



ESQUEL:
CELEBRATING THE
FIRST 40 YEARS

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PREFACE

MAKING A DIFFERENCE

勵志篤行
有所作為

Founding mission and philosophy of
my late father and Esquel founder,
Yang Yuan Loong.



勵志篤行
有所作為

MAKING A DIFFERENCE

Founding mission and philosophy of
my late father and Esquel founder,
Yang Yuan Loong.



Marjorie Yang
Chairman of Esquel Group

I was born to an energetic, loving young couple who came to Hong Kong from Shanghai as refugees during a turbulent era in the history of contemporary China. My childhood in Hong Kong was materially deprived. At that time, in the absence of air-conditioning, TV and the Internet (let alone a chauffeur), I nevertheless grew up feeling like a little princess, or more accurately a little prince – I never felt inferior to boys. Neither did I realize I was a post-war child whose parents were striving to survive in a British-ruled city full of new immigrants.

My parents were not defined by what they possessed, but by their resilience and grit. My father endeavored to save his country at a time of chaos by devoting to industry, whereas my mother exuded an alluring Shanghainese disposition with enduring elegance no matter what the circumstance was. I took great pride in my family, even though we were not wealthy.

My maternal and paternal grandparents were extraordinary people too, and without going into detail here, I recognize their influence on my parents, and later my own career. It is no exaggeration to say Esquel's DNA is partly made up of their legacy.

I graduated from Harvard Business School in 1976 and subsequently worked at the First Boston Corporation on Wall Street, with ambitions to carve out a career in the world of finance. The plan was shelved for good when

my father was diagnosed with lung cancer the following year. I had to return to Hong Kong immediately, just in time to see him before his operation. The doctor was not optimistic about his condition. I recall seeing late Sir Philip Haddon-Cave, then-Financial Secretary of Hong Kong and my father's close friend, bid my father a pensive farewell, after watching a night horse race with him from the hospital in Happy Valley.

My father had originally planned to retire after the operation. But his willpower refused to surrender. Not only did he recover after the operation, he embarked on a new venture: Esquel Group.

At that time, China was going through economic reform and opening up under Deng Xiaoping's leadership. A patriot, my father was overjoyed at the prospect of finally being able to contribute to his country's economic development. He did not believe that the then Soviet Union's way of boosting its economy with heavy industries was applicable to China. Instead, he believed keeping balance of payment in world economy would fuel economic growth. With tourism and garment industry poised to generate quick foreign exchange cash flow and massive employment, he believed that these two industries should take priority in economic development at the early stage of reform.



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1. Grandfather Tsai Shengbai with little Marjorie Yang.

2. Esquel Group founder Yang Yuan Loong with baby Marjorie in his arms.

A civilization deeply rooted in agriculture, China worked tirelessly to modernize and Westernize, setting in motion an industrial revolution that created a blossoming, industry-oriented economy over the last two centuries. Fueling this development was Tsinghua University, which under the motto “Self-Discipline and Social Commitment” nurtured a vast pool of talent for the country – skilled and knowledgeable thinkers who could seize the excellent job opportunities provided by burgeoning businesses, giving birth to a thriving middle-class.

Confident in the strategic advantage of textile industry, my father aspired to produce high quality textile products – an aspiration that, to this day, continues to drive Esquel’s business strategy. After having established his own garment operations, my father took a pivotal step by focusing on more capital-intensive textile manufacturing to enhance the quality of garment products. Furthermore, he believed in fostering the local machinery industry, knowing that reliance on imported equipment was an unsustainable solution. His vision and teaching have since imprinted in my heart and are still guiding me today.

He once told me that China needed world-class enterprises with quality management. This is easier said than done, especially in our industry. I have spent four decades actualizing this very goal – and I am still working hard on it.

Very few in our industry shared my father’s foresight. Most of them joined the industry with the goal of making a living; they quit after they did. To establish a sustainable enterprise, allowing ordinary people to achieve the extraordinary, is a difficult and often thankless task. It takes progressive leaders and, just as importantly, ceaseless effort of several generations. I would like to express my gratitude to those who walked with us all along. They are my motivation and reason for keeping the strides forward.

In this book, many friends of Esquel share their stories. While some have left the Group or have even become our competitors, I remain thankful to them for being part of our journey; we have been through thick and thin together, and for that I am extremely grateful.

Though change is constant, Esquel is steadfast in its vision – Making A Difference – and to pass on the vision of my late father.

Marjorie Yang

Chairman
Esquel Group
July 2018

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3. Marjorie Yang and her family (from the left): Yang Yuan Loong, daughters of Teresa Yang, Marjorie's sister, daughter, Dee Poon, Marjorie Yang, her mother, Dora Tsai, Teresa Yang and her husband.



CHAPTER 1

第一章

SEEKING AND NURTURING
TALENT FROM ALL WALKS
OF LIFE

孕育人才 廣納精英

1.1

INTEGRATION OF PEOPLE AND TECHNOLOGIES

人才創意思維+
機械技術



INTEGRATION OF PEOPLE AND TECHNOLOGIES

1.



In the eyes of our peers in the industry, Esquel has never been a traditional textile and garment enterprise. Back in the early 1980s, we have already launched our management trainee program in Hong Kong. We recruited a lot of university graduates. Beginning from the 1990s, we hunted management trainees in mainland China. At that time, a lot of people in the manufacturing sector and family-owned enterprises questioned why we hired so many university graduates. Some said: “Why spend so much money hiring university students? They cannot hit the ground running – not without significant time investment in training.”

Since our establishment, Esquel has attached importance to the grooming of talent. My late father Y.L. Yang (an affectionate reference to Yang Yuan Loong) was convinced an excellent enterprise must be led by a professional management team. The ability of an outstanding manager outweighs his or her personal connection with the company. Investment in the nurturing of talent is long-term and more important than investment in hardware. Only excellent talents are able to drive enterprise reform and product innovation. They can even bring about transformation and create a world of new opportunities for the whole industry.

The knowledge, ability and experience of staff accumulated in an enterprise is crucial in facilitating their growth and development. Every staff, regardless of their position, be he or she a manager or a front-line worker, must have the spirit of learning. This is why “Education” is one of the core values of Esquel’s 5E-Culture. After years of study, we have set up Esquel University, a corporate college that provides a wide range of training programs and development courses taught by our management team members. Through the University, our more than 50,000-strong

employees in different places in the world can keep learning at the pace they chose. While excelling in their current positions, they can prepare and equip themselves for the next task.

By the time I joined Esquel in 1990, my father had already realized we could not maintain our competitiveness by relying solely on the then quota allocation system and low-priced products. We must win the trust of our clients by providing quality products and services in order to build up long-term partnership. Only by doing so that we would be able to become a global premium cotton garment maker.

To weave quality shirts, we needed quality yarns; and to get quality yarns we needed to secure a stable supply of high quality cotton. For that, we ventured into Xinjiang, where we could plant the best cotton variety in China, namely Extra Long-Staple Cotton.

Back then, we were not thinking about how much profits we could reap, but about lifting Esquel business to a new height. We were aspired to establish a vertically integrated supply chain, which could enable us to keep quality control in the whole production process, starting from cotton sourcing to the completion of garment-making. We wanted a perfect shirt.

Our business expansion to Xinjiang was not without challenge. Once again, I was confronted with a challenge over people management. Our local employees came from different ethnic groups with different cultural rituals and habits. Our management team had to change our mindset to help breakdown their language

1. Integral in Guilin is under construction.



2.

An Excellent Enterprise Must Be Led By A Professional Management Team. The Ability Of An Outstanding Manager Outweighs His Or Her Personal Connection With The Company.

barriers while respecting their cultural differences. By promoting harmony among different ethnic groups, we were able to foster a peaceful environment for the Uyghur, Mongol and other ethnic groups for them to get along with each other well.

40 years on, we have elevated Esquel to a higher level. We are building Integral in Jiumeiqiao, Guilin, as a showpiece to demonstrate how the concept of Esquel's sustainable development could be turned to reality. The Specialty Spinning Site and the Garment Site at Integral are equipped with state-of-the-art, highly automated production facilities, showing the textile and garment manufacturing in the era of Industry 4.0. Although smart industry has developed at a high speed, we still need people to operate and to make the best out of the advanced machinery.

In times of digital era, the building of a strong talent base is not just a competitive advantage for enterprises to maintain sustained development. It also helps integrate the creativity thinking of talents with technology. At Integral, a factory of the future, one would not see the typical scene of female factory workers burying their heads to set yarns at production lines as we saw in traditional textile factories. Those days are gone. Instead, there are only several people in the huge factory. They are resident engineers who spend most

of their time in control room monitoring the operation from their smart mobile devices. They will only visit the production site to check or adjust the equipment if and when necessary. At the same time, they also have another important task, extracting valuable insights from big data and designing optimization plans for the machinery to maximize their effectiveness and to raise product quality.

As it was the case in the past 40 years, Esquel will continue to confront with obstacles and challenges in future. But I am convinced that our outstanding team and well-established talent management strategy will help us overcome all difficulties and lead Esquel to shine in another new era.

Teresa Yang

Vice Chairman
Esquel Group



3. Teresa Yang (first from the left of first row) visited the mainland with her parents, Y.L. Yang (sixth from the left of first row) and Dora Tsai (fourth from the left of first row) in 1980. They took pictures with Esquel colleagues and partners.



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4. Teresa Yang (sixth from the right of second row) with local staff of Esquel factory in Sri Lanka in 2017.

5. Portrait of Teresa Yang in her childhood.



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6. Teresa Yang (fifth from the left) with father Y.L. Yang (on her left), sister Marjorie Yang (sixth from the right) and senior Esquel executives visited Esquel's textile factory in Malaysia in 1999.

1.2

OUR FOUNDER OF HUMAN RESOURCES DEPARTMENT

人力資源部門
的始祖



OUR FOUNDER OF HUMAN RESOURCES DEPARTMENT

I left Hong Kong in the 1950s to set up my own business in the United States. I returned for holidays during Christmas in 1979, a time when personal computers were not popular. What I remember most was that every procedure in the production process, from taking orders to shipment of goods, was handled manually.

I decided to retire in 1980. My elder brother, Y.L. said to me, “Why don’t you come to Hong Kong and see if there is anything you want to do?” That was how I came to join Esquel in Hong Kong in 1982, where I spent 15 years, and everyone called me “Uncle Sam.”

Esquel was growing rapidly at that time. We had specialized teams for product development and sales of sweaters and knitwear. Our sales team had to communicate with clients in the U.S. via telegram; fax machine had yet to become widely used then. Most of them were not able to write a clear telegram. I therefore had to edit their draft copies.

We needed talent, particularly people with potential to join our management and willingness to grow with the company. We had tried to hire university graduates from Hong Kong, but it was difficult to keep them. Perhaps it was characteristic of the Hong Kong people at that time. When another company offered to pay our colleagues more, they quit. So we came up with the idea of hiring management trainees from mainland China and overseas.

Although I was a novice in human resources, the responsibility of recruitment was rested on my shoulders.

It was the mid-1980s; China’s reform and opening-up drive had just begun. Mainland university graduates were still subject to the country’s work allocation system and hukou (household) system. We did not have a clear plan about how to conduct recruitment in China; we just crossed the river by feeling the stones. One of the first things we learned was to work with universities to get their consent before conducting campus recruitment activities there.

Our basic requirement for all recruits was their ability to communicate in English. This is because we planned to send some of them to work in Singapore and Malaysia, where English proficiency would be crucial. Besides, the Singaporean government gave recognition to the academic qualifications of only some universities in mainland China. Basically, only universities from first-tier universities like Tsinghua University and foreign language colleges met the requirement of English proficiency.

Furthermore, the potential talent pool available to us was not big. In each year, roughly one-third of mainland university graduates joined the government, another one-third joined state-owned enterprises, leaving only the remaining one-third for

We needed talent,
particularly people
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our management and
willingness to grow
with the company.

private companies. To gain an edge over other employers, we offered a monthly salary of RMB 1,200 – at a time where foreign enterprises paid around RMB 1,100 and government bodies and mainland enterprises only a few hundred.

I was in charge of recruitment in the first two years. The first stage was an English written test, which would have screened out about 80 percent of the applicants. It was followed by a review of their transcripts. During the first two years, we had conducted interviews with more than 8,000 candidates. We eventually hired about 300 people, or less than five percent.

We had experienced all kinds of strange things during the recruitment process. Cases were aplenty. Students and their relatives — people I did not know — called me during my university visits. I later found out they were connected to people I did know; they were hoping to get a favor. Some universities asked us to pay RMB 10,000 for each graduate we hired. I of course refused; we were not there to “buy” students, although we would consider making donations.

I remember one female applicant who did very well in her interview. When we offered her a job, she asked us to also hire her boyfriend. It was not possible to do so because her boyfriend was far below her capability. Another time a young man asked me after he did an interview, “Can you tell me about Esquel’s financial situation?” I told him he was

not yet qualified to ask this question. We did not hire him in the end, not because we minded the question he raised. Young people should dare to ask questions. He just did not meet our requirements.

After hiring people, the next question is: how to train them? We did not have a systematic training program at that time, nor a department or production site that could accommodate 300 new colleagues at the same time. Since some applicants had already expressed their interest to work overseas during their application, we assigned them to our production sites in China and overseas. We appointed a local team member to supervise and train them.

Although those we recruited were the best and the brightest, they were brought up through a one-way education approach prevalent in China at the time. In school they were not encouraged to ask questions. Maybe they got used to being “obedient”. Some new hires had difficulty adjusting to Esquel’s environment, which was freer and where they could make decisions on their own. Some of them thought highly of themselves. They would complain about the quality of food in our staff canteens, for example. I remember having dinner with colleagues in the canteen when I visited Gaoming, just to show them “this is the meal I could take, so could they.”

A few years later, many of our trainees in the first batch left Esquel. There were various reasons. I think one main reason was that we failed to make good use of their talent so that they could give full play to their potential. The simple fact is that people won’t choose to quit if they are happy with their job. We learned a valuable lesson. Our new insights guided us to enhance our talent management strategy. We established a well-structured trainee program led by our senior management team. Under the program, trainees are assigned to work in different positions and departments so that they could get to know a broader scope of our business. By doing so, we give them more opportunities to give full play to their talent.

2018 marks Esquel’s 40th anniversary. I am honored to attend the Group’s celebrations held in Hong Kong, Gaoming and Guilin in February respectively, where I met many familiar faces. There are people I hired 20, 30 years ago who are still working at Esquel today, some as department heads and managers. Although I do not remember their names, I will never forget their faces. What a wonderful journey!

Sam Yuan Chen Yang

Former Director
Esquel Group



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1. Sam Yang shared fun with guests and colleagues at Esquel's 30th anniversary dinner in 2008.

2. 2018 marked the 40th anniversary of the founding of Esquel, also the 30th anniversary of Guangdong Esquel Textiles. Sam Yang exchanged toasts with friends and colleagues at the celebration dinner in Guangdong.



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3. Management team at Esquel's annual dinner in 1991: (left to right) K.L. Lee, Sam Yang, Y.L. Yang, Ronald Chow, S.K. Wong, Marjorie Yang, Teresa Yang and Joanna Ying.

4. Sam Yang and management team at Esquel's annual dinner in 1993.



1.3

OUR DAYS AT ESQUEL

我們是這樣在
溢達成長的

OUR DAYS AT ESQUEL

The decade starting from 1990 was an era of China's furthering of its reform and opening-up. It was about the same time Esquel Group was likewise going through a period of transformative change. We launched our management trainee program to hunt for a huge number of university graduates in Hong Kong and mainland China to cope with the Group's long-term development. The program was later extended to Esquel's overseas production sites.

Jenny Cui, current Managing Director of Accessories and Packaging (EAP) and Pearl Leung, now Associate Director of Sales, joined the Esquel management trainee program in 1993 and 1999 respectively. They talk to Bessie Chong, Director of Group Training and Talent Management, reflecting on their journeys from trainee to senior executive.

Chong: Why did you join the Esquel Management Trainee program?

Leung: To be honest, it's purely coincidental. I originally applied for a position as personal assistant to Mr. Stephen Mok, who was then Esquel Group's Managing Director. But after the interview he said the management trainee program was more suitable for me. He therefore referred me to the program. About the same time, I was also offered a job as cabin crew member at Lufthansa Airlines. I was very happy as I could travel around in Europe. But my mother told me I should take the opportunity of a three-month training at Esquel. I therefore joined Esquel.

Chong: Our management trainee program changes with the times. What was it like when you were there as a trainee?

Leung: We focused on technical training in the first three months, which was important to us because the industry was new to us. We walked through the whole production process in factory from production of yarn, fabrics, garments and accessories. Nowadays management trainees are rotated to different departments for training. In those days,



1. Pearl Leung, Associate Director of Sales, Esquel Group

we already knew which department we would be assigned to before our training program began.

Chong: You probably knew little about Esquel at that time. Why did you feel confident in joining the company?

Leung: Honestly, I wasn't sure. It was my first job after university.

Cui: I wanted to study in the US after graduating from university, but it was really hard to apply for a visa in the early 90s. I was working in Shanghai at the time. I returned to visit my family in Ningbo at a weekend. My sister told me she had applied for a job on my behalf. "Just come back and take the job exam," she said. First came a written test, mainly in English. About a week or two after I took the written test, I received a notification for an interview in Ningbo. Still, I was not exactly sure what Esquel did.

After I was enrolled to the program, other trainees and I began a three-month technical training in Gaoming. We took a flight to Guangzhou, then boarded a bus to Gaoming. It was one of those buses with no air-conditioning and luggage being strapped on the roof rack. As we approached West Bridge and the roads got narrower and more rugged, I began to harbor some doubt, wondering if I should just turn around and go home.

After three months there, we were interviewed by then CEO S.K. Wong and Uncle Sam before we were being assigned to different positions. I was assigned to the sales department in Singapore, as I had hoped, beginning a "journey of no return."

Chong: So it was your sister who had applied the job for you! But your expertise was ocean engineering. Didn't you think you were giving up your professional expertise?

Cui: It was not easy to join the sector (ocean engineering). I had already steered away from the sector after graduation. But I had doubts about doing sales because I felt I did not have the right personality for the job. I spent years before I convinced myself that I can do it.

Chong: Your personality has changed?

Cui: It was my mentality and beliefs that have changed. When my work got recognition, I began to have a sense of achievement and to accept and like the role and job of sales.



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2. Jenny Cui (second from the left in first row) and John Cheh, CEO of Esquel Group (man in the middle of second row) with staff outside Esquel's textile factory in Taizhou, Jiangsu Province.

3. Jenny Cui, Managing Director of Esquel Accessories and Packaging

Chong: Pearl, you originally applied to be a personal assistant and ended up with a sales position. Did you struggle with that decision?

Leung: Absolutely! I started as sales and became Mr. Mok's personal assistant three months later. A few years later, he retired. I became the personal assistant to another senior executive for another few years, I mainly worked on preparing excel and other reports. I felt like I was stuck in a rut and my work was not solid enough. I began to ask myself: where I should go from there? And then I was transferred to Esquel's New York office.

My stint in New York was really eye-opening. I was in touch with clients and the market at the frontline. The direct market experience really helped me later in my sales role. I worked closely with Elsa Wong, Associate Director, Product Development, who handled all our U.S. clients, providing support to her in her dealings with clients. I realized just how much effort was needed to prepare for a meeting with our clients. I learned to appreciate the hard work of the sales team. Without that experience, I might have questioned the value of my work in sales.

Cui: I went to Singapore in 1994 to support our client Polo Ralph Lauren. The first thing I did was to reorganize the files related to Polo, learning about the work as I went along. Two weeks later, a manager from Polo told my boss, "Jenny did a good job." I thought she might appreciate I took the initiative to check with her the queries I had when I reorganized their files in a systematic way. Two years later, Esquel's Singapore office closed down. I was transferred back to Hong Kong to become a team leader in the woven group.

I took some time considering the transfer because I had other job opportunity in Singapore. I had watched some Hong Kong gangster movies and felt Hong Kong was not safe. After some consideration, I decided to go to Hong Kong.

Chong: When you were a trainee, any incident or supervisor that was most unforgettable?

Leung: I learned a lot from each supervisor. When I came back from America, I became a manager with three colleagues directly reporting to me. They all had at least 10 years' experience. A few months into my new role, one of our overseas factories stopped operating due to a natural disaster. I did not know how to manage. My three team members had come up with some ideas swiftly, including how to explain to our clients. I was really grateful to their support at a time when I was still learning to be a manager.



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4. Esquel acquired Tai Lon (Singapore) from Moscow Narodny Bank in 1980. It was the first overseas posting of Jenny Cui in the 1990s. The factory was closed in 1996.

5. The production line of Tai Lon in Singapore at its peak period of operation.

When I was still a new manager, my boss one day said to me: “Our client no longer wants to work with you.” I was devastated. I had worked very hard, sometimes until late at night. I don’t know what went wrong.

Cui: When I first arrived in Hong Kong, Mr. Mok’s secretary told me that he was impressed with me, saying my desk was neat and tidy and my filing was systematic. He wanted me to do a sharing at a sales meeting. I felt nervous.

An unforgettable incident, which was a sad one, was the end of our woven business during the time when I was in charge of it. Our business with Polo dropped heavily after we closed down our Singapore office. We lost orders for 20/2 Oxford, followed by 50’s Poplin and 80/2 Pinpoint Oxford. Our talks with 100/2 FOA broke down because of price. Since then, our woven business had terminated for many years.

Chong: How did you feel about losing Polo?

Cui: Very sad, of course. When I first started working with Polo, we had about 20 people in the knit and woven product teams. It was heartbreaking to see the team shrink and disband eventually.

Chong: Any low points in your career here? Did you ever think about leaving?

Leung: Yes. When I was still a young manager, my boss one day said to me: “Our client no longer wants to work with you.” I was devastated. I had worked very hard, sometimes until late at night. I don’t know what went wrong.

I later realized it was because I stuck to my principle. Our company had clear policies about minimum orders: if an order did not meet the minimum quantity, there would be surcharges; if it exceeded a certain volume the client would be entitled to discounts. The client knew that. On one occasion I refused to waive the surcharge. The client was upset. I hoped to find a balance between keeping client’s relations and adhering to company rules. I did not want to bother our management and thought I could handle the client. But I was wrong. The client

called my supervisor and complained about me. I was grateful to my supervisor, Sales Director Melina Tse. She did not yell at me. Instead, she analyzed the case with me and taught me how to communicate and build long-term relationships with clients. She explained to me one may win an argument today but lose a long-term relationship and that you may give someone a favor today and get one back from him or her in future when you need one. Eventually I fostered a stronger relationship with this client. I am sure they saw how much I had changed.

Cui: I have my principles and bottom-lines too. The feeling of having more space is important to me. I never had a mentor like Melina but I am grateful to the company and my previous supervisors for giving me space to grow and develop. The 5E-Culture was not as clear cut back then. When the “seven years’ itch” hit me, I did contemplate the idea of leaving. I was also tempted by the plentiful opportunities in Shanghai during that time.

Chong: So what made you stay?

Cui: I was put off by the stressful life, traffic chaos and bad air quality in Shanghai. I prefer the simple lifestyle in Hong Kong, so I stayed.

Two trainees in different eras brought up in different background found the same stage in Esquel to grow and pursue their career — and their lives were no longer the same as they were.

1.4

TWO EXAMS, TWO JOB OFFERS FROM ESQUEL

兩場考試
兩進溢達



TWO EXAMS, TWO JOB OFFERS FROM ESQUEL

I graduated from the Northwest Institute of Textile Science and Technology (or NITST, now Xi'an Polytechnic University) in 1993. At that time, university graduates were still assigned jobs by the Chinese authorities, we were not free to choose our jobs. I knew little about Esquel. I only remembered it was the first foreign enterprise to conduct recruitment at NITST. It caused a stir at our campus. The overseas training opportunities it has provided were particularly appealing since most local enterprises did not offer any training abroad. Competition for the Esquel management trainee program was fierce, and many talented young people across the country had applied for the program.

NITST did not have a lot of experience in helping students submit their applications. They just told students who did better in English courses to apply. About 200 to 300 applicants took the written test. Somehow, I received the exam notification very late, and ended up being the last to enter the examination hall – halfway through the exam. I did not even have a pen.

I was lucky. The Esquel examiner from Hong Kong was very kind and allowed me to sit for the exam. The written test contained questions on logical reasoning, mathematics and English language proficiency. Only about 10 percent of the students who took the exam were invited to attend second-round

interviews. I did not receive the interview notice, but my boyfriend did. He made an inquiry for me. The examiner found out my name was mistakenly omitted from the interview list. Again, I became the last student being interviewed. The interview was held at a breakfast at the Hyatt, Xi'an's most renowned five-star hotel. After having nerve-racking breakfast, I became one of the four students from NITST to be given an offer to join Esquel.

Esquel recruited more than 100 management trainees from prestigious universities around China. It had set up a training center, hiring full-time teachers to take charge of our training. In February 1994 I formally joined Esquel as a management trainee. The management culture of foreign enterprises was completely new to me. It took some time for me to adjust. Language also posed a problem because I did not understand any Cantonese. But I was not alone. So were other trainees coming from big cities to work in remote Gaoming; we faced similar difficulties. It did not take long for us to mingle together and get along well.

We first visited Golden Field United Textiles Ltd in Guangdong to learn about its various departments before being assigned to different production units for in-depth training. Later, the head office sent us to work in Esquel's production sites and offices overseas for further training.

Esquel's continued growth would depend on a new generation of young leaders who can comfortably command technology and new knowledge. We can no longer rely solely on the experience of traditional management.

I was seconded to a knitwear factory in Kelantan, Malaysia for a one-year training. I participated in a number of production enhancement projects there, working directly at the production line and often working overtime until 10pm. I developed deep relationships with local workers and managers and opened my eyes to the unique local culture. The experience gave me a much greater understanding about the diverse cultural makeup of a multinational corporation, and how one can strive in it.

I am a person who always look for something new. I will go crazy if I keep doing the same thing for ten years. The dynamic nature of the Esquel program was perfect for me. After one year of training in Malaysia, the company assigned me to work in the Changzhou Esquel Garment Company Limited (CEG) to manage the production planning unit. I thought it was a bold move for the company to put an inexperienced 23-year-old in that role. But I was very lucky to have a wonderful supervisor – CEG Factory Manager Hui Yuk Lan. Hui was highly professional and efficient and very caring towards frontline employees. She was demanding. She believed that poor production management planning was directly responsible for the low productivity – and consequently low income – of workers, and therefore always made it a priority to ensure clear and comprehensive planning so that frontline production could meet schedule.

I later left the company to pursue an MBA in the U.K. and received an offer from Esquel to join the company again after I finished the course. Since returning to Guangdong Esquel I took up a variety of roles, including Planning Department Manager, Internal Management Consultant, Garment Factory Manager, General Manager, Group Garment Technology Development Center Director, Garment

Operations (China) Director, Brand Operation Department Managing Director and Human Resources Director (China Operation) Director.

I have worked in Esquel for more than two decades. There were many ups and downs. The “most dangerous” crisis would have to be the labor crisis in 2011. I was the China Garment Factory Director at the time. After the Chinese New Year holidays, a large number of our migrant workers and production line managers quit and returned to their home towns to work. All of a sudden, we were facing a severe shortage of workers and a sharp drop in our factory’s production capacity. It had brought about chained effects triggered by a delay in delivery of goods including higher air freight costs. I felt helpless. But still, I had to report the problem to the Group Sales and Planning units. The company was very disappointed with the production department. To minimize the negative impact of the crisis, my team and I worked closely with the sales and planning units to get things back on track. Eventually, we did.

The worker shortage crisis was a blessing in disguise. It spurred us to double our efforts to enhance the entire production process. These included speeding up technological innovation, embracing production automation, caring for employees, expanding local recruitment and strengthening the training for top potential talent. Two years later, productivity across our domestic factories saw significant improvement. In some ways, those efforts have helped build up a culture of the pursuit of excellence.

People often ask me why I have stayed with Esquel for so long. The reason is simple: I admire the vision and insight of our Chairman Marjorie Yang. She values technology and cares for environment, and she believes in

the potential of young people. She knew as early as the 1990s that Esquel’s continued growth would depend on a new generation of young leaders who can comfortably command technology and new knowledge. We can no longer rely solely on the experience of traditional management. That is why we launched large-scale recruitment activities to attract young talent, not only across leading universities, but also in big cities like Beijing and Shanghai in China.

This strategy is not without obstacles. Some old-fashioned managers still doubt the ability of young university graduates to guide the company. And indeed, many young hires did fail to adjust to the Esquel culture. We lost many young hires in the 1990s, especially those with overseas experience under their belt, at a time when the booming Chinese economy created many promising job opportunities elsewhere. I am a simple person. I do not have obsession with big cities. I was fortunate to have had a smooth-sailing career at Esquel so far. It is only natural that I stay.

Queenie Huang

Managing Director
Human Resources (China Operation)
Esquel Group



1. Queenie Huang, Managing Director,
Human Resources (China Operations)

2.



2. Queenie Huang (fourth from the left) at Changzhou Esquel in her earlier stage of career.

4. Queenie Huang (third from the right in the second row) met Madam Hui Yuk Lan (middle in the first row) whom she admired most in Changzhou.

3. Queenie Huang and colleagues at the weaving plant in Gaoming.

5. Queenie Huang, transferred to Malaysia in 1999, with local colleagues at Eastern Garment's dinner party.

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Esquel Management Trainee Program: Looking into the Future

Pearl Leung, Jenny Cui and Queenie Huang are all current senior members of Esquel management team who joined the company through its Management Trainee program in the 90s. Having risen through the ranks, they developed insights about talent, the industry and the world. The three program ‘alumni’ sit down and discuss the future direction of the Management Trainee program - with mixed and profound feelings.

Leung considers herself lucky for being able to change roles multiple times during her long career at Esquel. The ever-changing work environment has inspired her to keep refreshing her skill sets and developing all-rounded abilities. But after quite a few management trainees left the company one after another, she began to think about how the company can motivate the younger generation to stay and grow at Esquel long-term. “We need to do more to help them so that they are able to envision their future and know their work is meaningful. Sometimes when other opportunities come up they quit even before they see their prospects here. I remember the overwhelming sense of pride and achievement I felt after I succeeded in boosting our sales turnover from a few million dollars to more than 100 million dollars. But how can I explain that feeling to them? Without having experienced that personal gratification, they will always see those achievements as

the company’s, not theirs; that kind of feeling of disengagement makes it harder to keep them here long-term,” Leung said.

Cui stresses that from the perspective of the company, the two-to three-year training program is an investment with uncertain return. She talks about the importance of targeting candidates with the right motives, such as those Esquel recruits under the Shanghai Jiao Tong University’s China Leaders for Global Operations (CLGO) course. The CLGO program accepts students with more than three years’ working experience and offers a six to nine-month internship at a sponsor company. Esquel is one of those sponsor companies. Others included Dell and Apple. “Many ‘students’ in this program are highly experienced professionals who already have their own families. If they quit their jobs and pay a few hundred thousand dollars to join the program, they are probably looking for change. These are the types of candidates who may one day be a general manager at Esquel because determination is sometimes more important than ability. This is how we can compete for talent with Dell and Apple: targeting at the right people,” she said.

Huang acknowledges that the modern generation of management trainees far surpasses the cohorts from the 90s and the millennium in terms of knowledge, technical

skills, language skills or international outlook. But there are also many more foreign and local companies now competing for talent in China. Recruiting is a key challenge for Esquel, who needs to look beyond attractive pay and benefits packages and overseas opportunities to attract candidates to compete.

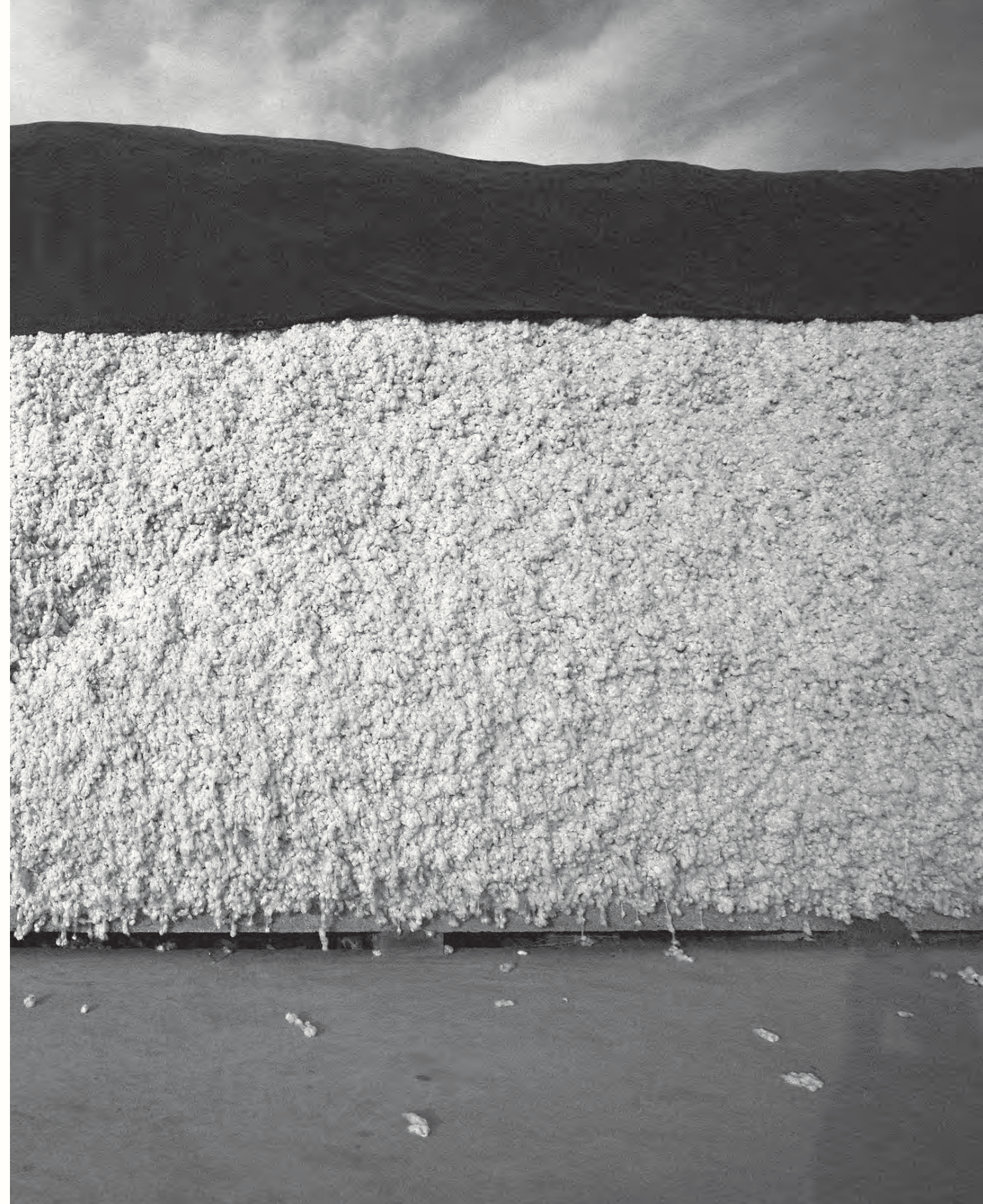
That said, on numerous visits to universities and institutions, Huang was energized by the positive response to Esquel’s corporate culture, commitment to industry and pursuit of sustainable development. Those corporate values have visibly resonated with some of the students. To address the needs of today’s high-quality trainees, the Group has also been optimizing the Management Trainee program by, for example, inviting the Group’s own general managers to lead the courses and mentor the students.

She believes that for the right talent, Esquel not only provides a platform for rapid learning and development, but also an environment where they can think independently and beyond the status quo, dare to give critical opinions and propose solutions. In an age of rapidly changing technology and ever-growing knowledge on a daily basis, we must count on new thinking, new technology to power our transition from yesterday’s textile and garments industry into the industry of the future.

1.5

FOLLOWING THE FOOTSTEPS OF MY TSINGHUA SENIORS

追隨清華學長
的足跡



I was not familiar with those issues. I therefore invited several colleagues from relevant teams to sit down and talk. I encouraged them to express their views and suggest solutions. Getting them involved in decision-making gave a boost to their initiative and sense of responsibility.

FOLLOWING THE FOOTSTEPS OF MY TSINGHUA SENIORS

I graduated from the chemistry department of Tsinghua University in 2011. It was the same year that Esquel relaunched their Management Trainee program. Destiny it may be, I became a member of Esquel; sometimes I said jokingly I was deceived by Cheng Peng, a Tsinghua Senior, to have joined Esquel.

My Esquel story began when Esquel hosted a talk on their Management Trainee program at Tsinghua. I had not paid much attention to it before the talk. But during a lunch break at a canteen I did not visit regularly two hours before the session, I saw a poster about the program. I became very interested in it. I went there and left my resume to their staff.

Later, I sent an email to Esquel's Human Resources Department to inquire about career prospects. I had never expected to have received a reply in the afternoon on the same day from Cheng Peng, who was then Deputy General Manager (currently General Manager, Guangdong Esquel Textiles Company Limited, Knitting Factory) himself. Cheng, also an Tsinghua alumnus, joined Esquel after obtaining his master's degree from Purdue University. Cheng's reply was the main reason I joined Esquel. From a rational perspective, Esquel has provided a relatively broader platform and better opportunity for me to see the opportunity and prospect for my career development. This is the main reason I decided to forgo other "go-north"

opportunities in China's first-tier cities such as Beijing, Shanghai, Guangzhou and Shenzhen.

There were four rounds of assessment in the program's recruitment process. They include written test, group interview, face-to-face interview and final interview with more than 30 candidates in Gaoming, Guangdong. There was also an aptitude test conducted via online. I didn't even know the total number of candidates. Of the 30-odd finalists, only four were chosen to join Esquel. I was one of them.

Back in 2011, Gaoming was still relatively backward, lagging even my hometown Shaoguan. Supermarket giant Wal-Mart was nowhere to be seen. The conditions of our living quarters were "far, far, far" below my expectations. But I was already there anyway — and it's my choice. I had to do my best to cope with it. Six years had lapsed. During that period, I had worked with six general managers in three branch factories. Both Cheng and Luo Xiaolai (General Manager, Weaving, Guangdong Esquel Textiles Co. Ltd., or GET), also an Tsinghua alumnus, were my mentors in the Management Trainee Program. There were two memorable episodes. In one evening shortly after I came to Gaoming, Cheng called me, saying he wanted to pay me a visit in my living quarter. I was flattered and felt nervous; there was nothing in my room. Just drinking water and some glasses.



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1. Cai Wei, Assistant General Manager, Yang Mei Garment Factory (Knit) of GET

2. Half-jokingly, Cai Wei said he is being 'cheated' by his senior Cheng Peng to have joined Esquel.

3. Cai Wei (first from the left) joins Group Chairman Marjorie Yang (fourth from the right), Zhang Yugao, Director of Group's Research and Development (third from the right) and Luo Xiaolai (first from the right) in their visit to the United States.

4. Cai Wei at the campus of Tsinghua University

5. Cai Wei and his team scooped a Creativity 2000 award in 2011.

Another episode happened when I reported to duty at the GET Weaving factory. Luo asked if I liked to play soccer. He remembered I had mentioned about it during my interview. He invited me to play soccer at that weekend. They were small but touching episodes.

One of the things that was most touching to me was Esquel's trust in young people. As manager, my first team was consisted of 330 workers operating 188 looms in a weaving factory. I was both surprised and a bit worried when I was given the assignment. The size of my first team was beyond my imagination.

"Self-discipline, social commitment" is the motto of century-old Tsinghua University. It has inspired me to treat everything seriously, everyone sincerely and to have confidence in ourselves and other people. During the 15 months with my first team, we had built up deep friendship, working together to overcome difficulties. We still meet regularly. I have long forgotten the chemistry knowledge I learned from school, but the skills of independent thinking effective learning I gained at Tsinghua have proven extremely useful at Esquel.

The Management Trainee program was originally designed to last three and a half years. I "graduated" earlier after I became a deputy general manager in two and a half years. During that period, I had managed projects, led teams and oversaw production in

a weaving factory. In mid-2015, I was assigned to oversee production in our knit factory in Yangmei.

My current job at Yangmei is no doubt the most difficult one so far. As a manager of the GET Knit factory in Yangmei with more than 1,700 staff, there is a raft of problems needed to be tackled. The most difficult part is to analyze the problems step by step and to understand their nature from phenomenon in order to find out how the problems evolved, plus problems that involved people. In 2016, our sewing manager resigned. She left with her 20 years' of expertise in garment production. An impressive seamstress and the sage of our workshop, she was the one our colleagues always went to for solutions when they ran into any technical problems.

I was not familiar with those issues. I therefore invited several colleagues from relevant teams to sit down and talk. I encouraged them to express their views and suggest solutions. Getting them involved in decision-making gave a boost to their initiative and sense of responsibility. It was a totally different management style. It will take time for it to develop and for colleagues to adapt to it. It is important that managers need to accept subordinates may make mistakes at times. This is because making mistakes is part of the process of learning and personal growth of their subordinates.

If I could turn the clock back and were to choose again, I will still choose Esquel. Not every university graduate is lucky enough to have a chance to work for one of the leading companies in the industry. Textile is a traditional industry; but Esquel is not traditional. Unlike other enterprises, Esquel's senior management holds out high hopes on their management trainees, providing the biggest platform and the best opportunities for talents to embark on a passage towards high-speed growth. What a truly once-in-a-lifetime experience!

Cai Wei

Assistant General Manager
Yang Mei Garment Factory (Knit)
Guangdong Esquel Textiles
Company Limited



1.6

BRIDGING “NEWCOMERS” AND “OLD-TIMERS”

學懂新人舊人
融通的方法

BRIDGING “NEWCOMERS” AND “OLD-TIMERS”

Esquel's production base in Sri Lanka, Polytex Garments Limited (PTX), received more than 1,500 applications when it recruited management trainees for the first time in 2012. Only 11 were hired after a rigorous process of tests and interviews. Nadeesha Wickramasinghe, only 25 then, was one of the them. She is now leader of the logistics group under the Production Planning and Control (PPC) Department.

Nadeesha graduated from the University of Sri Jayewardenepura in 2011 with a degree in business management. She was attracted by the career ladder and learning opportunities outlined in Esquel's advertisement on their Management Trainee program. She hoped that becoming a management trainee would help her build up a successful career.

As a fresh member of the Esquel family, Nadeesha has never expected her first challenge in the job was to find ways for “newcomers” and “old-timers” to get along well. She recalled, “We were the first batch of management trainees. On its face, everyone was nice to us. But some saw us as competitors. They were worried we would take away their jobs and promotion opportunities. They would be harsh, and at times even demeaning to us. And they were often reluctant to help when we encountered problems.”

Not every old-timer was hostile though. As part of her training, Nadeesha had been rotated to different departments. She was especially grateful to her first supervisor, Nimmi Shiromala, PPC Fabrics Group Customer Manager. As much as Nadeesha was a complete novice, Nimmi was a patient coach, teaching Nadeesha everything she needed to know about each production procedure and working with different teams.

Making mistakes is a rite of passage for any newcomer, and Nadeesha had her fair share. During her first assessment test as a trainee, she and the other 10 management trainees had to present a



1. Nadeesha and Maisha, from the same batch of management trainee program, become good friends.



2. Nadeesha received the “Best Performing Award” at a graduation dinner of the management trainee program, with Esquel Group's Managing Director Edgar Tung (second on the right) and PTX's Director Graham Parley (first on the right).

report to a group of directors. All failed. Her results were abysmal. She was further discouraged by the harsh comments by some directors. “Making a presentation is always my strong suit. It was the first time I was making a presentation to company directors directly. I was really nervous. Besides, I was still new to PTX and had not given much thought to some of the topics they raised. It was already a mess half-way through the presentation,” she said.

About one year later, she was given the task of a special project, which was to reduce the amount of surplus fabric. It was an extremely important project that could enhance cost effectiveness if succeeded. Put simply, the less surplus fabric the company had after production meant the more cost-effective the production process because resources would have been fully utilized. Nadeesha worked together with representatives from different departments to draw up a set of plans, including monitoring the fabric cutting process and releasing inventory. Between March and June 2013, Nadeesha and the project team successfully saved 1,650 yards of surplus fabric, worth approximately US\$7,244.

Then came her second assessment test. Nadeesha faced an even larger team of judges composed of senior Esquel executives, including Edgar Tung, Hong Kong Managing Director. In her presentation, Nadeesha picked the case of surplus fabric reduction project — and it was a success. She scooped an award for best performance. She was promoted from Management Trainee to Merchandiser.

Through the management trainee program, she has come to realize the only way for “newcomers” and “old-timers” to work together harmoniously is to build mutual trust with patience and sincerity. Nadeesha also believes that trainees should keep enhancing their skills and knowledge to show to other colleagues they are capable and are part of the team. To get the job done, team members need to surpass themselves, support each other and embrace collaboration.

Looking forward, Nadeesha is hoping for a chance to go overseas, especially to visit Esquel's largest production base — Guangdong Esquel Textiles in Gaoming. She also wants to gain a deeper understanding about the Group's operation because she has a bigger goal, if not a more grandeur dream, being a General Manager in five to 10 years! “You may say I'm a dreamer, but I'm not the only one,” she said.

1.7

BREAKING THE MOLD FOR TALENT MANAGEMENT

廣納各業精英
不拘一格用人



BREAKING THE MOLD FOR TALENT MANAGEMENT

Talent is absolutely the most valuable asset in the development of enterprise. Esquel is of no exception. In addition to its industry-leading Management Trainee program, Esquel also recruits talent from different fields and industries to drive its growth. K.L. Lee was one of them. After obtaining an MBA degree in 1979, Lee had a short stint in banking before joining Esquel in 1985. He was Vice Chairman of the Group when he retired in 2018.

Lee talks to three senior executives at Esquel Group – Edgar Tung, Managing Director, Global Operations; Wilkie Wong, Managing Director, Finance and Production Planning and Control (PPC) and Wesley Choi, Chief of Staff to Chairman. They tell the stories of their decisions to join Esquel mid-career. They also discuss Esquel's bold and progressive talent strategy as well as their expectations for the future.

Seeking breakthrough

Lee: All three of you joined Esquel in the middle of your careers. I understand those are civil service, management consultancy and financial services respectively. They are all considered to be attractive and covetable careers – why move to Esquel?

Tung: I have worked as an Administrative Officer (in the HKSAR Government), and also in the investment banking and internet service industries. Esquel is nothing similar to what I have experienced before. Here I can actually touch the shirts we produce and really feel the value of our work. Prior to joining Esquel I knew very little about textile industry; I only had a vague idea that it fell behind other manufacturing industries. My first position at Esquel was Personal Assistant to Chairman, Margie (an affectionate reference to Marjorie Yang). Her unique views on talent development, leadership core values and corporate culture have had a profound impact on me. I believe in her vision and direction for Esquel, and I know we can make a difference under her leadership. I have also worked in other departments including sales, human resources and operations at Esquel. This is a place where I can pursue and realize my ambitions.

What I am impressed most in Esquel is that there is no office politics here. Colleagues are more than work-mates; they are friends. It is an environment that allows you to concentrate on how to get things done.

Sometimes I Think Esquel Has Greater Confidence In Me Than I Have In Myself.



1. From the left: Wesley Choi, Edgar Tung and Wilkie Wong join Esquel in their mid-career

Wong: I worked at a consulting firm previously and, frankly, I did not know much about Esquel. Opportunity knocked on my door in 2004 when I was preparing for a job interview with another garment company. I asked a friend who was working at Esquel for some industry insights, and instead, he recommended that I apply for a job at Esquel. Even though I had no idea what position I would take here, I remember having very pleasant interviews with Margie and Group CEO John Cheh. Unlike Edgar I did not really think too much about the potential of textile industry – I only cared that there were people I knew here, like Edgar, and if they liked it, it would probably be right for me.

Choi: I had several jobs over a period of 14 years before joining Esquel. Like Wilkie I was once a management consultant, and later, I worked in a private equity investment firm. None of them fulfilled my ultimate career aspirations. One day a friend told me about an unconventional company called Esquel. I did some research and discovered that its “unconventional” qualities were exactly what I was looking for. I considered it worth for a try.

Lee: Was salary part of the equation when you decided to make a change of career? The money in manufacturing may not, in the long term, be on par with what you would make in management consultancy or investment banking.

Wong: In the financial sector, especially when you are just starting out, overtime is the norm. You can easily log more than one hundred hours per week. Of course, you earn more, but I prefer a better work-life balance.

Choi: I took a pay cut when I joined Esquel. But I did not see it as a sacrifice since I was only leaving a job that no longer gave me satisfaction or room to grow. I wanted a job that I liked, one that I can learn something and expose me to new ideas.

Tung: I had about five years of experience when I first joined Esquel, and Esquel readily matched my salary expectations. I later left Esquel for other opportunities. When I returned and joined again five years later, I had to accept a pretty significant pay cut. People thought I was crazy! But when you get to a certain stage (in life), your goals are different. Not just pay, I was even keener to look for a platform where I can exert greater influence and change among staff, the company, and even the industry.

The boss's charm

Lee: We mentioned Margie earlier. Edgar, I understand you and Margie both attended Harvard Business School. Did you know her then?

Tung: Margie is my senior; I did not know her personally then. I just read stories about her from newspapers and magazines, and I have heard her inspiring speeches. I was always under the impression that Margie is a visionary leader who dares to challenge the status quo and blaze new trails.

Choi: Me too, I heard her “unconventional” speech at an MIT Alumni Association event. I remember thinking, “what a unique business leader!” During interviews I met with Edgar, Margie, John and Wilkie, and the message I got was that no one had any idea what position I should take! I thought Margie was very sincere and candid. I have worked enough years to know that one’s happiness in a job is largely dependent on how well you get along with your direct boss. I knew I would be happy working with her.

Lee: That is something unique about Esquel. Sometimes we look for talent to fill vacancies; other times we find someone we like before we think about what kind of work they can do here.

Wong: I came to know Esquel first before I got to know Margie. I met her for the first time during my job interview, which was, again, a very unconventional experience. She spent eighty percent of the time of the interview talking about her ideas. She also gave me advice. Rather than standing on the side-lines of action as I did as a consultant, she said, “now you have to hold and play your own cards.” She was not trying to sell Esquel to me – she was simply explaining her management philosophy, but somehow she made me feel that this kind of work environment was right for me.

Lee: Margie is always able to give people a lasting first impression every time she makes a

speech or conducts a job interview. Her words are inspiring. Although Esquel is in a traditional industry, everyone is captivated by her charm, vision and character. But there is always a gap between reality and your original thinking. Have you ever felt frustrated in Esquel?

Wong: As consultants we usually focused on one project at a time. But we do not have that ‘luxury’ in other industries. I understood clearly when I came here that I would have to adapt and learn again the way I manage time, communicate, and lead. It was much tougher than I had imagined, but I was very happy to have learned so much. It was a kind of satisfaction I never experienced as a consultant.

First and foremost in Esquel’s corporate culture is ethics. Slowly but certainly, I can see how it impacts the way we do business. If we do things in an ethical way, our staff will be paid better. And that means the company is more healthy. You may say this is not a conventional way of thinking, but if running an ethical business works for Esquel and other companies follow suit, then we think our persistence is worthwhile.

Tung: I have worked in different types of organizations, from the most systematic government institution to the most unsystematic start-up. What I am impressed most in Esquel is that there is no office politics here. Colleagues are more than work-mates; they are friends. It is an environment that allows you to concentrate on how to get things done. Yes, there are times you feel the industry is lagging others and that there is quite a lot needed to be done. But this is exactly why our development potential is huge. Our company has been growing rapidly since 2002. I am honored to be part of it.

Lee: Yes indeed! Esquel’s business tripled during this period. The company encourages staff to be daring and enterprising. I also think that Esquel is a microcosm of society, with team members coming from all walks of life, from grassroots workers to senior management.

If you want to succeed, you must be able to get along with all of them and do concrete things. The good thing is, as Edgar said, there really is no office politics.

Another thing that makes me feel good about working at Esquel is the way we help our communities. Across China and overseas, our large and systematic factories help provide stable, quality jobs to locals for them to improve their living.

Talk about another issue. The retail environment is constantly changing. If we look at the countries where we operate, their economic situations are changing as well. Science, technology and innovation are increasingly changing the way we do business. As senior management, how do you adapt to the changes?

Wong: I joined Esquel in 2004. In 2005, the World Trade Organisation (WTO) abolished the quota system. That was why Esquel grew so rapidly in the following decade. It was also a period of industry consolidation. Esquel had to look for ways to increase productivity, whether through building new factories or increasing outsourcing. We have to strive not just for growth, but sustainable growth. We also need to have greater transparency. The macro environment for our industry has changed. I am confident we can enhance our competitiveness in the next era if we maintain our core values.

Tung: The world is changing; the pace of change will only get faster. Technological advancement is only one aspect. What we need to guide us through these changes is a solid management model. This includes our management mindset and our ability to keep up with the times. Our industry has been relatively stable compared to others who have gone through even more drastic changes – but we still need to be future-smart.

Choi: Margie's determination to keeping pace with the world was one of the reasons I

joined Esquel. Be it management or production methods or data management, she is always thinking ahead. This is simply not the way traditional textile and garment companies work. I have a lot of interest in technology and believe it will change our company for the better.

In my jobs in consulting and investment, I saw first-hand the difference between companies that embraced change and those that did not. We should always seek change. Some family businesses or traditional enterprises are too complacent and do not have a sense of crisis. Outstanding enterprises, on the other hand, are always on their toes. They proactively anticipate change and are prepared for it. Margie's latest goal for Esquel is to help address and alleviate two global issues: climate change and wealth inequality. These are lofty, visionary and very relevant goals.

Future development

Lee: You all came to Esquel mid-career and already hold senior leadership roles within our company. I am over 60 and will soon retire. What are your plans for the next 10, 15 years at Esquel?

Tung: I once left but chose to come back to Esquel mainly for its tremendous potential. I would say I know the company well, and in the coming 10 years I hope to put some of my ideas in action and bring some positive changes to the Group.

I have a number of ideas in terms of where Esquel can go next. Take our business model as an example. Do we want to continue primarily as a supplier for other brands, or do we want to focus on our own brands? In terms of the market, should we continue to rely on the West, or should we look into tapping the huge China market? How can we get a slice of the online retail and mobile e-commerce revolution? Furthermore, over the past years Esquel has invested heavily in developing new technology and optimizing information flow

within our factories. We are on the brink of changing our entire business model, we just need to enhance our processes a little further. There is tremendous potential for development at Esquel.

Wong: I have undergone 13 major changes over my entire career. They were not always promotions. For example, I was transferred from finance to global purchasing in 2017. Previously I was appointed to finance even though I had no finance experience. Transitions like these will create many opportunities for staff to learn and innovate while upgrading our skills. Sometimes I think Esquel has greater confidence in me than I have in myself. I do not think other companies would be so daring.

Lee: It has to do with the background of our industry. In the era of quotas system, quotas were all you needed. Company performance and product quality were secondary because buyers had no choice but to buy from you, and at good prices, too. You can say that there was no motivation to do anything differently. With the quota system gone, competition kicked in and forced us to make improvements. There is still a lot of room for improvement.

Wesley, have you ever thought about moving from the position of Margie's personal assistant to a more strategic position in future? You heard them talking about how bold Esquel can be in moving its management team around.

Choi: Yes, of course. And I have my own ideas as well. Esquel has extensive experience, data and information about managing the supply chain, and some impressive R&D investment and results under its belt. But we have yet to capitalize on these assets. How can we turn our R&D results into new opportunities, or make them a part of the business? One example would be cotton fields. Not every company owns them, but we do; why not cultivate some new, different types of cotton? These are the questions that are on my mind. In fact, I am thinking of creating a platform to systematically transform our R&D results into potential new businesses.

Lee: So we all have said Esquel is unconventional. Would you recommend your relatives and friends to join Esquel?

Wong: Not everyone is suitable. First of all, you must have a little bit of folly to succeed here. We sometimes choose a difficult path, not an easy route, because it is a more sustainable way forward. We are stubborn about these choices because they reflect our core values.

You also need to think about your own values. Esquel is not the place for you if you want to breeze through your career and retire early. You must have an urge to break through your limitations. If you are open-minded, personable and curious, then you have the right attitude for working here.

Tung: I would tell them to first understand Esquel's corporate culture, talk to people and gauge whether the working environment would suit them. In the end, it is their decision.

Choi: They should ask themselves on whether they can talk to people across social classes. Also, they need to be prepared to visit our factories and travel a lot. Not everyone likes such an intense pace of work.

Lee: Although I will soon retire, I am proud and delighted to see Esquel approaching its 40th anniversary, still full of energy and optimism. I believe our comprehensive talent strategy has brought the Group tremendous success. On one hand, we established a system to train our people and promote from within, taking staff out of their comfort zones and letting them try entirely new areas of work. On the other hand, we are aggressively "grabbing" talent from outside who have passion and potential to excel in our ambitious, collaborative environment. I look forward to witnessing another era of talent-driven growth for Esquel.

1.8

WORDS FROM TWO FRONTLINE EMPLOYEES

兩位基層員工的心聲



WORDS FROM TWO FRONTLINE EMPLOYEES



1. Lu Jinyan (first from the left) is the head of two cutting beds units.



2. Lu Jinyan (middle), as team leader, briefed colleagues about work procedures at morning meeting.

I am Lu Jinyan from Xiaogan, Hubei province. I applied for a job in Esquel because my friend who worked there told me it was a great company. I joined Guangdong Esquel Textile Co. Ltd. (GET) in July 2002 as a frontline worker. After five years, I was promoted to cutting bed instructor. In 2013, I became a Line Leader and am currently responsible for two cutting beds units.

Fifteen years seem to have flown by, during which the biggest change I saw at Esquel was the increasing application of automation equipment. The cutting bed unit, for example, has benefited greatly from automatic cutting machines and automated guided vehicles (AGVs). Automatic cutting machines are not only an efficient alternative to manual cutting, but also greatly enhance the degree of precision of cutting. AGVs, on the other hand, boost our production efficiency by automatically transporting cut fabric to the sewing department.

Most people think that women who juggle work and family are unable to have time for upgrading their professional skills. Luckily, Esquel has me covered. The company offers a comprehensive program of training and workshops that allow me to gain more knowledge and techniques relevant to my job. For employees with outstanding performance, Esquel also provides opportunities for them to work and learn abroad.

In November 2015, I was elected to represent the cutting bed unit in a study and exchange trip at Changzhou Esquel. It was an eye-opener for me to learn more about advanced techniques, which I subsequently applied to GET. For example, I helped introduce laser positioning markers to replace traditional manual fabric marking, resulting in more uniformed, accurate cuts. I also recommended installing indicator lights in the sewing area to signal the need for fabric. As a result, we are able to provide a faster fabric supply to the sewing workshop.

Nowadays, it is not unusual to hear music in the sewing workshop. It is not just for relaxing! The tunes serve as gentle reminders for our daily routines – an uplifting way for us to remember to report for duty, exercise, and follow our 6S workplace organization policies.

Much more than just a factory, Esquel is a place where I can keep learning and growing.

Caring for Employees: Walking the Talk

I began working at Textile Industries Limited (TIL) in Mauritius in 1972 at the introduction of my relatives. I was only 16 then. Being the eldest child in my family, I had to leave school to work and support the family.

My name is Revadee Veerapen, but everyone affectionately calls me Sheela. I like that name. I started as a sewing worker, and two weeks later I was transferred to the office. All of the office supplies and stationery were completely new to me! I had to be taught on how to use a hole puncher. Now, I am a clerk in the ironing department.

At the time I joined, TIL mainly produced coats, shorts and T-shirts for men, ladies and children. After Esquel acquired TIL in 1978, the factory switched to producing mostly men's shirts. Our first productions were for brands including Marks & Spencer, Ralph Lauren, Calvin Klein and Tommy Hilfiger. One thing that has impressed me most is the way Esquel fulfilled its promise to care for employees. It seems just like yesterday when, one day in December 1979, I learned that my husband was hospitalized after a serious accident. I was at work. I was panic and helpless. My boss quickly arranged for a car to take me to the hospital. In the following six months, my boss gave me a lot of flexibility in arranging my work, so I could visit my husband in the hospital every day. These caring and thoughtful actions helped me through one of the hardest times in my life, and I am very grateful.

I am now the longest-serving employee in the office. I have seen how TIL has changed after being acquired by Esquel. One time a colleague was accidentally injured while cutting fabric, losing four fingers and becoming permanently disabled. With more automation in our factory nowadays, worker injuries are rare, and we are producing higher quality products too. Our working environment is also getting better. In the past we had no air conditioning, no staff canteen, no uniform and no factory shuttle bus. We have all those things now. And we also have interest classes like Tai Chi and yoga in our spare time! My favorite perk, however, has to be the 5-day work week. We have more family time, something unimaginable before. How can I not love Esquel?



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3. The building of the Esquel Textile Industries Ltd in Mauritius at its early stage.

5. Sheela at her office when she first joined the company.

4. The factory where Sheela works now.



CHAPTER 2

第二章

FOUR DECADES OF
SOLIDARITY

四十寒暑 上下一心

2.1

COMPENSATION TRADE AGREEMENT AND BEYOND

從補償貿易協定開始



COMPENSATION TRADE AGREEMENT AND BEYOND

It was a case of starting from zero when China began its open door and reform policy in 1978. The textile industry was in its early transformation from a planned economy to a market economy. Many adopted a wait-and-see attitude towards China's new policies, but Yang Yuan Loong, Esquel's founder, was one of the few bold entrepreneurs who proactively embraced China's opening-up and reform policy. Bringing with him capital and technology, he entered China's textile and garment industry – an industry that is closely tied with people's daily life. Esquel collaborated with China's foreign trade companies and factories through compensation trade, importing garment-manufacturing talent, technology and equipment into China while exporting finished products to earn foreign exchange for the country.

On August 10, 1978, Esquel signed the first compensation trade agreement with the Jiangsu branch of Chinatex Corporation. Under the agreement, Esquel was to provide advanced sewing equipment and air-conditioning and Chinatex Corporation was to produce garments for Esquel through Guangming Garments Factory of Wuxi and Changzhou People's Garment Factory. In June 1979, the first batch of 190,000 dozens of garments were delivered. They were then shipped to the United States en route Hong Kong, becoming one of the earliest Sino-US trade deals since China's opening up.

It did not take long for Esquel to come to more agreements on shirt processing with Chinatex Corporation's local branches. Among them, Beijing Textiles Import & Export Corporation assigned Beijing Dahua Shirt Factory and Beijing No. 1 Shirt Factory – renowned in mainland China at the time – to produce export garments for Esquel.

Mainland enterprises could be likened to dragons who just woke up after a long sleep. Meanwhile, Hong Kong companies were fast, agile and flexible. As one can imagine, the initial stages of collaboration were filled with conflicts.

First, conflict over language. Although we were all Chinese, we spoke different dialects. Many terms used in garment manufacturing processes and materials have different pronunciations in mainland's Putonghua and Hong Kong's Cantonese. Communication over the phone was especially difficult. To avoid discrepancies, the two parties had to check every document word for word to make sure there was no misunderstanding. From placing orders to tailoring and sewing, every message had to be absolutely clear.

Another challenge was disagreements over production site.



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1. Guangming Garments Factory in Wuxi, Jiangsu Province, was one of the garment processing factories partnered with Esquel.

According to former Esquel China Regional Manager Chan Ka Tak, some clients at the time did not want Esquel to have the production of their orders be done in mainland factories. This is despite the fact that Dahua Shirt Factory and Beijing No.1 Shirt Factory were renowned, well-established and advanced. Esquel was particularly confident in the Beijing No.1 Shirt Factory and had decided to entrust Polo Ralph Lauren's order to them. As Polo Ralph Lauren had set high standards and requirements, both Esquel and Beijing No.1 Shirt Factory were under immense pressure, but also felt a strong feeling of pride.

"It was not just an honor for Beijing No. 1 Shirt Factory, but for Chinese manufacturing in general, for Esquel assigning the Polo Ralph Lauren order to a Chinese factory. It was an honor that money could not buy. From the technical department to the laboratory, from senior leadership to junior workers, we were all committed wholeheartedly to finishing the order," said Chan.

But soon after the agreement was implemented, both sides were at loggerheads on issues relating to production. The bickering was fierce at times. Chan Ka Tak still remembers vividly the "starch paste battle". "At that time, garment factories in mainland China used starch paste to make the front fly. I was against it because starch paste drew cockroaches, which caused damages to our garments. Bear in mind that it took at least two to three months for us to get the shirts from our warehouse to retail, so there was plenty of time for unwelcome critters to damage the shirts. The Beijing factory liked to use paste to help give the shirt a polished shape, especially after ironing; we thought it made the garments look too stiff. Our technicians from Hong Kong had to inspect the production every day to make sure no starch paste was used."

Most of Esquel's early mainland partners have already retired, but they probably still think of Esquel once in a while, fondly or otherwise. Yan Jiaping, a Beijing No.1 Shirt Factory technician in the 1980s who later became its Chief Technology Officer, said jokingly: "I won't forget Esquel even if I suffer from Alzheimer illness." Yan understood well that forming partnership with Esquel would help Beijing No.1 Shirt Factory move closer to becoming a global brand. Still, she had a feeling of resentment to the partnership at the time.

"We used to call Esquel the 'always-change company'; they always asked us to make changes and sent technical instructors to change our techniques. But we were skilled workers too with years of experience. Why they kept asking us to change? I began to have a feeling of resistance and thought the companies from Hong Kong came here with an idea; they wanted to change us. But we did well before even without Esquel. Beijing No.1 Shirt Factory was well-known in mainland's shirt industry, and our men's and women's shirt brands, 'Tiantan' and 'Dongmei', were household names in China. Why they came here to change us?"

Yan changed her mind after completing Polo Ralph Lauren's order, thinking that having "bore a bit of criticism" was worthwhile. It was because what Esquel had brought to them was more than just capital and equipment, but skill and technology. "We made several garment samples. They were sent back because they were not up to their standards. Esquel invited a garment sample-making master to visit our factory and mentor our sample-making staff. Looking back, it was a time we could take pride of. Without Esquel, the order and the harsh words,

we would never have had the opportunity to learn international standards directly from an international sample-making master. Beijing No.1 Shirt Factory would never have been able to manufacture for Polo Ralph Lauren, an achievement that has greatly boosted our brand. The display of world-renowned clothing brands at our company reception was often enough to get potential clients to place orders without even asking.”

Beijing No.1 Shirt Factory’s former Chief Sales Officer Section Manager Tong Qingzhu added to the list of Esquel’s contribution to their factory. In addition to whole machines, Esquel introduced or imported small parts and specialist equipment from Hong Kong to improve the production flow. And in cases of urgency, Esquel teams from Hong Kong would personally deliver the parts needed to the Beijing factor. Tong said he felt a strong sense of accomplishment when he witnessed products getting a pass in quality control and a final approval for shipment, one batch after another. “It was all about responsibility and commitment. We seldom thought in monetary terms,” he said.

Chan Ka Tak said there was no denying both parties encountered difficulties at the initial stage of collaboration. Esquel’s primary concern was quality, followed by staff morale. There were times when the factory did have problems such as negligence and flaws in products. Other enterprises would certainly

have insisted on getting a refund from the foreign trading company to compensate for the mistakes. But Esquel only asked the factory for compensation if the client requested one, and would offer to work closely with the factory to ensure that the products were up to par.

He said: “We were on the same boat. If we did the factory a favor, they would pay back with cooperation and overtime work. We were a team; we did not want to focus on the errors and overreact. We were aware that the factory had orders from other companies. At the end of the day, the factory wants to collaborate with a company that treats it well, and we want to be that company.”

After the adjustment period, both parties came to understand that despite their differences, they had a shared objective of finishing the orders. Yan Jiaping remembers an incident happened on one winter night when the hang tags arrived at the Beijing factory way behind schedule. Workers had already gone home. But the product inspection was scheduled for the next day.

Yan recalled, “Manager Chan (Ka Tak) sat on the ground and counted the hang tags as soon as they arrived. After that, ‘Xiao Sun’ – Sun Mingcheng from Esquel – took me to the joint venture factory in Miyun’s Gubeikou. The weather was bad; it was snowing and very foggy. It was already after midnight when we arrived at Gubeikou. The factory director

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2. Shen Caiqing has special feelings towards Esquel.

3. Tong Qingzhu talks of an unspoken feeling of achievement when he sees products having gone through the process of inspection and approval, then shipment, one batch after another.

4. Memories of the “starch paste battle” are still vivid in the minds of Chan Ka Tak.

5. Yan Jiaping lauds Esquel Group for its sincerity, sense of justice and helpfulness.

6. Chan Ka Tak (right) and Sun Mingcheng (left) in Beijing in the 1980s.

7.



there was very cooperative and had asked all workers to stay behind to work overtime. As a technician, I had to see the packing start before I could leave, so we drove back to Beijing in the middle of the night to get ready for the inspection in the next morning. The fog was so thick that we could not see the road ahead. I sat next to “Xiao Sun” and tried to navigate, but we still got lost. We almost could not find the way back. Later, I asked our factory director, “If we had not returned that night, would you have called us ‘martyrs’?”

Sincerity was what Sheng Caiqing, Director of Dahua Shirt Factory in the early 1980s and currently President of the China National Garment Association, remembers Esquel most. In the 1980s, the wages of Dahua workers were two to three times higher than that of workers in ordinary garment factories. Esquel took orders from K-Mart, with each order could be up to several hundred thousand dozens. With higher revenue, the factor could improve its production and hire more qualified staff. “Though we were two different companies with each seeking the maximum

gains for our own companies, we were able to find a balance and achieve a win-win situation so that we can maintain a lasting partnership.”

History will remember, Sheng believes, Esquel has made three significant contributions to China’s garment industry. “First, it is new styles. Second, new fabrics. And third, new garment-making craftsmanship. They all happened several decades ago, but they are always on my mind.”

In the same way, Esquel will always remember Sheng Caiqing’s support. Without which, the Group would not have been able to enter Xinjiang (See the article “Esquel’s Journey to the West”).

7. Former old partners got together again, after having retired respectively, at Esquel’s office in Beijing in February, 2018 (from left at back row): K L Lam, Chan Ka Tak; (from left front row) Tong Qingzhu, Shen Caiqing and Yan Jiaping.

Afterword

Another incident happened long time ago to Yan Jiaping has given her one more impression about Esquel for being helpful and candid. On the day her father passed away in 1991, Chan Ka Tak and Sun Mingcheng were among the first to come to her home to send condolences. “They came even sooner than our factory leader, and they gave me some money. I will never forget that. Though it was not a big amount, I was deeply touched. I cannot be more thankful to Esquel for their great, loyal friendship. When it came to work, we could argue fiercely. But when it came to daily life, Esquel has treated our local staff as their own colleagues and cared about us.”



2.2

GLOBAL SOURCING – COTTON, YARN AND MACHINERY

全球採購——
棉花、紗線、機器

GLOBAL SOURCING – COTTON, YARN AND MACHINERY

BUILDING A VERTICALLY INTEGRATED SUPPLY CHAIN (I)

Quality shirt needs quality yarns. Quality yarns needs quality cotton. This is why Esquel started building up a vertically integrated supply chain beginning from the 1980s.

“Mr. Y.L. Yang was far-sighted and bold. From the very beginning of his business, he had already formulated a ‘one-stop’ production plan. First, he set up garment factories overseas,” recalled Esquel Group Director of Global Sourcing Mona Liu who retired in 2017. Taking advantage of the opportunities that emerged after China opened up to global market, Yang provided finance for mainland factories to buy machinery for production of yarns. In return, he got yarns from them. After he made more money, he set up his own fabric mill and spinning factory. Subsequently, he invested in cotton plantation in Xinjiang to control quality of products at their source.

At the time, the high-end fabric market was dominated by Japanese enterprises. It was a natural step therefore for Esquel to cooperate with Japanese enterprises and import their technology. In 1988, Esquel formed

a joint venture with Japanese company Toyomenka and the Pearl River Delta Development Company, an affiliate of the Foshan Foreign Trade and Economic Cooperation Commission. The name of the joint venture was Ultrarich Industries Limited. Liu joined Ultrarich in 1989. Ultrarich founded the Golden Field United Textiles Limited in Gaoming. Golden Field became a company wholly owned by Esquel in 1996. Since then, Liu was also transferred to Esquel, taking charge of the purchase of cotton, yarn and machinery. Liu traveled to Gaoming almost once a month at the early stage of its operation. She witnessed the transformation of Gaoming’s factory from a piece of bad land to modern industrial zone. Esquel came to Gaoming to set up factory in 1991. It started operation in 1992. In the same year, the ferry service between Hong Kong and Gaoming was launched. Prior to its opening, it would take Liu a whole day to travel to the factory by ferry, then vehicle, from Hong Kong. Esquel has not just brought in the factory to Gaoming, but also infrastructure facilities. It was all because of

Esquel that the Gaoming municipal government has allocated funding to build those facilities. The reason was simple: Esquel's Golden Field was the biggest foreign investment in Gaoming at that time. It was renamed as Guangdong Esquel Textiles in 2000.

Along with her long monthly commutes, Liu had experienced many occasions of culture shock at the beginning. Liu recalled her fearlessness and composure with pride. "Sometimes, there were strange noises in the guest house (she stayed) in the middle of the night. It most likely came from rats. But some of my female colleagues were worried it might be other things. They asked me to stay in the room with them. On another matter, it was common for local people to serve guests — especially VIP ones — with wild animals like pangolins at meals. Many Hong Kong people dared not eat them at all, but I went with the flow and ate whatever I was served!"

As resilient as Esquel itself, Liu kept calm and carried on regardless of the situation. Her next challenge was purchase of machinery, which was originally expected to be completed after Golden Field started production. However, Esquel decided to keep increasing investment and purchases of machinery in Gaoming. "Over the past 28 years, Esquel would buy machines every month. Sometimes, we had to replace machines due to wear and tear; other times, new technologies or designs emerged. Moreover, we were expanding overseas production bases. As a result, we never stopped purchasing machines," said Liu.

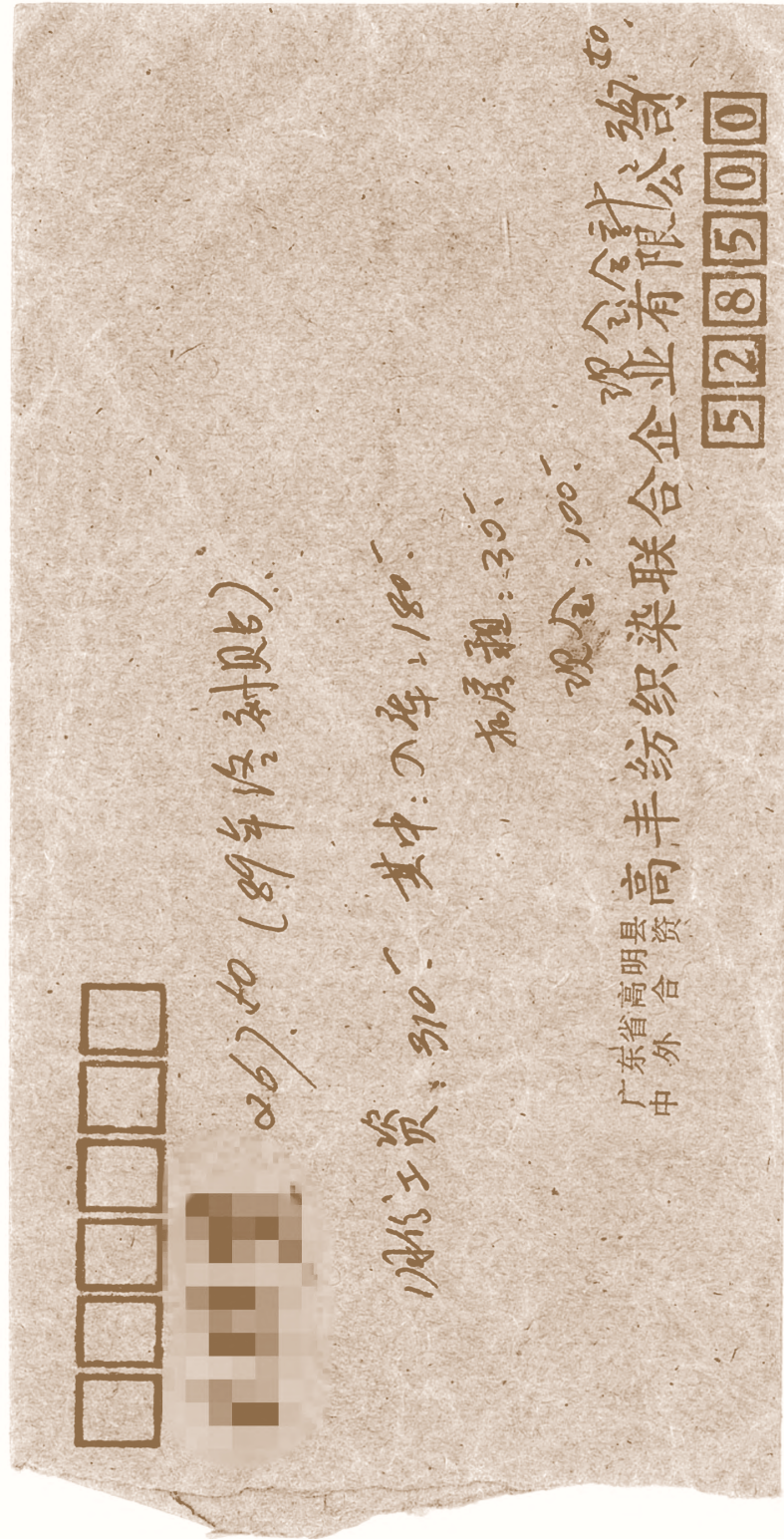
It turned out to be a wise decision with phenomenal returns. The fabric mill in Gaoming initially specialized in the production of Oxford yarns and only produced 1.2 million yards per month. Today, the monthly output exceeds 12 million yards, comprising different varieties of yarns. With more than 20,000 staff, Gaoming's

1. Piling work at Golden Field underway in 1989. Joining by their colleagues were Deng Xueqing, Superintendent (first from left at front row) and She Qunhui, Senior Manager, New Product Development of Guangdong Esquel Textiles (first from right at front row).

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team has covered all aspects of production based on the vertically integrated supply chain, except cotton cultivation.

As the Group's gatekeeper, the Global Sourcing Department establishes long-term partnerships with reputable and responsible suppliers who act as lifesavers at critical times. During the protests in Binh Duong, Vietnam in 2014, Esquel's local factories were looted and destroyed, incurring serious losses (details in a separate article). After the incident, the Global Sourcing Department asked several equipment suppliers to assess the damage and to either repair or replace the machines as soon as possible so that the factory could resume production as soon as possible.

"Our suppliers promptly sent technicians to the sites to inspect the equipment. They even asked individual technicians to take the earliest flights to Vietnam with equipment parts. They proactively dispatched equipment from around the world so that our orders could be shipped as soon as possible. Thanks to the full support of all parties, Esquel's factory resumed production within 13 days and became the first factory in Vietnam to do so after the riots," said Liu.

Yang used the analogy of cooking to describe the importance of sourcing. "You cannot cook without ingredients." Liu's job was to gather these ingredients. She has shown she could deliver. "The sourcing team I supervised in the past 28 years has always managed to purchase products at reasonable or even discounted prices, and all done in a fair manner. More importantly, there has never been a shortage of supplies! Whether it was machinery or materials, I always sourced and delivered them on schedule." Indeed, Esquel's factories have never ceased production due to shortage of supplies.

Of course, things did not always go smoothly. Liu encountered a few hair-raising moments throughout her career. The most memorable one took place in the 1990s, when cotton price rose from about 70 Hong Kong cents to more than one Hong Kong dollar per kilogram in less than three months, many suppliers failed to deliver orders on time. She said: "Mr. Yang was very concerned at the time because there were a lot of rumors flying around. The average cotton price I sourced was less than 80 Hong Kong cents, and fortunately, we did not have any incomplete orders. Only one supplier failed to meet the deadline, but they compensated us, which meant we could buy from another supplier at market price. Our company had not suffered any loss. I was grateful."

2. Envelope with wage payment issued by Golden Field United Textiles to staff with details of the amount of wage and subsidies for the particular month.

3. Recent picture of Mona Liu, who joined a joint venture under Esque Group in 1989 and was Group Director of Global Sourcing before she retired.

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4. Mona Liu outside of the Golden Field when it was inaugurated.

5&6. Ceremony marking the official launching of production of Golden Field in 1991.

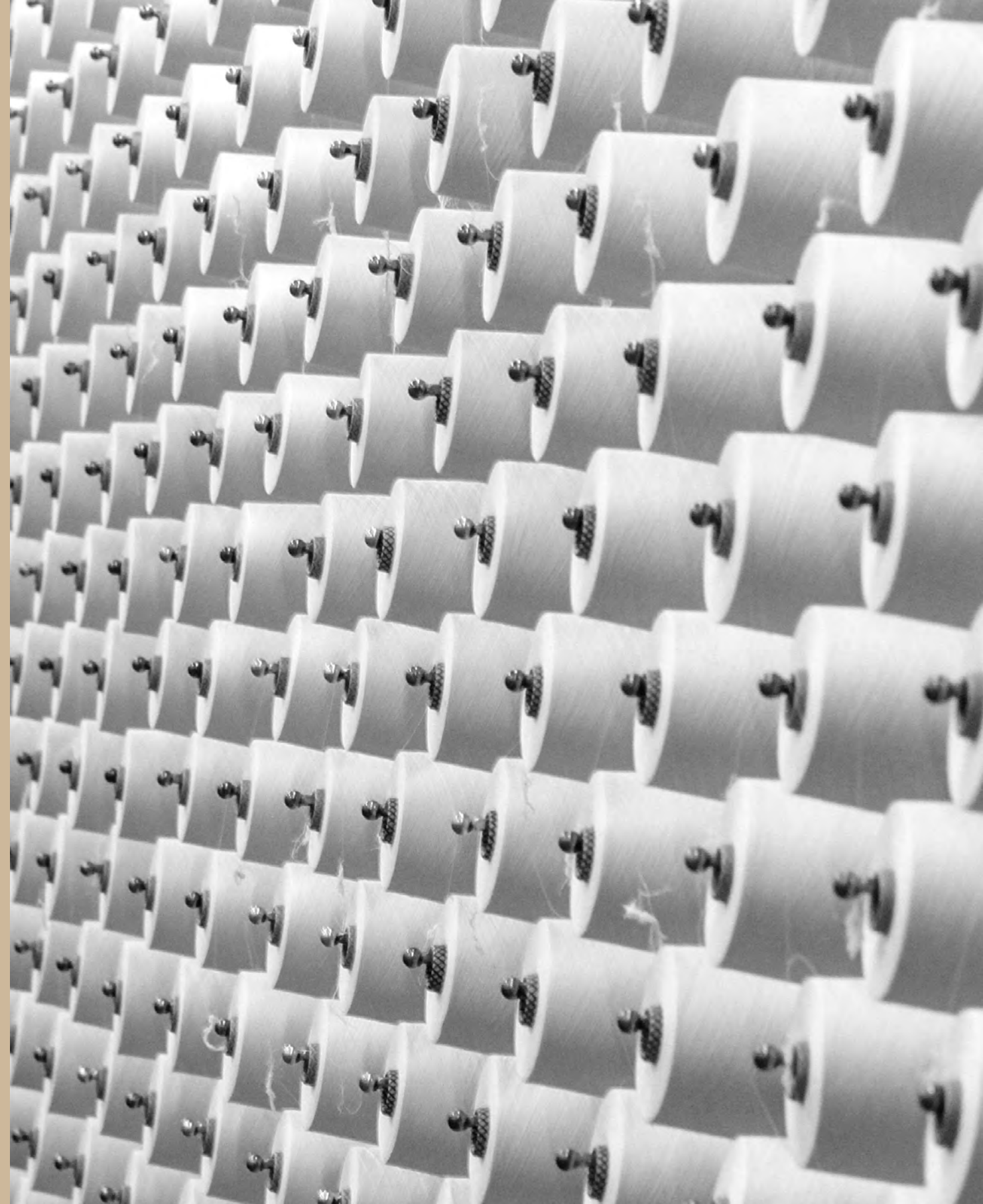


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2.3

FROM FABRIC PRODUCTION TO UPSTREAM AND DOWNSTREAM COORDINATION

從布料生產到兼顧上下游



In the process of innovation, it is not possible to create new technology that is completely flawless.

FROM FABRIC PRODUCTION TO UPSTREAM AND DOWNSTREAM COORDINATION

BUILDING A VERTICALLY INTEGRATED SUPPLY CHAIN (II)

Everyone at Guangdong Esquel Textile Co. Ltd. (GET) knows that Luo Xiaolai, General Manager of Weaving at GET, is an enthusiast of new technology applications. An outsider of textile industry may consider the most difficult task for a manager is to develop new technologies that could enhance efficiency. Luo, an engineer by profession, believes that is not just a matter of technological innovation. It is more important to find out ways to encourage frontline staff to accept new technology and apply it to production. To Luo, that is the biggest challenge to management.

Flashed back to five years ago, Luo recalled he was hoping to incorporate automatic weft processing equipment into the production line. The technology, which could enhance quality control and efficiency, had already been developed some time ago. His colleagues, however, were reluctant to adopt it because there was a one-tenth possibility that it might not function. They were worried that production would slow down and that product quality would be affected if that happened. As a result, they might suffer a drop in their income.

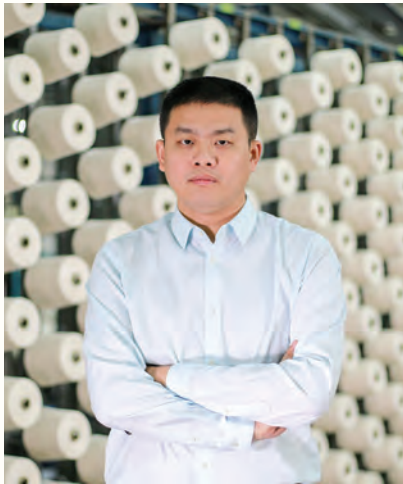
Luo thought otherwise. He believed that the device had the potential to greatly increase the efficiency of staff. "In the process of innovation, it is not possible to create new technology that is completely flawless. In fact, raising a new technology's success rate from 90 percent to 100 percent is the most difficult

challenge before reaching the finishing line. The last kilometer is the most difficult, also costly, part. But if you always focus on that 10 percent drawback, you will always find it too risky. So, more often than not, I set my eyes on the 90 percent success rate while trying to come up with solutions to manage and minimize the 10 percent risk."

The results speak for themselves. Almost all looms are now equipped with the equipment, and workers' efficiency has increased by a significant five percent.

Luo joined Esquel through the Executive Trainee Program in 2002. Since then, he has taken up various key roles. He was first assigned to Esquel's headquarters in Hong Kong to oversee supply chain management before he was transferred to Gaoming to manage a fabric mill. Described the transfer as a move from the top to the bottom, he said it has given him deep understanding about the importance of upstream and downstream coordination, regardless of your position in the company. Only then can the Group's vertically integrated supply chain attain synergy effect, or as popularized in the saying, "one plus one is greater than two."

Although Luo's main responsibility was to manage the fabric mill, he always took the whole supply chain into account when he needed to find solutions to problems. "Take delivery period as an example. If both the



1. Luo Xiaolai, General Manager of Weaving at Guangdong Esquel Textiles Company Limited

upstream and downstream units only take their own needs into consideration and ask for more lead time respectively, the whole supply chain will be in trouble. That is why I always ask colleagues to consider the delivery date of the garment factory before deciding how to arrange and optimize the production orders of the fabric mill.”

Applying the same line of thinking to production process, Luo has moved to find ways to reduce the defects of product at its earliest stage, rather than checking for flaws after the entire piece of fabric has been woven. For that, they have collaborated with the Hong Kong Polytechnic University to conduct research on online fabric defect detection technology. Through photography or image recognition technology, fabric defects are identified in advance so that the production process can be adjusted accordingly. The next step was to find ways to promote its application.

Luo was under 30 when he took the helm of production planning and control at the fabric mill. He admitted the duties given to him were heavy. Not just because fabric mills were among the group’s most important assets, he was also confronted with doubts about whether he was too young to be given the job. He soon found the solution. “I convinced people with facts and reason. Basically, everyone was very willing to help. But you need to do something more to convince them when your ideas differ from their thinking which they formed through

2.



2. Luo Xiaolai (first from left) and Cheng Peng, General Manager of Knitting Factory, Guangdong Esquel Textiles Company Limited, (second from left) are Tsinghua University alumni.

experience. Do not talk about it publicly first if you anticipate it may cause conflict. Talk to them quietly. Explain your ideas and thinking. They will more likely accept them if your ideas are backed up with facts and data.”

Like many Esquel staff, Luo only got to know the Group’s culture and operations after he became a member of it. As a graduate from Department of Engineering Physics at Tsinghua University, he obtained a Master of Science degree in Engineering from Princeton University Graduate School. In 2001, he saw a recruitment advertisement by Esquel when he was in the U.S. He sent an application with a modest wish: an interview.

“In the 1950s and 1960s, textile and garment industry was a leading sector. Many automation processes actually were introduced first in textile industry, but its development has slowed down in the past two decades. Traditional operations consume a huge amount of water, especially in printing and dyeing. The use of different chemicals caused environmental pollution. In the eyes of many people, the industry has gradually become a low-tech, labor-intensive and heavily polluting industry.”

In 2014, Esquel Group has set out its vision of “Making A Difference.” To Luo, that has already been his vision since an earlier time. “During the interview with me in New York, Chairman Marjorie Yang has given a very strong impression to me. She shared with me a lot of her ideas for reform and improvement. Start with changing the traditional production and work process, her thoughts aligned with my own interests, and I also hoped to contribute to China in areas related to my expertise. Esquel has emerged as my best choice.”

Having spent over a decade at the fabric mill, Luo has been privy to its profound evolution. Back in early 2005, total production output was about three to four million yards per month. It has now soared to more than 12 million yards per month. The number of factory zones doubled from two to four. The list of products has diversified from pure cotton to various blended fabrics. But the total number of staff was down from about 5,000 to 3,700-odd.

“With fewer staff, each frontline worker can leverage their strengths and take the initiative to improve the production flow instead of relying on the manager’s instructions. The higher degree of automation increases efficiency. Compared with the situation ten years ago, the tasks of frontline staff have expanded and become more complex. Supplementary tools are also becoming more diverse and advanced. Our present fleet of staff is more educated and so their capacity to accept new technologies is higher. Their income has increased too.”

On Esquel’s future development, Luo is aspired to continue to be a catalyst for Esquel’s evolution towards Industry 4.0. He also plans to explore how the Group can expand beyond textile and garment production. “We have accumulated plenty of knowledge, experience and data through the production process. While using it for our own production, I wonder whether we can turn it into service for knowledge and information management by others in the industry or research institutions. I am hoping to help Esquel open up new paths and develop new business models.”

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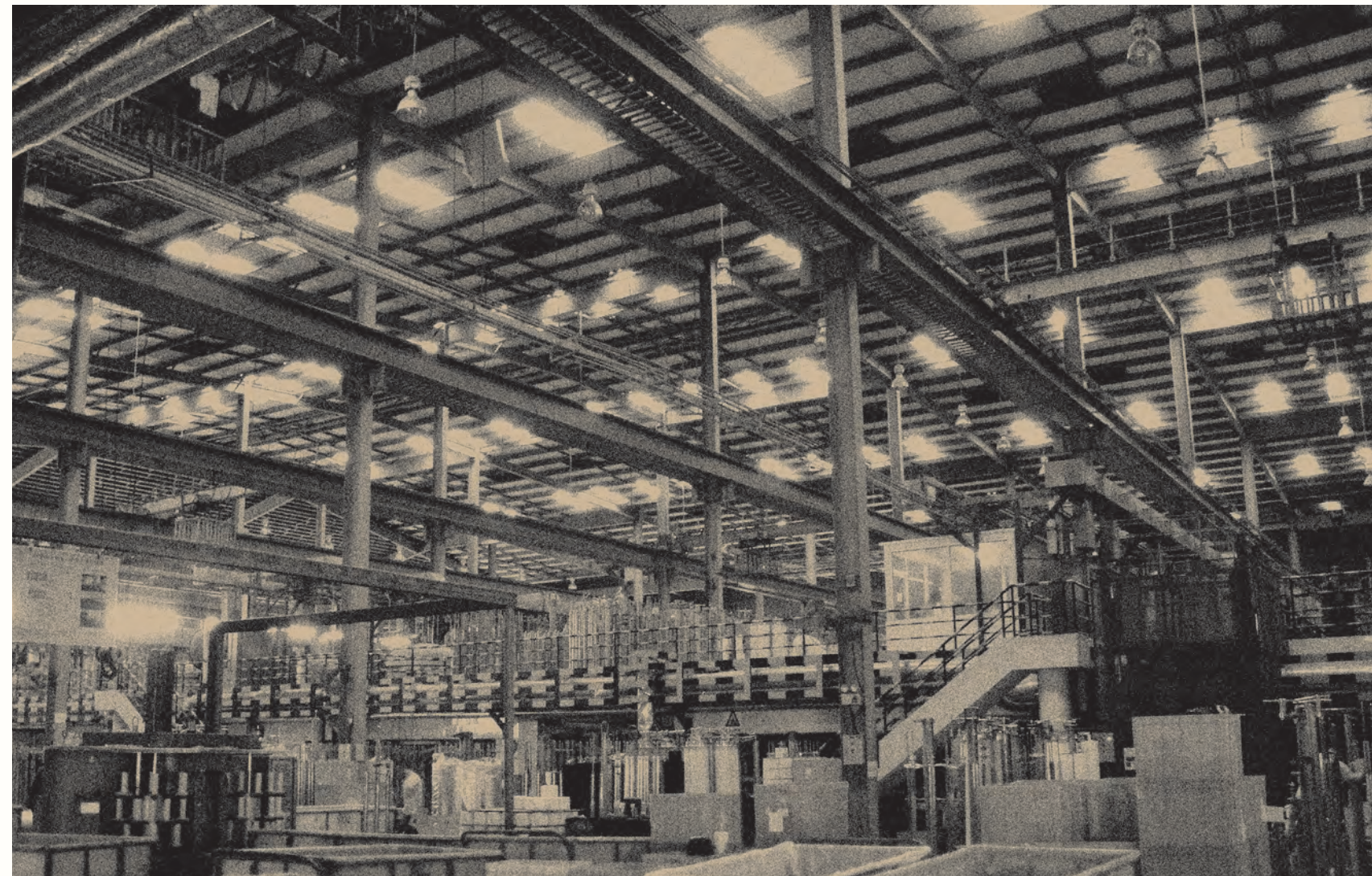
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3,4,5,6. Total production capacity of fabric mill soars to 12 million yards each month.

Under the supervision of Luo Xiaolai, the fabric mill has stayed on the course of reform and moved towards the Industry 4.0.

2.4

ESQUEL'S "JOURNEY TO THE WEST"

溢達的「西遊記」



ESQUEL'S "JOURNEY TO THE WEST"

All successful enterprises are trailblazers but what distinguishes the great from the good is quality. Esquel understood the critical importance of quality products as early as the 1990s. To produce quality fabrics, quality yarns and cotton are essential. To secure a reliable source of first-class cotton, Esquel went straight to its source – Xinjiang, the only region in China where prime quality Extra-Long-Staple (ELS) cotton can grow. And also where Esquel's "Journey to the West" story began.

Like other great adventures, Esquel's "Journey to the West" was full of unexpected twists and obstacles. The first hurdle was the government. At that time, the purchase of cotton was all done by the central authorities. There was no way for Esquel to set up a cotton enterprise in Xinjiang if there was no support of the Central Government. But no one at Esquel knew how to do it. Then one day, our veteran colleague in Esquel Beijing Sun Mingcheng remembered his old friend Sheng Caiqing, who was the Factory Director of Beijing Dahua Shirt Factory, which was Esquel's partner factory in the 1980s. It happened that Sheng was a close acquaintance with Wu Wenyong, the then Minister of Textile Industry. Sun then asked Sheng for a favor to introduce Esquel to Wu. With Wu's helping hands, the relevant departments under Wu worked closely with Esquel on our trip to Xinjiang.

Another hurdle soon emerged. At that time, China reduced spindle production in an

attempt to limit outputs in the textile industry. To operate, all spinning factories must have the approval from the government for operation. Knowing Turpan possessed a production quota of 50,000 spindles, Marjorie Yang, who succeeded her father as Esquel Chairman in 1995, made a decision that shocked the entire textile industry in Hong Kong: to establish a spinning mill in Turpan. Esquel planned to spin ELS cotton into yarns in the mill, before dispatching them to the Group's fabric mills in Gaoming, Guangdong.

Unfortunately, as soon as the planting of ELS cotton in Xinjiang began, Esquel discovered some inconvenient facts. First of all, the existing cotton purchase policy emphasized quantity, rather than quality. The purchase price of quality ELS cotton was actually similar to that of ordinary cotton. Moreover, the economic value of planting fruits was higher, which in turn discouraged cotton farmers from planting quality ELS cotton. Some cotton farmers even crossbred quality ELS cotton and ordinary cotton in order to boost production instead of raising quality. The effects brought by global climate change only added to the multiple unfavorable factors that were compromising the quality of ELS cotton. At this point Marjorie Yang came forth and made another critical decision, "I must rescue ELS cotton and motivate farmers to grow it."

That was 2002. Xinjiang cotton farmers only received a receipt for the cotton they sold.

The receipt could not be redeemed for money on the same day, and there was no guarantee that the payment would be settled within a certain period of time. This was commonly known as "da bai tiao," literally meant "issuing blank receipts". Esquel decided to break the traditional practice by paying cash to cotton farmers for the cotton they sold. Moreover, the purchase price would be based on the quality of the cotton, therefore giving cotton farmers incentives to boost quality. Calvin Tsang went all the way from Hong Kong to the Awati county in Xinjiang's Aksu prefecture to lead a local cotton purchase team. Awati, known as "Home of China's ELS Cotton," was a major plantation site of Esquel's quality cotton.

As a newcomer to Awati, Esquel must earn the trust of the locals. To pay cotton farmers in cash is one way to show the Group's integrity and sincerity. But it was no small feat. The experience was still vivid in the mind of Tsang, who is currently Esquel's Managing Director, Sales. He said, "Our bank advised against doing so because it was very risky to store a large amount of cash. They persuaded us to issue receipts for the cotton farmers to redeem money. We insisted on cash settlement and even built a secure finance office especially for these transactions."

Esquel would risk anything but the trust of the cotton farmers. Tsang said, "Stacks of banknotes worth RMB five million piling up in the finance office was a daily spectacle.

They were arranged to be sent to the finance office every morning. The office was like a mini treasury with just a small window for cash transactions. In the afternoon we would send the remaining banknotes back to the bank." He continued, "We needed to have at least that kind of amount of money each day – just in case many farmers came on the same day. If we did not have enough cash, farmers would certainly accuse Esquel of being dishonest."

Nevertheless, the cotton farmers still did not have full confidence. Some cotton farmers even kept doing what they always did before: mixing objects, such as stones and water-filled bottles, with the cotton to "bulk up" for more money. It did not take long for them to see for themselves at Esquel purchase prices of cotton were based on quality and that payments were made in cash on the spot. As one farmer after another went through the honest transactions, mutual trust between Esquel and farmers began to build up gradually. No one would "bulk up" the cotton anymore. Esquel has made history by making the practice of "issuing blank receipts" history.

It is not difficult to understand why the cotton farmers would add various objects to give more weight by hook or by crook to their cotton in the past. Selling cotton is the only source of income for local farmers, Tsang recalled, "I still remember the warm smiles beaming on the cotton farmers' faces when they brought in the cotton and got cash from



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2.



3.



1. Main entrance of Esquel Textile Company in Turpan.

3. The vicinity of Turpan Esquel was a piece of desolate land when it was founded in the 1990s.

2. Calvin Tsang (first from left at back row) and A Di Li (second from left at front row) and colleagues at the office of Akesu Esquel Cotton Industrial Co. in 2004.



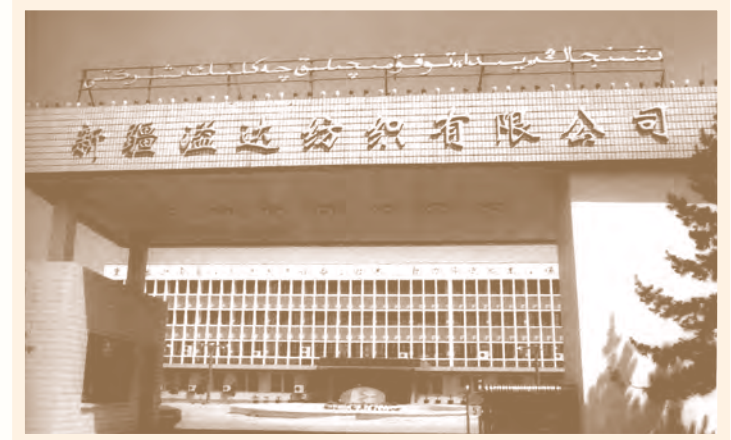
4.

5.



6.

7.



4. Esquel Group Chairman, Marjorie Yang (left at front row) and head of the Planning Commission of Xinjiang Autonomous Region Government signed a confirmation agreement on the building of a cotton factory solely owned by Esquel in April 1995.

7. Xinjiang Esquel Textile inaugurated in 1998.

5&6. Turpan cotton factory, solely owned by Esquel Group, under construction in July 1995.

8.



8. Xa Dai Ti (fifth from right) and Group Chairman Marjorie Yang (fifth from left) and colleagues at the 10th anniversary dinner of Turpan Esquel Textiles in 2006.

our finance office. Old cotton farmers shook hands with me. Their callused hands were the result of their life-long hard work. Despite that, I could feel their warmth and sincerity. It was all worth it!”

Tsang was no less persevering than the old farmers. One may wonder why a person living in a highly modern city like Hong Kong would work in a backward town of Wuluquele in Awati county – the first flush toilet there was installed by Esquel. “My colleagues and I worked together from morning till evening. All of us were working towards the same goal: to build a viable cotton operation. It was not just for salary; we were working hard to improve the life of ordinary people in the local community,” said Tsang. The impact of the team’s effort has gradually brought about results. The living conditions of the cotton farmers’ houses began to improve; the donkeys that farmers used to transport cotton were eventually replaced by small cars.

Two of the key persons who helped bridge the communication gap between non-native colleagues and the Uyghur people were Uyghur employees A Di Li and Xa Dai Ti. A Di Li, who is now Assistant General Manager, Akesu Esquel Cotton Industrial Co., Ltd., was first assigned to work in a state-owned enterprise in Urumqi – Xinjiang Green Garden Finetex Company Limited after graduating from Shanghai Jiao Tong University in 1992. After

the company was acquired by Esquel in 1998, A Di Li joined the Esquel family. He had some initial reservations about working in Awati. “I was doing quite well in Urumqi, the capital city of Xinjiang. Why should I return to the countryside? The working and living conditions there were not as good as big cities. Later I realized that as a member of an ethnic minority community, I can leverage my strengths in an ethnic minority region.”

To A Di Li’s pleasant surprise, Esquel had already been taking care of the ethnic minorities, from underprivileged students to impoverished farmers, before his arrival. A Di Li described, “While bringing in factory operation, Esquel has also donated money to three primary schools for the education of ethnic minority children. I participated in this, so I was particularly touched. Esquel also invited experts to teach cotton farmers how to improve planting quality and techniques. I was very surprised. Even more impressive was that in 2007, Esquel introduced micro-financing to cotton farmers by offering small loans without mortgage to help them grow better quality cotton.” A Di Li could be excused for his surprise. Few enterprises had taken their commitment to social responsibility as seriously as their business operation as Esquel did at that time.

Still, A Di Li did have some adjustments to make when he started working for Esquel.

“Having worked in a state-run enterprise before, I had written proposals but none were so detailed and comprehensive as what I was asked to do at Esquel. I had to do a lot of planning and reporting each day, not to mention multiple versions of the same analysis reports. It was tiresome, but slowly I realized I have learned from the process and consider issues more carefully from more perspectives,” he said.

Xa Dai Ti, the other Uyghur “bridge,” graduated from the China Textile University in Shanghai in 1991. She worked in the Economic and Trade Commission of the Turpan city government when Esquel built its spinning mill in the city in 1995. The knowledge she gained from studying cotton spinning in university was not being fully utilized in her government job. Some of her ex-colleagues who had left and joined Esquel urged her to follow their footsteps. “I studied Chinese for two years at university and together with my specialized coursework in cotton spinning, I had invested six years studying. Now that Esquel had come from Hong Kong to invest and set up shop in my hometown, I thought it was worth a try.”

Esquel’s total investment in Xinjiang has hit the US\$100 million-mark. Aside from funding charitable projects such as the Hongzhi Students program, Esquel’s investment has brought long-term positive socio-economic impact to Xinjiang. Xa Dai

Ti was both a beneficiary and a contributor. She worked in Turpan’s Economic and Trade Commission before joining Esquel. Currently Assistant Manager, Turpan Esquel Textile Co., Ltd., Xa Dai Ti is grateful for the quality job opportunities Esquel has created for her hometown. “In the 1990s, I was a civil servant with a monthly salary of RMB 400. At Esquel, my salary almost doubled, nearly one thousand dollars! The average salary of employees in Turpan Esquel now exceeds RMB 4,000. And Esquel never defaults on wages. It also provides insurance for employees according to employment requirements. Compared to other local companies, Esquel is really well-managed; many local people hoped to work for Esquel.”

Esquel plays a role in promoting ethnic harmony too. Turpan is inhabited mainly by Uyghurs. At the moment, about 70 percent of Esquel’s factory staff are Uyghurs. The rest are Han Chinese. They get along well. Xa Dai Ti was deeply thankful to Esquel for its efforts to nurture local staff and subsidize further education for outstanding employees. She and A Di Li were previously seconded to the production base in Gaoming for training for a few months. She found it greatly rewarding.



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10.



11.

9,10,11. 'Mountains of cotton' emerge at the cotton plantation base in Akesu district, Xinjiang, during the reaping season.

Afterword

The “Journey to the West” includes an episode that has changed the life of Calvin Tsang. During his 18-month stint in Xinjiang, he met his better half in beautiful Aksu, Xinjiang. Their love story has become a heart-warming and happy tale in Esquel’s adventurous expedition.

Esquel’s “Journey to the West” story has something unique — and real — compared with the Chinese traditional novel “Journey of the West.” Chairman Marjorie Yang was crowned “Princess of Cotton” for her efforts in saving ELS cotton in Xinjiang.

2.5

UNLOCKING “THE TEARDROP OF INDIA”

「印度眼淚」的拓荒者



Chung still remembers vividly his legs were shaking when he stepped into the Polytex factory. It was because the area of the factory was larger than that of a football pitch with more than 2,000 workers there. Its scale was much bigger than the factory he had managed before, which had about 400 workers.

UNLOCKING “THE TEARDROP OF INDIA”

The 1980s saw Esquel's gradual transformation from a trading to a manufacturing company while speeding up its pace of building production bases in China and overseas. A lot of Hong Kong people were embracing the spirit of exploration to venture into new and unfamiliar land. K.Y. Chung was one of them.

Having worked in a number of Esquel's overseas and Mainland production bases (including Ningbo, Yangmei and Maldives), Chung's most unforgettable overseas work experience was still his first one overseas posting. In 1985, he was assigned to a place whose name was unbeknown to him. On world map, it was a piece of land in the shape of a teardrop located below India. Dubbed “The Teardrop of India,” Sri Lanka was a backward country.

As early as 1983, Esquel started working with Sri Lankan businessman Sohli Captain to co-manage Polytex Garments Limited. The business, however, was nowhere near a success. In 1985, Esquel's then-Chairman, Y.L. Yang, decided to name Chung to head Polytex as director, Yang told Chung then, “Young man, this factory has been running in red. Be bold. Just do it and do it well.”

Driven by curiosity about the world, Chung decided to take up the tough job given by Mr. Yang. This is despite the fact he was not proficient in English and therefore he had

to rely on interpreter. Nor he had idea on how to reverse the fate of the factory. He said goodbye to his wife and young daughter, albeit temporarily, and traveled to the distant land on his own.

Although more than three decades have lapsed, Chung still remembers vividly his legs were shaking when he stepped into the Polytex factory. It was because the area of the factory was larger than that of a football pitch with more than 2,000 workers there. Its scale was much bigger than the factory he had managed before, which had about 400 workers.

He was only 30 then. Some veteran factory workers doubted his ability to supervise them in view of his relatively young age. Little did they know Chung grew up next to the cutting bed. His father operated a garment factory, where he worked when he was still a secondary school student.

Chung was confronted with another thorny problem: trade union. Sri Lanka's national trade union was powerful because its chairman was the country's President (its vice chairman was the Minister of Defense). Workers went directly to Chung when they had this or that kind of problem.



1. K.Y. Chung, factory manager of Way Yat before he retired, joined by colleagues on the last day of Way Yat.

After a week's observation, Chung still had no absolute confidence in improving factory performance. In the face of adversity, he could do nothing but to cheer himself on. He told himself, "Keep up the spirit! At worst, I can start from zero, all over again." At the same time, he started contemplating ways to boost productivity step by step.

No matter how difficult things were in the factory, they were nothing compared with the feeling of homesickness. He was, after all, in a lonely island country ironically named "The Teardrop of India." Even talking to his family over the phone everyday did not help a lot. Only after three weeks or so, he sought permission from his supervisor and returned to Hong Kong to visit his family. His wife promised to visit him with their daughter in Sri Lanka during long holidays in summer and New Year. After careful consideration, he went back to Sri Lanka alone to face up to the challenges.

The first challenge to tackle was the high percentage of unskilled workers. Taking reference from a training course run by the Hong Kong Clothing Industry Training Authority he had taken, Chung devised a program to train up unskilled workers so that they could work as qualified sewing workers. He also put production targets in black and white, requiring each production line on both morning or afternoon shifts to produce 50 dozen pieces of garments. Heads of production lines would have to come up with ways to meet the targets. Staff would be punished for misbehavior, such as sleeping in canteen during working hours. Chung visited the factory twice a day. During the peak season, when the workers worked overtime, he worked overtime too. By setting a good example, Chung gave frontline staff no excuse to shirk their responsibilities.

Chung's strong sense of discipline stemmed from his previous experience working as an auxiliary policeman in Hong Kong. The management model of the Police Force had also inspired him in his corporate management model for managing staff. If employees had problems, they must first negotiate with their immediate superiors before seeking assistance from the level above. Most problems are resolved before they ever reach him.

In the end, Chung had not disappointed Mr. Yang. He succeeded in turning the money-losing business around. Not only did Esquel's production base in Sri Lanka escape the fate of closing down, it flourished and kept expanding its scale. Today, Sri Lanka continues to be an Esquel garment production base. For all the sweat Chung had shed, he could now shed a tear of joy.

Chung had originally planned to stay for six months in Sri Lanka. It turned out to be a five-year-long stint. The corporate management knowledge Chung acquired in Sri Lanka would be with him for his life. Without the late Mr. Yang and Esquel, he would not have had the chance to go out of his comfort zone for an exploratory journey. For that, he was most grateful. Since he retired, he has been given offers from other textile companies. He was unmoved. "If I were to return to work, I would of course go back to Esquel!"

2.6

A PROFOUND EXPERIENCE FROM 38-YEAR PARTNERSHIP

38 年的合作深刻的體會



1. The number of factories under Polytex has increased from one to four, located in different parts of Sri Lanka.

I am honored and privileged to have been invited to contribute this message on the special occasion of Esquel's 40th Anniversary, with whom I have had a relationship spanning 38 years. It was my good fortune to have Esquel as my partner for such a long period of time.

I am proud to have been associated with Esquel whose business began only in 1978 and has since then grown into one of the world's largest garment manufacturers and probably by far the most integrated operation in the industry with activities including the growing of long staple cotton, spinning, weaving and knitting and manufacturing for some of the best-known global labels.

My then partner, Mr. Rodney Wade, and I were introduced to that dynamic personality, the late Mr. Y.L. Yang as far back as 1980. That was when our relationship was forged and it was decided that we (Polytex Garments), would work together with Esquel who would overlook the working of the factory and handle marketing.

In late 1983, Esquel expressed an interest in investing in Polytex and bought Rodney's stake in the business. It was then decided that Esquel would take over the complete management of Polytex. During this period Polytex grew from just one factory to four spreading over various parts of Sri Lanka.

Our years together gave me a keen insight into Esquel's professionalism and commitment to excellence in whatever they did. This obviously helped our business to grow and prosper benefiting both partners. There were difficult times and challenges to overcome including a communal riot in 1983 and an insurgency that pushed Sri Lanka to the brink of anarchy in the late 1980s.

Together we were able to meet these situations and continue growing our business to what it is today. I am happy to congratulate Esquel on its many remarkable achievements and wish it well in its forward journey. I am confident that its business sense, management and people will drive it to greater heights.

Marjorie Yang has proved herself to be a fitting successor to her father measuring up to the high standards that Mr. Y.L. Yang set.

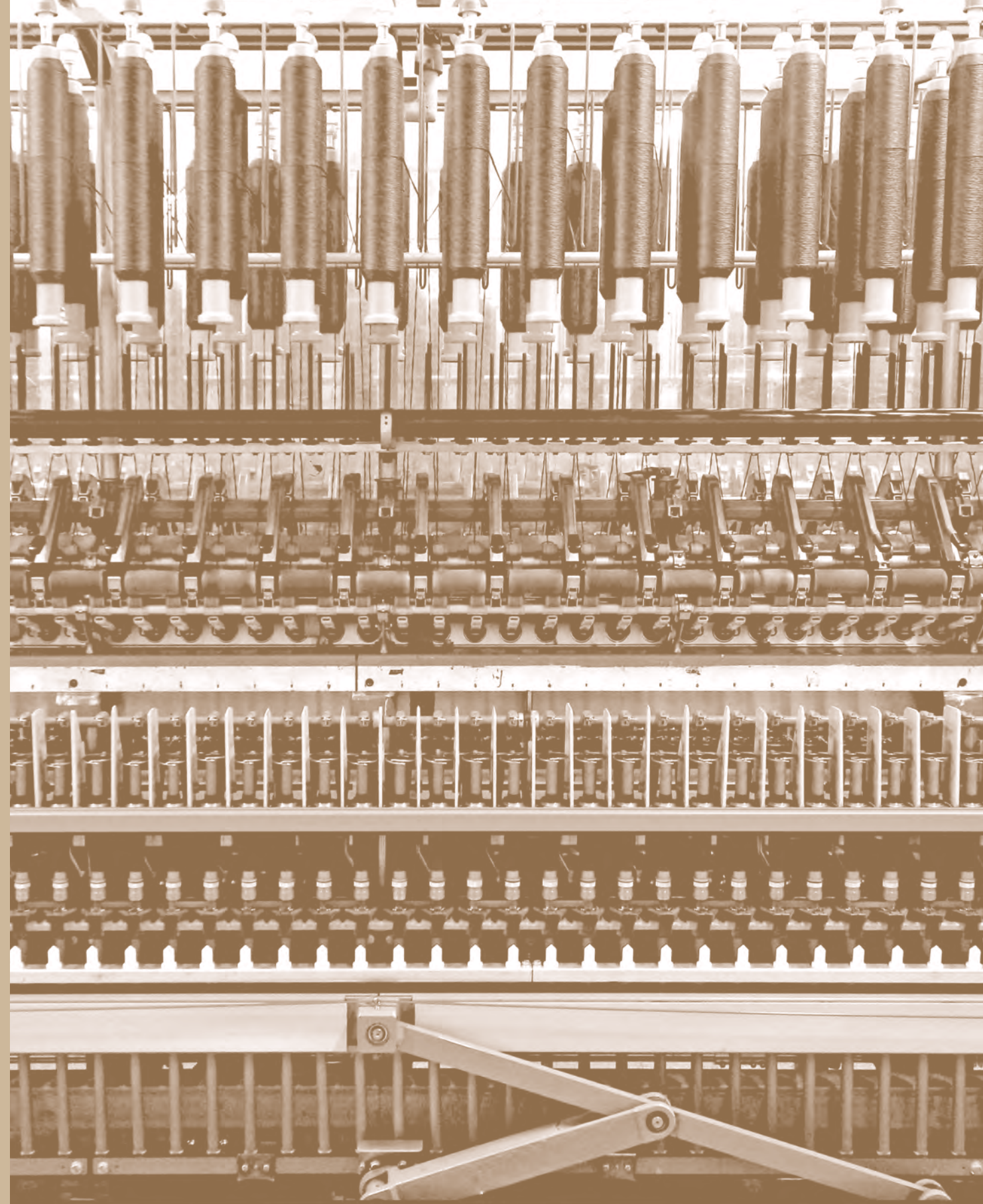
Sohli Captain
Chairman,
Polytex Garments Ltd.,
Colombo,
Sri Lanka

(PS, Polytex Garments Ltd. became Esquel's wholly owned subsidiary in late March 2018)

2.7

HEROIC VIETNAM LOCAL TEAM SAVES ESQUEL FACTORY

越南員工自發保護工廠



HEROIC VIETNAM LOCAL TEAM SAVES ESQUEL FACTORY

Anti-Chinese riots broke out across Vietnam in early 2014, the worst of its kind in 20 years. People took to the streets, attacking, looting and even setting ablaze offices and factories that carried Chinese characters on their signs. One of the worst-hit areas was the Binh Duong Industrial Park, where Esquel Garment Manufacturing (Vietnam) Co., Ltd (EGV) was located. Esquel suffered total economic loss of about US\$4 million. Fortunately, the company reported no casualties among their workers. Esquel's local workers responded quickly, putting their lives at risk and forming a human wall to block protesters from storming into the factory. The riots lasted for three days. The Esquel factory resumed normal operation 13 days later, thanks to the effort of the whole local team. It was hailed by the local media as a "miracle." Just how did it happen?

Around 10 am on May 13, thousands of angry protesters stormed into the factory, holding sticks and metal pipes. Some crashed in on motorcycles, wrecking everything along their way. Attempts by Vietnamese colleagues to stop them were met with menacing cries: "Get out of our way and mind your own business!" Despite the chaos, our Vietnamese workers were in one heart and one mind trying to evacuate visitors and ethnic Chinese staff from the affected areas to a safe place. Putting the safety of staff on top priority, Esquel ordered their local teams to flee immediately. They were told to avoid direct confrontations with protesters.

Protesters ran all over the factory. Some set fire to the building. Huynh Doan To Thu, security manager on duty, called the local fire services department for help. The streets were blocked. With no sign of the fire fighters, she made follow-up calls for assistance, but to no avail. Finally, several police officers arrived at the scene. They could do nothing when faced with thousands of protesters. They were later deployed to help another enterprise. Thu knew that any resistance from her small security team would be counterproductive, provoking more violence. Although she felt scared and helpless she knew she must do something. She quietly asked some security officers to put off their

Esquel's local workers responded quickly, putting their lives at risk and forming a human wall to block protesters from storming into the factory.



1. Thousands of protestors occupied Esquel Garment Manufacturing (Vietnam) Co., Ltd (EGV).

The story that emerged was one featuring the loyalty and love and care of the local workers of Esquel towards their company. That the deeds of the local workers have transcended ethnic and culture differences has amazed many people.

uniform and put on ordinary clothing to mix with the crowd. They were told to try to take pictures and video to record what had happened at the scene to help police investigation into the riot and penalize law violators in future.

With all that was happening, she only had the factory in mind. “The equipment can be replaced. But if our factory was burned down, no foreign company would ever want to invest in Vietnam again,” she told herself. She thought she must do everything possible to put out any fires set by the protesters to minimize the damages. It was no easy task since the main gate and all the windows of the factory were damaged. Anyone, including the arsonists, could come into and go out from the factory as they wished.

Credit of the swift resumption of operation of the factory should also go to the IT department. The emergency evacuation in the morning of the riot had allowed no time for data backup. That evening, Le Ba Trung and Le Minh Xinh returned to the factory quietly to try to “save” some important information. To their pleasant surprise, they found some computer servers still functioning. They relocated those “survivor information” to their homes.

Asked where their courage came from, Trung said, “We knew it was risky, but we did not really think a lot about that. All we knew was that it was our job to protect company data. The riots had quieted down a lot when night fell. I am Vietnamese, and I don’t think the rioters would hurt me – or cause any trouble at my home.”

Like Trung, Xinh has long considered Esquel his second home. He was upset and confused to see his “home” under attack. But there was only one thing on his mind: do something to protect the factory.

Workers returned to the factory the next morning — just to find it was badly damaged and that there was still a lot of protesters gathering outside. No one dared to go in. Thu and the security team told colleagues to stay outside the main gate. She then found some pens and pieces of paper and asked everyone to write down messages on the papers, urging the protesters to leave.

More workers flocked to the factory after hearing about their acts to counter the protesters. Some brought along their children. Within a short period of time, a human wall with more than 300 Esquel staff was formed, blocking protesters from entering the factory. They held up placards with words written in Vietnamese: “Protect our factory! Protect our livelihood!” Reporters rushed to the scene. The story that emerged was one featuring the loyalty and love and care of the local workers of



2. EGV is located at the Binh Duong Industrial Park.



3. Vietnamese staff at EGV stood united to protect the factory. From left: Le Ba Trung, Huynh Doan To Thu, Le Minh Xinh.

Esquel towards their company. That the deeds of the local workers have transcended ethnic and culture differences has amazed many people.

That was not the end of the amazing save-the-factory story. As production resumed, Trung and Xinh urgently needed to replace the damaged computer servers at the factory. But new equipments were not immediately available, Esquel’s IT team in Malaysia came to the rescue by buying four powerful computers to use as makeshift servers. They delivered the computers to the factory on the first flight to Vietnam on the next day. The Hong Kong headquarters also set up the “Houston” emergency response center, pooling resources from Esquel’s global IT locations to restore the network in Vietnam. The joint actions were crucial in getting the factory back to normal production swiftly.

With the heat of the riot cooled down, Thu felt a subtle change of mood in the factory. “Relations between the security team and other teams are closer and more cordial. Maybe it is because we won their trust and friendship with our utmost efforts to protect the factory during the riot and overcome the difficulties after that,” she said.



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4. Located Binh Duong Province, EGV was ravaged by protestors with all windows destroyed.

5&7. EGV suffered huge losses caused by the riots.



6.



8.

6. Holding banners written in Vietnamese, local staff acted spontaneously to defend the factory.



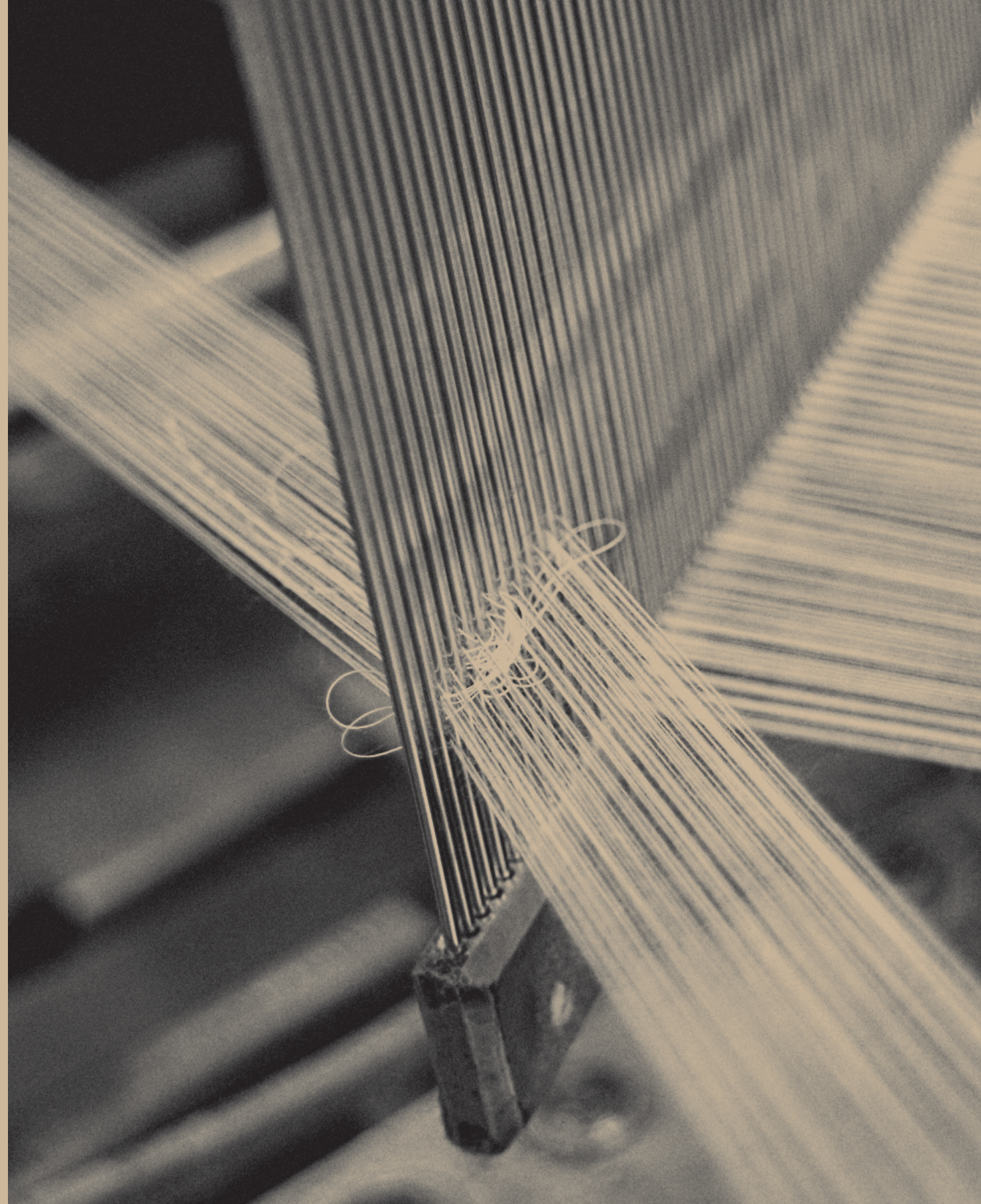
7.

6. A lot of sewing machines were being taken away by protestors.

2.8

THE MIRACULOUS 13-DAY FACTORY RECOVERY FROM THE RIOTS

動亂13日後重新投產的奇跡



THE MIRACULOUS 13-DAY FACTORY RECOVERY FROM THE RIOTS

Name two most unforgettable events in his life, Kent Teh, Esquel Group's Director of Garment Manufacturing, Malaysia, Vietnam and Mauritius Operations, said the 2004 tsunami in South Asia, a natural disaster, is one. The second, 2014 anti-Chinese turmoil in Vietnam, is a man-made calamity.

Teh was in Gaoming in the morning of May 13, 2014 when he received reports about the outbreak of a serious unrest near Esquel Garment Manufacturing (Vietnam) Co., Ltd (EGV). He got onto a flight back to Vietnam that evening, feeling confused and worried about the factory. "Esquel and our entire team have spent years building up EGV. Why are they targeting us?"

He grew more concerned as more he heard from his team members in Vietnam. La Ba Trung called to say he planned to sneak back to the factory to retrieve computer data. Huynh Doan To Thu said she was putting out fires caused by the rioters and that the workers were forming a human wall to protect the factory. Teh told his teammates, "I trust your decision. But be careful." He was worried about their safety but grateful to their loyalty and courage.

As soon as the unrest quieted down, Teh began to pick up the pieces. He made frantic phone calls to various parties, keeping the Esquel headquarters in Hong Kong abreast of the situation, staying in touch with the workers

in Vietnam, contacting the local police and military, seeking additional protection from the government and assessing the total loss with the insurance company. In the end, the police promised to deploy at least 100 officers at the factory for the next 20 days. Teh breathed a sigh of relief. Finally.

The insurance company completed their assessment on damages on May 15. At a staff meeting, Teh announced plans and work arrangements to bring the factory back to normal operation. The factory was installed with more telephones. Hotline was set up for workers to make enquiries if problems arise. Heads of divisions acted as the contact persons in the respective departments. They held responsible for making arrangements for workers to return to factory to help out on the aftermath work. The logistics team was responsible for liaising with contractors and suppliers on repairs of the damaged facilities and equipment. All were for the early resumption of production.

Workers found the factory being ravaged as they returned. Their anxieties deepened when there were words from a nearby shoe factory that it would take at least eight months for them to resume operation. They had the same question in their mind: "When will our factory resume operation? What if we do not have pay for a few months?" After consulting the company management, Teh eased their fears. He announced, "Workers will continue to be paid during factory suspension." Fresh fears surfaced,

however. Rumors were rife that a second wave of protest, which would be in a bigger scale, would take place on May 18. To reduce possible damage, another Esquel team had quietly relocated some lighter equipment from the factory to another temporary storage space. Thanks to the strong enforcement of law by the Vietnamese government, the second round of protest had never happened. The crisis was over.

On May 17, Vietnamese Prime Minister Nguyen Tan Dung visited the Industrial Park, with Esquel the first destination on his itinerary. He asked when the factory could resume production. Thanks to the round-the-clock hard work by the Esquel team, the factory resumed operations on May 26, 13 days after the riot broke out in Binh Duong.

Although many staff had come out to protect the factory when it was under attack, a small number of Vietnamese workers from EGV joined the looting during the turmoil. They returned all the items to the company afterwards. Esquel had not counted old scores and allowed them to go back to work. Perhaps they realized that they would suffer ultimately with their jobs gone if the factory had to close down because of the riots.

Reflecting over the crisis, Teh said, "We have put a lot of efforts in making sure our policies are transparent. We want Vietnamese employees to understand that Esquel is coming here to make long-term investment. We respect and treat every employee equally. This incident shows our efforts are not in vain." Esquel now enjoys closer ties with the local government, union and workers, making joint efforts to deal with problems. The riot is a blessing in disguise.

That said, the riot has also emerged as a stark reminder to Teh of the reality that employer-employee relations built over a long period of time could be easily damaged overnight because of external factors. Learned from the crisis, Esquel has continuously improved the working environment for workers. A major initiative was the building of parking space for motorcycles, quadrupling the size of the car park. Most Vietnamese people rely on motorbikes for daily commuting. Workers have had their hearts at ease when their bikes are being taken care of under a safe parking area with roof.

Furthermore, Teh also tackled the issue of overtime of staff. The management had found the phenomenon of staff working overtime was common. One reason was that they could get almost one-third of their daily salary more by doing two hours of overtime work. The management decided to introduce training courses to enhance workers' skills, efficiency and productivity and at the time boost their salaries. Teh said: "We created quality employment – less hours, more pay. Our workers have more time to be with their families and friends or do things that matter to them". To show he meant what he said, Teh has set a factory-wide target of zero overtime by 2018. In 2015, the total monthly overtime hours of each staff were 15 hours on average. Everyone now can say goodbye to overtime work.

1.



1. Nguyen Tan Dung (right), the then Vietnamese Prime Minister, shook hand with Kent Teh (left) when he visited Esquel's factory, his first stop during his post-riots inspection visit to the industrial park.

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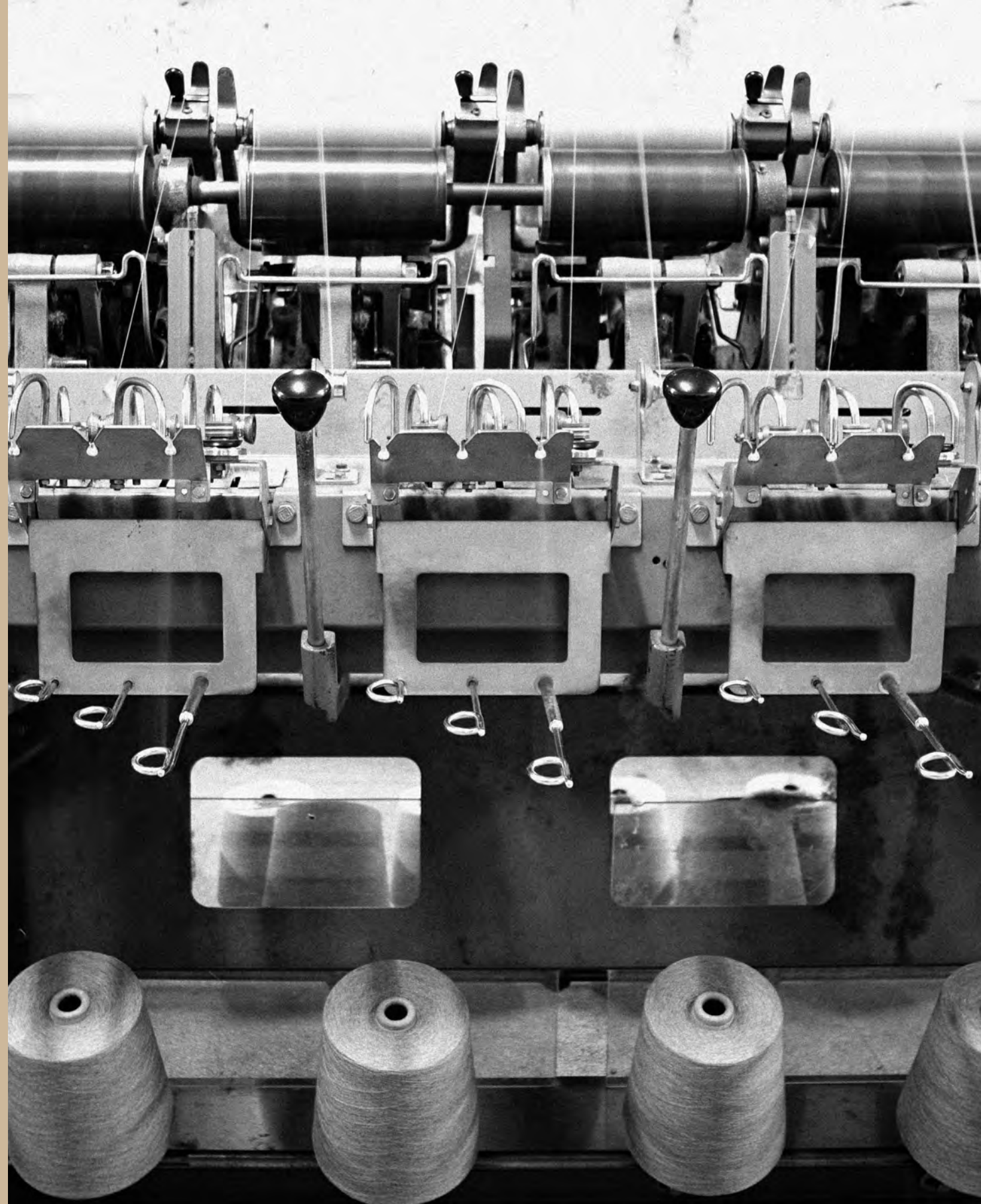


2. Factory swiftly back in action after the riots. Group Chairman Marjorie Yang (fourth from right in second row), bringing with her thank-you cards, and Kent Teh (fifth from left at second row) expressed gratitude to staff for coming out to defend the factory.

2.9

WAY YAT
CLOSURE MARKS
THE END OF "MADE
IN HONG KONG"

告別「香港製造」





1.

1. Way Yat Industrial Limited in Yuen Long

WAY YAT CLOSURE MARKS THE END OF “MADE IN HONG KONG”

Way Yat Industrial Limited (Way Yat) was founded by Esquel Group in Yuen Long, Hong Kong, in July 1998. It was followed by the establishment of another factory in Kwun Tong. At its peak, Way Yat employed more than 400 staff. Rocked by the Asian financial crisis, the SARS (severe acute respiratory syndrome) epidemic and the financial tsunami, the local manufacturing firm was knocked down by the laws of market. Esquel said goodbye to the brand of “Made in Hong Kong” in 2011.

“Way Yat was our baby. We watched it being born and growing up. We don’t want to watch him go,” said Ma Miu Kuen, one of the founding team members of Way Yat. “Even in the worst of times, like SARS, I truly believed that Way Yat would make it through. I was confident that Margie would lead us through the hardship.”

Hong Kong’s once booming textile and garment industry began its decline as China adopted economic reform and opening-up policy. By late 1990s, most of Hong Kong’s garment factories had moved northward into the mainland. “I was so happy to see a garment manufacturing factory opening in Hong Kong. I was eager to work there, even if it meant I had to travel to remote Yuen Long,” recalled Ma, Team Head of Knit at Way Yat before she retired.

While in operation Way Yat took on a lot of orders. Workers often worked overtime until the early hours after midnight at least once a week. But everyone worked hard in one heart. Supervisors and team leaders rolled up their sleeves to operate the sewing machines.

“All garment workers in our generation would have to have all-round sewing skills to get a job. With that, we would be able to make the whole shirt on our own. This allowed flexibility. When we have to beat deadline, anyone of us could give helping hands to any part of the production process,” said Ma.



2.

2. K. Y. Chung (in yellow vest in the middle), factory manager of Way Yat, and Group Vice Chairman Teresa Yang took picture with staff when the factory closed down. Among them are Ma Miu Kuen (first from left at front row) and Lau Chor Yee (tallest at back row).

They headed straight to the factory after picking up their luggage and worked until 2 am.

Ma recalled an episode to show the heavy workload at Way Yat. On one occasion, she and two fellow workers were back to Hong Kong after taking a holiday break in Japan. While waiting for their luggage at the airport, Ma received a call from her colleagues, asking for help to finish the orders. They headed straight to the factory after picking up their luggage and worked until 2 am. She was greeted by doubts, however, from her husband when she returned home in the early hours of the morning. Her husband found her explanation unbelievable and said, "If you had gone to play mahjong, just say so. Don't tell lies." She burst into tears. Luckily, those crazy overtime work had not taken its toll on their marriage.

Ex-colleagues of Way Yat have held regular gatherings after the factory was closed down. They still share a common wish that Way Yat would have run for a few more years. Some of them were close to retirement age and had no other skills except sewing. It was difficult for them to find other jobs after they were let go. Ma decided to retire and spend more time with her grandchildren.

Looking back, another former employee, Lau Chor Yee said emphatically: "Way Yat was the best garment factory I have ever worked with. My boss was dedicated and caring, and the working environment was great."

The Kwun Tong factory was established in 2005. Lau, who had worked in garment factories before that, was lured by the salary and benefits offered by Way Yat. With sights that the factory she was working with then faced difficulties, she applied for a job in Way Yat and succeeded.

Lau remembers that the Kwun Tong factory originally occupied three floors of the building and with advanced equipment. A year later, however, it was downsized to two floors. Young people were pessimistic about the future of the industry and reluctant to join the industry. Coupled with high costs and long production cycles, Hong Kong's competitiveness had declined when compared with its neighboring regions. There was a growing feeling that the "Made in Hong Kong" brand was on its way to the tunnel of history.

The bad news ultimately came on December 8, 2010 when K.Y. Chung, the then factory manager, announced the closure decision. Some workers broke into tears. Although Way Yat offered a severance package far more generous than what was required by law and that some older workers had the option of early retirement, many workers still needed to find another job to make a living.



3. Recent picture of Ma Miu Kuen



4. Recent picture of Lau Chor Yee

The Kwun Tong factory officially ceased operation in March 2011. Everyone was rushing to finish the remaining orders before then. Management also introduced a variety of training courses to prepare employees for job transfers. Thanks to those arrangements, almost all workers who wanted to continue working were able to find another job. Lau chose to take a garment alteration course and quickly found a new job and stayed until she retired in August 2017.

Now in her 60s, Lau still laments the decline of Hong Kong's garment factory. "We were the last generation of garment workers in Hong Kong. A few years ago, a fashion design student came to me with design drawings. Based on that, I made a beautiful piece of clothing for him. But after we all retire in a few years, I doubt whether there will be anyone here who can alter clothes by hand, not to mention sewing the whole piece of cloth one stitch after another," she said.

2.10

HEADS HELD
HIGH: TWO AWE-
INSPIRING WOMEN
OF ESQUEL

兩位揚眉女子



HEADS HELD HIGH: TWO AWE-INSPIRING WOMEN OF ESQUEL



The majority of workers in the textile and garment industry have always been women. Over the past four decades, Esquel has developed from a small firm in Tsim Sha Tsui to a multinational enterprise with more than 56,000 employees around the world. Behind its success are the efforts of many hardworking and capable women.

Hui Yuk Lan, respectfully called “Lady Hui” by fellow Esquel teammates, joined Esquel in 1979 as a technical instructor. Always full of energy and spirit, Hui earned high recognition from her supervisors within a short period of time. She was assigned to manage factories in various places, including Singapore, Malaysia, Mauritius and Changzhou, Gaoming and Yangmei in China. She was grateful to the support of her family for her overseas assignments over a long period of time. “My husband was proud of me. He knew I was being entrusted to these important positions overseas because I was doing good work for the company. He never pressured me to be a housewife at home,” she said.

“Lady Hui” had confronted with a long list of difficulties during her postings outside Hong Kong. One of the most unforgettable incidents was the factory strike in Changzhou in 1996 when she and a group of other instructors were sent to the Changzhou factory. The local workers thought the team from Hong Kong were there to take over their jobs. They staged a strike to show their resistance. Esquel founder, the late Mr. Y. L. Yang, was very concerned. Over a long-distance phone call, he instructed Hui to put an end to the strike as soon as possible, including by firing the striking workers if that became necessary.

She did not follow the order of her boss, which would be the “quickest and easiest solution”. Instead, she tried to resolve it through persuasion. “I am from Hong Kong; my husband and children are in Hong Kong. Why should I stay

here for a long period of time? We are here to improve the production process. We will go when it gets done” she told them. The strike ended in one week. She left Changzhou for Gaoming one year later.

Inside the factory, Hui was known for her stern and authoritarian ways. “If I think you are wrong, I will nag you until you understand. A factory manager must carry authority. There was no laxity in work when I was in the factory. I ordered workers should not have chit-chat while working. I always said that I would only like to hear the sound of machines on the production floor. When there were visitors to the factory, I required the workers to focus on their work as if the guests were not there. This was to show our professional working attitude to the visitors,” she said.

Hui retired in 2002. One of the achievements she took pride in was her perfect on-time output record. She had always managed to deliver orders on schedule for shipping and that she had never had to send any products to clients by air. “Air cargo was expensive. Do you know how many orders we would have to do in order to afford one express shipment by air? That was why I was constantly checking all the different processes and units to make sure that everything was on track and on time to lessen our general manager’s worries” she said.

1. Hui Yuk Lan (third from left) and Chan Chun Ho (first from right) took a sightseeing trip to the Great Wall with colleagues when they acted as technical instructors in Beijing in 1979.



2



4.



3.



2. Hui Yuk Lan (first from left) and Esquel Group founder Y. L. Yang and others at the lobby of Golden Field Textile Company in the 1990s.
4. Chan Chun Ho (left) was deployed to Esquel's joint venture Golden Field in Gaoming, Foshan city in 1994. The factory became Esquel's wholly owned firm in 1996. It was renamed as Guangdong Esquel Textiles in 2000.

3. Chan Chun Ho's earlier generation of staff cards.

5.



5. Hui Yuk Lan (middle in front row) met her 'mentee' Queenie Huang (middle in back row) in Changzhou Esquel in the 1990s. Huang is now Managing Director of Human Resources (China Operations).



6.

She was dubbed “Empress Dowager Cixi (in the late Qing Dynasty)” for her sternness and her inclination to control everything. But her demanding management style has helped groom a fleet of exceptional leaders at Esquel. Among her former subordinates are Queenie Huang, Esquel Human Resources (China Operations) Managing Director; Jenny Cui, Esquel Accessories and Packaging (EAP) Managing Director; Zhang Xiongyan, Guangdong Esquel Textiles Co. Ltd.; Senior Manager and Zhang Runming, Engineering Excellence Department Chief Engineer.

7.

Another “fierce” woman in Gaoming was Chan Chun Ho. Chan was in charge of the sample room when she joined Esquel in 1984. She always spoke directly and loudly. “Everyone said I was fierce. But it was never personal. As a woman working in a factory, you cannot be mellow. You have to be tough. Otherwise, no one would listen to you,” she said. Her arrogant style has won her the nickname “Chan Jack (陳積)”, “Jack” in its Cantonese pronunciation could literally mean arrogant.

Chan maintained the job in sample room was much more difficult than those in mass production because they controlled the lifeline of the company’s business. “We made samples for a few dozen styles each day, with a few pieces for each style. We have to be quick of eye and deft of hand and have superb memory. Otherwise it would not be possible to get the samples done on time. Quality was important too. How can clients have confidence in placing orders if you cannot even provide a good sample?” she said.

Chan was so stubbornly persistent on the delivery of goods on time that she had got bold enough to ask her boss to help deliver a sample back to Hong Kong on one occasion.

It happened in 1994 after Esquel closed down its sample room in Hong Kong and transferred the entire department to its Gaoming production base. By that time, transport and logistics between the two cities were not well-developed, making it inconvenient to send samples back and forth. One day, Chan had an urgent sample that needed to be sent to Hong Kong for shipment to a client in the U.S. After asking around colleagues in the factory, she found there was only one person who would travel from Gaoming to Hong Kong that day, namely the boss, Mr. Y.L. Yang.

“Mr. Yang’s secretary must have thought I was incredibly audacious to even think about asking the boss to carry the

sample back to Hong Kong. But Esquel was his business too! We would lose the order if we did not send the sample on time; none of us would like to see that happened,” she said.

Mr. Yang gladly brought the sample back to Hong Kong for her. Words of what Chan had done soon spread. Since then, whenever other senior executives, such as “Uncle Sam”, visited Gaoming, they would ask Chan if they could help bring any “urgent samples” when they return to Hong Kong.

Chan described herself as a “patrol boat”, which cruised through the production base to check work progress of each section every day. From noon onwards, she had to run, instead of walking, because they must make all samples available for shipment by 3:30 pm. “I have to take the lead. If I care, the workers will care too – and they will work harder to make things happen,” she said.

Her commitment and dedication to her work could spread like disease. One time while

she was away on business in Hong Kong, the Gaoming factory received a batch of substandard samples from a supplier. Knowing what Chan would have expected, more than 30 workers voluntarily worked overnight to fix the samples, giving the company’s annual dinner scheduled that evening a miss.

When Chan learned of that on her return, she organized a small dinner gathering for the workers from her own pocket. “I know that the annual dinner meant a lot to the workers. But I am proud of them for knowing how much the order meant to the company. The workers did not work overtime only for the pay – they truly had the company’s best interest at heart,” she said.

Chan loved her job and adored the thrill of finding solutions to problems old and new. She stayed in her position as Guangdong Esquel Textiles Technical Manager (Garments) until 2015 when she was already well past retirement age.

Note

Both “Empress Dowager Cixi” and “Jack Chan” were genuinely surprised to be invited for an interview, modestly saying that there was nothing extraordinary about them. But once they started talking, years melted away and all of their experiences two to three decades ago came back in the form of extraordinary tales of perseverance and dedication. They might have been just two of Esquel’s countless frontline employees, but without their tireless effort in fulfilling every task assigned to them, Esquel would not have become what it is today.



8. Hui Yuk Lan (standing fourth from left at front row), Chan Chun Ho (sitting second from left) and colleagues at Guangdong Esquel Textiles in 2003.



CHAPTER 3 第三章

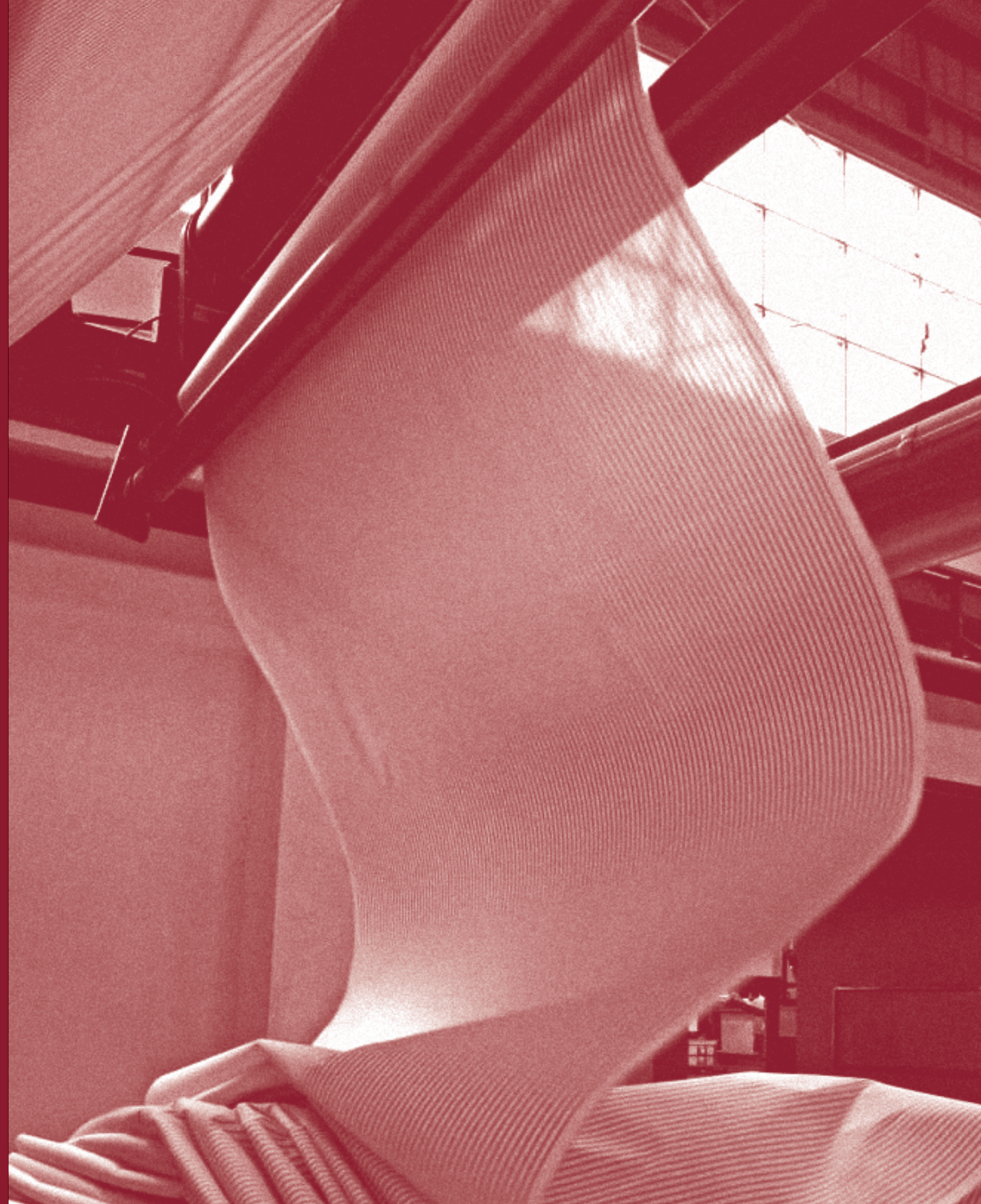
SMART INNOVATIONS TO
PURSUE EXCELLENCE

睿智創新 迎接挑戰

3.1

FROM SPECIALTY SPINNING TO FACTORY OF THE FUTURE

由特紡廠到未來工廠



FROM SPECIALTY SPINNING TO FACTORY OF THE FUTURE

Mainland Chinese spinning factories have seen gradual yet substantial improvements in their technical capabilities and efficiencies since the beginning of the millennium. Esquel's spinning factory in Gaoming, which has been providing cotton yarns for the company's Guangdong weaving and knitting factories, was susceptible to the challenge, gradually losing its comparative advantage. Amidst strong calls for relocating the factory to lower-cost Xinjiang, Tian Ye has emerged as the lone voice of opposition. He adamantly insisted that the Gaoming spinning factory should stay.

Being responsible for the factory's business and sales at the time, Tian Ye wrote numerous reports to the management to point out the enormous untapped potential of the spinning factory. His determined effort has not gone unnoticed.

"Margie approached me one day and said, 'I will let you run the factory if you dare to try.' 'There is nothing I dare not to do', I said to her," recalled Tian. Once at the helm of the factory, Tian made it his personal mission to reform it. In June 2004, at Yang's suggestion, the factory was renamed as Guangdong Esquel Specialty Spinning Factory.

Why he dares to try? His answer is simple: An understanding about the market. "If you only follow others and do what they do, you will certainly lag behind," said Tian, currently Managing Director of Specialty Spinning, Guangdong Esquel Textiles Company Limited, Spinning Factory (GES). A case in point was color standards. From talking with clients, Tian has realized that color standards are a make-or-break factor in order-placing decision. At a time when competitors offered about 30 to 50 colors, Tian made it his very first task after taking over the factory management in 2004 to launch a new set of color standards with 360 different shades. The vast color options, coupled with exquisite design, allowed designers to achieve vivid effects and fuller hand feel in their garments. The colors quickly gained popularity among designers, rapidly expanding Esquel's market.



1. Esquel provides more than 2,000 shades of color in its latest color card for yarn, which is like an 'Encyclopedia of Colors'.



2. Esquel develops yak wool that is conducive to conservation of natural grassland.

"This is a turning point for the specialty spinning factory and probably its most important milestone. The truth is, we are selling standards, not products. We may have been Esquel's only division to sell standards," said Tian. He believed that one must innovate to succeed; innovation was also the secret to his success in reinvigorating the spinning factory. By the time industry peers began to follow Esquel's color standards, Tian was already pursuing his next project: conducting a comprehensive science-backed color study and expanding Esquel's color palette to include 2,136 shades by 2010, even obtaining a patent for it. Using this "encyclopedia of colors" as guidance, Tian led the product R&D team to develop new spinning techniques, giving birth to a variety of patterns and color effects. Under the appealing name "mirage," those new patterns inspired highly creative work from designers, thus making Esquel steadfast at the forefront of market trend.

Another innovation-led development during Tian's time was using 100 percent cotton to create Cashmere-Like Cotton. Again, an idea arising out of a customer conversation, Cashmere-Like Cotton was Esquel's successful attempt to transform cotton fiber into a lush, cashmere-soft fabric. It became an instant hit. On the production front, Tian also achieved important milestones, leading the specialty spinning factory to break free of traditional equipment and technical limitations in cotton spinning. He set up a new technological system for spinning, integrating existing spinning processes like cotton, wool, linen and silk into a new manufacturing operation that can produce a variety of high-end natural fiber blended yarns, like cotton silk, cotton wool, cotton line, cotton cashmere and cotton yak. The innovation has broadened the factory's business beyond pure cotton, opening up opportunities with new fabrics that come in different yarn structures, blends, textures, colors and styles.

Tian's resource development project for yak wool from the Tibetan Plateau is also worth mentioning. Yak wool is an animal fiber unique in China. While goats typically eat grass and all its roots, destroying grasslands, yak eats only grass and keeps grasslands intact. Using yak wool is conducive to conservation.

Collaborating with scholars from Peking University, the specialty spinning factory worked to educate decision-makers from major brands about nomads and the way they live in harmony with nature. Through this effort, Esquel introduced yak wool to the world of fashion design, along with these important conservation messages.

As a result of Esquel's development and promotion, the price of yak wool soared from RMB 100,000 per tonne at its early procurement



3.

“Competitors who tried to copy us were thwarted by the sheer number of our product types. It was nearly impossible to copy what we were doing.”

to nearly RMB 400,000 per tonne in 2017, almost on par with cashmere prices. Tian is not worried about putting off clients with high prices: “Those who find this expensive should not be our target clients.”

Fast-moving, small-batch, multiple-category sales is a distinct feature of specialty spinning. With orders drastically affected by seasonal fluctuations, Tian faced a challenge of redesigning the production line to make it flexible enough to balance the production volumes during peak and off-season. He did, equipping the factory to take orders from as low as 25 kg to up to 1,800 different types of products within one month. “Competitors who tried to copy us were thwarted by the sheer number of our product types. It was nearly impossible to copy what we are doing. Soon competitors started to refer small-order clients to us – we are the only ones who could handle small-batch production and sales.”

Still, it was not always smooth-sailing when it came to leading-innovative reforms. The budding series, for example, was launched in 2004 but did not gain traction until 2013 as it initially lacked designer buying-in. The breakthrough came after Tian launched vigorous promotion campaigns aimed at inspiring designers to use and explore the potential of the fabric, which went on to become very popular. Tian said of the experience, “Innovation that does not sell is not successful innovation. But what falls short today may succeed tomorrow – we just need to keep learning from our failures.”

After graduating from the Northwest Textile Institute in 1983, Tian stayed there to teach before migrating to New Zealand in the 1990s. Having seen the rapid economic development in China, he decided to return to the country. He joined Esquel in 2001. As he witnessed the Group’s speedy growth, he shouldered the task of the establishment of the specialty spinning factory as a core business. Tian took up the key mission of realizing the “factory of the future” concept, which became the operation model for the Textile Technology Demonstration Center in the Group’s Integral in Guilin.

What is Tian’s ideal “factory of the future?” He said, “Highly automated and integrated equipment. No night shift staff. Factory workers there will not be ordinary staff, but field engineers who will have time for coffee breaks because they will be equipped with mobile devices that monitor the entire operation on site. They will be the first to know about any issues and will be automatically directed to the affected work site for inspection. It should be a modern, seamless workplace that will appeal to young people, who will carry our industry forward.”

4.



4. Joined Esquel in 2001, Tien Ye, now Managing Director of Specialty Spinning, Guangdong Esquel Textiles Company Limited, witnesses the high-speed growth of the Group.

3. Guangdong Esquel Textiles’ specialty spinning mill in Gaoming, Guangdong.

3.2

A COTTON FARMER'S “SUPER COTTON” ODYSSEY

另類「棉農」的
「超級棉花」之旅



A COTTON FARMER'S "SUPER COTTON" ODYSSEY

Tough, enduring and radiant, Extra-Long-Staple (ELS) cotton is one of the highest quality cotton species in the world. Also known as "Sea Island cotton," the long, slender fiber cotton is planted in Xinjiang, the only region in China suitable for growing ELS cotton. In the 1990s, Esquel entered Xinjiang in search of a stable supply of the precious cotton species.

Cotton seeds and cotton mark the starting point of Esquel's vertically integrated supply chain. The Group's study on cotton varieties began in 2001 in Turpan. But when the region's climate had eventually become too hot for the growing of ELS cotton, Esquel relocated the study to southern Xinjiang in 2004. Esquel's first self-developed cotton breed, Xinhai #33, originally cultivated in Turpan, has been made more vulnerable to pest and disease risks in southern Xinjiang. For over a decade, the Group has been committed to developing higher quality cotton breeds based entirely on southern Xinjiang's climate and native cotton species. This resulted in the successful cultivation of Xinhai # 50 in 2016, which could spin 80-200s high-count pure cotton yarn with stable output and was certified as a new ELS cotton species in Xinjiang. Xinhai # 55, on the other hand, was a new high-output breed jointly cultivated by Esquel and the Xinjiang Academy of Agricultural Sciences.

Behind these new cotton breeds was a somewhat unorthodox "cotton farmer" – Liu Xia, Xinjiang Esquel Textile Co., Ltd. (XJE) Senior Manager, Research and Development. Her mission, put simply, is to help Esquel discover "super cotton" – a cotton breed to meet a specific set of criteria, including fine and strong fibers, high output, strong resistance to pests and diseases, and genetic stability.

Liu has tried all possible means to achieve an end, namely "super cotton". She has even sent cotton seeds into outer space twice in the hope of exposing them to a cocktail of unknown radiations that would return new, mutated cotton breeds. "It was like looking a needle in a haystack," she admitted. "Everything was uncertain. Did our seeds even get exposed? To what kind of radiation, and by how much? All these factors were beyond our control. So far, our 'space odyssey' has shown no obvious effects on the cotton seeds."

SUSTAINABILITY

可持續發展

HIGH HARVEST

產量高

BEST QUALITY

高質量

Liu has tried all possible means to achieve an end, namely “super cotton”. She has even sent cotton seeds into outer space twice.

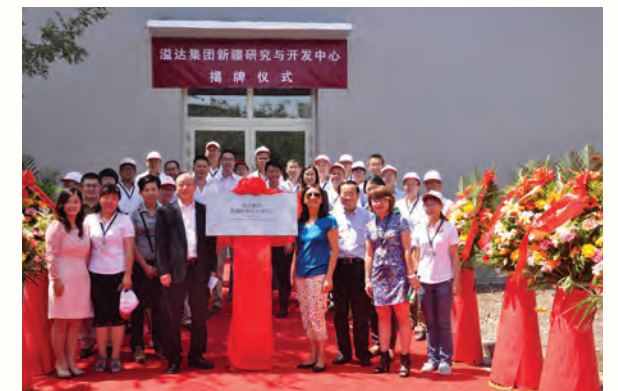
Esquel’s dedication to cotton research has extended to the realm of science. In 2011, Esquel spent RMB 15 million to form a scientific research team comprised of experts from Shanghai Institutes for Biological Sciences, Chinese National Human Genome Center at Shanghai, and Nanjing Agricultural University. Four years later, the team completed the world’s first genome sequencing research on Sea Island cotton, with findings published in the highly regarded *italicized*.

The project, to Liu, was her most unforgettable endeavor at Esquel. “The project was supposed to be completed in two years, but after just one year we found ourselves in a bind. Few institutions had studied ELS cotton before us, so we were working on a weak research foundation. This made certain processes, like genome sequencing and function prediction, extremely challenging. There were new difficulties to overcome at every turn. Everyone in the team was under immense pressure but no one wanted to give up. So we redistributed responsibilities, and engaged more bioinformatics specialists and other experts to help us move forward. The wholehearted trust, understanding and support from Esquel’s management team were crucial to the project’s success.”

Outsiders will never quite understand why a textile and garment enterprise needs to decode the cotton genome. “Changes to a plant’s genes are not visible to the naked eye. Genome sequencing unveils the genetic codes of ELS cotton, giving us a way to ‘see’ any changes that occur. It also helps us identify the strengths and weaknesses of different genes, so we can take advantage of good genes and modify, or eliminate, bad ones,” explained Liu. While Esquel cannot apply for patents to this pure scientific research, other cotton experts can use the project findings to improve cotton breeds, contributing to the sustainable development of ELS cotton.

Cotton tied the fate of Liu with Esquel. After receiving her master’s degree in plant inheritance at China Agricultural University, she originally planned to work for the Xinjiang Branch of the Chinese Academy of Sciences. Then an invitation came from Xinjiang Esquel’s human resources department for her to visit the company. Bewilderment was her initial reaction. “I did not think I had anything to do with a textile company,” she recalled. Her quick response to the offer was “No”. “But after a few more phone calls from them, I got curious and decided to go and find out for myself why Esquel was so interested in cotton – and in my biology background.”

During the visit Liu learned that the Group needed to form a R&D department in Turpan to study the quality and usage of different varieties of ELS cotton. That was precisely her area of research. “I was moved to see a textile enterprise so passionate about cotton. I decided to give it a go,” she said. Thus, began Liu’s “super cotton” odyssey, and a long, fruitful career at Esquel.



1.

1. Liu Xia (second from right in front row) at the officiating ceremony of the Xinjiang Esquel Textile Co., Ltd. (XJE) Research and Development Center in May 2015.



2.

While Esquel could not apply for patents to this pure scientific research, other cotton experts can use the project findings to improve cotton breeds, contributing to the sustainable development of ELS cotton.

3.



2. Searching for "super cotton" is the major task of Liu Xia, Head of Research and Development Center of XJE.

5.



3&4. "Sea Island cotton", featuring long, slender fiber cotton in shining color, is one of the best-quality cotton species in the world.

4.



5. Esquel's cotton research started in Turpan in 2001 before it was relocated to southern Xinjiang in 2004. Picture shows cotton field in Xinjiang.

3.3

INNOVATION: IT IS IN ESQUEL'S DNA

創新是溢達的 DNA

INNOVATION: IT IS IN ESQUEL'S DNA

Esquel allocates about three percent of its annual sales budget to research and development. The Group encourages its expert research team to constantly explore new paths, from optimizing production processes, enhancing product quality and innovating products to conducting pure scientific research. One major achievement of its kind was the completion of the world's first genome sequencing research on Sea Island Cotton. What made that happened is not just because Esquel's "5E-Culture" includes exploration and innovation and the belief of excellence. It is also because the genes of innovations are already in the Group's DNA.

Wrinkle-free cotton shirt is a strong item under Esquel's brand. But Zhang Yugao, Esquel's Group Director of R&D, Group Research and Development Centre, clearly remembers items similar to that did not even exist when he joined the company. "We did receive orders for nylon-cotton blend wrinkle-free shirts. Although they were considered one of the easier wrinkle-free products to produce, we still struggled with difficulties in production and had to buy fabric from suppliers to fulfill the orders," Zhang recalled.

They faced a dilemma. Shirts blended with nylon looked crisper but were stiff and lacked breathability. Pure cotton garments, on the other hand, were lighter and more comfortable, but were also prone to creases and wrinkles. For the pursuit of excellence,

Esquel's R&D team took on the challenge of creating a pure cotton wrinkle-free shirt. "It took years. After developing the technology in our laboratory, we had to design the production line, select the machinery, and perform constant testing before we were ready for mass production," said Zhang. Today wrinkle-free cotton shirts take up more than one-third of Esquel's total production of woven products.

Zhang, who has led Esquel's Group Research and Development Centre for more than two decades, studied chemistry in university. It is a field with little, if any, relevance to textile and garments. After receiving his master's degree in chemistry in Canada, he took a job in Vancouver, conducting research on cancer drugs at a pharmaceutical company.

"China's reform and opening-up in the 1990s have created new opportunities. I decided to return to China. What I was going to do didn't matter. I just wanted to be part of China's process of reform and opening-up," he said. Accidentally, he saw Esquel's recruitment ads for executive trainees in North America. He decided to give it a try. In 1994, he joined Esquel's factory in Gaoming.

His first task had nothing to do with technological research. Instead, he was assigned to spearhead the establishment of a knitting factory, including the conducting of feasibility studies and applying for all sorts

of government business licenses. Eventually, he witnessed the transformation of a piece of wasteland into a knitting factory. Once the construction work was completed, Zhang was appointed to manage the newly established technical department. He also became the first manager at Esquel to be responsible for the globally recognized quality management system ISO. “It was a period of many firsts for me – I was managing things that I had never done and knew little before,” said Zhang.

At its initial stage, the technology department mainly conducted product and technology research and development upon the request of clients. He got a better understanding about the trend of the industry and the needs of clients a few years later. He therefore became more proactive in recommending new ideas about technology to clients. Driven by a will to innovate, he set up a team to exclusively develop new technology and products, which was to become Esquel’s Group Research and Development Centre today.

A list of Zhang’s achievements would be incomplete without the successful application of Esquel for the patent rights of its wrinkle-free cotton shirt design in 2000. The R&D team developed “pucker-free seams” to address the common issue of puckering in a shirt’s seams, which could occur if there was no special treatment. Though seams

1. GET’s waste water treatment center is one the largest sewage treatment plants run by the textile industry in China.

In 2012 Esquel invested RMB 40 million to build a wastewater treatment system in its high-consumption Gaoming production base. The system, developed by the R&D team over five years, was powerful enough to turn murky wastewater into clean drinking water.

1.



2.



2. The waste water treatment center at GET is featured with Lingnan architectural style.

4. Zhang Yugao heads Esquel Group's Research and Development Center for more than 20 years.

3. Esquel is striving to study to lower the cost of water recycling.

3.



4.



5.



5. Recycled water is good enough for breeding goldfishes.

only take up a small proportion of a shirt, puckering affects its overall appearance. The team's creation kept seams in place even after repeated washes, giving the wrinkle-free shirt a much more polished finish.

Esquel applied for a patent for "pucker-free seams" in more than 30 countries – a new record for the company. But the new technology also brought Esquel a four-year lawsuit for alleged plagiarism. As Esquel's main defendant in the trial, Zhang was resolute in his stance. "I knew we did not plagiarize. My boss believed in me, too. But there was immense pressure. Losing the lawsuit would damage the reputation of the company and our access to that market," he said.

Esquel won the legal battle and was awarded a compensation of more than US\$7 million.

Another important technology successfully developed by the R&D team is "Performance Care", which helps knit garments retain their original shape and color after multiple washes, while resisting pilling. The technology took nearly a decade to develop and has been one of Esquel's best-selling technologies for years.

Of course, not every research effort can be turned into a best-selling product. In 2012, the R&D team developed the world's finest yarn. With over 700-yarn count, a cross section

of one yarn had less than ten cotton fibers, promising to weave extraordinarily smooth and light fabric. But Esquel decided not to have mass production of the item.

Zhang explained, "The production cost was simply too high. Who would buy a shirt at a price tag of RMB 50,000?" He said the team originally sought to improve spinning technology and had already enhanced the efficiency of spinning 300-yarn count, reducing cost by 30 percent. The successful development of the 700-yarn count products reflected the strength of the R&D team and provided an invaluable learning opportunity for those involved in the research.

While keeping innovation of its products, the R&D team has always stayed mindful of Esquel's sustainable development philosophy. Esquel has never been hesitant in its spending on environmental conservation. Of the company's production bases, the Gaoming plant recorded the highest volume of water consumption. In 2012 Esquel invested RMB 40 million to build a wastewater treatment system in the Gaoming production base. The system, developed by the R&D team over five years, was powerful enough to turn murky wastewater into clean drinking water. Esquel became the first textile printing and dyeing enterprise in China to adopt sewage recycling, setting industry-leading benchmarks for environmental conservation.

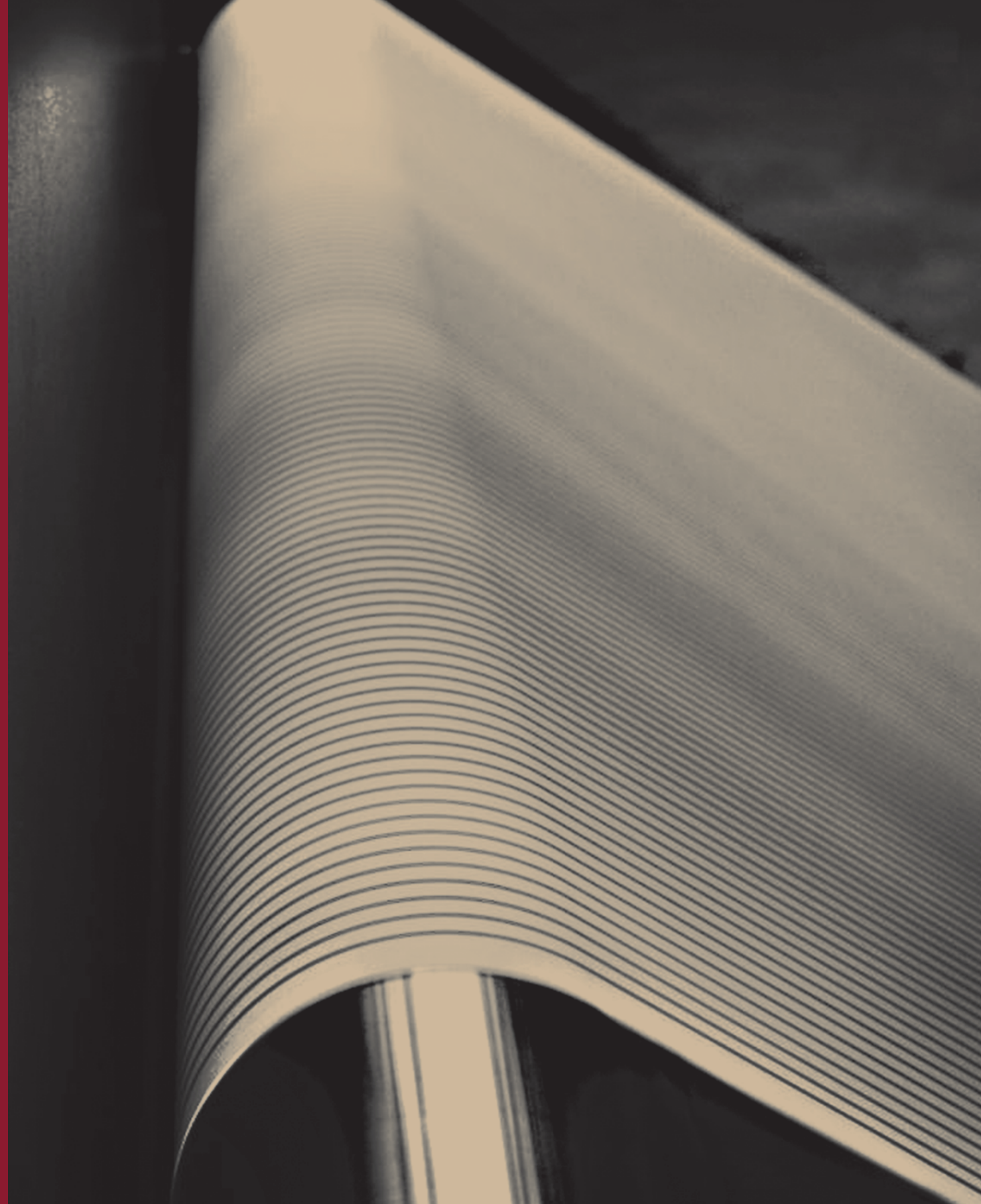
The job is yet to be done, however. Factoring in operation and depreciation, the cost of recycling one tonne of sewage exceeded RMB 3, three times the cost of purchasing one tonne of water. "We are aware of the cost involved in water recycling. We are still willing to do it. We see it as an investment in a precious resource, and a chance for us to set a good example and fulfill our sustainable development promise. We believe that technological advancement will eventually drive down cost. This will continue to be the focus of our research in future."

Zhang currently still has one more "mission impossible" on his list, namely the development of waterless dyeing technology. Although it has already been proved to be working in laboratory, there is still a long way to go before the technology can be adopted in production. The team's main challenges now are to design the production process and machinery, and most importantly, to reduce production cost. Zhang remains optimistic. "Textile industry is one of the industries that consume water most, particularly during the dyeing process in production. Waterless dyeing technology is set to disrupt the industry if it succeeds."

3.4

A PERFECT DUO IN AUTOMATION

自動化最佳拍檔



A PERFECT DUO IN AUTOMATION

Zhang Xiongyan, known as “Sister Yan” to her teammates, speaks as fast as a machine gun. Zhang Runming, or “Brother Ming”, is the opposite. He speaks slowly and acts unhurriedly. She is an action-type person wanting prompt action on details. He is a thinker taking a philosophical approach in handling matters. Poles apart though they are, they have made perfect duo.

Zhang Xiongyan, Senior Manager of Guangdong Esquel Garment Co., Limited and Zhang Runming, Chief Engineer of Engineering Excellence Department have played a big part in driving large-scale automation at Esquel’s factories. “Sister Yan” joined Esquel in 1991. Starting as an ordinary worker and having taken one step by another to become a member of the management team, she knows A to Z of the production process, and she knows automation is the answer to keeping good quality consistently, thus raising the salaries of workers. “If one single procedure needs six people to work on it, it would be difficult to control the quality. If the quality is not good enough, you have to do it again. So, what can be done to improve the procedures? There have to be a better way. I have spent many quiet Saturdays trying to find ways. If an idea sounds feasible, I will invite interested colleagues to join me in testing and refining it,” she said.

But even the best idea needs machine and mechanical support in order to turn it into reality. Enter “Brother Ming”.

An experienced engineer, Zhang Runming was happy to be on board. But his technical knowledge loaded with jargons has always posed a difficult challenge to “Sister Yan”, due, in no small part, to her quick-act workstyle. She said, “We spoke ‘different’ languages. Often when it became too difficult to communicate I would drag ‘Brother Ming’ to the production site to join me. It would be easier for him to explain to me with the machines in front of us. Sometimes I grew impatient. But we have never had a fierce clash. At its worse, I had probably just complained and then walked away.”

“Brother Ming” said of his approach in dealing with “Sister Yan,” “Stay quiet and listen. It works wonders.” He added, “Many new engineers were intimidated by “Sister Yan” because she would ask for something and expect results the next day. I chose to let her talk and air out her frustration first, then digest the message. These days Sister Yan is no longer as hot-tempered as she was before.” Perhaps the experience of “Brother Ming” in managing people has helped him find a way of working with her. Joining Esquel in 1994 leading a team of three people in a molds and tooling factory, “Brother Ming” is now head of Esquel’s Engineer Excellence Department with about 95 staff.

With China’s labor costs keep rising, many garment factories relocated their production lines to Southeast Asia and other low-cost areas, but Esquel decided to stay.

If one single procedure needs six people to work on it, it would be difficult to control the quality. If the quality is not good enough, you have to do it again. So, what can be done to improve the procedures?



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3.



1. How did Zhang Xiongyan spend her weekends?
The answer was: exploring new techniques and methods for automation.
3. Zhang Xiongyan speaks as fast as a machine gun. Zhang Ruming speaks slowly and acts unhurriedly. Yet they make perfect duo.

2. Zhang Runming (sixth from right in third row) with colleagues in his department four years ago. His Engineering Excellence Department has nearly 400 staff now.
4. Zhang Xiongyan (first from left) and colleagues at the Esquel factory in the 1990s.



4.

In 2010, the company established a research and development center to develop large-scale automated production technology, which is part of its strategy to upgrade the factories in mainland China.

Having worked together for years, the duo has established a seamless working relationship and, as a result, achieved great success. Some of their joint achievements include the development of a 3-millimeter automatic thread cutter machine, automatic label-sewing machine, cloth-layering and grab technology. The industry-first automatic sewing machine for pointed sleeve plackets is the item they feel most proud of.

Traditionally, pointed sleeve plackets were sewn manually. It was a highly demanding process that required razor-sharp hand-eye-leg coordination, which meant difficulty in training up skilled workers. At the best, a skilled worker with more than five years' experience can only produce 200 units a day, with at least 10 percent of them needed to be redone because of quality problem. "Sister Yan" and "Brother Ming" have spent seven months developing a machine to finish the work process. The first-generation automatic pointed placket sewing machine was launched in 2011. Though it was able to produce only 50 units a day – even half the daily output of an inexperienced worker.

The second version of the machine did much better, producing 500 to 600 shirts a day, but still fell short of "Sister Yan's" expectations. She was determined to maximize production capacity by shortening the time it took to adjust molds and sizes. Once again, "Brother Ming" and his team rose to the challenge with a third-generation machine that has an output capacity of 1000 units a day after two years of hard work.

Aside from facing the challenge of boosting efficiency, "Sister Yan" faced another less palpable issue – resistance from her team. Not everyone embraced automation. It took a lot of communication and incentives to charm staff to the new way of working, such as giving recognition such as awards and cash rewards

to staff who have managed to master the new technology. They were also given responsibility of mentoring others, which has helped enhance their feeling of pride.

The successful launching of the automatic pointed packet sewing machine has had significant implications on Esquel's business. "Finding a solution to such a minute production procedure is extremely taxing, but our success shows everyone that it can be done. It has boosted staff morale and made it easier for us to ask for resources down the line. If we had failed, everyone might have lost confidence in automation. That would have been disastrous."

It was fortunate that "Sister Yan's" supervisor, Queenie Huang, then-Director of Garment Operations (PRC), was fully supportive of automation even before she could see any results. "She could have dropped our project because it has been taking so long. Instead, she told us to keep trying and encouraged us to go out and get some ideas from industry exhibitions and other factories," said "Sister Yan", imbued with a feeling of appreciation.

The "perfect duo" have attended several international exhibitions held in different countries, including Japan and Germany. An exhibition held in Shanghai in 2017 has left "Brother Ming" with some bittersweet feelings. "It was encouraging to see our industry players also embarking on the automation journey," he said, "but I was shocked and dismayed when I found our work has been plagiarized by some exhibitors. I felt particularly sad to see our automatic pointed placket sewing machine being 'copied' by a competitor. We worked extremely hard to create it. We did apply for a patent for our machine. But it was easy for industry insiders to turn the technology around by developing their 'own' machine with slight modifications. Lawsuits take time and money. It is also not easy to collect evidence."

Another major setback was the slow progress of implementing automation at Esquel's overseas factories. Looking back, "Brother Ming"

believed inadequate training was to blame: "We built the machines in Gaoming and set them up at our overseas factories. Then we would leave the local team to operate the machine. Without proper supervision and guidance, the local team often switched their operation back to the old machines when they ran into technical problems with the new machines. So we make training mandatory now. We require our overseas factories to send representatives to Gaoming for training, and make sure they fully understand the technology before we ship the machines," he said. The responsibility of training overseas colleagues fell on "Sister Yan".

Like the advent of technology, the duo never stops. They are always full of ideas of how automation could do even better. For example, they want to increase the percentage of automation in the production of woven shirt from the current 65 percent to 90 percent and for knit products, 35 percent to 50 percent. Also, the existing automated equipment can only produce single-colored shirts. The duo would like to develop a way for the machine to "see" and match fabric patterns since more than half of the shirts produced by Esquel are striped or checkered. Most importantly, they have an ambitious goal of automating quality inspection. One of the projects is a sensor that can detect functional or quality issues and temporary halt operation until the issues are fixed.

"Brother Ming" said, "When I visualize Industry 4.0, I see operational technicians controlling the entire production line through the computers in their office, including changing the shirt styles or sizes in production. And while there will be fewer people working, there will still be workers on the floor, running the equipment and carrying out maintenance work." He said, "You haven't seen nothing yet."



CHAPTER 4 第四章

BUILDING STRONGER
COMMUNITIES AND A
BRIGHTER TOMORROW

心繫社區 共建未來



4.1

HONGZHI STUDENTS PROGRAM

「宏志生計劃」

HONGZHI STUDENTS PROGRAM

FOR THE FUTURE OF UNDERPRIVILEGED STUDENTS

"I had written a thank-you letter in English to my donor at that time. I thought he is a foreigner because my teacher told me the donor had requested it to be written in English. I have already forgotten his (the donor's) name. I don't know whether this article will play magic to connect me with the donor so that I can say 'thank-you' to him or her in person." This is the wish of Chen Wanjun, a former recipient of subsidies under the Hongzhi Students Program, expressed at the end of an interview for this publication.

Currently working in the Human Resources Department in Guangdong Esquel Textiles Company Limited (GET), Chen's fate tied with Esquel when she was a high school student between 2008 and 2011. Her teacher had recommended her as a recipient of the Hongzhi Students Program run by the Esquel-Y.L. Yang Education Foundation. She admitted she did not know much about the sponsorship and even how and why she was chosen at that time. Chen said what she knew was that some charity-minded people have given her a helping hand so that she would not have to worry about school fees and that she could concentrate on her studies and think about her future.

"My father had suffered from cancer. He had a relapse in 2008 and passed away the following year. I have a younger brother. My mother raised the whole family on her own. You can imagine how difficult our life was then. If not for the support, both financial and spiritual, I would have been in great distress about my future. I would have felt stressful about school fees and expenses at university. My studies would have been affected," said Chen.

After graduating from high school, Chen studied exhibition and convention economics and management at the Guangdong University of Technology. During her university studies, she was offered an internship at Esquel's Human Resources Department in GET where, for the first time, she was able to see for herself how a highly modernized production plant and an internationalized enterprise worked. It was proved to an eye-opening experience, which has significantly changed her views about textile and garment industry. Chen later became a volunteer teacher at a summer camp program held by Esquel for the children of frontline workers. She was amazed at the company's care for their staff. That loving feeling lingered

I don't know whether this article will play magic to connect me with the donor so that I can say 'thank-you' to him or her in person."



1.

1. The Esquel-Y.L. Yang Education Foundation made donations to Foshan Gaoming District No. 1 Middle School to help students in 2012.

on. When she saw a recruitment advertisement run by Esquel after she finished university studies, she decided to apply for a job. She succeeded and took the first step of her career at Esquel.

From a beneficiary of an Esquel program to a staff of Esquel, Chen gained an even better understanding about Esquel's philanthropic visions and projects. It is not just a helping hand to underprivileged students, but a way of giving by Esquel to the local communities for livelihood improvement. In rural Xinjiang, for instance, Esquel conducted free vision test for school children and promotion of understanding about the importance of eye protection.

"Esquel is a business with a heart. If I am not working here, I will never know just how much Esquel has done for the community. Other companies might just consider philanthropic work a show. I now understand being low-key and authentic is very much a part of Esquel's corporate culture," said Chen.

Inspired by Esquel's community efforts, Chen is determined to be an agent of positive change herself: "Though I am currently unable to support students financially, I will commit to caring about those in need and giving back to the society in all possible ways. Like Esquel, I will keep a low profile and focus on truly making a difference," she said.

I initially planned to sponsor one student, but as my financial situation grew better, I realized that I can afford to support two. I decided to support a boy and a girl.

Many donors to the Hongzhi Students Program are Esquel staff. Despite their modest incomes, they have been quietly giving support to underprivileged students. Ding Kaisong, Junior Manager of Construction and Engineering Department at GET, is one of them. Ding joined Esquel as an engineer in GET in 1995. One of the lucky youths in his hometown, a Chaozhou village, who has received education, Ding is deeply sympathetic to the plight of poor students, especially after witnessing some of his childhood friends being forced to drop out of school due to poverty.

"Mencius said the key to perfect satisfaction is to 'attend to our own virtue in times of poverty and contribute to the world in times of success.' I have always been interested in the Hongzhi Students Program. I initially planned to sponsor one student, but as my financial situation grew better, I realized that I can afford to support two. I decided to support a boy and a girl," said Ding. Ding has been a Hongzhi Students Program sponsor since 2009.

Even after Ding became the sole breadwinner in his family after his wife quit her job to take care of their children, he continued to sponsor Hongzhi students. By 2017 he was sponsoring four students, contributing around RMB 10,000 each year, which is no small sum for Ding and is enough for a holiday trip for his family. Still, his family is fully supportive of his act of giving.

"If my contribution can help the kids finish their education, it's worth it. A single spark can start a prairie fire. I believe my small act can make a difference. If I can afford to do so, I look forward to sponsoring even more students." Has he ever met the students he sponsors? "No, and I do not plan to. I don't want to give them any pressure in any way. I am doing what I can to help them – that is all that matters to me."



2.

2. Deeply aware of the difficulties and misfortune of poor students, Ding Kaisong is fully supportive of the Hongzhi Students Program.

3.



3. What a pleasant surprise! Chen Wanjun (second from left joined by her colleagues), a recipient of the Hongzhi Students Program during her secondary school education, joined Esquel after she graduated from university.



4.

4. Students under the Hongzhi Students Program visited GET.

5.



5. Zhang Yugao (right), Director of R&D of Group Research and Development Center at GET presented donation from the Esquel-Y.L. Yang Education Foundation to school.

About Esquel-Y.L. Yang Education Foundation

Esquel understands the close relationship between business and society. An enterprise must think beyond profits to observe business ethics and assume responsibility for the environment and the local communities in which it operates.

Esquel-Y.L. Yang Education Foundation was established in 2003 with the mission "To Encourage the Spirit of Learning." Providing financial support to help underprivileged youth gain access to education, the Foundation enables these children to benefit from the same learning and development opportunities available to others.

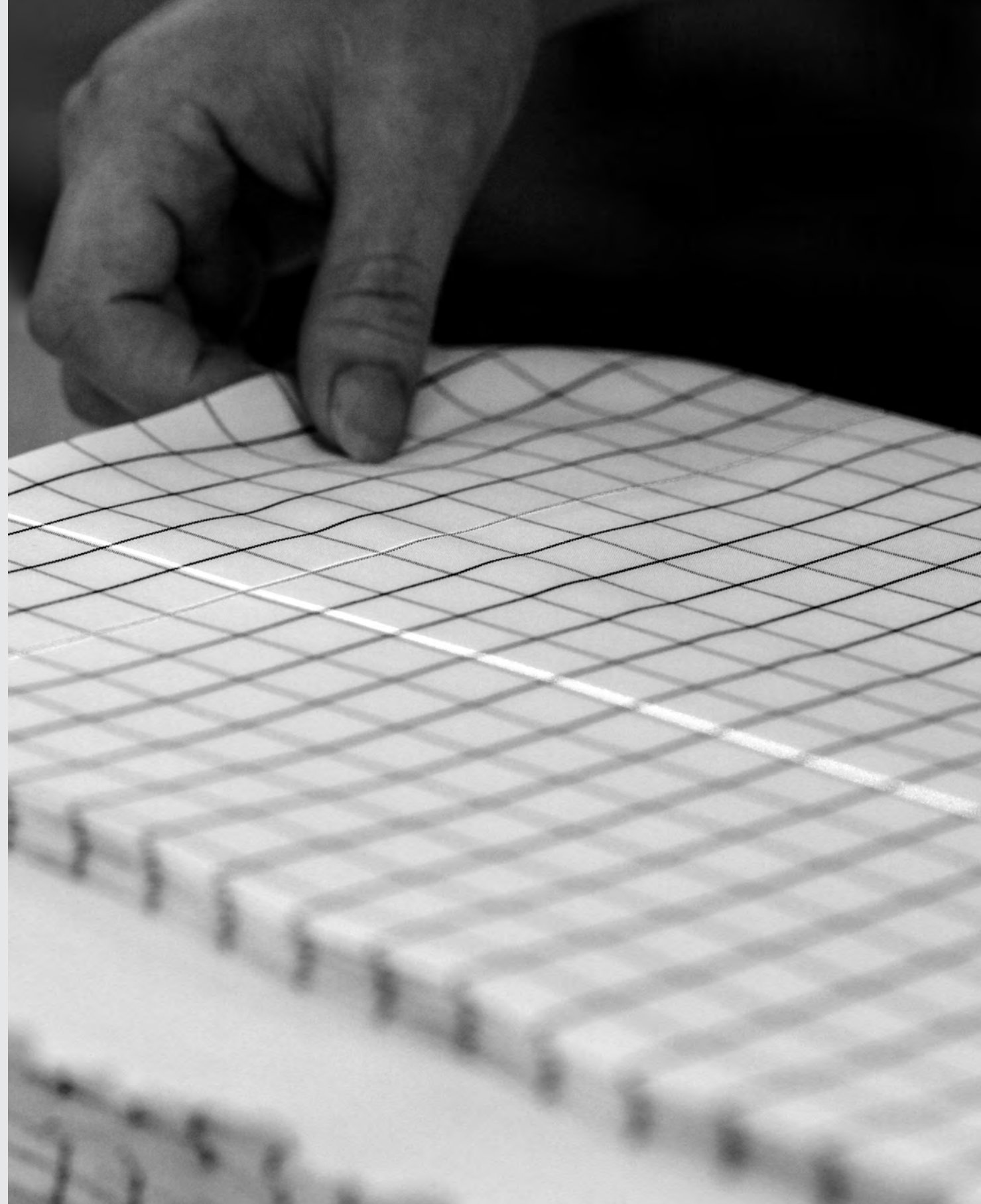
The Foundation launched its first charitable program in rural Xinjiang, China before expanding to Guangdong, Guilin, Sri Lanka, Vietnam and Mauritius. Donations are allocated to the construction of schools and libraries, as well as organizing community activities like English summer camps and visual screening services. Over the years, the Hongzhi Students Program have enabled many benevolent individuals to sponsor students in need and give them a chance to pursue a better, brighter future.

In 2017, the Esquel-Y.L. Yang Education Foundation, in collaboration with The Fred Hollows Foundation, Smart Focus and the School of Optometry of the Hong Kong Polytechnic University, established the China Rural Eye Care Fund to offer eye care services in rural China, in addition to providing education and training to eye care professionals in Xinjiang, Guangxi, Yunnan and Shaanxi.

4.2

ESQUEL-Y.L. YANG EDUCATION FOUNDATION

從新疆開始的
「溢達楊元龍教育基金」



ESQUEL-Y.L. YANG EDUCATION FOUNDATION

Before leaving Esquel in 2008, I attended the company's 30th anniversary gala dinner, where I heard a most compassionate speech I have ever heard from a business leader.

Speaking at the dinner, Esquel Group's Chairman Margie say, "Embarking on a 30-year-long journey has not been easy. As we look forward to the next 30 years, I ask you all, Esquel leaders and managers from all over the world, to think about how we can support our 50,000 global staff and their families, and how we can improve the quality of life of the people in the communities we serve."

In a time driven by speed and profit-seeking though, Margie has demonstrated a rare and remarkable concern for rank-and-file staff and the community a whole. While the world is racing to "earn every last penny" under the so-called mega-trend of laissez-faire market economy, Esquel is making pragmatic effort to nurture the environment and the shared values of humanity.

It is difficult to build deep friendship with someone who is thin in character. It is difficult for an enterprise which lacks culture to become lasting. I am fortunate to have spent six years and three months at Esquel, during which I have a lot of lifelong friends and learned some wisdoms of life.

My family and friends never understand why I left a renowned international consultancy firm to work for Esquel and in a sector commonly seen as a sunset industry. On one occasion, I bumped into a former teacher whom I had not met for many years. I told my teacher what I was doing. The immediate reaction I got was that, "Never mind. Work harder." The message sounds like I was running into trouble in my career. It reflects the misunderstanding about the garment industry as a sunset industry.

I took the opportunity to ask Esquel Founder Mr. Y.L. Yang at a lunch. "Y.L.," I mustered up the courage to ask, "Everyone says textiles and garments is a dying industry. IT (information technology) seems to be the trendy thing to do. What is your take on this?" The elderly gentleman was relaxed. He took a sip of cola, then said, "You can change and replace your IT products every day. Will you not wear clothes one day?"

His question is indeed the answer, dispelling my doubts about the industry. Clothing market lasts forever. The key is to find our edge, seek breakthroughs, and do better than others.

This reminds me of a separate conversation I had with Margie, who together with her father Mr. Yang established and led one of the world's largest manufacturers. I joined Esquel

in 2002 and was drawn right into a battlefield-like environment amidst the company's chaotic restructuring. Unexpected challenges arose every day. There were data discrepancies, interpersonal conflicts and complaints from clients. From time to time there were even "earthquakes" – incidents that disrupted our operation, like factory fires, workers' scuffles in factories, resignations of senior staff and the like.

During a meeting, Margie talked enthusiastically about her progress in Chinese calligraphy. I mustered up the courage to ask why she still seemed to be at ease when the company was facing tough challenges. She replied, "How can you solve problems if you are not calm and relaxed?" Like her father, Margie responded with a question that has inspired and enlightened me. She was right: how can I manage things every day if I cannot even manage my mind and my body? As Chinese literary giant Su Shi in the Soong Dynasty once said, "Those with great responsibility cannot be ill-at-ease. Being ill-at-ease, one cannot shoulder great responsibilities."

Having worked with Margie, and her sister Tessie (an affectionate reference to Teresa Yang, Vice Chairman of Esquel Group) is a big part of my greatest achievement at Esquel. The story began in Xinjiang, and it has to do with the establishment of the Esquel-Y.L. Yang Education Foundation.

I remembered I was on a business trip with Margie and Tessie to Xinjiang. On our itinerary was a visit to a primary school Esquel donated a few years ago under the Project Hope campaign. Our hearts melted when we were greeted by children beaming pure and innocent smiles.

On the way back to Urumqi from Turpan, Margie and Tessie fervently discussed how we could further integrate community care into our plan for corporate achievement. Somehow, I once again mustered up the courage to offer suggestions. Firstly, we should collect data for analysis about the practical education needs through visits to schools, parents and students. Second, we should raise the quality of education through both hardware and software facilities. Third, we must make education a long-term commitment, not an one-off show of kindness.

Colleagues who have worked with the Yang sisters probably can read their minds. They smiled as I spoke. The two ladies said almost at the same time, "Cheung Leong, you just go ahead."

In just a few years, more than 650 Esquel libraries were built in 5,000-odd primary schools in Xinjiang under the Esquel-Y.L. Yang Education Foundation. That would not be possible if not for the

support from many colleagues, in particular Man Yick Chung, Calvin Tsang, Chen Junjian, Fan Su and Li Changjun. We engaged with the students, encouraging them to “seek knowledge avidly, live to influence, work with acumen, and govern virtuously.” We also organized training for teachers, bringing the best case studies from Urumqi, Beijing and Hong Kong to the remotest areas in Xinjiang, inspiring local teachers to keep learning for the good of youth education.

As long as you can “muster up the courage” and make meticulous planning, Esquel always gives you an opportunity to shine. The talent and commitment of its staff keep the company growing and innovating.

Esquel’s corporate culture is definitely a distinctive competitive advantage – and one with far-reaching influence on people and the industry. A colleague once left Esquel to take up a highly paid job at another company. He returned to Esquel in less than a year. He said to me, “My new boss wanted me to cut costs by using substandard materials and treating staff badly. I feel shameful. It goes against my conscience. I had to quit.”

Confucius said in *The Book of Rites*: “To observe propriety of Li, one should identify those around you as close or distant, settle points of doubt, determine where there should be agreement or differences, and distinguish

between what is morally right and wrong.” Ten years after leaving Esquel, the company’s virtuous culture remains in my blood; I have found my calling in philanthropic work. But more than ever, I understand that social issues cannot be solved by philanthropy work alone. To ease social problems, we need to have businesses like Esquel, which seek profits with conscience and care for the environment and all stakeholders.

The culture of Esquel has made lasting impact on people, the industry and the world of business.

Cheung Leong

Executive Director
Charities and Community
The Hong Kong Jockey Club;
Former Managing Director
Global Sourcing and Supply Chain
Esquel Group

We constructed around 650 Esquel libraries to benefit over five thousand primary schools in Xinjiang. We personally engaged with the students, encouraging them to “seek knowledge avidly, live to influence, work with acumen, and govern virtuously.”

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1. Cheung Leong (left) and Teresa Yang (right), Esquel Group Vice Chairman and one of the founders of the Esquel-Y.L. Yang Education Foundation, at the Group's 40th anniversary dinner.
2. Cheung Leong (right) received a warm welcome from students during a visit to a school in Xinjiang.
3. Library at a primary school donated by the Esquel-Y.L. Yang Education Foundation. Inside the library is a plaque with the motto "seek knowledge avidly, live to influence, work with acumen, and govern virtuously," aiming to encourage and inspire students.
4. Cheung Leong (middle) with local people from different ethnic groups at an event hosted by the Esquel-Y.L. Yang Education Foundation in Xinjiang.

4.3

FROM MICRO-FINANCING TO EMPOWERMENT

小額貸款助棉農
踏上致富之路



FROM MICRO-FINANCING TO EMPOWERMENT

“It was strange to see a cotton mill offering loans to cotton farmers. I thought only banks offered loans!” Ai Mai Ti Sai Mai Ti, a cotton farmer in Xinjiang’s Awati area, was curious when he first heard about Esquel’s micro-financing program for cotton farmers. He was asking around for a clue. Little did he know at that time he was on the course of a major change in his life.

It was 2011. Sai Mai Ti started living on his own, financially independent from his parents. He lived in a decrepit house made of mud and wood, with three sheep and a piece of land of only 5,333 square meters. Since he did not have any credit records with credit cooperatives, it was very difficult for him to apply for bank loans.

Fellow farmers who have successfully applied for Esquel’s micro-financing program recommended it to Sai Mai Ti. He initially thought Esquel was offering loans in exchange for cotton, but he learned later that was not the case. He was free to sell his cotton to anyone, not necessarily Esquel. The interest rate of

loans offered by Esquel was the same as those by banks.

What have particularly impressed Sai Mai Ti was Esquel’s effort to engage with farmers. Esquel was the first company to pay visits to farmers’ homes to promote their loan scheme. The most important thing was that one did not have to have good connections, or “guanxi”, to get loans from Esquel. “In the past, it was always the case that we had to approach banks, offering gifts to their staff in hopes of getting a loan. We could only get it if we were lucky. The Esquel team was different. They knew I was hard up. They never took meals at my home, not even my fruit,” said Sai Mai Ti.

Sai Mai Ti eventually applied for an RMB 10,000 loan from Esquel. “I trusted Esquel because Esquel trusted me. They believed I worked hard and could make a better life myself. People in Awat particularly liked Esquel because of its credible, transparent purchasing policy. They treated every farmer equally, offering

1.



2.



1. New house bought by Ai Mai Ti Sai Mai Ti.

2. In addition to cotton plantation, Ai Mai Ti Sai Mai Ti also raises more than 50 sheep.

3.



4.



5.

3. At the invitation of Esquel Group, representatives from Standard Chartered Bank visited cotton farmers in Xinjiang.

5. Ai Mai Ti Sai Mai Ti, a cotton farmer.

4. Signing ceremony of a pilot micro-financing loan scheme jointly launched by Esquel and Standard Chartered Bank in Akesu district in Xinjiang in 2007.

The Esquel Team Was Different.
They Knew I Was Hard Up. They Never Took
Meals In My Home, Not Even My Fruit.

good prices for good quality cotton regardless of quantity; they never issued ‘blank receipts’. They were happy to offer me the loan without any mortgage or credit records; they really showed a lot of trust in me,” he said.

Sai Mai Ti used the loan money to buy planting materials, including long-staple cotton seeds, and got right to work. He used the revenue from the selling of cotton to repay the loan, and since he repaid on time every month, he was granted fresh loan again in the following year. His financial situation gradually improved. By 2017, he owned 21,331 square meters of land and 50 sheep. His has built a better house. He even earned the ethnic Uyghur accolade of “capable young man” and was elected a team leader. His goal now is to have his children finished university education.

A few years into his relationship with Esquel, Sai Mai Ti fully understands the company is much more than a cotton buyer. Esquel is a genuine partner to cotton farmers, who is willing to go all the way to help them improve their livelihood. “Every year Esquel brings in different experts to share new knowledge with us. Sometimes it is about managing our money and making the best use of our loans; other times they show us samples and techniques for planting high quality long-staple cotton,” he said.

Now that he has a much bigger cotton farm, Sai Mai Ti is hoping that the upper ceiling of loan will be raised from the present RMB 15,000-level. And he is dreaming to see products made with the cotton he grows from his field. “I know Esquel often invites cotton farmers to tour their huge textile factories in Guangdong. These farmers always come back fascinated by what they had seen, and I hope one day I, too, will have the opportunity to see where our cotton goes.”

The Micro-financing Program in Xinjiang

When Esquel first began seeking cotton supply for its two cotton ginning mills in Xinjiang, farming conditions there were less than favorable. The cotton farmers had little capital but found it difficult to apply for loans, which limited their ability to improve cotton quality.

In 2007, Esquel launched a pilot scheme with Standard Chartered Bank to offer micro-financing to low-income cotton farmer communities near its operations. By the end of 2017, about 2,000 households have been granted a total of about RMB 20 million in loans; with zero bad debt and full repayment of loans and interests.

4.4

5E-CULTURE OUR GREEN CULTURE

「5E 文化」
節能減排



5E-CULTURE OUR GREEN CULTURE

Faced with criticism that the textile and garment industry was a heavy polluter, Esquel Group's Chairman Marjorie Yang has vowed to change the stigma. "I want to run an unconventional enterprise." Her statement has prompted Cheng Peng to return to China and join Esquel to spearhead a green revolution after he completed his master's degree in mechanical engineering at Purdue University.

Cheng recalled, "In 2001, I saw an advertisement by Esquel about the recruitment of executive trainees in the United States. I was curious. I always thought China's textile industry relied mainly on cheap local labor and that the English standard of their management was not important" said Cheng. Driven by curiosity, he applied for the post and later traveled all the way from Indiana's West Lafayette to San Jose, California, for the interview – boarding five different flights for the one-day return trip.

"I asked Margie during the interview why she was recruiting in the U.S. She said different places have different education systems and that have made different impacts on people. American education has its own beliefs and methods different from China's. She wants a company different from others. To do so, she needs talents. Although she had not given a detailed blueprint, I found her ideas were ahead of the pack. The conversation with her has profoundly affected me," said Cheng.

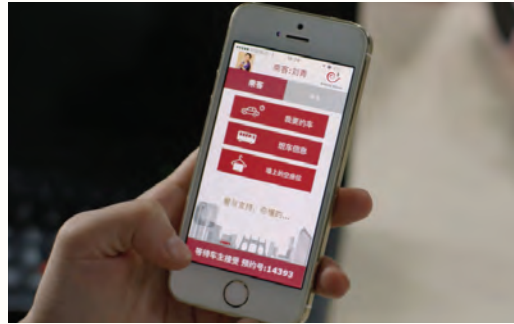
A cruel reality in the textile and garment industry is that there will invariably be low-cost productions that use environmentally irresponsible methods. With "Environment" part of its "5E-Culture," Esquel's challenge is to find ways to promote environmental awareness and demonstrate the effectiveness of green production. Over the last few years, Esquel has spared no effort in tackling the challenge. One of the leaders of the green revolution is Cheng Peng, currently General Manager of Guangdong Esquel Textiles Company Limited (GET) (Knitting Factory). He explained how they set benchmarks on environmental protection in their production.

Esquel's internal
environmental
benchmarks are often
more stringent than
national standards.

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1. Cheng Peng (middle), a member of Esquel Group's Sustainability Council, represented the Group at the Green Supply-Chain Forum held in Beijing in 2017.
2. 'Esquel carpool', a mobile App invented by Esquel staff, helps significantly reduce carbon emissions.
3. Cheng Peng decided to return to China to take part in a 'green revolution' at Esquel after completing a master's degree at Purdue University in the United States.

4.



5.



4. Cheng Peng (second from right) and Esquel colleagues took part in a tree planting event aims to protect environment.
5. Cheng Peng (first from right in middle row) and classmates when they graduated at Tsinghua University.

6.



In 2005, Esquel came up with a set of formulae and uniform standards to collect and analyse data and set specific phrasal targets. Compared with 2005, the Group’s total energy consumption per unit of production decreased by 49 percent by the end of 2017. During the same period, total water consumption per unit of production down by 67 percent. At present, the Group is working towards its fifth three-year goal, hoping to further reduce energy and water consumption in production by eight percent and 12 percent respectively by the end of 2019.

Esquel’s internal environmental benchmarks are often more stringent than national standards. But Cheng said that no staff member has ever questioned the company’s standards, adding their competitors were surprised with Esquel’s remarkable progress in promoting environmental conservation.

Although the results were encouraging, Cheng admitted that road ahead will be tricky. “It was easier to get results in the past. If a machine wears out, we would replace it with an energy-saving new model, which meant we would meet our green goals earlier. But now the easy part is done. We set our targets based on the trends we observed over the last few years. And we have some new ideas and technology in our minds that can be adopted in the coming year. But there is always the question: then what? What about the following year, or the year after that? The truth is, we do not have an answer. All we can rely on is gut feeling.”

With consumers becoming more concerned about whether products and their production processes are “green”, or environmental-friendly, Esquel, as “the brand behind brands,” has found more clients attach importance to sustainable development and support the direction of Esquel’s “green revolution.” However, many consumers

6. Compared with 2005, Group’s total energy consumption per unit of production down by 49 percent in 2017.

7.



expect environmental-friendly products to be cheaper. “We need to let consumers know that using natural dyes and other eco-friendly raw materials does not make the products cheaper,” Cheng pointed out. “Our main objective is to minimize damage to the environment, and we hope consumers are willing to work with us towards that goal.”

Sometimes a small change in our daily life can bring about unexpected effect in environmental conservation. In 2016, Cheng, who also sits on Esquel’s Sustainability Council, introduced the “Esquel Carpool” mobile app, which aims to help staff save traveling time from their commute to and from work. Staff can register as a passenger or a driver and use the app to organize carpooling or book a vacant seat in rides. “Esquel Carpool” became an instant hit among the staff and, more importantly, it contributed to the Group’s energy saving and carbon emission reduction efforts. Between June 2016 and November 2017, there were more than 24,000 carpool rides, which help save more than 18,000 liters of gasoline and reduce carbon emissions by over 40 tonnes.

With an educational background from Tsinghua University and an American university, Cheng has often been asked why he chose to work for Esquel. “Why a textile company? Why Gaoming? I get questions like that all the time. When I arrived Gaoming in 2001, I was shocked at how backward the city was. Why I had not fled? I cannot remember why. I gradually understand more about Esquel’s values, talents policy and thinking about the environment, which are far-sighted and ahead of the pack in the industry. Importantly, I have the opportunity to make a greater impact in the process. So, the idea of leaving has never come into my mind.

7. Compared with 2005, Group’s total water consumption per unit of production down by 67 percent in 2017.

4.5

BEHIND THE BRANDS

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BEHIND THE BRANDS

Talent is Esquel's most valuable asset. Behind the success of the Group is its 57,000-strong team, who work relentlessly and actively to drive progress and achieve results. "People" is therefore one of the areas of criteria in Esquel's sustainable development strategy. How does Esquel identify and nurture talent from such a huge workforce, and provide them with training to realize their potential?

Dee Poon is the Group's Managing Director of Brands and Distribution, managing Esquel's retail brands PYE and DETERMINANT. She is also the daughter of Chairman Marjorie Yang. She sometimes jokingly dubbed herself as "COO" (Child of Owner). Poon admitted that she never received any training at Esquel, "I report directly to Marjorie and John (Esquel Group's CEO), who are great mentors. They have given me a lot of good advice, but they do not have a systematic 'training program' for me. I acquired knowledge and experience purely through practice."

She meant what she said. On her first day of work at PYE in 2005, Poon had to iron 300 shirts before placing them on the racks at Esquel's outlet in Kwun Tong before its official opening. After breaking her personal shirt-ironing record, Poon soon embarked on a new, much more challenging mission in 2009 – review the market positioning and development strategies of PYE.

"In traditional organizations, you seek guidance or instruction from your superior when you encounter problems. At Esquel, the first thing I learn is to cooperate with the people. When I encounter problems and questions I will seek the advice from people with the relevant expertise," said Poon.

In recent years Esquel has recruited many young talents from mainland China. Poon has observed that although they are highly talented and have independent thinking, they always expect her, as their manager, to set goals so that the whole team will move towards the direction to attain the goals, like doing an exam. Poon thinks otherwise.

"You cannot do this (like doing an exam) in retail business," Poon said. "You must collaborate and communicate. You must find your own direction and be able to explain 'why.' Sometimes my team would say 'I would like to do this or that.' But they could not explain the thinking and the logic behind the ideas systematically when I asked more questions of 'why'. Or they might say to me, "Let's do it your way, then!" The truth is, I was prepared to follow what they said and to hear more from them in most of the time I asked more questions."

Cheng Peng joined Esquel in 2001 through the Executive Trainee Program and is currently General Manager of Guangdong Esquel Textiles Company Limited (Knitting Factory). Although he had joined the Group's official trainee program, his professional skills were mostly acquired through practice on the job. When his three-month training period ended, he was assigned to a power plant project for Guangdong Esquel Textiles Company Limited, responsible for production planning and control. Finding solutions is part of his job.

Responding to Poon's observation, Cheng said although China's education system has taken a gradual shift towards fostering teamwork and creativity, it is still examination-oriented. Students need to get high scores in the National Higher Education Entrance Examination.

Cheng says Esquel needs two different types of talent: optimizers and operators. Optimizers are proactive idea power-houses who focus on innovation, driving process improvements and setting guidelines. Workers and technicians in the production lines are operators, whose job is to closely follow guidelines and procedures. But Cheng also believes that even the "losers" under the education system are in fact be very smart. This is why Esquel has provided continuing education for operators to have an opportunity to become optimizers.

To keep talents, Esquel has taken work-life balance of staff seriously and kept making improvement of their working environment. The company regularly organizes leisure activities like yoga classes for staff, or offers seminars and programs through Esquel University, to enrich their life. Poon sometimes has wondered whether these measures have raised their sense of belonging towards the company.

Cheng believes that wage level is most important to staff.

1.



1. Dee Poon (left) and Cheng Peng (right) attended the United Nations Conference on Sustainable Development — or 'Rio+20' — took place in Rio de Janeiro in Brazil in 2012. The summit is a major event in international cooperation on sustainable development.
3. Esquel encourages staff to maintain a work-life balance.

2.



2. Esquel Group launched its PYE brand in 1984 and its first PYE Store at China Building in Central. It had women fashion product series at its early stage of operation.

3.



4.



4. Yoga class is one of the most popular free-time activities run by the company.
6. The DETERMINANT brand, which solely sells white shirts, launched its first experience shop in Oriental Plaza in Beijing.

5.



5. Esquel provides well-structured training program and sustained development opportunities for staff.

6.



As a manager,
I need to learn as well,
can't just telling
my colleagues to
keep going.

That says, working environment is also important take staff canteen as an example. Providing meals for staff is no difficult task. True, it would be even better if we could serve various cuisines to cater to the needs of staff who come from different provinces. But how many different dishes we need? It is difficult to please everyone. Food safety is most important. At the end of the day, it is about finding a balance.

One major responsibility of the management is to find talent. recruitment strategies must also change with time. PYE has taken the lead in discarding old ways: "Our industry is changing everyday. You may not know marketing today, but that doesn't mean you won't know marketing tomorrow. Of course, designer must know tailoring skills. So we are now setting the basic requirements in our hiring criteria. Most importantly, we assess their potential in future development."

Both Poon and Cheng have gone well beyond the "seven-year itch" for the period of working at Esquel. They have their own plans for the future. Cheng Peng is hoping to venture into new areas in Esquel while completing the ongoing plans for the knitting factory. They include enhancing the profit-making capability of the mills, improving order arrangements and information flow. He is also hoping to introduce waterless dyeing, which is a project Esquel has been exploring for many years but faces difficulties. One of which is the constraints over materials and equipment.

Poon is convinced she has already found her best position. "I don't usually think too far ahead. For instance, I never expected in 2016 that I would be managing a new brand, DETERMINANT, just a year after that. I am currently working on two brands. I can manage them more efficiently. The retail and sales model of O2O (online to offline) is changing. Because of that, I decided to suspend plans to introduce a PYE online sales platform in 2017 temporarily. Instead, I plan to launch an e-commerce platform for DETERMINANT first, followed by PYE after it operates smoothly."

Since its launch, the DETERMINANT brand's shirt size combinations have grown from 48 to 75. The additional size options are good news for customers, but they have created an inventory problem for the stores. Poon said, "It is important to have a nimble, well-organized supply chain. We are currently staying conservative and reserving only 28 days of inventory. Very often, many sizes have run out of stock. This is why we must continue to learn, and as a manager, I need to learn as well, can't just telling my colleagues to keep going." Will DETERMINANT continue to sell exclusively white shirts? Poon's answer is, "No one knows." What is certain, however, is that Esquel, as a sustainable enterprise, will continue to create its own values while pursuing excellence.

4.6

CREATING QUALITY JOBS BY THE NEW GENERATION OF CORPORATIONS

新時代企業
有責任創造優質就業



CREATING QUALITY JOBS BY THE NEW GENERATION OF CORPORATIONS

China's traditional manufacturing industry has seen profound transformations in recent years, in particular with rising labor costs causing many enterprises to relocate their factories out of the country. Whenever I come across those news reports, I always ponder, "Rising wages means people are earning more and living better lives. Isn't that a good thing? Isn't it true that people were saying it would be huge business if each one of China's 1.3 billion people bought a shirt? With the income of Chinese people rising, isn't it true that there will be more opportunities in the growing domestic markets?"

Esquel is a rare enterprise still insisting on running its largest factory in mainland China and continuously investing in its innovation and enhancement. As Xi Jinping, General Secretary of the Communist Party of China, pointed out in the report of The 19th National Congress of the Communist Party of China, the Chinese economy has shifted from high-speed growth to high-quality development. The latter looks beyond hard economic growth metrics to pursue better lives and greater happiness for people.

High-quality development means more than just greater revenue, higher profits and better growth potential of enterprise. It is also about higher quality job opportunities. To this end, new generation enterprises, in particular, are duty-bound to provide quality jobs.

Higher quality jobs mean higher work efficiency. Traditional manufacturers in China are nowadays dealing with a dilemma: to stay or not to stay. Should they move to Southeast Asia as wages are rising and recruitment difficulties are increasing in China? Or should they stay and lead their staff to jointly upgrading and transforming their enterprises in China?

Esquel's decision to stay has been clear from the beginning. Our mainland production lines are located mostly within The Pearl River Delta and the Yangtze River Delta, with Foshan's Gaoming and Guilin in the Pearl River Delta and Fenghua, Changzhou, Ningbo, and Taizhou in the Yangtze River Delta. Our projects in Fenghua, Taizhou and Guilin are prime examples of us going "against the grain", which means as other manufacturers moved out from these areas several years ago, we did the opposite. We increased our investment there. In the picturesque Guilin, we are investing over RMB 2 billion to build an eco-tourism industrial estate, Integral. The construction of its Phase One is scheduled for completion by 2018. It will showcase our vision of "factory of the future", featuring the utilization of some of the most advanced equipment and technologies in textile and apparel industry with harmonious integration with the natural environment.



1.

1. John Cheh, Vice Chairman and CEO of Esquel Group has joined the Group for 15 years.



2.

2. John Cheh attended the opening ceremony of a primary school in Xinjiang in 2005.

Esquel is fully determined to maintaining textile and garment as our main business unswervingly. Over the last five years, we have invested over RMB 1.9 billion in driving forward automation. We have conducted independent research and development for each production process, resulting in 41 processes being automated that have increased the automation rate to 71 percent and 35 percent for woven products (mainly for shirts) and knit products (mainly for T-shirts and polo shirts), respectively. With labor shortage keeping us from expanding our workforce, we still managed to increase our overall production and improve the quality of our products. Meanwhile, we adopted lean management and process optimization between 2005 and 2016, successfully reducing unit energy consumption by 45 percent and unit water consumption by 64 percent. We have also set our targets of further reduction of emission by eight percent and 12 percent respectively in the next three years. We have been able to enhance our competitiveness, while caring about our environment.

Higher quality jobs mean work with more dignity. We have devoted ourselves in developing applied technology, leaving a significant number of repetitive and monotonous tasks to machines. This has enabled our workers' daily work to become more skill-based and creative, and the working environment to become much quiet and tidy. The quality of life for our workers has improved as well. Staff who feel happier will have stronger loyalty, which is essential in realizing Esquel's mission: "Happy staff to serve satisfied clients"

Higher quality jobs mean higher income. Since 2006, the average income of our mainland frontline staff has nearly tripled. The current average salary of our factory workers in mainland China is around RMB 4,500, and even higher for those in coastal provinces. The increased labor costs are balanced out by the

costs saved through industrial automation and production process reengineering. We are therefore still able to maintain stable revenue and profits. In fact, when our staff are better off, their consumption power increases, which in turn strengthens the company's product sales in the long run.

Higher quality jobs mean work with greater satisfaction. We understand from our staff that they – especially the younger generation – are more concerned about their career prospects than ever before. They want not just higher wages, but to be inspired. In response, we are working hard to create an energetic corporate culture, with which staff can innovate and enhance their skills to professional levels. More than 80 percent of the ideas of optimization of work processes in the past few years came from frontline staff. In other words, personal enhancement and self-development can be realized hand in hand with corporate development.

15 years have passed since I joined Esquel. Although I have worked in different fields in the past, Esquel is the place I have stayed the longest. This is where I feel my job is more than just work, but a rare opportunity to join like-minded trailblazers in writing the next chapters of a traditional industry. It is a chance to build unprecedented models for sustainable development so that we can create a better future for the environment, people and communities. I am proud, and humbled, to be part of this meaningful venture.

John Cheh

Vice Chairman & CEO
Esquel Group



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3. John Cheh (middle with jacket in red-white stripe) teamed up with colleagues at a sports day of the Group.

4. John Cheh, the Group CEO rocking the Group's annual dinner in 2013.

5. Group Chairman Marjorie Yang (fourth from right in front row), Vice Chairman Teresa Yang (fifth from left in front row) and John Cheh (sixth from left in front row) and senior management members at the Group's annual business development meeting in early 2018.

6. John Cheh gave a speech at the closing ceremony of the Integral Conversation held by the Group in Guilin in 2017.

8. John Cheh (first from left) briefed Gao Hucheng (second from right), the then Deputy Minister of Commerce under the State Council about Esquel's development during his visit to Guangdong Esquel Textiles Company Limited in 2006.

7. John Cheh talked to colleagues at the staff canteen of Esquel in Turpan.



9. John Cheh, surrounded by local staff from Esquel factory in Sri Lanka.

ESQUEL:
CELEBRATING THE FIRST 40 YEARS

綿 —— 溢達四十周年紀念特刊

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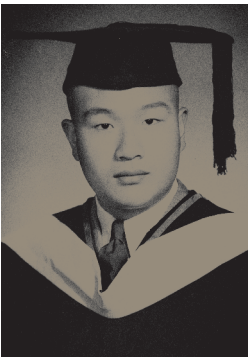
溢達企業有限公司 出版

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2018 年初版·香港

MILESTONES OF ESQUEL

溢達發展里程

1978



Esquel Group, founded by Mr. Yang Yuan Loong, started its operation in a small office in Tsim Sha Tsui, Hong Kong.

Signed Compensation Trade Agreement with Chinatex Corporation's Jiangsu subsidiary, the first of its kind in China-US apparel export trade.

Acquired Eastern Garments in Penang, Malaysia, Esquel's first overseas factory (EGM).

Invested in Textiles Industries Limited (TIL) in Mauritius. TIL became a wholly owned subsidiary in 1987.

1979

First shipment of 190,000 dozen garments to the U.S. via Hong Kong, one of the earliest Sino-US trade deals since China's reform and opening-up policy.



1983

Acquired Polytex Garments Limited (PTX) in partnership with Mr. Sohli Captain in Sri Lanka. PTX became a wholly owned subsidiary in late March 2018.

1984

Created the PYE concept and opened the first PYE boutique in Hong Kong.

Expanded business to include apparel accessories by setting up Rochester Polybag Manufacturing.



1988

Established Golden Field United Textiles in Gaoming, a joint venture with the Foshan Bureau of Foreign Trade and Economic Cooperation, Gaoming Textiles Factory and Toyomenka of Japan. It became fully owned by Esquel in 1996 and was renamed Guangdong Esquel Textiles (GET) in 2000. It is the Group's largest manufacturing base.

1991

Commenced operation in Phase 1 of the Guangdong Esquel Weaving (GEW).

1993

Set up Changzhou Esquel Garment (CEG), a joint venture with Changzhou Number One Garment Factory, and Changzhou Esquel Knitting (CEK).

Commenced operation at Ningbo Esquel (NBO).

1995

Set up the 30,000-spindle Turpan Esquel Spinning Mill in Xinjiang to secure high quality cotton supply to our factories. The capacity was then expanded to 50,000 spindles.



1996

Relocated Eastern Knitters from Penang, Malaysia to Gaoming, China and renamed as Golden Field Knitters. It later became Guangdong Esquel Knitting (GEK).

1998

Established Xinjiang Esquel (XJE) through acquiring a 40,000-spindle cotton yarn spinning mill in Urumqi.

Formed Xinjiang White Field Company (WFC), a joint venture cotton farm, near Kashgar to start cotton farming directly with local farmers.

Set up Way Yat Industrial, a shirt manufacturing factory in Hong Kong. The factory ceased operation in 2011.

2000

Launched new corporate identity, logo and Creativity 2000, an internal campaign aimed to promote Esquel's 5E-Culture.

Opened the Group's first research and Development Center in Gaoming.

2001

Hosted inaugural Sustainable Development Conference in Gaoming to showcase Esquel's sustainability commitment.

Commenced operation at Esquel Garment Vietnam (EGV) in Binh Duong Province, Vietnam.

2003

Established Esquel-Y.L. Yang Education Foundation to enhance youth learning opportunities in the region.

Set up Akesu Esquel Agricultural Development (AEA) in Xinjiang.

2004

Commenced operation at the Ginning Mill, Akesu Esquel Cotton (AEC).

2006

Commenced operation in Phase 2 of the Guangdong Esquel Weaving (GEW).

2007

Launched a micro-financing project for cotton farmers in Xinjiang in partnership with Standard Chartered Bank.

2009

Commenced operation at Changji Esquel Textile Company Limited (CJE). The facility could produce high-count yarn up to 330s/3.



Xinhai #33 (Esquel #1) received accreditation as an ELS cotton species by the Xinjiang Uygur Autonomous Region.

2010

Acquired Asia Garment Manufacturer (Vietnam) Co. Limited (EAV) in Dong Nai Province, Vietnam.

2011 / 2012

Established Esquel Guilin (GLE) through acquiring Guilin Yinhai Textile Group. In 2012, Esquel announced plans for Integral, an eco-tourism industrial park, in Guilin.



2012

Successfully produced the world's finest cotton yarn, with yarn counts up to 700s.

Upgraded wastewater treatment plant capacity at Guangdong Esquel to 5,000 tons per day, one of the largest in China, showcasing our commitment to minimizing environmental footprint.



2014

Opened Xinjiang Research and Development Center.

Commenced operation at Esquel Hoa Binh Vietnam (EHV).

Hosted the first Integral Conversation in Guilin as a platform to gather like-minded people to discuss sustainability.

30 years later, the PYE concept store returned to Pedder Street in Central, Hong Kong.



2015

Released the first Esquel Group Sustainability Report.

Published research result of genome sequencing for Sea Island Cotton in the Nature Publishing Group's Scientific Reports.

Commenced operation at Vietnam Fabric Mills (EGV) to supply fabric to Esquel factories in Vietnam.

2016

DETERMINANT retail brand launched in China to provide quality, all-occasion shirts for Chinese consumers.

Xinhai #50 (Esquel #5) received accreditation as an ELS cotton species by the Xinjiang Uygur Autonomous Region.



2017

The new 30,000 Spindles Project at Changji commenced operation, showcasing a highly automated spinning mill.

Xinhai #55 (Yuan Loong #10), a collaboration with Xinjiang Academy of Agricultural Science, Urumqi, received accreditation as an ELS cotton species by the Xinjiang Uygur Autonomous Region.

