



High Fashion International limited

(Incorporated in Bermuda with limited liability)

(Stock Code: 608)

Environmental, Social and Governance Report

2016



DOING THE RIGHT THING

SUSTAINABLE MANUFACTURING SUSTAINS OUR FUTURE

We are convinced that sustainability should become the 'DNA' of all companies, and that it would affect everything we do and every relationship they have with customers, suppliers, governments and the society as a whole. We want to see a sustainable future for all.



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ABOUT THIS REPORT

Welcome to our first sustainability report. We report on our performance of environmental impacts, our people and corporate responsibility and how acting responsibly over the long term means we work with our customers to ensure a sustainable future for all.

This report of High Fashion International Limited (hereafter High Fashion) complies with the partial requirements on G4 guidelines of the Global Reporting Initiative (GRI) as well as the Environmental, Social and Governance (ESG) Reporting Guide in Appendix 27 of Rules Governing the Listing of Securities (the Listing Rules) of The Stock Exchange of Hong Kong Limited (HKEX).

We have not sought external verification of this report but we will consider doing so in the future. We will report on an annual basis which would help our shareholders to monitor the group's ESG performance in a systematic manner, and to analyze our current position, anticipate our goals and set future targets.

This report primarily covers the period from 1 January 2016 to 31 December 2016 (the Reporting Period). Collection of data has been coordinated by our ESG team with the Clothing Industry Training Authority (hereafter CITA) facilitating the process. There are no significant changes regarding the size, structure and ownership of the Group during the Reporting Period.



THE COMPANY



Our Group founded in 1978, High Fashion is a Hong Kong listed company specializing in textile and garment manufacturing. High Fashion has been in the business of producing upper tier women and men both woven and knitted apparel products, sportswear, intimate apparel, neckwear and home furnishings and textiles to serve our customers all over the world. Today, we continue to execute our global business strategy to drive growth and performance across our two primary business segments: Manufacturing and Branding.

WHO WE ARE AND WHAT WE BELIEVE

We own spinning, weaving, knitting, printing, dyeing, finishing and garment mills in Guangdong and Zhejiang Provinces in China. All of our weaving, printing, dyeing, finishing, knitting and garment mills are accredited ISO 9001. Our aim is to produce best-in-class quality products and services to our global customers with outstanding value for money.

High Fashion continues to invest in new technology and equipment aiming to achieve world-class products with quality equal to that of Italy. We believe strongly that these advanced technology and facilities can reduce energy usage during production and in return to reduce our impacts to the environment. The winning formula has provided rapid growth and earned us a leadership role in the textile and garment manufacturing community in China and around the world.

High Fashion recognizes the importance of environmental protection and social welfare to our external and internal stakeholders, so we would continue to transform our business model to further align environmental protection and social responsibility into our strategic plan and key initiatives that we operate.

We are accountable to our shareholders and it is important to provide them with a good return on their investments. By being economically and socially responsible, we can build our business not just delivering returns to our shareholders but also sustainable products to our customers. We aim to strive at a fair balance between how we can satisfy both groups of stakeholders.

CODE OF CONDUCT

At High Fashion, we strive to reach the best practice performance with a deep commitment in social and environmental issues. We recognize the importance of corporate social responsibility and have highlighted this as a core initiative of our group.

OUR PEOPLE

No discrimination shall be tolerated on ethnic, gender, age, religion, social background and disability.

All employees receive fair and equal opportunity at workplace.

Safe and hygienic working environment for all employees, with adequate ventilation, lighting, and temperature control is provided.

Minimum age of employment at our premises in Hong Kong and China is 18 years, in compliance with national laws. For any other country of operation, minimum age is to be set according to national law or International Labour Organisation (ILO) standards, whichever is higher.

We should not employ any form of forced, bonded, slave or otherwise involuntary labour.

Working hours are to be in line with local legal requirements, or ILO standards, whichever is higher, and fully agreed between employer and employee.

Wages paid for regular working hours and overtime shall meet or exceed legal minimums or industry standards, whichever is higher.

All employees receive occupational health and safety trainings at their workplace on a regular basis.

A clear set of workplace hygiene regulations and procedures is established.

All employees should have the right of freedom of association and the right to collective bargaining, or in areas where these rights are restricted by law all employees should have the right to independently organizing themselves and to bargaining.

OUR ENVIRONMENT

All manufacturing sites should be fully in compliant with all applicable environmental laws and regulations in the country of operation.

Targeted to conduct low impact manufacturing by setting clear and measurable targets have been set in departmental level to increase energy efficiency, minimize environmental impacts, minimize the use of natural resources and make continuous improvements in environmental protection.

No prohibited chemical substances are to be used in the production processes.

INTELLECTUAL PROPERTY

Any use of proprietary technology must comply with legal intellectual property requirements, with licensing agreements and fees in place with intellectual property owners.

All computer software provided by the company must accompany adequate licensing from related vendors.

DOCUMENTATION OF COMPLIANCE

All departments and subcontractors must file all documentation annually to demonstrate compliance with this Code of Conduct.

All departments and subcontractors must comply with an anti-corruption policy according to national law.

The management of each production site must ensure to inform all employees, in their native language, about their legal rights and the content of this Code of Conduct.

Should any employees or subcontractors be found to not complying with this Code of Conduct, the term of contracts will be terminated if corrective measures are not taken within an agreed time limit.

OUR ACHIEVEMENTS

With the outstanding performances, we received many awards in Hangzhou, China every year. Now we're working on increasing our transparency and let our entire stakeholders to know more about our achievements in this report.

| Level of Achievement | China |
|----------------------|---|
| National Level | <ol style="list-style-type: none"> 1. Excellent Enterprise in China Textile Industry Quality Management Group Activities in 2016 2. Top 100 in Highest Profit Margin of China Apparel Enterprises in 2015 3. Top 100 in Highest Sales Revenue of China Apparel Enterprises in 2015 |
| Province Level | <ol style="list-style-type: none"> 1. AUGUST SILK was awarded as Famous Brand Products in Silk Garment in Zhejiang Province in 2015 |
| District Level | <ol style="list-style-type: none"> 1. Top 20 Enterprises of foreign trade export in Xiaoshan, Hangzhou 2. Top 10 Industrial Enterprises in XiaoShan, Hangzhou in 2015 3. Top 1,000 Demonstration Enterprises for Transformation, Upgrade and Innovation Technology in 2015 |



IN OUR WORLD

ENGAGING OUR STAKEHOLDERS

We believe that an organization cannot be successful without support from its stakeholders. Our Sustainability Report should address stakeholder interests and concerns that have been collected through our daily operations throughout the year, especially since they often vary from one community to another. A genuine stakeholder engagement can enhance stakeholder receptiveness and credibility of the Sustainability Report, and also strengthen trust between High Fashion and our stakeholders.

| Group of Stakeholder | Employee | External Customers | Suppliers | Shareholders | Community | Government and Industry |
|----------------------|--|--|---|--|--|--|
| Who are they? | People who work directly for High Fashion | People who buy our products | Companies who provide goods, services and materials as part of our supply chain | Those who have a financial investment in our business (security holders) | People who live, work or play in and around our properties | Peer and partner businesses, industry and legislative bodies |
| How we engage? | <ul style="list-style-type: none"> • Annual staff meeting • Training • Department meeting • Suggestion box • Newsletters • Regular site visits made by senior management | <ul style="list-style-type: none"> • Sales Relationship • Factory visit • Shows and exhibitions • Shopping experience (stores and internet platform) | <ul style="list-style-type: none"> • Regular meetings • Annual supplier evaluation and corrective actions follow up | <ul style="list-style-type: none"> • Website • Report and press releases • Annual general meeting • Survey | <ul style="list-style-type: none"> • Public events • Visits • Meeting | <ul style="list-style-type: none"> • Public events • Visits • Meeting • Industry or public seminar |
| How often? | Daily to yearly | Daily to yearly | Quarterly to yearly | Regularly | Ad-hoc | Ad-hoc |

CLEAR MATERIALITY IN 2016

Our group strategy focuses upon produce best-in-class quality silk products to our customers globally while ensuring that everything we do is environmentally and socially responsible. We have an ever-changing set of stakeholder expectations, some of which inform the strategy and opportunities, and some of which acknowledge risks for the strategy.

In 2016, we used a methodical approach – Materiality, designed to identify the many challenges that we must prioritize, address and analyze in order to provide a robust understanding of High Fashion’s sustainability actions. The importance of environmental, business operations and social issues of High Fashion’s key stakeholders is ranked in relation to their relevance for our business success.

During 2016, we worked with the CITA to carry out an independent materiality investigation on behalf of the group as part of our governance process. This was presented to the Board Member Meeting in June 2017 for discussion and conclusion. It is now the responsibility of the Group CSR team to advance this work in the form of policy development and targeting improvements over the next few years.

MATERIALITY ANALYSIS

WHO DID WE INVOLVE?

This is the first materiality analysis did by High Fashion, so we surveyed a sample of 110 internal and external stakeholders including NGOs, suppliers, vendors, customers, bankers and our employees from different levels. These key stakeholder groups were selected initially because of their close interaction with our business. Based on the positive response of the survey, we have identified 10 sustainability issues that are considered relevant to the nature of our business and market. The topics selected are based upon stakeholders' own experience and pre-existing reports from investment analysts and NGOs. They are split evenly in the areas of environmental, social and business concerns.

WHAT WE FOCUS?

The following summarizes the topics of interest for our stakeholders regarding our sustainability reporting based on our feedback and analysis process.

| Topics | Category | Our Action Taken and Our Commitments |
|--------------------|--|---|
| Environmental | Wastewater discharge | <ul style="list-style-type: none"> Met the national regulation and monitor its discharge regularly. (Page. 25) Installed Reverse-Osmosis (RO) to treat our dyehouse wastewater then recycle back to our production. (Page. 26) |
| | Environmental policy and standards | We have our own Environmental Management System and certified ISO 14001 for the production units. |
| | Waste and resource consumption | <ul style="list-style-type: none"> We reduced our plastic bag consumptions in each retail stores. (Page. 26) We set up a policy to manage our low moving stocks. (Page. 27) |
| Social | Talent attraction and retention | We understand employee is our valuable asset, so we're providing a good working environment with enough training opportunities to ensure them working in a comfortable and safe place. (Page. 33) |
| | Training and development | |
| | Employee wellbeing | |
| Business Operation | Product safety and quality | In each production site, we have a well-defined quality control system throughout the whole production process in order to make sure we deliver the best-in-class product to our customers. In this report, however, we will not be highlighting this as quality control system is already the key element on how we run our business for a number of years before. |
| | Sustainability strategy | We set out our 4-year target to reduce our impacts on the environmental. (Page. 38) |
| | Brand reputation | Although this is one of the top ten materials rated by our stakeholders, we will not put this as a key focus this year as we consider that we should build up a complete system in managing and monitoring our environmental and social aspects before building our brand image as well as reputation. |
| | Embedding sustainability into product and services | We set out our 4-year target to embed sustainability into our product development process. (Page. 38) |

ENVIRONMENTAL

We understand the connection between the use of energy in our daily operations and the health of our environment. High Fashion considers managing the risks and opportunities associated with climate change and resource scarcity as a significant aspect of our corporate responsibility platform.





OUR SUSTAINABILITY STRATEGY

As a company rooted in textile and garment industry, we are applying our efforts in coming years to help solve some of the world's biggest challenges around us:

1. Energy and Climate Change
2. Water Use and Wastewater Discharge
3. Resource and Waste Management

In this section, we will report our environmental performances among these three key categories in the following.

ENERGY AND CLIMATE CHANGE

TOTAL CARBON EMISSION

| Year | Scope 1 | | | | | Scope 2 | | Scope 3 | |
|------|--------------------------|---|-----------------------|---------|--------------|-----------------------|-----------------|-----------------|-----------------------|
| | Boiler (Stationary Fuel) | Electricity Generator (Stationary Fuel) | Vehicle (Mobile Fuel) | Stenter | Refrigerants | Purchased Electricity | Purchased Steam | Purchased Water | Industrial Wastewater |
| 2014 | 1,024 | 5 | 801 | 3,069 | 278 | 30,803 | 61,290 | 263 | 283 |
| 2015 | 1,034 | 0 | 1,087 | 2,788 | 357 | 31,176 | 60,533 | 208 | 275 |
| 2016 | 957 | 0 | 1,032 | 2,552 | 318 | 29,007 | 62,557 | 186 | 346 |

Table 1 Total Emissions (in tCO₂e) of High Fashion's emission sources (2014 – 2016)

Table 1 and Figure 2 show that purchased steam and electricity consumption are the largest contributors which were occupied over 90% of its GHG emissions in the entire corporate footprint. During 2014 to 2016 at Figure 1, there is a reduction trend for the total carbon emissions noted in 2014. Possible reasons which explain the reduction on emission as we have implemented a numbers of sustainable projects for saving energy since 2014. The detail of each saving project can be found in Pages 22-23.

Total carbon emissions (tCO2e)

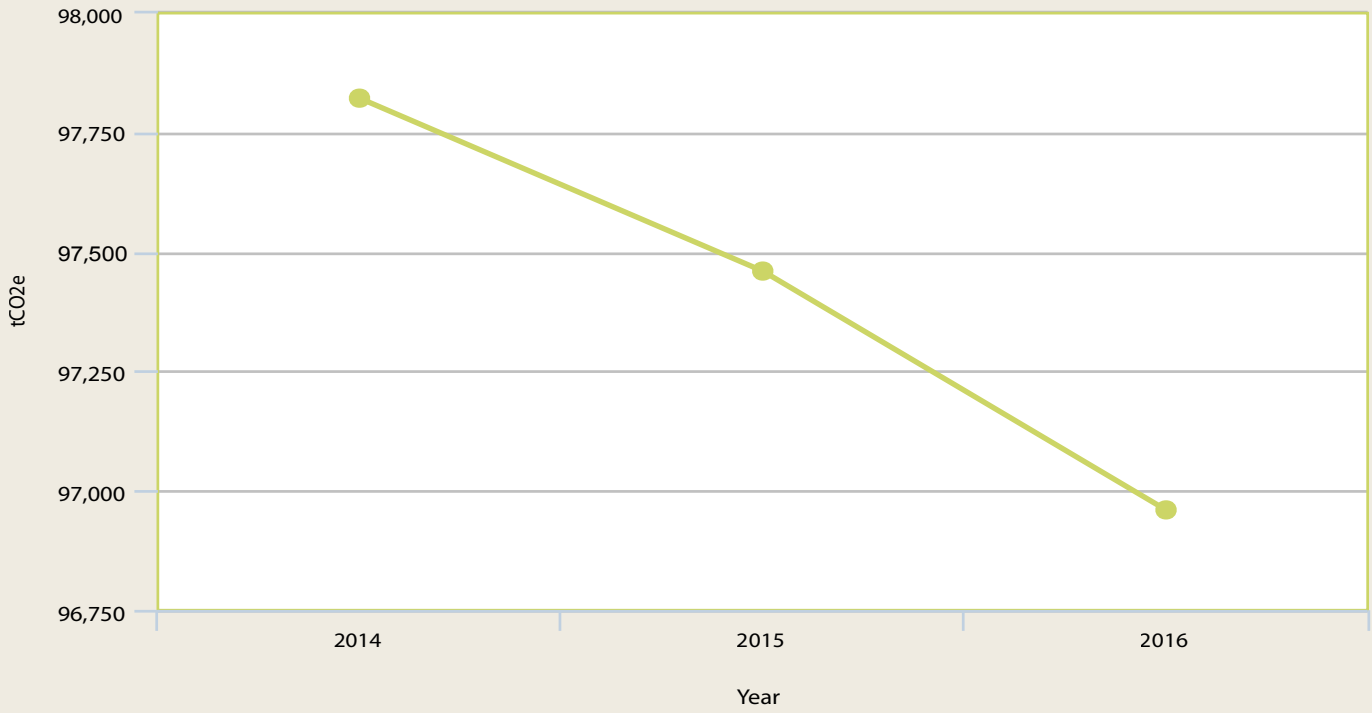


Figure 1 Total Carbon Emission by Emission Sources at corporate level (2014 to 2016)

Total carbon emission by emission source (tCO2e)

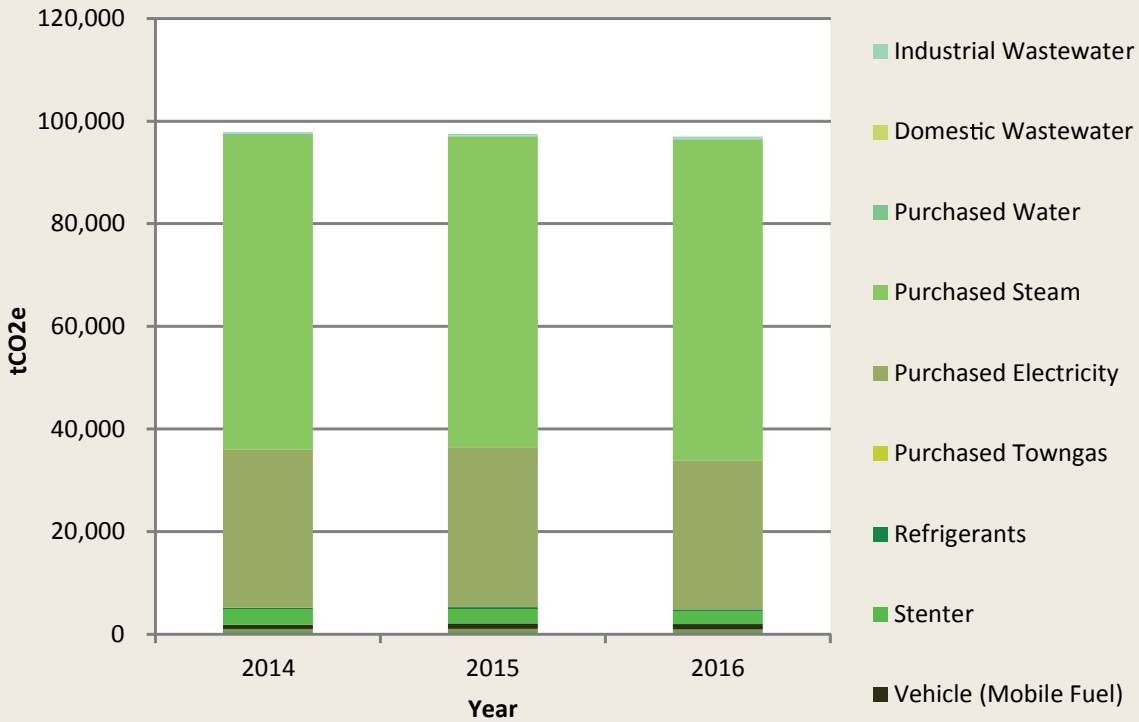


Figure 2 Total Emissions (in tCO2e) of High Fashion’s emission sources at corporate level (2014 – 2016)

Carbon Emission by Operational Units

The absolute emissions across High Fashion operations and business facilities that emit the most greenhouse gas (GHG) are presented in Figure 3. It is observed that emission intensive activities are still getting more stationed at manufacturing activities. Carbon management needs to focus in this area.

Carbon Emissions by type of facilities

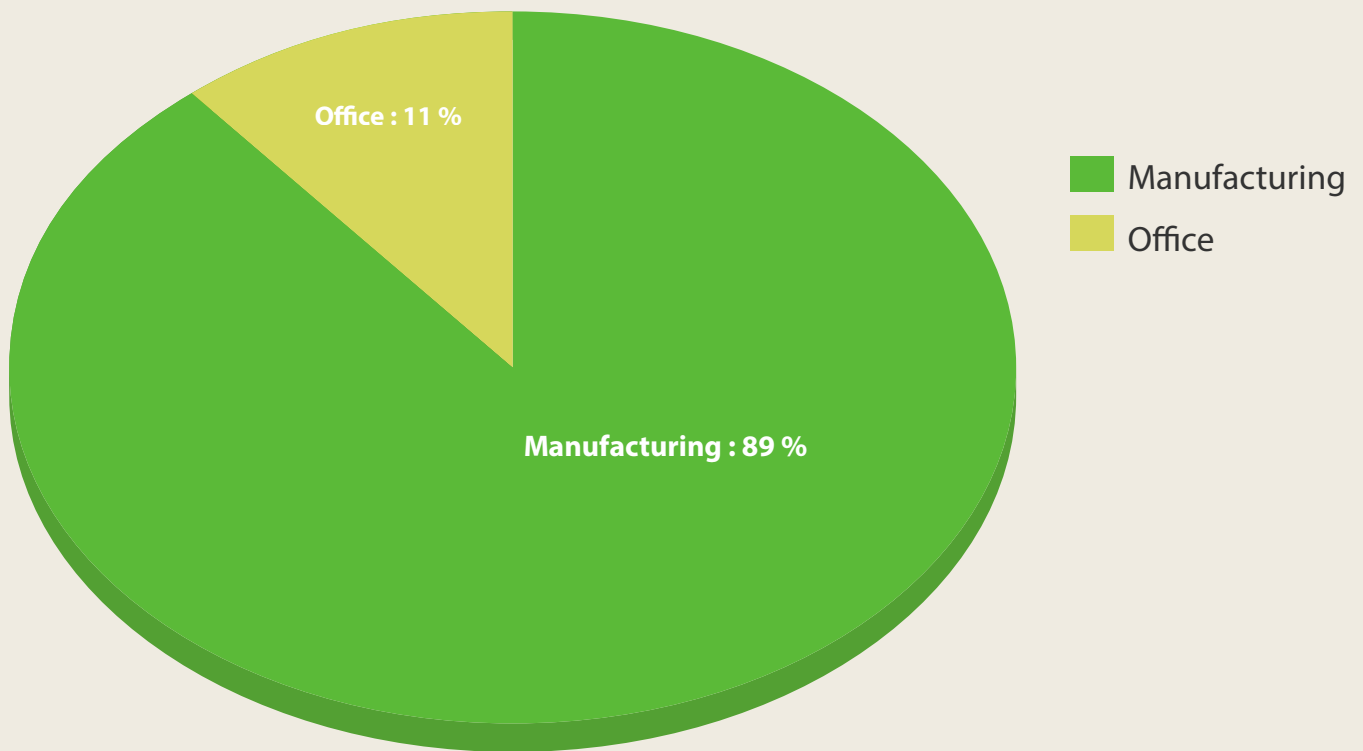


Figure 3 High Fashion Aggregate Emission (2014 to 2016) breakdowns by facility

Corporate Carbon Intensity

The absolute emission can be communicated but only reflect one aspect of environmental performance. So we need to look at a comparable indicator, Carbon Intensity.

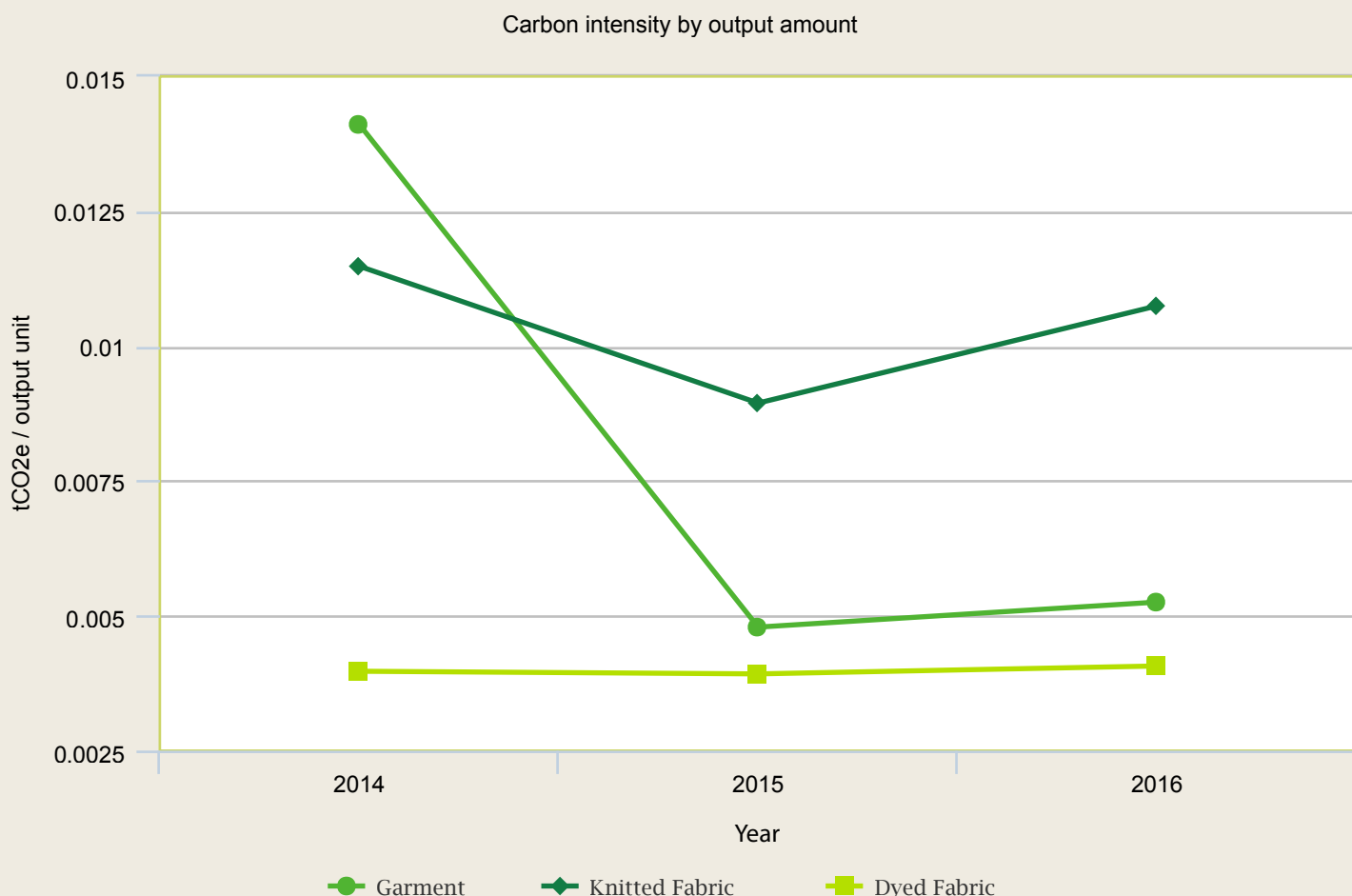


Figure 4 Carbon Intensity by production output among manufacturing units

Dyed Fabric carbon intensity remained constant with the year before, around 0.0041 tons CO₂e per yard over the past years.

Knitted Fabric carbon intensity remained constant with the year before, around 0.0107 tons CO₂e per piece over the past years.

Garment carbon intensity trends were different among three garment facilities as they are producing different classes of products but in average the garment carbon intensity is 0.0525 tons CO₂e per piece.

With the rising of awareness in environment issues, High Fashion has committed in some sustainability projects in making positive contribution to the environment. Four projects have been carried out in the manufacturing units, especially in dyeing process. They have brought valuable and positive outcomes. The summaries of projects are as follows:

INSTALLATION OF SOLAR PANELS



13,000 square meters of solar panels were installed on the rooftop for heating tap water. Solar water heating systems harnessed the heat in solar radiation to produce hot water. The solar collector absorbed the heat in solar radiation to heat up water then stored in the tank for subsequent use. The system not only helped in decreasing water-heating electricity usage, but also reducing CO₂ emissions and hot-water carbon footprint by half. The saving is equivalent to 300 tons of coal using in the company annually.

Moreover, High Fashion also installed the solar photovoltaic (PV) power generators thereby reduced greenhouse gas emissions and have the potential to supply electricity during grid outages resulting from extreme weather or the other emergency situations. By installing solar photovoltaic panels on the roof for power generation, the company has increased the installed capacity electricity by 0.926MW, which has saved 95 million kilowatt hours of electricity annually.

REUSE OF STEAM CONDENSATE

Waste-heat utilization holds great potential for cleaner production by improving energy efficiency, reducing energy usage and enhancing engineering functionality of the company. Steam condensate was collected from drying machines then recovered as useful energy, which then was used to heat up water and the heated water was pumped to workshop for dyeing purposes. This saved about 102 tons in term of standard coal annually in the company.

LED LIGHTING

10,000 fluorescent lamps were replaced by LED lamps. The light-emitting diode (LED) is one of today's most energy-efficient and rapidly-developing lighting technologies. Quality LED light bulbs last longer, are more durable, and offer comparable or better light quality than other types of lighting. It is energy saving and use at least 75% less energy, and last 25 times longer than fluorescent lighting. It saved annually 75 million kW/hour electricity in the company.

HARMONIC WAVE TREATMENT POWER SAVING DEVICE AT DYEING MILL

Two harmonic wave control energy-saving devices were installed in the dyeing mill. Harmonic Distortion created compromised sine waves which caused energy waste, excess heat in motors, equipment failure and transformer overloaded. Modern electricity possesses several conditions which may cause it to be wasted, inefficient and even harmful to the equipment it is connected to, and it can even lead to costly power outages. The devices were broadly applied throughout electrical system and have excellent power savings results (average 5%~20%). They minimized electric waste by reducing impedance and minimized electron loss by controlling the harmonic distortion and high frequency of existing electrical system. Annually 30 million kW/hour electricity was saved.



WATER USE AND WASTEWATER DISCHARGE

WATER CONSUMPTION

Good water management has become one of our strategies to attain sustainable use of resource and reduce our environmental impacts during operations.

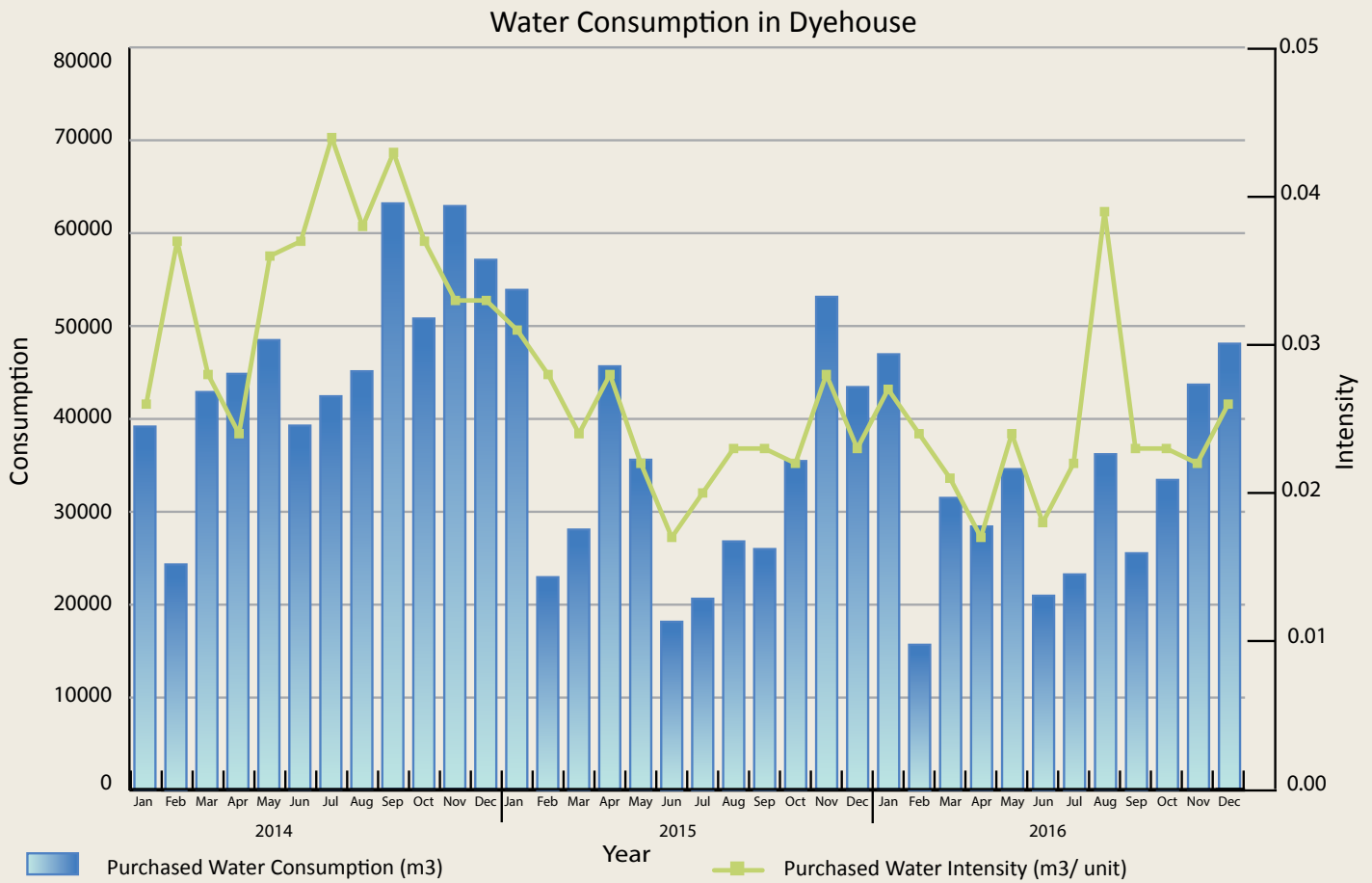


Figure 5. Water consumption in dyehouse.

Figure 5 shows the water consumption in High Fashion. A periodic change can be observed every year. Water consumption in a factory comes from both industrial and domestic use. Therefore, during peak season and summer, it can lead to a high demand of water use.

In addition, the annual water consumption decreases steadily from 2014 to 2016 and reaches the minimum at 2016. It shows a great success on the water management strategy adopted by High Fashion Company.

WASTEWATER DISCHARGE

Our factory's operation generates wastewater which will be treated by ourselves at our treatment plant then discharged to centralized government wastewater treatment plant in Qianjiang, Xiaoshan for further treatment before direct discharged to Qiantang River. Treating wastewater before it was released to natural water bodies is an essential part. We put a great focus on the wastewater treatment plant's performance in which we aim at meeting the discharge standard and complying with the regulation.

| Wastewater Source | Wastewater Effluent Discharge | | | | | | | |
|---------------------|-------------------------------|-------|--------------|-----------|-----------|----------|--------|---------|
| Testing Lab | Focused Photonics Testing | | | | | | | |
| Parameter (mg/L) | Standard Method | Limit | Testing date | | | | | Average |
| | | | 7-Mar-16 | 22-Jun-16 | 11-Aug-16 | 7-Dec-16 | | |
| CIO ₂ | GB/T 5750.11-2006 | 0.50 | <0.27 | <0.27 | <0.27 | <0.09 | <0.225 | |
| AOX | HJ/T 83-2001 | 12.00 | 0.08 | 0.20 | 0.06 | 0.17 | 0.13 | |
| Aniline | GB/T 11889-1989 | NDA | 0.47 | 0.21 | 0.63 | 0.19 | 0.37 | |
| Sulfide | GB/T 16489-1996 | 0.50 | <0.005 | <0.005 | <0.005 | <0.005 | <0.005 | |
| Hexavalent chromium | GB/T 7467-1987 | NDA | <0.004 | <0.004 | 0.03 | <0.004 | 0.03 | |
| BOD ₅ | HJ 505-2009 | 50.00 | 25.50 | 35.40 | 48.20 | 21.50 | 32.65 | |
| Antimony | ICP-AES | 0.05 | <0.03 | <0.03 | <0.03 | <0.03 | <0.03 | |

Remark: the result with "<" means non-detectable amount (NDA).

Table 2 2016 High Fashion Wastewater Effluent Discharge Performance

Seven major water pollutants were tested for their concentration in the factory's wastewater effluent source against the discharge standard of water pollutants for dyeing and finishing of textile industry (GB 4287-2012). All results showed that the treated water met the regulation requirements in 2016.

For improving our treated wastewater quality in order to reduce the amount of treated water for direct discharge, we installed double membrane treatment process (ultrafiltration + reverse osmosis) for treating wastewater. Ultrafiltration is a physical water treatment procedure and one of the pressure-driven membrane processes. The pore size of membrane varies between 20 nm and 0.1 microns. This technology guarantees treated water of consistently high quality, with no taste or odour, no matter what the quality or turbidity of the water source. Ultrafiltration reduces treatment waste and the need to use chemicals. While, Reverse Osmosis (RO) is a water treatment process that removes contaminants from water by using pressure to force water molecules through a semipermeable. RO performs a separation without a phase change and required low energy. RO is cost effective water-purification solution. Our treated wastewater was reused directly to the production workshop and its reuse rate was up to 50%. This project saved drainage and water 250,000 tons per year.

RESOURCE AND WASTE MANAGEMENT

The High Fashion Group has been conscious of how the business inputs and waste management contributes to the environment. To manage the environmental impacts caused by the operations, High Fashion has employed effective strategies to address issues in resource consumption and waste generation, which helps reduce the emission footprint in the operating practices of the companies.

The following is the examples of measures implemented in the subsidiaries in Shenzhen, China (hereafter SZ Companies), since 2017.

PACKAGING MATERIALS

| Year | 2015 | 2016 |
|---|-------|-------|
| Average amount of paper bags consumed in each store | 2,052 | 1,915 |

Table of paper bag consumption in stores in 2015 and 2016

In view of the packaging consumption in the past two years, SZ Companies has implemented a packaging saving program that aims at minimizing the use of packaging materials (i.e. plastic and paper bags) in 2017. The measures include: 1) reusing unwrapped packaging, 2) providing bags according to the size of purchased goods, and 3) charging employees in case of using company bags for personal purposes. By doing so, it is expected that each store can save around 10% plastic and paper bags during the year.

Paperless Promotion

In order to reduce wastes and optimize the energy use, SZ Companies has made use of the social media technology to replace the traditional promotion practices. In 2017, the promotion has started to shift from printing leaflet to launching in the social media platform, WeChat, to inform VIP customers about the information of new products and related promotional activities. The objective of this approach is to reduce paper printing and leaflet mailing, which is targeted to achieve saving approximately 80% of paper consumption for promotion during the year.



Product management

Up to 2016, there are around 79 tonnes of clothing produced and about 64 tonnes of them sold to SZ Companies. To avoid disposal of excessive slow selling or defective products, SZ Companies has employed a procedure to review the products each year. The slow selling products in stores will be moved to auction or online sales, while the stocks unsold for more than two years will be taken by the liquidation company. The defective products will be returned to the factories, reworked or sold at discount. This procedure helps managing the overstocks and eliminating unnecessary disposal of products by the company.

The above measures of resource and waste management will be completed in the end of 2017, and the estimated amount of resource saving will be reported in next reporting period.





OUR COMMUNITY

Being one of the leading garment manufacturer and retailer, we highly depend on recruiting well-trained employees and emphasize on the importance in youth development. In the past years, High Fashion has strived to positively impact people and society by collaborating with academy and charity to support our new generation.

INVESTING IN OUR FUTURE WORKFORCE

We understand that young people are our future and education is the powerful tool for nurturing professionals. Hence, High Fashion is committed to increasing opportunities for the youth to develop their skills in the clothing industry.

High Fashion Womenswear Institute

We collaborated with the Hangzhou Vocational & Technical College to establish the High Fashion Womenswear Institute (hereafter “the Institute”) since 2009, which has been focused on professional development of talents for the Chinese Silk Industry. In 2013, a research center of around 3,000 square meters (達利 (中國) 有限公司產學研中心) was built within High Fashion (China) Co Ltd, where students could take full advantages to learn and gain practical experience. To fit in the current industry development, there are 4 professional schemes for students in the Institute, these are 1) Fashion Design, 2) Knitting Technology and Apparel, 3) Fashion Retail and Management, and 4) Textile Decorative Art Design.

In these past years, the Institute has carried out 36 training projects and provided technical training and skill identification to more than 18,300 people. In 2015, 7 competitions have been organized in national, provincial and municipal level. More than 40 papers have been published in national core and China professional journals. Graduates of the Institute generally have good career development with high employment rate of over 98% and entrepreneurship rate of 17%. Their salaries are 10% higher than graduates from other institution in the same province.



THE INSTITUTE HAS ALSO OBTAINED AWARDS AND ACHIEVEMENTS IN THE PAST

| Year | Award / Achievement |
|------|--|
| 2015 | Skilled Talent Cultivation Outstanding Contribution Award In National Textile Industry |
| | Cooperative enterprise, Dali company, won the "National Textile Talent Training Base" title |
| | Declared national costume design professional resource library successfully |
| | Won "excellent case" award for school-enterprise cooperative profession in China's textile and garment industry |
| | Became a sub-center of the Hangzhou public training base |
| | Won project results promotion award in China's textile and garment industry |
| 2014 | Won the national teaching achievement first prize in "Based on the school-enterprise cooperation of clothing professionals training model innovation and practice" |
| | Fashion design major has advantages in Zhejiang Province |
| | Advanced group in National education system |
| | Key training base in Zhejiang Province |
| | Cooperated with a famous painter, Chen Jialeng, the produced series of clothing were collected permanently in China National Museum |
| 2013 | Clothing design major was focused in national vocational colleges |
| | Normal profession in Zhejiang Province |
| | Trial profession in integration of middle school and vocational college in Zhejiang Province |
| | Clothing structure design teaching team reached to provincial level in Zhejiang Province |
| | Knitting technology and garments became a special profession in Hangzhou |
| | The vocational training base was supported by central finance |
| | Dali Women's College was named as a model group in Hangzhou |

STRATEGIC COLLABORATION WITH LOCAL AND OVERSEAS ACADEMIES



In order to allow the youth to have broader development, High Fashion has also cooperated with more than 30 local and overseas academies in different projects for career planning and development, such as offering summer internship and exchange visits. The strategic partnership parties include local and overseas academies such as the Hong Kong Polytechnic University, the City University of Hong Kong, China Academy of Art, University of Southern California, Zhejiang Sci-tech University, Wuhan Textile University, Beijing Institute of Fashion Technology and Fashion Retail Academy in London, UK.

BUSINESS CONSULTING PROJECT FOR BUSINESS SCHOOL MBA

High Fashion began collaboration with the City University of Hong Kong on the Business Consulting Project for Business School MBA, which aims at providing students with in-depth understanding of local business development and giving practical experiences for them to make use of the management theory to analyze and comment on the High Fashion strategy initiatives.

PROVIDING FINANCIAL SUPPORT ON EDUCATION

We are committed to increasing education opportunities through scholarship programs for diverse young people who might not have the financial means.

CHARITY FUND SCHOLARSHIP

The High Fashion Charity Fund Scholarships (福慧達利慈善基金獎學金) has been established for years, which aims at increasing the financial capability of local high school students with economic difficulties. By doing so, we support the Financial Assistance Scheme (精進基金大學生資助計劃) organized by a Hong Kong Charity Organization - Virya Foundation Limited (hereafter “Fund”), which assists students to complete a 4-5 year university degree course, and provide them with various activities to develop their personal and moral development.

Each year, the Fund will grant the financial support to 150 first-year students who have good personal and academic performance in 6 mainland universities, including University of Science and Technology of China, Xi'an Jiaotong University, Northwestern Polytechnical University, Chongqing University, Jishou University and Xi'an Polytechnic University. To assist people in need, priority will be given to 1) eligible students who are orphans, disabled, in families with single parent or family member that is disabled; or 2) eligible students who have not received any State or private donation.

Each selected student would receive a grant of RMB5,000 each academic year to complete an undergraduate course (typically 4 to 5 years). A yearly review of the institution partner list will be conducted by the Fund to determine whether to continue funding a new group of students in the coming year.

OUR PEOPLE



At High Fashion, our employees are the cornerstone of our company, and we recognize the importance and impact that they have across all areas of our business. That's why we place great importance on the growth, development and engagement of our employees, which in turn, helps with retention.

Our major workforce amounts to 114 employees in Hong Kong, 4,722 employees in China and 34 employees in oversea. They are all contracted on a full time basis.

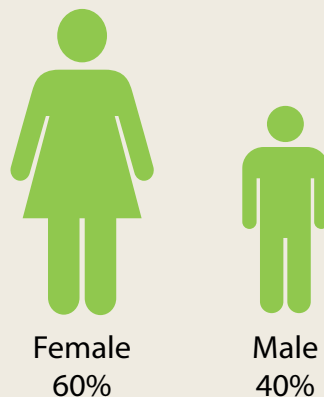
OUR EMPLOYEE

Our people are the driving force behind our innovation, improvement and success.

We consider the tenure of our employees an important indicator of our overall company performance. In 2016, our group overall turnover rate has reduced by 11% compared to 2015 yet there is still room to improve for providing our staff to have a great place to work.

According to Chinese labour regulations, the minimum working age is eighteen years old. Our Group only employs workers above this age with valid identity card or equivalent. All High Fashion employees have signed a legal contract with the respective companies.

Distribution of Employee by Gender in 2016



Distribution of Employee by Age in 2016



MAJOR WORKFORCE BY EMPLOYMENT TYPE, CONTRACT AND REGION

We do not discriminate in offering access to its products, services and employment on the basis of race, colour, gender, age, national origin, religion, creed, disability, veteran's status, sexual orientation, gender identity or gender expression. High Fashion has not received any report or complaint on discrimination incidents to date. According to Chinese labour regulations, the minimum working age is eighteen years old. Our Group only employs workers above this age with valid identity card or equivalent. All employees have signed a legal contract with the respective companies.

| Region | Type | Total | Full Time / Permanent |
|-----------|--------|-------|-----------------------|
| Hong Kong | Staff | 112 | 112 |
| | Worker | 2 | 2 |
| China | Staff | 1,228 | 1,228 |
| | Worker | 3,494 | 3,494 |
| Overseas | Staff | 34 | 34 |
| | Worker | 0 | 0 |

Table 3 Summary for High Fashion's Employees in 2016

RESPECT FOR HUMAN RIGHTS

Our values and Code of conduct require integrity and ethical behavior. High Fashion's code of conduct commits us to the fair treatment of all employees wherever we operate. We adhere to the national legal requirements and respect fundamental human rights and not to engage in any activities that disregard such rights, including discrimination on race, religion, gender, physical and mental ability and gender or the abuse of power. Such consideration covers hiring, promotion, job classification and assignment, compensation, and other conditions of work. We also require our every employee to be treated and treat others with dignity, respect and courtesy. We do not under any circumstances tolerate discrimination or harassment.

We have included the policies concerning aspects of human rights that are relevant to operations in our code of conduct and staff hand book.

We have established procedures to screen our suppliers and contractors to ensure compliance to human rights.

FREEDOM OF ASSOCIATION AND COLLECTIVE BARGAINING

Our employees are free to form associations for the protection of their interests and to bargain collectively where the required membership thresholds are met. Trade union and employee associations have a strong presence and operate freely at all of our business operations in our China factories with the support of High Fashion group's management, which carry out union activities and safeguard the lawful rights and interests of the employees with accordance to the Labor Union Law of the People's Republic of China. The labor union will meet once per year. No labor union is organized in our Hong Kong and oversea offices. We provide necessary conditions for our labor union to carry out activities. The labor union is on behalf of the employees, concludes the collective contract with the company with respect to the remuneration, working hours, welfare, insurance, work safety and sanitation and other matters.

WORKING CONDITIONS

In all China factories, employees are receiving salary and overtime compensation according to legal requirements. Moreover, working hours and holidays are in line with national law.

ANTI-CORRUPTION POLICIES AND PROCEDURES

Our company and employees must comply with the anti-corruption laws that apply wherever we do business. We are against all forms of bribery and have established policies with referencing to the Hong Kong's Prevention of Bribery Ordinance in our new staff handbook to explain to our employees the anti-corruption policy. During the introduction of our new staff handbook, we highlighted the new clauses included related to anti-corruption. No significant incidents of corruption have been reported or been found in the reporting period.

TRAINING AND DEVELOPMENT

One key factor in employee motivation and retention is the opportunity employees want to continue to grow and develop job and career enhancing skills. In fact, this opportunity to continue to grow and develop through training and development is one of the most important factors in employee motivation.

We believed in being built to last and being a generational company, and taking care of the expectations and career development of our best performers is critical to the success of the group going forward. Employees as an important investment and we are willing to spend considerable time and resource to train and educate them.

We have also provided staff trainings on different aspects, and the majority is about industrial safety. But we know it may not enough for our employees, so we will provide more resources for their skills as well as career development.

Only 7 minor injuries were reported in total for the whole year 2016, none were serious. Injuries and illness caused below 0.5 percent lost working days during the Reporting Period.

OUR 2020 SUSTAINABILITY GOALS

We are fully aware that all stakeholders would wish to see from us a long term plan. As such, in 2015, we set THREE sustainability goals for the next FOUR years. Each goal aligns with the vision of High Fashion that “Strive to be the World’s No.1 Silk Enterprise” and the progress of achievement of the goals is overseen by relevant members of our Management.

**OUR “3 IN 4” SUSTAINABILITY GOALS WILL
ENSURE WE GROW OUR BUSINESS IN A
WAY THAT’S GOOD FOR PEOPLE AND THE
ENVIRONMENT**



BETTER PRODUCTS

IMPROVE SUSTAINABILITY PERFORMANCE OF EVERY NEW PRODUCT

How to make it work – To develop product scorecard methodology with reference to Life Cycle Assessment (LCA) and the result and data will be published in the next reporting period. This scorecard enables us to measure the environmental and social impacts of our products and to integrate all sustainability criteria into product design and development.

LOWER IMPACT

GROW OUR BUSINESS WITHOUT INCREASING CARBON FOOTPRINT

How to make it work – To reduce carbon emissions (Scope 1 & 2 location-based emissions) by 5% over the three years period. A large contributor to this reduction will be the reduction of electricity emission. This will be supported by energy efficiency projects which helped to keep our energy consumption flat despite business growth. More efficient production operations and heat recovery which would reduce fuel emissions could also play a big part.

MORE ADMIRABLE WORKPLACE

BETTER WORK ENVIRONMENT AND JOB SATISFACTION TO CONTINUOUSLY GROW AND DEVELOP OUR POOL OF TALENT

How to make it work – To set up a committee uniting senior leaders from both business units and head office to map out targeted initiatives to drive enhancement in work environment; increase training support and to structure specific career development programs

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