

## **Environmental, Social and Governance Report**

The Group is committed to the environmentally friendly idea of “purifying the impossible”. Through utilizing leading and innovative technologies for the production of non-woven materials, environmentally friendly recycled chemical fibres and filtration materials, the Group strives to build itself into an internationally leading player in environmentally friendly new materials. Meanwhile, not only is the Company's business in line with the low carbon environmental policy in China, it also belongs to one of the XX national “strategic emerging industries” of the "12th Five-Year Plan," acquiring market opportunities and policy support.

Innovations are always highly valued within the Group, where employees are encouraged to unleash their innovate potential to develop proprietary products and technologies. Last year, XX new patents were successfully granted. As at XXXX, the Group had XX patents granted and XX applications for registration of patents, laying a sound foundation for its future development.

The Company strictly complies with the requirements of all applicable laws and regulations, as well as the Listing Rules. We not only seek to deliver desirable return to our shareholders and investors, but also strive to achieve sustainable development for the society by contributing to the community and protecting the environment. This report for the period from XXXX to XXXX covers our headquarters in Hong Kong, production base in XXX and XXX technology consulting company. It focuses on the Group's environmental and social responsibilities with respect to environmental protection, workplace quality, operating practices and community involvement.

## **A. Environment**

### **Reduce emissions of pollutants**

The Group is committed to reducing the emission of pollutants by carrying out specific environmental management measures. Besides the qualification of ISO14001:2004 environmental management system certification, the Group is the first Chinese non-woven material producer qualifying with the SCS (Scientific Certification Systems) Recycled Content Certification, which is a generally accepted certification systems in the United States.

The Group's exhaust emissions are mainly the flue gas emitted by coal-fired steam boilers and thermal oil boilers. All boilers are equipped with desulphurization and dust removal devices to ensure that the emissions of boiler exhaust meet the requirements of level X standards of GB13271-2001 "Emission Standard of Air Pollutants for Boiler." In XXXX, the chemical oxygen demand (COD), sulfur dioxide and ammonia nitrogen emitted by the Group was approximately XXtons, XXtons and XXtons respectively, all of which were in compliance with emissions standards in China.

### **Use of resources**

The Group has XX renewable chemical fibre production lines with annual production capacity of XXtons per year, which can handle about XXtons of PET bottle flakes, thus saving about XXtons of oil and XXtons of landfill space for the world annually. The Group actively explored collaboration of "Industry, University and Research Centre" and joined hands with various major research institutions to establish the China Research Centre of Comprehensive Utilization of Waste Textile, by which projects of waste textile were promoted, and the Group's research and development capacity were greatly enhanced. In addition, the qualification of the SCS Recycled environmental certification of non-woven fabric and recycled fibres achieved effective use of waste materials for energy conservation.

### **Environment and Natural Resources**

As the Group had been working with joint efforts, a number of environmental initiatives were significantly effective in XXXX with different kinds of exhausts, effluents and solid wastes being handled properly. At the same time, the Group

formulated "Emergency Plans for Environmental Incidents" and established "emergency leading group." By integrating with the actual situations of the Group, different levels of emergency incidents that may materially impact the environment were classified, so as to prevent any calamity beforehand.

## **B. Society**

### **Employee Rights**

The Group employed a large proportion of migrant workers from other provinces, in whom the labour union play an active role. For example, the labour union rents a unified dorm for them and sets up the 'Home of Staff' to provide all kinds of leisure and entertainment facilities to enrich their lives in spare time, so that they can feel home in foreign cities. Besides, the labour union has been active in conveying our care through poverty-relief and other activities addressing practical difficulties of employees. Gifts or compassionate allowances are also offered on special events such as birthdays, holidays, sick in hospital or death of lineal relatives.

### **Development and Training**

The Group provides employees with training opportunities according to the needs of each department. Department heads and the human resources department examine and verify such training needs for employees to ensure the efficient use of training resources.

The Group regularly carries out courses on "guarding knowledge against contract risk," which are taught by staff of our law department. Technical and sales staff will be trained up with more legal knowledge. In addition, the Group cooperates with various institutes and organizations in the community to organize different technical training so as to improve the skill levels of our employees. The Group also grants sponsorship for employees to attend external training to obtain recognized certificates for vocational qualification. The Group even organizes training abroad for outstanding employees.

### **Anti-corruption**

The Group formulated the Anti-fraud Policy, Anti-malpractice Operation Regulations and Reporting System strictly in accordance with the relevant regulations, as well as

actively cooperating with local public security bureau. We have established a sound interest declaration mechanism, and adopt diversified reporting channels such as mail, fax, telephone and email. An in-depth investigation is carried out for each suspicious case.

Besides, the Group developed the Rules on Avoidance of Conflict of Interests, pursuant to which all employees are required to enter into the letter of undertakings, and declare on their own initiative for any connection with any related party of the Group. The Group also vigorously promotes enterprise education to strengthen the concept of anti-corruption through a variety of means such as talks, feature films and seminars to strive for an honest and self-disciplined working environment. Over the past year, employees of the Company has complied with the laws and had no violation of the relevant anti-corruption legislation.

### **Contribute to the society**

Although the Group has no policy on contributing to the society, the benefit of society has always been its priority. The Group have taken active role in charity over the years to establish corporate brand image and encourage employees to take more social responsibilities. Meanwhile, the labour union continues to support students by contributing donations to neighboring primary schools. It also provided internships and employment opportunities for university graduates. Besides, members of chamber of commerce were also mobilised to provide one-to-one assistance to needy college students. The group spares no effort in welfare activities, with different donations accumulated over RMB XXX for the past few years.