



Tungtex (Holdings) Company Limited 同得仕（集團）有限公司
Stock Code 股份代號：00518

2021

ENVIRONMENT, SOCIAL AND
GOVERNANCE REPORT

環境、社會及管治報告

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1. APPROACH

Tungtex (Holdings) Company Limited (the “Company”) and its subsidiaries (collectively referred to as the “Group”) have been dedicated in the manufacture of fine ladies’ fashion. As a various factors, including business related challenges, work ethics, global trends, laws and regulations, etc., are taken into account in order to constantly promote business growth and achieve sustainability. We are constantly capturing opportunities to create long-term value for the shareholders and environment.

The Group understands its responsibility to be accountable to all its stakeholders, including government/regulatory authorities, shareholders/investors, employees, customers, suppliers, communities, media and public, etc. Understanding the needs and expectations of the stakeholders is the key to the Group’s success. As each stakeholder requires a different engagement approach, we have established a sound communication method in order to better meet each stakeholder’s expectations (Please refer to section 5. Stakeholder Engagement below for details).

For the sake of striking a balance among business needs, social demands and environmental impacts, we are committed to continuously monitoring the risks and exploring opportunities existed in our daily operations, and embracing transparent corporate culture to ensure our sustainability strategies are well communicated to our employees, clients, the communities and other stakeholders.

To implement sustainability strategies to all levels of the Group, the top-down approach is adopted for the following sustainability strategies:

1. To achieve environmental sustainability
2. To respect human rights and social culture
3. To engage with stakeholders
4. To support our employees
5. To sustain local communities

2. ABOUT THIS ESG REPORT

The Group is pleased to present the Environmental, Social and Governance (“ESG”) Report. The content contained herein focuses on providing an overview of the ESG performance and our continual efforts in the area of sustainable development of our major operations in the People’s Republic of China (the “PRC”) and Vietnam from 1 April 2020 to 31 March 2021 (the “Reporting Year”). It allows us to conduct thorough performance review and evaluation for enhanced results in the future. The Reporting Year is consistent with our financial year. The Board of Directors of the Company is responsible for the reliability, truthfulness, objectivity and completeness of the information disclosed in this ESG report.

2.1 SCOPE OF THE ESG REPORT

The present scope of the ESG Report covers the principal operating activities of the Group’s manufacturing and sales of garment products division which are operating in the PRC and Vietnam. There is no significant change in the scope of the ESG Report from that of the last corresponding period of ESG Report published on 29 July 2020.

2.2 PRINCIPLE OF THE ESG REPORT

This ESG Report has been prepared in accordance with the “Environmental, Social and Governance Reporting Guide” (the “ESG Reporting Guide”) in Appendix 27 to the Rules Governing the Listing of Securities (the “Listing Rules”) on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”). The two ESG subject areas, namely Environmental and Social, are disclosed separately and under the “comply or explain” provisions of the ESG Reporting Guide set out in Appendix 27. Corporate Governance has been disclosed in the Company’s annual report based on Corporate Governance Code contained in Appendix 14 to the Listing Rules.

Materiality

The content of the ESG Report is determined based on the stakeholder engagement and materiality assessment. The Group has identified ESG related issues, gathered and reviewed the opinions from internal management and various stakeholders, assessed the relevance and materiality of the issues, and prepared and validated information of the ESG Report. The ESG Report provides comprehensive coverage of the key ESG issues of concern to the Group’s stakeholders.

Quantitative

The Group has disclosed the qualitative environmental and social Key Performance Indicator (“KPI”) in the ESG Report. The criteria, methods, references and conversion factors used to calculate the KPIs are stated whenever possible in order to provide stakeholders with a comprehensive understanding of the Group’s ESG performance.

Consistency

To facilitate the comparison of ESG performance between years, the Group uses consistent reporting and calculation methods as far as reasonable, and details the significant changes in methodologies in the relevant sections. The intensities in the ESG Report were calculated per thousand piece product produced. The data and information used in this report are referenced from our archived documents, records, statistics and research. Financial data is extracted from or calculated based on the Group’s audited financial statements for the year ended 31 March 2021.

3. OUR COVID-19 RESPONSE

Across our business and operations around the world, we have concerned about our people and the communities how they are coping with their well-being. We have also taken actions to provide supports for our stakeholders.

3.1 MAINTAINING A SAFETY AND HEALTHY WORKPLACE

Stringent Visitor Control

To safeguard the health of our employees and visitors, we have developed control guidelines to limit physical interactions with guests aiming to achieve minimizing virus transmission.

Rigorous Precautionary Measures

We have strictly implemented preventive measures to ensure the health and safety of our employees and to prevent the spread of virus within our workplaces, such as regular disinfection of workspaces, daily temperature checks for employees and visitors, and proactive screening via daily accomplished declaration forms by employees and visitors. Sufficient face masks were also provided to our employees to safeguard their health.

Proper Personal Hygiene



3. OUR COVID-19 RESPONSE

Social Distancing



Comprehensive Disinfection



Distributing Face Masks



3.2 SUSTAINABLE FASHION TECHNOLOGY

We are committed to adapting our technologies that allow us to minimize our environmental impact and reduce resource use and waste, while improving our products and operational performance.

Development of Tmask

As a sustainable and high-performance face mask, in 2020, we developed our solutions in masks, created “Tmask 3.0SQN”, and incorporated “HeiQ Viroblock NPJ03”, an intelligent Swiss textile technology into textile manufacturing process. “HeiQ Viroblock NPJ03” has been tested effective against Severe Acute Respiratory Syndrome Coronavirus 2 and coronavirus disease (the “COVID-19”) causing virus.

3. OUR COVID-19 RESPONSE

1 Tmask = 30 disposable surgical masks

Tmask not only provide protection to people's health and bring elegance and comfort into our daily life, but it can also reduce the daily disposal of face masks and thus the waste to landfills.



APPROVED BY LEADING ECOLOGICAL CERTIFICATION PROGRAMS

OEKO-TEX® Standard 100

SILVADUR™ 930 Flex Antimicrobial has been tested and approved for use in products that meet the Oeko-Tex Standard 100, an independent certification for textiles tested to be harmless to human health.

A bluesign® Approved Chemical Product

We complies with the strict ecological requirements of the bluesign® criteria with a minimum impact on people and the environment.

Tmask Construction



bluesign® STANDARD

In the last corresponding year, the Group has made the new achievement in environment protection and received the recognition under the bluesign® system governed by the Bluesign Technologies AG, a company founded in Switzerland in 2000, which set out to change the standard mentality within the manufacturing industry. As a solution provider, bluesign® system acts as an independent verifier to ensure trust and transparency. bluesign® system supports the industry in its efforts to improve its sustainable processes, step by step.

Tungtex International Limited, an indirectly wholly owned subsidiary of the Company, has been being a bluesign® system partner since 19 November 2019. The Group is committed to applying the bluesign® system, demonstrating the sustainability performance and providing proof of the minimal impact on people and the environment so as to improve the environment performance and build a sustainable future. The Group ensures that bluesign® system approved chemical products and raw materials are used in all steps of the manufacturing process. Substances posing risks to people and the environment are hence avoided using from the very beginning. On-site inspections verify the proper application of such chemical products and raw materials in controlled processes and ensure the responsible use of resources.

5 YEAR PLUS CARING COMPANY LOGO



The Company has been presented with the Caring Company Award by The Hong Kong Council of Social Service in recognition of the Company's commitment in Caring for the Community, Caring for the Employees and Caring for the Environment. The distinguished honor recognises our various efforts and contributions to community building, employee recognition and environmental protection. This is a clear proof of the Company's persistence in sustainable development and contribution to the community. The honor puts the Company in the company of prestigious organisations who have built their success by cultivating corporate social responsibility. Launched by The Hong Kong Council of Social Service, the Caring Company Scheme aims at cultivating good corporate citizenship with the mission of building a cohesive society by promoting strategic partnerships among business and social service partners and inspiring corporate social responsibility through caring for the community, employees and the environment.

HKB DESIGNED IN HONG KONG AWARDS 2020

In the light on the ongoing pandemic, the Company and HeiQ¹ have collaborated to develop Tmask to develop a washable and reusable silk mask, as it is powered by HeiQ Viroblock antiviral technology and HeiQ Smart Temp temperature control technology, it is designed for double protection and comfort. Besides, the use of mask has dramatically increased in recent years, domestic waste generated from our daily life increased simultaneously. In December 2020, Tmask has awarded the "HKB Designed in Hong Kong Awards 2020", an award program is an initiative to honor manufacture and product design of excellent and innovative products in Hong Kong excellence in various industries. The Group will continue to focus on the technical research and development in order to meet our customers' ever-growing needs and to create the greatest value and satisfaction towards our customers.



¹ HeiQ is a leader in textile innovation creating some of the most effective, durable and high-performance textile effects in the market. With the technologies from HeiQ, our reusable Tmask provides users an unmatched experience.

4. AWARDS

GLOBAL RECYCLED STANDARD (“GRS”) 4.0²

In the Reporting Year, Zhongshan factory has awarded the GRS 4.0 certification and certified by the third-party inspection agency on our products. To obtain GRS 4.0, our product uses at least 20% of the raw materials composed of recycled fibres and be 100% pollution-free. Recycled fibre also clearly indicates pre-consumer waste or post-consumer waste, as well as the proportion of pre-consumption and post-consumption in recycled fibre. In addition to the regulations on raw materials, regulations on corporate social responsibility, pollution prevention and treatment in the production process, and chemical restrictions during the production process are all regulated.

The GRS was originally developed by Control Union Certifications in 2008 and ownership was passed to the Textile Exchange on 1 January 2011. Textile Exchange is a global non-profit organisation that creates leaders in the preferred fibre and materials industry, which aims to driving force for urgent climate action on textile fibre and materials with a goal of 45% reduced CO₂ emissions from textile fibre and material production by 2030. By benchmarking the industry and providing actionable tools for improvement, Textile Exchange is driving a race to the top. By adapting the standard, not only affirming our efforts put in the environment protection and product responsibility, it demonstrates the Group’s determination towards the sustainability of the world and also clearly clarify the direction of the Group’s sustainability development and the measures that need to be implemented. We promise that we will continue to look for different solutions to reduce our carbon footprint and actively invest in various economically feasible measures and equipment. We will also continue to educate our employees on the importance of sustainable development, hoping that they can integrate the Group’s environmental protection philosophy and bring to their relatives and friends in order to accelerate the pace of the world’s sustainability development.



² The Global Recycled Standard (GRS) is an international, voluntary, full product standard that sets requirements for third-party certification of recycled content, chain of custody, social and environmental practices, and chemical restrictions. The goal of the GRS is to increase use of recycled materials in products and reduce/eliminate the harm caused by its production. (For more detail on GRS, please refer to <https://textileexchange.org/standards/recycled-claim-standard-global-recycled-standard>)

5. STAKEHOLDERS ENGAGEMENT

The Company strongly believes that our stakeholders play a crucial role in sustaining the success of our business in the challenging market. The Group actively maintains a close tie with its stakeholders. We strive to better understand and engage the stakeholders to balance their opinions and interests and to understand their needs and expectations through constructive communications to determine the directions of our sustainable development. Besides, we regularly assess and determine our ESG risks, and ensure that the relevant risk management measures and internal control systems are operating effectively. The following table shows the means of communication with the stakeholders and the management response to the stakeholders' expectations and concerns:

Major stakeholders	Expectations and concerns	Means of communication	Management response
Government/ Regulatory authorities	<ul style="list-style-type: none"> ➤ Compliance with laws and regulations, ➤ Fulfil tax obligation ➤ Joint anti-epidemic 	<ul style="list-style-type: none"> ➤ Regular declaration ➤ Onsite inspection ➤ Laws and regulations 	<ul style="list-style-type: none"> ➤ Uphold integrity and compliance in operations by establishing comprehensive and effective internal control system ➤ Pay tax on time and in full ➤ Take effective epidemic preventive measures and formulate epidemic emergency plans in accordance with the requirements of government departments
Shareholders/ Investors	<ul style="list-style-type: none"> ➤ Return on investment ➤ Good corporate governance system ➤ Transparency and disclosure of corporate information ➤ Sustainability strategies and development 	<ul style="list-style-type: none"> ➤ Shareholders' meetings ➤ Interim and annual reports ➤ Announcements ➤ Official company website ➤ Email 	<ul style="list-style-type: none"> ➤ Management possesses relevant experience and professional knowledge in business sustainability ➤ Ensure transparent and effective communications by dispatching information on the websites of Hong Kong Exchanges and Clearing Limited and the Company ➤ Continue to improve the internal control system and focus on risk management
Employees	<ul style="list-style-type: none"> ➤ Labour rights ➤ Compensation and benefit ➤ Career development ➤ Health and workplace safety ➤ Joint anti-epidemic 	<ul style="list-style-type: none"> ➤ Workers' union ➤ Staff activities ➤ Performance appraisal ➤ Staff handbook ➤ Trainings ➤ Employee suggestion mailbox 	<ul style="list-style-type: none"> ➤ Set up contractual obligations to protect labour rights ➤ Encourage employees to participate in continuous education and professional trainings ➤ Establish a fair, reasonable and competitive remuneration scheme ➤ Pay attention to occupational health and safety ➤ Distribute disinfecting supplies and masks, and call on employees avoid travelling to high-risk area unless essential

5. STAKEHOLDERS ENGAGEMENT

Major stakeholders	Expectations and concerns	Means of communication	Management response
Customers	<ul style="list-style-type: none"> ➤ High quality products and services ➤ Timely delivery ➤ Reasonable price ➤ Service value ➤ Labour protection and work safety ➤ Joint anti-epidemic 	<ul style="list-style-type: none"> ➤ Business visit ➤ Email, phone call and communication apps ➤ Customer satisfaction survey 	<ul style="list-style-type: none"> ➤ Ensure proper contractual obligations are in place ➤ Improve the quality of products and services continuously to maintain customer satisfaction ➤ Deliver the best quality fashion apparel at competitive price to our customers on time ➤ Provide the quickest response to satisfy the requirements of our customers ➤ Formulate comprehensive quality assurance process ➤ Effectively utilise different communication channel and avoiding any possibility of cross infection
Suppliers	<ul style="list-style-type: none"> ➤ Payment schedule ➤ Stable demand ➤ Joint anti-epidemic 	<ul style="list-style-type: none"> ➤ Business visit ➤ Email, phone call and communication apps ➤ Supplier performance evaluation 	<ul style="list-style-type: none"> ➤ Ensure proper contractual obligations are in place ➤ Apply most-updated information technology on our supply chain processes ➤ Establish policy and procedures in supply chain management ➤ Select suppliers with due care
Communities	<ul style="list-style-type: none"> ➤ Environmental protection ➤ Community contribution ➤ Economic development ➤ Joint anti-epidemic 	<ul style="list-style-type: none"> ➤ Official company website ➤ Community engagement ➤ Employee voluntary activities 	<ul style="list-style-type: none"> ➤ Pay attention to climate change ➤ Promote green travel policy ➤ Encourage employees to actively participate in charitable activities and voluntary services ➤ Charitable donations ➤ Employ people with disabilities to help them participating in society
Media & Public	<ul style="list-style-type: none"> ➤ Transparent information 	<ul style="list-style-type: none"> ➤ Official company website ➤ Announcements 	<ul style="list-style-type: none"> ➤ Issue of newsletters on the Company's website

6. MATERIALITY ASSESSMENT

In the Reporting Year, the Company has undertaken its comprehensive materiality assessment exercise. This involved conducting surveys with internal and external stakeholders to identify the most significant operating, environmental and social impacts towards their business. With reference to the disclosable scope as required under the ESG Reporting Guide, as well as taking into consideration the corporate business characteristics, the Company has identified and determined 21 issues, which cover emission, energy and water consumption, training and development, occupational health and safety, labour standards in supply chain, corporate governance, customer privacy, anti-corruption, community investments and so on.

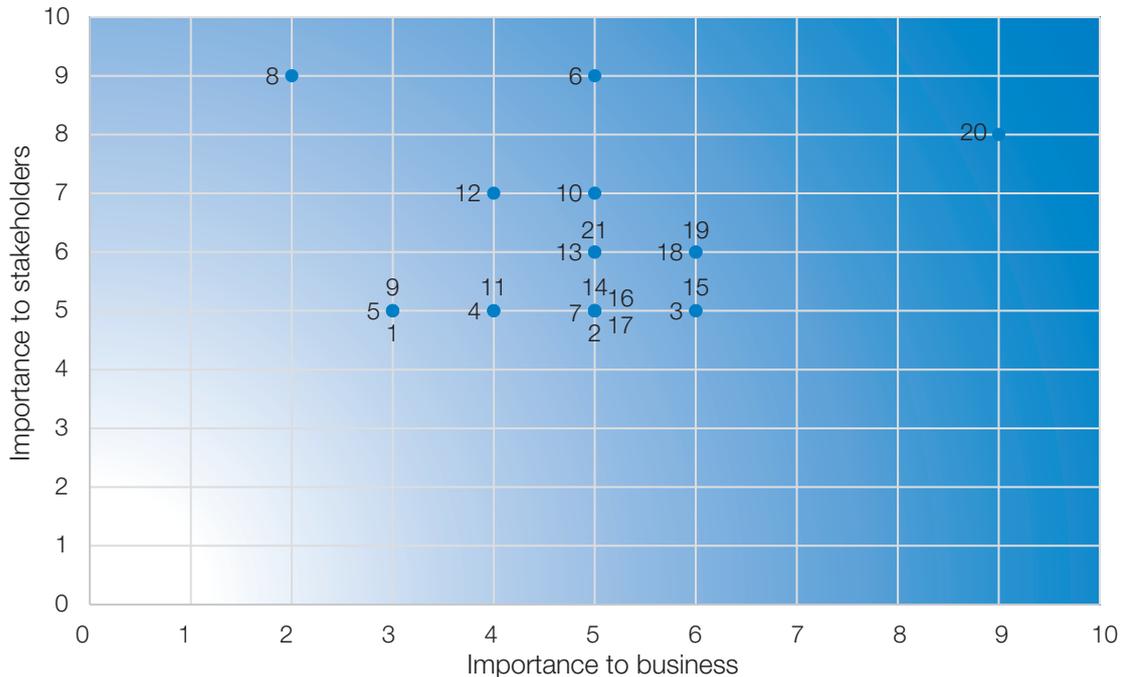


Table 1 The Group's materiality matrix of ESG issues

Environmental issues	Social issues	Operating issues
1. Greenhouse gas emissions	8. Local community engagement	16. Economic value generated
2. Energy consumption	9. Community investment	17. Corporate governance
3. Water consumption	10. Occupational health and safety	18. Anti-corruption
4. Wastes	11. Labour standards in supply chain	19. Supply chain management
5. Use of raw materials and packaging materials	12. Training and development	20. Customer satisfaction
6. Customer engagement in environmental issues	13. Employee welfare	21. Customer privacy
7. Use of chemicals	14. Inclusion and equal opportunities	
	15. Talent attraction and retention	

In addition to compliance with the ESG Reporting Guide, the Group will include more details regarding the issues to which the stakeholders pay greater attention in this report. Meanwhile, the materiality assessment results will provide the Group with guidance on formulating strategic objectives and plans to resolve the ESG issues for the coming year, as well as on continuing to push forward our sustainability development.

7. SECTION A: ENVIRONMENTAL

With growing concerns of climate change and environmental degradation, sustainable environment protection has become a strategic priority for various industries globally. The Group is committed to upholding the high environmental standards to fulfil relevant requirements throughout our operation and continuing to devote resources for environmental conservation, reduction of carbon footprint and environmental compliance as required under applicable laws and ordinances. While optimizing our environmental policy, the Group also hopes that we are able to inspire our employees to strive for environmental sustainability and hence further minimizing our environmental impacts from operations. During the Reporting Year, we have invested HK\$365,000 on different kind of environmental protection measures, including purchase and installation of automatic pollutants monitoring devices at the sewage treatment station, sewage treatment, hazardous waste handling, entrusted third party inspection company to perform inspection on waste air, sewage and noise generated from the factory.

Based on the national and local laws and regulations, the Group made reference to our operating environment, structure, production capabilities and human resources to develop an unique environmental management system and established regulations and guidelines on pollutant management to regulate waste gases, sewage, noise and different types of solid wastes generated in operation and production. The Group adheres to the enterprise culture of focusing on environment protection and energy conservation; with an aim of setting up a comprehensive internal environmental management system to monitor, manage and dispose of various pollutants generated from the operations of our plants and offices; and to strictly follow the standards and requirements of the local government.

We had established a Production Safety Management Committee (安全生產管理委員會) in our Zhongshan factory. The Production Safety Management Committee is responsible for managing issues that related to environment protection, such as examination and approval of the planning on environmental protection development and the environmental protection policies and procedures to ensure the factory are operating in full compliance with the national and local environmental related laws and regulation. On the other hand, our production safety department (安全生產部) carries out different environment protection education and training to let our employees to understand the importance of their impact on the environment. We take various actions with an aim to reduce carbon footprint in the factory, thereby reducing the adverse effects on the environment from our business activities and employees' personal life.

Compliance with relevant laws and regulations

The Group is not aware of any material non-compliance with "Environmental Protection Law of the PRC" (中華人民共和國環境保護法), "Law of the PRC on the Prevention and Control of Atmospheric Pollution" (中華人民共和國大氣污染防治法), "Water Pollution Prevention and Control Law of the PRC" (中華人民共和國水污染防治法), "Law on Environmental Protection of Vietnam" and other applicable laws and regulations that have a significant impact on the Group relating to air and greenhouse gases emissions, discharges into water and land, generation of hazardous and non-hazardous waste during the Reporting Year. No fines or non-monetary sanctions for non-compliance had been incurred during the Reporting Year.

7.1 EMISSIONS

Air Pollutants Emission

The Group always complies with the applicable provisions of the national and the local laws, regulations and standards of the operating locations, established related internal policies and procedures to demand our employees to strictly follow the operating procedures of the production equipment and environmental protection equipment and provided suitable labour supplies to our employees, so as to effectively control and manage the air pollutants emission and reduce its environmental impacts and harms to our employees.

The Group has implemented an environmental protection policy to reduce the air pollutant emissions. All machineries and vehicles are under frequent and regular inspection and maintenance to ensure no energy inefficiency occurred and reduce fuel consumption and air pollutants emission due to parts failures. Besides, for transportation logistics, our drivers are required to plan the route ahead with the shortest distance and prohibit idling of automobile engines to reduce unnecessary consumption of fuel. The use of electricity-based forklift instead of diesel-based forklift in the factories has also significantly reduced the air pollutants emission that generated from burning fossil fuel.

During the Reporting Year, the material air pollutants mainly arise from the usage of gasoline and diesel oil in the automobiles and the usage of biomass fuel in the boiler, which causes air emissions, including sulphur oxides ("SOx"), nitrogen oxides ("NOx") and particulate matter ("PM"). Total weight of air pollutants emission amounted to 1,723 kg (2020: 2,699³ kg), which was 1.14 kg per thousand production level (2020: 0.99³ kg per thousand production level), with a decrease of 36.2% in

³ Last corresponding year's GHG emissions comparative figures are restated to conform with current year's presentation.

the total emission weight compared to the last corresponding year. The decrease was mainly due to the production level decreased in Vietnam factory which lead to lesser biomass fuel consumed on generating steam for production. Besides, the implementation of anti-epidemic measures also decreased the use of automobiles for business travelling and lesser gasoline and diesel oil were consumed. Therefore, the air pollutant emissions decreased accordingly.

The use of natural gas and biomass fuel in the boiler to produce steam and heat for the production process also generate air pollutants emission. Our Vietnam factory had been installed waste gas treatment facility for the biomass fuel boiler. All waste gas has to go through three level pollutants absorbing processes in the treatment facility before discharge to the atmosphere. The Group regularly entrusts third-party professional inspecting agencies to test the pollutants at each discharge outlet in the factories and ambient air around the plants in accordance with the emission standards and methods of the local environment protection government departments. It is to prevent any excessive emission left unaware which may lead to non-compliance to the local emission standards and also protect our atmospheric environment. During the Reporting Year, the test results are in compliance with the national “Emission standard of air pollutants for boiler” and “National Technical Regulation on Ambient Air Quality”.

Greenhouse Gases Emission

The Group’s operation of machineries and vehicles directly contribute to the emission of greenhouse gases, which is the main culprit of global warming. Alongside the direct emission sources, there are also several indirect emission sources noted such as the purchase of electricity from electricity providers, electricity used in fresh water and sewage processing and paper waste disposal at landfills. During the Reporting Year, the amount of total greenhouse gas emission was approximately 4,154 tonnes (2020: 4,434⁴ tonnes), which was 2.76 tonnes per thousand production level (2020: 1.62⁴ tonnes per thousand production level). Compared to the last corresponding year emissions, the total amount of greenhouse gas emission decreased by 6.3%. The Zhongshan factory has been combined similar production processes into same floor in the building, which able to centralise employees and reduce the unnecessary electricity consumption, such as lighting and air-conditioning. With respect of this reason and the total production level decreased in the Reporting Year, the total indirect greenhouse gases emission from electricity purchased have decreased from 2,991⁴ tonnes to 2,691 tonnes, with a decrease of 10.0% compared to last corresponding year. The change in proportion of respective emission sources was illustrated in below charts. The Group will continue to monitor the carbon footprints during our business operations in order to reduce the adverse impact on environment.

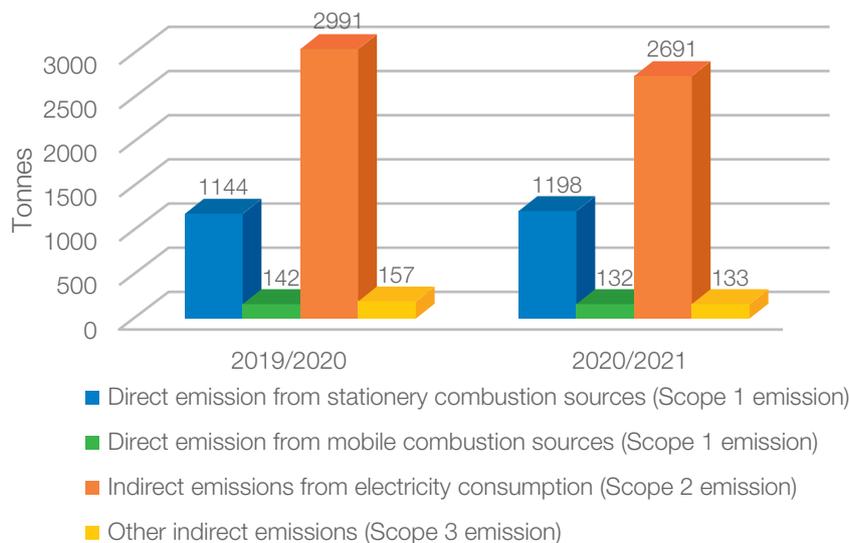


Table 2 GHG emission trend in 2019/2020 and 2020/2021

Several measures to reduce our greenhouse gas emissions have been implemented to demonstrate our determination of maintaining environmental sustainability. Besides, we encouraged our staff to switch off all idle appliances and posted electricity saving labels at the office

to advocate the reduction of energy consumption. In hopes of these measures, we believe that the carbon emissions could be further reduced in the upcoming future.

⁴ Last corresponding year’s GHG emission comparative figures are restated to conform with current year’s presentation.

7. SECTION A: ENVIRONMENTAL

Waste Management

In compliance with the “Law of the People’s Republic of China on the Prevention and Control of Environmental Pollution by Solid Waste” and other applicable environmental laws and regulations of the local government, the Group has formulated related internal policies and procedures to manage and monitor the process in solid wastes collection, storage and disposal. Besides, the Group is committed to conserving the use of various resources, encourages employees to recycle and reuse different materials as much as possible, and actively adopts different measures to reduce the generation of solid wastes. The solid wastes generated by the Group during its operation mainly include hazardous waste and non-hazardous waste.

Hazardous wastes



The Group’s hazardous wastes mainly come from production, sewage treatment, waste gas treatment and repair and maintenance of equipment, which includes dye contained sludge, fluorescent lamp, waste fabric, dust generated after waste gas treatment and waste container for oil or chemical. The Group follows the local government’s laws and regulations to set up a temporary storage warehouse for hazardous wastes, and take anti-scattering and anti-leakage measures to prevent any environmental pollution events. The containers loaded with hazardous solid wastes have been affixed labels and stored in designated locations by categories. Each factory regularly inspects the

storage area of hazardous solid wastes and takes appropriate measures if any leakage or hidden safety hazard is found so as to prevent secondary pollution. We entrust qualified recyclers to handle the hazardous waste. We report to the local environmental protection department prior to any hazardous wastes to be transferred. It is strictly forbidden on random dumping and improper disposal. Besides, all workers are provided with appropriate labour supplies and training on handling hazardous wastes to prevent any environmental pollution and work injury caused by improper handling. During the Reporting Year, the Group generated approximately 313 kg of hazardous wastes (2020: 32 kg), and the hazardous wastes are all handled by the qualified recyclers. The total hazardous wastes generated increased 8 times compared to the last corresponding year, it is because the hazardous wastes were generated in the last corresponding year and are disposed in the Reporting Year.



Photo 1 Hazardous wastes warehouse set up in Zhongshan factory

Non-hazardous wastes

Non-hazardous wastes generated during our production mainly includes wastepaper, waste fabric, metal and plastic. In order to achieve the objectives of resources saving, environmental pollution control and to maximise the use of wastes, the Group actively promotes “Recycling” in waste treatment. The Group implements waste resources recycling and reduction policies, sells recyclable waste materials to recyclers or suppliers and reasonable use of packaging materials to avoid over-packaging, while reducing the generation of solid wastes, it can also bring revenue and reduce costs for the Group. Non-recyclable wastes (such as food residue, domestic garbage, etc.) are passed to the local sanitation department for handling. Besides, the Group also implemented following waste reduction measures in the office to reduce the environmental impact of the Group’s operations at all levels:

- Set up microwaves in the office and encourage employees to bring their own lunch and reduce ordering takeaway food;
- Reduce the use of disposable consumables, such as food packaging boxes, paper cups, paper plates, plastic bags, etc.;
- Encourage employees to reuse wastepaper or stationery, such as single-sided printed paper, envelopes, folders, etc.;
- Encourage employees to use environmental friendly shopping bags, water bottles and metal tableware instead of disposable product; and
- Encourage employees to use electronic communication as far as possible, and advocate a paperless work environment.

During the Reporting Year, the Group generated approximately 82 tonnes of non-hazardous wastes, including paper, cloth scraps, metals and plastics (2020: 57 tonnes), with an increase of 43.9% compared to last corresponding year. This is mainly due to additional wastes generated from cleaning and disinfecting has been increased due to the outbreak of COVID-19 in the Reporting Year.

The non-hazardous wastes were handled by qualified recyclers for recycling, while the amount of recycled non-hazardous wastes was increased in the Reporting Year by active promoting waste separation and recycling policy, and the efforts of our employees. The Group will continue to promote waste sorting policy and provide relevant training to our employees to reduce waste generation, so as to avoid wastage and reduce the pressure and pollution caused by waste landfills to the land.

7. SECTION A: ENVIRONMENTAL

Sewage Management

The Group has set up sewage treatment facilities for processing sewage arising from textile manufacturing operations in Zhongshan factory. For Vietnam factory, only domestic sewage are generated from its operation. Sewage generated from the production process of Zhongshan factory are all went through the oil separation, neutralization, sedimentation and rounds of filtration at the treatment station and discharge when the national emission standard is met. The factories regularly remove the sediments in the sewage pipelines and sewage treatment tanks to prevent the water pipes from clogging or affecting the treatment capacity of the sewage treatment station. During the Reporting Year, Zhongshan factory has been installed online pollutants monitoring devices at the sewage outlets. The local environmental protection department can monitor the data of pH value of sewage, ammonia nitrogen emissions and chemical oxygen demand of the plants at any time through the information publishing platform. Designated personnel are assigned to carry out daily inspection on pollutants in the sewage. Besides, Zhongshan and Vietnam factories entrusted professional testing companies to inspect the sewage at each discharge outlet in the factories. The test contents mainly include pH value, suspended matter, chemical oxygen demand, ammonia nitrogen, etc. The tests result obtained during the Reporting Year are in line

with the national “Discharge Limits of Water Pollutants” and “National Technical Regulation on Industrial Wastewater”.

During the Reporting Year, the Group discharged approximately 177,242 tonnes of sewage (2020: 193,429 tonnes). Because of the decrease in production level and number of employees in the Reporting Year, the water consumption had decreased, thereby, lesser sewage generated from production and daily life, resulting a decrease of 8.4% of sewage discharged.

Noise Management

The noise produced by the Group mainly generates from the operation of production machineries and equipment. We control the noise level and its impact on the environment through restricting the production workshop locations and the placement setting of production equipment. We focus on greening of the factory environment, which hope that attenuation through trees can continuously reduce the impact of noise on the surrounding community environment. We entrust professional testing companies to inspect the noise level at our factories boundary and sewing production line. During the Reporting Year, the test results are in line with “Emission Standard for Industrial Enterprises Noise at Boundary” and “National Technical Regulation on Noise – Permissible Exposure Levels of Noise in the workplace”.



Photo 2 Sewage pollutants monitoring devices installed in Zhongshan factory

7.2 USE OF RESOURCES

With the view of the increasing attention in climate change and environmental protection and energy conservation, the Group has taken into account the environmental factors in mapping our sustainable development strategies and has actively responded to changes in the government’s environmental policies. The Group establishes measures to conserve natural resources and promotes the conservation culture in environmental protection. The Group has set up numbers of measure and demanded our employees to pay attention to resources conservation, to make full use of resources and to avoid wastage. We implement low-carbon processes

and reduce emissions in production and operation, so as to reduce the use of various resources while maximising its efficiency and prevent waste of resources. A “Energy Saving and Consumption Reduction Plan” (節能降耗方案) and “Water Conservation Implementation Plan” (節約用水實施方案) have been established by Zhongshan factory in 2019, which sets out the targets and improvement plans about the usage of different resources for 2020, 2021 and 2022. It provides a clear vision towards our employees with an aim to minimise the use of natural resources and thereby reducing the Group’s carbon emissions and protect and sustain our environment. The targets and measures for the Reporting Year are detailed at the following table:

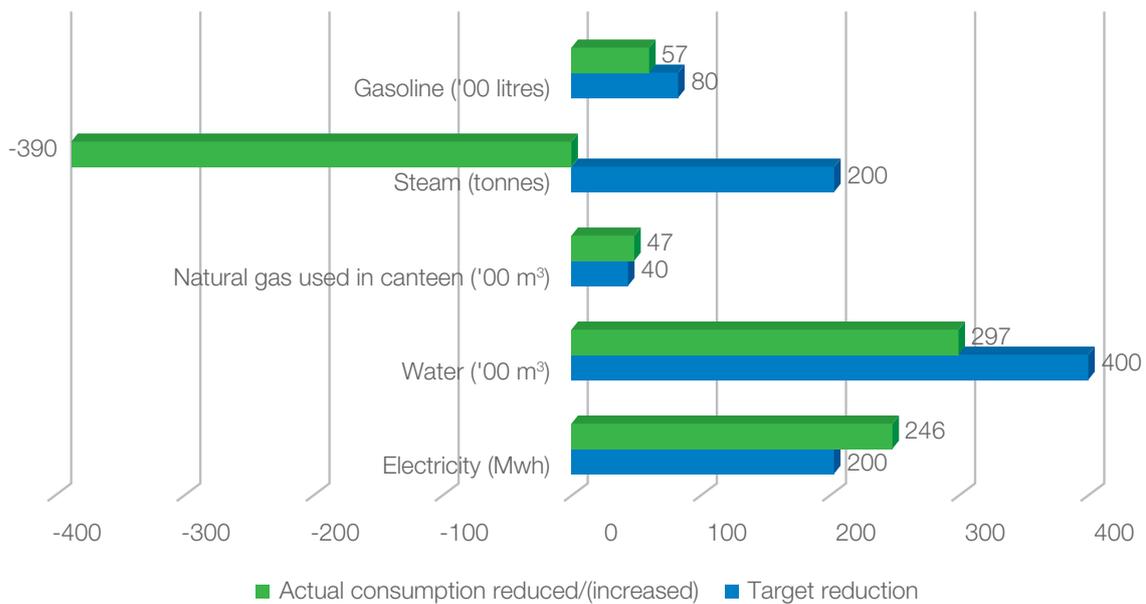


Table 3 Comparison between target set and actual performance

Due to additional steam usage in high temperature steam sterilization process for production of face masks during the Reporting Year, the steam consumption has increased by 6.1% compared with last corresponding year. During the Reporting Year, the Group generated 6,810 tonnes of steam from burning 540,089 m³ of natural gas (2020: generated 6,420 tonnes of steam from burning of 509,127 m³ of natural gas).

Electricity Consumption

The electricity consumed in the Group’s offices and factories was one of the major contributors to the greenhouse gas footprint. During the Reporting Year, the total units of electricity purchased from electricity providers was 3,297 MWh (2020: 3,676 MWh), with an intensity of 2.19 MWh per thousand production level

(2020: 1.34 MWh per thousand production level). Compared to last corresponding year, the electricity purchased from electricity providers decrease by 10.3%. The decrease was due to Zhongshan factory has been combined similar production processes into same floor, which able to centralise employees and hence reduced the unnecessary electricity consumption and also because of the decrease in production level.

To reduce the Group’s energy consumption in the offices and factories, the Group actively adopts different kinds of technically feasible and economically reasonable measures, such as encourage employees to use natural light for daily operations, restricted use of air conditioners according to seasonal and temperature changes, regularly clean the air conditioner’s filter and turn off the unnecessary electrical equipment after work, phasing out

7. SECTION A: ENVIRONMENTAL

old equipment, use the nationally recognised equipment or equipment with the energy-efficient labels, focus on the repair and maintenance or transformation of the electrical equipment, etc. In addition, the production department arranges production shifts reasonably and adjust the operation modes of production equipment, thereby maximizing productivity and decreasing production power consumption. It is also strictly forbidden to idly operate production equipment. The administration department is responsible for monitoring electricity consumption and performing analysis accordingly. If abnormalities are found, investigation of the cause and rectification plan must be taken. At the same time, we organise energy-saving training and activities in the factories and offices, and post energy saving tips at prominent location to promote energy-saving and carbon-reduction message and to enhance the employees' skill and knowledge on energy-saving. Besides, our Vietnam factory is planning to install a solar system on the roof top of the office building in next corresponding year, the energy generated will be reused among the factory, and it can also reduce the office temperature by 2 to 3 degree Celsius which able to reduce the chance of air conditioner usage, and thereby, reduced the potential electricity consumption. Looking ahead, we would continue making efforts in reducing our energy consumption and keep up the pace of energy conservation.

Water Consumption

During the Reporting Year, although the Group does not encounter any water supply issue, the Group still shoulders the responsibility of environmental protection and sustainable development, strives to increase the utilisation rate of water resources, and reduce the pressure on the environment. Since water is one of the most precious resources in the world, cherishing water consumption is the fundamental target of the Group. The Group always encourages the reduction on unnecessary water consumption. Our water consumption is mainly stationed in scouring and bleaching process as well as spinning process. To minimise the water consumption, we strengthen the daily repair and maintenance of water equipment, pipes, valves, etc., and regularly recording and analyzing the water consumption of each water usage point in the factories. In case of abnormal water usage or water pipe leakage is found, prompt notification is given to the maintenance department for repair and remediation. Besides, we actively implement various water conservation measures and provide trainings to educate employees to save water from their daily lives to build up a good habit of water usage and to enhance employees' environmental awareness, improve the production process and the daily operation of the office to control water use.

During the Reporting Year, the total units of water consumed was 200,226 cubic metres (2020: 232,337 cubic metres), in which the water consumption intensity was 132.94 cubic metres per thousand production level (2020: 84.95 cubic metres per thousand production level). This was mainly due to the production level and number of employee was decreased in the Reporting year, a drop of approximately 32,111 cubic metres or 13.8% of the water consumption is resulted. With active support by our employees and various of water-saving measures taken by factories and offices, it also contributed to the decrease in water consumption.

Packaging Materials

With decreasing availability of suitable land for landfill and increasing environmental impacts of waste disposal, waste reduction and reducing the environmental impact of waste are both the priority objectives of the Group. We use degradable packaging materials for our finished goods. The plastic bags we used were tested and certified by the third-party inspection agency and confirmed that did not contain any BHT. BHT is an antioxidant, which inhibit or delay the oxidative degradation of plastic and prolong the service life. This greatly reduces the adverse impacts of packaging on the environment and marine life. Besides, the carton box we used on our product packaging were tested and certified by the third-party inspection agency and conformed with the RoHS⁵ directive. It further minimises our adverse impacts on the environment from the operation.

During the Reporting Year, the total units of carton and plastic bag consumed were 111,487 kg (2020: 144,500 kg), in which the packaging material consumption intensity was 74.02 kg per thousand production level (2020: 52.83 kg per thousand production level.). The decrease was mainly due to the decrease in production level in the Reporting Year, which lower the use of packaging materials.

⁵ The core content of the EU RoHS Directive is to restrict the use of toxic substances in electrical and electronic equipment, which aims at protect the environment, provide green consumption, and realise the destruction and harmlessness over production and consumption. RoHS directive list out a total of 6 hazardous substances: lead, cadmium, mercury, hexavalent chromium, polybrominated biphenyls and polybrominated diphenyl ethers.

Gasoline, Diesel Oil, Natural Gas and Biomass fuel consumption

Gasoline and diesel oil are mainly used in automobiles for business travelling and goods delivery. The administration department records the fuel consumptions of each vehicle and performs analysis to identify any abnormal usage of vehicle. In case of abnormalities are found, follow-up actions would be taken. If passengers are going to the same or close destinations, they will be arranged to use the same vehicle to shorten the driving distance and reduce the consumption of gasoline and diesel. The Group actively promotes the policy of green travel to encourage our employees to use public transportation instead of personal vehicle to minimise the greenhouse gas and air pollutants emission. During the Report Year, the Group consumed approximately 15,640 litres of gasoline (2020: 21,303 litres) and 32,408 litres of diesel oil (2020: 36,780 litres). The decrease in gasoline was mainly due to the implemented COVID-19 prevention measures, employees were required to avoid business visits as much as possible and encouraged to use electronic communication such as email, telephone and video conference, and thereby reduce the use of vehicles and hence reduced the fuel consumption. Gasoline and diesel oil consumptions were decreased 26.6% and 11.9% respectively, compared to last corresponding year.

Biomass fuel and natural gas are mainly used in boiler to generate steam for production and canteen for preparing foods. Biomass fuel is a renewable energy that with a characteristic of "Carbon Neutrality"⁶. It mainly includes forest and agricultural wastes which unused parts of trees and crops left. The combustion of biomass fuel generates CO₂ emissions which are readily absorbed by plants. And because of the characteristic of "Carbon Neutrality", the CO₂ emissions from burning biomass fuel have zero carbon footprints and it has no net effect on the biosphere's carbon concentration. Also, burning natural gas for energy results in fewer emissions of nearly all types of air pollutants and CO₂ emissions than burning coal or petroleum products to produce an equal amount of energy. The use of biomass fuel and natural gas not only can generate energy efficiency to the Group, but also greatly reduce our adverse impacts on the environment during operation.

In order to maximise the efficiency of energy use, our maintenance department perform regular repairs and maintenance for the boilers and pipelines to prevent any energy inefficiency caused by parts failure or leakage during the steam delivery. During the Reporting Year, the Group consumed 41,935 cubic metres of natural gas (2020: 46,637 cubic metres) and 24 kg of liquefied petroleum gas (2020: 168 kg) for preparing foods in canteen, consumed 324,350 kg of biomass fuel (2020: 529,860 kg) and used 540,089 cubic metres of natural gas (2020: 509,127 cubic metres) in the boilers to generate steam for production. Due to additional steam usage in high temperature steam sterilization process for production of face mask during the Reporting Year, the natural gas consumption in the boilers has slightly increased.

7.3 THE ENVIRONMENTAL AND NATURAL RESOURCES

The Group believes that corporate development should not come at the expense of the environment. By integrating environmental consideration into our business strategies, we aim to be an environmentally sustainable enterprise. We minimise our potential adverse impacts on the environment through establishment of effective environmental control policies, to focus our efforts on environmental management, and to continuously identify, assess and manage the environmental risks and to review the effectiveness of our policy implementation. In the coming years, we would continue promoting greenhouse gas emission reduction, energy and water resource conservation and efficient use of natural resources. With our well-established governance structure, team of experienced, dedicated and diligent employees, we definitely are able to greatly reduce the Group's potential negative effects to the environment. The Group believes that raising environmental awareness and reinforcing the positive behavioral changes bring benefits not only to our financial situation, but also to the future generations.

⁶ Carbon neutrality refers to the total amount of greenhouse gas emissions generated directly or indirectly within a certain period of time, through tree planting, energy saving and emission reduction, etc., to offset the carbon dioxide emissions generated by itself and achieve "zero emissions" of carbon dioxide.

8. SECTION B: SOCIAL

8.1 EMPLOYMENT

Under a highly ever-changing, challenging and competitive business environment, what Human Resources Management can systematically, efficiently and effectively support a corporation to perform well will definitely rely on a right strategy. The Group upholds the principle of “TUNGTEX ARMS”, it is to embrace each individual employee and corporation together and work cohesively towards the Group’s goals, objectives and expected results through the major functions of Human Resources Management.



We believe that quality talents are important assets of an enterprise and also the cornerstone for sustaining corporate development. We are committed to providing a fair and competitive compensation package to attract and retain quality talents.

The Group takes pride in the dedication and the effort by our employees, and hence aims to grow with the employees and groom our employees into future leaders. The Group considers our employees as our valuable assets and strives to provide a nondiscriminatory, equal, harmonious and safe workplace, we want our employees to feel that they are contributing to our purpose, and believe that the organization supports them. Incorporating sustainability into strategies, favourable conditions are created for attracting, developing, retaining and rewarding talents; providing commensurate remuneration, personal growth and career development training; and other fringe benefits. The Group’s human resources policies vary by locations to comply with the local labour laws and regulations.

Employees Benefits

The Group has established a set of comprehensive human resources management policy, namely the “Tungtex Employees Handbook”, “Tungtex Code of Conduct” and “Tungtex Guidelines for Recruitment” to provide guidance and requirements for employee’s behaviour. The “Tungtex Employees Handbook” has stated the areas of compensation and dismissal, recruitment and promotion, working hours, appraisal, training and benefits. The Group has always strictly observed the relevant legislations in our offices and factories locations regarding the equal employment opportunities, labour and forced labour.

For recruitment and dismissal process, the Group will go through the procedures according to the policies stated internally. For recruitment, equal opportunities are provided to all applicants with regards of the considerations of their experience, knowledge and skills. For dismissal, those employees acting improperly or breaching of contract terms and code of conduct will be terminated. Compensations are provided when applicable.

The Group offers competitive employee benefits packages for all employees. Pay rate and benefits packages are benchmarked by our Executive Directors against the market standard to ensure fair and equitable compensation practice and maintaining competitive salaries. Our employees also receive welfare benefits, including study fund, marriage leave, maternity leave, paternity leave, compassionate leave, retirement benefits, occupational injury insurance, medical scheme, etc. The Group implements effective target management, sets up annual goals for departments and employees, and fairly assesses the level of awards, salary increment and/or promotion recommendations based on a number of criteria, including working experience, seniority, knowledge and skills, performance, contributions, etc.

Our Employees

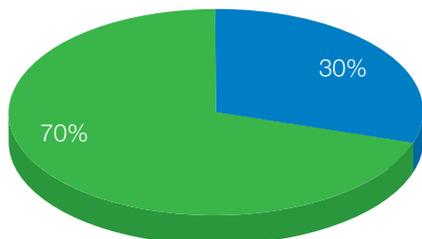
To meet the future challenges of our business, we believe we must continue to attract qualified applicants who share our vision and values. We hire people base on experience, expertise and values, regardless of race, color, creed, national origin, ancestry, sex, marital status, disability, religious or political affiliation, age or sexual orientation. We formulate equal opportunities and diversity policies for all employees. Giving back to the society, in order to help local disadvantaged groups integrating into the society, Zhongshan factory employs 11 staff who are physically disabled or mentally handicapped during the Reporting Year. The Group strives to establish harmonious labour relationships, we stand no tolerance on any discrimination events.

Employees Work-life Balance

The Group strictly follows the local labour laws and regulation to formulate employees’ working hours, forced labour is strictly forbidden. Overtime work will need employee consent and compensation hours and pays are in line with the local laws and regulations. Employees are entitled to annual leave according to their job positions. To foster harmonious work culture, we also organise employees activities regularly and set up an entertainment room in the PRC.

Staff composition⁷

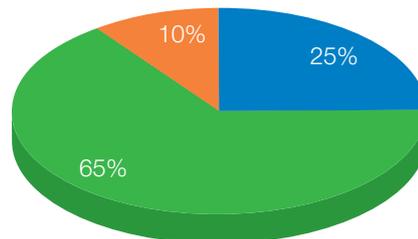
By Gender



■ Male ■ Female

Table 4 Staff composition by gender

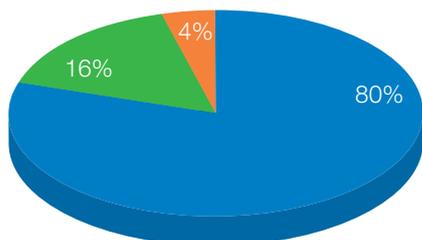
By Age Group



■ Below 30 ■ 30 - 50 ■ Over 50

Table 5 Staff composition by age group

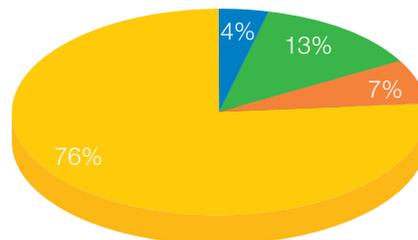
By Job Level



■ Entry level
■ Middle management
■ Top management

Table 6 Staff composition by job level

By Education Background



■ Bachelor or above
■ College
■ Technical secondary school
■ Others

Table 7 Staff composition by education background

Compliance with relevant laws and regulations

The Group is not aware of any material non-compliance with the “Labour Law of the PRC”, “Labour Contract Law of the PRC”, “Social Insurance Law of PRC”, “Employment Ordinance (Chapter 57 of the Laws of Hong Kong)”, the “Mandatory Provident Fund Schemes Ordinance (Chapter 485)”, “Labour Code of the Socialist Republic of Vietnam” and other applicable laws and regulations that has a significant impact relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination and other benefits and welfare on the Group during the Reporting Year. In addition, there was no non-compliance with relevant law and regulations that resulted in significant fines or sanctions in the Reporting Year.

⁷ The employee data represents the distribution of workforce from Zhongshan and Vietnam factory.

8. SECTION B: SOCIAL

8.2 HEALTH AND SAFETY



Photo 3 Employees are equipped with labour supplies during production

The Group regards occupational health and safety as one of the first priority responsibilities. We are committed to complying with requirement of applicable laws and management principles on health and safety. The Group has established policies and procedures in production safety and set up production safety committee and safety management organization structure. These provide effective safety management system and emergency incident guidelines to prevent, control and eliminate losses that might be caused by unexpected incidents, and to protect staff safety. Our production safety department of each factory are responsible to perform daily safety inspection within the factory area and review the implementation status of the safety measures among different departments. Any safety hazard found, a rectification measure will be performed by the production safety department in order to minimise or eliminate the risk of work injury.

Besides, the Group enhances our employees' awareness on occupational health and safety, raises their consciousness and improves their professional skills, especially for those job positions with significant potential safety hazards, and enables them to perform their duties in a safe environment; by providing an all-round safety training program and explaining to employees about the company policies. Employees are required to report to the safety production department immediately when incident occurs or aware of any potential hazards. Newly hired production staff must join a variety of practical trainings, understand the workflow, guideline and equipment operation techniques of the production department. The Group provides frequent trainings to instil safety values, knowledge and skills in employees to ensure that its staff are well prepared mentally and have adequate knowledge and skills to meet the Groups' safety standards and to fulfil their job duties. All staff are required to follow the operation manual, safety instructions and equip with appropriate labour supplies to operate every production equipment, it is to prevent any of our employees suffer from work injury due to negligence and oversight.

According to the law and regulation, our factories were equipped proper fire-fighting facilities such as fire extinguishers and escape lights. Designated staff conducts firefighting facilities inspection from time to time, and to ensure the exit passageways are clear and unblocked. The Group has implemented comprehensive emergency fire drill on semi-annually basis to enhance employee risk prevention and crisis management.

During the Report Year, the number of reported cases of work injury was 9 cases, with a total of 135 working hours lost. There was no fatal case reported during the Reporting Year.



Photo 4 Employees participated in regular fire drill

In compliance with the standards of chemical hazards and physical factors in the “Occupational Exposure Limits for Hazardous Agents in the Workplace”, the Group regular entrusts professional testing company to conduct inspection and evaluation of occupational disease hazards at each production position in the Zhongshan factory. The testing mainly includes dust, poison, noise and high temperature that some of the production positions are exposed to. During the Report Year, the Group was not involved in any confirmed violations that are related to above laws and regulation and no employees were suffered from occupational disease. Besides, we offer free body check to our new employees in order to understand their health status before work. We rearrange their working position if the result was shown that they are no longer suitable to perform the works. During the Reporting Year, we offered free body check to our 251 new hires in Zhongshan factory.

The Group recognises the danger of chemicals. Therefore, chemicals are handled under rigorous means. To protect our employees, all chemicals, with proper labels, are stored under good ventilation. Volatile chemicals are separately placed, and flammable chemicals must be stored with “No Smoking” warning sign. All chemicals must be handled by well-trained workers. During the Reporting Year, Zhongshan factory performed a chemical leakage handling drill with an aim to provide the basic knowledge to our employees when handling chemical and prevent our employees from work injury due to misappropriate handling on leaked chemicals, it can also reduce the potential second pollutant if employees can handle them properly.



Photo 5 Employees are participating in chemical leakage handling training and drill

Compliance with relevant laws and regulations

The Group is not aware of any material non-compliance with “Law of the PRC on Work Safety” (中華人民共和國安全生產法), “Regulations on Work-Related Injury Insurance of the PRC” (中華人民共和國工傷保險條例), “Law on Occupational Safety and Health of the Vietnam” and other applicable laws and regulations that has a significant impact on the Group relating to providing a safe working environment and protecting employees from occupational hazards during the Reporting Year. In addition, there was no non-compliance with relevant laws and regulations that resulted in significant fine or sanction in the Reporting Year.

8. SECTION B: SOCIAL

8.3 DEVELOPMENT AND TRAINING

Empowering employees is of our number one priority. Not only do we aim at sharpening the skills set and knowledge of our employees, but we are also eager to shape our every single employee into future leaders. The Group encourages its employees to exert their potential and to align their personal developments with the growth of the Group, so as to promote mutual development between individual employee and the Group. We have established various policies in relation to the employees' education and training to ensure that employees pursue continuous self-development in line with the Group's business needs. At the same time, we encourage employees to maintain constant communication and dialog with their department heads and managers so as to obtain timely support and advice.

8.4 LABOUR STANDARDS

With reference to the relevant law and regulations in Hong Kong, the PRC and Vietnam, we adopted strict procedures to safeguard human rights. No employee is paid below the minimum wage specified by the government regulations.

The Group cherishes human rights and protects labour rights. We prohibit any unethical hiring practices. We established the "Anti-Human Trafficking Policy" in accordance with the "The Universal Declaration of Human Rights", all employees are required to report to their supervisor in sight of any suspected human trafficking issues and take prompt reaction and report to the related government departments. Before entering into any labour contract relationship, we conduct background checks and reviewing the identity documents of the applicants in its hiring process strictly according to our human resource policy to prevent any non-compliance events.

Monthly salary payments, mandatory provident fund scheme payment and social insurances are made on time. We are delighted to announce that we have not encountered major risks in human rights matters so far. The Group guarantees that no employee is made to work against his/her will, or work as forced labour, or subject to coercion related to work. Our human resources department will verify the actual age of the applicants by checking their identification documents upon recruitment process. Through the whistle-blowing mechanism, employees are able to voice out injustice they face. For any reported cases, the Management will investigate into the case immediately, and take further follow-up actions if necessary.

Compliance with relevant laws and regulations

The Group is not aware of any material non-compliance with "Labour Law of the PRC", "Provisions on the Prohibition of Using Child Labour", "Law on the Protection of Minors of the PRC", "Labour Law of the Vietnam" and other applicable laws and regulations that has a significant impact relating to preventing child or forced labour on the Group in Vietnam and the PRC during the Reporting Year. In addition, there was no non-compliance with relevant laws and regulations that resulted in significant fines or sanctions in the Reporting Year.

8.5 SUPPLY CHAIN MANAGEMENT

The Group places great emphasis on the procurement principles. In purchasing materials, equipment and services, the Group promotes fair and open competition based on established procurement policies and procedures to ensure that the price, quality, delivery and services are in line with the best economic benefits. As a responsible organization, the Group adheres to the spirit of contract and abides by the principle, purpose and content of the contract with the supplier. The Group also serves to maintain long-term, stable and strategic cooperative relationships with leading suppliers, and co-develops with its suppliers on the basis of equality and win-win situation.

The Group actively promotes the sustainable development of our supply chain and the joint fulfillment of corporate social responsibility with our suppliers to provide the public with high quality products and services. The Group also encourages suppliers to promote corporate social responsibility activities and comply with corporate social responsibility codes for their business ethics, workplace operations, marketing activities, social contacts, and environmental responsibility. The suppliers should maintain a high standard of ethics in which bribes or other improper interests cannot be provided or accepted. The Group believed that this strategic alliance could help the Group consolidate its market shares as well as facilitate the supply chain management.

As at 31 March 2021, the Group cooperates with 456 suppliers (PRC: 306, Vietnam: 145, Hong Kong: 2, Turkey: 1, USA: 1 and UK: 1). All the suppliers have gone through and passed our internal vendor assessment process.

Geographical distribution of suppliers

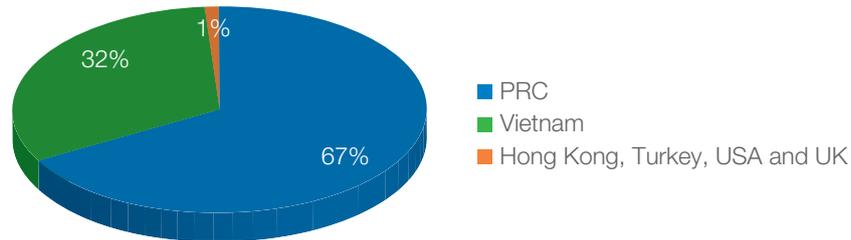


Table 8 Geographical distribution of supplier for Zhongshan and Vietnam factories

8.6 PRODUCT RESPONSIBILITY

With its core value being to provide hassle-free sourcing solutions, the Company has, for decades, supplied a wide range of renowned designer labels and international retail stores quality apparel. The Company’s expertise lies in silk apparel, and its fine workmanship also extends to other product lines, including silk-blended, linen, cotton and synthetic items.

The Group places a high priority on promoting customer satisfaction in terms of its products and services. Strenuous efforts are made to ensure compliance with the laws and regulations relating to product health and safety, advertising, labelling and privacy matters of the jurisdictions in which the Group operates. The Group requires its employees to comply with the applicable governmental and regulatory laws, rules, codes and regulations. On the basis of continuous technological innovation, the concept of green environmental protection is integrated into the design and manufacturing of products. By improving efficiency in product resources and operation, carbon emissions have been reduced and better ecological civilization has been achieved.

To ensure that quality is a major factor at each stage of its operations, each department is tasked with achieving their own quality-based targets devised in consideration of both the industry and market standards. Records are kept at every stage to ensure both the efficiency and maintenance of product criterion.

Before our products are dispatched, they must be passed for a series of internal quality control procedures, such as the procedure named “Needle Detecting Procedure”. We also take the added initiative on follow up of every purchase with consumers to ensure that all products were inspected before delivery. If there be any issues with its products after delivery, those products will be initiated on both due compensation and recall.

Product quality and safety are stated in employees’ manuals and are clearly communicated to the employees. In addition, we maintain a good communication with our employees, suppliers and business partners in respect of product responsibilities. Thus, in the selection of our suppliers, their measure of protecting the surrounding environment is one of our selection criteria. We will seek to further enhance our design and product development processes to look for opportunities of creating sustainable products in the coming years.

Customer Privacy

The Group believes that trust is one of the key elements of our success, on top of providing professional and quality services to our valued customers, we also attach great importance to protecting their privacy. The Group has established the internal policy on handling customers’ information, which stipulated the procedures for collecting, transferring, using, and keeping customer property. All employees strictly follow the Group’s policy and code of conduct and require handling all types of customer information confidentially with integrity.

During the Reporting Year, we have not received any complaint. We will continue to place the quality and safety of our products and services at top priority, so as to deliver the best to our customers.

8. SECTION B: SOCIAL

Compliance with relevant laws and regulations

The Group is not aware of any material non-compliance with “Product Quality Law of the PRC” (中華人民共和國產品品質法), “Law on Quality of Products and Goods of the Vietnam” and other applicable laws and regulations that has a significant impact relating to health and safety, advertising, labeling and privacy matters relating to products and services provided and methods of redress on the Group during the Reporting Year. In addition, there was no non-compliance with relevant laws and regulations that resulted in significant fines or sanctions in the Reporting Year.

8.7 ANTI-CORRUPTION

It is our long-standing attitude to combat corruption and money laundering with integrity. Corruption and bribery are not entirely the question of morals and ethics, but also questions of legal litigation and the reputation damage. As part of the commitment, all forms of bribery and corruptions are unacceptable and will not be tolerated. To uphold the highest standards and commitment, all staff are abided by the code.

The Group has continued to place strong emphasis in against all forms and levels of bribery and corruption, and the established policies named “Anti-Corruption and Anti-Bribery Control Procedures” (反貪污反賄賂控制程序) have been clearly disseminated to all staff. In addition, the “Bribery, Gifts & Entertainment Policy” sets out the requirements and practices as regards the prevention, identification, and handling of any instances of alleged or proven bribery or corruption.

Whistleblowing Procedures

The “Whistle-Blowing Policy” was adopted, which sets out the approach for employees and those who deal with the Group (e.g. customers and suppliers) to raise concerns on any possible misconduct, violation of anti-corruption practices or suspected corruption activities. The designated hotlines and emails are available on the Company’s website. The Group conducts regular review on its business practices, anti-corruption measures and guidelines as well as reported improprieties investigation. We also continue to improve its internal control and monitoring system. If any irregularities are identified, we take immediate action and adopt a zero tolerance approach to corruption.

Compliance with relevant laws and regulations

The Group is not aware of any material non-compliance with “Prevention of Bribery Ordinance”, “Anti-Unfair Competition Law of the PRC” (中華人民共和國反不正當競爭法), “Law on Competition of the Vietnam” and other applicable laws and regulations that has a significant impact on the issuer relating to bribery, extortion, fraud and money laundering during the Reporting Year. In addition, there was no legal case concerning corruption brought against the Group or its employees in the Reporting Year.

8.8 COMMUNITY INVESTMENT

Being a responsible and engaged corporate citizen, the Company cares about the community in which we work and live. We are dedicated to act in a socially responsible way, leading the way in corporate governance, charitable giving and a commitment to the environment. Throughout the years, we support the social measures and policies by the government and the community. We are committed to conducting our business with the highest standards of business ethics and integrity in accordance with trade practices. These have become our core values which are incorporated into our day-to-day business considerations. During the Reporting Year, we have donated funds and our products to Red Cross, Lok Sin Tong and Tung Wah to send to people in difficulties that lived at impoverished areas, which total worth HK\$122,000. The Group will continue to invest more resources and engage more employees in community investment, in a bid to give back to the community while promoting corporate social responsibility and bringing positive impacts to society.

9. ENVIRONMENTAL DATA

Emissions Indicators	Year ended 31 March 2021	Year ended 31 March 2020
Air Emissions		
Total air emissions	1,723 kg	2,699 kg
Air emission intensity	1.14 kg per thousand production level	0.99 kg per thousand production level
NOx emission	1,175 kg	1,808 kg
SOx emission	228 kg	372 kg
PM emission	321 kg	519 kg
Greenhouse Gas Emissions		
Total greenhouse gas emissions	4,154 tonnes	4,434 tonnes
Greenhouse gas emission intensity	2.76 tonnes per thousand production level	1.62 tonnes per thousand production level
Direct emission from stationery combustion sources	1,198 tonnes	1,144 tonnes
Direct emission from mobile combustion sources	132 tonnes	142 tonnes
Indirect emissions from electricity consumption	2,691 tonnes	2,991 tonnes
Other indirect emissions	133 tonnes	157 tonnes
Hazardous waste produced		
Total hazardous waste disposed	313 kg	32 kg
Hazardous waste disposed intensity	0.21 kg per thousand production level	0.01 kg per thousand production level
Non-hazardous waste produced		
Total non-hazardous waste disposed	82 tonnes	57 tonnes
Non-hazardous waste disposed intensity	0.05 tonnes per thousand production level	0.02 tonnes per thousand production level
Sewage discharged		
Total sewage discharged	177,242 tonnes	193,429 tonnes
Sewage discharged intensity	117.68 tonnes per thousand production level	70.72 tonnes per thousand production level

9. ENVIRONMENTAL DATA

Use of Resources Indicators	Year ended 31 March 2021	Year ended 31 March 2020
Electricity consumption		
Total electricity consumption	3,297 MWh	3,676 MWh
Electricity consumption intensity	2.19 Mwh per thousand production level	1.34 Mwh per thousand production level
Water Consumption		
Total water consumption	200,226 m ³	232,337 m ³
Water consumption intensity	132.94 m ³ per thousand production level	84.95 m ³ per thousand production level
Fuel Consumption		
Diesel oil (Automobile)	32,408 Litres	36,780 Litres
Unleaded petrol (Automobile)	15,640 Litres	21,303 Litres
Liquefied petroleum gas (Canteen)	24 kg	168 kg
Natural gas (Boiler)	540,089 m ³	509,127 m ³
Natural gas (Canteen)	41,935 m ³	46,637 m ³
Biomass fuel (Boiler)	324,350 kg	529,860 kg
Packaging material usage		
Total packaging material used	111,487 kg	144,500 kg
Packaging material used intensity	74.02 kg per thousand production level	52.83 kg per thousand production level

10. ESG REPORTING GUIDE & REFERENCE

A. Environmental		Reference in this report
A1. Emissions		Page #
Policies and compliance with relevant laws and regulations that have a significant impact on the issuer relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste.		12-16
KPI A1.1	The types of emissions and respective emission data.	12, 13, 27
KPI A1.2	Greenhouse gas emission in total (in tonnes) and where appropriate, intensity (e.g. per unit of production volume, per facility).	13, 27
KPI A1.3	Total hazardous waste produced (in tonnes) and where appropriate, intensity (e.g. per unit of production volume, per facility).	14, 27
KPI A1.4	Total non-hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	15, 16, 27
KPI A1.5	Description of measures to mitigate emissions and results achieved.	12, 13
KPI A1.6	Description of how hazardous and non-hazardous wastes are handled, reduction initiatives and results achieved.	14-16
A2. Use of Resources		Page #
Policies on the efficient use of resources, including energy, water and other raw materials.		17-19
KPI A2.1	Direct and/or indirect energy consumption by type (e.g. electricity, gas or oil) in total (kWh in '000s) and intensity (e.g. per unit of production volume, per facility).	17-19, 28
KPI A2.2	Water consumption in total and intensity (e.g., per unit of production volume, per facility).	18, 28
KPI A2.3	Description of energy use efficiency initiatives and results achieved.	17, 18
KPI A2.4	Description of whether there is any issue insourcing water that is fit for purpose, water efficiency initiatives and results achieved.	17, 18
KPI A2.5	Total packaging material used for finished products (in tonnes) and, if applicable, with reference to per unit produced.	18, 28
A3. The Environment and Natural Resources		Page #
Policies on minimizing the issuer's significant impact on the environment and natural resources.		12-19
KPI A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	19
B. Social		Reference in this Report
B1. Employment		Page #
Policies and compliance with laws and regulations relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare.		20, 21
KPI B1.1	Total workforce by gender, employment type, age group and geographical region.	21
KPI B1.2	Employment turnover rate by gender, age group and geographical region.	N/A ⁸
B2. Health and Safety		Page #
Policies and compliance with laws and regulations relating to providing a safe working environment and protecting employees from occupational hazards.		22, 23
KPI B2.1	Fatality number and rate.	22
KPI B2.2	Lost days due to work injury.	22
KPI B2.3	Description of occupational health and safety measures adopted how they are implemented and monitored.	22, 23

⁸ Pursuant to Appendix 27 of the "Main Board Listing Rules", the KPIs under Area B "Social" are recommended disclosures only, therefore, the KPIs would not be disclosed in this ESG report.

10. ESG REPORTING GUIDE & REFERENCE

B. Social	Reference in this Report
B3. Development and Training	Page #
Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.	24
KPI B3.1 The percentage of employees trained by gender and employee category (e.g. senior management, middle management, etc.).	N/A ⁹
KPI B3.2 The average training hours completed per employee by gender and employee category.	N/A ⁹
B4. Labour Standards	Page #
Policies and compliance with laws and regulations relating to preventing child and forced labour.	20, 21, 24
KPI B4.1 Description of measures to review employment practices to avoid child and forced labour.	20, 24
KPI B4.2 Description of steps taken to eliminate such practices when discovered.	20, 24
B5. Supply Chain Management	Page #
Policies on managing environmental and social risks of the supply chain.	24, 25
KPI B5.1 Number of suppliers by geographical region.	24, 25
KPI B5.2 Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, how they are implemented and monitored.	24, 25
B6. Product Responsibility	Page #
Policies and compliance with laws and regulations relating to health and safety, advertising, labeling and privacy matters relating to products and services provided and method of redress.	25, 26
KPI B6.1 Percentage of total products sold or shipped subject to recalls for safety and health reasons.	25
KPI B6.2 Number of products and service-related complaints received and how they are dealt with.	25
KPI B6.3 Description of practices relating to observing and protecting intellectual property rights.	N/A ⁹
KPI B6.4 Description of quality assurance process and recall procedures.	25
KPI B6.5 Description of consumer data protection and privacy policies, how they are implemented and monitored.	25
B7. Anti-corruption	Page #
Policies and compliance with laws and regulations relating to bribery, extortion, fraud and money laundering.	26
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.	26
KPI B7.2 Description of preventive measures and whistle-blowing procedures, how they are implemented and monitored.	26
B8. Community Investment	Page #
Policies on community engagement to understand the needs of the communities where we operate and to ensure that our activities take into consideration the communities' interests.	26
KPI B8.1 Focus areas of contribution (e.g. education, environmental concerns, labour needs, health, culture, sport).	26
KPI B8.2 Resources contributed (e.g. money or time) to the focus area.	26

⁹ Pursuant to Appendix 27 of the "Main Board Listing Rules", the KPIs under Area B "Social" are recommended disclosures only, therefore, the KPIs would not be disclosed in this ESG report.



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