



MORRIS
HOLDINGS LIMITED

MORRIS HOLDINGS LIMITED

慕容控股有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock Code : 1575



Environmental, Social and Governance Report



Environmental, Social and Governance Report

ABOUT THIS REPORT

Overview

This report is the first environmental, social and governance (“**ESG**”) report issued by Morris Holdings Limited (the “**Company**”). Unless otherwise stated, this report should be read in conjunction with the Corporate Governance Report on pages 32 to 47 of the 2016 Annual Report of the Company. This report will be published on the website of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) and on the Company’s website. This report will be published annually.

Basis of Preparation

This report has been prepared in accordance with the “Environmental, Social and Governance Reporting Guide” (the “**ESG Guide**”) as set out in Appendix 27 under the Rules Governing the Listing of Securities on the Stock Exchange (the “**Listing Rules**”).

Scope and extent of the Report

The data and information as referred to in this report are derived from different files, questionnaires, records, statistics and research of the Company and this report covers the period from 1 January 2016 to 31 December 2016 (the “**Reporting Period**”), same as the financial year of the 2016 Annual Report of the Company.

The policy document, declaration and data set out in this report cover the Company and its subsidiaries (collectively, the “**Group**”).

Contact Information

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Information About the Company

Being one of the top three upholstered sofa manufacturers in People’s Republic of China (“**PRC**”), the Company is engaged in the design, manufacturing and sales of a wide range of sofas, sofa covers and other furniture products through integrated business model. Since its establishment, the Company has been focusing on the manufacturing of high quality sofas and sofa covers. With clear and far-sighted business position and strategic plans, the Company strives to become a leader among the international integrated furniture manufacturers. Currently, the sofas and sofa covers produced by the Company are mainly sold to overseas markets such as the United States of America (“**US**”), while other furniture products are sold in PRC through our own direct sale stores.

The Company’s Core Value/Vision of Corporate Responsibility

Adhering to its vision of sustainability, the Company is committed to generating maximum value for our shareholders as well as balancing interests from the environment, society and other aspects to promote harmony and prosperity for different kinds of stakeholders.

Identification and Communication with Stakeholders

The Company endeavors to become an excellent enterprise which is satisfied by shareholders, admired by employees and recognized by society and tries to facilitate harmonious development among stakeholders including shareholders and investors, the staff, suppliers, customers and the government. While providing different channels of communication for stakeholders, the Company aims to give effective response and feedback to any important concerns of the stakeholders on an active and timely basis. By fully protecting the legal rights of the stakeholders, the Company is able to establish a long term relationship with them, which together help promote harmony and prosperity among different stakeholders.

By making reference to the information about sustainable development disclosed by the peer companies, the Company has defined the key issues in respect of environment and social responsibilities to be mentioned in this report and, based on those issues, commenced relevant works regarding environment and social responsibilities during 2016. Before listing, the Company launched a discussion meeting with its researchers, during which different investors were invited to on-site visit. A wide variety of activities were organized in 2016, which included roadshows and meetings with investors. Looking forward to 2017, the Company will reassess the key concerns of the stakeholders and aim to materialize its operational objectives and strategic plans in order to achieve sustainable development.

Key Concerns of Stakeholders and the Corresponding Responses

Stakeholders	Key Concerns	Major Ways of Communication	Response and Feedback
Shareholders/ Investors	Sustainable and stable return on investment Timely information disclosure Operation of enterprise in compliance with relevant laws and regulations	General information disclosure of listed company General meeting Roadshows/conference calls/meetings Media communication mechanism Press release Enquiries via telephone/email/website Investors' on-site visit	Issue of notice of annual general meeting and the resolutions as required by the Listing Rules Timely disclosure of company information Issue of announcements and regular reports as required by the Listing Rules
Staff	Trainings and career path Remuneration and benefits Health and safety in working environment	Direct communication Performance assessment Staff recreational activities Staff meeting Safety management	Providing healthy and safe working environment Setting up fair promotion system Organizing staff activities
Suppliers	Standard supplier management and operation flow Timely performance of contractual obligations Company reputation	Execution of orders/contracts Direct communication Supplier management system Information of suppliers	Performance of contractual obligations Maintaining long-term cooperation with suppliers Timely payment Ensuring quality and safety of raw materials Comprehensive information of suppliers
Customers	Sound customer service procedures Comprehensive information sharing mechanism Stable and safe supply of products Timely response to requests	Daily communication After sale services Survey on customer satisfaction Customer information Company visit/drop-by	Enhancing quality management Performance of contractual obligations Offering marketing support to customers Full communication
Government/ Community	Legal operation of company Contribution to community development	Government meetings, visit and guidance Government projects Social services	Strict compliance of laws and regulations Enhancing safety management Active undertaking of social responsibilities

1. EMPLOYMENT AND LABOUR PRACTICES

Staff is a cornerstone for sustainable development of enterprises, and the Company believes talent is one of its most valuable assets. Upholding such philosophy, the Company continues to improve the human resources management system and talent development mechanism, through which, staff can enjoy diversified career paths and their potentials can be further explored, thereby helping them realize work values and personal achievement values.

1.1 Employment

Recruitments are carried out strictly according to the Company's policies and systems. Opportunities are given to employees with different backgrounds and characteristics so as to build a diversified work force. The "Staff Handbook" (《員工手冊》) formulated by the Company also sets out requirements in relation to trainings, appraisals, deployments and promotions of staff. Through optimization of manpower deployment, a platform with a wide variety of opportunities is created for staff to fully explore their talents and also for the Company to create a harmonious and stable development environment. As of the end of 2016, the aggregate number of staff of the Company was 1,996, with a balanced proportion between men and women, which accounted for 59.4% and 40.6% respectively. During the Reporting Period, the staff turnover rate of the Group was 11.9%.

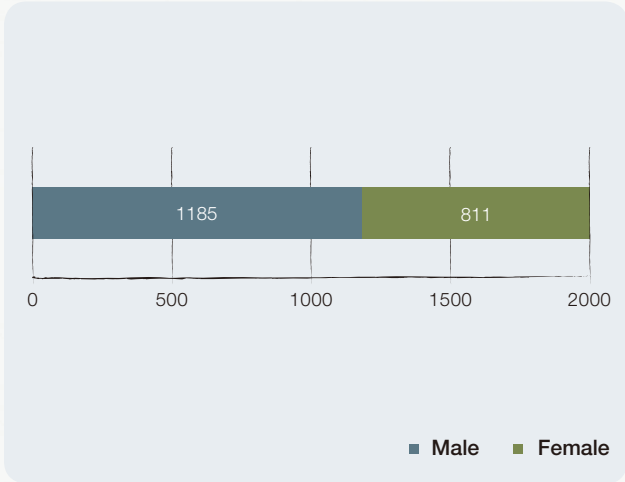
In order to ensure continuous compliance with the international labour standards and applicable labour regulations, the Company has developed a "Social Responsibility Management System" (《社會責任管理體系》) as a manual for the Company to fulfill its social responsibilities, maintain good labour relations, improve working conditions and constantly enhance wages and benefits for staff. The manual applies to all Company's activities in respect of social responsibilities, which include various aspects of staff caring policies, such as prohibition of child labour to protect under-aged workers, prohibition of forced labour, discrimination and improper punitive measures, policies regarding working and rest time, remunerations and benefits. The Company delegates senior management to take charge of the management of social responsibilities and regularly arranges internal audit and management reviews to ensure that the Company's business activities are in line with the international labour standards and applicable labor regulations.

The Company strictly complies with the nation's relevant employment laws and regulations, including the "Labour Law" (《勞動法》), the "Employment Contract Law" (《勞動合同法》), the "Employment Promotion Law" (《就業促進法》), the "Labour Dispute Mediation and Arbitration Law" (《勞動爭議調解仲裁法》) and other labour laws and regulations of the local governments of the PRC, and the "Employment Ordinance", Cap 57 of the Laws of Hong Kong (《僱傭條例》(香港法例第57章)). The Company does not allow any form of discrimination, and provides equal and fair employment opportunities and working environment to all job applicants and staff. During the Reporting Period, the Company did not receive complaints of any form of discrimination.

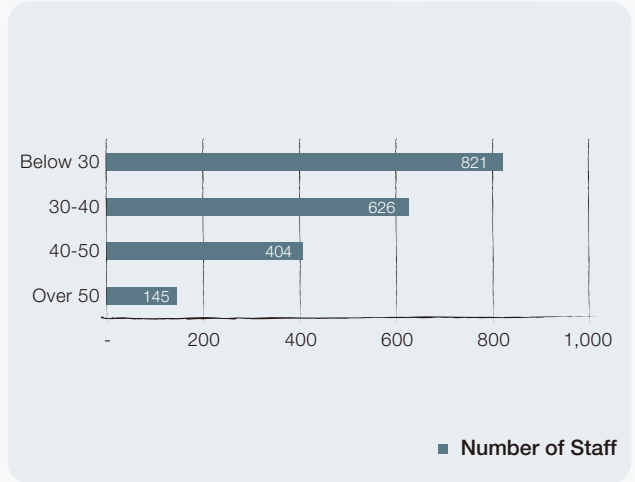
Staff can enjoy statutory social insurances and various legal benefits as well as statutory holidays such as annual leave, casual leave, sick leave, marriage leave and maternity leave, etc., in accordance with the "Tentative Provisions on Payment of Wages" (《工資支付暫行規定》), "Regulations on the Administration of Housing Fund" (《住房公積金管理條例》) and "Regulation on the Annual Leave" (《職工帶薪年休假條例》). The Company also provides retirement protection for Hong Kong staff in accordance with the "Mandatory Provident Fund Schemes" (《強制性公積金計劃》). In addition, according to the "Staff Handbook" of the Company, staff can also enjoy benefits such as accommodation, meal subsidy and performance-related bonus.

Employment Indicators

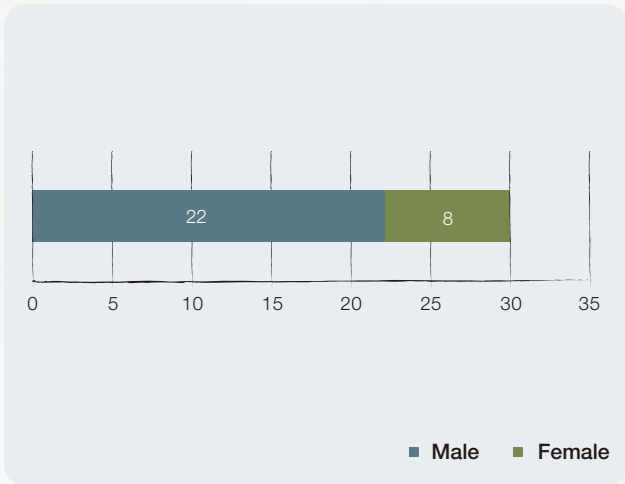
Staff by Gender in 2016



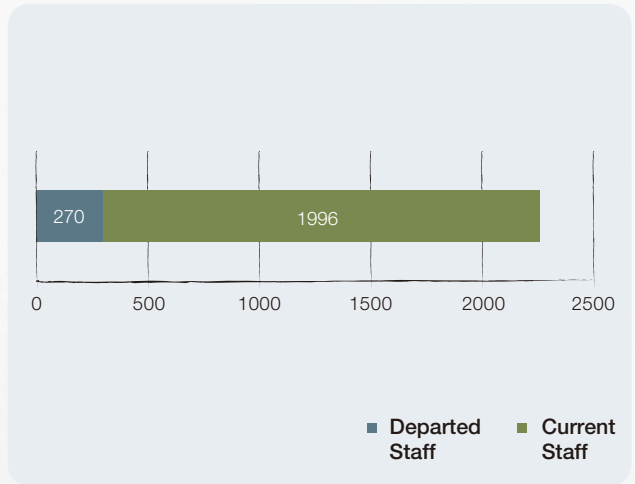
Staff by Age in 2016



Management members by Gender in 2016



Departure Ratio of Staff in 2016



1.2 Health and Safety

As a listed company specializing in sofa manufacture, the occupational health of staff and safe production environment have always been the key focus of the Company. In terms of the health of staff, the Company strictly abides by the relevant laws and regulations such as the “Labour Law” (《勞動法》), the “Occupational Health and Safety Management System” (《職業健康安全管理體系》), the “Measures for the Ascertainment of Work-related Injuries” (《工傷認定辦法》) and the “Regulation on Work-related Injury Insurances” (《工傷保險條例》) of the PRC, and is committed to providing healthy, safe and hygienic working and living conditions for staff. Concerning safety production, the Company has formulated the “Contingency Plans for Production Safety Accidents” based on the laws, such as the “Work Safety Law of the PRC” (《中華人民共和國安全生產法》), the “Regulation on the Reporting, Investigation and Handling of Work Safety Accidents” (《生產安全事故報告和調查處理條例》), the “Safety Production Regulations of Zhejiang Province” (《浙江省安全生產條例》), the “Guidelines for Enterprises to Develop Emergency Response Plan for Work Place Accidents” (《生產經營單位安全生產事故應急預案編制導則》) and the “Classification for Casualty Accidents of Enterprise Staff and Workers” (《企業職工傷亡事故分類》), to enhance its capability to cope with, and prevent occurrence of, any incident relating to production safety, thereby minimizing casualties and damages caused by accident.

In addition, the Company has implemented a series of health management measures to provide a safe working environment for our staff and protect them from occupational hazards:

- The human resources department of the Company is responsible for formulating and promoting the safety and health procedures and systems. It regularly reviews the safety and hygiene condition of the Company and provides trainings in this regard so as to ensure the Company’s compliance with local safety and health regulations and to protect the health and safety of our staff.
- With the health of our staff being our main concern, the Company arranges body check for our staff each year. Meanwhile, the Company also purchases medical insurance for our staff. Under the insurance policy, our staff can claim their medical expenses with the insurance company.



Staff queuing up to have body check

- In order to strengthen the supervision and control of the operational activities of the Company which involve significant risks and to ensure that the activities are carried out in accordance with the Company's policies, objectives and standards, to avoid accidents as well as to achieve continuous improvement on safety and health, the Company has set out the detailed "Safety and Health Control Procedure" (《安全與衛生控制程序》) in the "Social Responsibility Management System" (《社會責任管理體系》). The procedure strictly requires the Company to perform proper supervision and control on the operational activities in relation to safety and health, and implement all the contingency measures addressing the potential health and safety risks, so as to provide a safe and healthy working environment for the staffs to the greatest extent.

During the Reporting Period, 65 minor work-related accidents were recorded and there was no work-related fatal incident. The lost days due to work injury is 65 days.

1.3 Development and Training

A well-developed training system not only can help the staff improve their overall ability and enhance their professional skills, but is also an essential way for enterprises to strengthen their core competitiveness. Currently, the staff development and training program set up by the Company mainly includes the following two categories:

- **Induction Training**

Induction trainings will be provided to all new staff when they join the Company to enable them to understand our culture, principles, disciplines and rules and regulations etc., and to more quickly adapt to their new positions. Based on the specific duties of the relevant position, the Company will provide trainings on the basic knowledge and professional skills, program planning, work attitude and courteous communication for new staffs.

- **On-the-job Training**

With regard to our business needs, the Company organizes internal and external training programs from time to time for our staff to gain a better understanding of the Company's business and to keep them abreast of the latest knowledge and skills thereby increasing their job performance. The Company also arranges additional safety training for staff in specific positions, for example, staff dealing with special operations are required to undergo statutory training and obtain relevant operation permits.

In 2016, trainings were provided for a total of 596 times for new staff and 214 times for senior workers.



Photos of staff attending training programs



In order to ensure smooth proceeding of various training programs, the Company has established clear requirements on staff development and training in the “Staff Training Procedure” (《員工培訓程序》) under the “Social Responsibility Management System” (《社會責任管理體系》). Under which, a comprehensive staff training management system has been built, which helps enhance the efficiency and effectiveness of the training. After setting out the training requirements for the staff, our human resources department will formulate and implement an annual training plan at the beginning of each year, and ensure that the training programs are put in place. This can effectively encourage our communication with, and feedback from, staff members, which in turn improves their integrated capabilities and professional skills levels.

1.4 Labor standards

The Company prohibits the employment of child labor and forced labor under the Company’s “Social Responsibility Management System” (《社會責任管理體系》) and has established stringent punitive measures. We also oversee employment related information on a regular basis to assure no employment of any child labor or forced labor. Recruitment and employment of the Company are carried out in strict compliance with relevant national and local regulations, which include the Labor Law (《勞動法》), the Protection of Minors (《未成年人保護法》) and the Prohibition of Using Child Labor (《禁止使用童工規定》) of the PRC and the “Employment Ordinance”, Cap 57 of the Laws of Hong Kong (《僱傭條例》(香港法例第57章)).

2. OPERATIONAL PRACTICES

2.1 Supply Chain Management

As one of the leading manufacturers of sofas and sofa covers in the PRC, the Company acknowledges the importance of supply chain management to its daily manufacturing operations. Our key suppliers mainly provide raw materials and production equipment such as multilayer board, foam, metallic stand, electrical machinery, sofa fabric and sofa leather. When selecting suppliers, in addition to reviewing their qualification certificates, the Company also conducts integrated reviews on several aspects, namely their production capacities, product quality, production environments and staff capabilities, to ensure the quality of raw materials. On the basis of strictly enforcing the purchase control procedure under the “Selection Criteria of Suppliers” (《供應商篩選標準》), the Company will take into account of the environmental and social risk factors; for example, the solid wood suppliers shall obtain tree cutting licenses and the sofa leather suppliers shall have certificates of animal welfare.

The Company strives to maintain long-lasting relationships with each supplier. Once suppliers are selected under the “Purchase Control Procedure”, the Company will arrange a dedicated department to carry out strict review and control on some aspects of the supplier such as price and quality. Suppliers who fail to comply with the requirements of the Company will be removed from our supplier list. Currently, all 164 suppliers of the Company are situated in the Mainland China, 158 of which are situated in Eastern China.

The Company also places great emphasis on the protection of the suppliers’ privacy and information security. Under the “Purchase Control Procedure”, the Company archives the information of suppliers in a timely manner to protect the privacy and security of suppliers and prevent leakage of their information. Furthermore, the Company allows well-positioned suppliers to make paperless electronic order to reduce the use of paper, enabling best conservation on resources and protection on social environment.

2.2 Product Responsibility

Based on its principle of “Quality Products, Quality Life”, the Company has established a robust product management system under the “Product and Service Quality Control Procedure” (《產品及服務品質控制程式》), and uses our best endeavor to accommodate the customers’ requirements for products and services. The Company also actively works with regulatory authorities on various inspections to ensure full compliance with relevant regulations in terms of production, products and services. For the sofas and sofa covers produced by our Company, we are in compliance with the laws and regulations of the PRC, including the Product Quality Law of the PRC (《中華人民共和國產品質量法》), the Trademark Law of the PRC (《中華人民共和國商標法》), the Advertisement Law of the PRC (《中華人民共和國廣告法》), the Patent Law of the PRC (《中華人民共和國專利法》), and the Foreign Trade Law of the PRC (《中華人民共和國對外貿易法》), etc.

In respect of production, the Company has set up a specialized quality control department and arranged dedicated examiners to conduct rigorous monitoring of every production stage, from procurement of raw materials to semi-finished products and finished products, so as to ensure the quality of the products. Moreover, the Company has specifically established the “Product Identification, Quality Tracing and Product Recall Control Procedure” (《產品標識、品質追蹤和產品召回控制程序》), under which, an effective product tracing system has been formulated to enable retrieval of detailed information about the responsible production workers of our products and the relevant batch of raw materials and thus prevents the potential threat that any defective product may cause to our customers and/or their properties. The system also ensures successful recall and effective disposal of unqualified products.

In terms of customer services, the Company established the all-rounded “Customer Complaints Handling and Control Procedure” (《客戶投訴處理控制程序》) to deal with customer complaints and product return matters, so as to fulfill customers’ requirements on product quality and services, and enable communication with customers and problem handling in a timely and effective manner. In the meantime, by addressing the specific information obtained from customer complaints, the Company constantly refines its internal management and customer service model, and endeavors to provide customers with quality products and services. The Company is one of the largest manufacturers which export sofas and sofa covers to the US, and the products produced and exported meet the requirements under the formaldehyde emission standards and the fireproofing standards for production materials in the US.

The Company has registered 10 trademarks and 25 patents in accordance with the requirements of laws and regulations including the Patent Law of the PRC (《中華人民共和國專利法》), and its implementation rules (《中華人民共和國專利法實施細則》), the Law on Marks, Trade Names and Acts of Unfair Competition (《商標、貿易名稱及不公平競爭法》) and the Trademark Law of the PRC (《中華人民共和國商標法》). It has also registered a trademark and 5 trademarks in accordance with the legal requirements of the US and Hong Kong respectively. Meanwhile, the Company continued to strengthen the promotion of products and the labelling of the products in order to provide high-quality sofas and establish a good corporate brand image.

During the Reporting Period, the Company had not recalled any product due to quality issues and had not received any significant complaint against the Company.



2.3 Anti-corruption

The Company is continuously optimizing its internal guidelines and code of conduct in respect of anti-corruption, aiming at cultivating a culture of high integrity, and incorporating anti-corruption mechanism into enterprise management system. Currently, the Company has specifically set up the “Measures to Prevent Commercial Bribery” (《防止商業賄賂措施》) in strict accordance with the relevant laws and regulations, namely the “Criminal Law” (《刑法》), the “Judicial Interpretation of Criminal Law” (《刑法司法解釋》), the “Criminal Procedure Law” (《刑事訴訟法》), the “Judicial Interpretation of Criminal Procedure Law” (《刑事訴訟法司法解釋》), the “Interpretation of Several Issues Concerning the Application of Law in the Criminal Cases of Corruption and Bribery” (《關於辦理貪污賄賂刑事案件適用法律若干問題的解釋》) and the “Anti-Money Laundering Law” (《反洗黑錢法》), to ensure independent operation of all departments of the Company without administrative interruption from any relations and department heads, and fair judgement of the staff free from any concern of economic benefit.

The Company will constantly keep itself updated with the regulations in relation to the prevention of commercial bribery. It will also enhance education to all staff of the Company in this regard in order to forbid different kinds of commercial bribery behaviours. On 28 April 2016, the Company delegated a team of personnel comprising mid or upper management level to participate in a warning and educational activity regarding the prevention of duty crime organized by The People’s Procuratorate of Haining. Through legal studies and case analysis, an ethical idea of anti-corruption has been cultivated among the participants, which in turn helps achieve the aim of crime prevention.



Photos showing participants attending the Warning and Education Activity

The Company has engaged quality supervisor to conduct tracing, supervision and examination of the implementation of the “Measures to Prevent Commercial Bribery” (《防止商業賄賂措施》), to identify, understand any sign of bribery and to take preventive measures on a timely basis, to study and formulate strategies and measures against commercial bribery and to ensure implementation of anti-corruption measures across all departments and hierarchies.

A whistleblowing system and a reporting hotline have been set up by the Company to encourage report of different kinds of corruption by our staff and business partners. Any issue in relation to violation of rules and regulations will be curbed, handled and reported, while the suspect will be transferred to the competent judiciary authorities for further action.

During the Reporting Period, the Company had not received any report of corruption, threat, fraud and money laundry.

3. COMMUNITY INVESTMENT

Community benefit is one of the important considerations of the Company in regard to business operation. Based upon the implementation of its established “Social Responsibility Management System” (《社會責任管理體系》), the Company plays an active role in various kinds of community activities, demonstrating its core value of serving, assimilating into, and taking part in, the community, and its dedication to make contributions to the community.

Social Service Campaign

While maintaining its daily operation, the Company has actively contributed to the society, devoted itself to various service campaigns, and made best efforts to help promote community development, aiming at achieving prosperity on the whole. In 2016, the Company has taken part in the following welfare activities:

- On 23 April 2016, the Company participated in a ceremony for the inauguration of Haining Integrated Party Committee of Charity Union (海寧愛心聯盟綜合黨委) and its public welfare funds. The Company has duly become a member of the Haining Charity Union (海寧愛心聯盟) and actively participated in the “Trendy Public Welfare Project” (潮公益).
- On 3 August 2016, the Company, together with the Haining Charity Union, visited Xishan community of Haining city for a public welfare campaign. During which, the participants brought some beverages as gifts to show care for the children of the new immigrants.
- On 24 November 2016, some staff of the Company took part in a blood donation campaign in the development area in Haining city.



Social Welfare Activities

Staff Activities

Being a sofa manufacturer, the Company has a diversified workforce. While respecting and protecting the interests of each staff, the Company is devoted to establishing an ideal working environment and a harmonious working atmosphere. By launching corporate cultural activities such as caring and greeting activities, travelling trips, sports event and career development and trainings for all the staff, we have shown our care to our staff through a wide variety of activities. In addition to fully understanding the needs of our labor, we train up our staff in terms of their willpower and teamwork spirit through different team activities, so as to enhance the overall quality of our staff.

During 2016, our staff has carried out the following major activities:

- Caring and greeting activities: Honoring the elderly is a traditional virtue of the Chinese people. On every occasion of Chinese traditional festival, the Company will assign a dedicated team to express greetings to those elder staff to show our care and warm concern as well as to build a harmonious corporate culture. On 8 October 2016, a team of volunteers comprising of our staff and members of unions visited all elder staff and delivered gifts and season's greetings.
- Travelling trips: In order to let our staff have a relaxing holiday albeit busy life, the Company organizes travelling trips for staff each year, with an aim to enhance the cohesiveness and friendship between different teams of the Company. On 23 September 2016, all staff of the Company travelled to Taizhou to have a two-day trip to visit the Qiongtai Xiangu Scenic Resort and Shenxianju scenic spot in Tiantai (《天台瓊台仙谷·神仙居二日遊》).
- Leisure activities: To build a living philosophy of “healthy, civilized, green, environmental-friendly” and to enrich the leisure life of employees, the Company participated in a fitness stroll activity named “Taking a Stroll Along the Lake of Juan” (《相約鷓湖·你我同行》) held by the Administrative Committee of Haining Economic Development Zone on 24 April 2016. In addition, in order to enhance teamwork spirit among our employees and improve their physical fitness, the Company organizes sports events and outdoor trainings for employees every year to promote the spirit of perseverance and hard work through competitions.
- Other activities: To enable staff to fully capitalize on their individual capabilities and demonstrate the talents of the Company, the Company organizes a wide variety of activities for staff to show their personal charisma and realize their value. For example, the “Competition of Sewing Skill” (《縫紉工操作技能大賽》) was held on 16 December 2016 and the concert with the theme of “Creating our Future” (《幕創未來》) was held by the Company at the beginning of 2017.





Staff caring activities



Voluntary Services

The Company has proactively participated in voluntary services in the community and, in 2016, it has participated in the following voluntary services:

- On 20 September 2016, some volunteers from the Company participated in the activity called “Cleaning Bus Station” (《擦亮公交站亭》), so as to provide an ideal environment for the residents in the city.
- On 23 September 2016, a number of volunteers from the Company carried out an activity to promote civilized behaviour, which involved encouraging people to act in a civilized way by strictly following the traffic signboards, aiming at preventing any potential safety threats against themselves and others.
- During 2016, volunteers from the Company irregularly provided safety patrol services to the community in which the Company operates. Through which, safety of the community could be safeguarded, and the citizens in the community could receive different kinds of help.



Voluntary Services

4. ENVIRONMENT

In the operation of the Company's business, it has formulated a set of policies to enhance the efficiency of energy and resources utilization, and to achieve the objectives of environmental protection and sustainable development. In the course of its operation, the Company has strictly complied with the Environmental Protection Law of the PRC (《中華人民共和國環境保護法》), the Water Pollution Prevention and Control Law of the PRC (《中華人民共和國水污染防治法》), the Atmospheric Pollution Prevention and Control Law of the PRC (《中華人民共和國大氣污染防治法》), the Law of the PRC on Prevention and Control of Pollution From Environmental Noise (《中華人民共和國環境噪聲污染防治法》), and other relevant environmental protection laws and regulations. In addition, the Company has been dedicated to fulfill its commitments in environmental protection in accordance with relevant policies and requirements.

4.1 Emissions

As the Company is principally engaged in the manufacture of sofas and sofa covers, the necessary raw materials of which are purchased from third party suppliers, thus, no substantial emissions are produced from direct burning or usage of any gas fuel in the course of manufacture. During the year of 2016, in respect of the uncontrolled exhaust gas, waste water and noise arising from operation, the Company has complied with all the national standards such as the Integrated Emission Standard of Air Pollutants (《大氣污染物綜合排放標準》), the Integrated Wastewater Discharge Standard (《污水綜合排放標準》) and the Emission Standard for Industrial Enterprises Noise at Boundary (《工廠企業廠界環境噪聲排放標準》) and did not exert material impacts on the environment. The current emission of the Company is mainly automobile exhaust generated by its self-owned vehicles.

No direct emission of greenhouse gas is generated from the Company's business activities. The greenhouse gas is mainly discharged from our self-owned vehicles and indirect resources consumed during its daily operation, such as electricity, waste water and paper.

The Company has exercised strict control over the waste discharge during its daily operation and continuously improved its environmental monitoring capability. As to the sewage treatment, all the sewage discharged by the Company has been processed by a third party sewage treatment plant, by which a total of 77,175 tons of sewage was processed throughout 2016. The Company does not generate much waste paper and household garbage during its operation, all of which will be collected and disposed by cleaning personnel and afterwards, will be processed by the Environmental and Sanitary Administrative Department of Haining City (海寧市環衛管理所). Such arrangement will not cause material impact on the environment. The solid wastes such as leftover woods, fabrics and leather, etc. will be recycled and reused by the Company with an aim to save material consumption costs and enhance the resources efficiency. Besides, a dust treatment equipment has been installed for use in the manufacturing and cutting procedures, which can effectively reduce dust concentration in the air and the waste air emission, thereby improving the working environment and safeguarding the employees' health.



4.2 Use of resources

The Company has adopted proactive measures in reducing the energy and resources consumption and vigorously promoting the philosophy of energy-saving and emission-reducing. The Company has specifically formulated a Policy of Energy Statistic Management, aiming to conduct research and statistical works in respect of its energy consumption in a scientific way and ensure a reasonable usage of its resources. During the year of 2016, the major energy consumption of the Company is as follows:

Energy Consumption	Unit	Total Consumption in 2016
Total electricity consumption (excluding the solar power panels)	'000 KWh	7,118.9
Electricity consumption per capita	'000 KWh/per person	3.6
Consumption of non-renewable fuels	L	95,186.4*
Consumption per capita	L/per person	47.7*
Total water consumption	m ³	77,175.0
Water consumption per capita	m ³ /per person	40.6

* The company's non-renewable fuel is mainly gasoline.

During the year of 2016, in order to achieve reasonable utilization of resources and energy, the Company used the solar panels and installed the LED lights. The Company's motor vehicles had been regularly repaired and the drivers were encouraged to turn off the car engines during parking. By analyzing and monitoring the statistics, the energy usage efficiency will be enhanced. As our water resource is provided by water supply companies, the Company has not encountered any water sourcing problem. By posting water-saving signs, employees are encouraged to save water resources. The Company also designated the employee to check the water pipes and faucets regularly in order to reduce the waste caused by water leaks.

The Company mainly uses paper boxes, plastic bags and sponge scraps as packaging materials for its products. The amount of various types of packaging materials used in 2016 was approximately 2,000 tons in total and approximately 4kg packaging materials were used per sofa and approximately 0.5kg packaging materials were used per sofa cover. The Company used the packaging materials reasonably and effectively to minimize its impact on the environment,

4.3 Environment and natural resources

Morris Holdings Limited and its subsidiaries are adhering to the principles of environmental protection and conservation of the natural resources during its ordinary operation, to ensure the environment and natural resources would not be materially impacted by its sofa manufacture activities. During its decision-making process, the Company also takes the potential influences on the environment and natural resources into consideration, and constantly improves its environmental protection management system, so as to reduce the possible threats arising from its business activities on the environment and natural resources. During the year of 2016, the Company has installed distributed solar power panels on the roof which accounted for more than 30% of the total power consumption of the Company and LED lights which saved about 955 kilowatt hour of power consumption. In addition, the Company proactively implemented the paperless office policy, thereby minimizing the adverse impacts of its operation on the environment.



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