



GLORIOUS SUN ENTERPRISES LIMITED

(Incorporated in Bermuda with limited liability) (Stock Code:393)

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

環境、社會及管治報告



2016

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1. About this Report

Glorious Sun Enterprises Limited was listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") in September 1996 (stock code: 393). Our major lines of business are apparel retail, trading and financial investments. Glorious Sun Enterprises Limited (the "Company" or "GSE") and its subsidiaries (the "Group") are guided by a mission to offer the best services and products with added value. We strive to satisfy the needs of customers, to provide opportunities for our staff to excel, to deliver reasonable and profitable returns to shareholders, and to grow and succeed with our partners. The Company's ultimate goal is to repay society and create maximum value for the community.

The Group's fashion retail network encompasses Mainland China, Australia, New Zealand, Hong Kong, Macao, the Middle East, Vietnam, Indonesia, Mongolia, Nepal, New Guinea, Fiji, Russia, the Philippines, Mauritius and Venezuela, with 1,792 retail outlets worldwide as at 31 December 2016. The Group has two brands in the fashion market, namely Jeanswest and Mofeel. We also operate the leading US boardriding apparel brand Quiksilver in Mainland China, Hong Kong and Macao through our joint venture company Quiksilver Glorious Sun.



● *Jeanswest Shunyi Qingchuguan Store*



● *Jeanswest Australia Eastland (Victoria) Store*

Reporting Standards and Scope

This Environmental, Social and Governance Report has been prepared in accordance with the Environmental, Social and Governance Reporting Guide set out in Appendix 27 of the Rules Governing the Listing of Securities on the Stock Exchange. This Report outlines our environmental, social and governance (ESG) initiatives during the period from 1 January 2015 to 31 December 2016 and their progress. For the sake of brevity, "2015" and "2016" in this Report stand for the year ended 31 December 2015 and the year ended 31 December 2016 respectively.

This Report covers GSE's core business activities in Hong Kong, Mainland China, Australia and New Zealand, including apparel retail, import and export. Readers will find highlights of the Group's sustainability efforts in the following areas:

- Environmental aspect (emissions, use of resources, environmental and natural resources);
- Social aspect (employment, health and safety, development and training, labour standards, supply chain management, product responsibility, anti-corruption and community investment).

A detailed ESG content index is provided at the end of this Report for easy reference.

This ESG Report has been reviewed by the Board and senior management of the Company.

Key Disclosure Aspects

To ensure a concise, equitable and clear view of the Group's ESG performance, this Report only focuses on sustainability matters which are material to the Group and stresses the challenges and achievements during the reporting period.

Such material matters and scope of the report were determined based on the following considerations:

- Disclosure frequency of industry peers;
- Stakeholders' choice and feedback; and
- Potential impact of the matter on business.

Contact Information

If you have any comments or suggestions on this report, please send them to the address below:

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2. Environmental Protection

Delivering on a mission of sustainable development, the Group adheres to all applicable laws and regulations on environmental protection. Internal guidelines are also in place to foster interest in environmental issues among our staff. By promoting green awareness and responsibility, we have created a positive milieu for the entire workforce to care about the environment and engage in green initiatives.

Energy and Water Consumption

To manage energy saving and emission reduction efforts systematically, carbon emissions of the Group's corporate activities are calculated with Activity-based Carbon Footprint Modelling (ACFM), a licensed system jointly developed by the Hong Kong Research Institute of Textiles and Apparel (HKRITA) and the Clothing Industry Training Authority (CITA) with funding from the Innovation and Technology Commission. We also encourage our mainland suppliers to use this management system. As at the end of 2016, 20 Mainland China suppliers are using this management system to work hand in hand with the Group to protect the environment.

| | Region | Definition | Statistics |
|---|--|--|---|
| 1 | Hong Kong | Offices | Consumption data of natural gas, LPG, petrol, diesel, water and electricity are recorded and calculated with the CITA Activity-based Carbon Footprint Modelling (ACFM) system |
| 2 | China Headquarters | Offices, staff quarters, canteen | |
| 3 | Jeanswest China locations | Offices, logistics warehouses, shops, staff quarters | |
| 4 | Self-operated factory Advancetex Fashion Garment Manufactory | All factory areas | |
| 5 | Australia and New Zealand | Offices and shops | |

Scope of carbon emission statistics:

Total Carbon dioxide equivalent (CO₂-e) Arising from Natural Gas, LPG, Petrol, Diesel, Water and Electricity Consumption:

Greenhouse gas emissions calculated with the CITA Carbon Footprint Modelling management system are expressed in carbon dioxide equivalent (CO₂e). Co₂e refers to the amount of CO₂ by weight, emitted into the atmosphere that would produce the same global warming potential as that of a given weight of other greenhouse gases being emitted. CO₂e converts each greenhouse gas emitted to a common source in terms of carbon dioxide for comparison.

| CO ₂ e Emission (Tonne) | | |
|--|---------------|---------------|
| Year | 2015 | 2016 |
| Hong Kong | 324 | 292 |
| China Headquarters | 1,435 | 1,176 |
| Jeanswest China Locations | 9,596 | 6,442 |
| Advancetex Fashion Garment Manufactory | 978 | 848 |
| Australia and New Zealand | 5,397 | 2,606 |
| Total | 17,730 | 11,364 |

Electricity Consumption

Striving to save electricity, works have been carried out since 2015 to replace fluorescent tubes with energy saving LED tubes in our offices, factory and retail shops, and to upgrade the central air-conditioning system of the China headquarters. LED lighting has many advantages, such as operating on low-voltage power, low energy consumption, high adaptability and stability, quick response time, non-polluting and a range of coloured lights. With LED tubes installed, power consumption for lighting in the Company's offices, factory and mainland retail outlets has been reduced. In 2015, as a result of replacing existing lighting with energy saving LED tubes, carbon emission of our headquarters complex in Huizhou dropped by 132 metric tonnes of standard coal equivalent.

| Electricity Consumption (kWh) | | |
|--|-------------------|-------------------|
| Year | 2015 | 2016 |
| Hong Kong | 434,727 | 382,025 |
| China Headquarters | 1,873,056 | 1,509,240 |
| Jeanswest China Locations | 13,728,168 | 9,256,804 |
| Advancetex Fashion Garment Manufactory | 1,106,414 | 972,482 |
| Australia and New Zealand | 5,187,972 | 2,900,962 |
| Total | 22,330,337 | 15,021,513 |

Water Consumption (Mainland China only)

On our efforts to conserve water, the Company reduced water consumption considerably after implementing the following measures/policies:

- Adopt water saving production methods and machinery.
- Inspect concealed water pipes regularly for leakage or damage. Inspect internal water supply systems and promptly repair any malfunctioning water tanks, faucets and other water supply facilities.
- Set flushing and washing devices to the lowest water level to avoid fresh water overflow during operation.
- Shut off water supply systems during the night and on holidays.
- Put up posters to remind employees to conserve water.

| Water Consumption (Tonne) | | |
|--|----------------|---------------|
| Year | 2015 | 2016 |
| China Headquarters | 48,855 | 43,354 |
| Jeanswest China Locations | 40,794 | 27,121 |
| Advancetex Fashion Garment Manufactory | 27,530 | 21,840 |
| Total | 117,179 | 92,315 |

Waste Management and Resource Recycling

Paperless Office

The Group has set forth a paperless office policy. Colleagues are requested to minimise written reports, communicate by email, sign out documents with e-signatures and use recycled paper. We have also introduced guidelines on reducing paper consumption to help our staff use less paper. Thanks to these paperless practices, our offices cut paper consumption by an impressive 27%.

| Paper Consumption (Sheet) | | |
|---------------------------|-----------|-----------|
| Year | 2015 | 2016 |
| China Headquarters | 4,566,081 | 3,316,459 |

Reducing Rubbish Bag Consumption at Offices

Until 2016, deskside rubbish bin and rubbish bag were provided to every member of office staff at the Group's Huizhou headquarters. From 2016 onwards, only deskside rubbish bins were allocated and rubbish bags were recycled and reused. This measure alone led to significant reduction of rubbish bags, realising a reduction of 30,140 bags in 2016, down about 24% from 2015.

| Rubbish Bag Consumption (Unit) | | |
|--------------------------------|---------|--------|
| Year | 2015 | 2016 |
| China Headquarters | 123,890 | 93,750 |

Recycling Non-hazardous Factory Waste

Advancetex Fashion Garment Manufactory, a garment manufacturing subsidiary of the Group, has improved raw material utilisation during the production process and reduced production loss. These effective measures have enhanced the reuse rate of resources.

- Neadend and remnants from garment production are recovered regularly by recovery contractors under service contracts.
- Selvages are used to make ties for bundling up cut pieces and floor mops.
- Used bobbins are returned to the relevant suppliers for reuse or distributed to mainland retail outlets for after-sale service uses.



● Posters to promote environmental protection at the offices

Promoting Vegetarian Diet to Reduce Polluting Emissions

A low-meat or vegetarian diet, given its contribution to saving earth resources for animal husbandry, is a practical step for low carbon living. The Group has made keen efforts to promote a healthy vegetarian diet. To encourage colleagues to eat less meat, the staff canteen in Huizhou is serving only vegetarian meals every Wednesday. Not only does this initiative raise awareness for healthy eating, it also plays a part in global carbon reduction.

3. Employment and Labour Practices

People are a cornerstone for the Group’s business development and growth. Treasuring this most valuable asset, we attach the greatest importance to provide a fair, safe, healthy and happy working environment for our staff to support their personal and career advancement.



● Management and staff pictured outside Jeanswest Shunyi Qingchunguan Store

The Group has business presence in Hong Kong, Mainland China, Australia, New Zealand and other parts of the world. We employ about 6,400 people worldwide. As at 31 December 2016, group-wide personnel distribution was as follows:

| Year | Headcount | |
|-------------------------|-----------------|-----------------|
| | 2015 (December) | 2016 (December) |
| Hong Kong | 293 | 234 |
| Mainland China | 6,034 | 4,720 |
| Australia / New Zealand | 1,494 | 1,458 |
| Total | 7,821 | 6,412 |

| Headcount by Gender | | | | |
|-------------------------|-----------------|--------------|-----------------|--------------|
| Year | 2015 (December) | | 2016 (December) | |
| Gender | Male | Female | Male | Female |
| Hong Kong | 129 | 164 | 107 | 127 |
| Mainland China | 1,319 | 4,715 | 1,101 | 3,619 |
| Australia / New Zealand | 127 | 1,367 | 123 | 1,335 |
| Total | 1,575 | 6,246 | 1,331 | 5,081 |

| Headcount by Age Group | | | | | | | | | | | | | | |
|-------------------------|-----------------|--------------|--------------|--------------|------------|-----------|-------------|-----------------|--------------|--------------|--------------|------------|-----------|-------------|
| Year | 2015 (December) | | | | | | | 2016 (December) | | | | | | |
| Age Group | 16-20 | 21-30 | 31-40 | 41-50 | 51-60 | 61-65 | 66 or above | 16-20 | 21-30 | 31-40 | 41-50 | 51-60 | 61-65 | 66 or above |
| Hong Kong | 6 | 42 | 67 | 82 | 71 | 17 | 8 | 4 | 30 | 50 | 66 | 61 | 13 | 10 |
| Mainland China | 365 | 2,776 | 1,785 | 896 | 196 | 15 | 1 | 344 | 2,038 | 1,413 | 759 | 161 | 5 | 0 |
| Australia / New Zealand | 268 | 636 | 337 | 196 | 45 | 8 | 4 | 212 | 570 | 407 | 189 | 68 | 8 | 4 |
| Total | 639 | 3,454 | 2,189 | 1,174 | 312 | 40 | 13 | 560 | 2,638 | 1,870 | 1,014 | 290 | 26 | 14 |

| Headcount by Employment Type | | | | |
|------------------------------|-----------------|--------------|-----------------|--------------|
| Year | 2015 (December) | | 2016 (December) | |
| Employment Type | Part-time * | Monthly-paid | Part-time * | Monthly-paid |
| Hong Kong | 3 | 290 | 6 | 228 |
| Mainland China | 32 | 6,002 | 162 | 4,558 |
| Australia / New Zealand | 1,018 | 476 | 1,065 | 393 |
| Total | 1,053 | 6,768 | 1,233 | 5,179 |

* Part-time employees include temporary workers/hourly-rate workers/daily-rate workers

Working Environment and Labour Standards

The Group, as a responsible employer, has laid down clearly defined employment policies and guidelines in compliance with relevant state and regional labour laws to ensure a fair and highly transparent working environment.

The Group offers competitive remuneration to attract and retain talent. We provide comprehensive staff benefits to all monthly-paid employees, including labour insurance, medical benefits, life insurance, provident fund scheme and other benefits. Employees also enjoy marriage leave, maternity leave, paternity leave and compassionate leave.

All staff members are treated on equal terms and rewarded according to performance. There is an appraisal system under which work performance is assessed against the Company's goals and expectations to recognise every employee's efforts and contributions, and to work together for future improvement.

The Group strictly abides by our code of employment to prevent child labour and forced labour. In the reporting period, no business unit was involved in any risks associated with child labour and forced labour, and no related case has been reported.

Staff Health and Safety

The Group always puts staff safety first. Committed to strict compliance of all occupational health and safety laws and regulations, we strive to create a safe and sound working environment for our workforce. We have set up Occupational Safety Groups and Fire Safety Groups which are well represented by various business units. These groups oversee and review all work safety and health policies and procedures to ensure full compliance. The Group also puts in place precautionary and remedial measures, if necessary, to minimise potential hazards and accidents.

Fire drills and briefing sessions are organised annually to familiarise colleagues with fire escape routes and the latest information. To enhance colleagues' awareness and interest in promoting personal health through the communication of health tips and facts, the Group invites doctors from Huizhou No.3 People's Hospital to host keynote speeches at our Mainland China headquarters periodically. Two talks were organised in 2016, namely, Women's Healthcare and Daily Dental Care. In 2015, a talk was given on Treatment and Prevention of Hyperuricemia. Back in 2014, a talk on Cervical Spondylosis and Frozen Shoulder was organised.

During the reporting period, there was no work-related fatal injury.



- *The Groups arranges occupational safety training for all staff to remind them of due care at all times during work*

Staff Development and Training

To drive business growth and cultivate talent, the Company runs a full range of training activities with specific targets and plans. These programmes enable our staff to upgrade knowledge and build capacity, so as to provide crucial support for enhancing corporate efficiency and realising our corporate goals.

Group-wide Training Programme (Comprising Training Courses for Various Grades)

The Group invests significantly in staff training, providing an extensive range of courses for colleagues in different posts to support our business growth. These include professional training, leadership training and customised training.

Employees are required to complete a specified number of training hours each year. To ensure the right training is provided, employees' training needs will be reviewed by department heads during the annual performance appraisal.

The Group has also set up an Education Fund to encourage staff to take training courses relevant to their duties in their leisure. This kind of learning is instrumental in improving work efficiency and effectiveness.

| Staff Training | | | | | | |
|----------------|-----------------------------------|--------------------------|------------------------|-----------------------------------|--------------------------|------------------------|
| Year | 2015 | | | 2016 | | |
| Training data | Total number of employees trained | Training hours completed | Average training hours | Total number of employees trained | Training hours completed | Average training hours |
| Hong Kong | 452 | 3,338 | 7.38 | 478 | 3,662 | 7.66 |
| Mainland China | 5,478 | 47,863.5 | 8.74 | 4,584 | 40,264.5 | 8.78 |

Management Culture and Communication

The Group has several communication channels to facilitate exchange.

Management Review Meeting: The Group holds a monthly management review meeting under which focus groups are set up for all member companies. Colleagues can hold discussions and voice their views, share management insights and better understand the Group's corporate culture and management approach. This provides a framework for two-way communication from the junior level all the way to top management.

Newsletter: A monthly corporate newsletter is published and circulated to all staff and affiliated parties. Employees can get a full picture of the Group's development roadmap and work goals. This newsletter is an effective tool for communicating our corporate culture and building solidarity.

Online portal for internal information: There is an online information forum where internal personnel can get the latest corporate information, express their views and engage in corporate management.

Work and Life Balance

The management is pleased to lead and take part in all staff activities organised by the Group. We have a colourful portfolio of staff social events. Two such activities are the Family Fun Day at the Hong

Kong headquarters and Family Sports Day at Huizhou headquarters, which is a vivid expression of team spirit, vigorous effort, healthy living and positive thinking. Other activities include monthly staff birthday celebrations, annual year-end dinner gala, Lunar New Year banquet, singing contest and green living barter parties. In 2016, the Company launched the “Green Swap Carnival” and called on all staff members to donate unwanted household items to exchange for other useful objects. Such green bartering is not only a way of preserving the environment by reducing, reusing and recycling resources, but also a good chance for colleagues and their families to get to know each other.

Staff benefits: The Group has joined social insurance and housing provident schemes pursuant to the law. In addition to social insurance, we have also taken out personal accident insurance for all employees to afford adequate cover for personal safety. We offer free lunches on working days and staff members working overtime for more than three hours are eligible for overtime meal allowances. All our regional offices adhere to relevant labour laws of Hong Kong, Mainland China, Australia and New Zealand. Employees enjoy full paid leave benefits that include statutory festive holidays, annual leave, sick leave, marriage leave, caregiver leave, maternity or paternity leave and bereavement leave.



● *Mr. Yeung Chun Fan, Vice-chairman and General Manager of the Group, joins Family Sports Day activities to strengthen bonds with staff and their families*



● *“Green Swap Carnival” promotes green awareness amongst staff and their families*



● *Like one big family, the entire workforce makes concerted effort towards common goals*



● *Colleagues and families enjoy the pleasure of outdoor life on the annual Family Fun Day in Hong Kong*



● *Management and staff come together for seasonal joy at the annual Christmas party*

4. Supply Chain Management

Suppliers play an important role in an enterprise's business. The Company looks upon suppliers as business partners and strive to grow with them. Selecting and retaining good suppliers can assure quality and operating effectiveness. It also furthers the cause of sustainable development by sharing business and social risks.

Supplier Selection Practices and Procedures for Apparel Trading Business

To ensure that procured merchandise is delivered on time and meets quality requirements, apparel trading companies of the Group have laid down supplier assessment procedures and qualifying criteria. Goods and services are procured only from authorised suppliers with verified qualification. The assessment covers five aspects, namely, environmental hygiene, quality control, technical control, health and safety, and cooperativeness. Even if they have passed the selection assessment, they are required to take remedial and precautionary measures recommended in the written assessment report within the period specified, otherwise the Group reserves the right, to exclude them from the list of authorised suppliers. Annual re-assessment is required of all authorised suppliers.

| Number of Authorised Suppliers Involved in Apparel Trading | | | | | | |
|--|----------------|-----------|---------------|----------------|-----------|---------------|
| Year | 2015 | | | 2016 | | |
| Region | Mainland China | Australia | Other Regions | Mainland China | Australia | Other Regions |
| Jeanswest China and Jeanswest Australia | 318 | 2 | 2 | 307 | 5 | 3 |

Appreciating that social responsibility and sustainability go hand in hand, the Group carries out social responsibility assessment on its suppliers. Our goal is to communicate the importance of corporate social responsibility and promote a responsible culture.

Assessment Areas include:

- Management system
- Employment contract
- Child labour and minor workers
- Forced or mandatory labour
- Working hours
- Wages and benefits
- Trade unions and collective bargaining
- Discrimination
- Harassment and abuse
- Occupational health and safety
- Environmental protection
- Fair competition

| Number of Factories Having Completed Social Responsibility Assessment | | |
|---|------|------|
| Year | 2015 | 2016 |
| Jeanswest China and Jeanswest Australia | 31 | 61 |

The Group has at least two meetings with suppliers every year to review operation and discuss the business development outlook. Exchange with each individual supplier takes place during the factory assessment process.

Factory Inspection Exemption System

With a view to motivate and facilitate factories in their endeavours to enhance quality and internal

control, the Group has been implementing a factory inspection exemption system since 2009. To be eligible for exemption, suppliers must meet the following requirements:

- The first production order of the factory must go through procedures of our two-tier quality control goods inspection system;
- Valid ISO9001 Quality Management System certification;
- Passing our one-off goods inspection 100% by meeting all requirements;
- 100% order delivery punctuality is required.

Since this system has been in place, both the goods quality and quality assurance awareness of exempt factories have improved. From 2017, inspection exemption qualification is required of all suppliers manufacturing products for Jeanswest China.

| Number of Exempt Factories | | |
|---|------|------|
| Year | 2015 | 2016 |
| Jeanswest China and Jeanswest Australia | 70 | 99 |

Supplier Selection Practices and Procedures for Retail Business (Jeanswest)

Legislative and Statutory Requirements

Jeanswest Apparels (China) Company Limited conducts its casual wear sales business in compliance with laws and regulations of the People's Republic of China. Our suppliers are also expected to abide by these laws and regulations.

In the event of violation or non-performance of the above, Jeanswest Apparels (China) Company Limited will terminate all existing contracts and business activities with the suppliers concerned and reserve the right to commence legal action.

All suppliers of Jeanswest brand merchandise must produce the following valid documents:

- Certificate of domestic sales right
- Value-added tax invoice
- Business licence

At Jeanswest Australia, before a new supplier is accepted, a factory profile, audited accounts and other documents of the factory will be requested for review. The relevant department at Jeanswest Australia will decide whether to include such factory in the list of authorised suppliers, and if so, place it under the appropriate category according to business nature. The selected supplier will be put on record. This procedure applies to all existing and new suppliers alike.

Jeanswest retail business units in Mainland China and Australia also have a yearly assessment programme for existing authorised suppliers. Previous quality records are duly considered and under-performing suppliers are given a grace period for improvement. If they fail to meet targets within the specified period, they will be taken off the list of authorised suppliers.

In addition, all suppliers are given an overall rating at the end of every quarter based on their defective rate, on-time delivery rate, piece count sales fulfillment rate, on-time sample return rate and exemption performance. This serves as a basis for performance appraisal and a reference for future procurement volume. Suppliers scoring 70 or below may have their order volume reduced. Suppliers scoring 90 or above will be favourably considered for increasing order volume in the future. All suppliers are informed of their quarterly ratings.

Jeanswest retail business units in Mainland China and Australia may take any supplier failing to meet quality, on-time delivery and other requirements off their lists of authorised suppliers.

5. Product Responsibility

All our products conform with statutory standards and requirements as well as other applicable industry benchmarks for apparel. The Group has internal quality accreditation procedures to safeguard health and safety for product use. Complementing this, we exercise due care in processing information on all products, including promotion and publicity materials, specifications and use instructions, so that consumers are guided by correct product information. We also have necessary measures in place to ensure that intellectual property is protected and personal data are kept confidential pursuant to local government regulations.



- *Jeanswest's Mainland China retail network of about 1,500 stores covers more than 300 cities*

Quality Accreditation Process

Apparel retail business in Mainland China (Jeanswest)

Pursuant to contract provisions, on-site interim production inspections and finished goods inspections are carried out by inspectors from the procurement agency at the supplier's premises. Before shipping the finished goods to delivery points of Jeanswest China retailers, the supplier must pass the procurement agency's finished goods inspections and produce a compliance test report issued by a state-authorised test and certification body. If necessary, the procurement agency will take samples for inspection by a state-authorised test and certification body to ensure that all goods conform with standards and requirements for domestic sales stipulated in relevant laws and regulations, as well as quality standards of the Group.

Upon arrival at the warehouses in different sales regions, goods are randomly checked by our warehouse staff. Full conformity is required for goods to be released for retail.



- *The Jeanswest logistics centre*

Jeanswest Australia

To ensure conformity with Jeanswest's quality control standards and garment size specifications, all products must pass the quality assurance process of Jeanswest Australia, including garment fittings, test reports and bulk inspection reports.

Recall Procedure

If any Jeanswest products in China or Australia fail to meet quality, size, colour, performance and safety standards or any legal requirement, in the case of on-shelf products, the stores concerned will be instructed to stop selling such products immediately and ship them all back to the warehouse to return to the supplier for rework. Reworked products are inspected by the procurement agency again. They are shipped to the warehouse only if they meet specified standards. When rework is not possible or the goods fail to pass inspection, they will be returned to the supplier in full.

Returned products of Jeanswest China accounted for 0.1% and 0.06% of procurement total in 2015 and 2016 respectively. There were no recalls due to health and safety reasons at Jeanswest Australia both in 2015 and 2016.

Customer Service Centre

Any comments on products or the sales process should be directed to the customer service centre via its telephone hotline. All enquiries and complaints are promptly handled by dedicated staff. Customers' feedback is addressed centrally by the customer service centre and follow-up actions are taken as required. Matters which are not resolvable by the customer service centre are referred to the relevant department or regional retail office, which is required to respond to the customer within 3 working days and report the whole process of resolution by writing to the customer service centre.

| Number of Complaints | | |
|----------------------|------|------|
| Year | 2015 | 2016 |
| Jeanswest China | 222 | 106 |
| Jeanswest Australia | 135 | 176 |

Intellectual Property Protection

All suppliers of the Group must undertake to protect Jeanswest's intellectual property and strictly observe the following conditions:

- No trademarks identical or similar to the registered trademarks of Jeanswest may be used on any other products;
- Forging, altering or producing Jeanswest trademarks without authorisation is strictly prohibited;
- No trademarks identical or similar to the registered trademarks of Jeanswest may be used as names or decoration, patterns and other design features for products manufactured without our authorisation;
- No Jeanswest products manufactured with our authorisation (including surplus products, defective products and returned products) may be sold to other parties; unless authorised by the Group, no products of the Jeanswest collection may be marketed in China (including Hong Kong, Macao and Taiwan) and overseas;
- No patterns and designs related with Jeanswest collection products may be used for designing and manufacturing other products; and
- All other activities that infringe the intellectual property and associated property rights of Jeanswest are prohibited.

Consumer Data Protection

The Group has a privacy protection policy on customers' personal data accessed from the Jeanswest China official online store. Specific limits of authority for related information personnel are also laid down. Protection measures for these data are reviewed regularly.

6. Anti-corruption

Corruption Prevention Measures

The Group strictly forbids any acts of corruption and bribery. All new employees are issued with the staff handbook and enrolled in our induction course. The staff handbook contains a clear code of rules prohibiting the acceptance of benefits, while the induction course stresses strict compliance of the Group's corruption prevention policy.

Our corruption prevention policy stipulates that staff members may not solicit or accept personal benefits from any parties involved in business transactions with the Group. To avoid any material or potential conflicts of interest, employees are required to report to chief executive officers of their branches / direct divisions when business relationships arise between business transaction parties and themselves. Such relationships will be put on record. To ensure that employees can conduct business professionally in a law-abiding manner, the Group also issues guidelines in the run-up to major festivals to remind employees that under no circumstances should they accept gifts.

The reporting system is reviewed every two years and amended when necessary to ensure adequacy and timeliness.

During the reporting period, there was no litigation against the Group or its staff for corruptive activities.

7. Community Investment

GSE has always placed high value on corporate social responsibility. Guided by philosopher Mencius' famous saying, "In adversity persist with strength; in times of fortune prosper with generosity", we are committed to repaying the society.

When contributing to the wellbeing of our community, GSE employs the same vision and innovative spirit that steer its business. Besides lending a hand to those troubled by pressing needs, we have a more far-reaching goal of pursuing long-term social effectiveness. Over the years, the Group has been making contributions to society through active engagement in social welfare undertakings, such as disaster relief, impoverished region assistance, funding new schools and promoting Chinese culture. Members of our management hold multiple public offices to serve the community.

Be it funding new schools in impoverished regions, providing financial aid to university students or training new talents for the apparel industry, GSE stays focused on long-term benefits for the community at large. By helping the beneficiaries help themselves, we empower them with better learning and development opportunities so they can contribute to society in the future.

Established in 2005, GS Charity Foundation hosts a wide range of community events and makes concerted efforts with other charitable organisations to promote meaningful causes, including poverty and disaster relief, elderly and child care, new school projects, Chinese culture promotion and social ethics projects.

The following is an overview of GSE's contributions towards community welfare in recent years.

Funding New School Projects to Further Education

GSE has made major investments in building new schools and training new blood for the apparel industry since the 1980's. Partnering with Xian Northwest Institute of Textile Technology, the Group founded the Xifang Guangdong Institute of Fashion and Clothing. This academy has trained more than 3,500 apparel professionals to date.

In 1997, GSE donated HK\$11 million to found Glorious Sun School of Business and Management, China Textile University (now Donghua University) in Shanghai, which experiments with an integrated teaching approach that combines production, learning and research. GSE also funded the establishment of Glorious Sun Research Institute at Nanjing University where a computer information management system is being developed.

Jeanswest Primary Schools (Project Hope)

Since 1998, we have donated funds to build 37 Jeanswest Primary Schools (Project Hope) in Sichuan, Gansu, Hunan, Jiangxi and other Chinese provinces. Commending this long-standing effort, China Youth Development Foundation honoured Group Vice-chairman Mr. Yeung Chun Fan and Jeanswest with the "Project Hope Outstanding Contribution Award 2016". This prestigious award is a strong recognition of Jeanswest's long-term commitment and effort in fulfilling its social responsibility.



- *Jeanswest mobilises staff regularly to visit and give regards to Primary School (Project Hope) pupils, showing kind concern for their learning and living*

Jeanswest University Students Sponsorship Fund

Established in July 2005, Jeanswest University Students Sponsorship Fund is a special fund that provides financial support to existing university students from poor families who have excellent academic performance and moral character. Since inception, the fund has benefited more than 12,000 undergraduates. While enabling them to complete tertiary education, the sponsorship fund also fosters awareness for voluntary services and contributions to society among university students.



- *Jeanswest University Students Sponsorship Fund helps poor university students to complete education*

Jeanswest Teachers Scheme (Project Hope)

In 2007, the Group launched Jeanswest Teachers Scheme (Project Hope) jointly with China Youth Development Foundation to sponsor outstanding university graduates to provide one-year voluntary service at Primary Schools (Project Hope). Thanks to their engagement, these schools can better realise development potentials and outstanding students are exposed to social and community welfare efforts. To date, more than 20,000 students have benefited from this scheme.

“Go West” Volunteer Programme

Jeanswest has been working with the Central Committee of the Communist Youth League to promote the “Go West” Volunteer Programme since 2011, sponsoring community efforts of young volunteers. These university volunteers are now a main force that provides voluntary services to grassroots in Xinjiang.

In 2014, Jeanswest continued to work with Chinese Young Volunteers Association of the Central Committee of the Communist Youth League. A donation of RMB 3 million was made to jointly introduce

the Chinese Postgraduates Voluntary Teaching Corps Jeanswest Relay Plan and “Go West” Volunteer Programme.

Jeanswest Fashion Award

Jeanswest Fashion Award is jointly hosted by China Fashion Designers Association, China National Garment Association and Jeanswest International (H.K.) Limited with the support of China Textile and Apparel Education Society, Hong Kong Fashion Designers Association and other co-organisers.

Since its inauguration in 1993, the award has run successfully for 25 years. Receiving high acclaim in the fashion design circle, it is the most high-profile and most widely-supported fashion design contest of its kind in Mainland China. Partnering with many tertiary institutions in China, the competition encourages participation from students wishing to pursue a career in design. With increasingly closer exchange and cooperation between fashion industries of Mainland China, Hong Kong and overseas, the award has become a good platform and connection point for industry communication. While broadening the development horizon for young people, it is also propelling all-round development of China’s casual wear industry.



- *Jeanswest Fashion Award aims to nurture and motivate budding new-generation designers to bring creativity into full play and enhance young designers’ self-value*

Jeanswest Fashion Award Elite Designers Club

Jeanswest Fashion Award Elite Designers Club is a body founded by China Fashion Designers Association and Jeanswest International (H.K.) Limited in 2007. Bringing together designers nominated for Jeanswest Fashion Award over the years, this alliance makes concerted effort in promoting China’s fashion design sector and enhancing the image of fashion designers. By building platforms and supporting activities, young designers can gain exposure and publicity for their creativity. While strengthening interaction with peers, they can also upgrade standards and broaden horizons through exchange with seasoned designers.

College-Industry Collaboration with Huizhou University

Always exploring new possibilities for college-industry collaboration, GSE works extensively with related faculties and departments of many tertiary institutions in many different areas, such as

advanced business management courses, bases for creative practices, fashion creativity R&D, apparel retail, e-commerce, information management system and international fashion academy. We have made remarkable progress on many fronts over the years and enjoyed growth alongside our academic partners in reciprocity. Moreover, these initiatives have become an important part of our corporate community engagement and social contribution programme. During the past years, close to RMB 100 million has been invested in college-industry collaboration.

1. Founding Huizhou Glorious Sun Vocational School of Apparel to help Huizhou University to promote “Integrated Learning and Practice”, while adopting an operation-based and innovative teaching approach. After years of hard work, the school is now an industry benchmark
2. Founding Glorious Sun (Guangdong) Enterprise Research Institute which has trained 229 management trainees over 18 terms.
3. Introducing an on-the-job training programme for tertiary teaching staff to take up temporary posts in business organisations.
4. Introducing an apparel retail course at Huizhou University. Six courses have been organised from 2008 to the present, benefiting 183 trained and on-campus students. Students who have completed the course are popular with businesses and enjoy good employment prospects.
5. Founding Glorious Sun Creative Development Centre.

Community Investment by Jeanswest Australia

Jeanswest Australia has long been involved in introducing new education qualification courses, including a Diploma of Merchandise Management course and a Certificate II Digital/Online Retail course, while updating qualifications for Visual Merchandise. Jeanswest Australia has also made contributions to curriculum focus studies conducted by Box Hill Institute and Royal Melbourne Institute of Technology in Australia. Employment was offered to students to support their development and interns were hired so they can get hands-on experience in design, planning and marketing.

Disaster Relief

As a corporate citizen that honours its social responsibility, we always take immediate and assiduous relief efforts when disasters strike.

On 20 April 2013, a 7.0 magnitude earthquake struck Lushan county, Ya’an city, Sichuan Province. Jeanswest wasted no time to donate RMB 500,000 in cash and 5,000 garments to China Youth Development Foundation (CYDF) for emergency disaster relief as well as rescue and redevelopment in Ya’an. On 24 April, after learning the actual needs of victims from CYDF, we donated another 15,000 garments. During that difficult time, our hearts are with the victims ravaged by earthquake and we kept sending our love to the distress area by offering assistance.

On 3 August 2014, a 6.5 magnitude earthquake struck Zhaotong city, Ludian county, Yunnan Province. Through CYDF, Jeanswest donated 4,000 autumn and winter garments (valued at RMB 400,000) to local primary schools. They were dispatched to the disaster area from Guangdong and Sichuan immediately to support rescue and redevelopment work.

In July 2016, powerful convective weather conditions affected Hubei Province, including extended heavy rain and great rainstorms. There were serious and widespread floods. Jeanswest Apparels (China) Company Limited donated about 37,000 garments to CYDF of Hubei Province.

Local Community Involvement by GSE Volunteers

The Group has set up volunteering teams in Hong Kong and Mainland China respectively. Employees

are encouraged to join these teams to play an active part in local community activities and to help the needy and underprivileged. In Hong Kong, the Group has been commended by the Hong Kong Council of Social Service (HKCSS) with the Caring Company logo for five consecutive years.

| Service Statistics of GSE Hong Kong Volunteering Team | | |
|---|-------|-------|
| Year | 2015 | 2016 |
| Number of Direct Beneficiaries | 3,843 | 4,050 |
| Hours of Voluntary Service | 1,488 | 1,980 |



● *Volunteers visited impoverished seniors in Kwun Tong, Sheung Shui, with blankets and kind regards during the “Warmth in the Wind” campaign*



● *Volunteers enjoyed LOHAS Family Fun Day with low-income or CSSA families which aimed to strengthen family ties*



● *The Huizhou Volunteering Team engaged staff in blood donation. A total of 10,200 ml of blood was donated*

8. Recognitions and Professional Certifications

Recognitions and Awards of GSE and its Subsidiaries

Led by our management, GSE embraces a bold spirit of innovation to drive business growth and fulfill corporate social responsibility. Our dedicated efforts have earned wide recognition from the market and the public. Major awards are as follows:

- 1999: GSE was Overall Winner in the HKMA Quality Award organised by the Hong Kong Management Association. GSE was the first manufacturing and apparel company to clinch this honour.
- December 2007: Advancetex Fashion Garment Mfy. (Hui Zhou) Limited was awarded the CSC9000T (China Social Compliance for Textile & Apparel Industry) practitioner certificate as one of the top ten pioneering companies implementing the social compliance system.
- 2008-2012: Jeanswest received the China Charity Award from the Ministry of Civil Affairs, the People's Republic of China.
- 2009: GSE was garnered with the National Contribution Award.
- 2010: Jeanswest was named one of "Top 10 Charitable Enterprises in China" in the China Charity Ranking by the Ministry of Civil Affairs.
- November 2012: Jeanswest was named "Model Enterprise for Integration of Information Technology and Industrialization of the National Apparel Industry" at the China National Apparel Conference 2012.
- 2014: Jeanswest University Students Sponsorship Fund was selected as a "Best CSR Practices of Foreign-Invested Enterprises in China".
- March 2015: A group of experts from the Fifth Electronics Research Institute, Ministry of Information Technology, carried out an assessment audit on the information technology and industrialization integration management system of Jeanswest Apparels (China) Company Limited. It was announced that the company has passed the on-site audit of information technology and industrialization integration management system.
- 2016: Jeanswest University Students Sponsorship Fund clinched the Outstanding China CSR Project Award 2016 at the 5th China CSR Excellence Award organised by China Philanthropy Times.
- 2016: At the China Textile and Apparel Brand Annual Work Conference 2016 jointly organised by China National Textile and Apparel Council and China Textile & Garment Brand Strategy Promotion Committee under the supervision of Ministry of Information Technology, it was announced that Jeanswest was shortlisted for the "Top 50 Textile Apparel, Shoe and Cap Enterprises of Brand Value 2016". Jeanswest also earned the designation "2016 Key Tracked and Cultivated Apparel and Home Textiles Own Brand".
- 2016: Jeanswest was honoured with the "Project Hope Outstanding Contribution Award 2016" organised by the China Youth Development Foundation.

Professional Certifications of GSE and its Subsidiaries

| Company | Certificate |
|--|--|
| Jeanswest Apparels (China) Company Limited | ISO2000:2005 IT Service Management System |
| Glorious Sun Enterprises (BVI) Limited | ISO2000:2011 IT Service Management System |
| Jeanswest Apparels (China) Company Limited | Integration of Information Technology and Industrialization Management System |
| Advancetex International Trading (HK) Company Limited | ISO9001:2008 Quality Management System |
| Pacific Potential Trading Company Limited | ISO9001:2008 Quality Management System |
| Jeanswest Corporation Pty Ltd | ISO9001:2008 Quality Management System |
| Advancetex Fashion Garment Mfy. (Hui Zhou) Limited | ISO9001:2008 Quality Management System |
| Advancetex Fashion Garment Mfy. (Hui Zhou) Limited | China Social Compliance 9000 for Textile & Apparel Industry - Social Responsibility Management System |
| Shijiazhuang Changhong Building Decoration Engineering Company Limited | SA 8000 Social Accountability Standard |
| Shijiazhuang Changhong Building Decoration Engineering Company Limited | TB/T24001-2004 idt ISO 14001:2004 Environmental Management System |
| Shijiazhuang Changhong Building Decoration Engineering Company Limited | TB/T28001-2011/OHSAS18001:2007 Occupational Health and Safety Management System |
| Shijiazhuang Changhong Building Decoration Engineering Company Limited | GB/T19001-2008/ISO9001:2008 Quality Management System and GB/T50430-2007 Code for Quality Management of Engineering Construction Enterprises |

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GLORIOUS SUN ENTERPRISES LIMITED

(Incorporated in Bermuda with limited liability) (Stock Code:393)