



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



2019

Contents

| | |
|---|----|
| 1. About this Report | 2 |
| 2. Environmental Protection | 4 |
| 3. Employment and Labour Practices | 7 |
| 4. Supply Chain Management | 12 |
| 5. Product Responsibility | 15 |
| 6. Anti-corruption | 17 |
| 7. Community Investment | 18 |
| 8. Recognitions and Professional Certifications | 21 |
| 9. ESG Content Index | 23 |

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 financial investments, retail and export of casual wear, interior decoration and renovation. Glorious Sun Enterprises Limited and its subsidiaries (the “Group”) are guided by a mission in providing quality products and services with added value, as well as investing in high quality financial products to secure stable profits. 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 Group's ultimate goal is to repay society and create maximum value for the community.

Jeanswest, the Group's fashion brand, has retail outlets in Hong Kong, and operates overseas franchising businesses in South East Asia and the Middle East. The Group's export business is operated by Pacific Potential Trading Company Limited and Rand Design Limited, while the interior decoration and renovation business is operated by Shijiazhuang Changhong Building Decoration Engineering Company Limited (“Changhong”).



● A Jeanswest 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 2019 to 31 December 2019 and their progress. For the sake of brevity, “2018” and “2019” in this Report stand for the year ended 31 December 2018 and the year ended 31 December 2019 respectively. The data of “2018” are presented for comparison and reference.

This Report covers the Group's core business activities in Hong Kong and Mainland China, including financial investments, retail and export of casual wear and interior decoration and renovation. Readers will find highlights of the Group's sustainability efforts in the following areas:

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

The Group's financial investment business does not involve with any industrial operations and is carried out in the Hong Kong office and online. Since the number of staff involved is insignificant when compared with the total number of staff in the Group with their business travels kept to a minimum, the emissions and office resource usage of the business is therefore immaterial.

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

This ESG Report has been reviewed and approved by the Board of Directors 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:

Communication and Public Relations Department,
Glorious Sun Enterprises Limited,
38/F, One Kowloon, 1 Wang Yuen Street,
Kowloon Bay, Hong Kong
Tel: +852 2263 3000
Fax: +852 2343 3217
Email: enquiry@glorisun.com
Website: www.glorisun.com

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 suppliers in Mainland China to use this management system.

Scope of carbon emission statistics:

| | Region / Business | Definition | Statistics |
|---|--------------------|-------------------------|---|
| 1 | Hong Kong | Offices | Consumption data of natural gas, Liquefied Petroleum 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 | |
| 3 | Changhong | Offices, factories | |

Total Carbon Dioxide Equivalent (CO₂e) arising from Natural Gas, LPG, Petrol, Diesel, Water and Electricity Consumption:

Greenhouse gas emissions calculated with the CITA ACFM 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) | | | |
|------------------------------------|--------------|--------------|--|
| Region / Business \ Year | 2018 | 2019 | |
| Hong Kong | 231 | 61 | |
| China Headquarters | 98 | 87 | |
| Changhong | 894 | 1,326 | |
| Total | 1,223 | 1,474 | |

The Group's apparel retail business and financial investment business do not generate any significant hazardous waste.

For the interior decoration and renovation business, the exhaust fumes resulted from spray paint and paint drying in the industrial park are collected and treated with pulse filter cartridge dust collector, two-tier filtering, an activated charcoal absorber (concentrated) and desorption-catalytic combustion equipment system. The fumes, after processing, will meet the emission safety standard and keep the impact of volatile organic compounds (VOCs) to the surroundings to the minimum.

Furthermore, paint residues left by the spray paint process will be collected by waste management plant which is qualified by the Chinese government for treating hazardous waste. In 2019, 1.35 tonnes of paint residues (2018: 1.3 tonnes) were collected.

Electricity Consumption

Striving to save electricity, energy saving LED tubes were installed in our offices and retail shops, and the central air-conditioning system of the China headquarters was upgraded. 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.

| Electricity Consumption (kWh) | | | |
|-------------------------------|------|-----------|-----------|
| Region / Business | Year | 2018 | 2019 |
| Hong Kong | | 296,341 | 118,913 |
| China Headquarters | | 118,852 | 103,361 |
| Changhong | | 1,109,138 | 1,790,422 |
| Total | | 1,524,331 | 2,012,696 |

Water Consumption (Mainland China only)

On our efforts to conserve water, the Group 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) | | | |
|---------------------------|------|--------|--------|
| Region / Business | Year | 2018 | 2019 |
| China Headquarters | | 3,822 | 3,423 |
| Changhong | | 13,301 | 19,623 |
| Total | | 17,123 | 23,046 |

** Some retail stores in Hong Kong operate in department stores or shopping malls where water supply and discharge are controlled by the building management so the retrieval of the relevant data is not feasible.*

Since Changhong expanded the business in 2019, the amount of CO₂e, electricity consumption and water consumption in 2019 increased when comparing those with 2018.

Waste Management and Resource Recycling

Paperless Office and Reducing Rubbish Bag Consumption at Offices

The Group has set forth a paperless office policy. Colleagues are requested to minimise paper 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. Meanwhile, only deskside rubbish bins were allocated and rubbish bags were recycled and reused.

Reducing Plastic Bags Use in Retail and Export Businesses

As an apparel retailer, the use of plastic bags as shopping bags or packaging materials is inevitable. Since the launch of Environmental Levy Scheme on Plastic Shopping Bags by the Hong Kong Government, the Group has reduced using plastic bags. In 2019, the Group's apparel retail business in Hong Kong used 22,000 plastic bags (2018: 25,478 plastic bags) and 4,651 carton boxes (2018: 6,892 carton boxes). For the export business, the Group used 57,500 carton boxes (2018: 73,268 carton boxes) and 2,950 paper pallets (2018: 3,900 paper pallets) in 2019.

Using High Technology to foster Conservation in Interior Decoration and Renovation Business

Changhong employs advanced, cost effective and environmental friendly technologies that comply with the industrial policies in Mainland China. Renovation and packaging require various materials including composite boards, carton boxes, timbers, plastics and metals. In 2019, Changhong used 9,806 paper carton boxes (2018: 10,919 paper carton boxes) and 0.35 tonne of paint buckets (2018: 0.3 tonne) and avoided using plastic bags for packaging. Changhong puts a priority in using green materials, techniques and facilities such as environmental materials, power saving lights and water saving equipment.

Changhong integrates Building Information Modelling, cloud computing for commercial shops and "big data" to achieve informatization and intelligence of commercial shop construction management. With such advanced construction technology, efficiency is enhanced, cost and project duration are compressed, thus achieving environmental benefits.



● *Poster at the offices to promote environmental protection and energy saving*

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 staff 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

Staff 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.

Since the Group disposed of the retailing business of apparel products in Mainland China, the number of staff member of the Group in 2019 has decreased when compared with 2018. As at 31 December 2019, the Group employed 532 people in Mainland China and Hong Kong. The group-wide personnel distribution was as follows:

| Headcount | | |
|----------------|-----------------|-----------------|
| Region \ Year | 2018 (December) | 2019 (December) |
| Hong Kong | 169 | 76 |
| Mainland China | 660 | 456 |
| Total | 829 | 532 |

| Headcount by Gender | | | | |
|---------------------|-----------------|------------|-----------------|------------|
| Year \ Gender | 2018 (December) | | 2019 (December) | |
| Region | Male | Female | Male | Female |
| Hong Kong | 69 | 100 | 25 | 51 |
| Mainland China | 320 | 340 | 247 | 209 |
| Total | 389 | 440 | 272 | 260 |

| Headcount by Age Group | | | | | | | | | | | | | | |
|------------------------|-----------------|------------|------------|------------|-----------|----------|-------------|-----------------|------------|------------|------------|-----------|----------|-------------|
| Year \ Age Group | 2018 (December) | | | | | | | 2019 (December) | | | | | | |
| Region | 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 | 2 | 30 | 33 | 54 | 32 | 7 | 11 | 1 | 12 | 16 | 29 | 6 | 4 | 8 |
| Mainland China | 3 | 242 | 274 | 114 | 25 | 2 | 0 | 0 | 139 | 208 | 84 | 24 | 1 | 0 |
| Total | 5 | 272 | 307 | 168 | 57 | 9 | 11 | 1 | 151 | 224 | 113 | 30 | 5 | 8 |

| Headcount by Employment Type | | | | |
|------------------------------|-----------------|--------------|-----------------|--------------|
| Year \ Employment Type | 2018 (December) | | 2019 (December) | |
| Region | Part-time * | Monthly-paid | Part-time * | Monthly-paid |
| Hong Kong | 15 | 154 | 7 | 69 |
| Mainland China | 0 | 660 | 0 | 456 |
| Total | 15 | 814 | 7 | 525 |

* 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 / social insurance, housing provident fund (Mainland China only), staff shopping benefits, continuing education fund, medical benefits, life insurance and provident fund scheme (Hong Kong only). Employees also enjoy annual leave, sick leave, marriage leave, maternity leave, paternity leave (applicable to Hong Kong), caregiver leave (applicable to Mainland China), bereavement leave and injury 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 Group'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 occupational 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 staff's awareness and interest in personal health through the dissemination of health tips and facts, the Group organised several seminars and workshops with different health topics in 2019. At our Mainland China Headquarters, an annual health checkup was provided to staff, as well as free checkup services of nuclear magnetic resonance imaging of the brain and low-dose computed tomography for the chest. In Hong Kong office, a "laughter yoga" workshop and a "kinetic stretch" workshop were held to enhance staff's wellbeing. A doctor was also invited to share information on cancer screening and treatment.

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



● The staff are learning how to use fire extinguishers



● A "laughter yoga" workshop was arranged for the staff to arouse their health attention

Staff Development and Training

To drive business growth and cultivate talent, the Group 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.

In 2019, the Group organised "The Spirit of the Two Sessions" seminar (the National People's Congress (NPC) and the Chinese People's Political Consultative Conference (CPPCC)) to let the staff learn the latest national policies and market trends. "Dialogue in the Dark" experience was arranged to teach the staff how to solve problems creatively, whereas "Excel Application Workshop" was organised to enhance the staff's knowledge in daily computer operations. Moreover, a solicitor was invited to provide knowledge in sale and purchase agreement, labour law and employee insurance law.

For the apparel export business, the Group provided training on the latest ISO9001 quality management system to the new joined staff in 2019.

| Staff Training | | | | |
|------------------------|-----------------------------------|--------------------------|-----------------------------------|--------------------------|
| Year | 2018 | | 2019 | |
| Region \ Training data | Total number of employees trained | Training hours completed | Total number of employees trained | Training hours completed |
| Hong Kong | 138 | 1,808 | 76 | 400 |
| Mainland China | 660 | 2,103 | 456 | 1,005 |

Since the Group disposed of the retailing business of apparel products in Mainland China, retail-related training has been reduced and hence the training hours completed in 2019 has decreased when compared with that of 2018.

Management Culture and Communication

The Group has several communication channels to facilitate exchange.

Management Review Meeting: The Group holds management review meeting under which focus groups are set up for all member companies every two months. Staff can participate in 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.

Managers' Committee in China Headquarters: The "managers' committee" aims to nurture future management personnel for the Group. The committee comprises several functional sub-units for event organisation, research and exchange, public relations and secretarial service. Regular activities including outreach

programmes, seminars and talks are held to strengthen the cohesion of committee members and to broaden their horizon.



- The managers' committee holds regular meetings to analyse the latest national policies and market trends



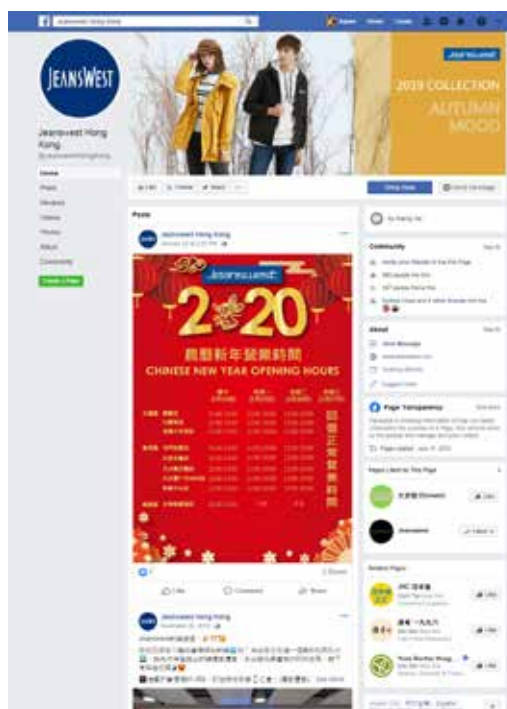
- Managers' committee organises team building activities and outing to enhance the team spirits and team awareness

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.

WeChat Social Media and Facebook Fan Page: Since WeChat and Facebook become popular social network channels, the Group has created the WeChat Official Account and Jeanswest Facebook fan page. Internal personnel and customers can get the updated company information, Jeanswest promotions, corporate and charitable events of the Group.



- The Official Account on WeChat



- Jeanswest Facebook Fan Page

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. These include monthly staff birthday celebrations, annual year-end dinner gala, Lunar New Year banquet and green living barter parties. In 2019, the China Headquarters held for the fourth time 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 staff members and their families to get to know each other. The event collected about 1,700 items for exchange. Furthermore, a seminar on Tax Deductible Voluntary Contributions was organised to help the Hong Kong staff understand the features of related products in the market.

Staff benefits: The Group has joined social insurance and housing provident schemes (applicable to Mainland China) pursuant to the law. In addition to social insurance, we have also provided personal accident insurance for employees to afford adequate cover for personal safety. All our regional offices adhere to relevant labour laws of Hong Kong and Mainland China. Employees enjoy paid leave benefits that include statutory festive holidays, annual leave, sick leave, marriage leave, maternity leave, paternity leave (applicable to Hong Kong), caregiver leave (applicable to Mainland China), bereavement leave and injury leave.



● Management and staff celebrate the coming new year in annual dinner



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



● The Hong Kong volunteering team support the Community Chest 50th Anniversary Walk for Millions



● "Green Swap Carnival" in 2019 promoted green awareness amongst staff and their families

4. Supply Chain Management

Suppliers play an important role in an enterprise's business. The Group 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 Export Business

To ensure that procured merchandise is delivered on time and meets quality requirements, apparel export 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 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 Export | | |
|---|------------|------------|
| Year | 2018 | 2019 |
| Mainland China | 168 | 155 |
| Other Regions | 0 | 2 |
| Total | 168 | 157 |

In order to further enhance our product quality, the Group exercised stricter measures in selecting trustworthy and high-quality suppliers in 2019, thus resulted in a drop in the number of suppliers compared with that of 2018. Furthermore, the Group expanded the overseas supplier network in 2019 in order to provide more comprehensive products to our customers.

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 rights
- Discrimination
- Harassment and abuse
- Occupational health and safety
- Environmental protection
- Fair competition
(included corruption and other dishonesty activities)

| Number of Factories Having Completed Social Responsibility Assessment | | |
|---|-------|-------|
| Year | 2018 | 2019 |
| Mainland China | 40 | 57 |
| Other Regions | 0 | 1 |
| Percentage of total suppliers | 23.8% | 36.9% |

In order to further enhance our product quality, the Group actively promoted social responsibility assessment for the factories in 2019, thus resulted in a rise in the number of factories compared with that of 2018. The Group has at least two meetings with suppliers every year to review operation and discuss the business development outlook. Exchange with each individual suppliers will take 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 Tier-2 quality control goods inspection system*;
- Valid ISO9001 Quality Management System certification;
- Passing our one-off goods inspection 100% by meeting all requirements; and
- 100% order delivery punctuality is required.

* Tier-2 quality control goods inspection system is a standard higher than the market norm.



- *The Group promotes factory inspection exemption system to suppliers*

Since this system has been in place, both the goods quality and quality assurance awareness of exempt factories have improved. From 2018, inspection exemption qualification is also promoted to small factories. A total of 30 factories have been qualified as exempt factories, which is 19% of total number of suppliers.

| Number of Exempt Factories | | |
|-------------------------------|-------|-------|
| Year | 2018 | 2019 |
| Mainland China | 50 | 53 |
| Percentage of total suppliers | 29.8% | 33.8% |

Supplier Selection Practices and Procedures for Retail Business in Hong Kong (Jeanswest)

To guarantee the brand image and product quality, Jeanswest will appraise the suppliers according to different parameters, such as pricing, product quality, etc before procurement.

In the initial stage, Jeanswest will appraise the on-time delivery rate, quality control, attitude of the suppliers before entering into long-term cooperation with them. In each incident of cooperation, Jeanswest and the supplier will conclude a purchase agreement with the agreed quotation and design to protect the interest of both parties. After order confirmation, Jeanswest will follow up on the production progress, including requesting for pre-production samples and shipment samples from the supplier, conducting inspection of design, size, workmanship, fabric and packaging.

Other than self-inspection of the quality by the suppliers, Jeanswest will also carry out inspections by samples during visits of the production lines of the suppliers if necessary.

Supplier Selection Practices and Procedures for Interior Decoration and Renovation Business

Changhong selects and appraises the suppliers based on the “Quality Management Systems – Requirements GB/T19001-2016”, the “Environmental Management Systems – Requirements with Guidance for Use GB/T24001-2016”, the “Occupational Health and Safety Management System – Requirements with guidance for use ISO45001:2018” and the “Code for Quality Management of Engineering Construction Enterprises – GB/T50430-2017” published by the Standardization Administration of the People’s Republic of China. Before confirmation of new suppliers, Changhong’s purchasing department, engineering management department, quality assurance department and regional / business department will visit the supplier to have on-site research and verify the robustness of the supplier. Moreover, Changhong will appraise the product quality, pricing, on-time delivery rate, reputation, technology, quality assurance, working environment, occupational health, risk management, compliance of legislation and regulations, processing capacity of the supplier, to see if it can fulfill the design and construction requirements of the clients. Upon the approval of the qualification, the supplier has to provide the business licence, tax registration certification, certifications on standardization management system, authorization on product agency, etc. For the electrical appliance and chemical products, the supplier has to submit the certifications on 3C and environmental protection. Changhong will annually appraise the suppliers according to their cooperation status and daily operations. Qualified suppliers will remain on Changhong’s authorised supplier list.

| Number of Authorised Suppliers Involved in Interior Design and Renovation | | |
|---|------|------|
| Year | 2018 | 2019 |
| Mainland China | 281 | 352 |



- Changhong helps Huawei’s Experience Shop Plus in Jinan build up green commercial space

5. Product Responsibility

All our products conform to 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.

Quality Accreditation Process of Apparel Export Business

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, 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.

For export business, returned products accounted for 0.2% of procurement total in 2019 (2018: 0.16%).

Intellectual Property Protection

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

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

Recall Procedure of Jeanswest

Customers may return any Jeanswest product bought at regular price at any Jeanswest store within 14 days (the product should be unused, with price tag and original invoice intact) and change for other style or size. If customers request to re-fund or change of the product due to defective quality, the shop staff will assess if the defect is caused by the customers. The shop staff will take photo of the product and submit the refund / return request to the office. The shop will collect returned products quarterly and report to the factories for re-fund or exchange.



- *Jeanswest aims to provide high quality apparel products at affordable prices*

Consumer Data Protection

Jeanswest only collects customers' name, title and phone number. The related information is used only for general transaction purpose and will be destroyed after the transaction. Jeanswest does not use customers' personal information for other purposes without customers' permission.

Quality Verification Process of Interior Decoration and Renovation Business

For all interior decoration and renovation projects, after the self-inspection process, the project needs to be verified by the project management team of the relevant region or business department, and the headquarters' quality control team. Personnel who involve in the verification process shall verify the work according to relevant standards, and prepare a verification report. Within 7 days of the issuance of the verification report, the project team shall make adjustments based on enquiries raised in the report. The headquarters' quality control team shall have to inspect and accept the adjustments, and the project will have to be approved in writing by the regional manager and quality control personnel involved. If a project takes more than 2 months to complete, the project will have to be verified by phases. Reverification is required if problems are found. In reverification, the problem found in the first verification will be specifically checked by the project department. The staff has to reverify the project on-site and approve the project with written report.

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

The Group 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, the Group 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. Key members of our management hold multiple public offices to serve the community. Meanwhile, our management members visited the high schools in Mainland China and Hong Kong, sharing their management experiences to the youth.



- *Dr. Charles Yeung, Chairman of the Group, visited his mother school, Huizhou No.1 High School and shared his successful experiences to students*



- *Mr. Yeung Chun Fan, Vice Chairman and General Manager of the Group, was invited to share management skills to the students of the Hong Kong College of Technology*

Be it funding new schools in impoverished regions, providing financial aid to university students or training new talents for the apparel industry, the Group 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.

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

Funding New School Projects to Further Education

The Group was the first garment enterprise to set up educational institute in China. Partnering with Northwest Institute of Textile Technology, in 1985, the Group founded the Xifang Guangdong Institute of Fashion and Clothing (later renamed "Glorious Sun Guangdong School of Fashion") to train apparel professionals.

In 1997, the Group founded 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. The Group also funded the establishment of Glorious Sun Research Institute at Nanjing University where a computer information management system is being developed.

College-Industry Collaboration with Huizhou University

Always exploring new possibilities for college-industry collaboration, the Group 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.

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 over 240 management trainees.
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. Twelve courses have been organised from 2008 to the present, benefiting 478 trained and on-campus students. Students who have completed the course are popular with businesses and enjoy good employment prospects.
5. Assisting Huizhou University to set up Glorious Sun Creative Development Centre.
6. Setting up a Directors’ Board for Glorious Sun Guangdong School of Fashion (a faculty of Huizhou University), where entrepreneurs can gather for sharing their successful experience.
7. Setting up “Huizhou University Scholarship” and “Glorious Sun Guangdong School of Fashion Scholarship and Teaching Fund”.
8. The Group and Huizhou University jointly introduced The Clothing Industry Training Authority to help the Glorious Sun Guangdong School of Fashion enhancing their effectiveness.



● Teachers and students from Glorious Sun Guangdong School of Fashion visited the Group’s China Headquarters to learn the corporate operations

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 Mainland China, the volunteering team visits poor households (namely “households enjoying five guarantees” and “households enjoying minimum guarantee”) during traditional Chinese festivals.

In Hong Kong, the volunteering team has been awarded the Gold Certificate by the Steering Committee on Promotion of Volunteer Service of the Social Welfare Department. Moreover, the Group has been commended by the Hong Kong Council of Social Service (HKCSS) with the Caring Company logo.



- The Huizhou volunteering team visited poor households with daily necessities and cares



- The Hong Kong volunteering team visited the care and attention homes for the elderly



- The Hong Kong volunteering team and YMCA organised an outing at Mui Wo for the families to enhance the interactions between parents and children



- The Huizhou volunteering team visited elderly and children with foodstuffs and dance performance in Dragon Boat Festival



- Blood Donation Day 2019 was successfully held in One Kowloon



- Changhong participated in Tencent 99 Giving Day to help students in rural areas

8. Recognitions and Professional Certifications

Led by our management, the Group 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 during the past 10 years are as follows:

- 2009: Glorious Sun Enterprises Limited (“GSE”) was garnered with the National Contribution Award by China Industry Development Research Center.
- 2016, 2018 and 2019: GSE was awarded the Gold Certificate by the Steering Committee on Promotion of Volunteer Service of the Hong Kong Government Social Welfare Department.
- 2017: Changhong’s design centre was certified as a “Provincial Industrial Design Centre” under the Hebei Province Design Centre and Innovation Park certification system.
- 2017: Changhong was accredited “AAA Grade Credit Rating in Decoration Business” by the China Construction and Decoration Credit Rating Office and Beijing Xingou Credit Management Co. Ltd.
- June 2017: Changhong was accredited as “Hebei Province Famous Brand” for 2016 by the Hebei Quality and Technology Supervision Bureau and Hebei Quality Assurance Committee.
- 2017, 2018 and 2019: GSE was awarded “Good MPF Employer” by the Mandatory Provident Fund Schemes Authority.
- 2018: Changhong was named “Top 10 Enterprises of Construction Industry in Hebei in 2018” by the Hebei Construction Industry Association.
- 2018: Changhong was named “5A Grade Trusted Construction Enterprise in Hebei Province in 2018” by The Engineering Bidding Association of Hebei Province.
- 2019: Changhong was awarded “96315 A Grade Credit in 2019” by the Hebei 96315 Credit Management Center.
- 2019: Changhong was awarded “China Building Decoration Industry BIM Innovative Application Pioneer Enterprises in 2019” by the China Building Decoration Association.
- 2019: GSE was commended by the Hong Kong Council of Social Service (HKCSS) with the Caring Company logo for the ninth year.

Professional Certifications of GSE and its Subsidiaries

| Company | Certificate |
|--|--|
| Pacific Potential Trading Company Limited | (ISO9001:2015) quality management system |
| Shijiazhuang Changhong Building Decoration Engineering Company Limited | (SA8000:2014) social accountability system |
| Shijiazhuang Changhong Building Decoration Engineering Company Limited | (ISO14001:2015) environmental management system |
| Shijiazhuang Changhong Building Decoration Engineering Company Limited | Occupational Health and Safety Management System – Requirements with guidance for use (ISO45001:2018) |
| Shijiazhuang Changhong Building Decoration Engineering Company Limited | (ISO9001:2015) quality management system and (GB/T50430-2017) code for quality management of engineering construction enterprise |
| Shijiazhuang Changhong Building Decoration Engineering Company Limited | China Environmental Labelling (HJ 2547-2016) |

9. ESG Content Index

| Aspect | Key Performance Indicators (KPI) | | Page |
|--------------------------------------|----------------------------------|---|----------|
| A. Environmental | | | |
| A1 Emissions | A1 | General Disclosure | P. 4 |
| | A1.1 | The types of emissions and respective emissions data | P. 4 |
| | A1.2 | Greenhouse gas emissions in total and, where appropriate, intensity | P. 4 |
| | A1.3 | Total hazardous waste produced and, where appropriate, intensity | P. 4 |
| | A1.4 | Total non-hazardous waste produced and, where appropriate, intensity | P. 4 |
| | A1.5 | Description of measures to mitigate emissions and results achieved | P. 4-6 |
| | A1.6 | Description of how hazardous and non-hazardous wastes are handled, reduction initiatives and results achieved | P. 4-6 |
| A2 Use of Resources | A2 | General Disclosure | P. 4-6 |
| | A2.1 | Direct and/or indirect energy consumption by type in total and intensity | P. 4-5 |
| | A2.2 | Water consumption in total and intensity | P. 5 |
| | A2.3 | Description of energy use efficiency initiatives and results achieved | P. 5 |
| | A2.4 | Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency initiatives and results achieved | — |
| | A2.5 | Total packaging material used for finished products and, if applicable, with reference to per unit produced | P. 6 |
| A3 Environment and Natural Resources | A3 | General Disclosure | P. 4-6 |
| | A3.1 | Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them | P. 4-6 |
| B. Social | | | |
| Employment and Labour Practices | | | |
| B1 Employment | B1 | General Disclosure | P. 7-11 |
| | B1.1 | Total workforce by gender, employment type, age group and geographical region | P. 7 |
| | B1.2 | Employee turnover rate by gender, age group and geographical region | — |
| B2 Health and Safety | B2 | General Disclosure | P. 8 |
| | B2.1 | Number and rate of work-related fatalities | P. 8 |
| | B2.2 | Lost days due to work injury | — |
| | B2.3 | Description of occupational health and safety measures adopted, how they are implemented and monitored | P. 8 |
| B3 Development and Training | B3 | General Disclosure | P. 9 |
| | B3.1 | The percentage of employees trained by gender and employee category | — |
| | B3.2 | The average training hours completed per employee by gender and employee category | — |
| B4 Labour Standards | B4 | General Disclosure | P. 8 |
| | B4.1 | Description of measures to review employment practices to avoid child and forced labour | P. 8 |
| | B4.2 | Description of steps taken to eliminate such practices when discovered | — |
| Operating Practices | | | |
| B5 Supply Chain Management | B5 | General Disclosure | P. 12-14 |
| | B5.1 | Number of suppliers by geographical region | P. 12 |
| | B5.2 | Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, how they are implemented and monitored | P. 12-14 |
| B6 Product Responsibility | B6 | General Disclosure | P. 15-16 |
| | B6.1 | Percentage of total products sold or shipped subject to recalls for safety and health reasons | — |
| | B6.2 | Number of products and service related complaints received and how they are dealt with | — |
| | B6.3 | Description of practices relating to observing and protecting intellectual property rights | P. 15 |
| | B6.4 | Description of quality assurance process and recall procedures | P. 15-16 |
| | B6.5 | Description of consumer data protection and privacy policies, how they are implemented and monitored | P. 16 |
| B7 Anti-corruption | B7 | General Disclosure | P. 17 |
| | B7.1 | Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the reporting period and the outcomes of the cases | P. 17 |
| | B7.2 | Description of preventive measures and whistle-blowing procedures, how they are implemented and monitored | P. 17 |
| Community | | | |
| B8 Community Investment | B8 | General Disclosure | P. 18-20 |
| | B8.1 | Focus areas of contribution | P. 18-20 |
| | B8.2 | Resources contributed to the focus area | P. 18-20 |



GLORIOUS SUN ENTERPRISES LIMITED

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