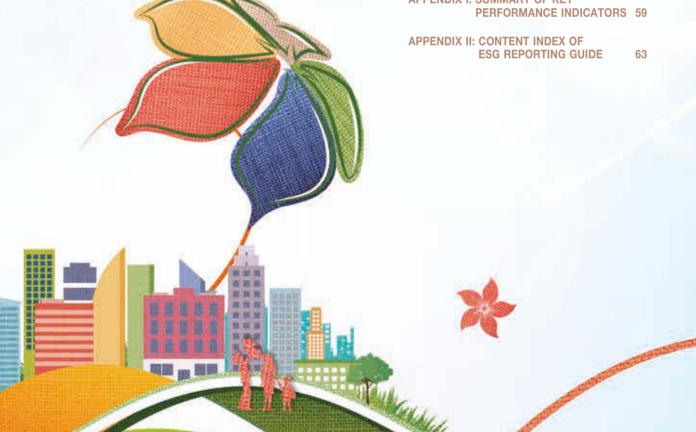




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SOCIAL WELLBEING



ABOUT ESG REPORT

Weiqiao Textile Company Limited (the "Company") and its subsidiaries (collectively "Weiqiao Textile", the "Group" or "We") are pleased to release the Environmental, Social and Governance ("ESG") report for 2021, which provides detailed information on the various works of Weiqiao Textile in full implementation of the concept of sustainable development and fulfilment of corporate social responsibility in 2021. For details of corporate governance, please refer to the "Corporate Governance Report" set out in the annual report of the Group for the year 2021.

Reporting Scope

ESG report focuses on the environmental and social performance of the core business of Weiqiao Textile in the People's Republic of China (the "PRC") from 1 January 2021 to 31 December 2021 (the "Year"). The aspects and key performance indicators as disclosed in the ESG report cover the Company and all of its subsidiaries (unless otherwise specified), and data regarding the environmental and social aspects are set out in Appendix I, while the key performance indicators regarding the environmental and social aspects have all complied with the principle of "comply or explain".

Reporting Standard

The ESG report has been prepared in accordance with the Environmental, Social and Governance Reporting Guide under Appendix 27 to the Main Board Listing Rules of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The content of the report has complied with the reporting principles under the Environmental, Social and Governance Reporting Guide. The monetary unit in the ESG report is Renminbi ("RMB"), unless otherwise specified.

Reporting Principles

The content of the ESG report is determined through the processes of stakeholder engagement and materiality assessment, which includes identifying ESG-related issues, collecting and reviewing the management's and stakeholders' opinions, assessing the relevance and materiality of the issues, and preparing and validating the information reported. The ESG report covers all key issues which concern different stakeholders. For details of the materiality assessment exercise, please refer to the "Materiality assessment" section in this report.

The applicable quantitative key performance indicators set out in the Environmental, Social and Governance Reporting Guide under Appendix 27 to the Main Board Listing Rules of the Stock Exchange are disclosed in the ESG report so that stakeholders are able to have a comprehensive understanding of the Group's ESG performance. Information on the standards, methodologies, assumptions and references for calculations used for reporting emissions, and conversion factors used in these key performance indicators are stated wherever appropriate. To facilitate comparison of ESG performances among years, the Group has adopted consistent calculation methodologies as far as reasonably practicable. For any changes in methodologies, the Group has presented and explained in detail in corresponding sections.

Information and Feedback

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

CHAIRMAN'S STATEMENT

As one of the largest cotton textile enterprises in China, Weiqiao Textile is always committed to fully practicing the sustainability concept and fulfilling its corporate social responsibility. This ESG report covers our work and performance in sustainable development during the Year.

During the Year, faced with the challenges as a result of the pandemic being a new normal as well as the negative impacts from factors such as strained supply chain, inflation pressure and rising energy prices, the Group continued to implement all-round pandemic prevention and control measures to ensure orderly and stable production and operation of the Group. In addition, the Group continued to increase investments in business transformation and upgrading, pushed forward automatic and intelligent technology transformation, and strived to strengthen the Company's competitiveness through digital technology empowerment and green transformation, with an aim to make contributions to the sustainable development of the society.

In order to improve production profitability, the Group continued to push forward the major project of constructing green and intelligent integrated textile factories and accelerated the



transformation from old to new dynamics while implementing a series of technology improvements for energy conservation. The green intellectualized factories actualized the intellectualization of the entire production process, the intelligentization of the control system, the informatization of the online monitoring and the greenization of the manufacturing process, the overall technology has reached international leading level, and these factories have been included into the List of Intelligent Factories of Shandong Province in 2021. In addition, the intelligent yarn spinning project of Weiqiao Textile was included into the List of National Smart Enterprise Construction Innovation Cases in 2021. Furthermore, the Group made strenuous efforts to promote circular economy and facilitate energy conservation and consumption reduction. On one hand, the Group developed green recycling industries such as recycled cotton to generally improve the level of recycling of cotton resources, and on the other hand, the Group optimised the technological process and improved the equipment efficiency to achieve efficient utilisation of energy.

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



In terms of green development, the Group made active response to the national policy of "Carbon Peak and Carbon Neutrality" through optimisation of its energy structure. The Group has passed the certification of Global Recycled Standard (GRS), and was included into the List of National Green Factories. The Group continued to increase the proportion of green energy, and constructed distributed solar power generation projects on the roof of plant buildings, with completed portion of such projects achieving grid-connected power generation. Meanwhile, the Group strengthened industry-university-research cooperation and developed green and innovative products, which were translated into the inherent driving force for the high-quality and sustainable development. In our effort to achieve the goal of carbon neutrality, the Group expedited the implementation of the strategic plan of "Carbon Peak and Carbon Neutrality". Through cooperation with the Office for Social Responsibility of China National Textile And Apparel Council, Weiqiao Textile participated in the Climate Stewardship 2030 Initiative initiated by China National Textile And Apparel Council and released its goals of "Carbon Peak and Carbon Neutrality", aiming to achieve carbon peak by 2023 and carbon neutrality for its operation by 2049.

In respect of employees' rights and interests, the Group has adopted all kinds of effective measures to improve its working environment, with an aim to provide them with better protection and benefits. Adhering to the people-oriented human resources management concept, the Group continued to fortify the integrated training mechanism and incentive mechanism covering training, appraisal and remuneration, building up a team of high-quality talents.

In respect of social welfare, the Group attaches great importance to its corporate social responsibility. While pursuing business development, the Group is also dedicated to promoting social development and pays close attention to the society's social well-being. By giving full play to the "Shiping Foundation", the Group established teaching scholarship or research fund in University of Chinese Academy of Sciences, Donghua University and Central South University, and donated RMB40 million to support flood disaster relief in Henan and Shanxi Provinces.

In the future, the Group will continue to practice its ESG philosophy and fulfil its social responsibilities of energy conservation and environmental protection with the implementation of high standards and strict requirements. While aligning itself with the strategy of green development, the Group will speed up the pace to perform digital transformation, build intelligent plants, and implement transformation and improvement on existing assets, in an effort to facilitate green and low-carbon high-quality development.

Ms. Zhang HongxiaChairman

30 May 2022





ABOUT WEIQIAO TEXTILE

Corporate Overview

Weiqiao Textile is a listed subsidiary of Shandong Weiqiao Chuangye Group Company Limited (山東魏橋創業集團有限公司) ("Weiqiao Chuangye"), and is mainly engaged in the production, sales and distribution of cotton yarn, grey fabric and denim, and electricity and steam business, making itself one of the world's largest cotton textile enterprises in terms of production scale. Owing to its four production bases and solid technological strength, Weiqiao Textile has the capability to produce high-tech and high added-value products. During the Year, Weiqiao Textile had an annual output of approximately 411,000 tonnes of cotton yarn, 728 million metres of grey fabric and 39 million metres of denim, and developed over 3,591 new products. During the Year, the Group also recorded an excellent gross production to sales ratio, which represented an increase of 0.28% over that of last year. In particular, the production to sales ratio for denim was 148.33%, representing a year-on-year increase of 76.81%. In addition, tailor-made new product shipments grew by 13.99% on a year-on-year basis, and domestic sales recorded a year-on-year increase of 36.64%, while the domestic sales of non-cotton and blended yarn products increased by 38.69% on a year-on-year basis. Revenue from exports recorded a year-on-year increase of 33.3%, while revenue from export of non-cotton and blended yarn products increased by 20.09% on a year-on-year basis.

The Group continues to push forward business transformation and upgrading, makes great efforts to improve its intelligent operation, and meanwhile optimises its product portfolio in an active manner. During the Year, in terms of product research and development, the Group continued to adhere to the innovation strategy and focused on the development of new functional products, gradually increasing the proportion of middle-to-high-end products. On the production and operation front, the Group continued to adhere to the management innovation strategy, and enhanced the intelligent and digital operation of its equipment by implementing technology improvement on the equipment, so as to improve production efficiency. During the Year, the Group was included into the List of National Smart Enterprise Construction Innovation Cases in 2021, while the intelligent yarn spinning project of Weiqiao Textile was selected as one of the National Smart Enterprise Construction Innovation Cases in 2021. On the sales front, by taking the initiative in conforming to market demands, the Group made great efforts to adapt to the more complex and changing market environment, thereby retaining its shares in the domestic and international markets.

Management Philosophy

Marie Constitution of the last

Upholding the core value of "serving the country and benefiting the people", Weiqiao Textile takes it as its driving force and mission to facilitate social and economic development, provide job opportunities, increase income for employees and build a harmonious society, in a bid to contribute to the social and economic development. Meanwhile, Weiqiao Textile has also fully implemented the new development concept and promoted high quality development, in an effort to facilitate the transformation and upgrading of the traditional manufacturing industry. Weiqiao Textile also proactively practises the concept of green manufacturing, and continues to push forward pollution control, emission reduction and comprehensive utilisation of resources, fulfilling the social responsibilities of energy conservation and environmental protection by meeting high standards and strict requirements. While continuous efforts are made to increase our intrinsic value and create the maximum return for the shareholders, we are committed to facilitating the sustainable development of the environment.

ABOUT WEIQIAO TEXTILE

Board Governance Statement

A top-bottom ESG framework was established by the Group for effective implementation of the sustainable development philosophy, under which, all levels of the Group, from the Board at the top end to all working units at the base, are assigned with clearly defined responsibilities, so as to ensure the effective execution of the policies and measures in respect of the environmental and social responsibilities to be performed by the Group. The Board of the Group, as a leading role, shall perform direct supervision over the execution of the Group's ESG related issues, and monitor and direct communications among different departments, for the purpose of more convenient cooperation and negotiation with respect to the ESG related issues. In the meantime, the Board is also responsible for supervision on the drafting and finalising of the annual ESG report, and review of the content and quality of the ESG report, making sure that the ESG report is up to the requirements of the Board.

Regarding the management of the ESG related risks, the Board actively monitors and seeks more effective ESG strategies and solutions that meet the overall sustainability principle of the Group, with an aim of ensuring that, there is a tight alignment between the Company's business operation and the latest developments of the ESG related issues worldwide, thereby preventing and minimising the adverse impacts of the Group's business. In addition, an independent third-party consulting firm was engaged during the Year by the Board to assist in managing the Group's ESG issues, conduct collection and analysis of data and information, and provide recommendations based on its ESG performance. The consulting firm also helped the Board to collect and analyse the opinions of the Group's stakeholders towards the ESG issues, which a materiality assessment was conducted to allow stakeholders to score and prioritise each ESG issues according to their degrees of concern, so as to identify those ESG issues material to the Group and formulate a long-term development strategy.

The management will then coordinate and supervise the implementation of the sustainable development principle and strategy, and contribute to the stipulation of relevant policies and measures. Respective working units shall be responsible for the implementation of relevant policies and measures during respective stages of business operation. Furthermore, the Board will also stringently monitor the number of ESG related training sessions attended by employees and the quality of those trainings, and from time to time review the principle and policies of sustainable development for necessary adjustments, so that the performance, as well as the effectiveness, feasibility and applicability, of the ESG policies promoted by the Group could be guaranteed.



Stakeholder engagement

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



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

| Stakeholders | Expectations and requirements | Communication and response mode | |
|---------------------------------------|---|--|--|
| Government and regulatory authorities | Compliance with national policies, laws and regulations Promotion of local economic development Contribution in local employment Tax payment on time | Regular submission of information Regular communication with regulatory authorities Dedicated reports Inspection and supervision | |
| Shareholders | Investment returns Operation in compliance Growth in company value Information transparency and effective communication | General meetings Announcement and circular by the Group Email, telephone communication and company website Dedicated reports On-site inspections | |
| Business partners | Operation with integrity Fair competition Fulfilment of agreements by law Mutual benefits and win-win cooperation | Review and assessment meetings Business communications Exchanges and discussion Engagement and cooperation | |
| Customers | Quality products and services Health and safety Fulfilment of agreements by law Operation with integrity | Customer service centre and hotlines Customer feedback surveys Communication meetings with the customers Social media platforms Return visit | |
| Environment | Fulfilment of emission standards Energy conservation and emission reduction Ecological protection Efficient use of water resources | Communication with local environmental protection department Communication with local residents Reports submission Research surveys | |

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| Stakeholders | Expectations and requirements | Communication and response mode |
|--------------------------|---|---|
| Industry | Development of industry standardsPromotion of industry development | Communication with local labour department Participation in industry forums Visits and inspections with industry peers |
| Employees | Protection of rights and interests Occupational health and safety Remuneration and benefits Career development Care for employees | Employee meetings In-house journals and intranet Employee mailboxes Trainings and workshops Employee activities Employee representatives meetings Round-table democratic meetings |
| Community and the public | Improvement of community environment Engagement in community welfare Openness and transparency of information | Company website Company announcement Interview with media Social media platforms Communication meetings with the community |

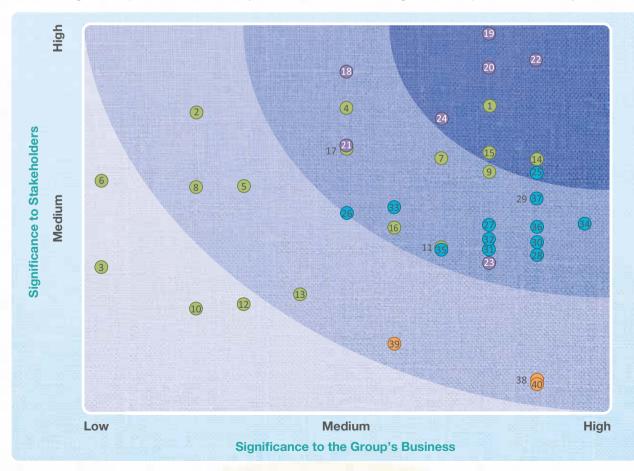


Materiality assessment

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

- (i) Based on the relevant national and local standards and policies, industry characteristics and the development of the Group, we have identified 40 potential material issues in respect of ESG that may have an impact on the Group's business or the stakeholders;
- (ii) We have invited internal and external stakeholders (including staff, management, directors, clients, suppliers and communities) to fill in questionnaires online, so as to collect and identify their level of concern for each of such issues;
- (iii) We have established the two-dimensional matrix as "significance to the Group's business" and "significance to stakeholders" by conducting analysis on 868 valid questionnaires, so as to determine the priority of the potential material issues.

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



Mark Control of the

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

By analysing the results of questionnaire survey, the Group has identified 8 material issues which are disclosed in detail in the ESG report.

| Ma | terial issues | Corresponding sections |
|----|---|--|
| 1 | Compliance with laws and regulations relating to environmental protection | Emission Management Energy Conservation and Emission Reduction |
| 14 | Management of soil pollution | Emission Management Ecological Protection |
| 15 | Ecological Protection | Ecological Protection |
| 19 | Remuneration and benefits | Employment Policy Caring for Employees |
| 20 | Working hours and holidays | Employment Policy |
| 22 | Occupational health and safety | Occupational health and safety |
| 24 | Child labour and forced labour | Employment Policy |
| 25 | Compliance with laws and regulations relating to operation | Supply Chain Management Quality Assurance Product Promotion Customer Service Privacy Protection Anti-corruption Practice |

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United Nations Sustainable Development Goals (UN SDGs)

As the global goals, the Group believes that sustainability policies are essential for our future development. As such, the Group is committed to promoting environmental, social and economic benefits and spares no efforts in fulfilling its corporate responsibility. The Group commits itself to developing into a leading textile producer in sustainability performance among its global peers. To achieve this goal, the Group takes into consideration of sustainability component in the formulation of management policies, decision-making process and each operation aspect. In addition, the Group also works together with the clients, communities, suppliers and other stakeholders to achieve these sustainable development goals.

In response to the UN initiative, the Group identified 8 most relevant sustainable development goals, and focused on these areas to make contributions and produce positive effect. The table below illustrates all relevant goals and summarises the positive effect in respect of each indicator during the Year.

| UN SDGs | Description of targets | Positive effect |
|------------------------------|--|--|
| 3 GOOD HEALTH AND WELL-BEING | 3.9 By 2030, substantially reduce the number of deaths and illnesses from hazardous chemicals and air, water and soil pollution. | The Group implemented a fully enclosed transformation for its coal yards, effectively reducing the dust produced and realising the "invisible coal in combustion (燃煤不見煤)". The Group installed dedust, desulphurisation and denitrification devices on all power generator units, and all hazardous wastes were properly treated and stored. |
| 4 QUALITY EDUCATION | 4.3 By 2030, ensure equal access for all women and men to affordable and quality technical, vocational and tertiary education, including university. | The Group participated in "Sanyi Education Sponsorship Campaign (三一助學活動)" and formed several groups for poverty alleviation and education sponsorship, providing the underprivileged groups with equal opportunity to receive education. |
| | 4.5 By 2030, eliminate gender disparities in education and ensure equal access to all levels of education and vocational training for the vulnerable, including persons with disabilities, indigenous peoples and children in vulnerable situations. | The Group provided financial assistance for employees with financial difficulties to ensure that their children would not be deprived of access to education due to poverty, and offered financial aid of RMB88,000 in aggregate to poverty-stricken students in Zouping City. |



UN SDGs CLEAN WATER

AND SANITATION

Description of targets

6.4 By 2030, substantially increase water-use efficiency across all sectors and ensure sustainable withdrawals and supply of freshwater to address water scarcity and substantially reduce the number of people suffering from water scarcity.

Positive effect

The Group pushed forward the implementation of projects on recycling of condensate water from sizing-dyeing machines and recycling of water from sizing machines, which have been included into the Catalogue of Energy Conservation and Emission Reduction Technology and Innovative Application (《節能減排技術暨創新應用目錄》) issued by China Cotton Textile Association and the Catalogue of Industrial Water-saving Techniques, Technologies and Equipment Encouraged by the State (《國家鼓勵的工業節水工藝技術和裝備目錄》) released by the MIIT and the Ministry of Water Resource.

8 DECENT WORK AND ECONOMIC GROWTH

8.5 By 2030, achieve full and productive employment and decent work for all women and men, including for young people and persons with disabilities, and equal pay for work of equal value.

The Group strived to attract talents from or at different culture, background and levels, providing a platform for employees to fully demonstrate their talents. Meanwhile, the Group verified the identification information of each applicant in accordance with the relevant regulations such as the Provisions on the Prohibition of Using Child Labour, so as to ensure that they are lawfully employable.

8.7 Take immediate and effective measures to eradicate forced labour, end modern slavery and human trafficking and secure the prohibition and elimination of the worst forms of child labour, including recruitment and use of child soldiers, and by 2025 end child labour in all its forms.

The Group was not aware of any use of child labour during the Year.

12 RESPONSIBLE CONSUMPTION AND PRODUCTION



12.2 By 2030, achieve the sustainable management and efficient use of natural resources.

The Group promoted reuse of all recyclable wastes as much as possible to reduce wastes transported to landfill yards and alleviate impacts on the environment.

12.5 By 2030, substantially reduce waste generation through prevention, reduction, recycling and reuse.

We recycled 1,803 thousand tonnes of non-hazardous wastes during the Year.

ABOUT WEIQIAO TEXTILE

| UN SDGs | Description of targets | Positive effect |
|---------------------|--|---|
| 13 CLIMATE ACTION | 13.3 Improve education, awareness-raising and human and institutional capacity on climate change mitigation, adaptation, impact reduction and early warning. | The training programmes cover manufacturing process, national policies on energy conservation, the importance of environmental protection as well as requirements of energy conservation and emission reduction and environmental control indicators, etc. |
| 14 LIFE BELOW WATER | 14.1 By 2025, prevent and significantly reduce marine pollution of all kinds, in particular from land-based activities, including marine debris and nutrient pollution. | The Group had in place measures to ensure proper treatment of various types of wastes, so as to dispose and store wastes properly and facilitate recycle and reuse of all available resources as much as possible. Efforts have been made to cut demands for resources and reduce pollution on the ecological system. |
| 15 LIFE ON LAND | 15.4 By 2030, ensure the conservation of mountain ecosystems, including their biodiversity, in order to enhance their capacity to provide benefits that are essential for sustainable development. | The Group was committed to promoting environmental protection and encouraged its staff to participate in tree-planting activities. The Group has planted 107,087 trees since commencement of operation. |

FULFILMENT OF CORPORATE ENVIRONMENTAL RESPONSIBILITY

Weiqiao Textile has been implementing the green development initiatives proposed by the government. In response to the national policies on resource conservation and environmental protection, we have made strenuous effort to promote the sustainable development of the Company, society, our country and hence the whole world. As a member of the textile industry which constitutes an important industrial segment in China, Weiqiao Textile takes the leading role of the industry and incorporates the concepts of green manufacturing as well as energy conservation and emission reduction into our production, operation and management process, so as to fully fulfil our responsibility in respect of environmental protection.

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

Emission Management

Wastewater treatment

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

FULFILMENT OF CORPORATE ENVIRONMENTAL RESPONSIBILITY

| Wastewater treatment plants | Sources of wastewater | Discharge channels | Discharge standards |
|---|---|--|--|
| Weiqiao Chuangye W a s t e w a t e r Treatment Plant | Industrial wastewater from textile production and domestic wastewater generated by Shandong Minghong Textile Technology Co., Ltd., a subsidiary of the Company | Reused or discharged into the Xiaoqing River after being treated to meet standards | Integrated Wastewater Discharge Standard for Basin Part 3: Xiaoqing River Basin (DB37/3416.3-2018) |
| Denim Wastewater Treatment Plant in Zouwei No.3 Industrial Park | Industrial wastewater from denim and textile plants production and domestic sewage generated by Zouwei No.3 Industrial Park of the Company | Discharged into the wastewater treatment plant of Zouping City via the municipal sewage pipeline network after being treated to meet standards | Discharge Standards of Water Pollutants for Dyeing and Finishing of Textile Industry (GB4287-2012) |
| Wastewater Treatment Plant in Binzhou Weiqiao Technology Industrial Park | Industrial wastewater from textile production and domestic wastewater generated by Binzhou Weiqiao Technology Industrial Park Company Limited, a subsidiary of the Company | Discharged into the wastewater treatment plant of Binzhou City via the municipal sewage pipeline network after being treated to meet standards | Wastewater Quality Standards for Discharge to Municipal Sewers (GB/T31962- 2015) |
| | Industrial wastewater from textile production and domestic wastewater generated by Weihai Weiqiao Technology Industrial Park Company Limited and Weihai Weiqiao Textile Company Limited (both being the Company's subsidiaries) and industrial wastewater from production and domestic wastewater generated by Weihai Power Plant | Discharged into the wastewater treatment plant of Weihai City via the municipal sewage pipeline network | Wastewater Quality Standards for Discharge to Municipal Sewers (GB/T31962- 2015) |
| - | Industrial wastewater from textile production and domestic wastewater generated by Shandong Hongjie Textile Technology Company Limited and Shandong Hongru Textile Technology Company Limited (both being the Company's subsidiaries) | Discharged into the wastewater treatment plant of Zouping City via the municipal sewage pipeline network | Wastewater Quality Standards for Discharge to Municipal Sewers (GB/T31962- 2015) |
| Wastewater treatment system of Zouping County Huineng Thermal Power Company Limited ("Huineng Thermal Power") | Industrial wastewater from production and domestic wastewater generated by Huineng Thermal Power | Discharged into the wastewater treatment plant of Changshan Town, Zouping City via the municipal sewage pipeline network after being treated to meet standards | Wastewater Quality Standards for Discharge to Municipal Sewers (GB/T31962- 2015) |



During the Year, in order to improve the capability of the employees of the wastewater treatment plants in handling all kinds of emergency incidents, the Group carried out annual emergency drill in accordance with the Emergency Response Plan of the Wastewater Treatment Plants. The No.4 Wastewater Treatment Plant carried out emergency drill regarding environmental contingency due to equipment failure during the Year, with an aim to examine the operability of the emergency response plan and enhance the staff's capability in handling such contingency situation. Through the drill, relevant staff can familiarise themselves with the liaison, handling process and treatment upon the occurrence of such incident to minimise the impacts of the incident on the environment and staff.





Environmental emergency drill

Exhaust gas treatment

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

FULFILMENT OF CORPORATE ENVIRONMENTAL RESPONSIBILITY

Disposal of solid waste

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

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

The Group promotes reuse of all recyclable wastes as much as possible to reduce wastes transported to landfill yards and alleviate impacts on the environment. We recycled 1,803 thousand tonnes of non-hazardous wastes during the Year. The Group has also formulated the Plan for Reduction of Hazardous Wastes, and made proactive efforts to reduce the generation of and impacts by the hazardous wastes by focusing on reduction of such wastes at the source. The Group developed concrete measures to reduce major hazardous wastes such as catalyst agents, lubricating oil and batteries, and carried out regular inspection, repair and maintenance and enhanced equipment management to reduce damages and extend the respective serving life of various materials and equipment, so as to avoid wastage. The Group is committed to reducing all kinds of emission and recycling reusable resources to ensure a sustainable production mode, and implements proper treatment of hazardous wastes to lower the possibility of polluting the terrestrial and marine ecosystems, in an effort to achieve UN SDGs 3.9, 12.2, 12.5, 14.1 and 15.4.





Noise control

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

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

During the Year, Weiqiao Textile engaged a third party agency to conduct noise detection within the industrial parks for the purpose of assessing the impacts of the noises from the operation of the wastewater treatment plants on the surrounding areas, so as to determine whether the noise level of such plants complied with the relevant criteria and make necessary improvements accordingly, in an effort to mitigate the impacts of such noises on the environment and the employees' health.

Energy Conservation and Emission Reduction

Promotion and education

In order to inspire employees to actively engage in energy conservation and emission reduction, the Group strives to enhance employees' awareness of energy conservation and emission reduction through promotion and education. The Group organises promotion and education on energy conservation, with an aim to enhance their awareness of responsibility, energy conservation and environmental protection, and hence inspire and encourage all employees to create a good atmosphere of promoting energy conservation and emission reduction. The Group provides trainings on energy conservation and emission reduction for the employees which cover manufacturing process of the Company, national policies on energy conservation, the importance of environmental protection as well as requirements of energy conservation and emission reduction and environmental control indicators, etc. These trainings help our employees to gain further understanding of the importance of cleaner production and work on energy conservation and emission reduction, so as to enhance and promote their awareness of environmental protection and capability in mitigating climate change, which is in line with the UN SDG 13.3.



Training on energy conservation and emission reduction

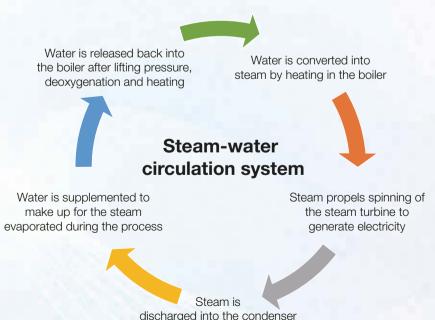
FULFILMENT OF CORPORATE ENVIRONMENTAL RESPONSIBILITY

Energy Conservation

The Group has its own power plants which supply electricity and steam for its operations. The electricity is mainly used by the power consuming equipment in textile production and the living quarters of the employees, while the steam is mainly used for processes like power generation by driving steam turbines, yarn spinning and sizing as well as heating in winter. In order to improve the utilisation efficiency of electricity, the Group continues to improve and update its existing equipment and technologies by using LED (Light-emitting diode) lamps, energy-saving controllers, frequency inverters, inverter fans and other energy-saving products and accessories. The Group continued to increase the proportion of green energy, and constructed distributed solar power generation projects on the roof of plant buildings, with portion construction of such projects completed and were integrated into power supply grid for operation during power generation process during the Year, taking concrete actions to support green energy development.



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



where it is condensed into water



Reducing water consumption

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

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

Several water-saving sustainable projects initiated by Weiqiao Textile have gained the recognition of China Cotton Textile Association and the Ministry of Industry and Information Technology of the PRC (the "MIIT"). For example, our projects on recycling of condensate water from sizing-dyeing machines and recycling of water from sizing machines have been included into the Catalogue of Energy Conservation and Emission Reduction Technology and Innovative Application (《節能減排技術暨創新應用目錄》) issued by China Cotton Textile Association and the Catalogue of Industrial Water-saving Techniques, Technologies and Equipment Encouraged by the State (《國家 鼓勵的工業節水工藝技術和裝備目錄》) released by the MIIT and the Ministry of Water Resources. By significantly improving utilisation efficiency of water resources, the Group strives to reduce demands for water resources and water resource pollution, in an effort to achieve UN SDG 6.4.

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FULFILMENT OF CORPORATE ENVIRONMENTAL RESPONSIBILITY

Efficient use of materials

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

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

Achievements in energy conservation and emission reduction

Weiqiao Textile has made remarkable achievements in energy conservation and emission reduction over the past years. During the Year, the Group kept up its pace and carried out technology improvement on the circulating slurry pump units. The Group made strenuous efforts to reduce energy consumption and promote a more sustainable production process, while lowered work intensity and production cost.

Technology Improvement on the Circulating Slurry Pump Units

The significant outlet pressure of the circulating slurry pump units leads to frequent damage and leakage of the equipment and higher electricity consumption. Therefore, we carried out technology improvement on the circulating slurry pump units to lower pipeline pressure, reduce wear and tear of expansion joints, nozzles, impellers and other equipment, and extend the useful life of the equipment. Through technology improvement on the circulating slurry pump units, we are expected to save by approximately RMB950,000 as compared with last year.

In addition, before the aforesaid technology improvement, the circulating slurry pump units need to be restarted upon change of the properties of sulfur that are fed into the units, while the units after the technology improvement are able to run regardless the properties of sulfur, so as to ensure stable operation of the units. Furthermore, we are also able to conduct fine-tuning of the frequency of the circulating slurry pump units after the technology improvement, so as to keep a constant pH value of the slurry, improve the efficiency of desulphurisation and maintain a good quality of the slurry.





Green Office

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

- require employees to turn off all kinds of electrical appliances after work;
- reduce stand-by energy consumption of office equipment such as computers, printers and duplicators;
- adopt the automatic air-conditioning management system which is equipped with central control, remote temperature and humidity sensors, etc.;
- strengthen electricity-saving management of lighting system by adopting selective lighting design for large offices;
- use video conference system properly;
- promote recycling of resources such as office paper by sticking to double-sided printing;
- print promotion brochures for enterprise advertisement and product promotion according to head counts;
- upload and share documents and materials through electronic communication means such as the office system independently developed by the IT Centre, internal LAN and communication software, so as to reduce unnecessary printing;
- give priority to more energy-efficient and reusable products when office equipment such as air-conditioners, computers, lights and cartridges needs replacement;
- reduce the use of disposable items such as paper cups;

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- reduce the use of business vehicles and carry out regular maintenance of vehicles to reduce oil consumption; and
- in active response to the environmental protection policy implemented by the government, require the employees to commute on foot, by public transportation and private vehicles on alternate no-drive days, with an aim to promote travelling in an environmental-friendly means.

FULFILMENT OF CORPORATE ENVIRONMENTAL RESPONSIBILITY

Ecological Protection

The exhaust gas, wastewater and GHG emission generated from our production and operation impose potential risks on the ecological environment. In order to reduce potential risks and build a harmonious ecological environment, the Group strictly complied with the Law of Environmental Protection of the People's Republic of China, the Law of the People's Republic of China on the Prevention and Control of Water Pollution, the Law of the People's Republic of China on the Prevention and Control of Environmental Pollution by Solid Waste, the Law of the People's Republic of China on the Prevention and Control of Atmospheric Pollution and other relevant laws and regulations. The Group diligently carries out environmental monitoring and takes measures for land protection during the development, construction and operation of its projects. The Group conducts regular land monitoring to ensure no leakage in the underground transmission pipeline and storage tanks of industrial wastewater, and the underground pipelines, water tanks and other facilities within the plants are equipped with seepage-proof measures to prevent the contamination of soil and underground water. The Group will continue to improve relevant soil survey works, so as to protect the land and build a pleasant plant environment. In addition, the Group promotes voluntary environmental protection activities and encourages its staff to proactively participate in voluntary treeplanting and other public welfare environmental protection activities, contributing to environmental protection. The Group has planted 107,087 trees on a net basis since its commencement of operation, of which a total of 49,763 different plants were planted during the Year, making its contributions to the global efforts in improving climate change, reversing land degradation and restoring greenland ecosystem.





Tree-planting activity



Response to Climate Change

Climate change and other environmental issues represent a great challenge currently confronted by the world, and, more importantly, present risks to the Group's business. In order to deal with the extreme weather conditions and natural disasters brought by climate change, the Group has established a series of policies and measures for the wastewater treatment plants to cope with various extreme weather conditions and natural disasters in accordance with the Emergency Response Law of the People's Republic of China, the Flood Control Law of the People's Republic of China, the Law of the People's Republic of China on Protecting Against and Mitigating Earthquake Disasters and other national laws and regulations.

The Group has identified different transitional risks in this regard, such as stricter responsibility of reporting the emission of greenhouse gases, more rigorous requirements and regulations on existing services, and other policy risks. In response to rising concerns over global warming and climate change, the Group has to replace its current products and services with solutions that are featured with low emission of greenhouse gases, and implement low-carbon transformation by converting its production mode to adapt to technologies with lower emission of greenhouse gases, which will increase the operating costs of the Group. In addition, various physical risks could be brought by climate change, that is, the Group may in the future be confronted by more severe extreme weather events and a change in rainfall patterns, whose business would be threatened, and its business and financial performance may be affected (e.g. increase in maintenance expenses due to damages to facilities by more frequent natural calamities), resulting in direct and indirect impacts on the Group's operation.

Upholding the "Safety First" principle, the Group strictly implements the relevant management measures and requires the management personnel to set a good example for the employees, with an aim to safeguard the safety of the employees and reduce property loss. Regular management and monitoring over climate related risks will also be conducted by the Group by communicating with stakeholders to understand and identify the climate risks that may impact the business. In order to safeguard the safety of our employees, we carry out strengthening works for the hanging and high-altitude facilities such as large-scale outdoor label signs and scaffolds before typhoons to prevent injuries caused by objects falling from height. We also formulate relevant emergency response plans and special working arrangements to cope with different extreme weather conditions. As a part of our flood-proof efforts, the Group conducts seasonal inspections to identify relevant risks and carry out prompt repair and maintenance works upon identification of any hidden hazards. In addition, we equip the plants with backup pumps to ensure sufficient wastewater discharge capacity. Meanwhile, we monitor the wastewater data to ensure compliance with the required wastewater discharge standards even under emergency circumstance. The Group organizes emergency drills periodically to ensure that the management personnel have the capability to address emergencies, with an aim to control, mitigate and eliminate the damage and impact brought by the emergent incidents and extreme weather events.

In order to alleviate global warming, the Group made active response to the national policy of "Carbon Peak and Carbon Neutrality" through optimisation of its energy structure. The Group has passed the certification of Global Recycled Standard (GRS), and was included into the List of National Green Factories. The Group expedited the implementation of the strategic plan of "Carbon Peak and Carbon Neutrality". Through cooperation with the Office for Social Responsibility of China National Textile And Apparel Council, Weigiao Textile participated in the Climate Stewardship 2030 Initiative initiated by China National Textile And Apparel Council and released its goals of "Carbon Peak and Carbon Neutrality", aiming to achieve carbon peak by 2023 and carbon neutrality for its operation by 2049. In addition, the Group has also established targets for other environmental aspects, further aligning the future development of the Group's business with the sustainability requirement.

| Aspects | Relevant targets | |
|-----------------------------|--|--|
| Greenhouse gas | Achieve carbon peak by 2023 and carbon neutrality for its operation by 2049 Reduce greenhouse gas emission | |
| Waste pollutants | Reduce waste discharge | |
| Energy consumption | Reduce energy consumption | |
| Water resources consumption | Reduce water consumption and promote water recycling | |
| | 2021 Environmental, Social and Governance Report 25 | |

ESTABLISHING HARMONIOUS LABOUR RELATIONS

Weiqiao Textile regards all employees as an important pillar for the Group and a cornerstone for its growth and development. Employees also drive and vitalise the Group. Weiqiao Textile not only strives to create a safe working environment and promising career development path for the employees, but also truly cares about employees' well-being by providing them with competitive remuneration and benefits. By instilling employees with a sense of responsibility of "treating plant as home", Weiqiao Textile motivates the employees' enthusiasm and creativity and enhances the inner-company cohesion and centripetal force, so as to promote mutual development between the employees and the Company and build a team of excellent and competent talents.

Employment Policy

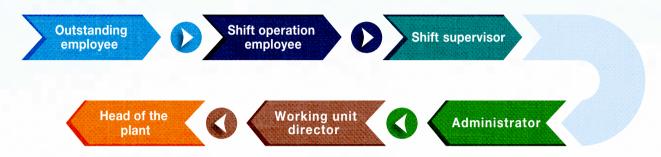
The Group attaches great importance to the protection of the legitimate rights and interests of all employees in strict compliance with the relevant national and local laws and regulations such as the Labour Law of the People's Republic Offina, the Labour Contract Law of the People's Republic China and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

The Group makes great efforts to build a talent team featured with diversity, and strives to attract talents from or at different culture, background and levels, providing a platform for employees to fully demonstrate their talents. The Group recruits employees through various channels including reference by existing employees, job fairs, campus recruitment as well as advertisements on televisions and newspaper. For employee recruitment, the Group selects talents based on their education background, work experiences and performance during the interview and written test as well as position requirements, and verifies the identification information of each applicant in accordance with the relevant regulations such as the Provisions on the Prohibition of Using Child Labour, so as to ensure they are lawfully employable. If any employment of child labour under the age of 16 or forced labour is identified, the Group will immediately arrange for the withdrawal of the person concerned from his/her post, and the person will be escorted by a designated staff of the Group to a hospital for a physical checkup. After taking into account the physical conditions of the underage and his/her intentions, the Group would offer him/her to choose between returning to his/her hometown or going back to school for study, with corresponding assistance, such as paying his/her tuition fees and medical expenses. In addition, an investigation will be proactively conducted by the Group to identify reasons behind the misemployment of child labour and forced labour, the results of which will be reviewed for the adoption of effective measures to avoid another alike incident.

In order to attract and retain talents, the Group provides employees with competitive remuneration package, which is determined based on their performance, experiences and prevailing industry practice. The management of the Group reviews the remuneration policy and details on a regular basis, and grant extra performance-linked bonus as an incentive and reward to the employees for their contribution to the growth and development of the Group. At the commendation meeting held in May, the Group awarded bonuses, prizes, medals, trophies and honorary certificates to 7 leading groups in terms of technology innovation, 30 skilled technician workers, 30 skilled operators, 29 skilled equipment operators, 28 winners of the "Energy Conservation and Efficiency Enhancement Award" and 12 winners of the "Research Innovation Award" to recognise their outstanding performance.

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

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



In respect of working hours and holidays, the staff in regular daily shift of the Group work six days per week, while the employees of the production units work for eight hours per day in three shifts which shall be adjusted according to the actual production conditions. All employees enjoy holidays stipulated by law, including annual leave, marital leave, maternity leave, sick leave and statutory holidays. The Group prohibits any form of forced labour, and prior to official commencement of work, the two parties to the employment shall enter into a labour contract and honour the working principles of equality, willingness and consensus. Employees working overtime during statutory holidays shall be compensated at three times of their daily wage. For employees leaving the Group, the labour department will handle the resignation procedures and pay the remuneration after the employees complete the handover process. During the Year, no incident of child labour, prison labour and forced labour has come to the attention of the Group. In respect of employment policies, we are committed to maintaining a workplace free from discrimination across all aspects, and implement stringent regulations on recruitment to prohibit any form of discrimination and use of child labour, in an effort to push forward the implementation of UN SDGs 8.5 and 8.7.

Talent Cultivation

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

ESTABLISHING HARMONIOUS LABOUR RELATIONS

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

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





In addition to the above trainings, the Group also employs various approaches such as monthly assessment of single operation, quarterly assessment of all operations, spring and autumn skill contests, apprenticeship activity, on-the-job training, skill competition and academic education, and conducts regular appraisals to select model workers, teams and March 8 Red Flag Bearer, with a view to enhance employees' occupational skills and help them achieve career development goals. During the Year, the Group organised a total of 50 in-house trainings and 11 external trainings, including 1,595 multi-skilled employees and versatile employees to improve employees' technical foundation, so as to facilitate and improve workflows. The Group holds a variety of skill competitions on a regular basis to create a positive learning environment, with an aim to motivate the employees' enthusiasm and improve their skills. In addition, the Group organised skill benchmarking activities during the Year, and provided operation skills trainings for 944 yarn spinning and weaving machine operators to improve their work efficiency, which not only improved the production efficiency of the Group but also led to an increase in the salaries of the relevant employees.

In the meantime, active efforts have been invested by the Group to encourage its employees to compete in external games. During the Year, the Group hosted and participated in the 2021 Zouping Textile Industry Occupational Skill Contest for Workers, in which our employees delivered outstanding performance and established a good reputation for Weiqiao Textile. The Group also proactively engaged in communication and exchange with production units at all levels, which facilitated circulation and application of technologies and enhanced production efficiency.

Skill contest

The Group held an equipment operation skill contest in spring, which facilitated learning and communication among employees and inspired employees to make improvements. Not only did the skill contest improve their technical operation skills, but also provide chances for employees with a higher skill standard to demonstrate the best practices, therefore realising the objective of craftsmanship heritage and enhancing the cultivation of talent teams. During the Year, the skill contest held in spring was comprised of 15 technique processes and 27 projects, involving a total of 759 participants in the final. After a fierce competition, 97, 92 and 109 participants were selected as the winners for the 1st prize, 2nd prize and 3rd prize respectively. During the competitions, the employees' technical skills were further improved, which also highlighted the "spirit of craftsmanship in a great nation (大國工匠精神)" of our technical workers in the new era. The Group also held corporate internal evaluation of technician talents of operation and equipment organisations in the autumn, which consisted of 14 processes and attracted a total of 595 participants, with 502 participants passing the evaluation.



The equipment operation skill contest held in 2021

ESTABLISHING HARMONIOUS LABOUR RELATIONS

Skill competitions

In addition to in-house skill contests, Weiqiao Textile also proactively participates in external skill competitions to test employees' skills. During the Year, with the great support from the Zouping Human Resources and Social Security Bureau and the General Labour Union of Zouping City (鄒平市總工會), Weiqiao Textile held and participated in the 2021 Zouping Textile Industry Occupational Skill Contest for Workers, which was comprised of 16 technique processes and 23 projects, involving a total of 858 participants in the final. During the competition, our contestants exercised their composure, upheld the corporate spirit of tenacious pursuit of progress and demonstrated their excellent skills. After a fierce competition, 110, 109 and 135 participants were selected as the winners for the 1st prize, 2nd prize and 3rd prize respectively.



2021 Zouping Textile Industry Occupational Skill Contest for Workers



Occupational Health and Safety

Production safety system

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

Planning

To formulate overall and annual targets for production safety according to its production safety conditions and requirements of various departments

To formulate production safety indicators and assessment approach according to the functions of each department

Implementation

To fully implement their respective responsibilities in respect of production safety in accordance with the production safety accountability system

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To formulate regulations on safe operation for each position based on production characteristics and dispatch them to the relevant units

Inspection

To conduct assessment on the implementation of production safety regulations and rules and operation procedures through a combination of self-assessment and external review on an annual basis, so as to verify the appropriateness, adequacy and effectiveness of each production safety measure and evaluate the accomplishment of production safety targets

Improvement

To revise and improve the existing production safety conditions, regulations and rules and operation procedures based on the issues identified during the safety inspections and production safety incidents, so as to make continuous improvement and enhance safety performance

ESTABLISHING HARMONIOUS LABOUR RELATIONS

Occupational health management

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

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

During the Year, the Group pushed forward the standardisation of work safety and the implementation of double prevention mechanism, actively carried out hierarchical risk control and hidden hazard identification and rectification, and strengthened safety risk identification during the pandemic prevention and control period. In addition, the Group also stepped up efforts in the identification and rectification of hidden safety hazards and the supervision of the implementation of pandemic prevention and control measures, made focused efforts for the inspection on equipment and facilities, safety facilities, emergency equipment, dangerous operation equipment and other devices, and strengthened the Group's capability in respect of safety risk identification and management, with an aim to lower the possibility of casualties among the employees.





Fire drills

In order to fully enhance the comprehensive strengths of the firefighting team, consolidate and fortify the training of all team members to improve work effectiveness, and strengthen the firefighting team's actual capabilities and emergency response capabilities in fire extinguishing, rescuing and emergency tackling, the safety supervision department of Weiqiao Textile organised a two-month and general post-covered training and relevant appraisals in the Year. The appraisals which centered on stamina and skills, were comprised of 7 security-related subjects and 6 firefighting-related subjects. During the appraisals, members of all teams took their tests with equanimity despite intense competitions and exercised their full strengths honed in ordinary trainings. These appraisals enabled the Group to fully examine how effective the trainings of all posts were and review the deficiency in those trainings. Based on the results of the fire drill, the Group provided well-targeted guidance for each unit to conduct their business-related trainings, so as to lay a solid foundation for fire extinguishing, rescuing and emergency tackling.





Fire drills by Weiqiao Textile's firefighting team

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

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

ESTABLISHING HARMONIOUS LABOUR RELATIONS

While efforts have been made to improve system establishment and management, the Group also continues to strengthen equipment support. By enhancing production equipment maintenance and introducing various occupational health physical examination equipment, the Group continuously improves the occupational health system. Furthermore, the Group conducts detection and elimination of potential hazards from time to time and takes effective measures to address such issues promptly, and also inspects the condition afterwards and evaluates the effectiveness of such measures. During the Year, the Group received no report regarding the occurrence of occupational diseases, and the occupational health examination rate of employees having access to occupational hazard premises, the monitoring standard rate for occupational hazard factors and the rate of occupational disease prevention and control all reached 100%. Yet, during the Year, a total of 79 employees of the Group suffered work-related injuries, resulting in a loss of 10,174 workdays in aggregate. In the future, the Group will step up efforts in safety education and training and put into place a timely monitoring over offenders. Over the past three years, the Group recorded nil for work-related fatality and the fatality rate.

Responding to the Pandemic

Since the outbreak of the Pandemic, the Group paid continuous attention to the progress of pandemic containment, and made positive contributions to the combat of pandemic prevention and control. Since the beginning of the Year, the Group has issued several documents regarding pandemic prevention and control which set out the unified standards and requirements, and encouraged all employees to make concerted efforts for pandemic prevention and control. Weiqiao Textile continued to thoroughly implement the requirements of the local governments and the deployment of the pandemic prevention and control teams of the Group, and actively organised all prevention and control teams and security guards to strictly perform related tasks such as health QR code scanning, body temperature checking and sanitisation, and record and examine external vehicles, so as to protect the health and safety of employees. The security guards also made greater efforts to tightly scrutinise a number of areas and strictly enforced crowd control. If any suspected cases of close contact are identified, Weiqiao Textile will immediately arrange the person concerned to receive quarantine and observation, and rigorously execute all preventive measures.

Each branch company under the Group has established the Covid-19 Pandemic Prevention and Control Steering Team, which screens and tracks personnel of prevention and control with higher risks according to the data and feedback from various channels, with an aim to nip the risks in the bud. The Group also gave full play to the big data advantage, and has developed the model of Statistics Data on Personnel for Pandemic Prevention and Control, which was used to facilitate pandemic containment through big data collection and screening of staff health information. Owing to the concerted efforts and stringent implementation of preventive measures, the prevention and control work has shown great effects, and no suspected or confirmed cases were identified from the inspection and control of targeted groups.

In respect of Pandemic and occupational safety management, the Group further released the Implementation Plan for Work Safety during the Pandemic Prevention and Control Period and the Notice on Further Enhancement of Safety Management during the Year, which require all business units to strictly fulfill their respective responsibility of production safety and give priority to production safety, so as to ensure implementation of pandemic prevention and control and promotion of production safety.





Safety education and training

To maintain smooth production and operation, the Group continues to align itself with the principle of "comprehensive management with priority of safety and emphasis on prevention" (安全第一,預防為主,綜合治理), determines the needs for safety education and training on a regular basis, develops and implements training plans for employees at various posts, and carries out assessment on training results for improvement. For example, the Group organises training on qualification certificates for officer-in-charge and safety management personnel every year; provides regular trainings and education sessions for the management on safety knowledge, operation procedures, laws and regulations regarding safety, emergency management, escape and self-rescue, etc.; and offers three-level safety training programme for new employees. Employees engaged in special operations shall receive trainings and obtain qualification certificates. All employees are qualified for their positions after completion of safety education and passing the relevant training assessment. In addition, during the safety trainings conducted by the Group for personnel working at height in the Year, requirements of safety equipment and technologies were expounded, with an aim of safeguarding the workers' safety and promoting production safety. At the same time, the safety supervision department arranged a safety education and training in respect of hazardous chemicals accidents, emergency response drill for electrical shock accidents and emergency response training for pressure vessel accidents for all industrial parks and branch companies, and organised them to study relevant regulations, cases and preventive measures.



Training tests for cadres and management personnel of Weiqiao Textile

ESTABLISHING HARMONIOUS LABOUR RELATIONS

Caring for Employees

Improvement of employee benefits

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

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





Organisation of recreational and sport activities

Weiqiao Textile believes that enhancement of corporate culture construction can elevate its strength and competitiveness as well as staff's centripetal force, so as to eventually realise the goal of sustainable development. The Group proactively organises various activities for the employees, offering them a platform to demonstrate their talents and enrich their after-work life. Moreover, the Group continues to make good use of various media platforms such as "Weiqiao Chuangye Newspaper", "Weiqiao Chuangye TV Station" and "Weiqiao Chuangye" WeChat official account platform to publicise corporate updates, industry information, employees' work and daily life, so as to strengthen publicity and education for employees and offer a comprehensive representation of the new development achievements of the Group from many perspectives. The year 2021 marked the start of the implementation of the "14th Five-Year Plan" of the PRC, the 100th anniversary of the founding of the Communist Party of China, as well as the 40th anniversary of the establishment of Weiqiao Chuangye. The Group organised a series of recreational and sport events on a monthly basis under the relevant themes to comprehensively improve the staff's humanistic quality and physical strength and promote the corporate spirit of striving for the best with a progressive, pragmatic, innovative and efficient approach, with an aim to enrich the employees' after-work life and demonstrate the spirituality and vitality of its employees.





A series of activities organised for celebration of the 100th anniversary of the founding of the CPC



Fitness sports meeting - Ms. Zhang Hongxia, Chairman of Weiqiao Textile, participated in the event



Exhibition of calligraphy and painting works by our employees and their children under the theme of "Celebration of the National Day and the Party's Achievements"

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

Supply Chain Management

Procurement of raw cotton

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

The Group has established the supplier management and appraisal system, through which the Group carries out appraisal on suppliers on a quarterly basis, and can decide whether to reduce supply quantity or terminate cooperation based on the appraisal results until improvement in performance of such suppliers has been achieved. Besides, the Group attaches great importance to the performance of the suppliers in fulfilling their environmental and social responsibilities. As such, the management also conducts site visits of the suppliers on a regular basis. In addition to quality inspection on products, the management also assesses the performance of the suppliers with respect to environmental protection and social responsibility, and only suppliers who meet the criteria can be included into the list of qualified suppliers. In addition, the Group requires the suppliers to sign the Environmental Protection Commitment to ensure that the raw materials supplied meet the requirements of all applicable laws and regulations on environmental protection. The Group imposes rigorous requirements on its suppliers, which reflects the Group's emphasis on strict compliance with business conduct and also its efforts in assisting suppliers to continuously improve their performance in product quality, environmental protection and social responsibility, with an aim to promote mutual support between the suppliers and the Group and achieve a win-win partnership.

In the Year, the Group continued to purchase a certain quantity of green cotton such as "organic cotton" and "better cotton", which indirectly reduced the carbon emission, overuse of pesticides and other environmental impact caused by cotton planting, and facilitated the protection of cotton farmers' rights and interests.

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



Procurement of raw coal

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

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

Procurement of supplies

The supplies, accessories and daily operation articles required for production process of the Group are purchased by way of centralised procurement through bidding procedures. The Group strictly complies with the Law of the People's Republic of China on Bid Invitation and Bidding and other relevant laws and regulations, and selects suitable suppliers by conducting comprehensive review on the bidders in terms of technology strength, quality and environmental protection certifications, product quality, quotation, supply capacity, credibility and post-sales service in an open, fair and impartial manner and in good faith. During the procurement process, the Group upholds the concept of green procurement, and pays special attention to the performance of products in energy conservation and environmental protection. For example, in the procurement of LED tubes, preference is given to non-toxic, non-hazardous and recyclable products. In addition, the Group is committed to establishing a green supply chain, which requires us to take into account environmental factors in various processes including production, logistics and sales, and will give preference to local suppliers or suppliers with short distances to reduce carbon footprint.

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

During the Year, the Group participated in 135 major bidding events. Besides, the Group carried out regular consultation with suppliers, and investigated a total of 18 reported cases relating to the supply chain. The Group supervised and monitored various economic activities including material procurement, project bidding and disposal of waste materials, with an aim to ensure the fairness and impartiality of the bidding process. In addition, the Group encouraged suppliers to provide trainings for its employees, and organised relevant training on sustainable management for suppliers on a regular basis. Through interviews and sharing sessions, the Group promoted the concepts of sustainable procurement, environmental protection and energy conservation as well as sustainable management to its suppliers.

The number of the Group's suppliers by geographical area during the Year was as follows:

| Suppliers geographical distribution | Year 2021 | Year 2020 |
|-------------------------------------|-----------|-----------|
| Total | 143 | 149 |
| By geographical area | | |
| Northern China | 20 | 17 |
| Eastern China | 91 | 94 |
| Central China | 2 | 0 |
| Northwest China | 10 | 11 |
| Others | 20 | 27 |



Quality Assurance

Establishment of scientific management system

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

Introduction of advanced management mode

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

Application of effective management tools

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

During the Year, we were granted several awards in the category of product quality, including 11 first-class awards, 8 second-class awards and 4 third-class awards. In addition, the "Weiqiao" brand has been included into the list of "China's 500 Most Valuable Brands" for 18 consecutive years, ranking the 61st with a brand value of RMB95.032 billion in the Year.



Equipment upgrade

In 2019, the Group proactively launched the green and intelligent textile project with a focus on "green" and "intelligent" design, in an effort to promote business transformation and upgrading and achieve high-quality development, as well as to raise the overall technological strength to the international level and provide more premium products to the domestic and international markets. The project will be carried out in two phases comprising the green and intelligent textile production line project (phase I) which has been put into operation in December 2019 and the proposed construction of the intelligent printing and sewing production line project (phase II), with a total investment of RMB1.32 billion for the two phases. After completion of the construction of the project, we will possess an intelligent high-end production line comprising spinning, weaving, printing and hanging production lines. The intelligent production control system is the core technological value of the project, and in particular the spinning workshop and weaving workshop are equipped with the world-leading production equipment and system structure with first-class fundamental network.

Spinning workshop

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

Weaving workshop

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



Automatic conveyer system of sliver lap machine and combing machine

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



New electronic jacquard machine

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



Intelligent air-conditioning control system

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



The Group is committed to establishing more eco-friendly and intelligent production lines. With a total investment of approximately RMB1.2 billion, the Group has set up an intelligent upgrade and renovation project of spinning plants and a green, energy-saving, carbon-reducing and intelligent technology improvement project of air spinning. Besides, the Group has commenced to phase out a number of obsolete equipment and replace them with new, intelligent and energy-saving equipment during the Year.

Intelligent Upgrade and Renovation Project of Spinning Plants (紡紗廠智能化升級改造項目)

The Group intends to purchase 620 sets of new domestic intelligent equipment, including drawing frames, sliver lap machines and combing machines, introduce 330 sets of spinning frames with automatic bobbin winders and purchase 5 automatic packaging production lines to replace the existing obsolete equipment for its spinning plants. The new intelligent equipment will help to increase the automation level of the spinning plants and improve the output while ensuring the quality of spinning yarn. Upon completion, the project is expected to produce 75,000 tonnes of high-grade compact spinning yarn each year.

Green, Energy-saving, Carbon-reducing and Intelligent Technology Improvement Project of Air Spinning (氣流紡綠色節能降碳智能化技改項目)

The Group intends to purchase 100 sets of new environmentally friendly air spinning machines to replace 552 sets of obsolete air spinning machines to achieve efficient production and energy saving through an intelligent spinning process. The project is expected to save 7,173 tonnes of standard coal and 840 workers annually.



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

- purchasing a number of new production machines such as air-jet looms, intelligent printing and sewing production lines, etc.;
- upgrading the gear mechanism of the carding machine by converting the gear transmission system of the
 original doffer gear mechanism to synchronous belts, which effectively addressed the failure rate problem of
 the existing equipment and improved the quality of semi-finished products;
- upgrading to the automatic cone replacement device, such as automatic winding and automatic yarn feeding (自動打卷線及自動上紗), which improved the replacement efficiency and reduced labour intensity;
- carrying out technological improvement on the intake valve of the sizing machine to replace the manual switch with pneumatic switch for easy operation and better sizing quality;
- purchasing a number of electric scooters as inspection vehicles for turners, which effectively improved inspection speed and efficiency and relieved employees' burden;
- upgrading more ordinary ring spinning to produce compact spinning, as well as improving spandex cored bamboo yarn and ring spinning bamboo yarn, so as to cater to market demands and create new growth drivers for market exploration and future development;
- converting the air supply system of the air-conditioning system into a variable frequency fan to automatically
 control the temperature according to the actual temperature and humidity requirements of the workshop,
 reducing energy consumption while ensuring a comfortable working environment for the employees and
 improving work efficiency; and
- replacing long-used steam drums and air compressor tanks room in a unified manner to ensure the safety and reliability of the facilities.

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

Marie Constitution of the last

Innovation and R&D

Weiqiao Textile attaches great importance to innovation and R&D of products. Our constant efforts in innovation and R&D are essential to the success of Weiqiao Textile, and also contribute to the Group's absolute leading position in the industry. During the Year, the Group has successfully carried out over 3,591 product R&D projects, optimising the product structure and accelerating the transformation and upgrading of the Company. In addition, the Group values and encourages employees to organise activities under the themes of "minor invention, minor creation, minor innovation, minor design and minor proposal" (小發明、小創造、小革新、小設計、小建議), contributing their suggestions and advice for saving costs, reducing consumption and increasing economic benefits.

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

During the Year, a total of 776 minor technical reforms and innovations were selected by the Group throughout the Year. A number of technology improvement projects were rewarded for quality improvement, including technology improvement achievements in areas such as renovation of hotwater heating system by recycling wastewater from sizing-dyeing cylinders, automatic packing belt button punching machine, independently-developed wing heald frame hook finishing machine, technology improvement of semi-automatic leather roller regrinding machine and automatic control system for constant temperature and humidity for storage and packaging workshops, which helped to facilitate the equipment upgrading, automatic control enhancement and quality improvement, and energy conservation and consumption reduction of the textile industry. A total of 5 2nd prizes, 22 3rd prizes and 30 encouragement prizes were rewarded throughout the Year. During the Year, 15 papers were published by the Group.





Due to the size difference between common leather rollers used for spun yarn and the front and rear leather rollers in special size used for vortex spinning machines, the leather roller machines currently used by the leather roller workshops can only be used to change leather rollers used for spun yarn, and it may result in 70% damage to the leather rollers if they are used to change such rollers for vortex spinning machines. The Group independently carried out tooling research and development, so as to satisfy leather roller processing needs and reduce relevant expenditures.







Vortex spinning leather roller changer before (left) and after (middle and right) technology improvement

Case of Minor Reforms and Innovations: Technology Improvement of Steel Wire Bending Machine

Steel wires are used for packing certain scraps by the textile plants of the Group. The steel wires used to be bent by packing workers manually with a casing when packing with the packing machine, which usually caused injuries to the workers due to the strong strength and elasticity of such steel wires. With bending machines that are specially developed for baling wire, we are able to bend such steel wires beforehand, so as to reduce potential safety risks, which work effectively.



Steel wire bending machines after technology improvement

Major achievements

The Group continues to create additional product categories that cater to market and customer demands, upholds its innovation-driven strategy and its plan of developing mid to high-end products, and strives to push forward the transition from "made by Weiqiao" (魏橋製造) to "created by Weiqiao" (魏橋創造) by integrating internal research and development with external cooperation. During the Year, the Group entered into a cooperation agreement with Shanghai Donghua University and Qingdao University. In view of the strong demands for green and long-acting antibacterial textile products, the Group joined hands with Donghua University and Qingdao University to carry out the research regarding the key technology and application of smart and green manufacturing of antibacterial textile products during the Year, in an effort to further accelerate the establishment of technology chain of high-end textile products ecosystem, improve its intelligent and green operation, promote the development of high-end textile products and facilitate differentiated and green development.

During the Year, the Group has established Weiqiao Pioneering Academician Research Institute (魏橋創業院士研究院), through which it has cooperated with Shanghai Donghua University to carry out project research and development. By entering into the cooperation agreement on micro-nano fiber inlaid spinning project, and conducting exchanges and discussions with relevant experts and scholars on the development and application of textile technology, we have been well positioned to keep abreast of new technologies and new market development trends. We have further accelerated the pace of technological innovation leveraging on Weiqiao Pioneering Academician Research Institute and make greater contributions to the revitalisation of the textile industry. The Group will continue to enhance collaborative innovation with the National Textile Products Development Centre to conduct exchanges as well as research and development of new products in respect of the project of "Development Technologies Innovation Alliance of Textile Products (紡織產品開發技術創新聯盟)", with an aim to promote product R&D and innovation as well as marketing.

During the Year, the Science and Technology Bureau of Binzhou city issued the Administrative Measures for Technological Innovation Center of Binzhou City (《濱州市技術創新中心管理辦法》), so as to promote the establishment, operation and management of technological innovation centers in various fields. In particular, the Binzhou Intelligent Textile Technological Innovation Center was planned and constructed under the leadership of Weiqiao Textile, in collaboration with Qingdao University and Zhongke Elas-tech (Shandong) Co., Ltd. (中科韌和科技(山東)有限公司), via which, all parties will work together to boost the development of the intelligent textile technologies in the region, enhance the capacity for independent innovation and facilitate the quality development of the textile industry through their respective technological strengths.



Co-establishment of the Binzhou Intelligent Textile Technological Innovation Center by Weiqiao Textile in collaboration with Qingdao University and Zhongke Elas





| Performance indicator related to product R&D | Year 2021 | Unit |
|---|-----------|------------------|
| Proportion of first-grade products | 99.29 | % |
| Number of patents applied | 38 | Item |
| Number of authorised patents | 22 | Item |
| R&D investment | 59,556 | RMB one thousand |
| Percentage of R&D investment to revenue | 3.66 | % |
| Number of R&D personnel | 732 | Person |
| Number of industry standards made under participation | 2 | Item |

During the Year, the Group achieved remarkable results in the development of new textile products, making category innovations leading the market trend, customer demand-oriented product innovations and breakthroughs in technology research. During the Year, over 1,900 new cotton yarn products were developed by the Group, which were mainly differentiated fibre-blended yarn products and differentiated spun yarn products. The production rate of pure fibre and cellulose fibre reached over 92%. Over 1,700 new cotton fabric products were developed, with a customer reorder rate of 15%. In addition to the design of special fabric products for the newly-developed yarn products, we focused on the development and promotion of yarn products and fabric products, including the graphene series, cupro fiber (銅氨纖維) series, sustans blended with anti-bacterial cotton (抗菌棉舒彈絲) series, beehive jacquard (蜂巢提花) series, one-step molded & down-filling quilt cover series, etc.



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

| Awards and honours | Issuing units |
|--|--|
| Yangfang Team of Hongjie (宏杰楊芳小姐) was awarded the first-class award by the QC Team of Binzhou Association for Quality Zhangxia Team of Hongjie (宏杰爱德小组) was awarded the first-class award by the QC Team of Binzhou Association for Quality Li Zhongbin Team of Zouping No. 3 Industrial Park (第三季中读小组) was awarded the second-class award by the QC Team of Binzhou Association for Quality Li Zhongbin Team of Zouping No. 3 Industrial Park (第三季甲蒙沙组) was awarded the second-class award by the QC Team of Binzhou Association for Quality Guo Shuxun Team of Zouping No. 3 Industrial Park (第三季野歌/组) was awarded the second-class award by the QC Team of Binzhou Association for Quality Achievement on Reducing End Breakage during Automatic Winding Process of Binzhou Weiqiao (清魏降低台路頭) was awarded the second-class award by the QC Team of Binzhou Association for Quality Team of Binzhou Weiqiao (清魏华祖文僧) was awarded the first-class award by the QC Team of Binzhou Association for Quality In Binzhou In Binzhou Weiqiao (漢魏十一分爾) was awarded the first-class award by the Reliable Quality Team of Binzhou Association for Quality In Binzhou Association for | Binzhou Association for Quality (濱州市質量協會) |
| Participating in the formulation of industry standards for Test Method for Drying Quality of Unsized Greige Cloth of Unit Size | Subcommittee on Cotton Textile of National Technical Committee on Textile |

of Standardization Administration of



| Awards and honours | Issuing units |
|--|--|
| Outstanding Entity of the Textile Industry in terms of Equipment Management Technology Analysis on One-time Weaved Household Textile Suite was awarded the Second Prize of the 14th Outstanding Academic Achievements of Natural Science in Binzhou | China National Textile And Apparel Council Binzhou Municipal Party Committee Organization Department, Binzhou Municipal Human Resources and Social Security Bureau, Binzhou Municipal Finance Bureau, Binzhou Association for Science and Technology |
| Fabric products under the theme of "Soft Confide" was granted the Best Technology Innovation Award | China Textile Information Center |
| Outstanding Contribution to the Cultivation of Skilled Talents in China | Human Resources and Social Security Ministry |
| Three yarn products were included into the 2021/2022 China Yarn Fashion Trends Product List (the warm-keeping hollow pure cotton yarn (保暖中空純棉紗), bacteriostatic thermal graphene fiber blended yarn (抑菌保暖石墨烯纖維混紡紗) and segmentally colored and segmentally elastic blended fancy yarn (段彩段彈混紡花式紗)) | China Cotton Textile Association |
| Five new products were granted the Excellence Award of the China International Fabrics Design Competition and China Fashion Fabric Design Competition (Bitter and Sweet Memories (億苦思甜), Yunge (韵格), Extraordinary Excellence (玉樹臨風), Ginkgo Leaves (銀杏飄飄) and Lushy Forest (密林深處)) | China Textile Information Center, Textile Product Development Center, China Fashion & Color Association |

















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Product Promotion

The Group promotes its products mainly through attending domestic and overseas physical and online exhibitions, establishing sales network, website promotion, brand building, printing and distributing product brochures with the products widely sold in domestic and overseas markets. During the Year, the Group proactively cooperated with well-known brand customers, leading to steady business growth. In addition, the new products were highly welcomed in the market, which contributed to the steady advancement of products transformation and upgrading, with 3,591 new products being developed successfully. The Group continues to strictly comply with relevant laws and regulations such as the Advertisement Law of the People's Republic of China and the Trademark Law of the People's Republic of China, and verifies all information regarding its products and business before publication, so as to prevent any false, misleading or deceptive information in its promotion materials. The Group respects the trademark rights of others, and also legally protects the trademark of "Weiqiao" brand from infringement.





Customer Services

The Group is committed to providing its customers with efficient and swift services. Our sales staff provide detailed and truthful product information for customers prior to the sale, and get an understanding of customers' order requirement, so as to develop customised production plans. In accordance with the requirements of the Customer Service Management System, customer service employees provide pre-sale and post-sale services for customers mainly through hotline for customer services. In handling complaints and communicating with customers, the customer service employees shall adhere to the "customer first" principle with the attitude of care, politeness and integrity. Meanwhile, the production and technology department is responsible for monitoring the raw materials, production process and quality of each batch of products, while the post-sale service department conducts product tracking, quality analysis and feedback collection, and works with sales staff to provide customers with satisfactory solutions. A satisfaction survey is conducted every half year by the customer service employees on 70% of our customers, which mainly covers customers' degree of satisfaction on the handling of complaints. In addition, our business staff closely communicate with customers to understand their needs and keep informed of market information and the latest product development, so as to achieve integrity-based and win-win cooperation. No customer complaint was received, and the total number of products sold or shipped that had to be recalled for safety and health reasons was zero during the Year.





Privacy Protection

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

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

Anti-corruption Practice

Market Walter

Promotion of anti-corruption culture constitutes an integral part of compliance operation by Weigiao Textile. The Group continues to abide by the Anti-money Laundering Law of the People's Republic of China, Criminal Law of the People's Republic of China and other relevant laws and regulations, and makes continuous efforts to improve the anti-corruption practice, with an aim to prevent bribery, extortion, fraud, money laundering or other unlawful activities. On the one hand, the Group carries out anti-corruption educational activities such as seminars, compilation of relevant education textbooks and watching anti-corruption featured programmes from time to time to raise the integrity awareness of the management and financial personnel, and prevent all kinds of corruption behaviours. Besides, at pre-shift and post-shift meetings, the management of production units also reiterate the work disciplines, particularly towards those delegated with certain authority like quality inspectors. During the Year, the Group continued to keep the public bidding for procurement under strict supervision and require relevant personnel to sign the statement of integrity and ensure the fairness, impartiality and openness of the public bidding. The staff from the end-use units are responsible for supervising the implementation of "three openness" (三公開) (i.e. the openness of variety, quantity and quality indicators) in the bidding process. The Group did not carry out anti-corruption campaigns during the Year due to the impact of the Pandemic. Moreover, the economic supervision department and quality inspection department of the Group, which have strong independence and enjoy absolute investigation power, are responsible for supervising all procurement, supply and inspection activities, further enhancing employees' awareness of legal compliance, anti-corruption and self-discipline. The Group encourages its employees to report any irregularities or illegal acts such as bribery, extortion, fraud or money laundering to the Group's economic supervision department through various reporting channels (e.g. email and hotline). The economic supervision department is responsible for investigating and obtaining evidence of the information reported. If the investigation confirms that corruption may have occurred, the Group will refer the relevant information and circumstances to the local law enforcement authorities. During the Year, the Group did not receive any complaint or notice regarding violation of the above anti-corruption laws by the Group or its employees, and did not have concluded legal case regarding corrupt practices brought against the Group or its employees.

CONCERNS ABOUT SOCIAL WELLBEING

Over the past years, Weiqiao Textile has been taking initiatives to fulfill its social responsibilities as a corporate citizen, and believes that sharing the fruits of its developments with the society is fundamental to its sustainable development. Therefore, while pursuing business development, the Group also pays close attention to the social well-being and is committed to contributing back to the society and serving communities, thereby advocating the spirit of caring for communities. Leveraging on its professional advantage, Weiqiao Textile has not only built a high-quality emergency rescue team, but also proactively participated in public welfare undertakings by offering support to people in need and taking positive actions to show care for people.

Building a First-class Emergency Rescue Team

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





Fire brigade of Weiqiao Textile



Donations for the Fight against the Pandemic and Disaster Relief

In the wake of the outbreak of the Pandemic, the Group has been paying attention to the developments of the pandemic prevention and control, and proactively made contributions to support the fight against the Pandemic. In combatting against the Pandemic, the Group again demonstrated its commitment to fulfilling its social responsibilities as a large-scale group, making several financial and in-kind donations at the critical point of the Pandemic. The Group donated RMB30 million, various daily necessities and 60,000 protective masks in aggregate during the Year. In addition, the Group adopted the approach of "preventing importation of virus from outside and preventing spread of virus domestically", and implemented stringent inspection of incoming personnel and prohibition on gathering. Such measures effectively eliminated the risks of cross infection among people at crowded premises, ensuring effective pandemic containment at the living quarters, production areas and office premises. Furthermore, the Group strengthened quarantine and observation on key populations and made strenuous efforts to prevent the emergence of pandemic risk. Based on the feedback information from investigations conducted by government authorities and various units of the Company, we implemented accurate and prompt quarantine and stringent management and control in a timely manner.





Daily necessities donated to areas affected by the Pandemic

During the Year, hit by continuous extreme heavy rainfall, many parts of Henan Province and Shanxi Province suffered urban waterlogging, geological hazard, flood and other disasters, which has caused tremendous economic loss. Upon occurrence of the disaster, residents in the affected areas have been relocated immediately, and great amount of capital was also required for disaster relief and reconstruction. After getting aware of the disaster, Shiping Foundation donated the charity donation of RMB40 million from the Group to Henan Charity General Federation and Shanxi Charity General Federation for flood relief and post-disaster reconstruction of Henan Province and Shanxi Province, aiming to support the citizens of the affected areas to get through this difficult time.

CONCERNS ABOUT SOCIAL WELLBEING

Supporting People with Difficulties

Weiqiao Textile continues to promote human-based management. In addition to offering competitive remuneration and benefits to employees, the Group also establishes relevant archives regarding employees suffering hardship through conducting survey on such employees on a regular basis every year, and provides support for employees suffering from severe disease or domestic distress. During the Year, the Group provided support for 104 employees and their families in difficulties. The Group also offers grants to children of employees in need. During the Year, the Group provided support for 44 children. During the Year, representatives of the Group visited 10 Party members of the Party Committee of Weiqiao Chuangye Group who fell into financial difficulties, and extended blessing and caring for them. In addition, the Group provided financial aids ranging from RMB1,000 to RMB3,000 per needy employee, amounting to over RMB15,000 in total.

The Group also constantly cares about the underprivileged people, and encourages employees to participate in voluntary activities, extending care and love as an individual and a corporate citizen by visiting communities, caring for underprivileged groups, etc. Since 2019, the Group has been constantly participating in "Sanyi Education Sponsorship Campaign (三一助學活動)" by forming several groups for poverty alleviation and education sponsorship to visit students with financial difficulties. The Group conducts two visits per year. At the end of August of the Year, the group for education sponsorship of the Group visited all streets of Zouping City and offered financial aid of RMB1,000 to each of 44 students with financial difficulties with an aggregate amount of RMB88,000, encouraging them to concentrate on their study and helping them complete their study successfully.



Weiqiao Textile visiting employees in difficulties



Donation to students with financial difficulties from Sanyi Education Sponsorship of Zouping City

Holding the belief that knowledge is power, the Group has been playing an active role in supporting students with financial aid to realise their dreams over the past years, aiming to help all students in need to receive high-quality education. The Group has been participating in "Sanyi Education Sponsorship Campaign (三一助學活動)", and formed several groups for poverty alleviation and education sponsorship to support students with financial difficulties, in an effort to facilitate the achievement of UN SDGs 4.3 and 4.5.



APPENDIX I: SUMMARY OF KEY PERFORMANCE INDICATORS

| Key Performance Indicators | Year 2021 | Year 2020 |
|--|-----------|-----------|
| Emissions | | |
| Wastewater (Note i) | | |
| Total wastewater discharge (ten thousand tonnes) | 469 | 612 |
| COD emission (tonnes) | 229 | 245 |
| Ammonia nitrogen emission (tonnes) | 11 | 12 |
| Exhaust Gas (Note ii) | | |
| Total exhaust gas emission (ten thousand m³) | 5,507,988 | 6,287,155 |
| Nitrogen oxides emission (tonnes) | 1,365 | 1,559 |
| Sulphur dioxide emission (tonnes) | 963 | 1,026 |
| Soot emission (tonnes) | 78 | 67 |
| GHG | | |
| Total GHG emission (tonnes of CO ₂ e) | 1,598,531 | 1,323,053 |
| GHG emission intensity (tonnes of CO ₂ e/income of RMB10 million) | 983 | 1,038 |
| Scope 1 total direct GHG emission (tonnes of CO2e) (Note iii) | 1,565,747 | 1,292,101 |
| Scope 2 total energy indirect GHG emission (tonnes of CO_2e) (Note iv) | 32,783 | 30,952 |
| Solid Wastes | | |
| Non-hazardous Waste | | |
| Total non-hazardous waste generated (thousand tonnes) (Note v) | 1,968 | 2,324 |
| Non-hazardous waste intensity (thousand tonnes/income of RMB10 million) | 1.21 | 1.82 |
| Hazardous Waste | | |
| Total hazardous waste generated (tonnes) (Note vi) | 46 | 597 |
| Hazardous waste intensity (tonnes/income of RMB10 million) | 0.03 | 0.47 |

APPENDIX I: SUMMARY OF KEY PERFORMANCE INDICATORS

| Key Performance Indicators | Year 2021 | Year 2020 |
|---|------------|------------|
| Use of Resources | | |
| Energy | | |
| Total energy consumption (MWh) (Note vii) | 22,236,852 | 23,843,533 |
| Energy consumption intensity (MWh/income of RMB10 million) | 13,674 | 18,710 |
| Total electricity consumption (MWh) (Note viii) | 2,437,793 | 2,222,932 |
| Total steam consumption (ten thousand tonnes) (Note ix) | 32 | 60 |
| Water | | |
| Total water consumption (ten thousand m³) (Note x) | 2,272 | 2,438 |
| Water consumption intensity (ten thousand m³/income of RMB10 million) | 1.40 | 1.91 |
| Packaging materials (Note xi) | | |
| Paper products | | |
| Total consumption (tonnes) | 13,859 | 15,158 |
| Intensity (tonnes/income of RMB10 million) | 8.52 | 11.90 |
| Plastic products | | |
| Total consumption (tonnes) | 1,443 | 1,571 |
| Intensity (tonnes/income of RMB10 million) | 0.89 | 1.23 |
| Metal products | | |
| Total consumption (tonnes) | 142 | 140 |
| Intensity (tonnes/income of RMB10 million) | 0.09 | 0.11 |
| Fibre & textile products | | |
| Total consumption (tonnes) | 193 | 595 |
| Intensity (tonnes/income of RMB10 million) | 0.12 | 0.47 |
| Wooden products | | |
| Total consumption (tonnes) | 45 | 53 |
| Intensity (tonnes/income of RMB10 million) | 0.03 | 0.04 |
| Others | | |
| Total consumption (tonnes) | 367 | 135 |
| Intensity (tonnes/income of RMB10 million) | 0.23 | 0.11 |

| Key Performance Indicators | Year 2021 | Year 2020 |
|----------------------------|-------------|-------------|
| Employment | | |
| Total number of employees | 40,000 | 44,000 |
| By gender | | |
| Male | 19,318 | 20,576 |
| Female | 20,682 | 23,424 |
| By age group | | |
| Aged below 30 | 2,711 | 9,532 |
| Aged 30-50 | 35,727 | 33,526 |
| Aged above 50 | 1,562 | 942 |
| By type of employment | | |
| Temporary | 1,935 | 2,526 |
| Permanent | 38,065 | 41,474 |
| By geographical region | | |
| Mainland China | 39,999 | 43,999 |
| Other regions | 1 | 1 |
| Turnover number (rate) | 4,000 (10%) | 6,000 (14%) |
| By gender | | |
| Male | 1,930 (10%) | 2,883 (14%) |
| Female | 2,070 (10%) | 3,117 (13%) |
| By age group | | |
| Aged below 30 | 270 (10%) | 1,280 (13%) |
| Aged 30-50 | 3,570 (10%) | 4,498 (13%) |
| Aged above 50 | 160 (10%) | 222 (24%) |
| By geographical region | | |
| Mainland China | 4,000 (10%) | 6,000 (14%) |
| Other regions | 0 (0%) | 0 (0%) |

APPENDIX I: SUMMARY OF KEY PERFORMANCE INDICATORS

| Key Performance Indicators | Year 2021 | Year 2020 |
|--|------------|------------|
| Development and training | | |
| Average training hours completed (Percentage of employees trained) | 112 (100%) | 116 (100%) |
| By gender | | |
| Male | 112 (100%) | 116 (100%) |
| Female | 112 (100%) | 116 (100%) |
| By categories of employees | | |
| Senior management | 36 (100%) | 36 (100%) |
| Middle management | 36 (100%) | 36 (100%) |
| Junior management | 48 (100%) | 48 (100%) |
| Frontline employees | 115 (100%) | 119 (100%) |

NOTES:

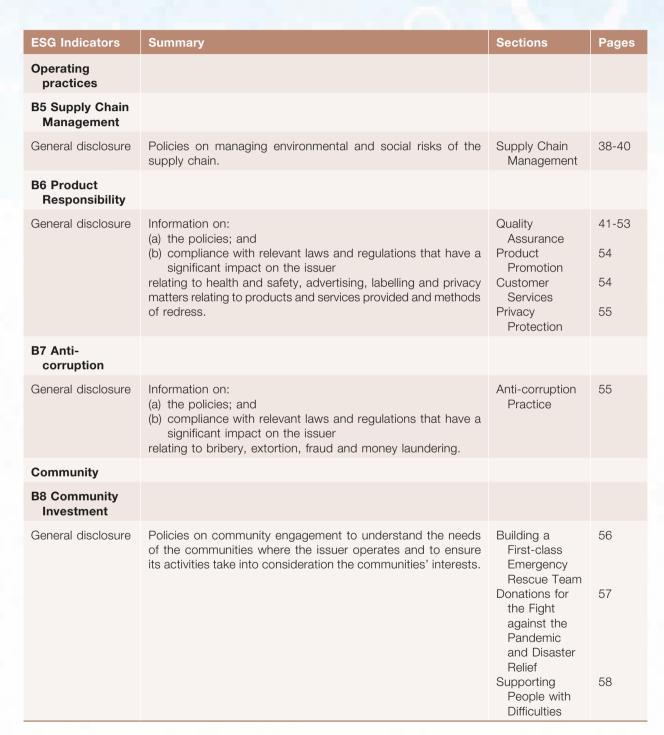
- (i) The discharge of wastewater includes wastewater discharge from power plants and wastewater treatment plants. Total wastewater discharge and discharge of water pollutants were calculated based on the actual discharge of the Group.
- (ii) Exhaust gas emissions include those from power plants and vehicles owned by the Group. Total exhaust gas emission and the pollutant emission were calculated based on the actual emission from power-generating equipment of the Group, and the calculation of emission from vehicles is based on the "Appendix 2: Reporting Guidance on Environmental Key Performance Indicators" published by the Stock Exchange.
- (iii) Scope 1 direct GHG emissions include the consumption of fuels in stationary sources, the consumption of fuels in vehicles, the consumption of refrigerants, and relevant removal of planted trees and electricity sold. The data was calculated based on Chinese national standard of GB/T32151.12-2018 "Requirements of the Greenhouse Gas Emissions Accounting and Reporting Part 12: Textile and Garment Enterprises (《溫室氣體排放核算與報告要求第12部分:紡織服裝企業》)", "2011 and 2012 China Regional Power Grid Average Carbon Dioxide Emission Factor (《2011年和2012年中國區域電網平均二氧化碳排放因子》)" published by the National Development and Reform Commission of the PRC and the "Appendix 2: Reporting Guidance on Environmental Key Performance Indicators" published by the Stock Exchange.
- (iv) Scope 2 energy indirect GHG emission includes purchased steam of the Group. The data was calculated based on the emission factor in Chinese national standard of GB/T32151.12-2018 "Requirements of the Greenhouse Gas Emissions Accounting and Reporting – Part 12: Textile and Garment Enterprises".
- (v) The data was calculated based on the actual weight of non-hazardous waste. During the Year, the non-hazardous wastes generated by the Group include fly ash, slag, desulphurisation gypsum, plastic, metal, waste paper and general waste.
- (vi) The data was calculated based on the actual weight of hazardous waste. During the Year, the hazardous wastes generated by the Group include waste printers, waste cartridges, waste computers, waste monitors, waste network equipment, waste oil drums, waste batteries, waste lubricating oil and waste paint buckets. During the Year, the Group did not replace the denitration catalyst and therefore no waste denitration catalyst was generated, resulting in a significant decrease in the amount of hazardous waste compared to last year.
- (vii) Total energy consumption includes the consumption of fuels in stationary sources, the consumption of fuels in vehicles, electricity and steam generated by the Group, purchased steam as well as relevant removal of electricity and steam sold. The data was calculated based on "Guidelines for Accounting Methods and Reporting of Greenhouse Gas Emissions by Land Transport Enterprises (Trial) (《陸上交通運輸企業-溫室氣體排放核算方法與報告指南(試行))" published by the National Development and Reform Commission of the PRC, the actual use of electricity and steam generated by the Group and the actual use of purchased steam.
- (viii) The data was calculated based on the actual electricity consumption of the Group.
- (ix) The data was calculated based on the actual steam consumption of the Group.
- (x) The data was calculated based on the record of actual water consumption of the Group.
- (xi) The data was calculated based on the Group's record of actual use of packaging materials which are used for three categories of products including cotton yarn, grey fabric and denim.

APPENDIX II: CONTENT INDEX OF ESG REPORTING GUIDE

| ESG Indicators | Summary | Sections | Pages |
|---|--|---|-------------------|
| Environmental | | | |
| A1 Emissions | | | |
| General disclosure | Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to air and GHG emissions, discharges into water and land, and generation of hazardous and non-hazardous waste. | Emission Management Response to Climate Change | 15-19 25 |
| A2 Use of Resources | | | |
| General disclosure | Policies on the efficient use of resources, including energy, water and other raw materials. | Energy Conservation and Emission Reduction Response to Climate Change | 19-22 |
| A3 The Environment and Natural Resources | | | |
| General disclosure | Policies on minimising the issuer's significant impact on the environment and natural resources. | Energy Conservation and Emission Reduction Green Office Ecological Protection | 19-22 23 24 |
| A4 Climate Change | | | |
| General disclosure | Policies on identification and mitigation of significant climate- related issues which have impacted, and those which may impact, the issuer. | Response to Climate Change | 25 |

APPENDIX II: CONTENT INDEX OF ESG REPORTING GUIDE

| ESG Indicators | Summary | Sections | Pages |
|---------------------------------------|---|--|----------------|
| Social | | | |
| Employment and labour practices | | | |
| B1 Employment | | | |
| General disclosure | Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare. | Employment Policy Caring for Employees | 26-27 36-37 |
| B2 Health and Safety | | | |
| General disclosure | Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to providing a safe working environment and protecting employees from occupational hazards. | Occupational Health and Safety | 31-35 |
| B3 Development and Training | | | |
| General disclosure | Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities. | Talent Cultivation | 27-30 |
| B4 Labour Standards | | | |
| General disclosure | Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child or forced labour. | Employment Policy | 26-27 |



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