



**KAM HING INTERNATIONAL HOLDINGS LIMITED**

**錦興國際控股有限公司**

(Incorporated in the Cayman Islands with limited liability)

Stock Code : 02307

Environmental, Social and  
Governance Report  
**2016**

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## 1 ABOUT THIS REPORT

### 1.1 ABOUT THE COMPANY

Kam Hing International Holdings Limited (along with its subsidiaries hereinafter called “Kam Hing” or “the Group”) is a Hong Kong-based corporation established in 1996. The Group has developed its business in the production of assorted fabrics including knitting, fabric dyeing, and fabric finishing.

Kam Hing has two manufacturing plants located in Mainland China’s Panyu and Enping districts. The Panyu manufacturing plant occupies an area of 338,000 m<sup>2</sup>, and is mainly responsible for operations such as yarn dyeing, fabric knitting, cotton fabric dyeing and processing. The production at the Enping manufacturing plant, occupying an area of 870,000 m<sup>2</sup>, is mainly focused on fabric knitting, cotton and functional fabric dyeing and printing solutions. Our products are distributed internationally and used by many reputable apparel designers.

### 1.2 REPORTING SCOPE

This is the Group’s first published Environmental, Social and Governance (ESG) Report covering the financial reporting period from **1 January 2016 to 31 December 2016**. All ESG-related activities during the reporting period are presented in this report.

The scope of the report respectively covers the Group’s operations in its **Hong Kong** offices and two manufacturing plants in **Panyu** and **Enping**.

### 1.3 REPORTING METHODOLOGY

This report is prepared in accordance to the reporting principles of Materiality, Quantitative, Balance and Consistency outlined in **Appendix 27** “Environmental, Social and Governance Reporting Guide” of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”). A Content Index is attached at the back of this report as a tool to direct readers to the specific sections of interest. Corporate governance is discussed more in depth in the Annual Report with regards to **Appendix 14** of the Main Board Listing Rules.

The Group has appointed Allied Sustainability and Environmental Consultants Group Limited (stock code: 8320) to develop this report.

The content of this ESG Report has been approved by the Group’s senior management team, and the Board would like to express its sincere gratitude to everyone who have contributed to this report and to the company’s environmental and social performances.

## 2 WEAVING A SUSTAINABLE FUTURE

A “business-as-usual” approach would leave the world depleted of resources and it is out-of-touch with the changing consumer trends. The Group seeks to take proactive actions toward sustainable development that will help conserve the scarce resources while meeting customer expectations.

The Group believes that a sustainable business treats environmental, social, and economic factors with equal importance. The Group endeavors to be a socially and environmentally responsible corporation by balancing the needs and expectations of all stakeholders.

This ESG report is structured around these four subjects:

### Protecting the Environment

Highlighting the Group’s efforts to raise environmental awareness and achieve environmental protection through green product design, water resources management, emissions control, energy efficiency initiatives and waste management.

### Creating a Tight-Knitted Workforce

The Group thrives to create a tight-knit community at work while providing a safe and enjoyable working environment for all.

### Developing Quality Products

Examining the Group’s quality control process that begins at the supply chain and is implemented in the entire production process.

### Investing in Communities

Highlighting the Group’s community involvements and its endeavor to build a harmonious society.

### 3 PROTECTING THE ENVIRONMENT

As a manufacturer, the Group's operations are likely to cause latent effects on the environment. Acknowledging the potential threats, the Group has taken proactive steps and allocated resources to mitigate and eliminate these threats.

The Group takes a top-down approach in managing all environmental-related issues. Starting with creating a management system that aligns with the **ISO 14001** Environmental Management Systems; an operational framework is established to help develop effective policies, train employees, develop action plans to create an environmentally conscious workforce and develop action plans to keep environmental protection as its top priority.

During the reporting period, the Group has complied with all laws and regulations related to air pollution emissions, greenhouse gas emission, wastewater discharges, and hazardous wastes and non-hazardous wastes disposal.

#### 3.1 GREEN PRODUCT DESIGN

While the level of quality requirements is usually specified by respective clients, the Group tries to incorporate sustainable elements into our product designs. For example, comprehensive life-cycle assessments are conducted prior to the design phase to assess the environmental impacts associated with all the stages of product production. Consideration is then given to improve the production process to include green elements such as eco-friendly dyes and recycled cotton, without compromising fabric quality.

##### Raw Material Selection

When procuring raw materials under feasible condition, top priority is given to eco-friendly materials such as organic cotton, Better Cotton Initiative (BCI) assured cotton<sup>1</sup>, and recycled polyester. These sustainable alternatives promote efficient use of water, nature conservation, and minimize the damaging impacts of pesticides used in traditional cotton farming process.

#### 3.2 WATER RESOURCES MANAGEMENT

Water is an essential resource that is used extensively throughout production. Considering our water usage and its impact on the environment, the Group has implemented water resources management in the production process to limit our impact and preserve the precious water resources.

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<sup>1</sup> BCI standard is a globally recognized standard certifying sustainable cotton. It implies control on environmental and social impacts made during the cotton growing process.

### Water Conservation

A number of water conservation projects has been carried out in Enping and Panyu Manufacturing Plants as a part of our sustainability initiatives:

- Reuse treated water

Unless additional fresh water is required, treated water is the primary form of water used in the production process at the two manufacturing plants. Wastewater is generated from steam heat exchanger and cooling of dyeing machines. It has undergone biological, chemical, and Reverse Osmosis water treatment process to remove contaminants and to ensure the treated water is clean and safe for reuse in textile dyeing processes.

- Use of airflow dyeing technology

The traditional dyeing machines have been replaced with the new water-saving models that use less water for the same production outputs. For example, the Group has installed airflow machines which use air instead of water to circulate the fabric for the dyeing process, thus water is further conserved.

### Water Pollution Control

The major source of water pollution originates from the chemical dyes that have dissolved in water. Improper disposal of this wastewater may lead to pollution of the nearby water bodies.

The Group has invested in innovative water treatment facilities to treat all polluted water for proper disposal and recycling. A combination of primary and secondary water treatment facilities with the addition of Reverse Osmosis and disinfection treatments are used to ensure water discharge complies with relevant standards.

All wastewater discharged are simultaneously monitored by an online monitoring system to allow the government and the Group to keep track of the Group's environmental performances and take immediate action when issues arise.

## **3.3 AIR POLLUTANT EMISSIONS CONTROL**

Both manufacturing plants at Panyu and Enping have on-site coal power station for electricity and steam generation. The electricity generated will be used across all . For example, the heat generated from coal burning will be used to generate steam for dyeing and printing processes.

The consequences of the coal-burning processes are the emission of air pollutants such as carbon dioxide, nitrogen oxides, sulfur oxides and particulates. With great concern for the environment, the Group has undertaken proactive measures to ensure emissions are meeting regulatory standards. During the reporting year, the Group has invested RMB5 million to adopt the Selective Non-Catalytic Reduction (SNCR) technology at our plants to remove dust, sulphuric pollutants and nitrous pollutants in the exhaust fumes. The Group plans to further invest RMB15 million for complete integration of the technology.

There are also monitoring devices set up at the chimneys to display real-time concentration levels of air pollutants in order for us to take corrective measures to ensure emission level are within government limits. Designated personnel are also on standby to oversee all equipment and implement immediate corrective measures when necessary.

### 3.4 ENERGY EFFICIENCY INITIATIVES

The biggest energy demand comes from equipment usage during the dyeing and printing processes. To manage the energy consumption, the Group has set up an Energy Management System (EMS), which is designed in accordance with the **PRC GB/T-23331/ISO 50001** Energy Management System. The following corresponding energy-saving initiatives are also implemented:

- Appoint Energy and Emission Reduction Team to oversee the EMS and the different energy and emission reduction initiatives
- Install high efficient dyeing machines
- Promote the recycling of water from setting machines
- Improve efficiency of water treatment plants and boilers

The adoption of the new dyeing machines not only promotes water conservation, but also promotes energy efficiency. The benefits of air-flow dyeing tanks are:

- Reduction in water consumption
- Reduction in energy consumption
- Reduction in air pollution due to lowered steam consumption
- Improvement in dye fixation

As part of the Group's overarching endeavor to minimize energy usage, the design of the factories and offices have also been taken in consideration. Production workshop has been designed and built to allow maximum penetration of natural light to reduce the need for artificial lighting. Additionally, the power-efficient LED lighting are used in the offices to further reduce energy consumption.

### 3.5 WASTE MANAGEMENT

Wastes generated throughout the manufacturing process can be classified into two categories, namely non-hazardous and hazardous wastes.

#### Non-Hazardous Waste

Non-hazardous wastes are mainly resulted from raw materials' packaging and general office operations. These wastes are sorted to identify recyclable materials such as cardboard boxes, paper tubes, and woven bags.

#### Hazardous Waste

Hazardous wastes include, but not limited to, biosolids from sewage treatments, waste tarpaulins<sup>2</sup>, dye containers, and other chemical containers. The Group has appointed third-party waste management companies to dispose the wastes. Sludge from water treatment plants are compressed and dried to form biosolids, which are then used as an alternative fuel for power station.

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<sup>2</sup> Waste tarpaulins are produced after absorbing waste oil from machine during machine maintenance and cleaning. Tarpaulins is flammable, therefore, is regarded as hazardous wastes.



## **4 CREATING A TIGHT-KNITTED WORKFORCE**

### **4.1 RESPECTING HUMAN RIGHTS**

Employees are one of the valuable assets that help realize the corporate vision. The Group values employees' individuality and thrives to provide the necessary resources to develop each employee's potential.

The Group has established a recruitment and staff development management system to effectively promote the overall development of the employees. Race, gender, religion, nationality, age, marital status, disability, sexual orientation, or any other social attributes shall not be discriminated when deciding employees' employment and compensation causes.

The Group prohibits any violation on human rights, and sanctions all use of child and forced labours. Age confirmation system is put in place to further prevent employment of child labour. Headquarter will conduct annual reviews of the system to ensure zero violations. In the financial year, there are no child or forced labour found.

Apart from child and forced labour, prolonged working hours are one of the other serious labour problems in PRC. To address this problem, the Group has directed efforts to monitor the working hours using an advanced attendance system. The Group also strictly adheres to all relevant regulations on minimum wage, rest periods, working hours and other labor conditions to protect employees' rights.

The Group always strives to build an open work environment where employees can freely express their opinions without fear of retaliation. Every year, the Group invites employees to provide feedbacks through appraisal form or employee satisfaction surveys. The employees are also welcomed to join labour union and council, participate in protest, and any other labour activism to exercise their rights.

### **4.2 NURTURING OUR PEOPLE**

The competition for talents is fierce in the industry. Every business needs a long-term and stable workforce to maintain its business development. Therefore, to attract and attain talents, we have established a comprehensive education and training system implemented by the Group's Human Resources Department.

Training scheme is designed with consideration to job requirements, job responsibilities, and employee development. Corresponding training programs are provided to cover four areas of focus: class-specific training, professional or functional training, overseas training, and employees initiated training.

For example, the Group has provided site visits for sales employees to get a better understanding of the whole manufacturing process, and strengthening their knowledge on textile production.

The mode of training has expanded beyond conventional in-class training to include E-learning. E-learning provides employees with easy access to learning without the physical restraints of the traditional classrooms.

Annual review of the training scheme is conducted to improve the content of training course to better address all stakeholders' needs.

Anti-corruption trainings are also provided to prevent any misconducts such as bribery, money laundering, and fraud.

#### **4.3 UPHOLDING BUSINESS INTEGRITY**

The Group has implemented a Code of Conduct to guide employees' workplace behaviours. The Code of Conduct incorporates any relevant laws and regulations on anti-corruption to ensure full legal compliance.

The Code of Conduct contains provision outlining employees' appropriate behaviors during their business dealings with customers, suppliers, and government officials. Employees are refrained from accepting enticements such as money, gifts, contracts, and preferential treatments. Employees are asked to sign an agreement acknowledging the Group's anti-corruption policies. Whistle-blowing systems and opinion boxes are also made available for employees to voice their concerns.

During the financial year, no corruption cases are found and the Group has complied with all the relevant laws and regulations in relation to anti-corruption.

#### 4.4 PROTECTING OUR LABOUR

Occupational health and safety is an indispensable responsibility of a business. The Group has established Occupational Health and Safety Management System (OHSMS) on top of government required safety provisions to further strengthen labour protection.

- Conduct internal safety audit at least once per year to prevent injuries and monitor the effectiveness of existing safety measures
- Provide necessary resources and equipment to protect employees from potential safety hazards
- Provide workplace health and safety trainings to enhance employees' safety awareness
- Conduct regular review and update of the OHSMS to respond to all stakeholders' latest needs.

Guided by the OHSMS, the Group has complied with all the relevant occupational health and safety laws and regulations during the financial year.

## 5 DEVELOPING QUALITY PRODUCTS

### 5.1 SECURE SUPPLY CHAIN

The Group as a textile manufacturer takes up the middleman role, interlinking suppliers with apparel brands. An essential part of the role is to balance the capacity of the suppliers with customer expectations to come up with the best product solutions. The Group has exercised environmental and social risks control on our suppliers; it has assessed and managed all the potential risks associated with the suppliers, while meeting all stakeholders' expectation on corporate responsibility and product quality.

The Group exercises the following sustainable measures as a part of supply chain management.

- Identify customer's sustainability plans and expectations, in particular their sustainability requirements, to incorporate them in the product solution
- Maintain close communication with customers and suppliers through regular visits and meetings to discuss quality assurance on issues concerning quality, delivery, health and safety.

In additional, the Group regularly conducts suppliers' Corporate Social Responsibility (CSR) survey to evaluate suppliers' CSR sustainability measures and initiatives. The scope of the CSR survey extends from product procurement to suppliers' factories management. This helps the Group assess the suppliers' environmental and social performances.

### 5.2 RESPONSIBLE TEXTILE PRODUCTS

In addition to building a secured supply chain, providing socially and environmentally responsible products are also an essential part of product quality assurance. The Group has made a name for itself in the industry for its continuous commitment to responsible production and is entrusted by many international apparel brands.

The Group's comprehensive set of Quality Management System (QMS) has been accredited with **ISO 9001: 2008** to provide safe and quality assured textiles. Regular audits are carried out to make sure the effectiveness of the system.

The Group has integrated the concept of product responsibility throughout the whole business operation; procurement, product design, manufacturing, and after sales service.

### Procurement

Procurement of reliable raw materials is paramount to the overall quality of the products. With high regard to quality, an internal list of restricted materials is put in place to ensure raw materials are safe and qualified for usage. Before deploying the raw materials to the production line, a sample of the raw materials are taken to be tested to ensure that they have not been chemically contaminated during the transportation process.

### Product Design

The Group integrates eco-efficient elements into product design and development to minimize the environmental impacts resulting from raw materials processing. Environmental impacts associated with each production stage is identified in order to come up with more eco-friendly alternatives or solutions.

### Manufacturing

The Group has a stringent management control in place for each stage of production from products storage to quality assurance, each stage is carefully monitored to identify and eliminate any possibility of contaminations. All the products have been accredited with globally recognized quality certifications such as the Global Organic Textile Standard (GOTS), Organic Content Standard (OCS), Global Recycle Standard (GRS) and Oeko-tex Standard.

### After-sales

Feedbacks are highly valuable for the Group to identify issues and improve its products and services to ensure complete customer satisfaction. The Group takes proactive steps to engage with customers to seek feedbacks and learn about their satisfactory level. The Group will regularly review the feedbacks and take immediate follow up actions when necessary.

## 6 INVESTING IN COMMUNITY

The Group strives to create values for both of its internal and external stakeholders. We are continuously working towards building a harmonious society. This is the very reason why the Group felt the need to establish a corporate Code of Conduct to guide our social responsibility.

Seeking to provide an all-round learning experience that extends beyond career development to embolden personal empowerment. Employees are encouraged to participate in volunteer works to cultivate their spirit of dedication and team work, while giving back to the society. In the financial year, priorities have been given to address social issues in the areas of elderly care, employment and family care.

The Group's labour union is responsible for providing the various volunteer and charity opportunities for employees. During the reporting year, employees have been invited to visit elderly center to spread love for the elderly, and participate in charity hikes to support community outreach programs for teens.

The Group has also supported the local charity, Community Chest, for their efforts in relieving social problems. Employees also joined the 10 km Walks for Millions to raise funds for family services.

In the financial year, the Group donated a total amount of HK1.5 million to various charitable organizations and created 6,000 employment opportunities.

The Group has established a good working and social relationship with the local communities, industries peers, governmental authorities, and international organizations to work together to building a better society. In the near future, the Group will continue to uphold its corporate responsibility and sustainable development to contribute to the society.

## 7 CONTENT INDEX

This report is prepared in accordance with the Environmental, Social and Governance Reporting Guide of the Stock Exchange. General disclosures with related page numbers are set out in the table below.

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