



魏橋紡織股份有限公司  
Weiqiao Textile Company Limited  
(Stock Code : 2698)



Environmental,  
Social and  
Governance Report  
**2019**

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# ABOUT ESG REPORT

Weiqiao Textile Company Limited (the “Company”) and its subsidiaries (collectively “Weiqiao Textile”, the “Group” or “We”) are pleased to release the Environmental, Social and Governance (“ESG”) report for 2019, which provides detailed information on the various works of Weiqiao Textile in full implementation of the concept of sustainable development and fulfilment of corporate citizenship responsibility throughout 2019. For details on corporate governance, please refer to the “Corporate Governance Report” of the annual report of the Group for the year 2019.

## Reporting Scope

ESG report focuses on the environmental and social performance of the core business segments of Weiqiao Textile in the People’s Republic of China (the “PRC”) from 1 January 2019 to 31 December 2019 (the “Year”). The various aspects and key performance indicators as disclosed in the ESG report cover the performance of the Company and all of its subsidiaries (unless otherwise specified), and data regarding the environmental and social aspects are set out in Appendix I, of which the key performance indicators regarding the environmental aspect have all complied with the principle of “comply or explain”.

## Reporting Standard

ESG report has been prepared in accordance with Appendix 27 Environmental, Social and Governance Reporting Guide to the Rules Governing the Listing of Securities on the Main Board of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”). ESG report is presented in Renminbi (“RMB”), unless otherwise specified.

## Information and Feedback

For detailed information about the work of the Group in environmental protection, social responsibility and corporate governance, please refer to our official website ([www.wqfz.com](http://www.wqfz.com)) and annual report. The Group values your opinions on this Report. Should you have any advice or suggestions, please email us via [wqfzesg@wqfz.com](mailto:wqfzesg@wqfz.com).

# CHAIRMAN'S STATEMENT

As one of the largest cotton textile manufacturers in the PRC, Weiqiao Textile is always committed to fully practising the sustainability concept and fulfilling its corporate social responsibility. ESG report covers our performance in sustainable development during the year ended 31 December 2019.

During the Year, the Group actively promoted business transformation and upgrading and the shift in growth drivers, so as to achieve high quality development under the management philosophy of prudent and steady development. While pursuing business expansion, the Group dedicated itself to contributing to the economic and social development of our country.

In order to improve production profitability, and in an active response to the shift in growth drivers, the Group stepped up efforts to promote industrial upgrading and innovation, so as to achieve high-quality growth. In terms of the textile business, the Group continued to push forward business transformation and upgrading, and made great efforts to improve its intelligent operation. During the Year, in order to enhance its production efficiency, the Group built a green and intelligent integrated production line, which was put into production in December 2019, thereby realizing the integration of yarn spinning and weaving as well as the intelligent control over the entire process. The Group also attaches great importance to quality control and production management, and successfully passed the certificate renewal assessments in relation to the quality management system and environment management system. In terms of the electricity and steam business, the Group improved its management efficiency and reduced its wastage and consumption by adopting refined and modular management.

In terms of production safety, the Group continued to align itself with the principle of “comprehensive management with priority of safety and emphasis on prevention” (安全第一、預防為主、綜合治理), pushed forward the establishment of production safety standardised system and double prevention mechanism, propelled the fulfilment of corporate production safety responsibility, intensified potential safety hazard identification and control, improved emergency management system and reinforced security inspection, so as to improve the production safety performance of the Company.

In terms of green development, the Group fully implemented minimal emissions by installing flue gas dedusting facilities and desulphurisation and denitrification facilities for all of the Group's power generating units. Meanwhile, the Group made proactive efforts in promoting environmental protection and strictly complied with the Wastewater Quality Standards for Discharge to Municipal Sewers (GB/T31962-2015), so as to ensure persistent compliance with wastewater discharge standards. Furthermore, the Group has installed sound-proof devices to reduce impact of the noises generated from the daily operation of its power plants. The Group has obtained several international certifications such as certification of the Global Recycled Standard, Global Organic Textile Standard, The Organic Content Standard, Better Cotton Initiative and OEKO-TEX Standard 100.





## CHAIRMAN'S STATEMENT

In respect of employees' rights and interests, the Group has adopted all kinds of effective measures to improve its working environment and lower work intensity, and has further improved the social insurance for employees, with an aim to provide them with better protection and benefits. The Group also places great emphasis on employees' career development and proactively provides pre-job and on-the-job trainings and development opportunities for the employees. Based on the skill requirements of different positions, we provide various trainings on the themes of management skill, sale and production, customer services, quality control and professional ethnics, etc. The Group also takes serious consideration of all the valuable feedback from the employees for enhancing the workplace productivity and working environment harmony. In addition, the Group provides employees with competitive remuneration packages, and also offers them additional bonus based on their performance to recognise and reward their contributions to the Group's growth and development.

In respect of social welfare, the Group attaches great importance to its corporate social responsibility. While pursuing business development, the Group is also dedicated to promoting social development and pays close attention to the society's social well-being by proactively participating in public welfare undertakings. During the Year, our employees engaged in a wide range of social donation activities such as flood disaster relief after Typhoon Lekima, and the caring project for left-behind children named "Weiqiao Rainbow Home" (魏橋彩虹之家) initiated by Beijing Rainbow Foundation, so as to enhance team cohesion among our employees and also proactively fulfil our social responsibility. Furthermore, since the outbreak of the Coronavirus (COVID-19) epidemic, the Group has promptly shifted its operation to the research and development and production of various protective equipment to fully support the combat against the epidemic.

In the future, by adhering to our ESG philosophy, the Group will continue to fulfil the social responsibilities of energy conservation and environmental protection with the implementation of high standards and strict requirements. Aligning itself with the strategy of green development, the Group will increase investments in environmental protection and implement higher standards for environmental protection, laying a solid foundation for the sustainable and healthy development of the Group.

**Ms. Zhang Hongxia**  
*Chairman*

3 July 2020



# ABOUT WEIQIAO TEXTILE

## Corporate Overview

Weiqiao Textile is a listed subsidiary of Shandong Weiqiao Chuangye Group Company Limited (山東魏橋創業集團有限公司, “Weiqiao Chuangye”), and is mainly engaged in the production, sales and distribution of cotton yarn, grey fabric and denim, and electricity and steam business, making itself one of the world’s largest cotton textile enterprises in terms of production scale.

Owing to its four production bases and solid technological strength, Weiqiao Textile has the capability to produce high-tech and high added-value products. During the Year, Weiqiao Textile had an annual output of approximately 400,000 tons of cotton yarn, 832 million metres of grey fabric and 62 million metres of denim, and developed 2,017 new products throughout the Year.

The Group continues to push forward business transformation and upgrading, makes great efforts to improve its intelligent operation, and meanwhile optimises its product portfolio in an active manner. During the Year, in order to enhance the production efficiency, the Group built a green and intelligent integrated production line, which was put into production in December of the Year, thereby realizing the integration of yarn spinning and weaving as well as the intelligent control over the entire process. The Group continues to focus on the research and development of new products, and has successfully developed and produced a series of new products which received wide recognition from the industry and markets. During the Year, the “one-time weaved, duvet-filled 3D graphene seamless comforter (一次織造成型石墨烯立體無縫羽絨被)” developed by Weiqiao Textile was granted the “2019 Top Ten Innovative Textile Products (二零一九年度十大類紡織創新產品)” issued by China National Textile and Apparel Council; two types of fabrics were awarded major single awards in China Eco-friendly Fabric Design Competition and China Fashion Fabrics Design Competition respectively, and were selected for the permanent collection by China Silk Museum; ten-odd types of fabrics were granted awards in China International Fabrics Design Competition and other competitions, respectively. The Company was also granted the honorary title of “2019 China National Textile and Apparel Council Product Development Contribution Award (二零一九年度中國紡織工業聯合會產品開發貢獻獎)”, and the “Weiqiao” brand has been acknowledged as one of “China’s 500 Most Valuable Brands” for 16 consecutive years.

## Management Philosophy

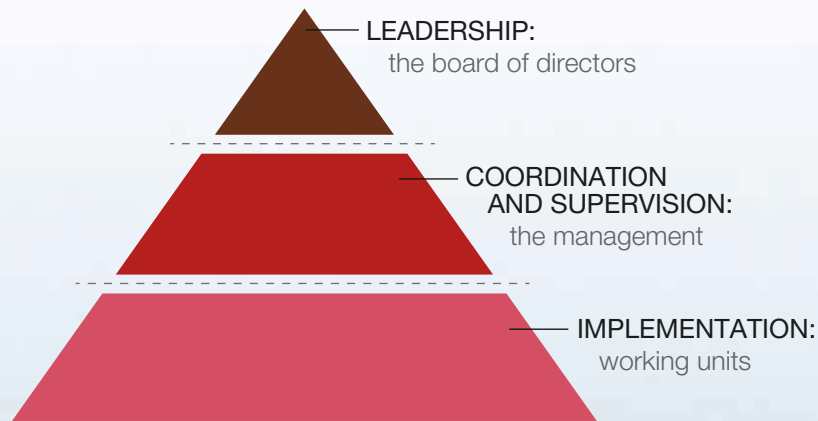
Upholding the core value of “serving the Country and benefiting the people”, Weiqiao Textile takes it as its driving force and mission to facilitate economic development, provide job opportunities, increase income for employees and build a harmonious society, in a bid to contribute to the social and economic development. Meanwhile, Weiqiao Textile has also fully implemented the new development concept and promoted high quality development, in an effort to facilitate the transformation and upgrading of the traditional manufacturing industry.

Weiqiao Textile proactively practises the concept of green manufacturing, and continues to push forward pollution control, emission reduction and comprehensive utilisation of resources, fulfilling the social responsibilities of energy conservation and environmental protection by meeting high standards and strict requirements. While continuous efforts are made to increase our intrinsic value and create the maximum return for the shareholders, we are committed to facilitating the sustainable development of the environment.

# ABOUT WEIQIAO TEXTILE

## ESG Responsibility Management

In order to effectively implement the sustainability concept, the Group has established a top-down ESG structure with clearly defined responsibility for all group organisations from the board of directors of the Group to all working units, so as to ensure effective implementation of policies and measures for fulfilment of our environmental and social responsibilities. The board of directors of the Group takes the lead in ESG management and is responsible for assessing the ESG-related risks of the Group and developing its sustainability policies and strategies, and the management is responsible for coordinating and supervising the implementation of such policies and strategies and assisting in the formulation of relevant policies and measures, while the relevant working units are responsible for the implementation of such policies and measures at each stage of the business operation.



The Group also conducts review on its sustainability strategies and policies from time to time and makes necessary adjustments, so as to ensure such strategies and policies are effective, feasible and applicable.

### Stakeholder engagement

This report was prepared with supports and participations of colleagues from various departments, allowing us to have a better understanding of the Group’s current development at the environmental and social level. The information this report contains is both a summary of relevant environmental and social work performed by the Group in the Year and the basis of formulating our short-term and long-term sustainable development strategy.

Meanwhile, the Group understands the importance of stakeholders for the Group’s business development, thus the Group takes proactive initiatives to conduct effective communication with the stakeholders via various methods and channels in daily operation, and takes the stakeholders’ opinions and requirements as the basis for the formulation and implementation of our short-term and long-term development strategy, with an aim to share responsibilities and achievements with them.

Stakeholders	Expectations and requirements	Communication and response mode
Government and regulatory authorities	<ul style="list-style-type: none"> <li>• Compliance with national policies, laws and regulations</li> <li>• Promotion of local economic development</li> <li>• Contribution in local employment</li> <li>• Tax payment on time</li> </ul>	<ul style="list-style-type: none"> <li>• Regular submission of information</li> <li>• Regular communication with regulatory authorities</li> <li>• Dedicated reports</li> <li>• Inspection and supervision</li> </ul>

Stakeholders	Expectations and requirements	Communication and response mode
Shareholders	<ul style="list-style-type: none"> <li>• Investment returns</li> <li>• Operation in compliance</li> <li>• Growth in company value</li> <li>• Information transparency and effective communication</li> </ul>	<ul style="list-style-type: none"> <li>• General meetings</li> <li>• Announcement and circular by the Group</li> <li>• Email, telephone communication and company website</li> <li>• Dedicated reports</li> <li>• On-site inspections</li> </ul>
Business partners	<ul style="list-style-type: none"> <li>• Integrity operation</li> <li>• Fair competition</li> <li>• Fulfilment of agreements by law</li> <li>• Mutual benefits and win-win cooperation</li> </ul>	<ul style="list-style-type: none"> <li>• Review and assessment meetings</li> <li>• Business communications</li> <li>• Exchanges and discussion</li> <li>• Engagement and cooperation</li> </ul>
Customers	<ul style="list-style-type: none"> <li>• Quality products and services</li> <li>• Health and safety</li> <li>• Fulfilment of agreements by law</li> <li>• Integrity operation</li> </ul>	<ul style="list-style-type: none"> <li>• Customer service centre and hotlines</li> <li>• Customer feedback surveys</li> <li>• Communication meetings with the customers</li> <li>• Social media platforms</li> <li>• Return visit</li> </ul>
Environment	<ul style="list-style-type: none"> <li>• Fulfilment of emission standards</li> <li>• Energy conservation and emission reduction</li> <li>• Ecological protection</li> <li>• Efficient use of water resources</li> </ul>	<ul style="list-style-type: none"> <li>• Communication with local environmental protection department</li> <li>• Communication with local residents</li> <li>• Reports submission</li> <li>• Research surveys</li> </ul>
Industry	<ul style="list-style-type: none"> <li>• Development of industry standards</li> <li>• Promotion of industry development</li> </ul>	<ul style="list-style-type: none"> <li>• Communication with local labour department</li> <li>• Participation in industry forums</li> <li>• Visits and inspections with industry peers</li> </ul>
Employees	<ul style="list-style-type: none"> <li>• Protection of rights and interests</li> <li>• Occupational health and safety</li> <li>• Remuneration and benefits</li> <li>• Career development</li> <li>• Care for employees</li> </ul>	<ul style="list-style-type: none"> <li>• Employee meetings</li> <li>• In-house journal and intranet</li> <li>• Employee mailbox</li> <li>• Trainings and workshops</li> <li>• Employee activities</li> <li>• Employee representatives meetings</li> <li>• Round-table democratic meetings</li> </ul>
Community and the public	<ul style="list-style-type: none"> <li>• Improvement of community environment</li> <li>• Engagement in community welfare</li> <li>• Openness and transparency of information</li> </ul>	<ul style="list-style-type: none"> <li>• Company website</li> <li>• Company announcement</li> <li>• Interview with media</li> <li>• Social media platforms</li> <li>• Communication meetings with the community</li> <li>• Mutual visits</li> </ul>



# ABOUT WEIQIAO TEXTILE

## Materiality assessment

During the preparation of this report, the Group has commissioned an independent third-party consultant to assist us in conducting the materiality assessment in a fair and equitable manner. The materiality assessment has been implemented in three main phases as follows:

- (i) Based on the relevant national and local standards and policies, industry characteristics and the development of the Group, we have identified 40 potential material issues in respect of ESG that may have an impact on the Group's business or the stakeholders;
- (ii) We have invited internal and external stakeholders (including staff, management, directors, clients, suppliers and communities) to fill in questionnaires online, so as to collect and identify their level of concern for each of such issues;
- (iii) We have established the two-dimensional matrix as "significance to the Group's business" and "significance to stakeholders" by conducting analysis on 401 valid questionnaires, so as to determine the priority of the potential material issues.

The following chart represents the materiality matrix based on the findings from the questionnaire survey.



Environment and resources	Employment and labour practices	Operation practices	Community investment
1 Compliance with laws and regulations relating to environmental protection	18 Compliance with labour laws and regulations	25 Compliance with laws and regulations relating to operation	38 Public welfare and charity
2 Air emission management	19 Remuneration and benefits	26 Environment risk management of supplier	39 Promotion of community development
3 Vehicle emission management	20 Working hours and holidays	27 Social risk management of supplier	40 Poverty alleviation
4 Wastewater management	21 Employee diversity and equal opportunities	28 Procurement practices	
5 Noise management	22 Occupational health and safety	29 Quality management	
6 Greenhouse gas (GHG) emission	23 Training and education	30 Responsible sales and marketing	
7 Waste management	24 Child labour and forced labour	31 Customer health and safety	
8 Energy consumption		32 Customer service management	
9 Use of water resources		33 Protection of intellectual property rights	
10 Green office		34 Research and development	
11 Green energy project		35 Information security	
12 Green building		36 Customer privacy	
13 Use of raw materials and packaging materials		37 Anti-corruption	
14 Management of soil pollution			
15 Ecological protection			
16 Response to climate change			
17 Prevention of and response to environmental incidents			

## ABOUT WEIQIAO TEXTILE

By analysing the results of questionnaire survey, the Group has identified 10 material issues which are disclosed in detail in this report.

Material issues	Corresponding sections
1 Compliance with laws and regulations relating to environmental protection	Emission Management Energy Conservation and Emission Reduction
2 Air emission management	Emission Management Exhaust Gas Treatment
4 Wastewater management	Emission Management Wastewater Treatment
9 Use of water resources	Energy Conservation and Emission Reduction Reduction of Water Consumption
14 Management of soil pollution	Ecological Protection
15 Ecological protection	Ecological Protection
22 Occupational health and safety	Occupational Health and Safety
24 Child labour and forced labour	Employment Policy
25 Compliance with laws and regulations relating to operation	Supply Chain Management Quality Assurance Product Promotion Customer Service Privacy Protection Anti-corruption Practice
29 Quality management	Quality Assurance

# FULFILMENT OF CORPORATE ENVIRONMENTAL RESPONSIBILITY

Weiqiao Textile has been implementing the green development initiatives proposed by the government. In response to the national policies on resource conservation and environmental protection, we have been actively practising the concept of “lucid waters and lush mountains are invaluable assets” (綠水青山就是金山銀山), in an effort to promote the sustainable development of the Company, society, our country and hence the whole world. As a member of the textile industry which constitutes an important industrial segment in China, Weiqiao Textile takes the leading role of the industry and incorporates the concepts of green manufacturing as well as energy conservation and emission reduction into our production, operation and management process, so as to fully fulfil our responsibility in respect of environmental protection.

During the Year, Weiqiao Textile strictly complied with the national and local laws and regulations relating to environmental protection and pollution control. Based on our ISO14001:2015 Environmental Management System, we continued to stick to our high standard environmental protection management system, and strove to improve our performance in emission management, energy conservation and emission reduction, construction and operation of green facilities and green office, promoting the synergetic development between production operation and environmental protection.

## Emission Management

### Wastewater treatment

The wastewater discharged from our production and operation is mainly from the industrial wastewater and domestic sewage generated by the textile and electricity businesses. The Group strictly complies with the Law of the People’s Republic of China on the Prevention and Control of Water Pollution and other relevant laws and regulations, and has commissioned qualified third-party inspection agency to conduct monthly testing and examination on the quality of water at the discharge outlets of the wastewater treatment plants. We strictly control the relevant discharge parameters of wastewater, and effectively apply chemicals in accordance with the standardised process operation to achieve the maximum effect, so as to ensure that the discharge meets the required standards. Online monitoring systems installed at the discharge outlets can upload real-time monitoring data to the environmental protection monitoring platform, while the local environmental protection departments also conduct on-site sample testing frequently. The Group takes necessary measures to ensure smooth operation of the online monitoring systems and wastewater treatment facilities and prompt maintenance services upon occurrence of machinery failure, so as to prevent wastewater from polluting the surrounding ecological environment.

Wastewater treatment plants	Sources of wastewater	Discharge channels	Discharge standards
Weiqiao Chuangye Wastewater Treatment Plant	Industrial wastewater from textile production and domestic wastewater generated by Shandong Minghong Textile Technology Co., Ltd., a subsidiary of the Company	Reused or discharged into the Xiaoqing River after being treated to meet standards	Integrated Wastewater Discharge Standard for Basin Part 3: Xiaoqing River Basin (DB37/3416.3-2018)

## FULFILMENT OF CORPORATE ENVIRONMENTAL RESPONSIBILITY

Wastewater treatment plants	Sources of wastewater	Discharge channels	Discharge standards
Denim Wastewater Treatment Plant in Zouwei No.3 Industrial Park	Industrial wastewater from denim and textile plants production and domestic sewage generated by Zouwei No.3 Industrial Park of the Company	Discharged into the wastewater treatment plant of Zouping City via the municipal sewage pipeline network after being treated to meet standards	Discharge Standards of Water Pollutants for Dyeing and Finishing of Textile Industry (GB4287-2012)
Wastewater Treatment Plant in Binzhou Weiqiao Technology Industrial Park	Industrial wastewater from textile production and domestic wastewater generated by Binzhou Weiqiao Technology Industrial Park Company Limited, a subsidiary of the Company	Discharged into the wastewater treatment plant of Binzhou City via the municipal sewage pipeline network after being treated to meet standards	Wastewater Quality Standards for Discharge to Municipal Sewers (GB/T31962-2015)
-	Industrial wastewater from textile production and domestic wastewater generated by Weihai Weiqiao Technology Industrial Park Company Limited and Weihai Weiqiao Textile Company Limited (both being the Company's subsidiaries) and industrial wastewater from production and domestic wastewater generated by Weihai Power Plant	Discharged into the wastewater treatment plant of Weihai City via the municipal sewage pipeline network	Wastewater Quality Standards for Discharge to Municipal Sewers (GB/T31962-2015)
-	Industrial wastewater from textile production and domestic wastewater generated by Shandong Hongjie Textile Technology Company Limited and Shandong Hongru Textile Technology Company Limited (both being the Company's subsidiaries)	Discharged into the wastewater treatment plant of Zouping City via the municipal sewage pipeline network	Wastewater Quality Standards for Discharge to Municipal Sewers (GB/T31962-2015)
Wastewater treatment system of Zouping County Huineng Thermal Power Company Limited ("Huineng Thermal Power")	Industrial wastewater from production and domestic wastewater generated by Huineng Thermal Power	Discharged into the wastewater treatment plant of Changshan Town, Zouping City via the municipal sewage pipeline network after being treated to meet standards	Wastewater Quality Standards for Discharge to Municipal Sewers (GB/T31962-2015)

During the Year, the Group carried out emergency drills at the wastewater treatment plants in accordance with the Emergency Response Plan for Environmental Incidents of the Wastewater Treatment Plants. Through the drills, relevant staff can familiarise themselves with the liaison, handling process and approach upon occurrence of such incident to minimise the impacts of the incident on the environment.



Emergency drill of the wastewater treatment plants

# FULFILMENT OF CORPORATE ENVIRONMENTAL RESPONSIBILITY

## Exhaust gas treatment

The exhaust gas emitted by the Group mainly comes from the coal-fired power generation process of power plants, while the major pollutants produced include dust, sulphur dioxide and nitrogen oxides. Online monitoring systems installed at the emission outlets can upload real-time monitoring data to the environmental protection monitoring platform. The Group have implemented a fully enclosed transformation for its coal yards, greatly reducing the dust produced and realising the “invisible coal in combustion” (燃煤不見煤). In response to the relevant policy and requirement of the Country, the Group continued to strictly comply with the Law of the People’s Republic of China on the Prevention and Control of Atmospheric Pollution and other relevant laws and regulations, and has fully achieved minimal emission by installing the dedust, desulphurisation and denitrification facilities on all power generator units of the Group.

## Disposal of solid waste

The Group continued to strictly comply with the Law of the People’s Republic of China on the Prevention and Control of Environmental Pollution by Solid Waste, the Policy on Hazardous Waste Pollution Prevention and Control Technologies, the Measures for the Management of Hazardous Waste Transfer Manifest, the Regulations on the Safety Management of Hazardous Chemicals and the relevant regulations of ISO14001 Environment Management System. The solid wastes generated by the Group include non-hazardous and hazardous wastes. Non-hazardous wastes are mainly domestic garbage, plastics, metal, ash from power plants, desulphurisation gypsum and slag, while hazardous wastes are mainly waste lubricating oil, waste denitration catalyst and other office wastes such as waste computers and used batteries. We deposited the hazardous wastes in specific storage sites, and entrusted qualified companies to undertake transportation and treatment upon completion of the application and approval procedures for transferring to such companies. The detailed treatment measures for various solid wastes are as follows:

- domestic garbage is transferred for disposal by municipal sanitation department;
- recyclable solid wastes are sold to companies that have the capacity for treatment of such wastes for recycling through bidding;
- some of the recyclable office wastes such as printers and waste computers are sent back to the original manufacturers for recycling; and
- coal ash collected by the dust-cleaning apparatus and desulphurisation gypsum generated by desulphurisation facilities are externally sold to building material enterprises for utilisation, thus realizing integrated utilisation of solid waste.

We strive to recycle wastes for reuse as much as possible, so as to reduce wastes to be dumped at the landfill and mitigate impacts on the environment. During the Year, we recycled 2,952,001 tons of non-hazardous wastes and 24 waste network equipment.<sup>1</sup>

<sup>1</sup> The network equipment recycled during the Year includes switches, optical fiber terminals and cabinets.

## Noise control

As for the noise generated during the production process of textile products and electricity and wastewater treatment, the Group continues to strictly abide by the Hygiene Standards for the Noise of Industrial Enterprises (provisional draft), the Emission Standard for Industrial Enterprises Noise at Boundary (GB12348-2008) and other relevant standards, and takes various measures for noise control to ensure the occupational health of the employees and alleviate the impact on the surrounding areas of the plants to the minimum extent:

- isolation is made based on the noise difference in various working units, and the working units with louder noise are equipped with ceiling for sound absorbing and curtains for sound insulation;
- distribute earplugs and other personal protection supplies to staff and require them to wear such equipment at work to mitigate the impact caused by noise; and
- establish an anti-noise room for each working unit with noise level exceeding 80 decibel.

## Energy Conservation and Emission Reduction

### Promotion and education

In order to inspire employees to actively engage in energy conservation and emission reduction, the Group strives to enhance employees' awareness of energy conservation and emission reduction through promotion and education. The Group organises promotion and education on energy conservation, with an aim to enhance their awareness of responsibility, energy conservation and environmental protection, and hence inspire and encourage all employees to create a good atmosphere of promoting energy conservation and emission reduction. The Group provides trainings on energy conservation and emission reduction for the employees which cover manufacturing process of the Company, national policies on energy conservation, the importance of environmental protection as well as requirements of energy conservation and emission reduction and environmental control indicators, etc. These trainings help our employees to gain further understanding of the importance of cleaner production and work on energy conservation and emission reduction, so as to enhance their awareness of environmental protection.



Training on energy conservation and emission reduction

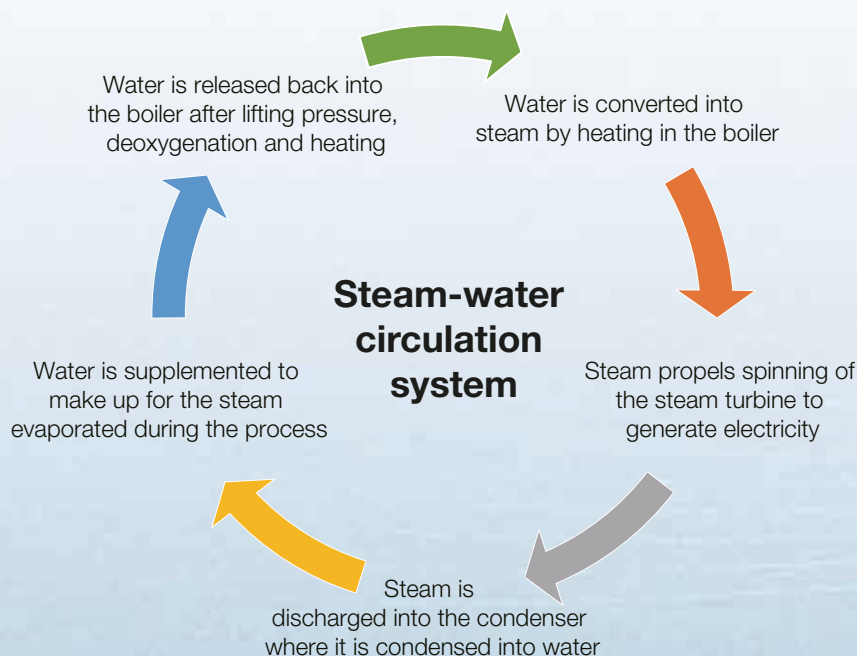


# FULFILMENT OF CORPORATE ENVIRONMENTAL RESPONSIBILITY

## Energy conservation

The Group has its own power plants which supply electricity and steam for its operations. The electricity is mainly used by the power consuming equipment in textile production and the living quarters of the employees, while the steam is mainly used for processes like power generation by driving steam turbines, yarn spinning and sizing as well as heating in winter. In order to improve the utilisation efficiency of electricity, the Group continues to improve and update its existing equipment and technologies by using LED (Light-emitting diode) lamps, energy-saving controllers, frequency inverters, inverter fans and other energy-saving products and accessories.

As to steam consumption, steam used for power generation is recycled for reuse in the power generation process through steam-water circulation system, so as to reduce loss and consumption of steam. In addition, the Group also imposes stringent quota control of steam consumption and implements benchmarking management among its plants, and puts steam generated from residual heat into every possible use, so as to maximise the utilization efficiency of steam.





## Reducing water consumption

In addition to its effort in reducing energy consumption during its business operation, the Group recognises the importance of water resources and always takes measures to ensure efficient use of water to conserve water resources. In order to improve water use efficiency of the power plants, reduce wastage and lower power generation cost, the Group's power plants continued to implement the following measures during the Year, so as to improve the reuse rate through water resource recycling at the premise of satisfying the production demands:

- the concentration ratio of circulating water is improved with chemicals to reduce wastewater discharge from cooling towers;
- wastewater from cooling towers is used as industrial water for the plants, supplementing water during desulphurisation process, afforestation water and toilet flushing water, so as to reduce the discharge of wastewater;
- industrial wastewater treatment system is installed within the plants, and industrial wastewater will be used as afforestation water and toilet flushing water within the plants at first after meeting the relevant standards under The Reuse of Urban Recycling Water – Water Quality Standard for Industrial Uses (GB/T19923-2005) by treatment;
- rainwater and wastewater within the plants are discharged separately. The unusable wastewater is first treated to meet the Wastewater Quality Standards for Discharge to Urban Sewers (GB/T31962-2015) and then discharged to the local municipal wastewater treatment plant via the municipal pipeline network; and
- automatic size mixing control system is established to achieve accurate size mixing, so as to maintain persistent quality of yarn sizing and also reduce water consumption. During the yarn sizing process, water consumption is mainly generated by the size mixing process. Before the technological improvement, size mixing and water injection were carried out by manual, resulting in low accuracy and a certain waste of water. In addition, it was impossible to accurately measure the temperature, timing and concentration due to manual operation, reducing the quality of yarn sizing. Through the introduction of automatic equipment, the whole process from water feeding, soaking, preheating to size boiling is under accurate control to reduce water consumption.

During the Year, several water-saving projects initiated by Weiqiao Textile have gained the recognition of the Ministry of Industry and Information Technology of the PRC ("MIIT") and the Ministry of Water Resources. For example, our project on recycling of wet split water from sizing machines (漿紗機濕分絞用水回收利用項目) has been included into the Catalogue of Industrial Water-saving Techniques, Technologies and Equipment Encouraged by the State (《國家鼓勵的工業節水工藝、技術和裝備目錄》) released by the MIIT and the Ministry of Water Resources.

# FULFILMENT OF CORPORATE ENVIRONMENTAL RESPONSIBILITY

## Efficient use of materials

The Group makes efficient use of all kinds of materials generated from its production process including packaging materials and waste materials through recycling and reuse. The products of the Group to be exported are packaged according to the needs of customers. In order to save packaging materials and reduce wastes, the cotton yarn used within the Group is packaged and transported to the next production unit with recyclable plastic tubes and woven bags.

In order to reduce the waste of materials and accessories, the Group, on one hand, continues to comply with the in-house principle of “old for new” (交舊領新) for distribution of materials to ensure the proper functioning of all accessories required for production; on the other hand, waste materials are sorted out in various categories and transported to the site designated for recycling of waste materials within the industrial parks for sorting and treatment. Scrap copper, aluminium and waste cables are collected and stored properly in the warehouse and disposed through bid and auction, while electronic components and materials are delivered to the electronic equipment maintenance division for disassembling and reuse, and those confirmed to have no value-in-use are scrapped and handed over to qualified units for disposal. These measures help to reduce the amount of garbage directly transported to the landfill and mitigate the negative impacts on the environment caused by disposal of garbage.

## Achievements in energy conservation and emission reduction

Weiqiao Textile has made remarkable achievements in energy conservation and emission reduction in the past. During the Year, the Group kept up its pace and made strenuous efforts to comprehensively promote the green and intelligent textile project, which contributed to a lower level of energy consumption and a more sustainable production process, while lowered work intensity and production cost.



### Advanced drawing frame

- During the production process, drawing frames are used to improve the straightness and parallelism of fibres and reduce foreign substance from the draw. We use the most advanced double-head drawing frames and double-head auto-leveling drawing frames, which are equipped with energy consumption monitoring device and can automatically detect machine failure, effectively reducing energy consumption.



### New generation of intelligent spinning machine

- The new generation of ultra-long intelligent spinning machine have shortened the spooling time from 4 minutes to 2.5 minutes, effectively increasing the spinning efficiency and output, while the energy consumption is also reduced by approximately 10% as compared with that of the existing machines.



### Efficient and energy-saving air compressor

- We effectively reduce the electricity consumption of the air compressors by approximately 10% by controlling the pressure difference of the machines. In addition, such machines adopt the separate air compressor station design for better air-inhaling and heat radiation, so as to improve the exhaust efficiency and reduce energy consumption of air compressors.



## Green Office

Weiqiao Textile proactively promotes the sustainable management concept in its business operation by imposing strict control over the use of resources in its production process and also fostering the green office culture. During the Year, the Group continued to implement the following measures to reduce water and electricity consumption, reduce wastage of office supplies like paper as well as to reduce resource consumption and carbon emission:

- require employees to turn off all kinds of electrical appliances after work;
- reduce stand-by energy consumption of office equipment such as computers, printers and duplicators;
- adopt the automatic air-conditioning management system which is equipped with central control, remote temperature and humidity sensors, etc.;
- strengthen electricity-saving management of lighting system by adopting selective lighting design for large offices;
- use video conference system properly;
- promote recycling of resources such as office paper by sticking to double-sided printing;
- print promotion brochures for enterprise advertisement and product promotion according to head counts;
- upload and share documents and materials through electronic communication means such as the office system independently developed by the IT Centre, internal LAN and communication software, so as to reduce unnecessary printing;
- give priority to more energy-efficient and reusable products when office equipment such as air-conditioners, computers, lights and cartridges needs replacement;
- reduce the use of disposable items such as paper cups;
- reduce the use of business vehicles and carry out regular maintenance of vehicles to reduce oil consumption; and
- in active response to the environmental protection policy implemented by the government, require the employees to commute on foot, by public transportation and private vehicles on alternate no-drive days, with an aim to promote travelling in an environmental-friendly means.

# FULFILMENT OF CORPORATE ENVIRONMENTAL RESPONSIBILITY

## Ecological Protection

The exhaust gas, wastewater and GHG emission generated from our production and operation impose potential risks on the ecological environment. In order to reduce potential risks and build a harmonious ecological environment, the Group continued to strictly comply with the Law of Environmental Protection of the People's Republic of China, the Law of the People's Republic of China on the Prevention and Control of Water Pollution, the Law of the People's Republic of China on the Prevention and Control of Environmental Pollution by Solid Waste, the Law of the People's Republic of China on the Prevention and Control of Atmospheric Pollution and other relevant laws and regulations. The Group diligently carries out environmental monitoring and takes measures for land protection during the development, construction and operation of its projects. The Group conducts regular land monitoring to ensure no leakage in the underground transmission pipeline and storage tanks of industrial wastewater, and the underground pipelines, water tanks and other facilities within the plants are equipped with seepage-proof measures to prevent the contamination of soil and underground water. The Group will continue to improve relevant soil survey works, so as to protect the land and build a pleasant plant environment. In addition, the Group promotes voluntary environmental protection activities and encourages its staff to proactively participate in voluntary tree-planting and other public welfare environmental protection activities, contributing to environmental protection.

### Case of ecological protection

Weiqiao Textile organised tree-planting activities to enhance employees' awareness of environmental protection. During the Year, Weiqiao Textile planted over 8,900 trees such as holly, platanus and weeping willow in the areas where it operates, which not only helped to improve community environment, but also increased the ecological value of the operating areas. In addition, we planted approximately 12,000 poplar trees within the plants, resulting in an annual GHG emission reduction of approximately 276 tons of CO<sub>2</sub>e.



Tree-planting activity in 2019



## Response to Climate Change

The world is currently encountering the challenge of climate change. In order to deal with the extreme weather conditions and natural disasters brought by climate change, the Group has established a series of policies and measures for the wastewater treatment plants in dealing with various extreme weather conditions and natural disasters in accordance with the Emergency Response Law of the People's Republic of China, the Flood Control Law of the People's Republic of China, the Law of the People's Republic of China on Protecting Against and Mitigating Earthquake Disasters and other national laws and regulations. Upholding the "Safety First" principle, the Group strictly implements the relevant management measures and requires the management personnel to set a good example for the employees, with an aim to safeguard the safety of the employees and reduce property loss. For example, we carry out strengthening works for the hanging and high-altitude facilities such as large-scale outdoor label signs and scaffolds before typhoons hit to prevent injuries caused by objects falling from height. As a part of our flood-proof efforts, we conduct seasonal inspections and carry out prompt repair and maintenance works upon identification of any hidden hazards. In addition, we equip the plants with backup pumps to ensure sufficient wastewater discharge capacity. Meanwhile, we monitor the wastewater data to ensure compliance with the required wastewater discharge standards even under emergency circumstance. The Group organises emergency drills to ensure that the management personnel have the capability to address emergencies, with an aim to control, mitigate and eliminate the damage and impact brought by the emergent incidents.



# ESTABLISHING HARMONIOUS LABOUR RELATIONS

From the moment they joined Weiqiao Textile, each employee becomes a source of energy and vitality for Weiqiao Textile. Employees serve as an important pillar for Weiqiao Textile and are fundamental for its growth and development. Weiqiao Textile not only strives to create a safe working environment and promising career development path for the employees, but also truly cares about employees' well-being by providing them with competitive remuneration and benefits. By instilling employees with a sense of responsibility of "treating plant as home", Weiqiao Textile motivates the employees' enthusiasm and creativity and enhances the inner-company cohesion and centripetal force, so as to promote mutual development between the employees and the Company and build a team of excellent and competent talents.

## Employment Policy

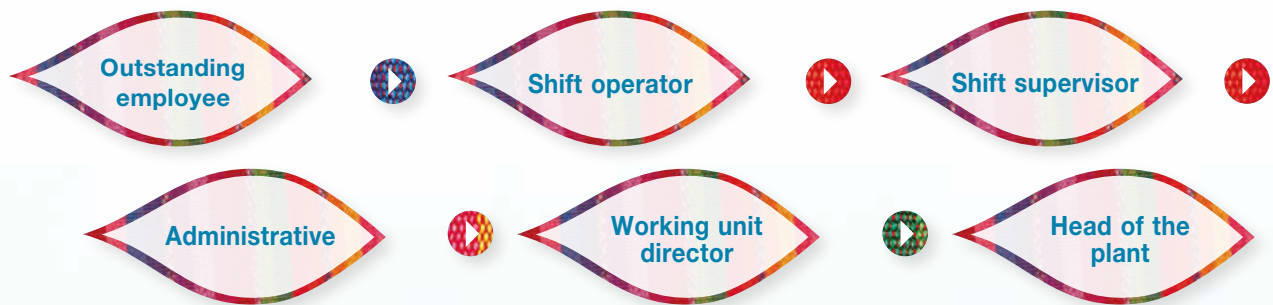
The Group attaches great importance to the protection of the legitimate rights and interests of all employees in strict compliance with the relevant national and local laws and regulations such as the Labour Law of the People's Republic of China, the Labour Contract Law of the People's Republic of China and the Labour Contract Regulations of Shandong Province. The Group prohibits all forms of discrimination against gender, age, race, religion, marriage status, disability and other aspects in respect of recruitment, remuneration, promotion and training, so as to ensure all employees' access to equal, fair and open working opportunities.

The Group makes great efforts to build a talent team featured with diversity, and strives to attract talents from or at different culture, background and levels, providing a platform for employees to fully demonstrate their talents. The Group recruits employees through various channels including reference by existing employees, job fairs, campus recruitment as well as advertisements on TV and newspaper. For employee recruitment, the Group selects talents based on their education background, work experiences and performance during the interview and written test as well as position requirements, and verifies the identification information of each applicant in accordance with the relevant regulations such as the Provisions on the Prohibition of Using Child Labour, so as to ensure they are lawfully employable.

In order to attract and retain talents, the Group provides employees with competitive remuneration package, which is determined based on their performance, experiences and prevailing industry practice. The management of the Group review the remuneration policy and details on a regular basis, and grant extra performance-linked bonus as an incentive and reward to the employees for their contribution to the growth and development of the Group.

The Group conducts appraisal on the management cadres and personnel of the functional departments twice a year, assessing the recognition of employees by their supervisors, peers and subordinates in respect of virtue, competence, diligence, performance, integrity and working attitude. Performance appraisal is carried out on employees and junior cadres by the production units on a monthly basis, to assess their monthly output, quality and other indicators in accordance with the performance appraisal system set by the Company. The Group has also established a reasonable dismissal system and formulated legal conditions of dismissal in accordance with the relevant laws and regulations.

By implementing cadre election system within the Group, the Group elects quality talents from the employees to build our cadre team, providing talent reserves for the stable development of the enterprise. Each candidate, no matter recommended by their respective units, other employees or by themselves, shall go through written tests, democratic appraisal, interview and assessment. Each candidate shall be recommended level by level in the following order, and the whole process shall be subject to supervision by the employees, so as to ensure fairness and transparency.



In respect of working hours and holidays, the staff in regular daily shift of the Group work six days per week, while the employees of the production units work for eight hours per day in three shifts which shall be adjusted according to the actual production conditions. All employees enjoy holidays stipulated by law, including annual leave, marital leave, maternity leave, sick leave and statutory holidays. The Group prohibits any form of forced labour, and employees working overtime during statutory holidays shall be compensated at three times of their daily wage. For employees leaving the Group, the labour department will handle the resignation procedures and pay the remuneration after the employees complete the handover process.

## Talent Cultivation

Cultivation of quality talents is key to the success of enterprises. Therefore, the Group attaches great importance to talent cultivation and career development, and puts effort into the construction of a multi-layered talent cultivation system that offers training programmes to the management and employees through in-house trainings, external study and lectures delivered by experts. In order to provide more customised and effective trainings to ensure training quality, the labour department strives to get an understanding of the training needs of employees every year through questionnaires, discussions and other approaches, and prepares the annual training programmes based on the principle of “providing trainings by demand and pursuing for practical results”. In addition, each department may arrange its employees to attend external study, training programmes and examinations of qualification certificates according to the actual needs, and the fee required can be reimbursed by the Group.

By conducting a survey after training to collect feedback and opinions of those who participated in the training, we analyse the effectiveness and problem of the training and also communicate with the trainers, so as to improve and perfect the trainings. Furthermore, leveraging on the media resources owned by the parent company, Weiqiao Chuangye, the Group also continues to carry out trainings and education programmes for the employees via “Weiqiao Chuangye TV Station”, “Weiqiao Chuangye Newspaper” and WeChat official account platform, which enables employees to study at ease and strengthens the training effectiveness. During the Year, by adopting an approach of “focusing on in-house training and supplemented with external training” and focusing on the regulations and rules and culture of the Company, enhancement of management standards and skills and other themes, the Group carried out routine trainings for the management personnel and orientation trainings for new employees. The major types of training and training approaches provided during the Year are as follows:



## ESTABLISHING HARMONIOUS LABOUR RELATIONS

Type of training	Training approaches
Management training	<p>Internal training: establishing the in-house trainers system and a team of part-time trainers, and regularly organising routine business training sessions; and</p> <p>External training: participating in high-end entrepreneurship forums, summits and annual meetings, visiting successful enterprises and leading producers, participating in various operation and management training programmes, and engaging full-time lecturers to give lessons.</p>
Operation skills training	<p>New employee training: adopting training approaches including PPT, video, apprenticeship, etc.; and</p> <p>On-the-job training: adopting training approaches including the “monthly assessment of single operation and quarterly assessment of all operations” (月測單項、季測全項), on-site demonstration and communications, etc.</p>
Equipment technology training	<p>Internal training: adopting training approaches including the “one topic per day” (一日一題培訓) programme, on-site demonstration and technical communications, visual display management for list of key technical issues, post-rotation training, optimised retraining, etc.; and</p> <p>External training: cooperating with equipment manufacturers closely, engaging specialists from manufacturers to carry out regular training sessions and onsite instructions, and attending various forums, communication meetings and training activities hosted by institutions and organisations such as China National Textile and Apparel Council.</p>
Safety training	<p>Training for all employees: adopting training approaches including safety knowledge lectures, panel discussions, seminars, exchange of advanced experience, on-the-job training and specialised knowledge training of the firefighting team, on-the-spot accident seminars, etc.</p>

In addition to the above trainings, the Group also employs various approaches such as monthly assessment of single operation, quarterly assessment of all operations, spring and autumn skill contests, apprenticeship activity, on-the-job training, skill competition and academic education, and conducts regular appraisals to select model workers, teams and March 8 Red Flag Bearer, with a view to enhance employees’ occupational skills and help them achieve career development goals. During the Year, the Group organised a total of 47 in-house trainings and 10 external trainings to improve the employees’ skills. The Group selected technical expert employees every two months and selected a total of 1,432 technical experts during the Year, and organised 91 skill demonstration tours. As to skill competitions, the Group held diverse skill competitions during the quality month to create a positive learning environment, with an aim to motivate the employees’ enthusiasm and improve their skills. The Group encourages its employees to actively participate in national textile technology seminars, taking the opportunity to learn from others’ strengths and improve various techniques and technologies. Technicians have attended online yarn courses in their leisure time, and two of them were accredited as “Outstanding Student” in recognition for their excellent performance in the relevant exams and the Group was also granted the title of “Learning-oriented Enterprise”.

## Skill Contests

The Group holds an equipment operation skill contest in spring and autumn respectively every year, which facilitates learning and communication among employees and inspires employees to make improvements. These spring and autumn skill contests not only improve their technical operation skills and establish highly skilled workers as role models, but also realise the goal of craftsmanship heritage by promoting the apprenticeship model, so as to push ahead the build-up of the talent pool. The equipment operation skill contests held in the spring and autumn of this Year comprised a total of 46 processes, and a total of 1,725 employees entered the finals. During the competitions, a number of technical experts demonstrated outstanding skills and several new records have been made by 67 employees, which also highlighted the “spirit of craftsmanship in a great nation” (大國工匠精神) of our technical workers in the new era.



Equipment operation skill contest held in 2019

## Skill Competitions

In addition to in-house skill contests, Weiqiao Textile also proactively participates in external skill competitions to test employees' skills. During the Year, Weiqiao Textile selected 843 elite employees to participate in 2019 Zouping Textile Industry Skill Competition. With indomitable sportsmanship and progressive corporate culture, all contestants demonstrated outstanding operation skills during the competition. After a heated match, our contestants demonstrated remarkable professional skills, with 177 contestants winning the first, second and third prizes during the Year, recording a new high in the number of prizes won by Weiqiao Textile.



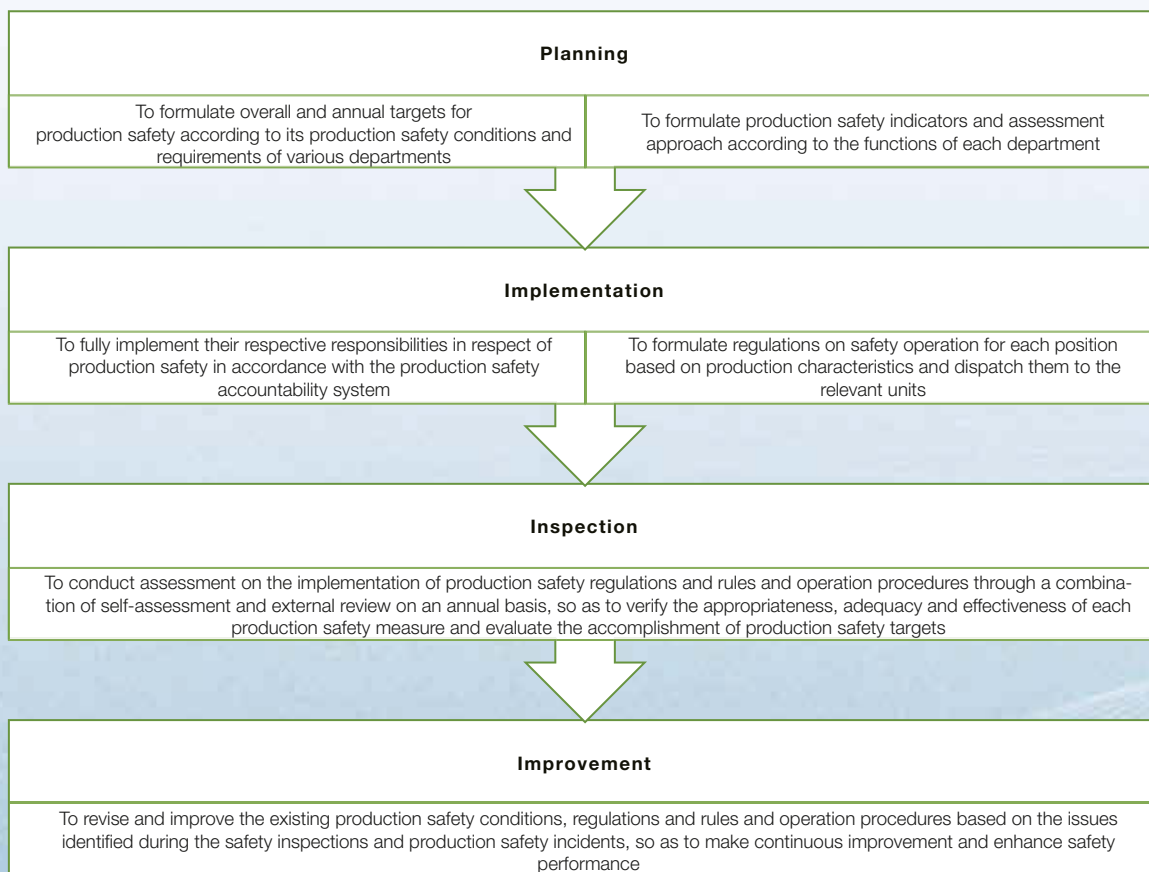
2019 Zouping Textile Industry Skill Competition

# ESTABLISHING HARMONIOUS LABOUR RELATIONS

## Occupational Health and Safety

### Production safety system

Weiqiao Textile always considers employee safety and health as the foundation and security of its business operation. The Group strictly complies with the laws and regulations relating to production safety, including the Law of the People's Republic of China on Work Safety, the Law of People's Republic of China on Prevention and Control of Occupational Diseases, etc. The Group also has developed sound safety standardised management system, and enhanced regulated and standardised management of production safety by adopting the dynamic cycle of “planning, implementation, inspection and improvement”, so as to improve production safety management and promote safe development of the Company. The Production Safety Committee of the Group holds safety meetings on a regular basis to inspect the progress and effectiveness of production safety work. In addition, with well-established regulations and rules on production safety, the Group is able to effectively regulate the production operations of its employees.



## Occupational health management

In order to protect the occupational health and safety of employees, the Group continues to comply with the relevant laws and regulations such as the Law of the People's Republic of China on Prevention and Control of Occupational Diseases and the Provisions on the Supervision and Administration of Occupational Health at Work Sites, and implements the in-house management systems such as the Occupational Health and Safety Management System, the Plan and Implementation Scheme on Prevention and Control of Occupational Hazards, the Emergency Rescue and Management System for Occupational Disease Hazards and the Handling and Reporting System for Occupational Hazard Accidents, including:

- establishment of the goal on occupational hazard prevention and control for the respective year, and implementation of accountability system in prevention and control of occupational diseases;
- enhancement of trainings on identification and detection of occupational hazards, notification of occupational hazards, occupational health protection and occupational health;
- formulation of emergency response plans and organisation of emergency drills;
- provision of physical and skill training appraisals for employees to ensure that all employees meet the requirements for occupational health;
- creation of a good working environment and condition that meet the requirements for occupational health and provision of devices and tools relating to occupational health protection for employees; and
- arrangement of work-related injury insurance for employees according to the laws and establishment of occupational health monitoring archives and occupational health records.



Dust explosion accident drill

Furthermore, the Group also offers special attention and care to female employees. In accordance with the Labour Law of the People's Republic of China, the Law of the People's Republic of China on the Protection of Rights and Interests of Women, the Special Rules on the Labour Protection of Female Employees and other relevant laws and regulations, the Group continues to provide "five periods" (五期) protection for female employees.

In order to enhance hazardous chemicals management and mitigate the risks of occupational disease arising from it, the Group puts warning labels and descriptions at the prominent places on the packaging of the hazardous chemicals that may give rise to occupational diseases, which details the hazardous elements, potential hazardous consequences, safety caution matters, occupational disease prevention, emergency response measures, etc.

## ESTABLISHING HARMONIOUS LABOUR RELATIONS

While efforts have been made to improve system establishment and management, the Group also continues to strengthen equipment support. By enhancing production equipment maintenance and introducing various occupational health physical examination equipment, the Group continuously improves the occupational health system. Furthermore, the Group conducts detection and elimination of potential hazards from time to time and takes effective measures to address such issues promptly, and also inspects the condition afterwards and evaluates the effectiveness of such measures. During the Year, the Group received no report regarding the occurrence of occupational diseases, and the occupational health examination rate of employees having access to occupational hazard premises, the monitoring standard rate for occupational hazard factors and the rate of occupational disease prevention and control all reached 100%.

### Safety education and training

To maintain smooth production and operation, the Group continues to align itself with the principle of “comprehensive management with priority of safety and emphasis on prevention” (安全第一·預防為主·綜合治理), determines the needs for safety education and training on a regular basis, develops and implements training plans for employees at various posts, and carries out assessment on training results for improvement. For example, the Group organises training on qualification certificates for officer-in-charge and safety management personnel every year; provides regular trainings and education sessions for the management on safety knowledge, operation procedures, laws and regulations regarding safety, emergency management, escape and self-rescue, etc.; and offers three-level safety training programme for new employees. Employees engaged in special operations shall receive trainings and obtain qualification certificates. All employees are qualified for their positions after completion of safety education and passing the relevant training assessment.



Training for cadres and safety management personnel of Weiqiao Textile



## Caring for Employees

### Improvement of employee benefits

The Group not only creates ample job opportunities, but also provides the employees with various kinds of benefits. The Group has made continuous efforts to establish and improve the housing, education, healthcare and pension system, so as to ensure housing for employees, education for their children, medical services for illness and pension insurance for the retired, which helps the employees realise their desires to settle down for a happy life and a promising career in the cities. These benefits include:

- establishment of salary growth mechanism, pursuant to which the Group has granted salary raises for several times in the last few years and increased remuneration for probation (training) stage;
- payment of social insurance for employees in accordance with laws;
- provision of free dormitory with heating supply, air-conditioner, Wi-Fi and other facilities;
- construction of dormitory buildings at each industrial park, providing housing for married employee couples at cost price, together with free heating supply, and electricity and water supply charged at cost price;
- construction of a number of normalised high-standard kindergartens at each industrial park, and investment for the construction of primary and secondary schools at local communities, providing convenient education services for the children of employees with a low tuition fee;
- establishment of non-profit outpatient hospitals at each industrial park to provide basic medical services for the employees and their families;
- provision of venue and facilities for recreational activities such as construction of culture event plaza and cinemas and provision of physical exercise equipment;
- awards for employees' children with good grades at the national college-entrance exams;
- organisation of reunion meetings with the retired employees under the leadership of the chairman on special festivals and holidays such as the Chung Yeung Festival, the Spring Festival and the Mid-autumn Festival, to give an overview of enterprise development and a tour to the frontline working units and offer compassionate allowances and gifts to the elder employees; and
- establishment of honours such as "Outstanding Party Affairs Workers", "Pioneer Party Members", "Top 10 Outstanding Young Persons", etc., so as to motivate employees for improvement.

## ESTABLISHING HARMONIOUS LABOUR RELATIONS

### Organisation of recreational and sport activities

Weiqiao Textile believes that enhancement of corporate culture construction can elevate its strength and competitiveness as well as staff's centripetal force, so as to eventually realise the goal of sustainable development. The Group proactively organises various activities for the employees, offering them a platform to demonstrate their talents and enrich their after-work life. Moreover, the Group continues to make good use of various media platforms such as "Weiqiao Chuangye Newspaper", "Weiqiao Chuangye TV Station" and "Weiqiao Chuangye" WeChat official account platform to publicise corporate updates, industry information, employees' work and daily life, so as to strengthen publicity and education for employees and offer a comprehensive representation of the new development achievements of the Group from many perspectives.



Employee sports gala



New Year art performance



Talent competition for employees' children



Hiking alongside Daixi River – "Civilised Citizen" activity



# IMPROVEMENT OF PRODUCTION AND OPERATION

Leveraging on outstanding product quality and excellent services, Weiqiao Textile wins recognition from the customers, which promotes the sustainable development of the business of the Group. During the development process of the corporation, Weiqiao Textile always upholds the management attitude of pursuing excellence, and makes continuous efforts to improve every aspect of the production and sale process by implementing strict control over the source and the process, with an aim to provide good quality products for customers and create value for society.

## Supply Chain Management

### Procurement of raw cotton

Cotton is the principal raw material for producing cotton textile, and hence Weiqiao Textile implements the procurement of raw cotton with strict standards. The Group selects raw cotton suppliers based on requirements such as market reputation, contract performance, supply capability, delivery time and product quality. The Group follows the principle of “comparing quality of the same products, comparing price of the same quality and comparing services of the same price” (相同產品比質量、相同質量比價格、相同價格比服務) during procurement process. Adhering to the principle of fairness and impartiality, the Group inspects the impurity, colour and other aspects of raw cotton, and accurately records the inspection process, so as to ensure the quality of purchased raw cotton. In order to maintain a reasonable raw cotton reserve, the Group implements control over raw cotton inventory by carrying out stock-taking every day and formulating monthly and annual procurement plans according to actual production needs.

The Group has established the supplier management and appraisal system, through which the Group carries out appraisal on suppliers on a quarterly basis, and can decide whether to reduce supply quantity or terminate cooperation based on the appraisal results. Besides, the Group attaches great importance to the performance of the suppliers in fulfilling their environmental and social responsibilities. As such, the management also conducts site visits of the suppliers on a regular basis. In addition to quality inspection on products, the management also assesses the performance of the suppliers with respect to environmental protection and social responsibility. The Group imposes rigorous requirements on its suppliers, including the Group’s emphasis on strict compliance with business conduct and also its efforts in assisting suppliers to continuously improve their performance in product quality, environmental protection and social responsibility, with an aim to promote mutual support between the suppliers and the Group and achieve a win-win partnership.

In the Year, the Group continued to purchase a certain quantity of green cotton such as “organic cotton” and “better cotton”<sup>2</sup>, which indirectly reduced the carbon emission, overuse of pesticides and other environmental impact caused by cotton planting, and facilitated the protection of cotton farmers’ rights and interests.

<sup>2</sup> The quality of better cotton is the same as that of common cotton. The better cotton project focuses on improving the production mode of cotton farmers, including the rational use of chemical fertilizers and pesticides, protection of workers’ rights and interests, protection of workers’ health and safety, and protection of biodiversity of the production environment.



## IMPROVEMENT OF PRODUCTION AND OPERATION

### Procurement of raw coal

The power plants established by the Group provide electricity and steam for operations. In order to lower the risks of raw coal procurement, the Group continues to implement the following management measures to ensure that the raw coal quality meets the requirements of the power plants:

- verifying the supplier's qualification before entering into the procurement contract, which specifies the quality requirements for raw coal, testing procedures, default liability and conditions for refusal of acceptance;
- implementing the Administrative Rules of Coal Inspection Department and the Work Instructions for Coal Inspection Department Regarding Incoming Coal, to specify the procedures such as sampling, sample preparation, testing, data input and output, coal yard inspection and unloading, so as to strengthen the management of incoming coal and improve its quality stability;
- implementing the Methods for Reward and Punishment of Coal Inspectors' Performance in the Inspection and Acceptance, which specifies the rewards for identifying qualified coal and penalty for malpractice, thus preventing suppliers from taking chances to secure personal gains; and
- carrying out equipment maintenance in accordance with the Requirements for Maintenance of Testing Equipment to ensure the stability and accuracy of testing equipment.

### Procurement of supplies

The supplies, accessories and daily operation articles required for production process of the Group are purchased by way of centralised procurement through bidding procedures. The Group continues to strictly comply with the Law of the People's Republic of China on Bid Invitation and Bidding and other relevant laws and regulations, and selects suitable suppliers by conducting comprehensive review on the bidders in terms of technology strength, quality and environmental protection certifications, product quality, quotation, supply capacity, credibility and post-sales service in an open, fair and impartial manner and in good faith. During the procurement process, the Group also pays special attention to the performance of products in energy conservation and environmental protection. For example, in the procurement of LED tubes, non-toxic, non-harmful and recyclable products are preferentially selected.

The Group continues to implement the Material Supply Management System and other internal requirements, pursuant to which the Group sticks to the principle of "procurement of supplies in multiple small batches and only when required" (小批量·多批次·即用即買·不用不買), and strengthens communication between the procurement, warehousing departments and the production units to avoid stockout and overstock. All supplies shall be subject to inspection by quality inspectors, custodians or professional technicians for acceptance before being transferred to the warehouses. Starch and dye chemical products shall be, upon delivery, subject to testing before being unloaded at the designated location. Unqualified products shall be returned to or replaced by the suppliers, and claims for such products shall be made.

## Quality Assurance

### Establishment of scientific management system

Weiqiao Textile believes quality products and services are the key to business success. The Group has obtained the certification of the latest ISO9001:2015 Quality Management System and ISO14001:2015 Environment Management System. According to the requirements of quality management system and other internal policies, the Group continues to enhance operation in every aspect including raw cotton management, operation management, quality inspection management, warehouse management, product research and development (R&D) and laboratory management, treatment and recall process for unqualified products. Meanwhile, the Group steps up efforts in equipment maintenance and management and continues to improve the equipment management systems, including organising technical training, implementing minor technical reform and innovation, tackling key problems of QC, etc. Through the introduction of advanced management mode and application of effective management tools, the Group continues to improve its production and operation.

#### Introduction of advanced management mode

The Group strives to standardise the quality of products by introducing management mode of outstanding performance and coordination. According to the requirements of customer orders and with reference to the national standards, the Group gradually strengthens its internal control standards, with an aim to produce products that meet the requirements of the customers and the relevant laws and regulations as planned and in an effort to realise the goal of zero defect.

#### Application of effective management tools

Following the “80/20” rule and applying management approaches such as the “5W1H”, the Group continues to improve the quality of its products. For quality issues arising from the production process, we embrace the self-inspection method of “Five Whys” to find out the cause. We strive to identify the key QC issue that gives rise to unqualified products by applying the “80/20” analytic rule, in which we put 20% of management efforts to deal with 80% of the quality issues arising from the production process.

## IMPROVEMENT OF PRODUCTION AND OPERATION

During the Year, we were granted several awards in the category of product quality, including 10 first-class awards, 10 second-class awards and 2 third-class awards. The Group entered into an agreement with the Standardization Administration to participate in the formulation and revision of 5 national industry standards, and also maintained contact with the National Occupational Skill Testing Authority to formulate and revise 5 national spinner and weaver skill standards. In addition, Weiqiao Textile has been included into the list of “China’s 500 Most Valuable Brands” for many consecutive years, ranking the 61st with a brand value of RMB75.6 billion in the Year.

### Equipment upgrade

During the Year, the Group launched the green and intelligent textile project with a focus on “green” and “intelligent” design, in an effort to promote business transformation and upgrading and achieve high-quality development, as well as to raise the overall technological strength to the international level and provide more premium products to the domestic and international markets. The project will be carried out in two phases comprising the green and intelligent textile production line project (phase I) which has been put into operation in December this year and the proposed construction of the intelligent printing and sewing production line project (phase II), with a total investment of RMB1.32billion for the two phases. After completion of the construction of the project, we will possess an intelligent high-end production line comprising spinning, weaving, printing and hanging production lines. The intelligent production control system is the core technological value of the project, and in particular the spinning workshop and weaving workshop are equipped with the world-leading production equipment and system structure with first-class fundamental network.

#### Spinning workshop

- Establish a more effective yarn logistics system, and develop a unique packaging system and conveyor system for the blowing process;
- Install real-time monitoring system on key equipment to achieve real-time monitoring, appearance quality monitoring and rating labelling; and
- Establish an intelligent yarn production control and information integration system that is controlled based on analysis on data flow with a database comprising technique, quality and machine failure, so as to realise real-time audit of process costs and raise the overall technological strength to the international level.

#### Weaving workshop

- Adopt the imported world-leading weaving equipment including the latest high-speed air-jet looms and electronic jacquard machine with lower energy consumption, so as to improve productivity; and
- Adopt the automatic drawing-in machine from Switzerland to control the warp sheet of the thread layer in a more accurate manner, so as to replace manual operation with machines.



### Automatic conveyer system of sliver lap machine and combing machine

- The sliver lap machine and combing machine generate online monitoring data for convenient identification of cause for machine failure, enabling us to address the issue upon detecting such failure, so as to improve production efficiency. In addition, the distinctive automation feature of the system and the fully-automatic cotton roll conveyor system help to reduce labour intensity.



### New electronic jacquard machine

- The new electronic jacquard machine adopts the concentric shaft system and low-friction design that are more accurate and reliable, so as to reduce energy consumption. In addition, it supports remote visual sample inspection, avoiding repeated revision of pattern design and saving the time for sampling and sample delivery, so as to save relevant human resources.



### Intelligent air-conditioning control system

- We have relocated the exhaust outlet of air-conditioners to the roof of the buildings to prevent any disruption caused by the blending of exhaust air and fresh air, so as to ensure stable temperature and humidity adjustment. In addition, we adopt the energy-saving exhaust fans, durable water eliminator materials, energy-saving sprinklers and intelligent frequency conversion system, so as to improve the stability of the production environment and machine operation.

In addition to the green and intelligent textile project, the Group makes active efforts to upgrade the existing equipment while introducing, installing and applying new equipment, such as:

- purchasing a number of new production machines such as air-jet looms, intelligent printing and sewing production lines, etc.;
- upgrading the gear mechanism of the carding machine by converting the gear transmission system of the original Doffer gear mechanism to synchronous belts, which effectively addressed the failure rate problem of the existing equipment and improved the quality of semi-finished products;
- upgrading to the automatic cone replacement device which improved the replacement efficiency and reduced labour intensity;
- carrying out technological improvement on the intake valve of the sizing machine to replace the manual switch with pneumatic switch for easy operation and better sizing quality;
- purchasing a number of electric scooters as inspection vehicles for turners, which effectively improved inspection speed and efficiency and relieved employees' burden; and
- upgrading more production lines to produce compact spinning, so as to cater to market demands and create new growth drivers for market exploration and future development.



## IMPROVEMENT OF PRODUCTION AND OPERATION

Intelligent, continuous and automatic production represents the current development trend of the textile industry. The Group has maintained a leading position in the industry by actively introducing and promoting the application of advanced domestic and overseas textile equipment and technologies, so as to significantly reduce labour costs, improve product quality, increase productivity per employee and satisfy the demands for transformation and upgrading of the Company.

### Innovation and R&D

Weiqiao Textile attaches great importance to innovation and R&D of products. Our constant efforts in innovation and R&D is essential to the success of Weiqiao Textile, and also contribute to the Group's absolute leading position in the industry. During the past two years, the Group has successfully carried out over 30 product R&D projects, optimising the product structure and accelerating the transformation and upgrading of the Company. In addition, the Group values and encourages employees to organise activities under the themes of "minor invention, minor creation, minor innovation, minor design and minor proposal" (小發明、小創造、小革新、小設計、小建議), contributing their suggestions and advice for saving costs, reducing consumption and increasing economic benefits.

During the Year, the Group continued to implement the Assessment Policies and Incentive Measures for Minor Reforms and Innovations, with an aim to encourage staff participation and involvement by motivating employees with effective plans. The Group grants cash bonus to employees for projects with outstanding economic benefits, high technology content and practical value. Such innovation achievements are treated as important elements for the election of technical experts, and are also promoted for learning among the employees and for application within the Group to gain economies of scale effect. Meanwhile, the winning innovative projects will be filed to competent authorities for higher level of titles and awards or application for national patents. The successful implementation of the minor reforms and innovations system has significantly improved equipment performance and also helped to facilitate quality improvement, energy conservation and consumption reduction. It also enhances the automation and intelligence level of our equipment and relieves employees' labour intensity, so as to address the issue of labour shortage and also effectively improve the competitiveness of our products.

During the Year, a total of 832 minor technical reforms and innovations were selected by the Group throughout the Year, with 470 from the spinning department and 362 from the weaving department. Among them, 52 innovations were rewarded for their good promotion effect, and a number of technological improvement achievements in areas such as the automatic swing arms of the sizing machines and the tail yarn process system for roving procedure have been promoted to our equipment manufacturers, which help to facilitate the equipment upgrading, automatic control enhancement and quality improvement of the textile industry. During the Year, 7 papers published by the Group were award winners.

### Case of Minor Reforms and Innovations: Installation of Automatic Code Printer for Paper Cone

During the production, the staff used to stamp a code inside the paper cone manually to trace product quality easily, which required them to prepare in advance the necessary paper cones before work. Due to the huge quantity of paper cones and intense workload, manual code stamping tended to result in unclear or wrong code stamping. In order to address this problem, Weiqiao Textile set up a task team to carry out relevant research and development. They have invented the code printing apparatus and paper cone code printer, which resolve the problems of early preparation by the staff and unclear code stamping, so as to achieve the goal of manpower downsizing and efficiency enhancement and also significantly improve the success rate and clarity of code printing.



Automatic paper cone code printer through technological improvement

## IMPROVEMENT OF PRODUCTION AND OPERATION

### Case of Minor Reforms and Innovations: Installation of Automatic Swing Arms of Sizing Machines

Before the technological improvement, the staff had to get beneath the machine to manually operate the screw handwheel to adjust the spacing between the swing arms to fix the fabric width, which not only put the staff under sweaty operation but also exposed them to safety hazards due to the irregular movement of the screw likely to be triggered by such operation and the wide spacing involved in the adjustment. In order to address this problem, we dismantled the original screw handwheel device and replaced it with an automatic telescopic device which has shortened the operation time from 5 minutes to around 2 seconds, reducing the labour intensity and eliminating the safety hazards to protect employees.



Automatic swing arms of sizing machines through technological improvement

## Major Achievements

The Group continues to create additional product categories that cater to market and customer demands, upholds its innovation-driven strategy and its plan of developing mid to high-end products, and strives to push forward the transition from “made by Weiqiao” (魏橋製造) to “created by Weiqiao” (魏橋創造) by integrating internal research and development with external cooperation. During the Year, in addition to its continuous efforts to strengthen in-house R&D activities, the Group also conducted cooperative project research and development and organised technology seminars with Shanghai Donghua University, Jingwei Textile Machinery Company Limited (經緯紡織機械股份有限公司) and Qingdao Hicorp Group Co., Ltd. (青島環球集團股份有限公司) in respect of the scientific and technological verification of the project “Key Technology of Intelligent Yarn Production Plant and its Industrial application (智能紡紗工廠關鍵技術與產業化)”, so as to keep abreast with the latest technology and market development trend. During the Year, the Group continued to enhance collaborative innovation with the National Textile Products Development Centre to conduct exchanges as well as research and development of new products in respect of the project “Development Technologies Innovation Alliance of Textile Products (紡織產品開發技術創新聯盟)”, with an aim to promote product R&D and innovation as well as marketing.

Performance indicator related to product R&D	Year 2019	Unit
Proportion of first-grade products	99	%
Number of patents applied	17	Item
Number of authorised patents	24	Item
R&D investment	112,909	RMB1 thousand
Percentage of R&D investment to revenue	0.74	%
Number of R&D personnel	745	Person
Number of industry standards made under participation	4	Item

During the Year, the Group achieved remarkable results in the development of new textile products, making category innovations leading the market trend, customer demand-oriented product innovations and breakthroughs in technology research. During the Year, 611 new cotton yarn products were developed, which were mainly differentiated fibre-blended yarn products and differentiated spun yarn products. The production rate of pure fibre and cellulose fibre reached over 90%. 1,406 new cotton fabric products were developed, with a customer reorder ratio of 28%. In addition to the design of special fabric products for the newly-developed yarn products, we focused on the development and promotion of yarn products and fabric products, including the graphene series, cupro fiber (銅氨纖維) series, sustans blended with anti-bacterial cotton (抗菌棉舒彈絲) series, beehive jacquard (蜂巢提花) series, one-step molded & down-filling quilt cover series, etc.



## IMPROVEMENT OF PRODUCTION AND OPERATION

The Group was granted a number of awards and honours in respect of textile production and product quality, including:

Award	Issuing unit
Quality Management Team of Reducing Comb Waste Percentage of Domestic High-speed Combing Machine 《降低國產高速精梳機落棉率》 was awarded the first-class award by the Quality Management Team of Binzhou City	Binzhou Association for Quality (濱州市質量協會)
Quality Management Team of Jacquard Air-jet Weaving Machine 《噴織提花》 was awarded the second-class award by the Quality Management Team of Binzhou City Technological Upgrade and Improvement of Denim Dyeing and Shrinkage Equipment 《牛仔布染色、縮水設備技術升級改造》 was awarded the first-class award for quality improvement achievements in Binzhou City	
Fabric Design and R&D of One-time Weaved Household Textile Products 《一次織造成型家紡製品面料設計研發》 was awarded the first-class award for quality improvement achievements in Binzhou City	
Invention of Automatic Tube Filling Device for F1520 Spinning Frame 《F1520型細紗機自動上管裝置的研製》 was awarded the first-class award for quality improvement achievements in Binzhou City	
Reducing Comb Waste Percentage of Domestic High-speed Combing Machine 《降低國產高速精梳機落棉率》 was awarded the second-class award for quality improvement achievements in Binzhou City	
Sizing Beam for over 100S High-count and High-density Wide Width Fabric 《100支以上寬幅高支高密品種的漿軸攻關》 was awarded the second-class award for quality improvement achievements in Binzhou City	
Improving Spray Weaving Productivity of Double-layer Fabric 《提高噴織雙層布品種效率》 was awarded the second-class award for quality improvement achievements in Binzhou City	
Technological Improvement on Tube-based Yarn Slicing 《抵管接頭法改進》 was awarded the third-class award for quality improvement achievements in Binzhou City	
Technological Improvement on the Photoelectric Counting System of Automatic Winder of Post-spinning Workshop 《後紡自絡理管機計數光電改進》 was awarded the third-class award for quality improvement achievements in Binzhou City	
Yang Shugang Beehive Team (楊淑港蜂巢單元班組) was awarded the first-class award by the Reliable Quality Team of Binzhou City	
Sun Qiang Equipment Technological Improvement Team (孫強設備技改小組) was awarded the first-class award by the Reliable Quality Team of Binzhou City	
Lu Fang Digital Management Team (路芳數字化管理小組) was awarded the first-class award by the Reliable Quality Team of Binzhou City	
Bu Xiaoxia Quality Team (卜曉霞質量小組) was awarded the first-class award by the Reliable Quality Team of Binzhou City	
Wang Shengyong QC Task Team (王聖永質量攻關小組) was awarded the second-class award by the Quality Group of Binzhou City	
Quality Group of Zouwei No.3 Industrial Park was awarded the second-class award by the Quality Group of Binzhou City	
Zhang Chuanying Quality Team (張傳瑩質量小組) was awarded the third-class award by the Quality Group of Binzhou City	
Green and Intelligent Textile Project of Weiqiao Textile was accredited as the "Classic Case for Digital Transformation of Shandong Textile and Apparel Industry 2019" (山東省紡織服裝行業2019年度數字化轉型典型案例)	Shandong Textile and Apparel Industry Association (山東省紡織服裝行業協會)

Award	Issuing unit
Fabric under the “Weiqiao” brand was accredited as one of “Shandong Famous Brands” (山東知名品牌) for 2019	Shandong Council for Brand Development (山東省品牌建設促進會)
Second-class prize of the 3rd Shandong Technology Innovation Competition	Shandong Association for Science and Technology (山東省科學技術協會)
Quality Benchmarking Enterprises in Shandong Province (山東省質量標桿) of 2019	Department of Industry and Information Technology of Shandong Province (山東省工業和信息化廳)
National Trustworthy Group for Quality	China Association for Quality (中國質量協會)
Participating in the formulation of three industry standards including the Grey Compact and Combed Yarns (《緊密紡精梳棉本色紗線》)	National Standardization Technical Committee for Textile Products – Sub-committee for Cotton Textile Products (全國紡織品標準化技術委員會棉紡織品分會)
Fire-resistant denim fabric was included into the Catalogue of Outstanding Denim Fabrics of Chinese Denim Industry of 2019 (《2019年度中國牛仔布行業優秀牛仔面料目錄》)	China Cotton Textile Association (中國棉紡織行業協會)
National Quality Award of the Textile Industry 2019 China National Textile and Apparel Council Product Development Contribution Award (2019年度中國紡織工業聯合會產品開發貢獻獎) One-time Weaved, Duvet-filled 3D Graphene Seamless Comforter (《一次織造成型石墨烯立體無縫羽絨被》) was granted 2019 Top Ten Innovative Textile Products (《2019年度十大類紡織創新產品》) Three research and development achievements were included into the Catalogue of New Technology Achievements of Textile Industry of 2019 (《紡織之光2019年度新技術成果推廣目錄》) (Key Technologies of One-time Weaved Household Textile Products (一次織造成型家紡製品關鍵技術), Key Technologies for Development of Artemisias Natural Anti-bacteria Bamboo Fiber Textile Products (艾草天然抗菌竹纖維紡織品開發關鍵技術), Key Technologies for Production of segment-color sustans shrinkage fabric (段彩舒彈散佈式縐縮面料生產關鍵技術))	China National Textile And Apparel Council (中國紡織工業聯合會)
Award of Excellence in the China International Fabrics Design Competition Award of Excellence in the 41st Fabrics China Appraisal	China Textile Information Center (中國紡織信息中心) and National Textile Product Development Center (國家紡織產品開發中心)
The honorary title of “Innovative Workshop for Craftsmen of Weihai City” (威海市(工匠人才)創新工作室)	General Labour Union of Weihai City (威海市總工會)

# IMPROVEMENT OF PRODUCTION AND OPERATION



## Product Promotion

The Group promotes the products mainly through attending domestic and overseas exhibitions, establishing sales network, website promotion, brand building, printing and distributing product brochures with the products widely sold in domestic and overseas markets. The Group strictly complies with relevant laws and regulations such as the Advertisement Law of the People's Republic of China and the Trademark Law of the People's Republic of China, and verifies all information regarding its products and business before publication, so as to prevent any false, misleading or deceptive information in its promotion materials. The Group respects the trademark rights of others, and also legally protects the trademark of "Weiqiao" brand from infringement.



## Customer Services

The Group is committed to providing its customers with efficient and swift services. Our sales staff provide detailed and truthful product information for customers prior to the sale, and get an understanding of customers' order requirement, so as to develop customised production plans. In accordance with the requirements of the Customer Service Management System, customer service employees provide pre-sale and post-sale services for customers mainly through hotline for customer services. In handling complaints and communicating with customers, the customer service employees shall adhere to the "customer first" principle with the attitude of care, politeness and integrity. Meanwhile, the production and technology department is responsible for monitoring the raw materials, production process and quality of each batch of products, while the post-sale service department conducts product tracking, quality analysis and feedback collection, and works with sales staff to provide customers with satisfactory solutions. A satisfaction survey is conducted every half year by the customer service employees on 70% of our customers, which mainly covers customers' degree of satisfaction on the handling of complaints. In addition, our business staff closely communicate with customers to understand their needs and keep informed of market information and the latest product development, so as to achieve integrity-based and win-win cooperation.

# IMPROVEMENT OF PRODUCTION AND OPERATION

## Privacy Protection

Establishment of a security information management system serves as an important approach to protecting internal privacy and customer information. In order to regulate the use and management of computers and network resources, the Group continues to implement the Administrative Rules for Security of Using Office Computers and Network. The IT Centre organises trainings on information security, use of systems and security protection from time to time, so as to enhance employees' skills in using systems and awareness of security protection. The Group also continues to stick to rules and regulations regarding data backup, anti-virus system management, computer centre management, setting of user passwords, prevention of illegal data tampering, system intrusion, and system recovery strategy in the case of system malfunctionings, with an aim to ensure smooth operation of the computer room and proper storage of key data.

In addition to the improvement of the information security system, the Group also takes various measures such as supervising the procurement process and conducting confidentiality education to enhance employees' awareness to keep technical and trade secrets confidential and safeguard the privacy rights and interests of the Group and customers.

## Anti-corruption Practice

Promotion of anti-corruption culture constitutes an integral part of compliance operation by Weiqiao Textile. The Group continues to abide by the Anti-money Laundering Law of the People's Republic of China, Criminal Law of the People's Republic of China and other relevant laws and regulations, and makes continuous efforts to improve the anti-corruption practice, with an aim to prevent bribery, extortion, fraud, money laundering or other unlawful activities. On the one hand, the Group carries out anti-corruption educational activities such as seminars, compilation of relevant education textbooks and watching anti-corruption featured programmes from time to time to raise the integrity awareness of the management and financial personnel, and prevent all kinds of corruption behaviours. Besides, at pre-shift and post-shift meetings, the management of production units also reiterate the work disciplines, particularly towards those delegated with certain authority like quality inspectors. During the Year, the Group organised a large-scale anti-corruption education training on the theme of "case study, deficiency improvement and management enhancement" (學案例、堵漏洞、強管理), recording a total of 6,500 participants. During the training, we selected several representative and inspiring cases relating to the procurement, production and sales process for in-depth study and analysis to summarise lessons we may learn from these cases. In particular, we also produced an anti-corruption video based on one of the cases, with an aim to provide diverse forms of trainings and also reinforce the appeal of such trainings to achieve the cautionary effect. On the other hand, the Group continues to keep the public bidding for procurement under strict supervision and require relevant personnel to sign the statement of integrity and ensure the fairness, impartiality and openness of the public bidding. The staff from the end-use units are responsible for supervising the implementation of "three openness" (三公開) (i.e. the openness of variety, quantity and quality indicators) in the bidding process. Moreover, the economic supervision department and quality inspection department of the Group, which have strong independence and enjoy absolute investigation power, are responsible for supervising all procurement, supply and inspection activities, further enhancing employees' awareness of legal compliance, anti-corruption and self-discipline.

During the Year, the Group compiled a new anti-corruption publication named “Anti-corruption In Organization (《勤廉陣地》)”, which incorporates some typical corruption cases reported by the Group in recent years with an in-depth analysis on and full disclosure of the background story for each case, in an effort to promote the importance of anti-corruption practice to the employees by highlighting cases committed by people around us.



Book on anti-corruption



Training on anti-corruption education

# CONCERNS ABOUT SOCIAL WELL-BEING

As a company bearing social responsibility, Weiqiao Textile believes that sharing the fruits of its developments with the society is fundamental to its sustainable development. Therefore, while pursuing business development, the Group also pays close attention to the social well-being and is committed to fulfilling its corporate social responsibility. Leveraging on its professional advantage, Weiqiao Textile has not only built a high-quality emergency rescue team, but also proactively participated in public welfare undertakings by offering support to people in need and taking positive actions to show care for people.

## Building a First-class Emergency Rescue Team

The Group currently has a systematically-organised and well-equipped full-time fire brigade, equipped with water tower vehicles and large water tanker fire-fighting trucks which are loaded with complete supporting facilities. Individual equipment are also provided for the firemen. The Group's fire brigade attends standardised fire-fighting skills training and theoretical education for four months every year, and has participated in a number of major emergency rescue operations in the city and county, which is considered as an outstanding emergency rescue team with great competence and bravery. In addition to ensuring the safety of the Group, our fire brigade also offers fire-fighting and emergency rescue services to local enterprises, providing solid safety protection for the production of the local enterprises and the life of the masses.



The fire brigade of Weiqiao Textile

## Supporting People with Difficulties

Weiqiao Textile continues to promote human-based management. In addition to offering competitive remuneration and benefits to employees, the Group also establishes relevant archives regarding employees suffering hardship through conducting survey on such employees on a regular basis every year, and provides support for employees suffering from severe disease or domestic distress. During the Year, the Group provided support for 32 employees and their families in difficulties. The Group also offers grants to children of employees in need. During the Year, the Group provided support for 16 children.

The Group also constantly cares about the underprivileged people, and encourages employees to participate in voluntary activities, extending care and love as an individual and a corporate citizen by visiting communities, caring for underprivileged groups, etc. To set an example with real actions, and by calling on its employees to extend love and care, Weiqiao Textile and Weiqiao Chuangye launched a project named “Weiqiao Rainbow Home” (魏橋彩虹之家) during the Year which raised a total of over RMB2.2 million for the left-behind children from 9 primary schools in Wenshan Autonomous Prefecture, Yunnan Province. From both hardware and software perspectives, “Weiqiao Rainbow Home” (魏橋彩虹之家) organised summer camps and reading sessions for the left-behind children in Wenshan Autonomous Prefecture, provided relevant reading materials for 3,500 children and donated 2,000 books suitable for students of their age groups for each school there. By inspiring the children to read and improving their reading ability, we effectively improved the comprehensive quality of the children in the local villages, with an aim to bring love and happiness to the left-behind children. Detailed record for all donations and supplies has been kept and disclosed to the public through transparent procedures, so as to ensure that all the relief materials can be passed to the recipients.



Weiqiao Textile visiting employees in difficulties



Leaders of Weiqiao Textile offering donation to students from families with financial difficulties



Weiqiao Rainbow Home extending love and care to the left-behind children



# APPENDIX I: SUMMARY OF KEY PERFORMANCE INDICATORS

Key Performance Indicators	Year 2019	Year 2018
<b>Emissions</b>		
<i>Wastewater</i>		
Total wastewater discharge (10,000 tons)	533	829
COD emission (ton)	252	439
Ammonia nitrogen emission (ton)	29	19
<i>Exhaust Gas</i>		
Total exhaust gas emission (10,000 m <sup>3</sup> )	6,823,351	7,220,987
Nitrogen oxides emission (ton)	1,985	2,004
Sulphur oxides emission (ton)	867	865
Particulates emission (ton)	105	80
<b>GHG<sup>3</sup></b>		
Total GHG emission (Scope 1, 2) (ton of CO <sub>2</sub> e)	1,729,697	1,545,623
GHG emission intensity (ton of CO <sub>2</sub> e/income of RMB10 million)	1,140	939
Scope 1 direct GHG emission (ton of CO <sub>2</sub> e)	1,682,801	1,484,583
Scope 2 energy indirect GHG emission (ton of CO <sub>2</sub> e)	46,896	61,040
<b>Solid Wastes</b>		
<i>Non-hazardous Waste</i>		
Total non-hazardous waste generated (1,000 tons)	2,952	3,710
Non-hazardous waste intensity (1,000 tons/income of RMB10 million)	1.95	2.25
<i>Hazardous Waste</i>		
Total hazardous waste generated (ton) <sup>4</sup>	1,649	77
Hazardous waste intensity (ton/income of RMB10 million)	1.09	0.05

<sup>3</sup> During the Year, the Group has adopted the Requirements of the Greenhouse Gas Emissions Accounting and Reporting – Part 12: Textile and Garment Enterprises (《溫室氣體排放核算與報告要求第12部分：紡織服裝企業》) (GB/T32151.12-2018) which was newly implemented in 2019 for the calculation of the GHG emissions, and the comparative figures for the year 2018 therefore have been restated.

<sup>4</sup> The Group reviewed the data of hazardous waste generated during the Year, and accordingly restated the relevant data for the year 2018. In addition, the Group replaced the denitration catalyst used by the environmental equipment during the Year, resulted in an increase in the hazardous waste generated. Total amount of hazardous waste generated during the Year is detailed as follows: waste denitration catalyst generated amounted to 1,595 tons while other hazardous waste generated, including waste printers, waste cartridges, waste computers, waste oil drums, waste batteries, waste lubricating oil and waste paint bucket, amounted to 54 tons.

Key Performance Indicators	Year 2019	Year 2018
<b>Use of Resources</b>		
<i>Energy</i>		
Total energy consumption (MWh) <sup>5</sup>	31,614,586	33,780,107
Energy consumption intensity (MWh/income of RMB10 million)	20,844	20,528
Total electricity consumption (MWh)	2,477,274	2,445,773
Total steam consumption (10,000 tons)	74	75
<i>Water</i>		
Total water consumption (10,000 m <sup>3</sup> )	2,962	3,922
Water consumption intensity (10,000 m <sup>3</sup> /income of RMB10 million)	1.95	2.38
<i>Packaging materials<sup>6</sup></i>		
Paper products		
Total consumption (ton)	14,619	15,773
Intensity (ton/income of RMB10 million)	9.64	9.59
Plastic products		
Total consumption (ton)	1,268	1,770
Intensity (ton/income of RMB10 million)	0.84	1.08
Metal products		
Total consumption (ton)	204	234
Intensity (ton/income of RMB10 million)	0.13	0.14
Fibre & textile products		
Total consumption (ton)	703	581
Intensity (ton/income of RMB10 million)	0.46	0.35
Wooden products		
Total consumption (ton)	46	85
Intensity (ton/income of RMB10 million)	0.03	0.05
Others		
Total consumption (ton)	35	35
Intensity (ton/income of RMB10 million)	0.02	0.02

<sup>5</sup> The Group has improved the calculation method of total energy consumption during the Year, and accordingly restated relevant data for 2018. Total energy consumption was calculated based on electricity and steam produced by the Group's own power plants, purchased steam as well as electricity and steam sold.

<sup>6</sup> Packaging materials are used for three categories of products including cotton yarn, grey fabric and denim.

## APPENDIX I: SUMMARY OF KEY PERFORMANCE INDICATORS

Key Performance Indicators	Year 2019	Year 2018
<b>Employment</b>		
Total number of employees	50,000	52,000
<i>By gender</i>		
Male	24,117	24,049
Female	25,883	27,951
<i>By age group<sup>7</sup></i>		
Aged below 30	16,745	16,520
Aged 30-50	31,944	34,063
Aged above 50	1,311	1,417
<i>By type of employment</i>		
Temporary	3,960	3,643
Permanent	46,040	48,357
<i>Turnover number (rate)</i>	3,127 (6%)	2,930 (6%)
<i>By gender</i>		
Male	1,615 (7%)	1,520 (6%)
Female	1,512 (6%)	1,410 (5%)
<i>By age group</i>		
Aged below 30	1,411 (8%)	1,139 (7%)
Aged 30-50	1,495 (5%)	1,568 (5%)
Aged above 50	221 (17%)	223 (16%)
<b>Development and training</b>		
Average training hours completed (Percentage of employees trained)	118 (100%)	134 (100%)
<i>By categories of employees</i>		
Senior management	36 (100%)	36 (100%)
Middle management	36 (100%)	36 (100%)
Junior management	48 (100%)	48 (100%)
Frontline employees	123 (100%)	140 (100%)

<sup>7</sup> The Group reviewed the number of employees by age group during the Year, and accordingly restated relevant data for 2018.

# APPENDIX II: CONTENT INDEX OF ESG REPORTING GUIDE

ESG Indicators	Summary	Sections	Page
<b>Environmental</b>			
<b>A1 Emissions</b>			
General disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to air and GHG emissions, discharges into water and land, and generation of hazardous and non-hazardous waste.	Emission Management	11
<b>A2 Use of Resources</b>			
General disclosure	Policies on the efficient use of resources, including energy, water and other raw materials.	Energy Conservation and Emission Reduction	15
<b>A3 The Environment and Natural Resources</b>			
General disclosure	Policies on minimising the issuer's significant impact on the environment and natural resources.	Energy Conservation and Emission Reduction Green Office Ecological Protection Response to Climate Change	15 19 20 21
<b>Social</b>			
<b>Employment and labour practices</b>			
<b>B1 Employment</b>			
General disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination and other benefits and welfare.	Employment Policy Caring for Employees	22 29
<b>B2 Health and Safety</b>			
General disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to providing a safe working environment and protecting employees from occupational hazards.	Occupational Health and Safety	26

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General disclosure	Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.	Talent Cultivation	23
<b>B4 Labour Standards</b>			
General disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child or forced labour.	Employment Policy	22
<b>Operating practices</b>			
<b>B5 Supply Chain Management</b>			
General disclosure	Policies on managing environmental and social risks of the supply chain.	Supply Chain Management	31
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General disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and remedial measures.	Quality Assurance Product Promotion Customer Services Privacy Protection	33 43 43 44

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General disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing bribery, extortion, fraud and money laundering.	Anti-corruption Practice	44
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<b>B8 Community Investment</b>			
General disclosure	Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests.	Building a First-class Emergency Rescue Team Supporting People with Difficulties	46 47