

Lu Thai Textile Co., Ltd.

Social Responsibility Report 2019



April 2020

Lu Thai Textile Co., Ltd.

Social Responsibility Report

For the Year 2019

Overview

Reporting Entity

The Reporting Entity is "Lu Thai Textile Co., Ltd." which can be referred to as "We", "the Company", "Lu Thai", "Lu Thai Company" and "Lu Thai Textile", unless otherwise specified in the main text.

Time Period

The time period is from January 1, 2019 to December 31, 2019. Considering the continuity and comparability of the information disclosure, the disclosure time of partial information may be accordingly subject to advance or postponing.

Reporting Period

This report is an annual report.

Report Scope

This report is made to mainly disclose the Company's fulfillment of its social responsibility in the year 2019, and partially covers the data of related subsidiaries.

References

China Social Compliance 9000 for Textile & Apparel Industry (CSC9000T)
Social Responsibility Management System (SA8000)
Transforming our World: The 2030 Agenda for Sustainable Development (A/RES/70/1)

Language Version

This report has been prepared in both Chinese and English. If there is any discrepancy, the Chinese version shall prevail.

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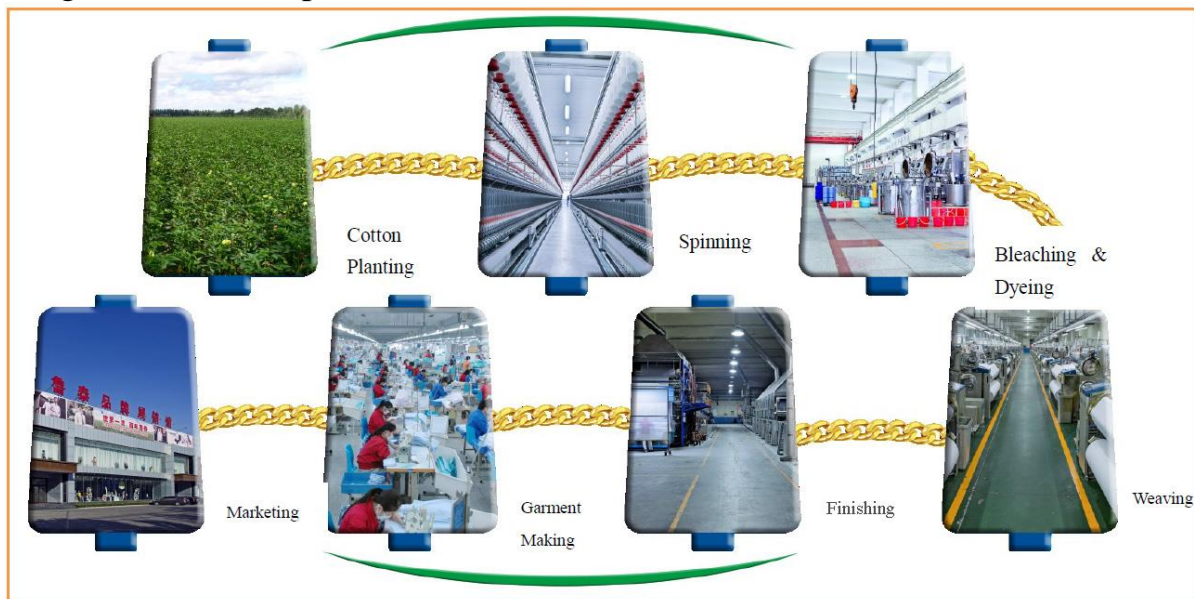
Organizational Overview

- **Company Profile**
- **Cultural Concept**
- **Organizational Structure**
- **Main Business Performance**
- **Company Honors**

Chapter 1 Organizational Overview

(I) Company Profile

Lu Thai Textile Co., Ltd. has already become the largest world-renowned manufacturer for high-grade yarn dyed woven fabric and premium-brand shirts, and established the complete industrial chain ranging from cotton breeding & planting, spinning & wovening, dyeing & finishing, garment making to brand marketing. Besides, the Company has also set up 18 holding subsidiaries, 3 offices and over 40 manufacturing factories in 8 countries, including China, U.S.A., Italy, Japan, India, Vietnam, Cambodia and Myanmar etc. as an internationalized textile and garment enterprise integrating R&D, design, manufacturing and marketing service with the focus on the industrial chain integration and comprehensive innovation.



At present, Lu Thai Textile has owned over 880,000 spindles and 100,000 yarn spindles. 70% of its products are sold to over 60 countries and regions including U.S.A., EU and Japan etc.. As Lu Thai Textile's production and business operation performance always ranks among the best, it has successively won various honorary titles such as National May First Labor Medal, Prize for Outstanding Contribution in Chinese Philanthropy, National Quality Award, China Grand Awards for Industry and Single Champion Demonstration Enterprise in the Manufacturing Industry etc.

(II) Cultural Concept

Mission

- **Creating wealth and contributing to the society**
- **Clothing the country and boosting the development of the world**

Creating Wealth and Contributing to the Society

Insist on creating value for customers, seeking happiness for employees, creating wealth for the society, and winning benefits for shareholders, we will realize our value in developing the economy and serving the society, fulfill our responsibilities through saving resources, protecting the environment, and participating in public welfare, promote the comprehensive and coordinated development of material, spiritual, and ecological civilizations, and share the achievements of civilization with the society.

Persevere in the inheritance and innovation of the textile industry, weave a beautiful life with yarns, decorate a happy life with fabrics, dress up a colorful world with garments, and focus on the progress of the human being's textile civilization and the society's harmonious development.

Clothing the country and Boosting the development of the world

Vision

- **World-class Lu Thai with A Long History of 100 Years**

From the Perspective of Space

From the perspective of space, Luthai will follow the industrial development in the world to create hi-end brand, and rely on its technical innovations to stimulate the development potential and lead the industry.

From the perspective of time, Luthai will take the path of green, low-carbon, scientific and humanistic development path based on the textile or even beyond the textile so as to achieve its goal by virtue of its strong competitiveness.

From the Perspective of Time

Values

- **People First**
- **Rigorous and Scientific**
- **Customers Orientation**
- **Integrity and Win-win Situation**

People First

Strictly adhering to the thought of respecting, relying, developing and benefiting people, the company will regard human resources as its primary resources, respect labors, knowledge, talents, and creation, advocate the equality of opportunity, fair competition, appoint people by abilities, care and love employees, create a good working environment, living environment, and learning environment for employees, and share the development achievements for employees in order to realize the mutual development between people and the company.

The company will always adhere to the rigorous, careful, responsible and ambitious working attitude, the modest, cautious, efficient, innovative and pragmatic working style, and the spirit of solidarity, hardworking and excellence, seek truth from facts, give consideration to everything, and highlight key methods to promote the work's institutionalization, regulation, and standardization, and to maintain the healthy, stable and sustainable development.

Rigorous and Scientific

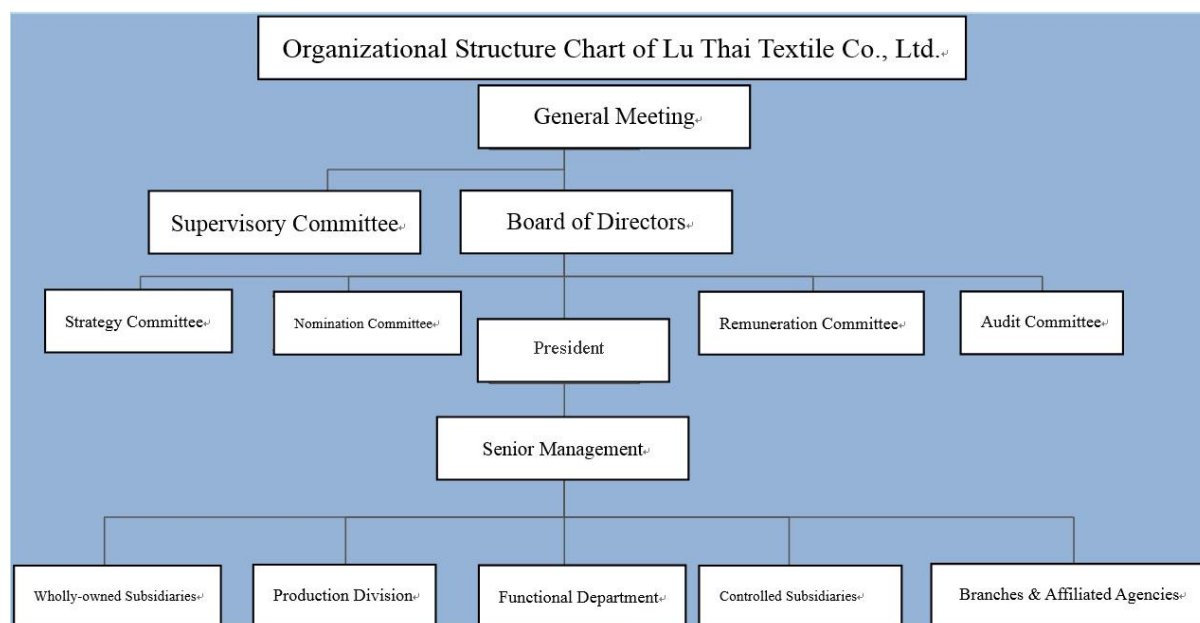
Customers Orientation

The company will always focus on the customer's demand and regard the customer satisfaction as the objective. Therefore, the company's production and business operation need center on the customers and real-time changes in the market. By virtue of quick response and innovative management, high-quality products and services can be provided to customers in order to dynamically satisfy the customer's individualized needs and improve the customer satisfaction and loyalty.

The company devotes to establishing the stable, reliable and long-term partnership with related parties for a win-win situation by virtue of its integrity, high quality and service, in addition, it will strictly obey business ethics, suit the action to the word, provide customers with sincere service, earnestly treat employees, sincerely cooperate with suppliers, improve the cohesion by means of integrity management, enhance the satisfaction of related parties and achieve a win-win situation.

Integrity and Win-win Situation

(III) Organizational Structure



(IV) Main Business Performance

Currently, Lu Thai Textile Co., Ltd. has possessed the total assets of RMB 11.885 billion and the net assets of RMB 8.299 billion. The Company's production and business operation performance have always ranked among the best in the nationwide textile industry. In 2019, the annual yield of yarn-dyed fabrics reached 276 million meters and 18.26 million pieces of shirts were produced. Meanwhile, for 2019, the annual operating revenue amounted to RMB 6.801 billion. As various tasks have been accomplished steadily, the Company ranks among the best in the yarn dye industry nationwide.

In 2019, the net profit attributable to the listed company's shareholders reached RMB 952 million and the net profit before exceptional gains and losses RMB 662 million, respectively rising 17.36% and declining 17.73% when compared to last year. Meanwhile, the Company also made great progress in scientific research innovations, management upgrading, market development, brand construction, construction of enterprise culture and other aspects.

(V) Company Honors

Awards	Conferred by	Awarding Time
Shandong Province Science and Technology Progress Award First Prize	Shandong Provincial People's Government	February 2019
Shandong Top 100 Private Enterprise for Brand Value	Shandong Council for Brand Development	May 2019
Shandong Manufacturing Hi-end Brand Development Enterprise	Shandong Council for Brand Development	May 2019
2018 Top 100 Enterprise in the Cotton Spinning Industry (Main Business Revenue)	China Cotton Textile Association	May 2019
2018 Top 10 Enterprise in the Yarn Dye Industry (Main Business Revenue)	China Cotton Textile Association	May 2019
Best Management Practice Organization	Taishan Management School	July 2019
2018 Top 100 Cotton Spinning Enterprise (Industrial Competitiveness) in China	China Cotton Textile Association	July 2019
2018 National Top 100 Garment Enterprise	China National Garment Association	July 2019
Outstanding Organization for the 40 th Anniversary of Comprehensive Quality Management Promotion in Shandong	Quality Evaluation Association of Shandong Province	July 2019
China Excellent Unit for Cultural Development as a Private Enterprise	China Corporate Culture Institute	August 2019
Outstanding Promotion Unit for the 40 th Anniversary of Comprehensive Quality Management Promotion	China Association for Quality	August 2019
2019 China Textile Enterprise of Harmonious Labor Relations	China National Textile And Apparel Council and Chinese Association For Textile Enterprises Culture Construction	October 2019
Beautiful Shandong and Brand Power - "Shandong Name Card"	Shandong Council for Brand Development	December 2019
National Science and Technology Progress Award Second Prize	The State Council of the People's Republic of China	December 2019



Sustainable Public Welfare for People's Livelihood

- **Social Responsibility Management**
- **Business Ethics and Integrity**
- **Communication with Interested Parties and Response**



Chapter 2 Sustainable Development Management

(I) Social Responsibility Management

1. Social Responsibility Strategy

In the past 30 years, Lu Thai Textile Co., Ltd. actively fulfilled its social responsibility while contributing to the revitalization of Chinese traditional textile industry, consistently adhered to the development idea of green, environmental protection and sustainable development and devoted to producing healthy and environmental-friendly textiles for the world and promoting the sustainable development of

economy, society and ecological environment.

In order to strengthen the enterprise's social responsibility management, Lu Thai Company has combined the new situation of economic development with that of social development, and worked out the social responsibility and sustainable development strategy of Lu Thai Textile Co., Ltd. based on previous social responsibility practice and achievements. With "World-class Lu Thai with A Long History of 100 Years, People First, Scientific Management, Law Abiding, Harmonious Development, Working

Hard, Pursuit of Excellence, Creating Wealth and Contribution to the Society" as the policy, the social responsibility and sustainable development strategy has taken environmental protection, sustainable development and care for the society into consideration.

2. Construction of Social Responsibility System

In order to guarantee the effective



implementation of social responsibility strategy, the Company has established and improved the social responsibility-related system according to applicable laws, regulations and related international standards so as to guarantee that the Company's operation can produce positive influence on the ecological environment, the society and other interested parties and boost the sustainable development of the Company, the society and the environment.



The social responsibility

performance team consisting of senior executives, major department heads and labor representatives shall serve as the Company's highest management organization in charge of the Company's social responsibility management. The team will convene and hold a meeting semiannually for preparing the social responsibility system documents, researching and reviewing major matters in relation to the Company's social responsibility work, managing, coordinating and discussing the social responsibility fulfillment of related parties including various departments and suppliers and the specific execution of applicable standards, urging the implementation of social responsibility performance inspection and taking actions to

eliminate hidden problems, in which way, the Company's social responsibility management can be institutionalized and normalized, and the harmonious and sustainable development between the enterprise and the environment/society can be ensured.

With the steady advancement of the Company's comprehensive internationalization strategy, the Company has also made the social responsibility system construction of overseas factories an important part of its development, earnestly fulfilled its social responsibilities, listened to the voices of all walks of life, built a good relationship with related parties, and achieved good social benefits.

The Company has always paid attention to the return on investment of shareholders. From the listing in 1997 to 2019, through the issuance of B shares and the additional issuance of A shares, a total of RMB 2.015 billion was raised. Since its listing, the Company has realized an accumulative net profit of RMB 10.351 billion. As it insists on cash distribution every year, the total cash distribution amounts to RMB 5.079 billion with the cash distribution rate at 49.07%, which is 2.52 times of the accumulated raised funds.



(II) Business Ethics and Integrity

1. Adhere to the Compliance Operation

The Company has always emphasized that integrity and law-abiding principles are the foundation of the Company, and always abide by the values of "integrity and win-win situation". As the Company adheres to the principle of honesty, law-abiding and compliance management, it has perfected the credit management mechanism, and established a credit management system involving society, customers, partners and suppliers, employees, shareholders and other related parties; by means of the propaganda of corporate culture, publicity and education training, inspection and supervision of employees' behaviors and other measures, the Company continues to guide employees to abide by ethical standards, improve their moral accomplishment, establish the law-abiding social image, ensure the value of integrity, and promote ethical behaviors.

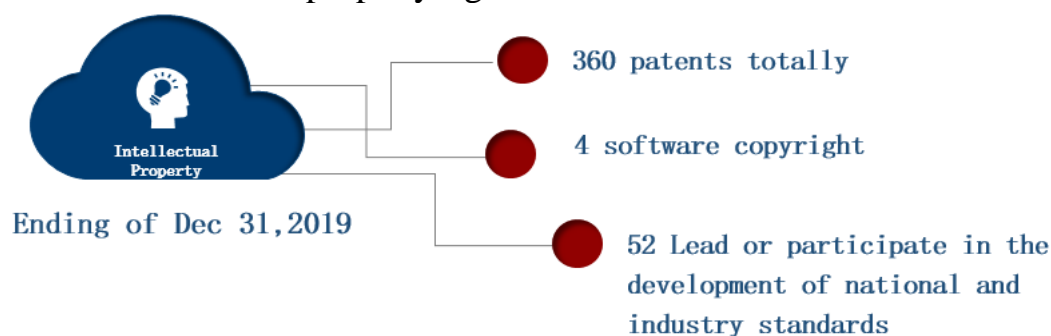
Moral Conduct and Results

Objects	Indicators	2017	2018	2019
Senior Leaders	Quantity of Non-conformance Events	0	0	0
Middle-level Cadres and Related Functions	Quantity of Non-conformance Events	0	0	0
	Legal Tax Payment (%)	100	100	100

Objects	Indicators	2017	2018	2019
Employees	Quantity of Uncivilized Events	0	0	0
	Popularization rate of Professional ethics education for employees (%)	100	100	100
	Quantity of Violations against code of ethics	0	0	0
Shareholders	External audit results	Standard unqualified audit opinions	Standard unqualified audit opinions	Standard unqualified audit opinions
Suppliers	Contract payment rate (%)	100	100	100
Customers	Order fulfillment rate (%)	100	100	100
Communities	Quantity of immoral events influencing the community	0	0	0

2. Intellectual Property Protection

Intellectual property rights provide a strong support for the Company's development, and it is the magic weapon for the Company to compete in the domestic and foreign markets. Lu Thai has always attached great importance to the protection of intellectual property rights. Therefore, the Company continues to optimize the intellectual property system, sets up the intellectual property and patent protection team, establishes various trademark management regulations and patent application management procedures, fights against any infringement of trademark, rights patent rights and copyrights etc., conducts corresponding accident investigation and evidence collection, identifies corresponding responsibilities in relation to intellectual property rights so as to improve the overall operational efficiency of intellectual property protection and propel its innovation and development by virtue of its intellectual property rights. After more than 30 years of development, Lu Thai has indeed turned a page for its protection of intellectual property rights.



(III) Communication with and Response to Stakeholders

As the trust and support of interested serve as the basis for the Company's sustainable and healthy development, Lu Thai has regarded the government, shareholders and investors, customers, employees, suppliers and partners, the community and the public as the most important interested parties, paid great attention to communicate with various related parties, listened carefully to their voices, and taken their feedback seriously. In line with the actual situation, the Company has timely adjusted the communication mechanism and methods and accordingly improved the Company's management system.

Related Parties	Expectations and Requirements	Interactive Mode	Measures Taken
Government	Safe Production	Legal Operation	Contribute the enterprise's experience to the industry's development
	Environment-friendly Production	Be subject to supervision	Contribute the enterprise's strength to improve the people's livelihood
	Compliance Management	Wisdom contribution	Contribute the enterprise's wisdom to protect the environment
	Employment Enhancement		
	Fulfillment of Social Responsibility	Improvement of people's livelihood	
Customers	Product quality and environmental protection	Customer visit	Improve the product quality management system
	Satisfactory service, accountable marketing	Customer service hotline	Improve the customer relationship management system
	Prompt delivery and reasonable price	Open business operation	Conduct the customer satisfaction survey
	Respect customers and take customer complaints seriously		Visit customers regularly
Shareholders and Investors	Investment returns	Annual work report	Compliance management, open and transparent operation
	Continuous profitability	Financial audit report	Safeguard the legitimate rights and interests of shareholders
	Transparent operation	Shareholders' meeting	
Community and Public	Promote employment	Supervision by the masses	Help the poor, and join the public welfare activities
	Protect environment		
	Economic development	Visit communities	Energy saving and emission reduction, trees planting
	Improving people's livelihood		Promote the employment and develop local suppliers

Employees	Scientific and reasonable wages and benefits	Labor Union, employees' representative	Scientific and reasonable remuneration system
	Healthy and safe working environment	Complaint channels: employee hotline, complaint box etc.	Improve the employee training mechanism
	Improve the attainment and the career development	Trade union committee members, employee representative assembly	Carry out the career planning
	Smooth communication and respect for human rights		Create a good atmosphere and encourage employees to make innovations
Suppliers and Partners	Credible operation, keeping promises	High-level visits	Help the poor and support employees
	Respect free wills and control the risks	Experience and technology exchange and cooperation	Continuously improve supplier management processes and strengthen the control of operational risks
	Equality and mutual benefit, continuous cooperation	Daily communication	Strengthen the contract management and standardize the credible procurement
	Adhere to business ethics and promote the sustainable development of supply chain	Open business operation	Share experience and technology, mutual exchange of needed goods



Sustainable Products and Services

- **Deepen the Product Quality Control**
- **Product Realization Geared to Sustainable Development**
- **Continuous Improvement of Service Level**
- **Creatively Promote Sustainable Development**



Chapter 3

Sustainable Products and Services

(I) Deepen the Product Quality Control

The Company has always attached great importance to the product quality control and established the quality policy of “The quality is the foundation of the Company’s life, and it’s always the Company’s mission to satisfy the needs of customers and the market and continuously improve the product quality” so as to ensure the product quality, avoid any hazards of personal safety, health, environment and the harm caused by the product itself, and provide the society with safe, reliable, high-quality and environment-friendly products.

The Company continues to promote the construction of quality culture. In 2019, we organized various activities such as technical competition, outstanding employees evaluation, quality improvement activities, and QC group proposals etc. to continuously strengthen the quality awareness of all employees, and actively create a good quality culture atmosphere in which the product quality is the focus.



The Company establishes a quality and safety responsibility management system, continuously promotes the establishment of a sound quality management system, strengthens the quality management involving all employees, the whole process, and all aspects, strictly organizes the production and operation and quality control according to applicable national and industrial quality and safety regulations, policies and standards, implements the major quality accident reporting and emergency response system, improves the product quality traceability system, and supervises the product safety by means of monitoring, measuring and process control in order to realize the product’s “intrinsic safety”.

(II) Product Realization Geared to Sustainable Development

Lu Thai adheres to the concept of green development, introduces the concept of sustainable development from the very start of product design, effectively utilizes various natural resources and reduces different negative factors affecting the environment. Gradually, the focus of product design has been transferred from appearance, function and commercial interest to the field of sustainable development. While realizing the product economic benefits, the environmental protection and personal health are also taken into consideration. In other words, designers shall take the harmony and unity of economy, society and environment into full consideration during their design.



In the selection of raw materials, we attach great importance to the

renewable and reusable resources, prioritize the selection of green and environment-friendly fibers, and actively develop ecological textiles.

In terms of the process setting, we will focus on reducing the adverse impact on the environment, commit to changing the traditional high-consumption and high-pollution production mode, actively promote clean production, adopt new technologies that are energy-saving, efficient, and pollution-free, optimize the resource allocation, and reduce corresponding energy consumption and environmental pollution.

In the production process, we fully consider the impact on the surrounding environment and the employee's health, pay attention to the use of green and environment-friendly chemicals, actively develop non-toxic and harm-free dyeing auxiliaries, build sewage treatment facilities, and collectively dispose the dyeing and printing waste water for the purpose of mitigating the damage on the environment.

For the use of products, we advocate the sustainable consumption model, ensure corresponding consumption to be conducive to the environmental protection and the ecological balance. Meanwhile, consumers are called for to meet their own needs while maximizing the use of resources to help build a resource-conserving and environment-friendly society.

(III) Continuous Improvement of Service Level

The Company endeavors to build an expansion-based marketing organization centering around customers, carries out reform and integration on the Group and regional marketing organizational structures and operations, the iron triangle collaborative operation mode and the motivation of the marketing team,

and continuously enables collaboration between customers and products, integration of business and management and subdivision of marketing and services. Externally, the Company promotes the concept of wholehearted services and builds the “common future for customers” from all aspects, including design, R&D, manufacturing and marketing service; internally, it



advocates the concept of “downstream chains are customers” and builds a team of close communication and highly efficient collaboration.

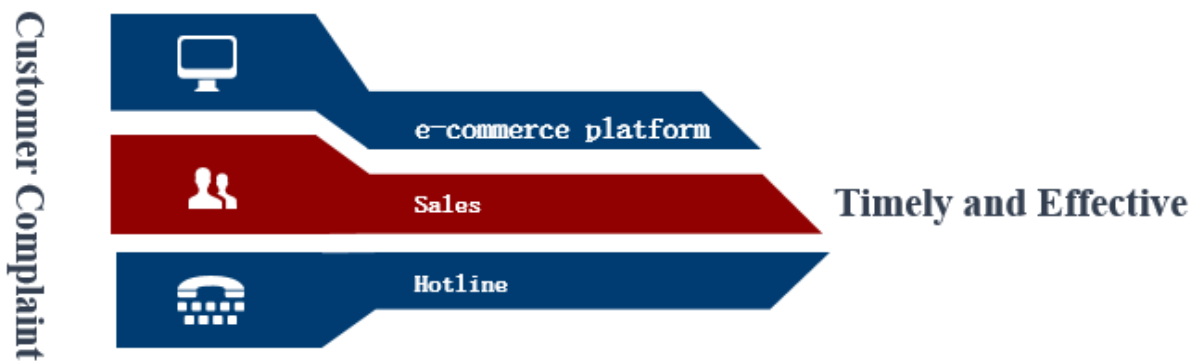
At the same time, the Company continuously pays attention to the customer’s needs, visits its customers, and holds market analysis meetings on a regular basis, analyzes and researches the changes of market and customer demands, conducts the customer satisfaction survey, analyzes the potential customer’s opinions and the competitor’s information, systematically identifies various quality and safety risks, and actively takes preventive actions. In addition, the Company has established the major quality accident reporting system and product monitoring system, and in line with the differentiated needs of the market and customers, the Company has strengthened the monitoring, analysis and assessment of quality and safety risks from various aspects, such as raw materials, pre-control orders, technology, quality control, process control, delivery of products so as to timely warn quality risks, promptly take measures to eliminate major quality and safety hazards, and effectively achieve the early detection, early research, early warning and early disposal of quality and safety risks. In November 2019, the Company successfully passed CNAS review. In addition, it has passed the site certification of AEON, LANDS END, MS and PVH, becoming the first first-party laboratory that has passed the site certification of AEON-12.



Tests have been conducted for fibre content, pH value and tensile strength and the results are satisfactory; new test items and methods have been added, including the bursting strength of knitted fabrics, snagging and pilling test item, and qualitative/quantitative test methods for the fiber content of three-component/four-component and other multi-component fabrics.



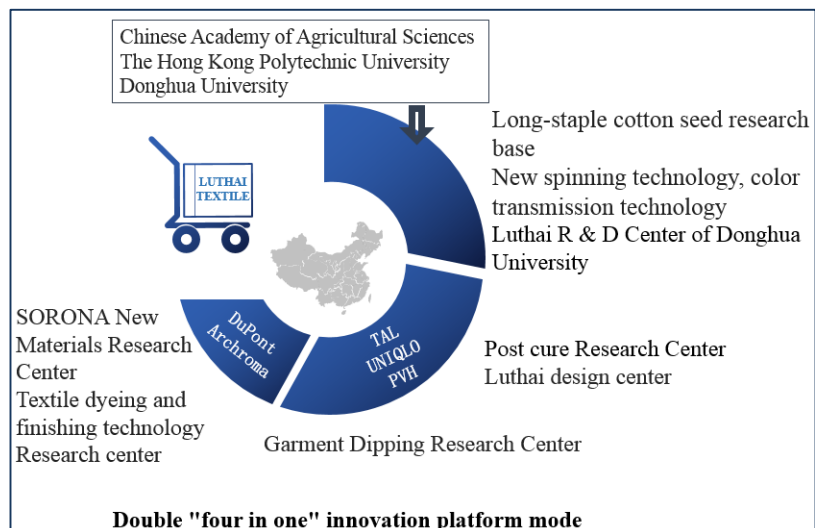
On the condition that various preventive measures are positively taken, the Company has established a sound customer complaint handling mechanism and responded quickly to customer quality feedback.



The implementation of a series of measures has effectively eliminated the occurrence of major quality and safety accidents in the Company, ensured the continuous improvement of the quality of products and services, improved the overall quality service level of the Company, and satisfied the differentiated needs of customers from various aspects such as quality, delivery, cost, service, safety and environmental protection and won the trust of customers.

(IV) Creatively Promote Sustainable Development

The Company always regards the scientific and technological innovation as the guiding principle, the market the direction, the enterprise the main body, scientific research institutes and universities the support, strategic customers and key suppliers the alliance to establish the



seamlessly-linked creative the “Double Four-in-One” mode involving production, quality control, R&D design and marketing so as to carry out basic, critical and forward-looking scientific researches, improve the comprehensive technical level of the industry, and help the industry’s upgrade from manufacturing, creation to creativity. Moreover, the Company regards “enterprise development through science and technology” as an important strategy for the Company’s development, and the transformation of scientific research innovations and scientific and technological achievements the Company’s primary task in order to thoroughly build the enterprise’s core competitiveness, maintain the leading position of technology, introduce the healthy and sustainable lifestyle, and convey the infinite connotation of the development of modern textiles.

Through continuous improvement of scientific research and innovation system, the Company actively builds its scientific and rational innovation network and continuously increases investment in science and technology research and development.

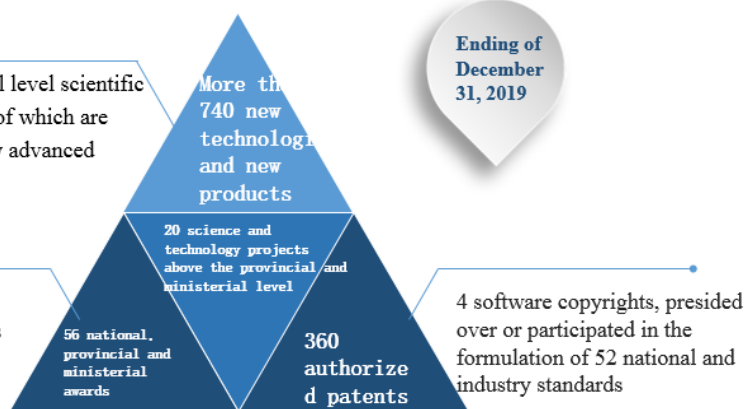


Key Digitization Technology of Colors in Textile Fabrics and its Industrialization

The Company has won the 2019 National Science and Technology Progress Award Second Prize for this achievement. To meet the pressing need of efficient and precise control of colors for high-grade textile fabrics, the Company has started the project to conduct research on key digitization technology of colors and the industrial application. As a result, it has developed the multi-spectral imaging color measurement equipment and the precise colourimetry and color matching technology for yarns and fabrics, broken through the technical difficulties in high simulation of fabric texture, created the system for precise acquisition and intelligent retrieval of fabric images, built the highly efficient cloud platform for digital development and management of fabrics, formed the color digitization function system widely applied in the fields of spun dyeing, yarn dyeing and printing and dyeing, solved the problems with consistency and precision of textile fabric colors, and substantially shortened the development cycle of patterned fabrics.

60 products passed the provincial and ministerial level scientific and technological achievements appraisal , 14 of which are internationally leading and 40 are internationally advanced

One national first prize for scientific and technological progress and three second prizes





Sustainable Production and Operation

- **Safe Operation**
- **Green Production**
- **Climate Action**
- **Supply Chain Management**



Chapter 4 Sustainable Production & Operation

(I) Safe Operation

Safety shall be the lifeblood for the enterprise's development and the guarantee for the healthy, stable and sustainable development of enterprises. In 2019, the Company actively promoted the construction of a long-term mechanism for safe production, established and improved a strict and scientific safety production responsibility system and supervision system, continuously improved safety production rules and regulations, promoted the standardization of the safety production management, and comprehensively enhanced the level of safety production management and safety production. As a result, the safety situation continues to be stable and positive on the whole.

1. Construction of Safety Production Management System

The Company always adheres to the principle of "safety first, prevention first, comprehensive management", promotes the safety production standardization, and continuously promotes the construction of safety production management system. In 2019, various safety production rules and regulations such as Safe Production



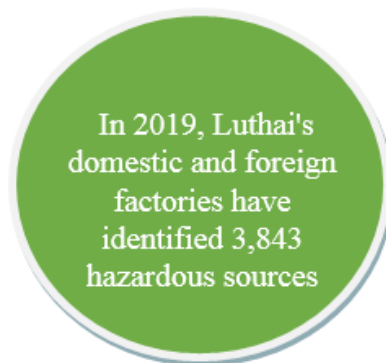
Management Regulations, Fire Safety Management Regulations, Occupational Health Management Regulations and other safety production regulations were revised for improvement, and corresponding safety responsibilities of the Company's personnel at all levels, ranging from the general manager to the grassroots employees, were defined. Meanwhile, the Company has established safety production committees at home and abroad to strengthen the construction of leading cadres and supervision teams. All factories and departments have established their own safety and fire management leading groups and appointed

full-time safety and fire management personnel to improve the Company's safety and fire management network. Through training, education and guidance, the Company will strengthen the construction of a safe production culture, improve the personnel's safety production awareness, legal and regulatory knowledge and professional quality and competence, implement the safety production target responsibility management system, and decompose various safety management objectives at all levels.

2. Management of Safety Risks and Hazards

The Company continued to improve the dual prevention system of hierarchical control of production safety risks and identification and management of hazards and persists in risk prevention and early identification. It took risk identification as the basis, hierarchical risk control as the key, identification of hazards as the approach and information technology as the platform to build the dual prevention mechanism of control and identification of corporate production safety risks, thus building safety management based on standards and targets.

Besides, the Company thoroughly identified various environmental factors and sources of dangers, took effective management and control measures, established its own safety production risk information database, and assembled relevant information on enterprise safety production. Meanwhile, the Company applied the qualitative and quantitative statistical analysis methods to determine the severity of various risks so as to define the priority of risk control and related control measures. Based on the department's daily safety management and the supervision and control of the safety management departments at all levels, the Company carried out the process management and implemented the effective control to achieve the goal of improving the safe production environment and reducing and eliminating safety production accidents.



3.Management of Dangerous Chemicals



The Company controlled the entire process of procurement, transportation, storage, use and disposal of dangerous chemicals, established Safety Management Regulations on Dangerous Chemicals, clarified the responsibilities of relevant departments, and strengthened the construction of dangerous chemicals systems. In addition, the Company also formulated 2019 Annual Dangerous Chemicals Emergency Plan, and carried out emergency drills for dangerous chemicals emergencies so as to continuously enhance the reliability and practicability of such emergency plan, and improve the coordination and cooperation between different departments. For the personnel involved in the work of dangerous chemicals, the Company implemented the level-3 safety training system, formulated 2019 Annual Training Plan, organized a series of safety education activities, and strengthened the personnel’s safety awareness by learning related laws and regulations and chemical-related knowledge and analyzing different cases so as to continuously improve the Company’s safety management level of dangerous chemicals.

4. Production Safety Emergency Management

The Company continued to improve the construction of emergency management system and steadily enhanced its abilities in accident prevention and emergency response. In order to improve the emergency processing capacity of the Company and various production plants and departments during accidents, the Company perfected Regulations on Emergency Preparedness and Response Management and other rules and regulations in 2019, formulated Emergency Preparedness and Response for Fire Accidents, Emergency Preparedness and Response for Hazardous Chemicals Leakage Accidents, Emergency Preparedness and Response for Natural Gas Leakage Accidents and other response plans. Besides, the

In 2019, Luthai's domestic and foreign factories have conducted more than 310 emergency drills

plans, conduct universal education on all kinds of emergency rescue knowledge, organize emergency rescue teams and conduct regular drills, supervise the construction of emergency rescue teams, the allocation of equipment, instruments and materials, and corresponding management conditions. At present, the Company has established 9 full-time emergency rescue teams, convened more than 220 full-time



Company also set up an emergency rescue leading group to guide all departments to establish corresponding emergency response

firefighters, and more than 1,200 volunteer firefighters, and will perform firefighting drills and emergency rescue drills twice a year.

(II) Green Production

The Company closely follows the green and low-carbon keynote set for the world economic development and commits itself to producing high-quality eco-friendly textiles for the world. It sticks to the sustainable development path, continues to promote energy conservation and emission reduction, deepens environment management, promotes green manufacturing and builds green factories, as part of its active effort to develop a green ecosystem for textile economy, jointly promote ecological civilization with customers and suppliers, contribute to the building of a harmonious society and tangibly perform its corporate social responsibilities.



1. Sustainable Utilization of Resources

(1) Water Resource



The Company strictly abides by relevant laws, regulations, standards and policies, implements such laws and regulations as Implementation Measures for the Execution of the Strictest Water Resource Management Policy, and performs water conservation according to relevant requirements of water resource management authorities.

The Company has established a long-acting mechanism for water conservation management. It has formulated the plan for unit consumption of water by “13th Five-Year” products and the annual water conservation plan, divided the water conservation goal among workshop sections and production teams with clearly defined responsibilities. It has

strictly implemented the system that requires simultaneous design, construction and application of main works and water conservation measures and the establishment of adequate water consumption plans, water conservation goals, water conservation goals and measures, and water management policies. It has

strictly conducted water balance tests according to the specified cycle.

During production, the Company has encouraged production departments to develop new water conservation techniques, promoted semi-cylinder dyeing, overflow dyeing and short liquor dyeing, and focused research on production technologies with “minimized and zero use of water”.



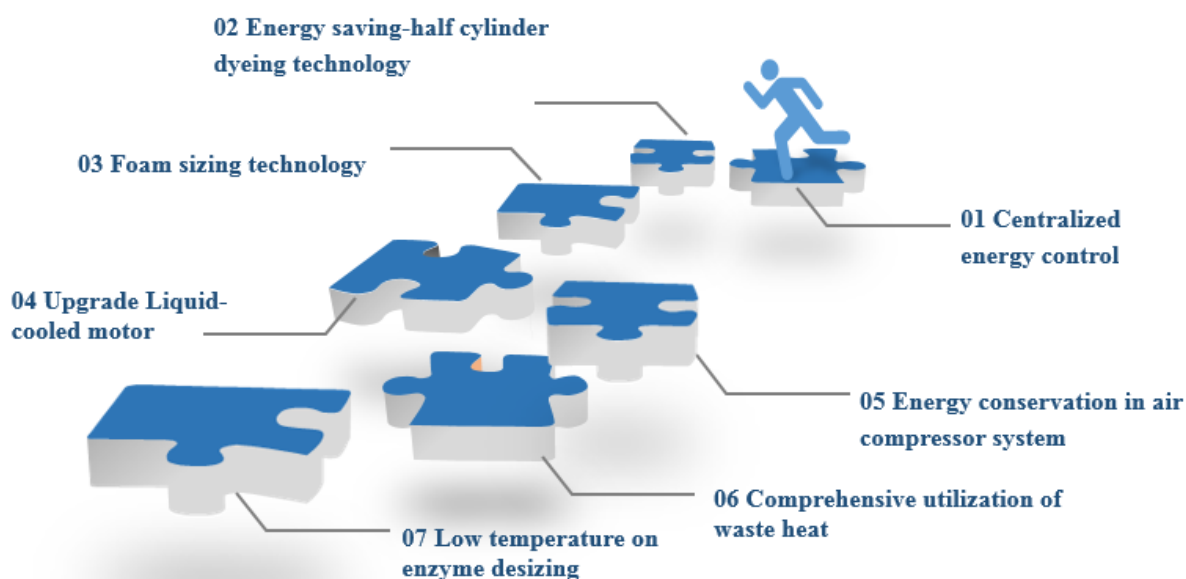
The Company has increased investment in reclaimed water reuse projects, further promoting recycled use of water resource and providing long-term guarantee for social development. It has invested approximately RMB 80 million in the development of a reclaimed water reuse project, which adopts the world-leading “immersion ultra-filtration + reverse penetration” technology to realize the deep processing, regeneration and reuse of waste water. As various indicators revealed by reclaimed water are superior to the national water quality standards for recycling, the annual withdrawal of fresh water has declined by about 5 million tons, substantially improving regional water resource environments.

In 2019, the Company spent up to RMB 100 million to expand the sewage treatment project with a daily capacity of 40,000 tons. Upon completion, the expansion project is expected to further enhance the sewage treatment capacity, considerably improve the water quality of inland rivers, play a big role in the regulation of river basin environment and promote comprehensive development of regional economy and environmental protection.

(2) Energy Control

In terms of energy control, the Company has focused on the theme of “promoting the conservation and recycled use of resources on all fronts, taking actions of water conservation, reducing energy and material consumption, and realizing cyclic connection between production and life systems”. For enterprises, energy conservation and emission reduction are important measures to promote energy saving on all fronts, build an energy-saving and environment-friendly society and fulfill corporate social responsibilities.

In 2019, the Company continued to promote energy conservation and emission reduction, earnestly implemented notices from such meetings, strengthened leadership to coordinate the work, formed a new pattern of energy conservation and emission reduction that “focuses on deepening system reforms supported by technology innovation to achieve green development”.



Centering around its framework of product structure upgrading, the Company adjusted measures to local conditions and established science-based plans. It set clear targets for energy conservation and emission reduction with emphasis on key points and organically combined the continuity and phases of energy conservation plans. It further improved the measurement management system, exerted accurate and strict control over the rationality and authenticity of energy consumption statistics, strengthened the information transmission ability of its energy control center, proactively drove the development of online energy monitoring systems, and guaranteed digital and dynamic monitoring of energy management. It beefed up promotion of energy conservation and emission reduction and made active steps to conduct various forms of promotion and training. It continued to reinforce site management of energy and eradicated the problems of various energy loss. It used scientific design to exercise management of major energy, including electric power, steam and natural gas

In terms of electric power consumption, the Company carried out construction works strictly in accordance with the best energy conservation plans for new reconstruction and expansion projects, maintained the traditional advantages including motor frequency conversion and water pump throttling and proactively explored the application of excitation motors and magnetic mechanical and electrical equipment in actual production. It conducted deployment of key energy consumption equipment, optimized the networking of self-produced air pressure gas pipes to realize demand-based gas supply, and introduced two-stage permanent-magnet variable frequency screw-type air compressors to reduce the unit power consumption of air compression by 28%.

In terms of heat consumption, the Company took emphasis on quality and efficiency enhancement and continued to improve the quality of steam transmission. It vigorously promoted sewage waste heat and heat exchange technology and increased the heat exchange efficiency of heat exchange equipment. It optimized the layout of steam transmission pipelines, and through years of research and practical experience, used the most cost-effective new heat insulation materials to insulate transmission pipelines and parts along the way and reduce the loss in steam transmission. It conducted experiments on the upgrading of steam cooling and depressurization and on the technology of regenerating steam with low-temperature waste heat, striving to become a pioneer of the industrial technology. It used technical means to continuously increase the combustion efficiency of gas equipment and promoted the application of recycling waste heat from fume and the technology of air pre-heating processing to reduce equipment heat loss and substantially cut gas consumption.

By deepening energy control measures, promoting technology innovation and taking other related measures, the Company has further improved its energy management system with enhanced energy management level, cut the costs of energy operations and successfully completed the annual goal of energy conservation.

2. Reuse of Waste

The Company always places importance on the development of circular economy by reducing resource consumption systematically from the source in production, cutting the generation of waste and realizing comprehensive use of diverse resources. It has developed more than 100 energy conservation and environmental protection technologies in a number of aspects, including liquid ammonia recovery equipment, condensate recovery, colored alkali recovery, and recycling of cooling water in slashing and finishing workshops.



Alkali and PVA Recovery and Rreatment Systems

In terms of the recycling of liquid waste, the Company has introduced two

sets of German alkali recovery equipment and independently developed two sets of recovery equipment to recycle liquid alkali from mercerizers with a reuse rate of more than 80%. In terms of solid waste reduction and reuse, the Company carries out grade-based recovery and separate reuse and treatment of waste cotton and lap waste. Through process and equipment improvement, the Company recovers paper tubes, woven bags and other packages from garment factories and reuses them in yarn-dyed fabrics, which has substantially reduced the waste of resources.

(III) Climate Action

The Company attaches importance to the development of ecological civilization and the protection of ecological environment and makes solid steps to drive the improvement of environmental protection. It has proposed the overall requirements of “continuously taking air pollution control actions, winning the battle of guarding blue skies, expediting water pollution control, strengthening solid waste and garbage disposal, enhancing pollutant discharge standards and honoring commitments for emission reduction”, continued to ensure orderly implementation of various environmental measures by inputting manpower, materials and financial resources, and achieved long-term development in the development of corporate environmental policies, sewage discharge control, air pollution control and solid waste control.



It has improved regional resource environment, alleviated the tense supply of water resources within related basins, avoided water body pollution and built an ecological environment with lucid water and lush mountains, playing a demonstration and leading role in the industry.

Air pollution control: The Company has proactively exerted VOC control, spent heavily on the purchase of VOCs control equipment and carried out installation of online surveillance equipment required by municipal and regional ecological environment regulatory authorities.

Emission reduction: The Company has carried out closed collection and

concentrated treatment of waste gas from sewage to reduce the emission of greenhouse gases, introduced low-nitrogen combustion equipment to reduce the oxynitride emission from production, strengthened chemicals control by restricting the use of and gradually substituting substances that produce greenhouse gases and damage the ozone layer.

The Company has exercised management of solid and hazardous waste and collected, stored and transferred such waste according to relevant regulations on hazardous waste. It has designated places to store hazardous waste, assigned personnel to manage it and appointed qualified units to carry out standard disposal of it.

Through vigorous efforts in energy conservation and emission reduction and powerful approaches in environmental protection, the Company not only has improved its comprehensive corporate management level, but also has delivered the concept of promoting green corporate development through science and technology innovation. In 2019, the Company outperformed the strictest national, industrial and local standards in sewage discharge, with a YOY decrease of 4.7% in COD discharge, 11.03% in oxynitride emission and 35% in sulfur dioxide emission.

The “Dyeing and Printing Waste Water Large-flux Membrane Treatment and Recycling Technology and Industrialization” technology developed by the Company has won the Second National Prize for Progress in Science and Technology, and various technologies including the semi-cylinder dyeing technology and the reuse of reclaimed water are applied to make great breakthrough in energy saving, emission reduction and the green and low carbon technology in the textile industry. Meanwhile, the Company’s semi-cylinder dyeing technology ever won Major Energy-saving Achievement Award in Shandong Province. Besides, the Company has won various honorary titles including National Leading Company with Excellent Water Utilization Performance in the Textile Industry, Shandong Provincial Water-saving Enterprise, Shandong Provincial Outstanding Enterprise in Energy Saving (only 5 enterprises win this title) and Zibo Municipal Outstanding Enterprise with Favorable Energy-saving Assessment Result, and contributed to the construction of green system and the accelerated conversion of old and new kinetic energy.

(IV) Supply Chain Management

Lu Thai has always been committed to building a green sustainable textile and apparel supply chain. As an important part of the Supply Chain Management Strategy, the sustainable development concept shall be regarded as one important criteria for supplier selection, evaluation and procurement distribution so as to continuously deepen the cooperation with upstream suppliers, downstream customers and other partners. By means of the Supply

Chain Management, the sustainable development concept can be extended to the entire supply chain.

In 2019, Lu Thai continued to optimize the supplier management system, and evaluated and managed all suppliers from various aspects such as quality assurance, employees' rights and benefits, environmental protection, health and safety, and business ethics. The Company has included suppliers in the scope of safety management, improved the supplier access system, the qualification review system, the supplier evaluation system, established the list of qualified suppliers, regularly audited and supervised suppliers, and carried out corresponding follow-up and guidance measures as needed. By sharing resources with various partners, the Company has tried its best to make them understand and obey related criteria of sustainable development and promoted the construction of sustainable development capacity.

Confronted with various opportunities and challenges in the future, Lu Thai is willing to work together with all suppliers, customers and other partners to promote the sustainable development of the entire industry chain, continuously improve the product competitiveness, build the China's brand, realize a boom in China's manufacturing industry and walk in the forefront of the world.



On March 21, 2019, Huntsman conferred the award of “2018 Global Best Strategic Partner” to the Company.



Sustainable Personnel Development

- **Employees' Right and Benefits**
- **Growth Platform**
- **Care for Employees**



Chapter 5 Sustainable Personnel Development

(I) Employees' Rights and Benefits

Employees are the foundation of the Company and the key to the business success. The Company actively cultivates the corporate culture featuring the care and love for employees, adheres to the “people-oriented” values, highlights and safeguards the legitimate rights and interests of employees, truly enables employees to come, stay, and work well, and creates good and harmonious humanistic environment for employees' development, providing the personnel guarantee for the Company's continuous development.

1. Recruitment

The Company always adheres to the people-oriented principle and respects and safeguards the legitimate rights and interests of employees. The Company strictly abides by relevant international standards and conventions acknowledged by the host government and applicable laws and regulations prevailing in the host country, such as the Labor Law of the People's Republic of China, the Labor Contract Law of the People's Republic of China, the Law of the People's Republic of China on the Protection of Women's Rights and Interests, the Labor Law of Cambodian Garment Industry, the Myanmar Factory Law, the Vietnamese Labor Law, and the Vietnam Trade Union Law, to legally recruit employees. In addition, the Company resolutely refuses forced labors, eliminates child labors, and executes the non-discriminatory employment policy. In respect of employment, remuneration, training opportunities, promotion, dismissal or retirement, the Company eliminates and opposes any discriminatory acts based on race, national or social origin, social class, descent, religion, physical disability, gender, sexual orientation, family responsibilities, marriage status, union membership, political opinion, age or other aspects. The Company respects the right of employees to form and join any trade unions

freely and ensures the unhindered communication channels. Through relevant systems, the Company can guarantee that employees have fair and reasonable remuneration, benefits, vacation and occupational health and safety rights.

2. Democratic Communication

The Company attaches great importance to the common construction, co-governance and sharing with employees, and emphasis is placed on the democratic management, democratic participation and democratic supervision of employees. Besides, the Company has established a variety of communication channels so as to timely understand the needs of employees, solve various problems in employees' work and life, and provide them with targeted support and assistance.

At home and abroad, trade union and employee representatives are free to communicate with employees in regardless of time and place. As the labor union chairman's reception day is selected, monthly or quarterly meetings of trade union members, employee representatives and the Company management are held. Meanwhile, employees at home and abroad can give feedback through email, suggestion box, and SMS. For different opinions, suggestions and complaints submitted by employees, the trade union and the Company shall conduct timely investigations and formulate improvement measures. Then, corresponding feedback shall also be given to employees in order to continuously meet the needs of employees.

By applying various methods including the employee satisfaction survey and communication with employees, the Company can understand the specific degree of employee satisfaction and develop targeted improvement measures to continuously improve the employee satisfaction.



The employees of Luthai (Cambodia) Co., Ltd. are in the process of voting for employee representatives

Overseas, the company also has a caring employee union and a democratic union. On the reception day of the union chairman on the 25th of each month, it receives complaints and comments and suggestions from employees, and communicates with the company on behalf of employees. The company implements the factory affairs disclosure system, and sets up an independent employee representative opinion column and a union representative opinion column to publish the problems raised by employees and the resolution measures. The company improves employee communication mechanism. The factory sets up a suggestion box, and the union checks the suggestion box every day. The company communicates with the union representatives and employee representatives on the 25th of each month to communicate the situation within a month, and review and analyze the existing problems in time. Under the guidance of the Cambodian Ministry of Labor, employees elected 25 employee representatives and 28 employee representative assistants to act as a bridge between employees and the company.

3. Establishment of Scientific Remuneration System

The Company has adopted a variety of methods to motivate employees, and implemented and continuously improved the remuneration system which highlights specific contributions of various positions and meet various requirements of different positions. The Company strictly abides by relevant international standards and conventions acknowledged by the host government and applicable laws and regulations prevailing in the host country, such as the Labor Law of the People's Republic of China, the Labor Law of Cambodian Garment Industry, the Myanmar Factory Law, and the Vietnamese Labor Law etc. to guarantee the conformance of remunerations and welfare. Furthermore, the Company follows the principle of distribution according to work, implements the equal payment for equal work, and the system of more payment for more work, avoids withholding the employee's salary disciplinary purposes, and regularly conveys the composition of wages and bonuses. The Company aims to fully realize the value of employees by establishing a sound and scientific remuneration system that allows employees to share the benefits from the Company's growth.

(II) Growth Platform

The continuous development of Lu Thai Company derives from the passion of employees for continuous innovation. The Company always pays attention to the personal growth of employees, focuses on the development potential of employees and development opportunities, strives to create an optimal development environment for each employee's learning and growth, constantly motivate employees' enthusiasm and innovation spirit, and promote the mutual growth and improvement between employees and the Company.

1. Education and Training

Based on the talent training plan, the demand for the employee's growth and development and related job responsibilities, the Company can improve the knowledge structure of employees, enhance the overall quality of employees, upgrade the employees' professional skills, work attitudes and behavioral patterns, maximize their potentials and realize their value of life to the greatest degree



by investigating the training needs, formulating various training plans, organizing the implementation and conducting the tracking management and improvement.



In 2019, the Company passed the review of Shandong Vocational Skills Identification and Guidance Center and was recognized as a pilot unit for the self-evaluation of corporate skilled talents. The evaluation covers five occupations (types of work), including spinner, textile dyer, warper, weaver and garment maker. The Company has more than 6,200 employees working in those posts, accounting for 36% of its total employees. Together with its evaluation and employment of specialized skilled workers and professional technical positions for 2019, the Company carried out procedures for registration, examination and performance appraisal for the self-evaluation and a total of 2,758 employees obtained the certificates for the grade of specialized skills.

The Company has made active preparations and been approved to establish a training school that focuses on the training of vocational skills and dedicates to the training of specialized skills for new employees and skill enhancement for employees who have served for less than one year. So far more than 1,000 employees have been enrolled.



In overseas factories, the Company formulated corresponding training schemes and took various measures including the apprentice led by the master and the establishment of training teams and the trainer system in line with the

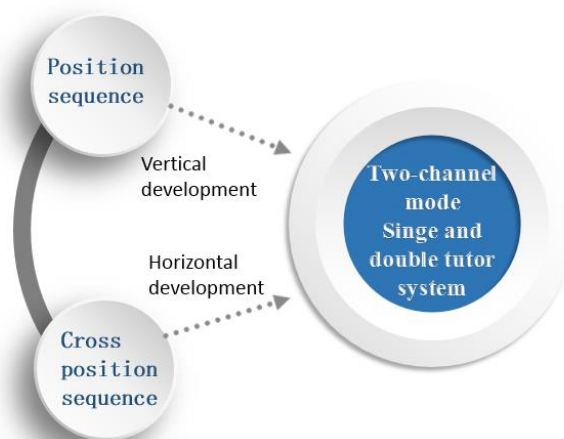
characteristics of local employees. According to the difficulty of the work, the Company set different training periods, and formulated modularized and standardized courses based on specific class



time so as to guarantee that employees can meet relevant job requirements as soon as possible and adapt to their job positions. For example, considering the characteristics of the Vietnamese staff, the Company established 311 and STM training plans, adopted different measures including the apprentice led by the master and the establishment of training teams and the Vietnamese trainer system, set different training cycles, and formulated modular and standard training courses with course hour as the unit. These training sessions aim to ensure that employees are able to meet post requirements and adapt to their posts as soon as possible. Chinese training classes were opened with quarterly Chinese level tests and language allowances were paid according to the test results to enhance employees' communication in Chinese. Training for junior management personnel was conducted to enhance their management level and make them improve fast, laying a foundation for the Company's promotion of localization.

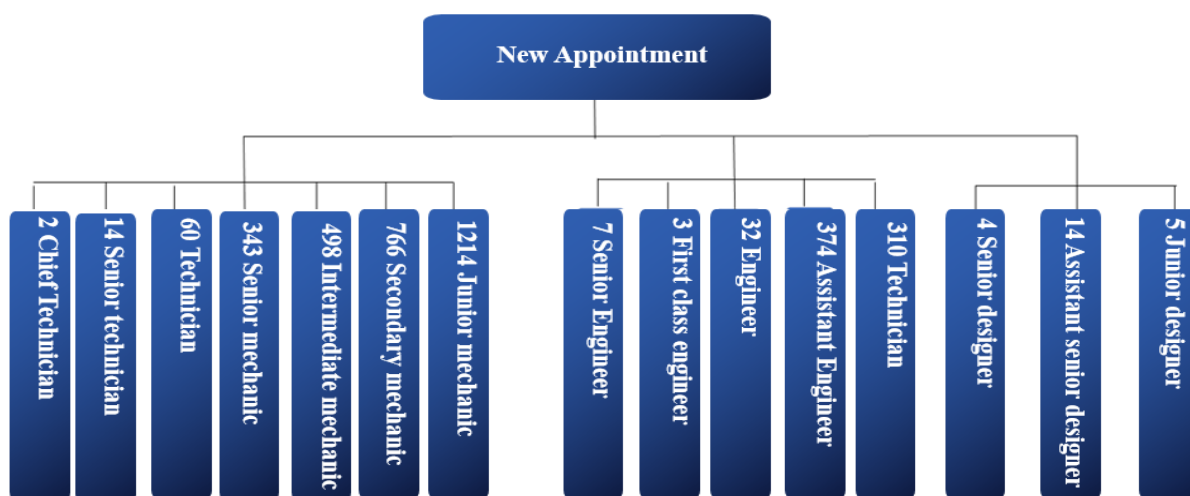
2. Career Planning

Based on the career development of the employees, the Company has also designed the training system and prepared corresponding training plans. In many ways, the Company has enriched the employees' working experience, broadened the field for career development, and accelerated



the growth and success of employees.

By the end of 2019, the Company had owned one National Friendship Award, one Taishan Scholars Specially-invited Expert, two Shandong Provincial Outstanding Young and Middle-aged Experts, one Shandong Provincial Chief Technician, one Qilu Chief Technician, and five Shandong Provincial Chief Industrial Technicians. In 2019, domestic companies newly hired 3,646 technicians. After years of hard work, the Company has gradually cultivated a talent team of reasonable structure and high quality to support the healthy, stable and sustainable development of the Company.

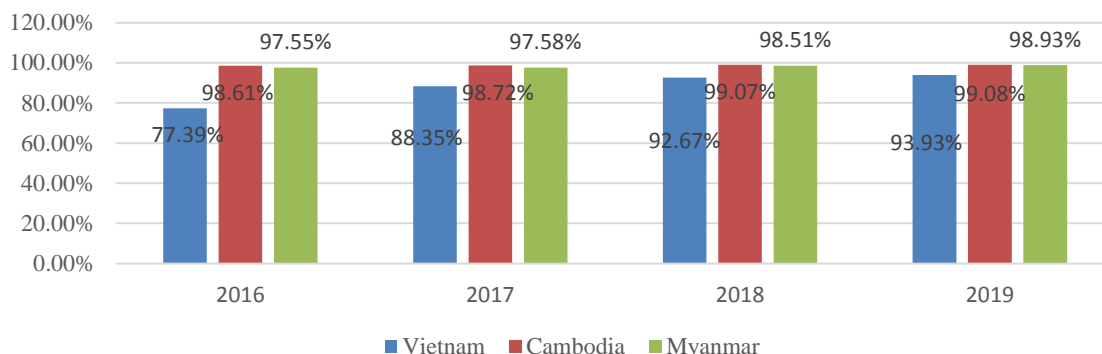


3. Diversification of Employees

The Company has formulated and implemented the goal for diversification in all aspects from the gender, age, ethnicity, and religious beliefs of its employees. Meanwhile, the Company has strictly observed relevant laws and regulations and international conventions to ensure the fair employment of male and female employees, and actively promote the localization of overseas employees because the localization of employees can help the Company understand different cultures of different regions.

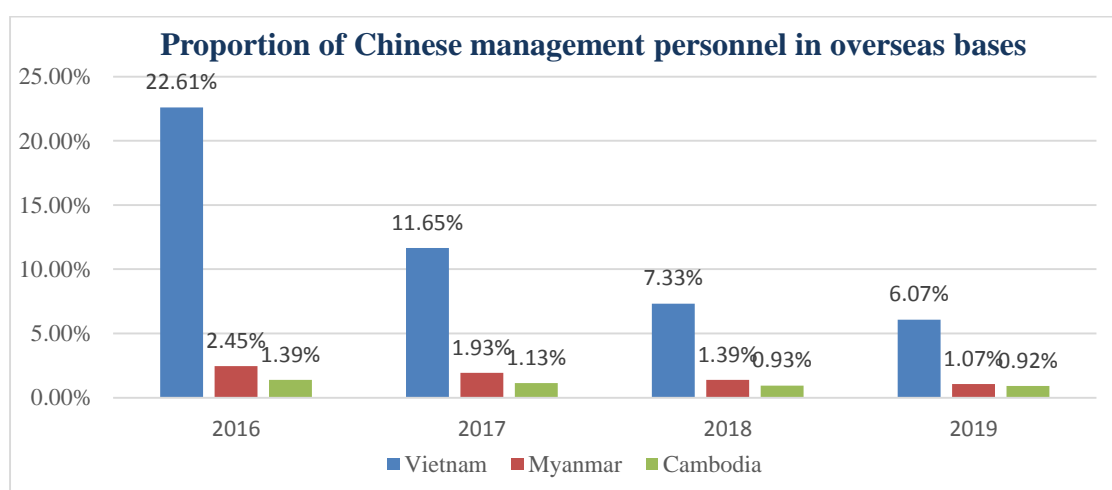
promote the employment of the local people, and facilitate the growth of local economy.

Proportion of local employees in overseas bases



In overseas factories, Lu Thai has attached great importance to the localization of employees, and focused on stimulating their initiatives from the talent selection and training to formal appointment, in which way, some employees with corresponding management and technology knowledge can become skillful quickly and adapt themselves to various positions. During the selection of foreign managers, priority will be given to employees with strong adaptive capacity, learning ability and outstanding skills. Through assessing, developing and training technical cadres, corresponding technical personnel and management personnel will be clearly classified based on their scores and abilities, and corresponding training will accordingly be carried out.

Proportion of Chinese management personnel in overseas production bases has increased year by year



4. Evaluation of Outstanding Employees



In 2019, the Company made great effort to create a good atmosphere in which all employees could learn from outstanding employees and make themselves become outstanding employees by holding various activities including the evaluation of outstanding employees, technical skills competitions, science and technology progress commendation conference and commendation conference on March 8 etc.. Through advocating the spirit of workmanship and appraising and electing Lu Thai Craftsmen, all employees will be inspired to research and develop new technologies and continuously improve their knowledge, skills and attainments based on their own work.



The 29th Technical Skills Competition (China) in 2019

The 29th Technical Skills Competition involved 50 units, 824 types of work and over 12,900 employees. By means of promotion and mobilization, training and learning activities, examinations, job-oriented training, preliminary contests and finals, a large number of employees with rich experience and professional skills stood out from the competition. Through strict audits and assessment, 10 single-skill champions, 204 model technicians, and 4,973 outstanding employees were appraised and elected eventually. As a matter of fact, by means of holding various competitions and selecting the best, all employees would be inspired to advocate the spirit of workmanship, highlight and respect the technology and make themselves become knowledge-, skills- and innovation-oriented employees.



Technical Skills Competition (Vietnam) in 2019

Lu Thai (Vietnam) Co., Ltd. launched a technical competition, involving 9 units, more than 100 types of work, and more than 1,600 people participated. After publicity and mobilization, training and learning, examinations and post training, preliminary competitions and finals, after a fierce competition, a total of 609 winners of the technical competition were selected, including 123 first prizes, 187 second prizes and third prize 309 people. The winners were awarded 1.2 million VND, 800,000 VND, and 500,000 VND respectively, with a total of VND 4,517 million.



Technical Skills Competition (Myanmar) in 2019

Luthai (Myanmar) Co., Ltd. conducts technical competition activities every year. In 2019, after a fierce competition, a large number of employees have frustrated the crowd. They have achieved excellent results with skilled technology, superb skills, and excellent operation levels. Reported to the company's technical competition evaluation committee for approval, the final 312 employees were rated as the company's third technical competition winner. In order to encourage and recognize employees with outstanding achievements, the company made honorary rewards and bonus awards to them.



Technical Skills Competition (Cambodia) in 2019

Luthai (Cambodia) Co., Ltd. launched a technical competition in recognition of outstanding technical talents in 2019, and 429 employees were awarded with excellent results. In 2019, in recognition of the outstanding employees of the year, the work of appraisal and excellence was carried out. A total of 265 people were awarded the title of "advanced individual" and the total amount of awards was US \$ 5300. The company elects and commends outstanding employees and excellent quality teams every month, and the accumulated awards for the year totaled USD 97,000.

(III) Care for Employees

In the course of development, Lu Thai has always adhered to the value of People First, and regarded human resources as the Company's primary resources. While maintaining its healthy, stable and sustainable development, the Company has allowed its employees to share its developmental achievements. Based on the principle of Attracting Talents by virtue of Corporate Culture, the Company carries out the seamless management throughout the process. From employees' entering into the Company, learning and growth, family building to their children's education, all-round management, support and assistance will be given as a means for care and love for employees, in which way, employees will be no fear of attacks from behind, and are willing to seek common growth and development with the Company.

1. Recreational and Sports Activities

Based on the principle of "Retaining Talents by virtue of Career, Emotions and Corporate Culture", the Company highlights the construction of corporate culture and humanistic environment. In 2019, the Company held various recreational and sports activities including social dance and aerobics activities to enrich employees' work and life. In addition, the Company has established the employees' part-time symphony orchestra and other organization to make their life more colorful. Further, the Company positively creates the harmonious atmosphere, and strives to build a good working environment for employees so as to make their work and life happier and continuously improve their sense of belonging and satisfaction.

In line with the characteristics of the host country, various overseas production bases fully respect the free will of their employees and organize diversified recreational and sports activities based on different cultures to enrich employees' work and life and enhance the collective cohesion.



2. Welfare Treatment

As the Company always attaches great importance to the employees' welfare, it has actively built the culture of "Home", focused on the employee satisfaction and created the harmonious and pleasing humanistic environment for all employees. For example, the Company will provide employees with diversified working lunches free of charge; various holiday gifts will be presented to female employees on International Working Women's Day (March 8th); quarterly welfare will also be granted to all employees; the Company will organize various lectures on health knowledge; the Company's senior management will have a dinner with employees on the Mid-Autumn Day; the Company will provide employees with comfortable accommodation environment and all dormitories will be equipped with air conditioners with available Internet Access; the Company will pay attention to the mental health of employees and provide free psychological counseling services. By paying attention to the employees' emotions, health and diets, the Company will continuously enhance their happiness and sense of gain and improve their cohesion and centripetal force.



➤ The Mid-Autumn Festival Family Dinner in 2019

The moon, grown full now over the sea, brightened the whole world. On September 13, 2019, Lu Thai Company held The Mid-Autumn Festival Family Dinner as scheduled. The Chairman and senior leaders were gathering happily with employees from various factories and departments to jointly celebrate this festival. During the dinner, the Chairman gave his best wishes to all employees, and introduced the Company's future development plans. He said that all staff members of Lu Thai have contributed to the achievements of the Company. Everyone must make sure to realize their dream while working hard towards success. They should uphold and promote Lu Thai's courage, spirit of hard work and pursuit of success, plant the spirit of hard work deep inside, implement it in all aspects of life, convert it into powerful strength to overcome various difficulties and challenges and generate inexhaustible driving forces for pursuing innovation and development. He hoped that everyone will persist in their ambitions, stay true to their missions and create new history through hard work.

In various overseas factories, the Company has provided free accommodation services including free working lunch or meal subsidies and traffic subsidies, and set up the medical room equipped with qualified doctors, sickbeds and medical appliances so as to provide employees with free medical services in line with the actual situation of the host country. Meanwhile, according to specific conditions in different countries, the Company has provided employees with free physical examination service to provide a strong guarantee for their physical health. For example, in Cambodian factory, 3-month salaries will be paid in advance to female employees during their maternity period. During the probation period, employees can also have annual leaves and contract expiry bonus. In Myanmar, free shuttle buses are available for employees.



3. Help and Support Employees

In order to better fulfill its responsibilities and obligations of safeguarding the legal interests of employees and exclude the difficulty and anxiety for them, the Company has continuously given assistance and warmth to those employees in need. In order to help their children attend the kindergarten, the Company has invested and built an internal kindergarten to benefit the internal employees while providing the society with inclusive services. In order to care the employees' families and encourage their children to contribute to the nation, the Company has established the Golden Autumn Scholarship as incentives for their offspring's study in universities. For the purpose of



eliminating the difficulties encountered by employees, the Company has set up the assistance mechanism to help those employees in trouble. For example, Lu Thai Assistance Funds was organized to grant relief funds to any employee experiencing sudden changes or under special circumstances and their direct relatives. At the end of 2019, the Company held 15 donation ceremonies, helped 218 employees and donated RMB2.051 million in total. During holidays, the Company's senior management would visit and express sympathy to those extremely-poor employees at the grassroots level, and encourage them to rebuild their confidence and embrace their new life with firm attitude.

4. Spare-time Life

In order to enrich the spare-time life of employees, the Company has built various clubs, swimming pools, fitness rooms, libraries and e-reading rooms in domestic and overseas factories, on which basis, employees can relax their body and mind, enjoy colorful spare-time life, enhance their friendship, have deep mutual understanding and strengthen their abilities. By virtue of the Company's humanistic care, the cohesion and the sense of belonging of employees can thus be reinforced.



The Company has built Lu Thai Sports Square, Lu Thai Culture Road, Lu Thai Wenyuan Park and Zoo to provide employees and citizens with places for leisure, sports, cultural and entertainment activities, and fulfilled its responsibilities and obligations as the enterprise citizen by taking practical actions, which has won the trust and support from customers, partners, governments and communities and created favorable external environment for the development and creation of employees.

5. Visit the Employees' Home and Understand their Life

By organizing different forms of home visits and exchange activities, including attending local employees' weddings, celebrating birthdays for employees, attending the adult ceremony of employees' families etc., the Company tried to understand the family and living conditions of employees so as to be closer to their life and build a good humanistic environment. In 2019, Lu Thai (Vietnam) Textile Co., Ltd. paid home visits to 363 employees,



covering 12.56% of its staff. Chinese management personnel were invited to attend weddings, birthday parties and other local events of Vietnamese employees.

6. Respect the Local Traditional Culture, Participate in Local Folk Activities and Better Blend into Local Culture.

According to different conditions of different countries where overseas production bases are located, the Company respects different traditional cultures prevailing in the region, participates their in ethnic activities, and better blends into the local culture and the local society.





Sustainable Public Welfare for People's Livelihood

- **Help and Support the Poor and Deliver the Positive Energy**
- **Donate Money for Schools and Shape the Future**
- **Opening and Sharing, Promoting the Local Development**
- **Charitable Activities Contribute to the Community Development**



Chapter 6 Sustainable Public Welfare for People's Livelihood

(I) Help and Support the Impoverished and Deliver the Positive Energy

In order to enable the public to enjoy the fruits of economic and social development, the Company has actively responded to the call of the national poverty alleviation policy, and carried out the targeted poverty alleviation. The Company adheres to the traditional virtues of the Chinese nation through respecting the old



and taking good care of children, conducts various charity activities, pays attention to the disadvantaged groups, and actively creates the good atmosphere for building a harmonious society. In recent three years, the Company has provided a total of RMB19 million for poverty alleviation and social welfare donations. At the end of 2019, the Chairman and his family members continued to donate RMB1 million to the elderly in the district based on 13 consecutive years of donations. Now, they have donated RMB14 million in total to continuously carry forward the traditional virtue of respecting and honoring the elderly.



➤ **The Chairman visited the Related Village for Investigating the Specific Poverty Alleviation Situation**

On September 7, a delegation led by Liu Zibin, Chairman and General Manager of the Company, and Li Tongmin, Chairman of the Labor Union visited Xiatashan Village of Xihe Town and Beimu Village and Beixiace Village of Taihe Town. They expressed sympathy for people stricken by Typhoon Lekima and surveyed the poverty alleviation, disaster relief and reconstruction works there.

They went to the reconstruction sites and were briefed about the villages' self-relief efforts by the village heads. He encouraged the villages to make active steps to carry out self-relief and reconstruction and resume normal production and life as soon as possible.

At the donation ceremony in Xiatashan Village of Xihe Town, Liu Zibin said that the rainstorm had caused great impact to villagers' life and agricultural production and that as a listed company, the Company was responsible for helping the disaster-stricken people to carry out reconstruction works and tide over the difficulties.

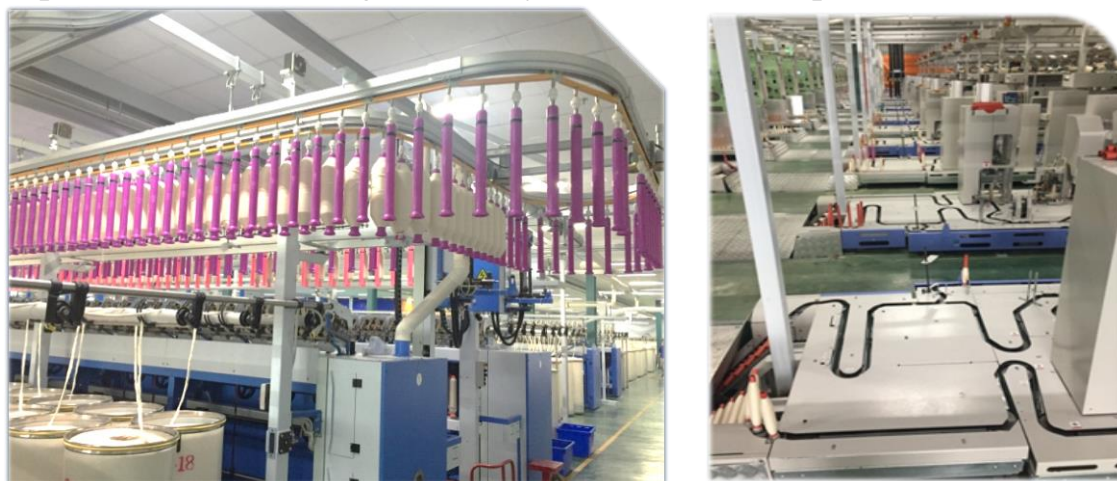
(II) Donate Money for Schools and Shape the Future

Lu Thai has always attached importance to supporting the development of education. The Company established Lu Thai Textile Scholarship and Lu Thai Textile Education Fund to encourage teachers with outstanding teaching achievements and students with excellent academic performance, and help poor students fulfill their dreams about campus. By the end of 2019, RMB4.15 million was granted to a total of 5,165 teachers and students from Lu Thai Scholarship. Similarly, RMB2.11 million was granted to 189 students from Lu Thai Textile Education Fund. In recent three years, a total of over RMB5.2 million was donated to Hongshan Primary School, Zibo School of Technology, Shandong University of Technology, and Qingdao University etc.. As the Company supports the educational development, it has promoted schools and enterprises to complement each other by virtue of their advantages. At the same time, priority can be given to graduated students for their employment in the Company, achieving the benefits of mutual development of schools and enterprises.



(III) Opening and Sharing, Promoting the Local Development

In the process of achieving sustainable development, the development of enterprises is inseparable from the local department's participation and support, and the local development also requires the creation and contribution of enterprises. While realizing its healthy and stable development, Lu Thai adheres

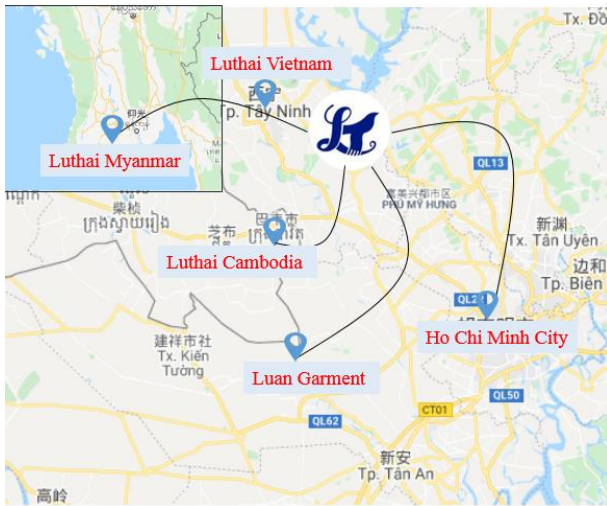


to the corporate mission of “Creating wealth, Contributing to the society, Clothing the country and Boosting the development of the world”, and is committed to continuously contributing to the local development, creating benefits and jobs, increasing tax revenues, and improving people's livelihood in order to actively undertake its social responsibilities, reward the society, and live in harmony with the society.

In 2019, the Company's head office moved 227 looms to Vietnam, increasing the total number to 736 with an ultimate aim to build a monthly capacity for fabric production of 5.5 million meters. Installation of those looms will be completed in the second half of 2020 to unleash the capacity. At the same time, 144,000 spindles were moved to increase the spinning capacity to 20.9 tons. It has substantially increased job opportunities for local surplus labor forces and driven local economy and common development of the country.

(IV) Charitable Activities Contribute to the Community Development

As the acceleration of China's “Going Global” policy, Lu Thai has developed and steadily promoted the Company's comprehensive international strategy, set up branch offices respectively in Milan and Tokyo, established its subsidiary in New York, and built various production plants in Vietnam, Cambodia, and Myanmar. Besides, the Company has made full use of global resources and implemented the effective industrial layout in all aspects from R&D and design, customer service, production and operation, market development and customer service etc.



Further, the Company has also built many production plants in Cambodia, Myanmar and Vietnam. Based on Lu Thai's excellent corporate culture, it pays attention to the openness and inclusiveness of culture, honors local customs, cultural traditions and religious beliefs, respects the cultural diversity and promotes the exchange of different cultures. Combined with local laws and regulations, customs and practices,

it has formed a corporate culture with local characteristics, and designated a specialist in charge of carrying out researches and the implementation. While driving the development of the surrounding areas, the Company also ensures that the employees could fully understand and acknowledge the corporate culture, so that the corporate culture is rooted in the employees' work and life. Therefore, the corporate culture can support the construction of economy which will in return promote the surrounding areas' development, and accelerate the sustainable development of the Company and the harmonious progress of the local community.

As a garment factory, Lu Thai (Cambodia) Textile Co., Ltd. was invested by Lu Thai Textile Co., Ltd. in 2014. The company is located in Qilu Special Economic Zone, Svay Rieng City, Svay Rieng Province, Cambodia. In 2019, the company donated approximately USD9,400 to the Cambodian Garment Training Institute Fund (CGTI) through the Garment Manufacturers Association of Cambodia (GMAC). Besides, the company has also provided wages and salaries to satisfy the basic needs of local communities, add much more inclusive services to the employees, and create more favorable employment

conditions for the local surplus labors. In order to protect the water resource environment, the company invested USD353,000 to build sewage treatment facilities. In order to guarantee the reasonable disposal of domestic wastes, the company has entrusted qualified units for waste disposal. By taking a series of measures, the company has actively



burdened its due social responsibilities and promoted the stable and sustainable development of the local economy and society. Lu Thai (Cambodia) Textile Co., Ltd. was awarded the title of Better Factories Cambodia by the International

Labor Organization. The certificate will continue to be valid from June 12, 2015 on.

Lu Thai (Myanmar) Textile Co., Ltd. is the second overseas factory invested by Lu Thai Textile Co., Ltd. in 2014. It is located in Thilawa Special Economic Zone, Yangon, Myanmar. The company has played an active role in the local public welfare undertakings, actively assumed its due social responsibilities, made great contributions to the local development, donated various resources to build roads for nearby communities, helped local residents obtain convenient transportation conditions, and driven the economic development. Meanwhile, the company has also contributed to build a library for local residents, enrich their spare-time life and help them meet their spiritual and cultural needs. The company will organize various activities to show its care and love for children every year, make charitable donations to various orphanages, and hold different social celebrations to care the healthy and happy growth of local children and facilitate the development of local society.

Lu Thai (Vietnam) Textile Co., Ltd. is an overseas yarn-dyed fabric production base established by Lu Thai Textile Co., Ltd. in Vietnam. The company is located in Tay Ninh Province, Vietnam. The company pays close attention to the development of local society and actively participates in social welfare activities to facilitate the social development.

Lu An Garments Co., Ltd. is one of the overseas branches of Lu Thai Textile Co., Ltd. with a total investment of USD30 million, and located in Binh Hoa Industrial Zone, Binh Hoa Community, Chau Thanh County, An Giang Province, Vietnam. Its annual output capacity is designed at 9 million pieces of medium and high-end shirts, and all machinery equipment and raw materials are imported from overseas. The production line features high automation level, high product quality and high level of environmental protection, and manufactured products are mainly sold to the United States, the European Union, Japan and other countries and regions. As the company always adheres to the traditional virtue of helping the poor, it has actively fulfilled its social responsibilities, and showed its care for the learning and living conditions of the disadvantaged groups, especially those in need.

In order to better fulfill overseas social responsibilities and establish a better image for Chinese companies, Lu Thai always adheres to its responsible operations and forms the culture and value of responsibility. Meanwhile, it is enthusiastic about charitable activities, and takes active actions in building the



infrastructures, helping the poor, supporting the educational development, developing the culture, promoting the employment, and enhancing the economy so as to give back to the people of the host country, improve the good reputation of Chinese companies abroad, and boost the sustainable development of the local economy, society and the environment