

Sustainability Report 2012





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Message from the General Manager



General Manager Chien-Chun Liu

Men-Chuen Fibre Industry Co., Ltd. has been in operation for more than three decades since its founding in 1981. Like the traditional industries, its early focus lay in the development of comfortable, functional, and diversified fabrics. Men-Chuen has long implemented the “sorting of wastes” policy and the “maintaining the environment” management throughout its course toward advancement. In 2011, the Environmental Management System was officially imported, and our dyeing & finishing manufacturing obtained the ISO 14001 & OHSAS 18001 certification in October the same year. In addition to the

regular inspections conducted in accordance with the environmental impact indicators, the management guideline specified in the “Restricted Substance List, RSL” has also been added.

Men-Chuen upholds positive contributions to the environment. Next step we will focus to get the ISO 14001 & OHSAS 18001 certification for our knitting manufacturing in 2014. At a slow but firm pace, Men-Chuen expect to save 25% energy, water and waste within 2015. It has also become the role model in the industry through its endeavor in four directions.

Sustainable Business Development Goals

Men-Chuen upholds a “People-First Business Model” which has enabled it to pursue outstanding business performance while ensuring full employee satisfaction. Boasting efficient training and effective career progression programs, Men-Chuen strives to help each and every employee maximize their true potential and together, create a personable and productive corporate culture. Men-Chuen also aims to enhance employees’ loyalty towards the company to maintain the highest productivity and this will lead to the company achieving its business development goals gradually

Manufacturing product liability

Men-Chuen strives to fulfill its corporate social responsibilities by first only using non-poisonous, non-hazardous, and biodegradable dyeing and processing ingredients. Secondly, it has also implemented an effective safety and quality control system. Throughout the entire manufacturing process, Men-Chuen monitors each and every manufacturing point to reduce waste and encourage resource recycling and reusing. With such attention, Men-Chuen’s products are safe, environment-friendly, and ultimately realize the goal of manufacturing green products.

Environment Protection Responsibilities

Men-Chuen has achieved international, green manufacturing accreditations such as ISO 14001, bluesign, Global Recycle Standard, etc. It has truly realized its responsibilities towards environmental protection by minimizing environmental pollution, contamination, and increasing resource recycling and reusing. This applies to all the products which the company produces, all activities held, and all services offered. Men-Chuen is well-aware that for true sustainable business development, it will need to incorporate the latest environment protection technologies and standards to its business operations.

Occupational Safety & Health

Ensuring the highest level of occupational safety and health for its employees is Men-Chuen's top priority. To achieve that, it has implemented many policies to promote occupational safety and health, emphasized risk management, strengthened employees' knowledge on occupational safety and health, and strived to prevent accidents and diseases at the work place. It knows that it is a responsibility to provide a healthy and safe work environment to achieve top-notch employee productivity.

LIU. CHIEN CHUN

Chien-Chun Liu &
General Manager





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1.0 Company Organization Report

1.1 The Boundary and Scope of Report

Men-Chuen will officially issue its "Sustainability Report 2012" for the first time in September 2013 and will continue to do so every year. The report covers Men-Chuen's economic situation, environmental protection, and social responsibility related information and data from the period of January 1st, 2012 to December 31st, 2012. Men-Chuen's headquarters is in Neihu District, Taipei City, and its knitting, dyeing & finishing manufacturing are located in Taoyuan , due to the environmental data gathering of dyeing & finishing manufacturing is more completely than other facilities , so we public 1st version report from dyeing & finishing manufacturing firstly and excludes the knitting manufacturing and the plant in Vietnam. The entire economic situation is for public access; the environmental information shall comply with the management guideline announced by the local government and competent authorities; the financial data sources are financial statements signed and approved by an accounting firm. Should there be exceptions to the above data and information, additional descriptions will be supplied.

1.2 Written Outline

Men-Chuen's 2012 Sustainability Report is based on the global continuity report of the Global Reporting Initiative, GRI. After inspecting the comparison table of the GRI Index items, Men-Chuen announced its Sustainability Report to be in compliance with the GRI G3 Level C Application standard.

1.3 Contact Us

We welcome your views about our efforts to become a more sustainable company. You can contact us at:

Men-Chuen Fibre Industry Co., Ltd

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1.4 Company Milestones

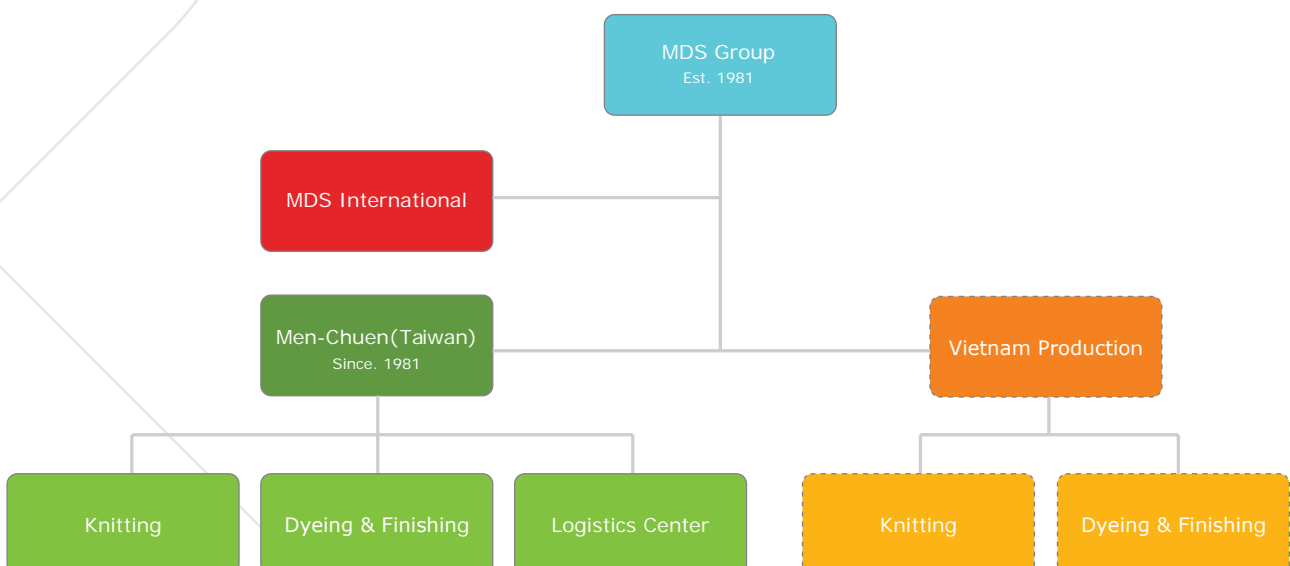
1981/03	Shin-Yji was established.
1983/08	Den-Lee Dyeing & Finishing Industrial was established.
1985/04	Den-Lee acquired land to build a manufacturing factory
1986/12	Den-Lee's factory was officially opened.
1987/03	Men-Chuen Fibre Industry Co., Ltd was established.
1991/01	1st Corporate Consolidation. Men-Chuen merged with Shin-Yji.
1996/05	Men-Chuen's knitting factory was officially opened in Kuai-Shan, Taoyuan County.
1999/12	Men-Chuen relocated to new offices in Nei-Hu, Taipei City
2001/06	Men-Chuen's Board of Directors agreed to expand its manufacturing business in China, thus, Zhejiang Shin-Yji was established.
2003/08	2nd Corporate Consolidation. Men-Chuen merged with Den-Lee.
2004/01	Men-Chuen's logistics center in Da-Cheng, Taoyuan City, was officially opened.
2010/07	Men-Chuen decided to include Vietnam as another manufacturing location.
2011/08	Men-Chuen's new manufacturing factory was officially opened.
2012/04	Men-Chuen's Board of Directors decided to stop all manufacturing in China.
2012/08	Men-Chuen's dyeing & finishing manufacturing building start to expand.



1.5 Certification

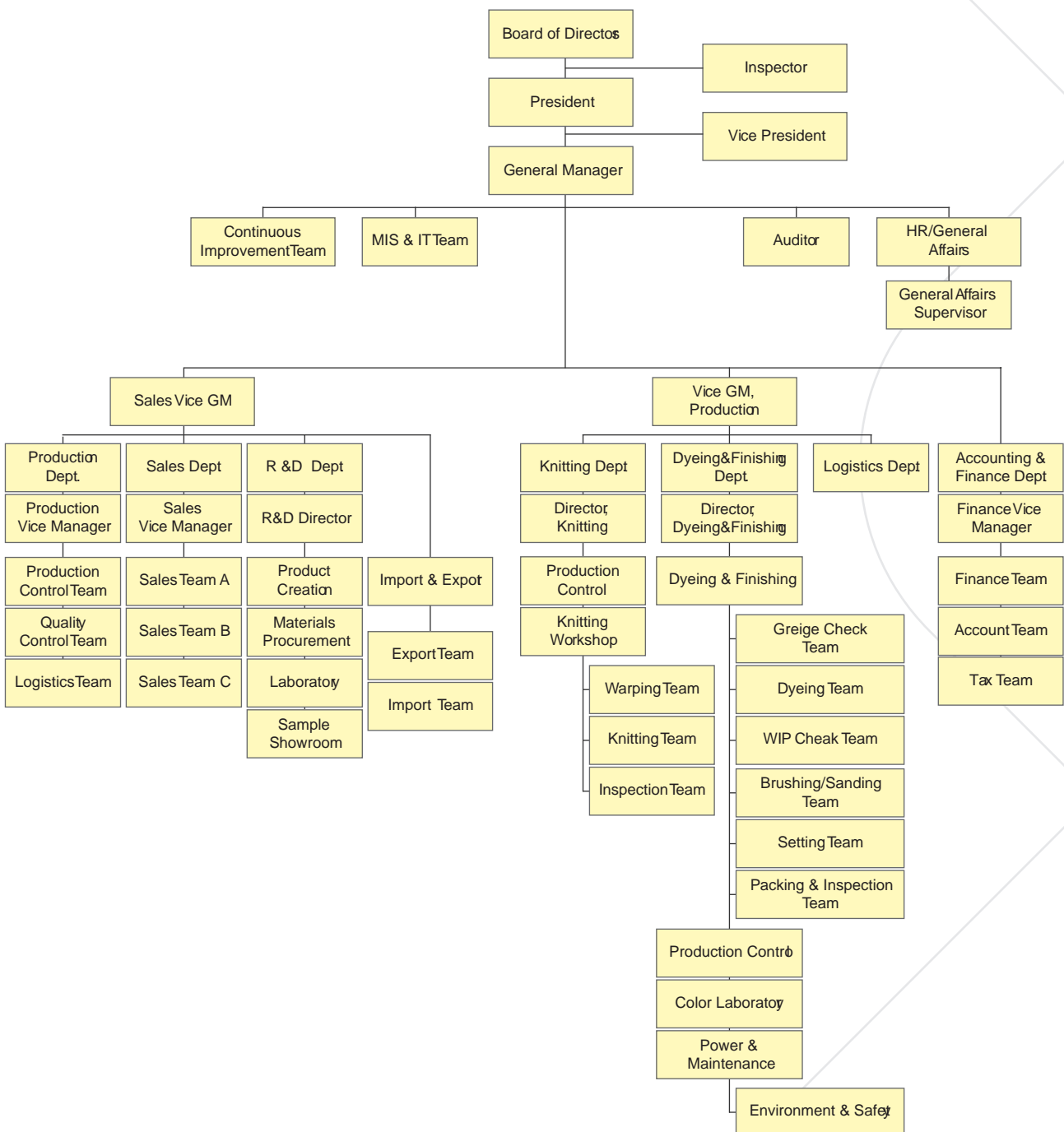
2013/05	Participate Cradle to Cradle ^{CM} information meeting	
2013/03	ISO 14001 & OHSAS 18001 Re-audit third time	
2013/02	Bluesign Get the final certification	
2012/12	Bluesign Start submit the fabric for testing	
2012/09	ISO 14001 & OHSAS 18001 Re-audit second time	
2012/06	Oeko-Tex Get the new certification	
2012/03	Oeko-Tex Audit second time	
	ISO 14001 & OHSAS 18001 Re-audit first time	
2012/02	Bluesign On-site Screening audit completed	
2011/10	ISO 14001 & OHSAS 18001 get the certification	
2011/09	GRS get the certification	
2011/08	ISO 14001 & OHSAS 18001 Audit first time	↑ on the training
2011/07	Oeko-Tex Get the final certification	
2011/06	Oeko-Tex On-site Screening audit completed	↑ on the training

1.6 Company Organization



Men-Chuen Fibre Industry Co., Ltd was established in March 1987 and currently boasts capital of US\$15.54 million. A renowned textile knitting, and dyeing & finishing manufacturer, Men-Chuen is also an important importer and exporter of textiles. Its headquarters is in Neihu District, Taipei City, and Its knitting, dyeing & finishing, and logistics factories are located in Taoyuan.

Men-Chuen involve headquarters in Taipei City , knitting manufacturing , dyeing & finishing manufacturing and Vietnam production. Taipei offices consist of production department, sales department, Import & Export, research & development department, general affairs department and finance department. Knitting Manufacturing has knitting department, production department, and logistic department. Dyeing & Finishing Manufacturing involve dyeing department, production department, color laboratory, maintenance department and environmental affairs department.



Shareholders Members

Post	Gender	Name	Men-Chuen Position
Chairman of the board	Male	Ming-Cheng Kuo	President
Shareholder	Male	Chien-Chun Liu	General Manager
Shareholder	Male	Ching-Ho Chung	Production Vice General Manager
Shareholder	Male	Albert Kuo	Sales Vice General Manager
Shareholder	Male	Shun-Chuan Huang	N/A
Shareholder	Female	Wen-Chin Chou	N/A
Shareholder	Male	Chun-Hung Chen	N/A
Supervisor	Female	Li-Mei Tao	N/A









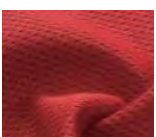
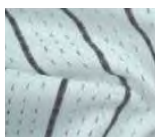




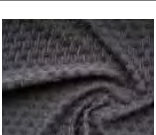

Left to right : Ching-Ho Chung , Wen-Chin Chou , Li-Mei Tao , Ming-Cheng Kuo , Chien-Chun Liu , Shun-Chuan Huang

1.7 Products

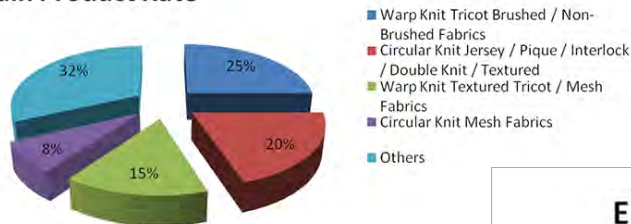


Men-Chuen Fibre Industry Co., Ltd established its R&D department at its headquarters in 1993. Its high-caliber, experienced R&D team and advanced, precise core fabric weaving technologies enabled Men-Chuen to develop industry-leading fibers and new fabric applications. No matter if it is moisture-wicking, with UV protection, far infrared, thermal regulation, anti-odor and anti-bacterial properties like in the earlier days, or recyclable fabrics like in recent times, Men-Chuen is able to offer customized, complex, textured, jacquard fabrics which are developed using advanced “Engineered Body mapping” computer technology to its customers. It is also able to respond to the dynamic and rapidly-changing needs of the textile manufacturing industry.

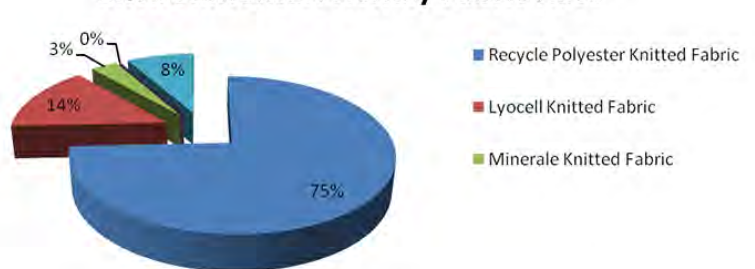
Product Portfolio

	Warp Knit Tricot Brushed / Non-Brushed Fabrics		Fabrics with UV Protection
	Warp Knit Textured Tricot / Mesh Fabrics		Fabrics with Anti-Bacteria & Deodorization
	Warp Knit Burn Out Fabric		Fabric with Thermal Regulation
	Warp Knit Stretch Fabric		Fabrics with Moisture Management
	Circular Knit Jersey/ Pique/ Interlock/ Double Knit/Textured		Fabrics with Engineered Pattern
	Circular Knit Mesh Fabrics		Printing / Embossing / Lamination Fabrics
	Circular Knit Computer Jacquard Fabrics		Environmental Friendly Fabrics

Main Product Rate



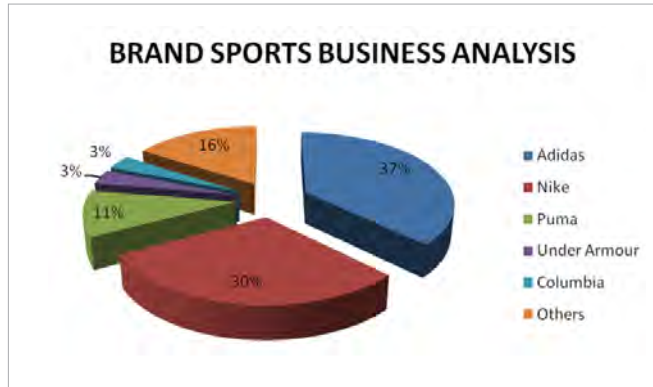
Environmental Friendly Fabric Rate



1.8 Customer Portfolio



Men-Chuen's current business direction is to provide sports fabrics for leading brands (Adidas, Nike, Puma, etc.). The main products include warp knitting and circular knitting, of which warp knitted fabric is the main product, while the circular knitted products consist of cross woven fabric and various fabric types. In addition, high-quality services are provided through various international certifications, thereby meeting the major brands' demand for sports fabric quality.



1.9 Sales Regions

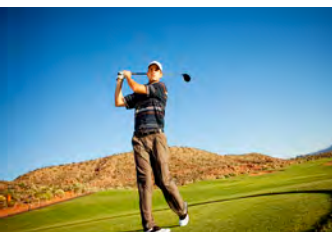
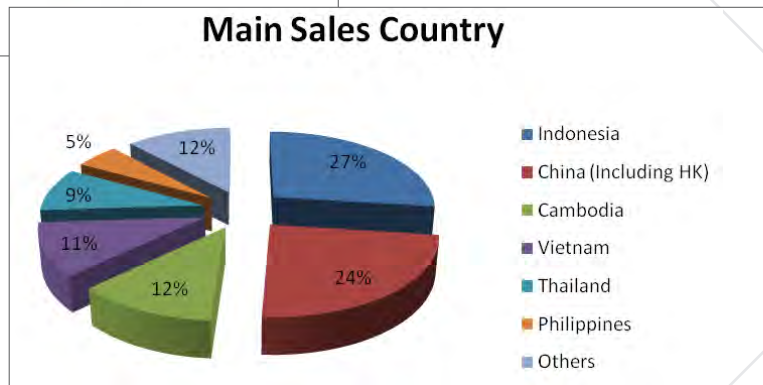
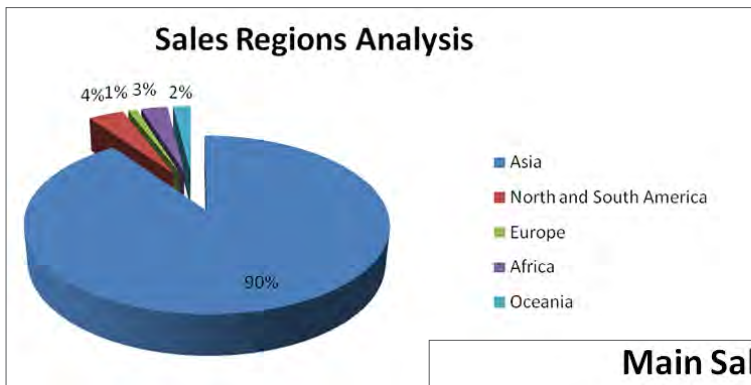


Head Office : Taipei

Production Base : Taiwan , Vietnam

Delivery Location : Indonesia , China(Hong Kong) , Cambodia , Vietnam , Thailand , Philippines , Japan , Portugal , Madagascar

As Men-Chuen's major clients are the leading sports brands, there is a need to provide high-quality textile products to garment vendors around the world. The main regions include Asia, North America, South America, and Europe.



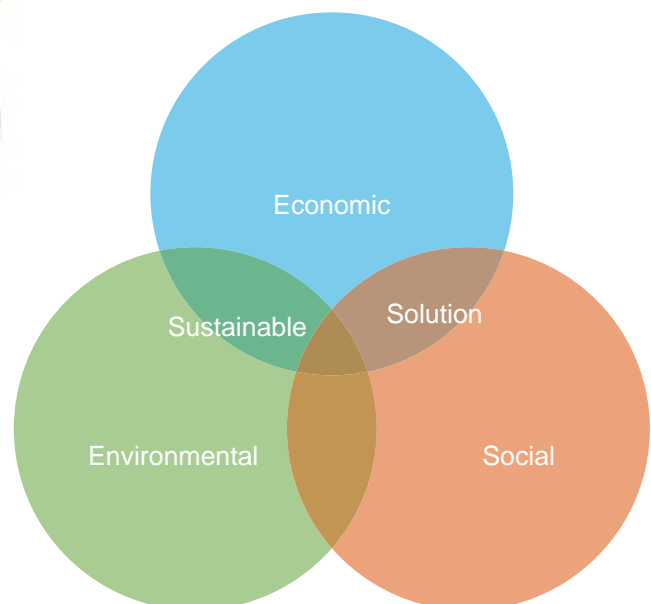
2.0 Stakeholders

2.1 Stakeholders and Data Collection Methods

It would be better to gather the questionnaire data from relative stakeholders , before starting to lend the impetus for sustainability improvement . As Men-Chuen can grow up with more economic , social , environmental together base on those interest concerns from stakeholders.

We engage with our stakeholders and make summary as below chart to follow up.

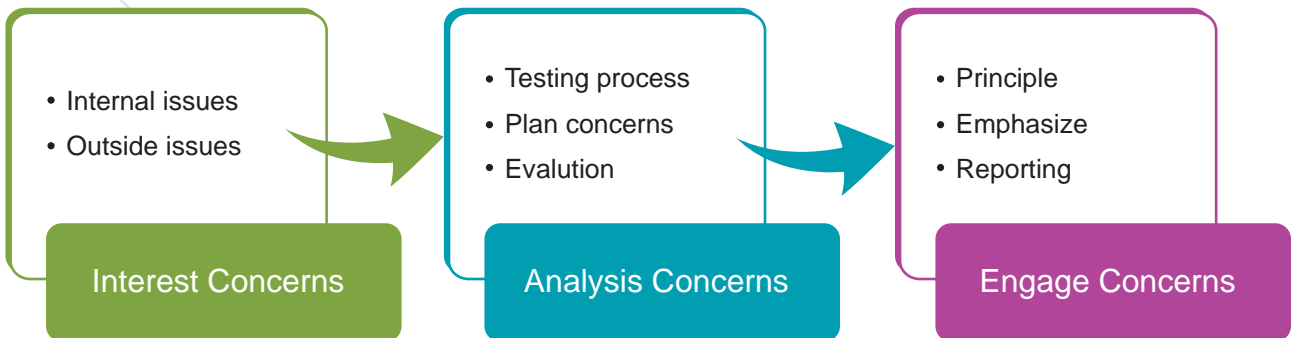
Men-Chuen's relative stakeholders chart :



Targets	Issues of Concern	Data Collection Method
Employees	<ol style="list-style-type: none"> 1. Salary and benefit increase 2. Professional training for employees 	The human resources personnel shall provide employee questionnaire data to report some of the concerns and intentions of employees at GRI.
Shareholders	<ol style="list-style-type: none"> 1. Company operation status 	The GM shall propose the report and discuss with shareholders at the Shareholders' Meeting in order to confirm issues of concern to shareholders, which are to be reported at GRI.
Raw material suppliers (yarn)	<ol style="list-style-type: none"> 1. Company operation status 2. Quantity of purchase orders 	Sales representative shall visit Men-Chuen on behalf of the raw material vendors. The Men-Chuen representative shall discuss with regarding the GRI report and ask him about the issues of concern to the suppliers.
Raw material suppliers (dye/additives)	<ol style="list-style-type: none"> 1. Company operation status 2. Quantity of purchase orders for the next six months 	Sales representative shall visit Men-Chuen on behalf of the raw material vendors. The Men-Chuen representative shall discuss with regarding the GRI report and ask him about the issues of concern to the suppliers.
Bank	<ol style="list-style-type: none"> 1. Company operation status 2. Gross profit fluctuation status 3. Environmental maintenance status 	The Men-Chuen representative shall visit Bank to discuss with its representative regarding the GRI report discussion and ask him about the issues of concern to the bank.
Third-party certification unit	<ol style="list-style-type: none"> 1. Company operating process status 2. Company management status 3. Environmental maintenance status 4. Social responsibility 	The Men-Chuen representative shall discuss with the third-party certification unit representative via the telephone regarding the GRI report discussion and ask him about the issues of concern to the third-party certification unit.

<p>Academic institution</p>	<ol style="list-style-type: none"> 1. The impact of company operation, cost, gross profit, and economic development on local residents 2. Company background, company in-charge, company policy, and the core concept of sustainable development 3. Production related verifications, including carbon footprint, ISO, OHSAS, etc. 	<p>The Men-Chuen representative shall discuss with the academic institution representative via the telephone regarding the GRI report discussion and ask him about the issues of concern to the academic institution.</p>
<p>Government agency</p>	<ol style="list-style-type: none"> 1. Energy consumption 2. Energy-saving plan 3. Flowchart of processes 4. Actual quantify of finished products produced from quantity of raw materials purchased 	<p>The Men-Chuen representative shall discuss with the academic institution representative via the telephone regarding the GRI report discussion via the telephone and ask her about the issues of concern to the academic institution.</p>

Stakeholders Relations Guideline Chart:





3.0 Economic Aspect

3.1 Analysis of Financial Highlights

Unit: USD (Million)

Item \ Year	2011 (Exchange Rate: 29.464)	2012 (Exchange Rate: 29.614)
Operating revenue	96.56	84.86
Gross profit	11.68	10.0
Operating income	2.48	2.74
Non-operating income and gains	3.12	5.27
Non-operating expenses and losses	1.56	1.79
Pre-tax (loss) gain	48.3	6.21
Net (loss) gain	3.33	5.67
Earnings per share	2.23	3.83

The operating revenue for 2011 is USD\$96.56 million, and the operating revenue for 2012 amounted to USD\$84.86 million, which is a decline of 12% in the annual revenue, due to the requirement of customer remarketing reduce in 2012 and Men-Chuen also reduce to produce some low unit price, but huge volume items in the same time.

Then operating income of 2011 is USD\$2.48 million, and 2012 is USD\$2.74 million, which is increasing 10% in annual growth, due to Men-Chuen had to do the good management to reduced the air-freight and courier pre-prepare cost in 2012.

The non-operating income and gains for 2011 is USD\$3.12 million, and the non-operating income and gains for 2012 is USD\$5.27 million, an annual growth of 70% in the annual non-operating income and gains, due to Men-Chuen had sale the old knitting facility in 2012, so the non-operating income increased a lot.

4.0 Social Aspect

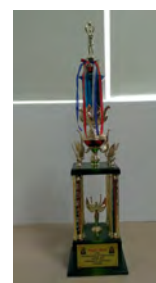


↑ The winter basketball tournament champion game in 2012

How to create a work environment employees are highly satisfied with is the most important issue for Men-Chuen that operates through the people-oriented mode. Men-Chuen aims to enhance employee satisfaction through three aspects, namely a safe work environment, generous salaries and benefits, and the internal training work environment. As far as the first aspect, "a safe work environment," is concerned, Men-Chuen strives to achieve zero work-related injuries as its highest guiding principle every year. For two consecutive years, no work-related injuries have taken place. In the future, the company shall continue to review the work environment risks to prevent occurrences of work-related injuries.

As for the second aspect, "generous salaries and benefits," in addition to providing stable salaries, Men-Chuen provides employees with staff trips in the country and abroad, annual health checkups, scholarships and subsidies for employees' children, and other employee-only subsidies and grants, so as to boost employee morale and enhance employee engagement.

In terms of the third aspect "internal training work environment," the unit supervisors shall regularly implement training courses to enhance staff functions. Men-Chuen set the "average training hours per person" target in 2013 in order to enhance the competitiveness of employees.



↑ Aware of winter basketball champion game



↑ Men-Chuen's 30th anniversary lottery game



↑ Men-Chuen's 30th anniversary



↑ Employee health examination in 2012

Men-Chuen had principles of democracy management and encourage the freedom of faith and harmonious with community to foreign workers , so our foreign workers had joined the winter basketball tournament champion game which held by the religion in community 2012 and got the aware of champion.



↑ Incentive Tour in 2010



↑ Incentive Tour in 2011

4.1 Data of Personnel Employment Types

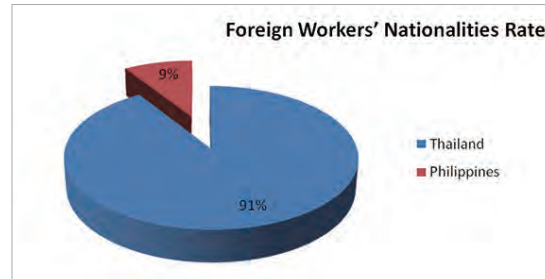
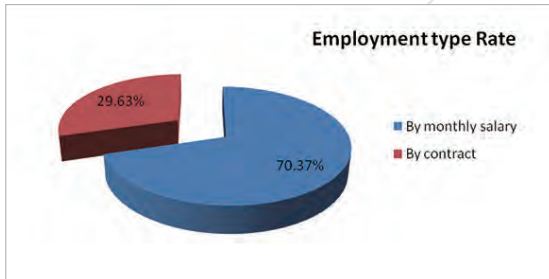
Classification of employment types	No. of people according to employment type	Employment type in percentage
By monthly salary	133	70%
By contract	56	30%
Subtotal	189	100%

At Men-Chuen, the employment types are divided into two types, namely, "by monthly salary" and "by contract." Between them, employees hired "by monthly salary" mainly comprise domestic workers, 133 people in total accounting for 70.37%; employees hired "by contract" are mainly comprised of foreign workers, 56 people in total accounting for 29.63%.

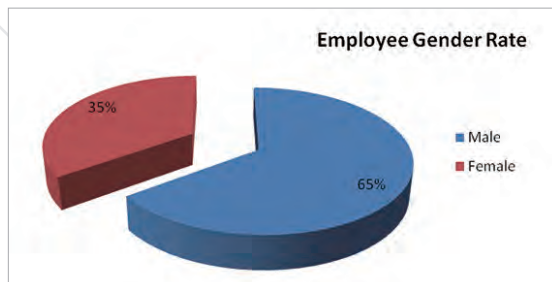
According to Taiwan's Foreign Worker Application Standard by Industry released by the Directorate-General of Budget, Accounting and Statistics, Executive Yuan, R.O.C. (Taiwan), the standard can be divided into A+, A, B, C, and D class. Men-Chuen falls under the A+ class, and the industry category is the professional textile dyeing and finishing industry. The number of

foreign workers is capped at 35%, which is in line with the legal requirements of the Republic of China.

The foreign workers hired by Men-Chuen come from the Philippines and Thailand, a total of 56 people. Among them, 51 are Filipino and 5 are Thai.



4.2 Employee Gender



Gender granted job promotions	No. of people granted job promotions	Job promotions granted in percentages
Male	2	40%
Female	3	60%

As Men-Chuen falls under the textile dyeing and finishing industry, the operators of the textile industry have heavier workloads. Therefore, in terms of the gender composition of the company, males comprise a higher ratio than females. The male vs. female ratio is approximately: 2:1.

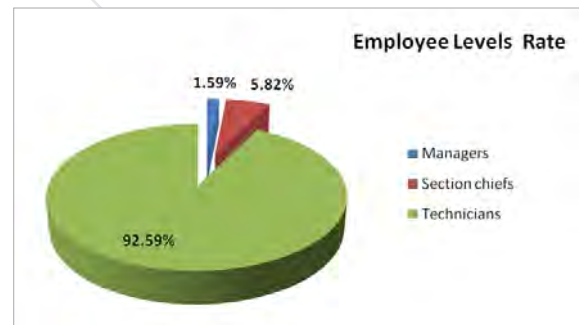
As for the gender of workers granted job promotions, the male vs. female ratio in terms of job promotions granted is 2:3, of which the females account for 60% of the job promotions. This result indicates that gender is not one of the bases for employees' job promotions.



4.3 Employee Levels in Percentages

The ratios of human resources levels at Men-Chuen are manger: section chief: technician=1:3:58.

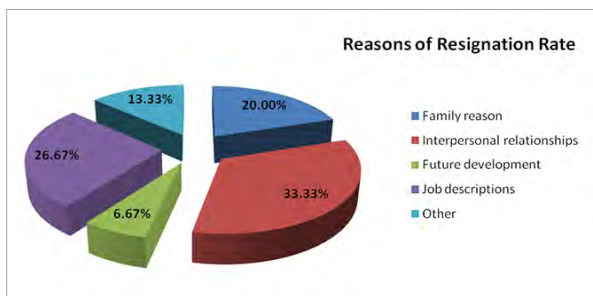
Classification by level	No. of people as to level	Level in percentage
Managers	3	1.59%
Section chiefs	11	5.82%
Technicians	175	92.59%
Subtotal	189	100%



4.4 Employee Resignation Information

Statistics of Reasons for Resignation

Family reason	House-moving and taking care of family.
Interpersonal relationships	Unable to adapt to job descriptions, unable to get along with colleagues, and disagreement with supervisors.
Future development	Have other jobs and personal career planning.
Job descriptions	Unable to cope physically; not interested.
Other	Poor performance



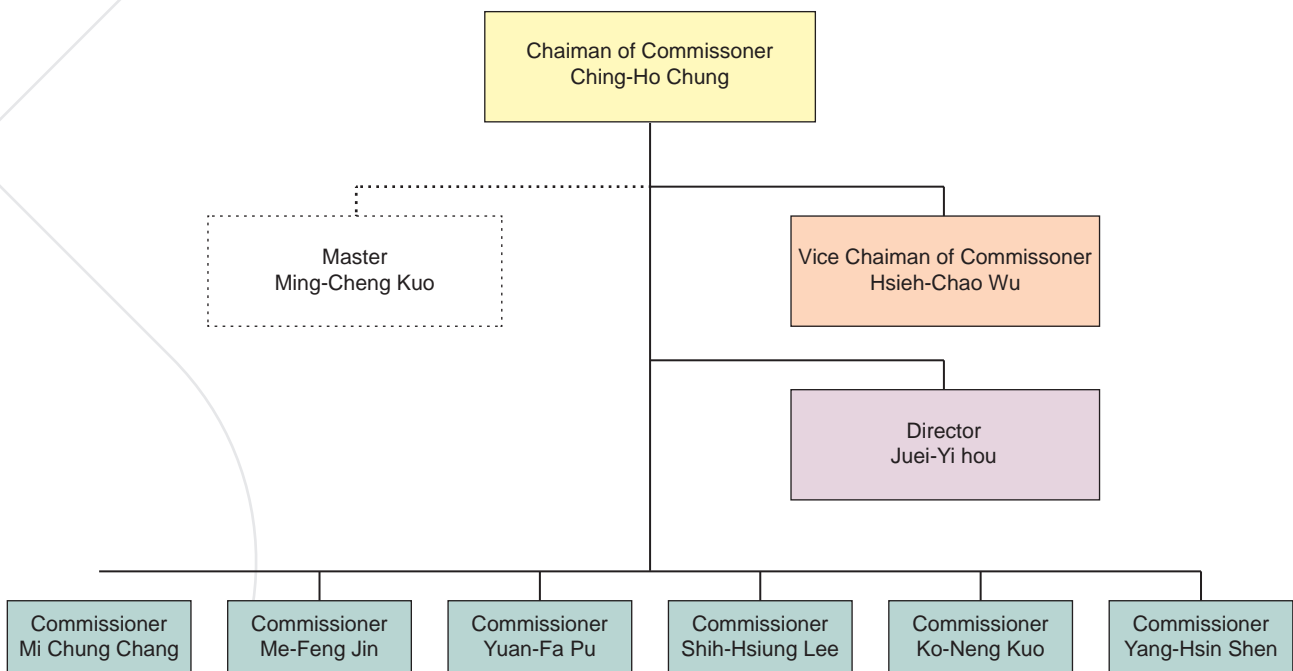
Of the reasons for employee resignation, interpersonal relationships account for 33%. Of the reasons under interpersonal relationship: 1. Unable to adapt to job descriptions; 2. Unable to get along with colleagues; and 3. Disagreement with the supervisor, 1. Unable

to adapt to job descriptions comprises a higher ratio. In addition, job descriptions account for 27%. Of the reasons under job descriptions, "unable to cope physically" and "not interested" account for the majority, especially "unable to cope physically."

4.5 Labor Relations

Men-Chuen has always attached importance to the issue of harmonious relations with workers. Hence, in order to establish a pipeline that ensures communication between employees, Men-Chuen has set up the employee suggestion box and the Welfare Committee. Human resources personnel collect the employee suggestion box data weekly and reply within seven days on staff's reflected matters. The Welfare Committee holds a meeting seasonal to discuss the employees' various comments and replies. The term of Welfare Committee is 4 years and purpose to set up the employee welfare before the end of every year.

Employees' Welfare Committee Chart



The "Employees' Satisfaction Survey Project" is also carried out in order to collect the opinions and aspirations of the employees and provide reference for the company and executives of each unit to enable communication without barriers between the company and employees.

Year	No. of comments	Source of comments	Content of comments	Handling of comments	Employee feedbacks
2012	1	Factory employees	To increase the diversity of foods of vending machines in the factory.	<ol style="list-style-type: none"> 1. Communicate with the vendor via the telephone. 2. Increase the diversity of food in vending machines and replace slow-moving items. 3. Increase the frequency of food replacement for vending machines, changed to once a day. 	Has met the requirements according to the original feedback.

4.6 Definition of Occupational Accident and Regulations

According to Paragraph 4, Article 2, of Labor Safety and Health Act, the term “occupational

Year	2011	2012
No. of occupational hazards	0	0

accident” as used in this Act shall mean any disease, injury, disability, or death caused by buildings, equipment, raw materials, materials, chemicals, gases, vapors, dusts, etc., in the place of employment, or as a result of the performing on duty, or because of other occupational causes.

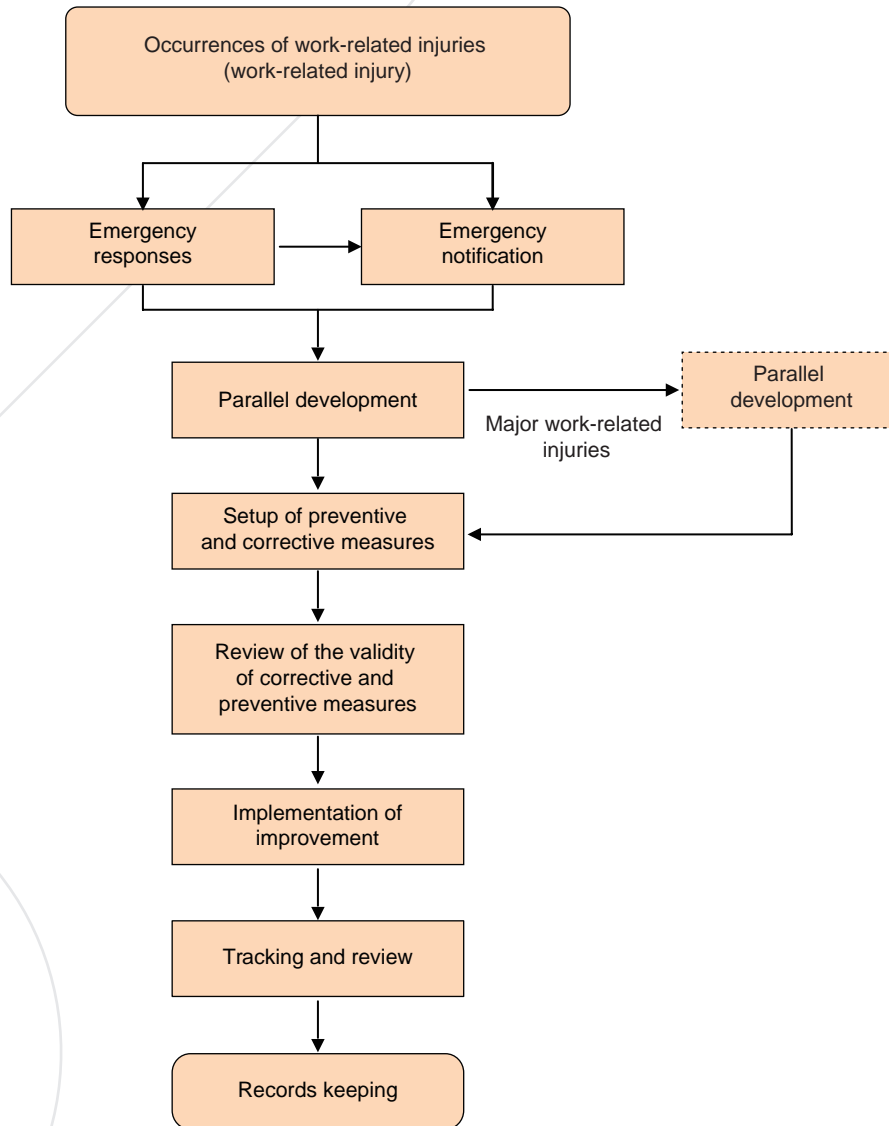
In 2011 and 2012, there were no work-related injuries, thus showing Men-Chuen’s people-oriented approach to business and its remarkable rendering in preventing occupational injuries.

The annual internal audit is divided into two parts: internal audit and external audit. Internal audit involves audit that ensures the internal operational safety in the plant, and the audit frequency is once every two months; external audit involves safety audit conducted by external auditors, and the audit frequency is once every six months. In 2013, the zero injuries goal shall continue to be carried out in the plant to improve the audit of the operational environment and implement occupational accident insurance for employees during operation.

4.7 Work-related Injury Handling Processes

The flowchart above shows the work-related injury handling operation processes. When a work-related injury occurs, emergency notification and emergency response should immediately be implemented to ensure workers receive appropriate and prompt care right after the occupational accident. The cause of the occupational accident is then analyzed in order to propose corrective measures and effective preventive measures and further track and review the improvement approaches, thus preventing occurrences of similar occupational accidents.

Flowchart of Work-related Injury Events Review



4.8 Employee Types

Men-Chuen's employees are divided into "by monthly salary" and "by contract" categories, accounting for 133 people and 56 people, or 70.37% and 29.63% respectively. In the face of improvement on employees' professionalism, Men-Chuen provides professional training conducted by an external institution and internal educational training courses that enable employees to acquire appropriate courses that guide them through their respective specialized fields, thereby achieving the purpose of employee professionalism. As for the employees hired by contract, internal educational training courses are arranged for them.

4.9 Average Number of Training Hours per Employee

Employees are a company's greatest asset. Therefore, how to administer company employees is an issue company operators must attach importance to.

Year/item	Total No. of training hours	Average No. of training hours
2012	1384	7.32

In 2012, the average educational training hours were 7.32 hours. In 2013, the issue of educational training shall be strengthened to improve the training hours and results from the aspect of employees' professional skills. It is expected that the number of hours will increase from 7.32 hours to 8.05 hours, an increase of 10% in training hours allocated for educational training. Targeting the course effectiveness assessment, after-class tests will be conducted, and the passing score will be raised from 60 to 80, or employees will be required to obtain related certifications within given time.

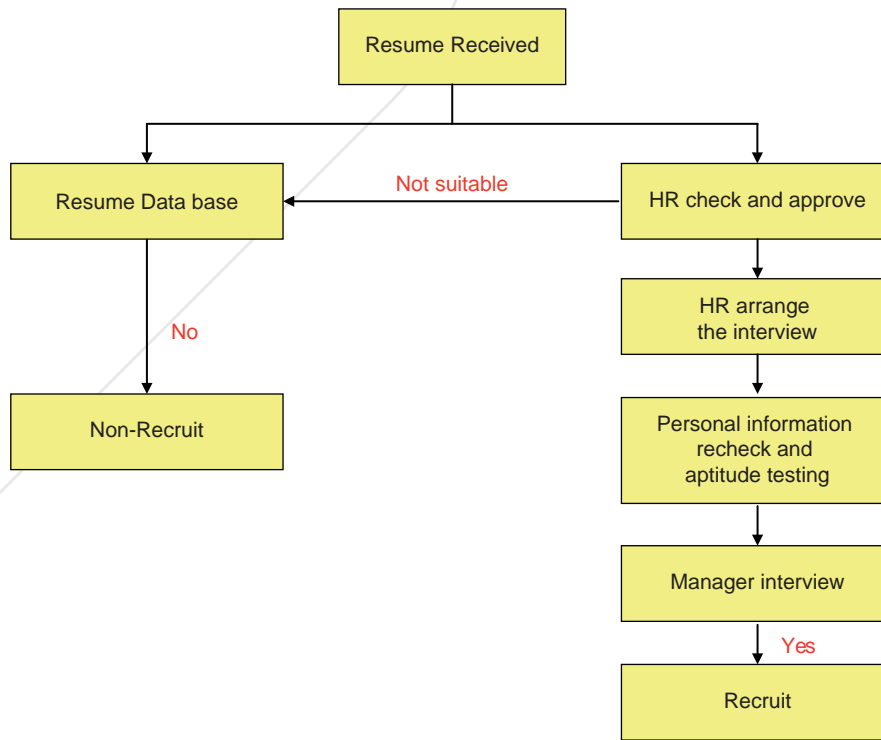
4.10 Comparison of Gender and Base Salaries

According to the productivity and salary statistical data of Taiwan's Directorate-General of Budgeting, Accounting and Statistics (DGBS), in 2012, female employees' salaries accounted for 79.9% of that of male employees, while at Men-Chuen female employees' salaries accounted for 82.05% of that of the male employees. At Men-Chuen, the male employees' average salary is slightly higher than the government's tallied average salary of NTD36, 000, while the female employees' salary is slightly lower than the government's tallied average salary of NTD36, 000. Obviously, gender is not the main consideration for salary level for Men-Chuen as far as salary is concerned. The main difference in the salaries is due to factors such as education, number of work years, work experience, and performance, thus indicating Men-Chuen's superiority over others in the same industry in this assessment category. In the future, the company shall continue to endeavor to narrow the gap between male and female in the ratio.

2012 Foreign workers' salaries are all higher than Taiwan's basic monthly salary of NTD18, 780 in accordance with salary related regulations and requirements.

4.11 Definition of Child Labor and Regulations

Child labor includes employees aged over 15 and below 16 who are not allowed to engage in laborious and dangerous work.

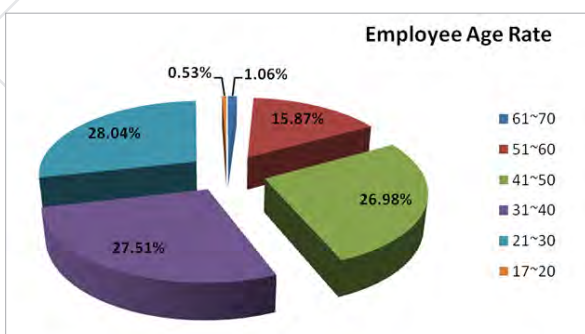


Men-Chuen's recruitment process is shown in the above flowchart. The dual assessment will be conducted at the stage of the employment unit assessment and personal data confirmation and adaptive testing for the interviewee's personal information.

Employment unit assessment stage: the employment supervisor will carry out confirmation of the relevant personal curriculum vitae (CV) provided by the interviewee.

Personal data confirmation and adaptive testing stage: HR staff will carry out personal data confirmation and adaptive testing with the interviewee. The interviewee must provide the ROC national ID card to verify the authenticity of the interviewee's curriculum vitae (CV) data. In the recruitment process, the most suitable candidates will be selected.

Through the Men-Chuen's rigorous personnel recruitment process, the interviewee must meet the needs of the employment unit and HR personnel-related assessment work.



Men-Chuen is a textile industry, which has heavy work operations. Based on Article 44 of Taiwan Labor Standards Law Act, Men-Chuen shall not employ children age between 15 to 16. In addition, Men-Chuen has not recruited child labor since 1981, showing for 32 years Men-Chuen has indeed abided by the labor laws.



5.0 Maintenance and Improvement of the Environment

Since the industrial revolution, human has been committed to the development of science and technology in the wish to improve life easier with science and technology. However, in the pursuit of economic profits without consideration environment irreversible damage and negative impacts a Living Standard. It has deviated from the traditional concept of the industrial model, so today's operations realized the importance of the balance between economics, social and environmental. Not only have governments made legislations to establish the conditions to protect the environment, but the people also spontaneously established non-profit organizations to supervise major polluting factories and enterprises to use some of the surplus to feedback the environment, so under the environmental consciousness of society, factories in construction have filed out to join in the green building materials, green space planning, alternative energy, and other designs. As to factories that have been built, it is by reducing carbon emissions, reducing pollution, and using environmentally friendly alternative materials instead to ease the impact on the environment.

For more efficient use of factory space and enhancing energy efficiency, in August 2012 Men-Chuen began conversion of the factory which is expected to be completed in December 2013. During the conversion, a three-year energy saving plan was established that focused on three aspects, saving energy (electricity/oil), water, and reducing waste.

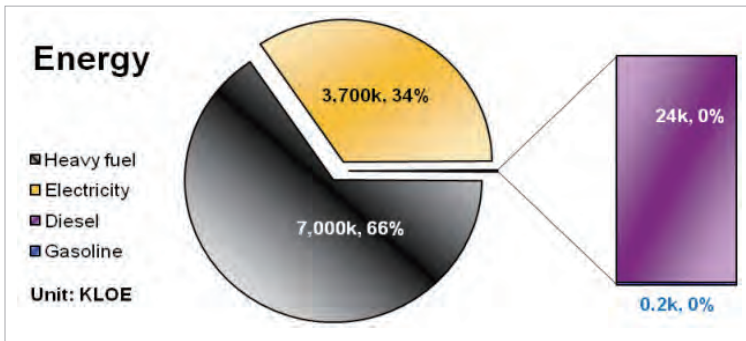
2012 Three-year energy saving plan

Implementation Plan	Content	Implementation Time	Efficiency in 2015
Energy saving	<ol style="list-style-type: none"> 1. Each process turns the lights off at shutdown time. 2. Exchange the type of lights from T8 to T5 3. Exchange the air condition from central system to individually controlled system. 4. improve the Ensaver heating exchanger efficiency 	Began gradual promotion in 2012.	-10%
Water saving	<ol style="list-style-type: none"> 1. Planning process scheduling to reduce the number of bleaching tanks. 2. Add wastewater recycle treatment equipment to reduce the amount of water using. 	Planning adjustment in 2012. Addition the equipment in 2014.	-35%
Waste Reduction	<ol style="list-style-type: none"> 1. Reduce the amount of waste cloth production. 2. Sew scraps of cloth into a garbage bag to use in the factory. 3. Add wastewater recycle treatment equipment to reduce the sludge production 	Implemented in 2012. Addition the equipment in 2014.	-20%

Environmental impact indicators can be divided into five categories: energy, water, air pollution, chemical, and waste. Energy can be divided into direct and indirect. Direct energy refers to the fuels used by all plant machineries, and indirect energy is mainly the electricity provided by the Taiwan Power Company.

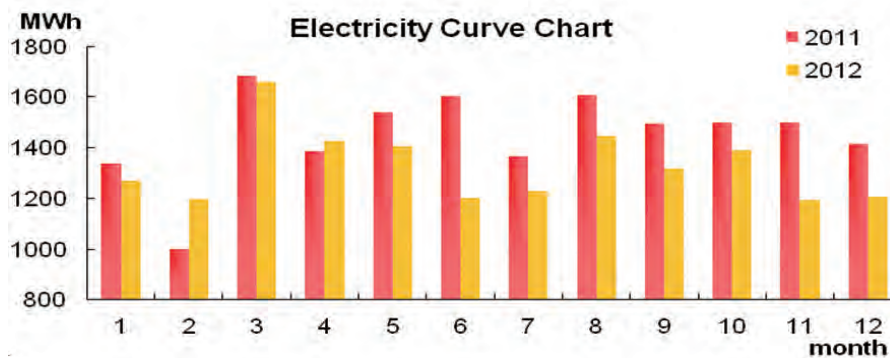
5.1 Direct and Indirect Energy

The proportion of energy use in 2012

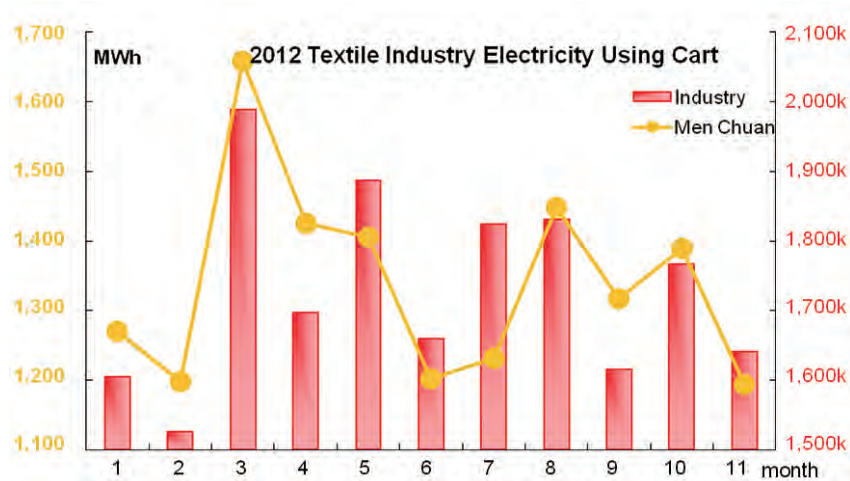


Electricity and heavy oil remain the main sources of power for the factory, but due to the production equipment is difficulty adjustment, so it is easier to start from the other aspects for improve, according to energy-saving plan, one of project is to stop

machine and close this area's lights during meal times was implemented in all departments at noon and evening. Currently, middle inspection and brushing process have been implemented. The next phase will doing in packaging process. Office lights are to be turned off during lunch break to achieve the energy saving target 2%. The new office will completed in April, 2013, at the same time we will use the new type of lamp (T5), and assess effectiveness of saving energy simultaneously.



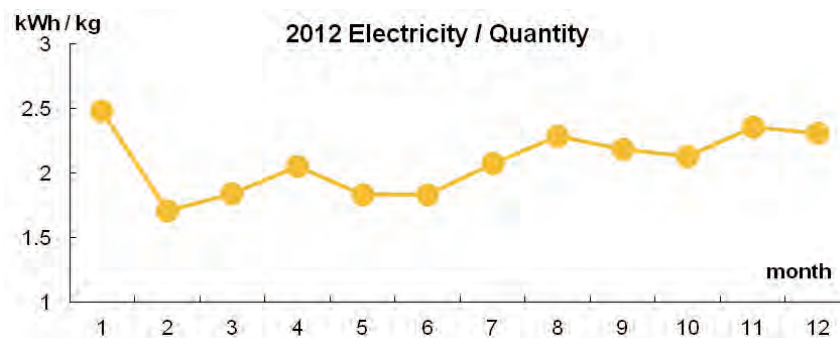
Proportion of textile electricity consumption in 2012



Source: Bureau of Energy, Ministry of Economic Affairs

As the Chinese Lunar New Year is the most important traditional festival but also the longest, the production boom season is often after New Year's. But the Lunar New Year in 2011 was from 2/2 to 2/7, and the Lunar New Year in 2012 was from 1/21 to 1/29, so the power usage in the same period of February had such differences.

This figure highlights the textile industry characteristics and market fluctuation. In addition to the impact of the Chinese New Year and Christmas holidays, there are changes of summer and winter markets, which have a direct impact on energy usage. Men-Chuen will set the short-term target at the state tending to coincide with the fluctuations of the large environment and set stable fluctuation as the long-term target.



Definition of electricity-fabric ratio: electricity consumed to produce one kilogram of fabric (Unit: kWh/kg)

Electricity-fabric ratio data statistics can help Men-Chuen to establish relevant performance indicators. The current objective is to first establish a database. Only when there is sufficient data can it endeavor to move toward the direction of stabilizing fluctuations and actually establish relevant performance indicators later.



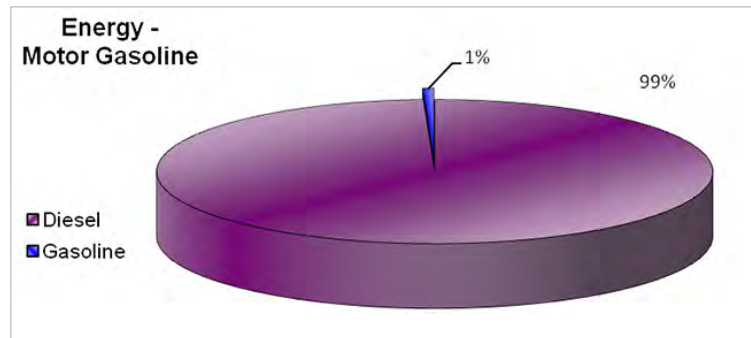
Oils used in plant are mainly divided into three categories: heavy oil, diesel, and unleaded gasoline #92.

Use areas of various oil types

Oils	Use Machines
Heavy oil	Boiler
Diesel	Large trucks and stacker
Unleaded gasoline #92	Small trucks

※ There are three boilers, and the use ratio between trucks and forklift is about 1: 2.

2012 Oil Management Summary Table



Oil Usage

Oils	2012 (L)
Heavy oil	654,000
Diesel	24,000
Unleaded gasoline #92	300

Transportation vehicles are all diesel oil-based. The factory currently has ten forklifts, a large truck, and a small truck, of which only the small truck uses unleaded gasoline #92. Six out of ten forklifts use diesel and the other four use electricity. Because there are a lot of inflammable goods inside the factory, used electric forklift is consideration of personnel safety at work.

5.2 Water Resources

Water is a treasure to nature, and is also an indispensable content of the human body. Water may not only become a resource that is inexhaustible and always available through natural cycle, it is also a carrier featuring self-cleaning ability. However, in the excessive pollution resulting due to the short period of time for industrial development, the self-cleaning cycle of water resources have become imbalanced, and only contrived restoration is capable of allowing it to restore its vitality from the past. The water resources used by industries may be generally divided into two types, including surface water and groundwater, among which the two water resources may be further supplied to factories for use in the forms of tap-water or steam via processing. However, the industrial water in Taiwan uses groundwater in the majority, yet the restoration ability for groundwater is far slower than surface water, and excessive usage will result in disasters including land subsidence and soil salinization. Therefore, enhancing the usage ratio of water resource and reducing waste during production is one of the most significant issues for factories in the present day.

The water resource usage condition for Men-Chuen in the past has not been explored in detail, but we have been recording in detail the various water usage data as of 2012, and a heat

exchanging system has been implemented within the plant area in 2010, so as to reduce the usage of oil for heating boilers. Furthermore, a waste water recycling system is planned to be introduced in 2014, in order to reduce the usage of groundwater as well as the resulting sludge.

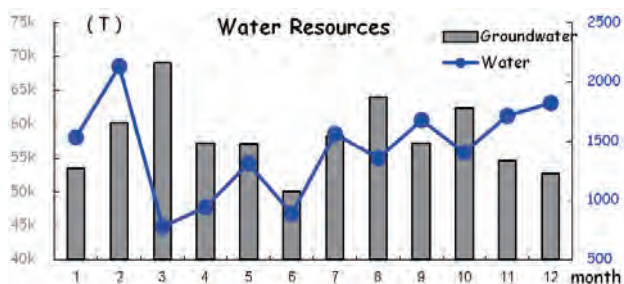
5.2.1 Water in manufacturing process

The dyeing and finishing industry refers to a business that is engaged in all or part of the manufacturing process involving singeing, desizing, scouring, bleaching, mercerizing, dyeing, printing, and finishing for a variety of natural fibers, synthetic fibers, or its products, in which dyeing is a process that requires using a lot of water and steam.

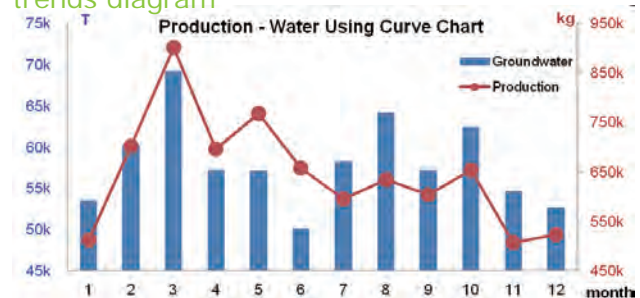
The main water source for industrial dyeing and finishing process in Taiwan is mostly groundwater. In recent years, the dyeing and finishing industry has been dedicated to innovation development of technology to reduce the usage of water for the reduction of water consumption in the water inclusive processes, such as dye, bleach, finish, process, and explore ways to reduce the amount of water for the bleaching tank.

In the water-saving part of Men-Chuen's three-year energy saving plan, the dye vat dyeing and bleaching tank will conduct re-planning of the process, and a 10% reduction of water consumption is expected in 2015.

2012 plant water status



2012 production-water consumption trends diagram



In 2012, Men-Chuen's total water consumption was about 710,000 metric tons. The recent ongoing plant expansion project is expected to complete the entire project by the end of 2015. A waste water recycling equipment that will included about 35% efficacy of wastewater recycling for reuse.

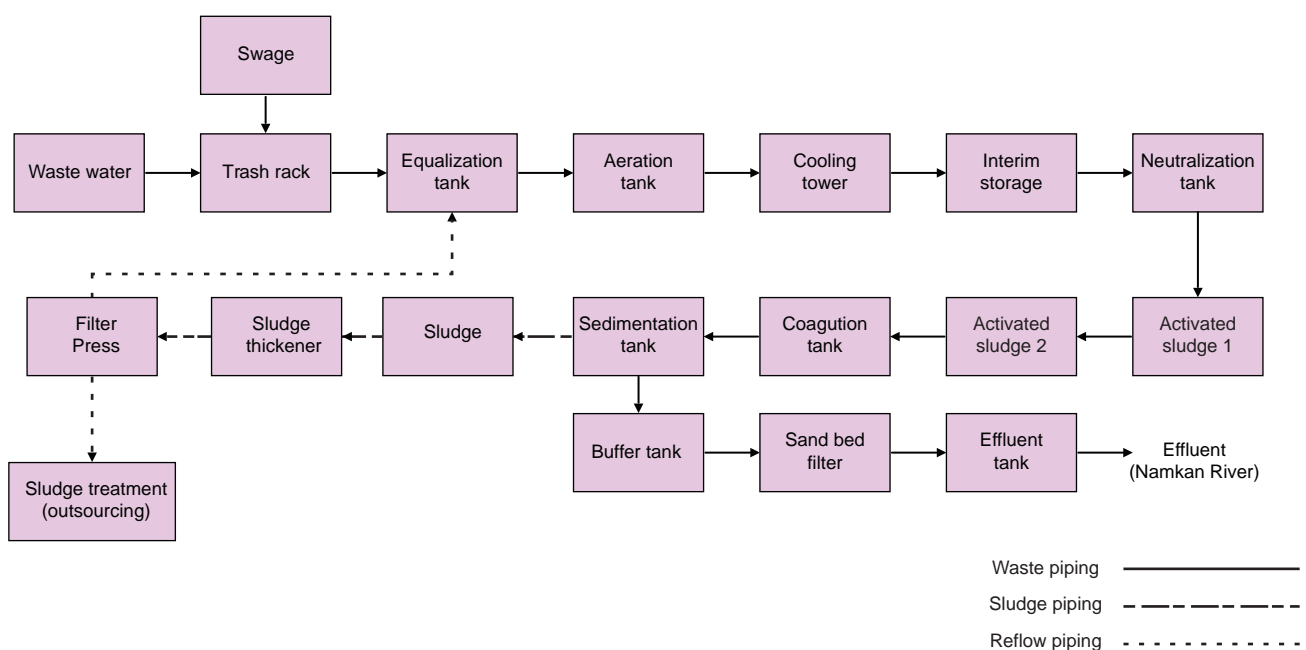
Before the peak of Men-Chuen production, an early pre-production will be conducted in order to facilitate diverted shipments during the peak season. There will be 5 to 10 days of pre-production time between the actual product packaging time and dyeing process production time, so the different processing times of each section will cause the water consumption difference between the months.

Men-Chuen will begin continuous statistics of the changes in consumption of water per unit capacity and electricity-fabric ratio and looks forward to learning more about areas for improvement. However, Men-Chuen produces a wide range of fabrics, so the basis of water consumption per unit capacity varies greatly due to the nature of the fabrics, and the value of water consumption per unit capacity may fluctuate due to a variety of causes such as a large amount of specific fabrics in a certain month or in season, rising machine utilization, etc. So at this stage, Men-Chuen selected the appropriate standard and built complete data collection standards. This standard will be followed later for the reference of the improvement plan.

5.2.2 Wastewater Treatment



Men-Chuen productions wastewater treatment system is secondary treatment. Mainly, microorganisms break down the COD and BOD in water, and waste water after treatment is discharged directly to Nankan River next to the factory. Therefore, Men-Chuen carefully monitors the results of wastewater treatment and accesses the government announcement websites in concern of Nankan River's water quality changes.



In accordance with the announcement of the second derivative sub-act "Article II of Effluent Standards Act" of Article VII of the Republic of China Water Pollution Control Act, the emission standards of the second category for knitted fabric dyeing and finishing industry are BOD<30 mg/L, COD<140 mg/L, SS<30 mg/L, and true color<550.

2012 changes in effluent quality

Month	1	2	3	4	5	6	7	8	9	10	11	12
pH	7.32	7.50	7.17	7.24	7.38	7.06	7.28	7.27	7.35	7.31	7.38	7.14
SS	7.00	6.88	6.67	4.89	3.78	2.75	3.67	7.57	6.25	9.22	5.86	6.53
COD	87.29	84.38	93.11	64.33	52.22	61.75	94.89	109.71	100.50	120.56	96.14	88.33

◇ Unit: pH: non, SS/COD: mg/L

◇ Suspended Solids (SS), Chemical Oxygen Demand (COD)

2012 EPA Water Quality Monitoring Points – Nankan River Bridge

Month	1	2	3	4	5	6	7	8	9	10	11
pH	7.60	7.00	7.10	7.00	7.60	7.50	7.60	7.70	7.60	7.60	7.70
SS	37.0	16.3	14.0	20.2	5.5	11.1	18.7	11.5	5.4	13.1	16.2
COD	54.2	42.7	31.0	42.7	29.4	27.2	25.2	27.4	23.6	33.4	28.8
BOD	9.60	5.50	5.50	4.90	5.20	3.10	3.70	4.00	4.10	6.80	3.10
T	19.5	16.8	21.8	23.4	29	25.9	31.9	30.4	30.7	27.2	24.7

◇ Unit: pH: non, SS/COD/BOD: mg/L, T: °C

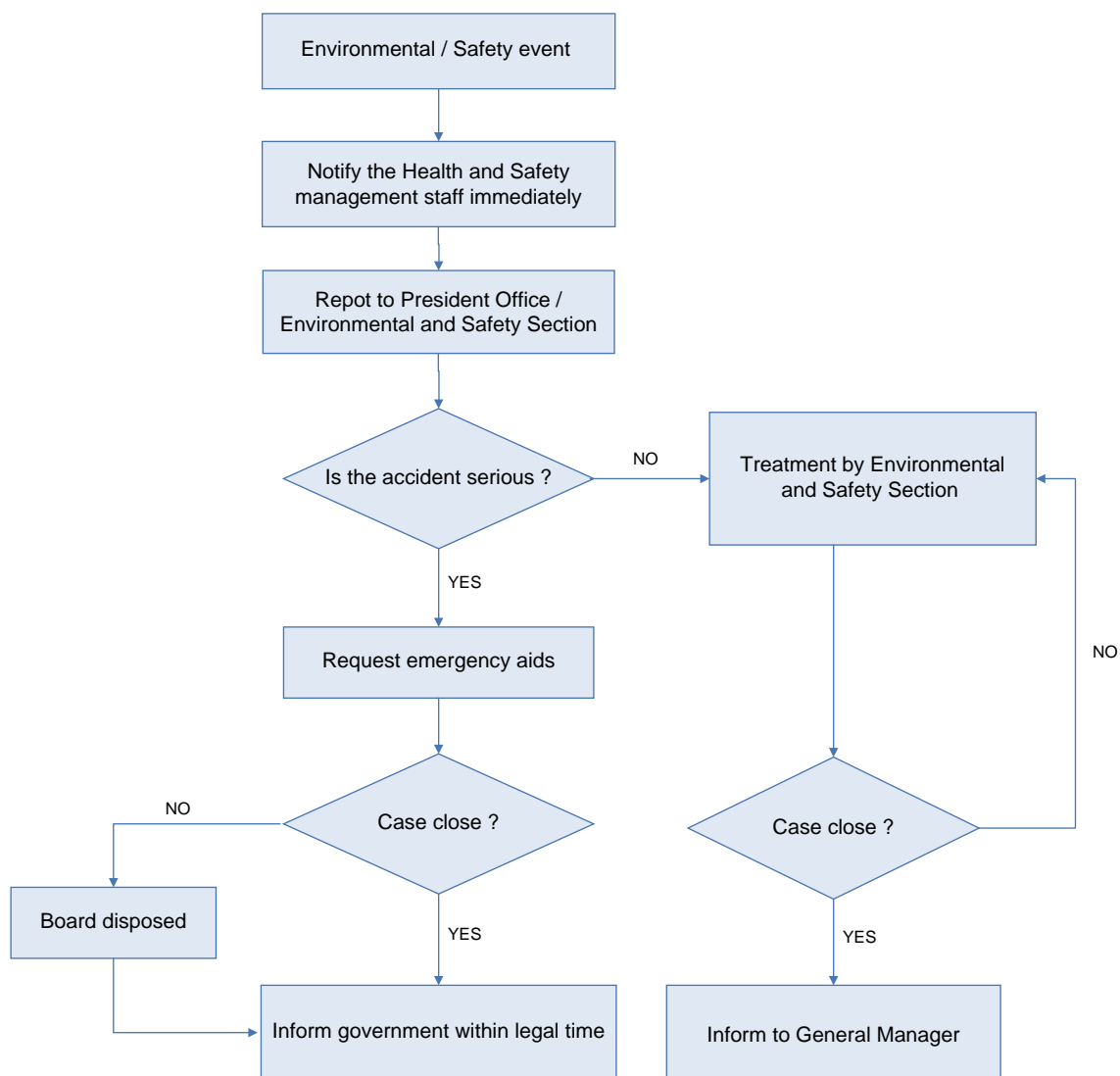
◇ Suspended Solids (SS), Chemical Oxygen Demand (COD), Biochemical Oxygen Demand (BOD), Temperature(T)

◇ Data from Environmental Protection Administration Executive Yuan, R.O.C

Although Men-Chuen is in compliance with effluent discharge standards required by the government, COD is still slightly higher than the receiving water body. In the future, Men-Chuen will focus on the control of COD, targeting at a yearly reduction of 5% emissions.

5.2.3 Emergency measures

If an exception occurs, according to environmental emergency response workflow exception handling, procedures are as follows:



5.3 Chemical

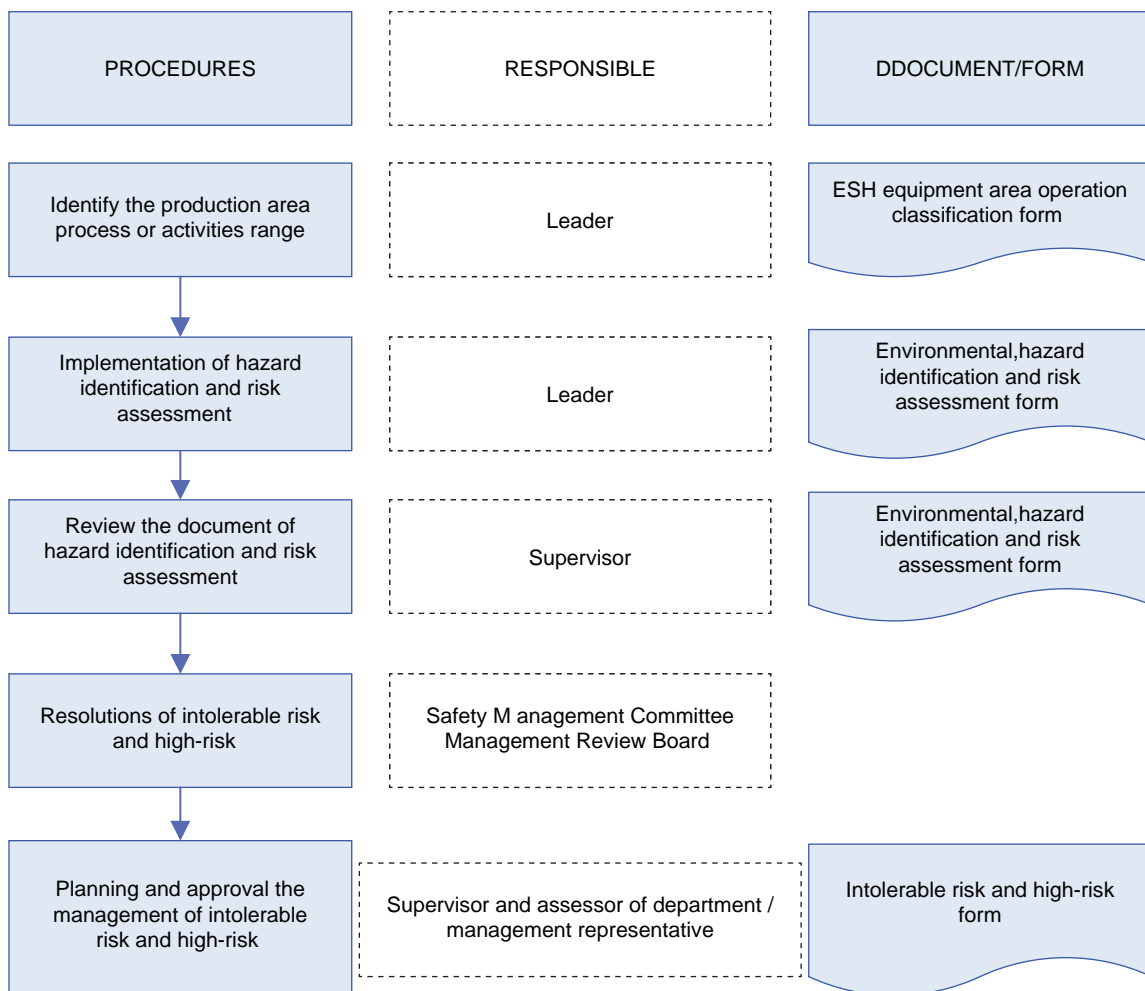
Our lives are flooded with numerous chemical products, but factories are not an exception. Almost everything from the raw materials, the dyeing auxiliaries, to the discarded objects are all composed of chemical products. Chemical products may further be divided into two major categories according to the level of influence on human body: hazardous substances and non-hazardous substances. However, each brand will announce its own Restricted Substances List (RSL) every year, in which Men-Chuen began long ago since August in 2009 to focus on the inspection and control of dyeing auxiliaries.

With the rising awareness for poisonous-free consumption, Men-Chuen began to conduct the relevant Oeko Tex® certifications on the products since June 2011, so as to allow the consumers to purchase and use with peace of mind. The raw materials obtained the usecertification from the Global Recycle Standard (GRS) in September of the same year, and began the certification application for bluesign® as of February in 2012, allowing Men-Chuen

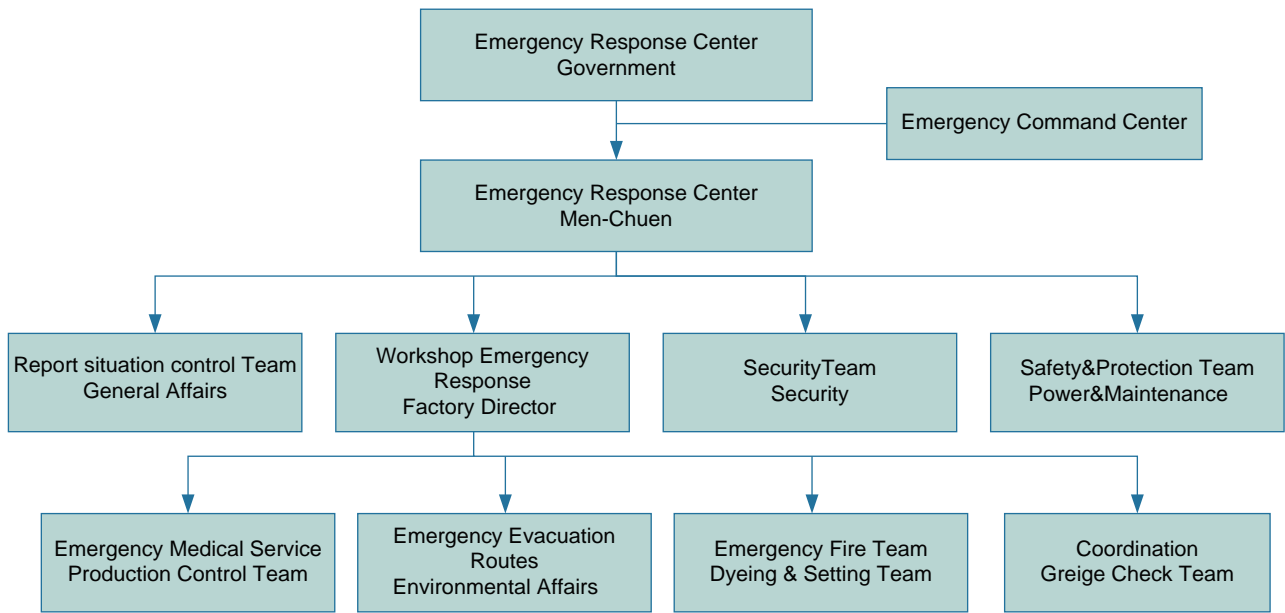
with double quality assurance regarding safety for the selection of raw materials and dyeing auxiliaries.

As for the stipulated procedure documents for chemical products management, Men-Chuen uses the hazard identification and risk evaluation procedure (MCFIQP-004-V4) to establish the hazardous risk level, and the suppliers are required to provide the material safety data sheet (MSDS) for the various chemical products in order to assist in the understanding of the properties of such chemical product. Moreover, the emergency testing, preparation, and response procedure (MCFIQP-008-V6) together with the hazardous communication management procedure (MCFIQP-0017-V2) are the procedures to be referred to during the occurrences of disasters. Lastly, employees are capable of effectively and accurately conducting the relevant procedures during disaster prevention exercises.

Hazard identification and risk assessment process flowchart

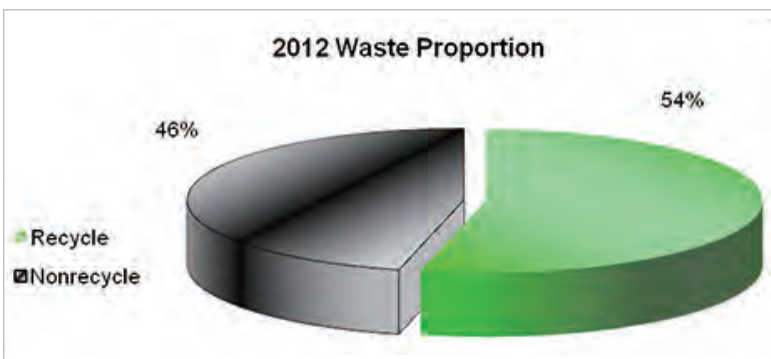


Organization chart of emergency response



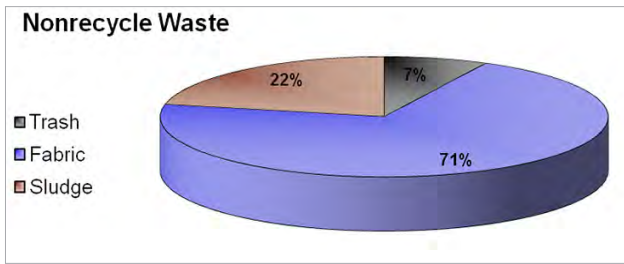
5.4 Wastes

Men-Chuen wastes produced are mainly fiber, plastics, scrap metal and waste paper, although recyclable wastes account for over 50% of the total, but there is still room to reduce proportion of the non-recyclable.

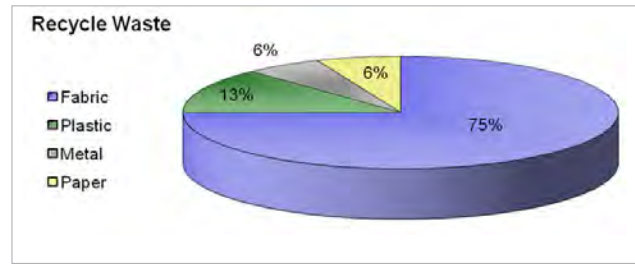


2012 Waste	
Item	2012 (kg)
Recyclable	240,000
Non-recyclable	206,000

Outsourcing of waste removal and transportation mode according to usability is divided into two processing methods. Recyclable waste is removed by the waste removal company to undergo the purification recycling process for reuse. Non-recyclable wastes not inclusive of toxic substances are incinerated. Toxic substances need to be handled in accordance with the processing mode as the government announced.



The proportion of non-recyclable waste



The proportion of recyclable waste

Fibrous waste is the largest one among the four kinds of wastes. The waste reduction plan begins with the process reduction and reuse of waste fabric to make improvements and readjustment the process in order to reduce the generation of waste cloth, and then the non-recyclable waste fabric are sewn into a garbage bag in order to reduce the amount of plastic bags.



Garbage bag manufacturing area

Factory area began testing the use of garbage bags in 2010. The amount used in the whole year was about 1,800 kg, and in 2012 the use of homemade garbage bags gradually increased to 2,025 kg.

5.5 Greenhouse Gas

In the past, domestic air pollution only included five substances: PM₁₀, SO₂, CO, O₃, and NO₂. Their impacts on human health were converted to the different sub-index values of pollutants. Then the maximum value of the sub-index of the day was taken as the air pollution standards index (PSI) value of the testing station, but greenhouse gases were compiled in statutory standards only in recent years.

The measurement of greenhouse gases by sources can be divided into direct emissions and indirect emissions. Direct emissions by pollution sources is divided into fixed, mobile, between-processes, and dissipative style, while indirect emissions is mainly purchased energy (for example: electricity, steam). Based on the carbon dioxide emissions spreadsheet tool in the National Greenhouse Gas Log platform of Environmental Protection Agency, Men-Chuen carbon dioxide emissions by fossil energy were respectively calculated by usage.

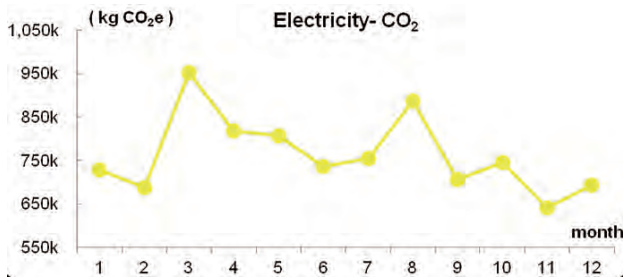
◇ Carbon dioxide emissions formula: Emission factor values * Activity data * GWP direct production (oil)

Emission Type	Pollution Sources	Original Fuel	Greenhouse Gas Types						Activity Data		Equivalent Emissions (CO2 e metric tons / year)
		Name	CO2	CH4	N2O	HFCs	PFCs	SF6	Value	Unit	
Fixed	Boiler	Heavy oil	V	V	V				6,015	KL	18,000
Mobile	Forklift	Diesel	V	V	V				66.04	KL	175
Mobile	Truck	Automotive gasoline	V	V	V				0.69	KL	1.62

◇ Reference to the emission factor value and the GWP value: EPA announced GHG emission factors management table version 6.0

(Reference Website: <http://ghgregistry.epa.gov.tw/Tool/tools.aspx?Type=1>)

Indirect Production Value



Taiwan Power Company's monthly electricity bill as a reference for carbon dioxide emissions.

Taiwan Power Company's carbon dioxide emission factor is calculated as follows:

$$\frac{\text{Integrated electrical emissions} + \sum \text{IPPs emissions} + \sum \text{cogeneration emissions} - \text{line loss emissions}}{\text{Total Sales (degrees)}}$$

◇ The above three sources of electricity are required to deduct the plant's GHG emissions.

◇ Source: Bureau of Energy, Ministry of Economic Affairs

Appendix

Appendix 1 Relevant Certification Documents



Oeko-Tex Standard 100



GRS



BLUESIGN



OHSAS 18001



ISO 14001

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