

Esquel Group

January, 2007

Esquel Group Textiles & Garment Production

Background:

Guangdong Esquel Textiles (GET), located in Gaoming, is the main production site for the group

- 2 Yarn Dye Woven Fabric Mills
- 1 Knit Mill
- 1 Specialty Yarn Spinning Mill
- 1 Large Scale Garment Factory
- 2 Sample Fabric workshops (Knit & Woven)

Infrastructure for Sustainable Textiles Production

Environmental protection is one of the key principles in Esquel's business philosophy. We have invested in infrastructure and production equipment:

Dedicated waste water treatment plant

Low emission thermo-power plant (steam and power cogeneration for textile production use with high energy efficiency)

Equipment designed to reduce lighting, heating and cooling electricity requirements

Patented technology in dyeing process

Infrastructure for Sustainable Textiles Production

Waste water treatment plant:
Capacity: 32,000 tons per day
Investment: 7 million USD

A showcase for both local and overseas parties interested in implementing similar capabilities

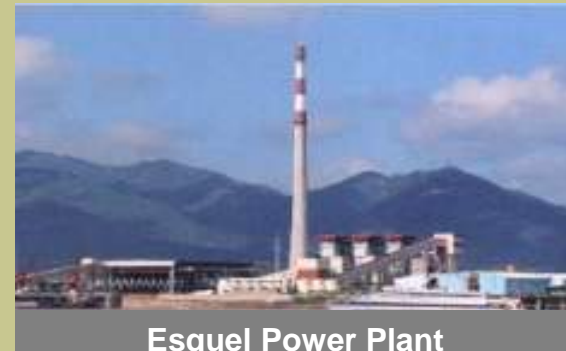
Low emission thermo-power plant:
Capacity: 30,000KW
Steam: 100 Tons/hr
Investment: 29 million USD

Cited in Clean Air Charter Business Guidebook

http://www.cleanair.hk/eng/business_guideline.htm see page 30



Esquel Water Treatment Plant



Esquel Power Plant

Initiatives for Sustainable Textiles Production

Esquel has both internal and external initiatives with environmental protection as the goal:

Continuous improvement to reduce energy, chemical and water requirements in core production processes such as dyeing, bleaching, desizing and various finishing processes

R&D department tasked with assessing various green technologies and their implementation

Established an Energy Initiative with goals to cut energy consumption by 30% over 5 years

Signatory of the Clean Air Charter for the Pearl River Delta region

Initiatives for Sustainable Textiles Production

Our innovations in textiles production has been recognized by the business community:

Hong Kong BEC Eco-Product 2006 Silver Award for our patented |Eco-Yarn|± technology. The production processes save around 20% water, 7% electricity and 10% chemicals requirements compared to conventional production techniques

Silver medal 7th PBEC (Pacific Basin Economic Council) Environmental Award (2004) for embedded sustainability efforts throughout the supply chain



ESQUEL GROUP



Hong Kong BEC Eco-Product 2006
Silver Award

Other Sustainability Initiatives

Our cotton and yarn production facilities in Xinjiang China have also implemented eco-friendly production methods:

Growing of Organic Cotton near Kashi - Our farm is OCIA certified

Use of Drip Irrigation in all cotton fields by 2007. Drip irrigation saves up to 30% water consumption compared to conventional flood irrigation

Spinning Mills in Urumqi and Turpan are energy efficient and designed to use natural air flow to cool the buildings, reducing the need for electricity

Spinning Mills also recycle waste water and for toilet flushing and irrigation of crops

Improving Working Conditions

We began mapping high risk occupational health areas throughout Gaoming operation (GET) and worked on ways to eliminate and reduce that risk, and also protect workers from any remaining risk that might exist. The Environment, Health and Safety Site Committee, which is composed of factories' senior management, was set up in 2006 as a steering effort in accomplishing these goals. Four quarterly meetings were organized in 2006

Factories' accident reporting and tracking system have been in placed. Root cause analysis was emphasized

We have tightened our oversight of working hours at all factories to ensure having accurate capacity numbers and are doing our best to load our factories in a way that minimizes potential excessive working hours

Improving Working Conditions

Promoting employees' health

- GET frequently holds lectures on health. As of Oct. 2006, 80 lectures regarding AIDS awareness and human physiology and protection had been organized, with over 10,000 participants
- GET installed condom-vending machines in the employee living area
- In the latter half of the year 2006, after the media reported that sashimi could cause liver fluke disease, GET in conjunction with the Foshan City Disease Control Center (CDC) offered free screenings and treatment for employees who may have been infected

Giving Back To The Community

Esquel-Y.L. Yang Education Foundation Ltd.

With a strong devotion in being a responsible citizen, Esquel pioneers charitable programs in Xinjiang, where our cotton farms are located in. The core projects Esquel-Y.L. Yang Education Foundation Ltd. organized in 2006 are:

1. AIDS Family Donation

As a key investor and stakeholder in Xinjiang, Esquel has a responsibility in combating HIV/AIDS. Since 2005, the Foundation has been helping deprived students whose families are affected by the disease. Since the program's inception in June 2005, the Foundation has donated RMB113,000 to 64 children for their studying and their families basic necessities.

Giving Back To The Community

2. Esquel Libraries

In Xinjiang, schools and families find it difficult to afford extra-curricular books for their children even though everyone recognizes the importance of reading to a proper education. Given the lack of teaching resources in Xinjiang, the access to knowledge through extra-curricular books is all the more important.

We strongly believe that donating libraries is an effective way to enhance learning, as books can be passed on from child to child. The sharing of these resources is endless, providing a sustainable source of education to the youth of Xinjiang. As of 2006, the Foundation has donated over 333,000 books to 1,006 schools throughout Xinjiang. The Foundation will continue on this effort as a way to complement classroom teaching.



Giving Back To The Community

3. Esquel Scholarships

Basic education is important for everyone. While tuition is free during the nine years of compulsory education, there are still many miscellaneous fees, such as school administration, health care, hygiene, utilities, laboratory equipment, and various materials. Many kids are deprived of education because their families cannot afford these basic costs.

For as little as RMB 300 (~USD 40) per year, one can send a child back to school. The Foundation has helped over 1,000 children back to school. The funding of this program currently comes mostly from Esquel's staff.

Giving Back To The Community

4. Esquel Schools

A safe learning environment is essential for children. In the rural areas of Xinjiang, many school facilities are run down, with under-lit classrooms and structurally unsafe buildings. The Foundation has been financing the reconstruction of decrepit schools in the areas of Awaiti, Bachu, Shaya and Luopu, turning them into safe learning environments.

The donation is provided under detailed agreements on construction fee, building usage and specifications. The agreement has to be jointly endorsed by the relevant local authorities, the school and Esquel - Y.L. Yang Education Foundation. Work groups are sent to inspect progress and the finished building.

As of 2006, 12 schools have been built or renovated under the joint efforts of local authorities and the Foundation. The Foundation will continue to identify schools in need.



Giving Back To The Community

5. Esquel Mobile Laboratory

The Mobile Laboratory is a bus traveling throughout Xinjiang. Each road trip features games, models, presentations and exercises to raise awareness on environment conservation. Demonstrations of natural elements – air, water, light – as well as the natural resources particular to Xinjiang are introduced to the children via games, quizzes, cartoons and presentations. The tours are administered by Esquel staff as volunteers.

In view of the effectiveness of this program in Xinjiang, beginning in March 2007, there will be a second Eco-mobile Laboratory traveling in Guangdong Province, Southern China. The second bus will aim at covering the remote regions of Western Guangdong, and will be operated by Esquel volunteers.

