below.

Firstly, all new suppliers are required to provide samples for quality tests. We will then assess relevant qualifications and provide relevant assessment questionnaires if their products meet our quality standards. They will be included in the list of suppliers only after passing the assessment. At the stage of assessment of the qualification, the Group will review a series of documents, including business licenses, Authorized Economic Operator Certificate issued by the members of the World Customs Organization or Customs Trade Partnership Against Terrorism Certificate to make sure that suppliers are the suitable corporations to deal with; and certificates such as OEKO-TEX®, REACH, bluesign®, relevant ISO certificates and American Supima Association issued by international certification authorities to vindicate that products provided by them satisfy relevant security and quality standards.



The Group understands that the suppliers may have impact on the environment when they produce and provide raw materials. To encourage suppliers to adopt more environmentally friendly products and enhance their performance in respect of the environment, the Group has also included relevant assessment items (such as energy consumption, waste generation and air emissions, etc) into the assessment questionnaires for new suppliers and given priority to the suppliers with better performances in this aspect. In the meantime, the Group has formulated its own restricted substance list in accordance with the “Manufacturing Restricted Substance List” of ZDHC, and requires all the relevant suppliers to agree to abide by the rules of the Group, so as to minimise the use of hazardous chemical products that are harmful to the environment and guarantee product safety. The Group also keeps its eyes on suppliers’ social performances, and requires them to strictly comply with local labour laws and prohibit hiring child labour and forced labour. As above, Pacific Textiles has joined the Better Cotton Initiative. We pay close attention to the suppliers’ performance in social responsibility and only purchase raw materials from those who have good performance in this regard.

As to the suppliers who are in our supplier list, the Group will conduct random inspection and grading towards the bulk goods in accordance with the Code of Yarn Testing. Each batch of bulk goods has its corresponding rating record, based on which the Group conducts comprehensive assessment, comparison and review for the quality of all yarn products by types on a regular basis. The Group will arrange professional testing institutions to conduct quality tests when necessary. If the yarns, dyes, chemical products and ancillary materials provided by suppliers no longer satisfy the Group’s standards, the Group will stop using the raw materials provided by them until the quality and safety problems are solved.

Apart from the above-mentioned factors of product quality and environmental and social performance of the suppliers, the Group will also consider the production capacity, price and punctuality of goods delivery in selection of suppliers to ensure cost effectiveness. During the normal course of operation, the Group and its suppliers maintain close communication and jointly build a stable supply chain to satisfy business needs.

As of 31 March 2021, the Group had a total of 207 suppliers, among which 136 were from the Mainland China, 30 were from Hong Kong, 15 were from Vietnam and the other 26 were from other regions; and such suppliers mainly provided the Group with yarns, dyestuffs and chemicals, and packaging materials.



ABOUT THE REPORT

Pacific Textiles Holdings Limited and its subsidiaries (collectively, the “Group” or “Pacific Textiles”) is pleased to present this Environmental, Social and Governance (“ESG”) report (the “Report”) to provide an overview of the ESG principles, policies and achievements of the Group.

Reporting Scope

The reporting period of the Report is from 1 April 2020 to 31 March 2021 (the “Reporting Period”). Unless otherwise specified, the Report covers the Group’s business of knitted fabrics production and marketing and 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 District of Guangzhou City, the PRC (“Panyu Plant”) and a factory located in Hai Duong Province, Vietnam (“Vietnam Plant”), respectively. The two plants are responsible for the majority of production activities of the Group, so the reporting scope can adequately reflect the overall ESG performance of the Group.

Reporting Standards

The Report is compiled in accordance with the provisions set out in Appendix 27 Environmental, Social and Governance Reporting Guide (the “Guide”) to the Listing Rules on the Stock Exchange of Hong Kong Limited (the “Stock Exchange”).

Reporting Principles

In order to reflect the Group’s ESG performance accurately to stakeholders, the Group adhered to the following principles in preparation of the Report.

- Materiality:** determining the relative significance of each issue through materiality assessment and disclosing information that is important and relevant to the stakeholders in the Report
 - Quantitative:** providing interpretation and comparative data for quantitative information to help readers understand the data and assess the Group’s ESG performance
 - Consistency:** adopting a method that is consistent with the previous reports for the preparation and presentation of the ESG data, unless otherwise specified
 - Balance:** avoiding misleading readers by inappropriate selection, omission and presentation formats

* The English translated version of each award obtained in Mainland China, as well as the national and industry standards which the Company participated in the formulation, disclosed in this report is for reference only. If there is any inconsistency between the Chinese and English versions, the Chinese version shall prevail.

ESG INDICATOR INDEX

“Environmental, Social and Governance Reporting Guide” of the Stock Exchange		ESG Report of Pacific Textiles
Aspect	General Disclosure and Key Performance Indicators	Chapter/Explanation
A.Environmentment		
A1: Emissions	<ul style="list-style-type: none"> General disclosure KPI A1.1 The types of emissions and respective emissions data KPI A1.2 Direct (scope 1) and energy indirect (scope 2) greenhouse gas emissions in total and intensity KPI A1.3 Total hazardous waste produced and intensity KPI A1.4 Total non-hazardous waste produced and intensity KPI A1.5 Emissions targets set and steps taken to achieve them KPI A1.6 How hazardous and non-hazardous wastes are handled, and reduction targets set and steps taken to achieve them. 	<ul style="list-style-type: none"> Environmental Responsibility – Emissions Management Environmental Responsibility – Emissions Management Environmental Responsibility – Emissions Management Environmental Responsibility – Emissions Management Environmental Responsibility – Emissions Management Environmental Responsibility – Emissions Management Environmental Responsibility – Emissions Management
A2: Use of Resources	<ul style="list-style-type: none"> General disclosure KPI A2.1 Direct and indirect consumption in total and intensity KPI A2.2 Water consumption in total and intensity KPI A2.3 Description of energy use efficiency targets and steps taken to achieve them KPI A2.4 Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency targets and steps taken to achieve them KPI A2.5 Total packaging material used for finished products and with reference to per unit produced 	<ul style="list-style-type: none"> Environmental Responsibility – Energy Management/Water Resources Management/ Packaging Materials Environmental Responsibility – Energy Management Environmental Responsibility – Water Resources Management Environmental Responsibility – Energy Management Environmental Responsibility – Water Resources Management Environmental Responsibility – Packaging Materials
A3: The Environment and Natural Resources	<ul style="list-style-type: none"> General disclosure KPI A3.1 Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them 	<ul style="list-style-type: none"> Environmental Responsibility – Other Environmental Impact Management Environmental Responsibility – Other Environmental Impact Management
A4: Climate Change	<ul style="list-style-type: none"> General disclosure KPI A4.1 Description of the significant climate-related issues which have impacted, and those which may impact, the issuer, and the actions taken to manage them. 	<ul style="list-style-type: none"> Environmental Responsibility – Responding to Climate Change Environmental Responsibility – Responding to Climate Change

“Environmental, Social and Governance Reporting Guide” of the Stock Exchange		ESG Report of Pacific Textiles
Aspect	General Disclosure and Key Performance Indicators	Chapter/Explanation
B.Society		
B1: Employment	<ul style="list-style-type: none"> General disclosure KPI B1.1 Total workforce by gender, employment type, age group and geographical region KPI B1.2 Employee turnover rate by gender, age group and geographical region 	<ul style="list-style-type: none"> Social Responsibility – Caring for Employees/Diversity and Fair Employment Social Responsibility – Caring for Employees Social Responsibility – Caring for Employees
B2: Health and Safety	<ul style="list-style-type: none"> General disclosure KPI B2.1 Number and rate of work-related fatalities occurred in the past three years KPI B2.2 Lost days due to work injury KPI B2.3 Description of occupational health and safety measures adopted, and how they are implemented and monitored 	<ul style="list-style-type: none"> Social Responsibility – Workplace Safety and Health Social Responsibility – Workplace Safety and Health Social Responsibility – Workplace Safety and Health Social Responsibility – Workplace Safety and Health
B3: Development and Training	<ul style="list-style-type: none"> General disclosure KPI B3.1 The percentage of employees trained by gender and employee category KPI B3.2 The average training hours completed per employee by gender and employee category 	<ul style="list-style-type: none"> Social Responsibility – Employee Training Social Responsibility – Employee Training Social Responsibility – Employee Training
B4: Labour Standards	<ul style="list-style-type: none"> General disclosure KPI B4.1 Description of measures to review employment practices to avoid child and forced labour KPI B4.2 Description of steps taken to eliminate such practices when discovered 	<ul style="list-style-type: none"> Social Responsibility – Diversity and Fair Employment Social Responsibility – Diversity and Fair Employment Social Responsibility – Diversity and Fair Employment
B5: Supply Chain Management	<ul style="list-style-type: none"> General disclosure KPI B5.1 Number of suppliers by geographical region KPI B5.2 Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, and how such practices are implemented and monitored. KPI B5.3 Description of practices used to identify environmental and social risks along the supply chain, and how they are implemented and monitored. KPI B5.4 Description of practices used to promote environmentally preferable products and services when selecting suppliers, and how they are implemented and monitored. 	<ul style="list-style-type: none"> Governance Responsibility – Supplier Management Governance Responsibility – Supplier Management Governance Responsibility – Supplier Management Governance Responsibility – Supplier Management Governance Responsibility – Supplier Management

“Environmental, Social and Governance Reporting Guide” of the Stock Exchange		ESG Report of Pacific Textiles
Aspect	General Disclosure and Key Performance Indicators	Chapter/Explanation
B.Society		
B6: Product Responsibility	<ul style="list-style-type: none"> General disclosure KPI B6.1 Percentage of total products sold or shipped subject to recalls for safety and health reasons KPI B6.2 Number of products and service related complaints received and how they are dealt with KPI B6.3 Description of practices relating to observing and protecting intellectual property rights KPI B6.4 Description of quality assurance process and recall procedures KPI B6.5 Description of consumer data protection and privacy policies, and how they are implemented and monitored 	<ul style="list-style-type: none"> Product Responsibility – Product and Service Innovation/Quality Management/Customer Service Product Responsibility – Quality Management Product Responsibility – Customer Service Product Responsibility – Product and Service Innovation/Customer Service Product Responsibility – Quality Management/Customer Service Product Responsibility – Customer Service
B7: Anti-corruption	<ul style="list-style-type: none"> General disclosure KPI B7.1 Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the Reporting Period and the outcomes of the cases KPI B7.2 Description of preventive measures and whistle-blowing procedures, and how they are implemented and monitored KPI B7.3 Description of anti-corruption training provided to directors and staff 	<ul style="list-style-type: none"> Governance Responsibility – Compliance and Anti-corruption Governance Responsibility – Compliance and Anti-corruption Governance Responsibility – Compliance and Anti-corruption Governance Responsibility – Compliance and Anti-corruption
B8: Community Investment	<ul style="list-style-type: none"> General disclosure KPI B8.1 Focus areas of contribution KPI B8.2 Resources contributed to the focus area 	<ul style="list-style-type: none"> Social Responsibility – Community Investment Social Responsibility – Community Investment Social Responsibility – Community Investment



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