

CHINA TING GROUP

華鼎集團

Stock Code : 3398

Environmental, Social and Governance Report 2018



華 鼎 集 團

CHINA TING



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GROUP





ABOUT THE GROUP

China Ting Group Holdings Limited (“China Ting Group” or the “Company”) and its subsidiaries (collectively the “Group”) has four major business segments, namely: manufacturing and sale of garments on an OEM basis (“OEM”), manufacturing and retailing of branded fashion apparel (“Retail”), property development in the PRC (“Property development”) and property investment in the PRC (“Property investment”).



In responding to the market demand for OEM and ODM business, the Group has completed the modifications and information-based operation of the apparel manufacturing equipment, so as to improve the efficiency and flexibility in manufacturing capability of our factories. In 2018, the Group changed part of the industrial complex to the China Ting International Fashion Base (“華鼎國際時尚產業基地”) in order to develop diversified business models and enhance value.

In the future, the Group will put more effort in procurement control, apply “Big-data” technology and introduce premium international brands to ensure the Group’s brand retail business will be developed healthily. Meanwhile, the Group will construct production bases in the PRC and Southeast Asia within the next three to five years and will proactively developing new products, improving customer service quality and commencing new retail business.



ABOUT THIS REPORT





This is the third Environmental, Social and Governance Report (the “Report”) released by China Ting Group. By reporting on the Group’s environmental, social and governance policies, measures and performance, the Report enhances stakeholders’ understanding of our progress and development direction on sustainable development. This Report is prepared in both Chinese and English and is available on the website of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) and the Company’s website at www.chinating.com.hk.



ABOUT THIS REPORT

SCOPE OF REPORT

The Report presents the Group's ESG performance for the financial year from 1 January 2018 to 31 December 2018 (the "Year"). Same as the report of last year, the Report focuses on the Group's textile, printing and dyeing as well as garment manufacturing businesses. The Report covers the Group's operations at 19 factories in Mainland China (collectively, "Each Subsidiary" or "Each Factory") with respect to textile, printing and dyeing as well as garment manufacturing businesses, as specified in the table below. The Report is yet to cover the operations of the Group's other business segments (including the operations of Retail, Property development and Property investment segments), however, the Group will continue to improve its internal data collection procedures to gradually expand the scope of disclosure.

Business Type	Name of Subsidiary	Short Name of Subsidiary
Textile factories	Zhejiang China Ting Jincheng Silk Co., Ltd	"Jincheng"
	Zhejiang China Ting Textile Technology Co., Ltd	"Textile Technology"
	Zhejiang Huayue Silk Products Co., Ltd	"Zhejiang Huayue"
Printing and dyeing factories	Hangzhou Huaxing Silk Printing Co., Ltd	"Huaxing"
	China Ting Woollen Textile Co., Ltd	"Huabeina"
Garment factories	Zhejiang Fuhowe Fashion Co., Ltd	"Zhejiang Fuhowe"
	Zhejiang Fucheng Fashion Co., Ltd	"Fucheng"
	Zhejiang Huali Fashion Co., Ltd	"Huali"
	Zhejiang Concept Creator Fashion Co., Ltd	"Concept Creator"
	Zhejiang Xinan Fashion Co., Ltd	"Xinan"
	Zhejiang China Ting Knitwear Co., Ltd	"China Ting Knitwear"
	Hangzhou Fuding Fashion Co., Ltd	"Fuding Fashion"
	Hangzhou China Ting Fashion Co., Ltd	"China Ting Fashion"
	Shenzhen Fuhowe Fashion Co., Ltd	"Fuhowe Fashion"
	Hangzhou China Ting Tailored Fashion Co., Ltd	"China Ting Tailored Fashion"
	Finity International Fashion Co., Ltd	"Finity International"
	Finity Fashion (Shenzhen) Co., Ltd	"Finity Shenzhen"
	China Ting (Hangzhou) Textile Technology Co., Ltd	"Hangzhou Textile"
Bolinding (Hangzhou) Textile Technology Co., Ltd	"Bolinding"	

Compare with the ESG report of last year, since the requisition of the land where the factory of Zhongshan Tri-Star Textile Printing Technology Company Limited ("Tri-Star") was located during the Year, Tri-Star has terminated its operation. As such, the environmental and social performance of Tri-Star has not been included in the Report.

REPORTING CRITERIA

The Report has been compiled in accordance with the Environmental, Social and Governance Reporting Guidance (the “Guidance”) under Appendix 27 to the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited, with the four reporting principles, i.e. Materiality, Quantitative, Balance and Consistency, taken as the basis of preparation of this Report. To allow stakeholders to gain a comprehensive understanding of the Group’s performance in environmental, social and governance, this Report not only discloses key performance indicators (KPIs) according to the “comply or explain” provisions, but also certain KPIs of social according to the “recommended disclosures” in the Guidance.

CONFIRMATION & APPROVAL

The Group has established internal controls and formal review procedures to ensure the accuracy and reliability of the information presented in the Report. The Report has been confirmed and approved by the board of directors in May 2019.

COMMENTS & FEEDBACKS

The continuous improvement of China Ting Group relies on your precious comments about our performance and the presentation of this Report. If you have any enquiries or suggestions about the Report, please send your opinions by email to esg@chinatingholdings.com for the continuous improvement of our environmental, social and governance work.





MESSAGE FROM CEO

The textile industry has caused major impacts on the environment, such as water resources, raw materials and sewage discharge during production, where enterprises should proactively bear the responsibilities. Since its establishment, China Ting Group has been reviewing its role on sustainable development, while it also dedicates to the compliance of its business activities and prevents to cause negative impacts to the environment as far as possible.



The board of directors attaches great importance onto the development direction of sustainable development and has established a specialized ESG management team, which composes by the senior managements from each department. Moreover, the Group adheres to a people-oriented philosophy and maintains close connections with employees, clients as well as business partners. Through a well-developed working environment, supply chain and product services, it makes contributions to the sustainability of society.

Communication with stakeholders is critical to the sustainable development of an enterprise. To understand the expectations and opinions of the stakeholders towards the issue concerning the sustainable development of the Group, as well as assisting us to prepare this Report, we have engaged external consultancy to conduct communications with stakeholders, so as to comprehend the concerns of different stakeholder categories. These opinions enable the Group to improve its environmental and social performances, thereby create values for the stakeholders.

After consolidating the thoughts of our managements, the opinions of other stakeholders and the advices of the consultancy, we have selected the focus concerns about the sustainable development issue for the Year, which cover aspects such as environment, employment and labor practices as well as operating practices. Among which, health and safety governance should be the most important. Relevant measures adopted by us has been detailly described in the Report.

Issues related to sustainability have brought various risks and opportunities to our businesses. A sound governance practice allows us to identify the risks in a timely manner and take necessary contingency measures. In order to meet the challenges in the future, the board of directors is responsible for ensuring the effectiveness of the risk management and internal control systems and keep improving them.

Ting Hung Yi
CEO
China Ting Group Holdings Limited







ENVIRONMENTAL, SOCIAL AND GOVERNANCE

ENVIRONMENT, SOCIAL AND GOVERNANCE STRUCTURE

The board of directors of the Company adheres to a high level of corporate governance and believes that good corporate governance practices can effectively contribute to the establishment and realization of long-term strategies and goals of China Ting Group. The board of directors is currently composed of seven directors and bears corporate social responsibility of the Group, including seizing and responding to opportunities and risks arising from sustainable development for the enterprise.

Environmental and social issues are in connection with every aspect of the Group's operations. To effectively integrate the concept of sustainable development into our business, the board of directors has established an ESG management team. The ESG management team is chaired by Mr. Ting Hung Yi, the CEO of the Group, and the members include the executives and supervisors from major business units. The team is responsible for overseeing the policies, measures and performances in relation to the sustainability issue.

CEO

Financial Team Administrative Team Business Team Manufacturing Team Weaving Team Retail Team

Specific responsibilities of each major business unit are as follows:

Business Units	Responsibilities
Financial Team	<ul style="list-style-type: none">• Support sustainable development strategies from a financial perspective
Administrative Team	<ul style="list-style-type: none">• Create a good working and living environment for employees
Business Team	<ul style="list-style-type: none">• Research and develop environmental friendly products• Raise the environmental protection awareness among clients
Manufacturing Team	<ul style="list-style-type: none">• Improve the quality and performance of products• Promote the recycle and reuse of materials
Weaving Team	<ul style="list-style-type: none">• Improve sewage treatment performance
Retail Team	<ul style="list-style-type: none">• Raise the environmental protection awareness among clients

ENVIRONMENT, SOCIAL AND GOVERNANCE RISK MANAGEMENT

The Group regards the risk management as an essential part of the daily management procedures and good enterprise governance. Systematic risk management practices can guarantee the Group’s achievement of its strategies and purposes, and maintain operation in the constantly changing business environment.

The board of directors bears full liabilities for the Group’s risk management and internal control system. The Group has established risk management and internal control systems, while the board of directors is responsible for overseeing the systems on an ongoing basis and reviewing their effectiveness.

RISK MANAGEMENT FLOW CHART

1	2	3	4	5
Establish Risk Management Systems	Risk Identification Produce Risk Checklist	Risk Analysis Evaluate Risk Level	Risk Evaluation Determine the Priority Order	Risk Management Implement Risk Countermeasures

The Group leverages on risk matrix method to identify various levels of risks (eg: human resources risk, business risk, production risk and safety management risk etc.) by categories. During the Year, the social risks identified by the Group include:

Social Risk	Risk Description	Risk Control Measures
Continued reduction in the number of front-line technicians	<ul style="list-style-type: none"> the inflow of front-line employees experienced a continuous decline in Jiangsu, Zhejiang and Shanghai. As such, the problem of labor shortage has affected China Ting Group’s operations in those areas 	<ul style="list-style-type: none"> Establish comprehensive internal incentive mechanism and promotion mechanism Establish a directed talent delivery mechanism with vocational and technical schools Establish a directed talent delivery mechanism with poor areas in central and western areas

The Group notes that the current risk management and internal control systems do not fully cover the issues of sustainable development. Going forward, in order to identify risks and develop response plans in a timely manner, the Group will include the potential environmental issues into its risk systems.



COMMUNICATION WITH STAKEHOLDERS

STAKEHOLDER ENGAGEMENT ACTIVITIES

China Ting Group emphasises on the communication with stakeholders¹, with the aim to introduce the Group's operation development principles and latest business updates, while listening to their opinions and expectations, so as to help the Group to have better response to the needs of markets and society, as well as developing and implementing relevant policies and measures. During the Year, the Group kept closely communicating with the stakeholders via daily operation and various channels.

Communication with stakeholders

Employees

Employee survey has been conducted to analyse employees' opinions towards working environment and make continuous improvements base on the feedbacks

Various activities has been organized for employees to promote the relationship with them

Clients

Stipulated customer complaint handling procedures to ensure the opinions and complaints will be duly handled

Shareholders

Reported the operation of the Group to Shareholders through general meetings, annual reports and financial reports

Suppliers

Arranged on-site audit and conduct risk rating, implemented controls by levels and ensured the suppliers would have good performance in environmental and social aspects

Communities

Organized donations to serve and contribute to the community

¹ "Stakeholders", otherwise known as "interested parties" or "right owner", refer to groups and individuals that have significant impacts on the enterprise business, or affected by the business, including the Board, management, administrative and general employees, as well as external shareholders, business partners, customers, governments, regulatory authorities, banks, investors and communities.

MATERIAL ISSUES

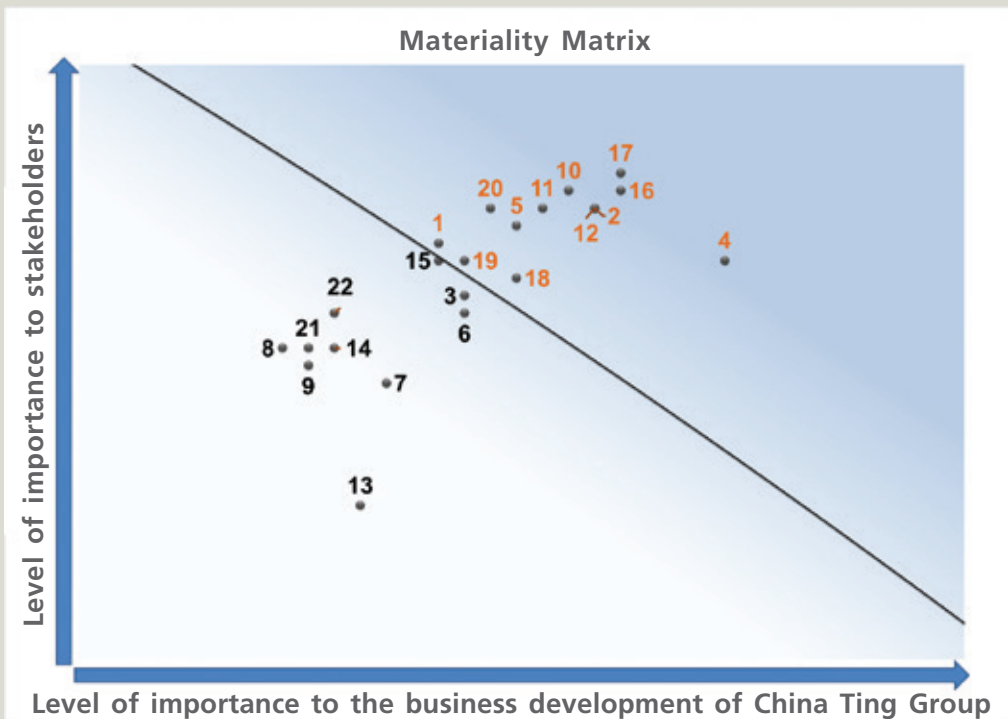
Since 2016, China Ting Group has appointed a consultancy company, Carbon Care Asia to assist the Group in conducting in-depth discussions with stakeholders in relation to the issues about sustainable development. In order to understand the opinions and expectations of key stakeholders towards the Group's sustainable development, the Group has proceeded the communications on sustainability in a fair, open and transparent manner.

During the Year, the works of communication with stakeholders in relation to sustainable development were mainly conducted by the following steps:

Steps	Actions
Step 1: Identify key stakeholders	In order to identify the key stakeholders of the Group and plan the communication activities which meet the expectations of the stakeholders, the Group has conducted analysis on different stakeholder groups. The key internal stakeholders of the Group include members of the board of directors and staff, while the key external stakeholders include investors, shareholders, governments, regulatory authorities, suppliers, contractors, clients, schools, academics organizations, non-government organizations, industry associations as well as professional organizations etc.
Step 2: Identify relevant issues	<p>The consultancy has assisted China Ting Group in the review and revision of the Group's relevant environmental, social and governance issue list to ensure that the issues could fully reflect the nature of the Group's business and the results of the past communications with stakeholders. Meanwhile, the consultancy has conducted interviews with the Group's senior management representatives and incorporated the discussion results into the issue list.</p> <p>The Group has identified 22 issues which are most closely related to the Group's business and its impacts, covering the four major areas of "environment", "employment and labor practices", "operating practices" and "community investment", which form the basis for the communication with internal and external stakeholders.</p>
Step 3: Collect stakeholder's feedbacks	In order to understand the management principles and plans for the environmental, social and governance of China Ting Group, the consultancy has conducted detailed interviews with the management of China Ting. They have also distributed questionnaires at an online platform to enable the stakeholders to grade each of the sustainability topics according to the level of importance. The Group ultimately collected a total of 34 questionnaires, among which 21 were from internal stakeholders and 13 were from external stakeholders.
Step 4: Identify material issues	The consultancy has conducted a materiality matrix analysis on the basis of the level of importance to stakeholders and the importance to the business development of China Ting Group of each issue and determined the material of each issue. According to the analysis result, there were total 12 issues being defined as material issue (for details, please see the following sections).
Step 5: Verify results	The senior management of China Ting Group has reviewed and verified the result of materiality matrix for the ease of China Ting Group to report and prioritized to handle.

MATERIALITY MATRIX

Based on the results of the questionnaire survey, the consultancy has conducted a materiality analysis. The consultancy has integrated the average of all the stakeholders' scores and created the Group's materiality matrix (as shown in the graph below). The 12 issues marked in orange in the chart are the material issues.



The relative issues that identified by the Group has been listed in the following table. Of which, the 12 material issues identified through materiality analysis have been marked in blue and in the order of materiality from high to low under the following aspects.

COMMUNICATION WITH STAKEHOLDERS

Aspect	Sequence	Related issue
Environment	4	Save energy and improve energy efficiency
	2	Manage sewage discharge
	5	Save water and improve water usage efficiency
	1	Manage air pollutants and greenhouse gases emission
	3	Manage waste
	6	Enhance the use efficiency of other resources (such as raw materials)
	7	Manage the impacts on the environment and natural resources from operations
Community investments	22	Community investments
	21	Ensure that the needs and interests of a community have been taken into the consideration in business activities
Employment and labor practices	10	Healthy and safe working environment
	12	Staff's sustainable development
	11	Employee Training
	14	Prevent forced labor
	8	Establish a comprehensive employment system
	9	Anti-discrimination, equal and diversify employment environment
Operating practices	13	Preventing child labor
	17	Comply with product label specifications
	16	Manage product quality and sales service responsibility
	20	Prevent bribery, extortion, fraud and money laundering
	18	Comply with advertisement and sales specifications
	19	Protect the customers and business partners
15	Evaluate and manage the environmental and social risks on the supply chain	

CONTINUOUS IMPROVEMENT

China Ting Group understands the importance of communicating with stakeholders. We will continue to expand the communications channels with stakeholders and enlarge the scope of communication activities with both internal and external stakeholders, so as to have a more comprehensive understanding of different stakeholders to the works and efficiencies on the abovementioned four aspects of sustainable development.



GROW WITH EMPLOYEES

China Ting Group deeply understands that talents are the core of business. The Group must create an ideal working environment for staff and assist them to grasp the opportunities in the future. Therefore, the Group has established social responsibility management system according to the Social Accountability 8000 International Standard. Every factory has set up procedures for aspects such as child and forced labor, health and safety, association and collective bargaining rights, to manage its operations. The Group has also established various policies and measures, dedicated to providing opportunities for our employees to unleash their strength, contribute to the society and self-improvement.

HEALTH AND SAFETY GOVERNANCE

China Ting Group focuses on the health and safety of employees. The Group's principal business involves factory production. In order to control the risk factors on health and safety effectively, Each Factory has set up safety and hygiene working team and fire safety leading team, which are lead by the Vice CEO of the Group. These teams are responsible for the management and supervision of health and safety of each department and oversee the implementation of health and safety related management systems. Each Factory conducts safety and health general inspection and safety and health ranking assessment quarterly and semi-annually, respectively. The safety and hygiene working team will hold meeting for safety works irregularly, to prevent and modify every safety risk found in the inspections.

HEALTH AND SAFETY MANAGEMENT SYSTEMS

For the usages of chemicals in garment manufacturing and printing and dyeing processes, as well as the management of fire safety and electrical safety, the Group has established various health and safety management systems, to ensure the occupational health and safety of our staff.

Management systems	Measures (Examples)
"Usage of Chemical Dangerous Goods Management System"	<ul style="list-style-type: none">• Organic solvents must be labeled and disposed immediately after use• The staff who has to use chemical dangerous goods must undergo safety training before taking up the post
"Fire Fighting Facilities Management System"	<ul style="list-style-type: none">• Conduct regular inspections for firefighting facilities• Stacking debris around fire extinguishing equipment and firefighting equipment is prohibited
"Safety Use of Electricity Management System"	<ul style="list-style-type: none">• Electricians should comply with electrical operation specifications and safe operating procedures, and conduct inspections and maintenance regularly• The surrounding areas of electrical equipment should keep clean and is not allowed to stack debris

OCCUPATIONAL SAFETY AND HEALTH EDUCATION

Every year, each subsidiary shall conduct no less than two fire evacuation drills, and shall record the conditions of such drills. Each subsidiary provides its employees with various education, such as the Three-level (i.e. subsidiary, department and team) Safety Education, specialized training for special types of work, safety education for return to work, safety education for foreign staff, as well as such courses as safe production and management, hidden issue troubleshooting knowledge, and safety education for the change of work categories.

HANDLING WORK INJURIES

For eliminating and reducing the impacts caused by work injuries, the Group has set up “Emergency Preparedness and Response Management System”, which set out the measures that should be taken in case of emergencies (including electrical injury accident, fire, flammable solvent leaks, other chemical dangerous goods leaks, food poisoning, etc.) or when potential hazard is found. The person-in-charge on duty should adopt relevant emergency handling measures according to the nature of accident, to prevent it from expanding.

During the Year, the Group had a total of 9 cases of work injuries. Most of the work injuries were bruises, falls and sprains during works. For work accidents, the factory should prepare work accident investigation reports. Apart from describing the details and scene of the accident, the report must include an analysis for the reasons that caused the accident. The factory should also implement measures to prevent accidents, such as strengthening safety education and trainings and conducting technological modifications.

The operation of China Ting Group complies with the laws and regulations such as the “Production Safety Law of the People’s Republic of China”, the “Occupational Disease Prevention Law of the People’s Republic of China”, the “Industrial Injury Insurance Regulations” and the “Measures for the Assessment of Work-related Injuries” of the Order of the Ministry of Human Resources and Social Security No.8 of the People’s Republic of China. During the Year, no violation of health and safety-related laws or regulations was found in Each Factory.

Total number of people involved in work injuries
9 people

Work-injury rate (per thousand employees)
1.9

Number of fatalities caused by work
0

EMPLOYMENT SYSTEM

China Ting Group is committed to create a harmonious working environment and give support to the growth and development of staff. In the Group's "Social Responsibilities Management System", it sets out employment terms such as recruitment, salary, promotion, dismissal, working hours, holidays, welfare packages and labor standards. Each subsidiary has also listed out related personnel management matters in the Employee Handbook.

Recruitment Process

Recruitment

Major Employment Policies and Measures

- Discrimination is prohibited in recruitment process. Age, gender, religion, belief, political affiliation, political party shall not be a factor to determine whether a candidate is hired for the new post
- Forbid the employment of child labor, identity documents shall be checked in recruitment process. If child labor is found, the Group will cease the employment of such individual, and must implement remedial measures, provide all necessary support and take all necessary actions in accordance with the Group's rules and regulations such as the "Child Labor Remediation Management Rules" and the "Relief Procedure for Child Workers" to ensure the safety, health, education and development of the child worker who has been dismissed from work

Remuneration and benefits

- The "Social Responsibility Management System" has set out the regulations and arrangements on working hours and holidays, to ensure every staff can enjoy enough rest
- Employment contracts will be signed with staff, which list out the standards and calculations for their salaries. The salaries of business management personnel composed of 3 parts, which are basic salary, overtime wages and benefit allowance
- Apart from the five types of statutory insurances², the Group also provides employees with other benefits such as monthly comprehensive bonuses, piece-rate wages, welfare subsidies for business management personnel, rank allowances, food subsidies, employee dormitories, paid marriage leave or late-marriage leave, long service annual leave, public praise, material rewards, free travel, annual security awards and triple vacation pay, etc.
- Some of our factories have established a "System for Recruitment based on the Principle of Equal Opportunities" to provide equal opportunities for employees
- Forced labor is prohibited and affirm that the staff enjoy freedom of labor. Overtime working system has been established to ensure the staff are working voluntary overtime, and will be arranged another day-off or overtime working allowance

Termination and dismissal

- The Group respects the rights of our staff. We establish the employment relationship with them by signing employment contracts, which also set out the employment terms in relation to aspects such as termination and dismissal

² The "five types of statutory insurances" stipulated by the state represent endowment insurance, unemployment insurance, medical insurance, work-related injury insurance and maternity insurance.

COMMUNICATION WITH STAFF

The Group has set up different channels for transmitting corporate messages, listening to staff's opinions and encouraging inter-department communications, so as to open up the communicating culture.

Communication channels for employees

Social media

- daily WeChat group
- WeChat official account

Complaints and petitions

- oral complaints
- complaints hotline

Opinion collection

- internal communication meeting
- questionnaire
- employee suggestion box

Employee activities

- holiday tourism
- New Year's party
- Trade union activities
- women's day raffle
- sports activities

During the Year, China Ting Group conducted a survey through a questionnaire platform to collect employees' suggestions on our operation. The Group will study these suggestions and assign a person-in-charge to implement relevant measures.



GROW WITH EMPLOYEES

Case sharing: “Dream-come-true Project”, helping our staff to make their dreams come true

During the Year, China Ting Group commenced the “Dream-come-true Project”. The wishes of the staff were recorded in videos. 10 of these New Year wishes were selected randomly to become true in the annual dinner, such as buying new shoes and mobile phones for the employees’ son and mother, etc. It is the Group’s target to share the happiness with our staff and their families through the activity.

In the coming future, China Ting Group will stipulate its commitments in the employment policy, dedicates to provide a diversify working environment to all the staff for them to show their strengths and develop their potentials.

The operation of China Ting Group complies with the laws and regulations such as the “Labor Law of the People’s Republic of China”, the “Labor Contract Law of the People’s Republic of China”, the “Social Insurance Law of the People’s Republic of China ”and the “Provisions on the Prohibition of Using Child Labor” of the Order of the State Council No.364. During the Year, Each Factory had no violation of laws or regulations related to employment, labor practices, child labor and forced labor, or complaints with respect to discrimination or harassment.

EMPLOYEE TRAININGS

The development of a corporate and growth of employees are complementary. China Ting Group has an “Employee Training System” to provide employees with internal and external professional skills training. The Group has classified our trainings into three categories according to the training targets:

Senior management

- Nurturing and training of leadership

Middle management

- Management skills, including financial, human resources, production, sales, procurement and project management, etc.

Junior employees

- Business skills training
- Personal potential development program

The Group pays special training expenses for employees. Some of our factories also provides bonuses for training and learning to encourage employees to study independently. If employees manage to receive higher educational qualification or professional certificates during their employment, they can obtain additional rewards.

Proportion of trained employees
61%

Average training hours of all employees
7.1

Case sharing: 2018 Design Skills Training

To enhance the designing service quality of all our subsidiary, China Ting Group has invited a lecturer of Clothing Engineering Institute of Zhejiang Sci-Tech University to give a lesson to us. The lesson covered the situation analysis of Each Factory and case discussion on intelligent manufacturing. The training assessment result was determined based on skill competition.

Case sharing: “Self-strengthening and craftsmanship oriented” — Formwork Crafting Skills Seminar

Leaders and formwork technicians from more than ten China Ting Group’s subsidiaries have jointly participated in this skills seminar. It was presented in form of video, pinpointing the manufacturing processes of trousers and conduct steps analysis and explain the difficulties. The participated companies had also demonstrated formwork making in the seminar and exchanged their skills and experiences.

TRAINING ANALYSIS AND FOLLOW-UP

China Ting Group has conducted training satisfaction survey, which collected and analyzed the opinions from employees who have participated in the trainings. By efficiency assessment, it enabled the Group to review and improve the curriculum and training directions.

PERFORMANCE APPRAISAL

China Ting Group adheres an objective and fair principal when conducting annual performance appraisal for employees and make it as an important reference for salary increment, promotion, mobilization and year-end bonus. Each Factory will also establish specific and suitable performance appraisal system according to their employee handbooks and actual situations. Moreover, the Group has set up a promotion system, employees with good performances will have the chance to get promoted and developed.

CREATING VALUES FOR CUSTOMERS

QUALITY MANAGEMENT

China Ting Group is committed to the quality of our products. It conducts rigorous inspection processes to ensure the products have met the requirements. Some of the factories have set up a “Production Standard Operating Procedures”, which lay down guidelines for every production procedure, such as fabric inspection, cutting, needlework, ironing and washing, to make sure the quality of products fulfills the Group’s requirements. Some of the factories have also established a “Quality Manual”, which determines the duties to maintain product quality of every department, where the production department is responsible for guiding the production process of workshops, products maintenance and production facilities repair. The quality inspection department is responsible for controlling the product inspection procedures. In addition, part of the factories has also set up the “Customer-related Process Control Procedures” and “Quality Inspection Procedures”, to further ensure the quality of our products.

PRODUCT RECALL

Each subsidiary of China Ting Group has established “Recall Procedures for Non-Conforming Products” and “Product Early Warning, Claims, Returns and Complaints Information Procedures”. This can ensure that non-conforming products can be recalled promptly and minimize the health and safety risk on clients and general public. Some of our factories have established a “non-conforming product recall team”, which is led by their general manager and responsible for the overall product recall.

Report the information	Record the recall detail	Product recall	Analyze the reasons
Report to the general manager immediately after the product recall message is received	Build up a detailed recall record about information, which include the name of clients, product models, product specifications, production dates, export dates, production factories, to recall the non-production dates, complain dates, complain details and quality issues	If the products are considered as non-conforming products, the related department should inform the clients, and conduct on-site visits according to actual situations to recall the non-conforming products	Analyze the quality issues of the recalled non-conforming products, study on corrective actions and promulgate prevention methods

With regards to the handling of customer complaints, the Group has established the “Customer Complaint Handling Procedures” and set up a team to handle and analyze the issues and propose corrective measures and reports.

PRODUCT INFORMATION

China Ting Group complies with the product labeling standards and prepares and regulates product labels according to relevant national policies and standards (e.g. GB/T 8685, “Standards for Maintenance Textile Labeling” and the “Technical Guidelines on Knitwear Export” issued by the Ministry of Commerce) to ensure that consumers understand the daily care methods for textiles and apparel.

PROTECTION OF CLIENTS’ PRIVACY AND INTELLECTUAL PROPERTY RIGHTS

In order to protect the interests of our clients, each subsidiary has established policies and measures such as “Customer Privacy and Data Protection Systems” and “Customer Property and Privacy Protection Procedures”. These policies and measures are aimed at protecting the client’s privacy and intellectual property rights, for example, patented technology, product specifications, design drawings, trade secrets management, etc. The Group will not disclose the client’s information to any third parties without their permissions.

China Ting Knitwear has set up the “Clients’ Brands Protection and Control Management System” and implemented various measures, to ensure that our clients’ brands will not be infringed. To prevent customers’ brands and products from leakage, Each Factory will strictly manage the ancillary materials and trademarks of products provided by the clients and prohibit visitors from taking photos in the production areas and the sample exhibition halls. China Ting Knitwear had also established the “Trademarks Damage and Destruction Procedures” to destroy those trademarks that no longer in use in accordance to the requirements of protecting intellectual property rights.

The operation of China Ting Group complies with the laws and regulations such as the “Contract Law of the People’s Republic of China”, the “Advertising Law of the People’s Republic of China”, the “Tort Liability Law of the People’s Republic of China” and the “Trademark Law of the People’s Republic of China”, as well as the national mandatory standards such as GB5296.4-2012 “Instructions to Consumer for Use of Products — Part 4: Textiles and Apparel”, GB18401 “National Standard for Basic Safety of Textile Products” and GB/T 23330-2009 “Requirements of Clothing Rainproof Performance”. During the Year, Each Factory had no violation of laws or regulations (including product health and safety, advertising, labeling and privacy) that related to product liabilities.

SUPPLY CHAIN MANAGEMENT

China Ting Group emphasizes on the risk management of supply chain. It has fully implemented a social and environmental qualifications review system on suppliers and will include the relevant risks into the assessments and management of the suppliers' performances.

The Group has established the "Procedures for Controlling Suppliers and Subcontractors' Social Responsibility", which can ensure Each Factory is able to execute the requirements advocated under Business Social Compliance Initiative, BSCI and continue to improve the performances of our suppliers and subcontractors. The procurement department evaluates the social responsibility performances of suppliers in accordance with the "Survey on Social Responsibility of Suppliers". Base on the gradings, we will select suppliers and subcontractor with good performances and eliminate those with poor performances, so as to encourage supplies to adopt appropriate measures to improve their social responsibility performances. For chemical procurement, the suppliers should provide satisfactory prove for the chemicals, to ensure the health and safety of production environment and products.

The procurement department arranges at least one on-site review annually. If any child labor or forced labor is found to be intentionally employed or any indication of other serious violation of labor regulation is found, the Group will terminate the partnership immediately.

The Group conducts risk assessments for the suppliers to implement classification control.

Risk rating of suppliers and subcontractors

Low risk

All matters are in compliance with factory inspection standards

Medium risk

Assess other issues that are not involved and are of relatively low risk

High risk

Legacy child labor, minimum wage issues, major health and safety issues

Zero tolerance

Child labor, discrimination, prison labor, corporal punishment, etc.

ANTI-CORRUPTION

Adhering to the principle of integrity and impartiality, China Ting Group is committed to cultivating moral conviction of our employees and strictly prohibits bribery, extortion, fraud and money laundering conducts in any form, so as to ensure the impartiality, integrity and compliance of the business and working environment.

In order to promote anti-corruption and integrity culture, Each Factory states in its employee handbooks all the codes of conduct that must be followed by its staff and stipulates disciplinary actions for accepting bribery. Some of the factories has formulated the “Anti-Bribery Management System and “Anti-Commercial Bribery Policy “to regulate employees’ code of conduct and work ethics. It has also set out the regulations for our staff in relation to receipt of gifts or entertainment, avoidance of interest conflict, procurement of goods and services.

The Group has also established a procedure to handle reporting’s so that employees and business partners can report suspected corruption cases confidentially and control corruption actions from multiple perspectives.

The operation of China Ting Group complies with the laws and regulations such as the “Criminal Law of the People’s Republic of China”, the “Anti-money Laundering Law of the People’s Republic of China”, the “Anti-unfair Competition Law of the People’s Republic of China” and the “Tendering and Bidding Law of the People’s Republic of China”. During the year, no corruption-related reports, lawsuits and violation of laws or regulations were found to be relevant to Each Factory.



GREEN PRODUCTION

China Ting Group dedicates in minimizing the negative impacts cause to the environment during its business operations and production process. The Group has established the “Corporate Social Responsibility Management System”. Meanwhile, through setting up and implementing various environmental management systems, it can duly manage the emissions from business activities and the use of resources. Each Factory has established its own environmental management systems and relevant rules and policies according to their business characteristics.

Some of our factories have include environmental trainings into their training and education curriculums. To familiarized with environmental protection regulations, standards and management measures and to enhance their environmental friendly awareness, every staff should undergo pre-job environmental education. Some of the Group’s factories are set up with internal environmental protection teams, which consist of managers and employees of the related departments to lead the subsidiaries in setting and achieving environmental protection goals.

USE OF RESOURCES

China Ting Group is committed to enhance its resource efficiency to reduce the potential environmental impacts during its entire production chain. Some of the Group’s factories have established an energy management system and set up an energy management team to set annual energy saving targets and implementation plans, and to conduct statistics and summary at the end of the year.

ELECTRICITY MANAGEMENT

Electricity is the major energy resource in our production process. Some of our factories have established electricity use management systems and supervise each workshop to use electricity reasonably.

Electricity use management measures

- Regularly check and maintain energy-consuming equipment and report cases of energy wastage and supervise the improvement thereof
- Timely adjust or change that electrical equipment with load rates below 40%
- New electricity projects must be approved before use
- Every staff should establish energy-saving habits and turn off the lights that are not necessary

The Group actively adopts new technologies, new products and new equipment in relation to energy-saving and eliminate those with high energy consumptions and high pollutions. During the Year, to reduce power consumption, the Group required Each Factory to gradually change the lightings in their workshops to LED lights, which is relatively energy-saving.

GAS/STEAM MANAGEMENT

The day-to-day operations of some factories involve the use of gas/steam management. Accordingly, a gas/steam management system has been formulated and implemented to require all production workshops to strictly comply with the operating procedures for all relevant operations.

Gas/Steam management measures

- Every workshop should operate in accordance with the “Post Operation Regulations “to reduce energy consumption
- Regularly maintain the pipelines to reduce gas wastage
- implement steam quota management for workshops, and install steam flow meters for all relevant positions which must use steam according to the quota criteria

Case sharing: Use of solar energy

China Ting Group made use of the free spaces on some of its factories to install solar energy equipment, which could convert solar energy to electricity for the factories to use. During the Year, the solar power generated by Each Factory was 5,431 MWh.

WATER MANAGEMENT

In order to reduce the overall water usage of the Group, part of our factories have established a water management system to enhance their management on water usage. The Group will continue to promote water-saving technologies to increase water usage efficiency.

Water management measures

- Use recycled water to wash cars
- Regular maintenance, inspections and repair for water equipment (such as pipeline valves) to ensure the equipment is in good conditions
- When installing new water projects or equipment, their water consumption and measurement methods should be taken into consideration, and should only be use after passing inspections
- Implement a water quota management system and tie the assessment result to awards and punishments

PAPER AND RAW MATERIALS MANAGEMENT

To reduce unnecessary waste, the Group requires production department to verify the actual usage when using raw materials and ensure the estimation is accurate. Each Factory has to performance statistics on the productivity of every batch of product and identify and analyze abnormal situations to enhance the use efficiency of raw materials. For paper management, the Group encourages paperless works and requires all its department to reduce using papers and print on double sides of papers.

EXHAUST GAS AND GREENHOUSE GAS EMISSIONS

China Ting Group's exhaust gas emissions are mainly nitrogen oxides, sulfur oxides and respirable suspended particles from the use of heating equipment such as boilers during the production process of printing and dyeing and textile factories, kitchens equipment and vehicles combustion of fossil fuels and biomass fuels. Among which, the exhaust gas emitted from combustions of diesel and gasoline by vehicles is the major emission source, which represented 48%, 48% and 64% of the total emissions of nitrogen oxides, sulfur oxides and respirable suspended particles. Due to the government resumed the land where the factory of Tri-Star was located, Tri-Star has ceased from operation, therefore, the exhaust gas emission from combustion of bituminous coal by boilers has decreased as company to last year.

Air pollutant emissions

Types	Emissions in 2018 (kg)
Nitrogen oxides	4,602
Sulfur oxides	107
Respirable suspended particles	135

During the Year, Zhejiang Huayue transformed its coal-fired boilers to biomass boilers, which are more environmental friendly. It has also installed dust removal equipment to reduce exhaust gas emissions.

China Ting Group pays attention on its carbon footprint and is dedicated to minimizing the environmental impacts resulted from carbon emissions during its operations. In the Year, the Group continued to engage Carbon Care Asia, a consulting firm, to conduct carbon assessment and quantified the gas house gas emissions generated during its business. The quantification processes were carried out in accordance with the guidelines³ promulgated by the National Development and Reform Commission as well as international standards such as ISO14064-1 and GHG Protocol. The total carbon emissions generated by the Group during the Year was approximately 37,448 tons of carbon dioxide equivalent, of which, use of heat and electricity amounted to 56% and 30% of the total carbon emissions, respectively.

For the Year, due to the sewage treatment equipment installed in the Huabeina plant area had not equipped with real-time monitoring system for wastewater, no data such as wastewater concentration could be obtained, as such, the carbon emissions generated from the operations of sewage treatment equipment could not be calculated. The Huabeina plant area has planned to install a real-time monitoring system in the sewage treatment equipment to accurately record the wastewater concentration, for the ease to have a timely understanding of the operation condition of the system and avoid sudden environmental pollution leakage accidents. The Group will continue to assess, record and disclose its greenhouse gas emissions and other environmental data annually, review the effectiveness of existing measures and further develop carbon reduction targets and work plans.

Scopes **Emissions in 2018 (tons of CO₂ equivalent)**

Scope 1 Direct greenhouse gas emissions	5,097
Scope 2 Energy indirect greenhouse gas emissions	32,297
Scope 3 Other indirect greenhouse gas emissions	54
Total greenhouse gas emissions	37,448
GHG emissions density (calculated based on turnover, i.e. tons of CO ₂ equivalent/HK\$'000)	0.019

Scope 1: Including the emissions generated from fossil fuel and biomass fuel combustions by the Group

Scope 2: Including the emissions from electricity and heat consumptions by the Group

Scope 3: Including the emissions due to the employees of the Group travel for business trips by airplane

³ the "Guidelines for Accounting and Reporting Greenhouse Gas Emissions — Other Industrial Enterprises (Trial)"

WASTE MANAGEMENT

The Group classifies solid waste generated from operations into general non-hazardous waste, recyclable waste and hazardous waste. Each Factory has established relevant waste control procedures in accordance with their own operational needs.

General non-hazardous waste

- A total of 763 tons of general non-hazardous waste (such as discarded cartons, plastic products and other domestic wastes) produced by the Group were delivered to relevant municipal departments and transported to a local disposal point

Recyclable waste

- 47,775 tons of recyclable waste (such as discarded cartons, waste paper tubes, waste packaging bags, shredded fabrics, and waste truss papers) generated during the production and operation processes of the Group were delivered to qualified contractors for collection and recycling

Hazardous waste

- A total of 225 tons of hazardous waste generated (including sludge, waste dyes, waste mineral oil and waste toner cartridges) by the Group were delivered to qualified professional hazardous waste disposal companies for classifying and collection
- Each Factory has set up ledgers for hazardous waste, and specialized personnel will be responsible for recording the generation, storage and disposal of hazardous waste.

WASTEWATER MANAGEMENT

The wastewater of the Group mainly consists of the wastewater from plant areas and domestic sewage from offices. The total reused wastewater of the Group was 212,783 tons, of which, over 99% was rescued for the dyeing and printing workshops in Huabeina plant area, while the remaining was used to irrigation. For the management of quarters, the employees must not dump their sewage in an improper way and affect the environment and hygiene.

ENVIRONMENTAL AND NATURAL RESOURCES

China Ting Group is committed to reducing the impact of business on environment and natural resources. Before any construction of a plant, the Group will carry out an environmental impact assessment of the project to investigate the negative impacts that the project may bring to the place of operation and raise out related mitigations and alternatives. Furthermore, the Group has established the “Emergency Preparedness and Response Management System” to ensure the factories is able to have promptly response when there is an accident, so as to prevent or minimize the impacts make to the surrounding environment due to the leakage of hazardous goods and the fire. Each Factories has established environmental factor identification processes to carefully monitor the environmental accidents that may occur and regularly review and evaluate their environmental performances.

In the recent years, with the continuous rising in awareness for environmental protection in the PRC, the society’s environmental protection requirements for the printing and dyeing industry have also increased. China Ting Group will keep strengthening the research and development and applications of new products and new processes, meanwhile, it will also promote clean production, to provide more varieties and high quality environmental friendly printing and dyeing products.

The operation of China Ting Group complies with the laws and regulations such as the “Environmental Protection Law of the People’s Republic of China”, the “Water Pollution Prevention and Control Law of the People’s Republic of China”, the “Environmental Noise Pollution Prevention and Control Law of the People’s Republic of China” and the “Solid Waste Pollution Prevention and Control Law of the People’s Republic of China”. During the Year, none of Each Factory has been found to be in violation of any environmental laws and regulations.



BUILDING COMMUNITIES

As a responsible enterprise, China Ting Group deeply understands the importance of meeting the expectations of different stakeholders. The Group practices social responsibilities and expects to promote the developments of the industry and society through its influence.

During the Year, China Ting Group set up the “China Ting Tianzhu Ethnic School Scholarship” (“華鼎天柱民族學校獎學金”) to provide scholarships for the high school students of Guizhou Tianzhu Ethnic School (貴州省天柱民族中學), with a total annual amount of RMB60,000. Priority has been given to the students whose family is facing economic difficulties and with excellent academic performance.

Case sharing: Tianzhu County industry poverty alleviation

China Ting Group has entered into the “Tianzhu County Garment Processing Industry Project Cooperation Framework Agreement” with Tianzhu County, Qiandongnan Prefecture, Guizhou Province, pursuant to which, poverty alleviation workshops will be set up at Tianzhu Yidi Relocation and Resettlement Site for Poverty Alleviation (天柱易地扶貧搬遷安置點) for exporting management, technologies, equipment and talents to garment industry of Tianzhu and providing order supports. The agreement planned to cultivate five garment processing workshops in one year and provide job opportunities for more than 1,000 people.

Case sharing: Charity book donation

China Ting Group has initiated a charity book donation “Delivering Loves through Books” (“濃濃書香傳遞愛意”). Second-handed books donated by employees had been collected. After sorting and classifying, the books were donated to Yukeng District Yulei Primary School and the reading culture could be inherited.

In the future, China Ting Group will gradually gain understandings on different needs from the communities where operations located to establish its community investment policy, and formulate community investment policies to determine the scope of the Group’s future contribution.

OVERVIEW OF KEY PERFORMANCE INDICATORS

ENVIRONMENTAL PERFORMANCE

	Emission type	Emissions in 2018
Exhaust gas and greenhouse gas emissions	Nitrogen oxides (kg)	4,602
	Sulfur oxides (kg)	107
	Respirable suspended particles (kg)	135
	Scope 1: Direct greenhouse gas emissions (tons of CO ₂ equivalent)	5,097
	Scope 2: Energy indirect greenhouse gas emissions (tons of CO ₂ equivalent)	32,297
	Scope 3: Other indirect greenhouse gas emissions (tons of CO ₂ equivalent)	54
	Total greenhouse gas emissions (tons of CO ₂ equivalent)	37,448
	GHG density (tons of CO ₂ equivalent/turnover in HK\$'000)	0.019

	Waste type	Waste generated in 2018
Waste	Total hazardous waste generated (tons)	225
	Hazardous waste density (tons/turnover in HK\$'000)	0.0001
	Total non-hazardous waste generated (tons)	48,538
	Non-hazardous waste density (tons/turnover in HK\$'000)	0.024

OVERVIEW OF KEY PERFORMANCE INDICATORS

Energy used	Use type		Consumption in 2018
	Direct energy	Gasoline (MWh)	
Diesel (MWh)			679
Liquefied petroleum gas (MWh)			105
Natural gas (MWh)			15,909
Liquefied natural gas (MWh)			48
Biomass fuel (MWh)			179
Indirect energy		Electricity (MWh)	
	Heat (MWh)		53,210
Renewable energy	Solar power generation (MWh)		5,431
Total energy consumption (MWh)			93,018
Energy density (MWh/turnover in HK\$'000)			0.046

Water used ⁴	Use type		Consumption in 2018
	Total water consumption (cubic meters)		611,194
	Water consumption density (cubic meters/turnover in HK\$'000)		0.305

Packaging materials	Use type		Consumption in 2018
	Total packaging materials (tons)		1,235
	Density of packaging materials (tons/turnover in HK\$'000)		0.001

⁴ The data do not include usages from China Ting Fashion and Bolinding

OVERVIEW OF KEY PERFORMANCE INDICATORS

SOCIAL PERFORMANCE

Number of employees by business, age and gender						
Business	Gender	20-40 years old	40+	Total (by gender)	Total	Ratio of male to female employees
Textile	Male	27	95	122	404	0.43:1
	Female	113	169	282		
Printing and dyeing	Male	65	88	153	284	1.17:1
	Female	68	63	131		
Clothing	Male	586	654	1,240	3,984	0.45:1
	Female	1,629	1,115	2,744		

Number of employees by business, rank and gender						
Business	Gender	Senior management	Medium management	Frontline employees	Total	Ratio of male to female employees
Textile	Male	6	10	106	404	0.43:1
	Female	3	11	268		
Printing and dyeing	Male	5	10	138	284	1.17:1
	Female	1	1	129		
Clothing	Male	20	63	1,157	3,984	0.45:1
	Female	22	111	2,611		

OVERVIEW OF KEY PERFORMANCE INDICATORS

Number of employees by business, gender and employment type						
Business	Gender	Full time	Part time	Long-term	Temporary/ Fixed-term	Total
Textile	Male	122	0	77	45	404
	Female	282	0	143	139	
Printing and dyeing	Male	153	0	0	153	284
	Female	131	0	0	131	
Clothing	Male	1,240	0	376	864	3,984
	Female	2,744	0	843	1,901	

Number of new employees by business, age and gender						
Business	Gender	20-40 years old	40+	Total (by gender)	Total	Proportion of new employees
Textile	Male	10	12	22	72	18%
	Female	23	27	50		
Printing and dyeing	Male	16	6	22	51	18%
	Female	21	8	29		
Clothing	Male	210	96	306	888	22%
	Female	401	181	582		

OVERVIEW OF KEY PERFORMANCE INDICATORS

Number of employees departed by business, age and gender						
Business	Gender	20-40 years old	40+	Total (by gender)	Total	Turnover rate of employees
Textile	Male	16	25	41	121	30%
	Female	22	58	80		
Printing and dyeing	Male	15	25	40	86	30%
	Female	18	28	46		
Clothing	Male	217	115	332	959	24%
	Female	431	196	627		

Number of workers died or injured in course of duty				
Gender	Number of work-related fatality	Number of employees injured at work	Total	Injury rate (per thousand employees)
Male	0	6	9	1.9
Female	0	3		

Percentage in number of employees trained and average training hours by gender and rank					
	Gender/rank	Senior management	Medium management	Frontline employees	Total
Percentage in number of employees trained	Male	68%	43%	68%	Percentage of employees trained 61%
	Female	69%	60%	58%	
Average training hours	Male	16.7	8.2	10.1	Average training hours for all employees 7.1
	Female	23.2	16.0	5.1	

OVERVIEW OF KEY PERFORMANCE INDICATORS

Number of suppliers by geographical location and percentage of suppliers executing related practices				
Business	Products or services provided	Supplier location	Number of suppliers	Percentage of suppliers executing related practices
Textile	Manufactured silk	Zhejiang, Guangxi, Anhui	4	100%
	Paper box	Haining	1	100%
	Yarn	Shaoxing, Jiangsu	2	100%
	Cotton	Jiaxing	5	100%
	PU Leather	Jiaxing	3	100%
	Silk	Jiaxing	4	100%
Printing and dyeing	Wool	Hebei	3	100%
	Greige fabric	Zhejiang	8	100%
	Silk	Zhejiang	5	100%
Clothing	Fabrics, accessories	Overseas, Tongxiang, Shaoxing, Ningbo, Haining, Hangzhou, Huzhou, Shaoxing, Sujiang, Zhejiang, Guangzhou, Shanghai	175	81%
	Hangers	Zhejiang	2	100%
	Packaging materials	Hangzhou, Haining, Zhejiang	13	77%
	Sewing threads	Zhejiang	3	100%
	Others	Hanzhou, Linping	4	50%

Community investment

Number of volunteers	Volunteer hours (hours)
25	200

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CHINA TING GROUP HOLDINGS LIMITED
華鼎集團控股有限公司

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