

# Green moves prove profitable

Carol Chung

Investing in the environment is no longer an option but a necessary, long-term strategy, says a top garment manufacturer in the Pearl River Delta.

"We were also once a small company," said John Cheh, vice chairman and chief operating officer of the Esquel Group, a Hong Kong-based cotton garment manufacturer, which has its major factory in Gaoming town, Foshan, Guangdong.

Esquel, founded in 1978, has become China's No 1 men's woven shirt exporters over the past two years, according to the China Chamber of Commerce for Import and Export of Textiles.

Cheh said in a competitive market, investment in preserving the environment is not an option. It is now a "necessary strategy" to survive and achieve long-term and sustainable success.

"It is not only good for the environment but also good for business."

He said people like to buy environmentally friendly products, while buyers and top brands like Tommy Hilfiger will only choose to do business with those who care about the environment.

Each year, Esquel produces about 60 million woven and knit shirts for leading brands such as Tommy Hilfiger, Polo Ralph Lauren, Hugo Boss, Nike, Esprit and Marks & Spencer, with 60 percent of its exports going to the United States and 16 percent to Europe.

Cheh said the cost of the environmental strategy is somewhere between US\$50 million (HK\$390 million) and US\$100 million a year, or 10 percent of the company's US\$500 million fixed assets.

The importance of environment preservation runs in the whole process, from the company's organic cotton farms in Xinjiang province to its dyeing and power generators in Gaoming, he said.

Its most notable green investment is the US\$29 million low-emission thermo-power plant, which produces a steady supply of electricity (up to 30,000 kilowatt) and steam (100 tonnes/hour).

Generating its own power is cheaper than pay-

ing for the public source, and getting through the government's stringent application to run a private power plant is easier because the company's is less polluting, Cheh said.

Compared with normal power plants, Esquel's has a higher energy efficiency rate of 53 percent versus the 40 percent in others, and a lower operation temperature of 900 degrees Celsius versus 1,100 degrees in others. It also controls emissions with its circulating fluidized bed, which adds limestone into coal to reduce sulfur-oxide emissions, and its electrostatic precipitator in reducing emissions of particulate matters. As a result, its emissions of sulfur dioxide (around 1,000 milligrams per cubic meter), nitrogen oxides (less than 250 mg/m<sup>3</sup>) and dust (around 120 mg/m<sup>3</sup>) all meet or exceed the Guangdong and the national emission standards, Cheh said.

Another notable green investment is Esquel's US\$7 million wastewater treatment plant, which biologically treats the 22,000 tonnes of wastewater produced daily by the factory.

Its US\$150 million weaving mill saves more than 10 percent of electricity compared with conventional installations.

Reducing pollution is the responsibility of not only the factory owners but also the government, said Cheng Yiu-tong, convener of the sustainable development subgroup of the Greater Pearl River Delta Business Council.

"[Esquel] is an example of those who have the resources to invest in environmental measures. But the pollution problem comes mostly from small to medium-sized enterprises, which have few resources for green investment," Cheng said after touring Esquel's factory.

Cheng suggested more government investment to help small to medium-sized businesses, such as introducing a centralized wastewater processing center operating on a "polluter pays" basis.

The local and provincial governments should also beef up their monitoring systems and legislative measures against noncompliance, he said.

Ignorance is another problem as green investment is often not seen as cost-effective, Cheng said, highlighting the importance of cooperation between Hong Kong and the mainland.

In May and June this year, the sustainable development subgroup of the Greater Pearl River Delta Business Council and the Hong Kong General Chamber of Commerce will co-organize tours and awareness-raising programs for enterprises in the Pearl River Delta to visit firms with environmental measures in place.

Recent studies have shown the importance of working with mainland factories. A study by the Environmental Protection Department in 2002 said the dust generated up to 70 percent of Hong Kong's air pollution in volume.

A study by the University of Science and Technology and Civic Exchange released this week said the mainland's pollution affects local air quality mostly in winter (36 percent of last year) while local sources are to blame during summer (53 percent of last year).

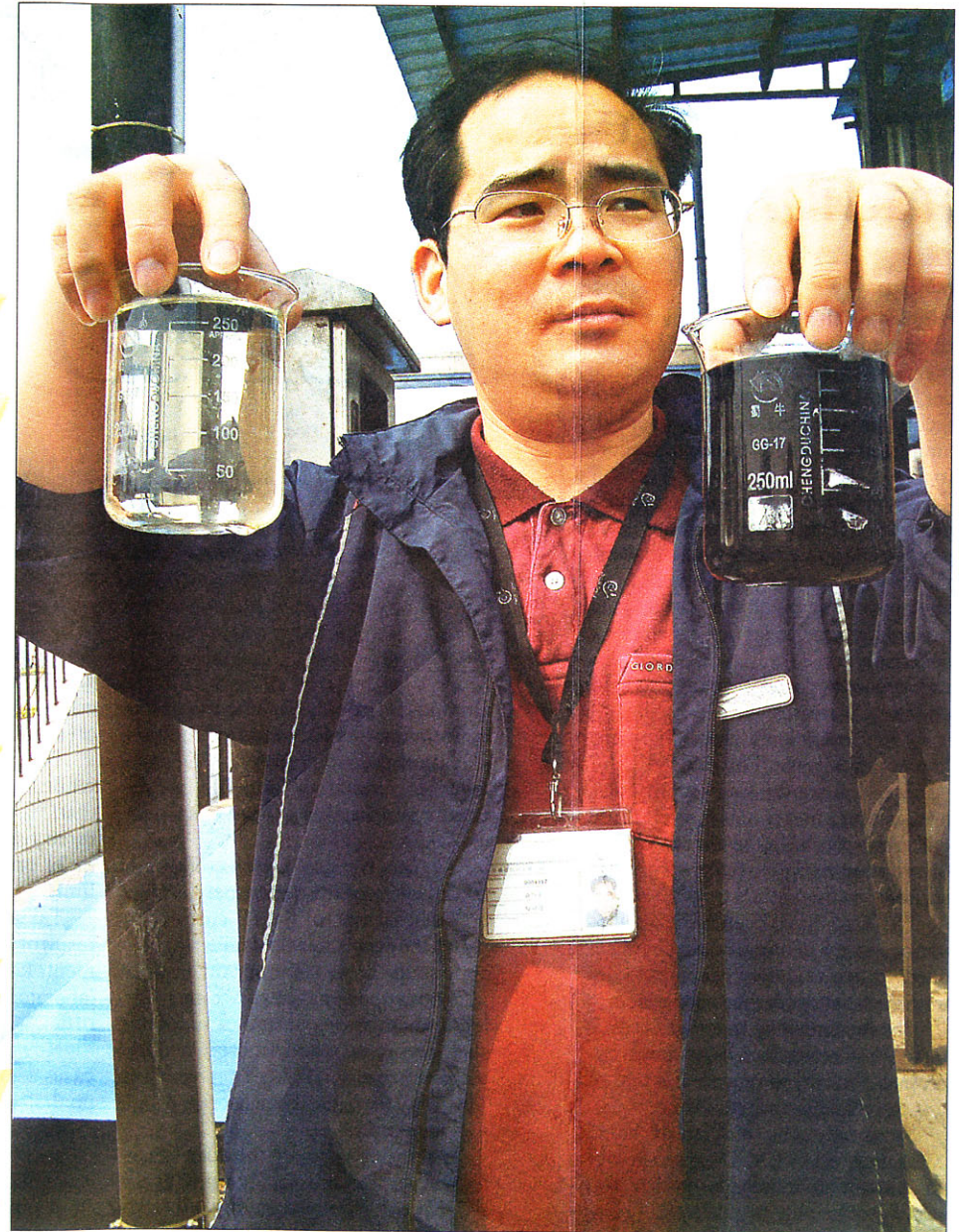
Major local initiatives to reduce pollution include the Clean Air Charter, initiated by the Hong Kong General Chamber of Commerce and the Hong Kong Business Coalition on the Environment in November 2005, under which local businesses sign up voluntarily to pledge their support and action to reduce air pollution.

According to the chamber's chief executive officer, Ak Fong Chi-wai, only 574 of the 300,000 enterprises in Hong Kong have signed the charter, about 3 percent of which have factories in the Pearl River Delta.

Fong said the charter was now in its second phase and would be taken to the Pearl River Delta in an attempt to get the 82,000 Hong Kong enterprises there to sign up.

"Protecting the environment is a sign of good leadership within a company, helps widen the customer base and raises and maintains a high staff morale," Fong said.

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An engineer at Esquel Group shows the difference after wastewater is treated by the company's US\$7 million plant. Esquel biologically treats the 22,000 tonnes of wastewater it produces daily.