



力勁科技集團有限公司

L.K. TECHNOLOGY HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)

(於開曼群島註冊成立之有限公司)

(Stock Code 股份代號 : 558)



2018 / 19

ESG REPORT

環境、社會及管治報告



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About this Report

The board of directors (the “Board”) of L.K. Technology Holdings Limited (the “Company”) is pleased to present this Environmental, Social and Governance (hereinafter called “ESG”) Report (the “Report”) of the Company and its subsidiaries (collectively as the “Group” or “We”). This ESG Report summarizes the policies, sustainability strategies, management approach, initiatives and performance made by the Group in the environmental and social aspects of its business.

The ESG Report covers the Group’s business in the manufacture and sale of die-casting machine, plastic injection moulding machine and computerized numerical controlled (“CNC”) machining centre for the year ended 31 March 2019. The Report discloses the required information under the “comply or explain” provisions of the ESG Reporting Guide set out in Appendix 27 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (“HKEX”). The relevant provisions and details are listed out at the end of the Report.

The Board is responsible for the Group’s ESG strategy formulation and reporting, evaluating and determining the Group’s ESG-related risks, and ensuring that appropriate and effective ESG risk management measures and internal control systems are in place. In order to determine the ESG reporting scopes, the key management personnel has discussed internally and identified the environmental, social and operating items; and assessed their importance to the stakeholders and the Group. The summary of material ESG items are listed out per Section III in this report.



Stakeholders' Engagement

The Group is committed to maintaining the sustainable development of its business and the environmental protection of the communities in which it operates. We maintain a close tie with its stakeholders, including government/regulatory organizations, shareholders/investors, employees, customers, suppliers, community, etc. and strive to balance their opinions and interests through constructive communications in order to determine the directions of its sustainable development. We assess and determine our ESG risks, and ensure that the relevant risk management measures and internal control systems are operating effectively. The following table shows the management response to the stakeholders' expectations and concerns:

Stakeholders	Expectations and concerns	Management response
Government/regulatory organizations	<ul style="list-style-type: none"> ➤ Compliance in laws and regulations ➤ Fulfill tax obligation 	<ul style="list-style-type: none"> ➤ Uphold integrity and compliance in operations ➤ Pay tax on time, and contribute to the society ➤ Establish comprehensive and effective internal control system
Shareholders/investors	<ul style="list-style-type: none"> ➤ Return on investment ➤ Information transparency ➤ Corporate governance system 	<ul style="list-style-type: none"> ➤ Management possesses relevant experience and professional knowledge in business sustainability ➤ Ensure transparent and efficient communications by dispatching information at the websites of HKEX and the Company ➤ Continue to improve the internal control system and focus on risk management
Employees	<ul style="list-style-type: none"> ➤ Labor rights ➤ Career development ➤ Compensation and welfare ➤ Health and workplace safety 	<ul style="list-style-type: none"> ➤ Set up contractual obligations to protect labor rights ➤ Encourage employees to participate in continuous education and professional trainings to enhance ability ➤ Establish a fair, reasonable and competitive remuneration scheme ➤ Pay attention to occupational health and safety
Customers	<ul style="list-style-type: none"> ➤ High quality products and services ➤ Timely delivery ➤ Reasonable price 	<ul style="list-style-type: none"> ➤ Improve the quality of products and services continuously in order to maintain customer satisfaction ➤ Establish an effective, efficient and green supply chain system ➤ Formulate comprehensive quality assurance process and recall procedures ➤ Ensure fulfillment of contractual obligations

Stakeholders' Engagement (Continued)

Stakeholders	Expectations and concerns	Management response
Suppliers	<ul style="list-style-type: none"> ➤ Stable demand ➤ Good relationship with the Company ➤ Corporate reputation 	<ul style="list-style-type: none"> ➤ Ensure fulfillment of contractual obligations ➤ Establish policy and procedures in supply chain management ➤ Establish and maintain strong and long-term relationship with suppliers ➤ Select suppliers with due care
Community	<ul style="list-style-type: none"> ➤ Environmental protection ➤ Community contribution ➤ Economic development 	<ul style="list-style-type: none"> ➤ Pay attention to climate change ➤ Encourage employees to actively participate in charitable activities and voluntary services ➤ Maintain good and stable financial performance and business growth



Materiality Matrix

During the reporting period, the Group has evaluated a number of environmental, social and operating items, and assessed their importance to stakeholders and the Group through various channels. This assessment helps to ensure that the Group's business objectives and development direction are in line with the stakeholders' expectations and requirements. The Group's and stakeholders' matters of concern are presented in the following materiality matrix:

		Materiality Matrix		
Importance to Stakeholders	High	<ul style="list-style-type: none"> ◆ Anti-discrimination measures ◆ Labor rights protection 	<ul style="list-style-type: none"> ◆ Talent management ◆ Staff training and promotion opportunity ◆ Staff compensation and welfare 	<ul style="list-style-type: none"> ➤ Customers' satisfaction ➤ Product quality and safety ➤ Suppliers management ◆ Occupational health and workplace safety ◇ Clean production
	Medium	<ul style="list-style-type: none"> ➤ Community contribution 	<ul style="list-style-type: none"> ➤ Anti-corruption ◇ Greenhouse gas emissions ◇ Use of resources 	<ul style="list-style-type: none"> ➤ Operational compliance ➤ Customers' privacy measures and protection ◇ Exhaust air emission ◇ Sewage discharge ◇ Disposal of hazardous wastes
	Low	<ul style="list-style-type: none"> ◆ Preventive measures for child and forced labor 	<ul style="list-style-type: none"> ◇ Water resources utilization ◇ Disposal of non-hazardous wastes 	<ul style="list-style-type: none"> ◇ Use of raw materials
		Low	Medium	High
		Importance to the Group		

- ◇ Environmental
- ◆ Employee
- Operation

MANAGEMENT OF EMISSIONS

The Group mainly manufactures and sells die-casting machines, plastic injection moulding machines and CNC machining centres. Exhaust air, wastewater, solid wastes and noise are generated during operation and we are fully aware of our activities have impact on the environment. Therefore, we have set up a policy to “produce good quality products, promote clean workshops, keep production processes environmental friendly and build garden-style factories”, and to take into account the environmental factors into our business development strategy, continuously optimize the measures and facilities relating to environmental protection and pollution prevention, and to organize seminars to collect ideas in resolving major environmental issues. Besides, we pay close attention to the updates in national environmental protection policy and development strategies and establish a sound environmental policy and internal rules and regulations following the requirements of the ISO 14001 environmental management system, local environmental laws and regulations and the characteristics of our businesses. In order to implement the Group’s environmental protection policy effectively, we established the environmental safety department to monitor and assess the effectiveness of the daily management of the production workshop, office and staff dormitories. Staff are required to collect, store and dispose of all types of emissions in accordance with the internal rules and regulations; hopes to reduce pollutants and wastage of resources through implementing different measures. The Group’s management of different types of emissions are described in detail below:

Management of Exhaust Air and Greenhouse Gas Emissions

The Group’s CNC machining centre business only involves the process of parts assembling and steel processing, and does not generate any waste gas. Regarding the manufacture of the die casting machine and the injection molding machine, hydrochloric acid mist and hydrogen chloride is generated in the acid washing process; volatile organic compounds (“VOCs”) is produced during the painting and drying process; smoke is generated during the welding process; dust is generated during the powder spraying, sand blasting, shot blasting and grinding processes; besides, electric furnaces and annealing furnaces are used in the manufacture of castings, and waste gas such as coal-fired waste gas and hot smoke is generated during the castings production process.

In order to strictly comply with “Law of the People’s Republic of China on the Prevention and Control of Atmospheric Pollution”, “Emission Standard of Air Pollutants for Boiler”, “Emission Standard of Air Pollutants for Industrial Kiln and Furnace”, “Emission Limit of Air Pollutants”, “Emission Standard of Oil Fume for Cooking” and the applicable local laws, regulations and standards, we set up waste gas treatment facilities according to different production processes, for example, use the alkaline liquid drip tower to treat hydrochloric acid mist and hydrogen chloride in the acid washing process; use water curtain cabinet, oil curtain cabinet and activated carbon adsorption device to collect and treat waste paint mist containing VOCs in the process of painting and drying; use gas collecting hood and a bag filter to collect smoke and dust in the welding process; use suction fan, sand and dust separator, filter cartridge dust collector, pulse bag filter, etc. to separate, filter and collect dust generated from the dust and sand blasting production process carried out in a closed environment; use ring shape smoke collector and dust remover to cool down and purify the hot smoke and use wet desulfurization method to treat coal-fired waste gas in the castings production process. These waste gases are discharged at or above the national and local government regulated discharge height after being treated by the environmental protection facilities.



Exhaust air treatment facilities for painting and dust blasting process



Environmental Protection (Continued)

Employees must strictly follow the operation manual to operate the environmentally friendly facilities. We regularly conduct repair and maintenance for the facilities to ensure that the equipment runs properly. Staff have to report any abnormalities found to management at once and take appropriate actions to prevent waste gas leakage and cause environmental pollution incidents.

The Group's Shenzhen plant has installed an alkaline liquid drip tower, a pulse bag filter and a centrifugal fan to further treat the waste gas and dust generated from the acid washing process. We have followed the "Measures for Environmental Protection Acceptance of Construction Project on Completion" to appoint a qualified organization to inspect and test the environmentally friendly equipment and submitted the acceptance report to the local environmental protection department for approval. The installed facilities are in full operation during the reporting period. Besides, Fuxin plant followed the government's requirement and uses biomass pellet fuel in boiler instead of coal; it mainly contains straw, rice husk, peanut shell, corn cob, oil tea shell, cottonseed shell and other environmentally friendly materials which produces less greenhouse gases than burning coal.



Alkaline liquid drip tower newly installed in Shenzhen plant

On top of managing the waste gas generated during the production process, the Group's environmental management system also monitors the emissions generated from office daily operation and staff activities. Please refer to "Management of Resource Utilization" – "Conservation of Natural Gas, Coal, Gasoline and Diesel Utilization" and "Conservation of Electricity Utilization" below for details of the emission reduction measures.

Management of Wastewater

The hazardous wastewater generated by the Group in the manufacture of die-casting machines and plastic injection molding machines are mainly wastewater, waste mother liquor, waste lubricating oil, waste cutting fluid and waste emulsion generated from degreasing, phosphating, acid-washing and paint-spraying process and alkaline drip tower wastewater. In order to comply with the "Law of the People's Republic of China on Water Pollution Prevention and Control", "Emission Limit of Water Pollutants" and the applicable local laws, regulations and standards at different locations, we set up wastewater treatment stations and adopted the harmless treatment technology in our plants; the wastewater are discharged to the local sewage treatment plant only after the process of drug neutralization, electro-floc, coagulation, flocculation, sedimentation, sand filtration, etc.. The sludge deposited in the sewage treatment station contains hazardous substances (such as heavy metals). Since we do not have the required professional treatment capability, we entrust qualified company to recycle the hazardous sludge, waste mother liquor, waste lubricating oil, waste cutting fluid and waste emulsion and alkaline drip tower wastewater. Some of the plants have set up water reuse system to recycle the wastewater that has been treated harmlessly and reuse at the production processes and we increase the number of repeated use of steel washing water to reduce the volume of wastewater discharge.

Environmental Protection (Continued)

During the reporting period, due to the rise in the production volume at the Italian plant, more water was used to wash the workpieces, and thus increased the volume of wastewater. Besides, the plant has switched to another type of oil product for equipment use and need to dispose of the oil previously stored in the equipment. Therefore, the amount of wastewater and waste oil has increased by approximately 77.35 tonnes compared with previous year. Furthermore, the decline in the production volume for some of the plants and the energy-saving and emission-reduction measures implemented gradually achieving favorable results and produced less hazardous wastewater. For example, the hazardous wastewater generated by the Shenzhen plant has decreased by about 60.12 tonnes compared to last year. This is mainly due to their sewage treatment station has already able to apply the harmless treatment technology on waste hydrochloric acid, and thus no waste liquid was produced during the reporting period. Besides, the plant has strengthened the control over the use of water in production and increased the number of times for repeat use of workshop washing water. Since the workshop cleaning water contains oil, such change has effectively reduced the volume of oily wastewater produced and, at the same time, less water was consumed in production. As a whole, the Group's business in manufacturing of die-casting machine, plastic injection moulding machine and CNC machining centre has generated a total of 181.82 tonnes of hazardous wastewater, represented an increase of approximately 19.74 tonnes or 12.18% when compared to the previous year.

The non-hazardous wastewater generated from our operations mainly includes wastewater generated from production, office and living, and oily wastewater from canteen. We have established a series of water-saving and emission-reduction measures to reduce the generation of domestic wastewater. Please refer to the section "Management of Resource Utilization" – "Conservation of Water Resources Utilization" below for details of the measures. Since the wastewater produced in the canteen contains oil, the wastewater needs to pass through the oil and slag separation and biochemical procedures before they can be discharged together with the domestic wastewater to the local sewage pipe network for further treatment by the local sewage treatment plant. In order to comply with the increasingly stringent laws and regulations, we enhance our production processes, improve our production and environmental protection facilities, and regularly conduct repairs and maintenance for the equipment so as to ensure that the wastewater treatment facilities operate properly. Besides, we installed a wastewater emergency pool to prevent environmental pollution caused by leakage of wastewater; in the event of a pollution incident, the environmental safety management department personnel should immediately report to their superior and take appropriate actions to reduce the severity of the environmental pollution.

During the reporting period, the Group's business in manufacturing of die-casting machine, plastic injection moulding machine and CNC machining centre has generated a total of 272,249.36 tonnes of non-hazardous wastewater, represented an increase of approximately 51,265.03 tonnes or 23.20% over the previous year. The level of water used at each plant has a direct impact on the amount of non-hazardous wastewater being produced. Please refer to the "Management of Resource Utilization" – "Conservation of Water" section below for the reasons of the increase/decrease in the level of water used at each plant.

During the reporting period, the Shenzhen plant set up an online wastewater monitoring system in accordance with the "Regulations on the Implementation of Law of the People's Republic of China on Water Pollution Prevention and Control". The local environmental protection department and the related government departments can immediately monitor the chemical oxygen demand, ammonia nitrogen, total phosphorus, pH value and flow rate of wastewater; and to prevent any wastewater discharged that failed to meet the standard. In addition, we followed the local government's requirement to test the sewage on a regular or irregular basis. The testing scope includes acidity, chemical oxygen demand, phosphate, total zinc, etc.. All the test results are up to the local government standards.



Environmental Protection
(Continued)

During the reporting period, the Group's data in hazardous and non-hazardous wastewater discharged are as follows:

	2018/2019 (Tonnes)	(Restated) ⁵ 2017/2018 (Tonnes)
Hazardous Wastewater:		
Manufacture of Die-Casting Machine and Plastic Injection Moulding Machine and CNC Machining Centre ¹ :		
Total	181.82	162.08
Intensity ⁴	0.03	0.02
Manufacture of Casting ² :		
Total	0.24	1.24
Intensity ⁴	—	0.02
Group's Total Emission	182.06	163.32
Non-Hazardous Wastewater³:		
Manufacture of Die-Casting Machine and Plastic Injection Moulding Machine and CNC Machining Centre:		
Total	272,249.36	220,984.33
Intensity ⁴	52.29	33.84
Manufacture of Casting:		
Total	8,571.00	8,784.24
Intensity ⁴	167.00	161.60
Group's Total Emission	280,820.36	229,768.57

Notes:

- 1 Our Shanghai and Chongqing plants only involve the assembly process and after-sales service of die-casting machine, and the parts used in production are mainly provided by external suppliers. Therefore, the amount of hazardous wastewater produced is insignificant. Besides, part of the assembly process is carried out at the customer location, and the hazardous wastewater generated therefrom is handled by the customer, and such data is not included in this report.
- 2 Our Fuxin plant did not collect data on the amount of hazardous wastewater produced. Therefore, we have not disclosed them in this report; we will continue to improve the management and handling methods of our Fuxin plant in order to develop a more comprehensive environmental management system.
- 3 Some of the plants do not have a flow meter installed in sewage discharge ports, the amount of non-hazardous wastewater produced is estimated based on 80%–90% of the volume of water consumed.
- 4 The emission intensity for the business of manufacturing die-casting machine, plastic injection moulding machine and CNC machining centre is calculated based on the number of production units. While the emission intensity for the manufacturing of casting business is calculated in terms of production per kilo-tonne.
- 5 Last year's comparative figures are restated to conform with the current year's presentation.

Management of Disposal of Solid Wastes

The Group has always complied with the “Law of the People’s Republic of China on the Prevention and Control of Environmental Pollution by Solid Wastes” and the applicable local environmental laws and regulations and followed the requirements to establish our internal policy and procedures to manage and monitor the collection, storage and disposal of solid waste. The solid waste generated in daily operations mainly includes recyclable waste, non-recyclable waste and hazardous waste. We control solid waste production at source and actively adopt clean production methods, use clean energy and raw materials, apply advanced production technology and equipment, improve our operational management and increase resources utilization rate. Besides, we provide our employees with professional skills and environmental knowledge training and conduct regular assessments to ensure that employees clearly understand the methods of operating the production equipment, and also enable employees to understand the relationship between their behavior and environmental protection, thereby effectively reducing solid waste production in business operation.

Hazardous or harmful solid wastes generated during the manufacture of die-casting machines and plastic injection molding machines mainly includes waste paint slag, waste paint buckets, waste oil rag, waste activated carbon, oily dust, coal tar, sludge (Please refer to the “Management of Emissions” – “Management of Wastewater Discharge” section above for details). The CNC machining center business only involves assembly and steel cutting processes, which resulting in less hazardous solid waste (such as waste oil rag) generated. Our environmental protection officers regularly inspect the production workshops to ensure that the environmental protection facilities operate properly and to prevent generating unnecessary hazardous waste. In accordance with the “Standard for Pollution Control on Hazardous Waste Storage” and the applicable local laws and regulations, we have established an internal “Hazardous Waste Management System”. All kinds of hazardous wastes are stored at designated locations inside the hazardous waste warehouses according to different categories and requirements. We put “Hazardous Waste Category” and “Hazardous Waste Warehouse Occupational Hazard Notification Card” at every storage location. We make detailed records for all kinds of hazardous wastes and set the maximum storage limit. If it exceeds the limit, it needs to be disposed of in time to prevent secondary pollution. We regularly inspect the storage area of hazardous wastes and apply various measures to prevent leakage; for example, use anti-seepage paint for anti-seepage and anti-corrosion treatment in the warehouse, set cofferdams and conduct regular repairs and maintenance for the warehouse, so as to prevent any leakage issues.



Hazardous Waste Warehouses in Shenzhen plant



Environmental Protection (Continued)

We follow the “Management Measures for the Transfer of Hazardous Wastes” and the applicable laws and regulations of the local government and the requirements under ISO 14001 environmental management system, and set up “Hazardous Waste Transfer Plan” and has contracted with the storage and transportation company that holds the “Hazardous Waste Operation License”. We have to report and obtain prior approval from the local environmental protection department before any hazardous waste can be disposed by the recycler; and to prevent any illegal dumping by unscrupulous traders and lead to environmental pollution.

During the reporting period, the Group’s business in manufacture of die-casting machine, plastic injection moulding machine and CNC machining centre has generated a total of 134.77 tonnes of hazardous solid waste, representing a decrease of approximately 18.31 tonnes or 11.96% from the previous year. Apart from the drop in the Group’s overall production volume, the substantially reduced wastewater sludge and waste emulsion sludge generated by the Shenzhen plant has led to less hazardous solid wastes being produced. Emulsion is used in machine maintenance; and less frequent maintenance during the year produced less waste emulsion sludge. Besides, the Shenzhen plant has increased the duration for water aeration before acid washing, degreasing and phosphating the workpieces, that is, gases is removed from water and make it more effective, less water is used; and the amount of wastewater being treated by the wastewater treatment station, and the wastewater sludge produced has also decreased.

Non-hazardous solid wastes are mainly come from metal scrap, raw material packaging, welding slag, furnace slag, waste sand, waste iron and domestic garbage generated in production, office and living. We follow the “Standard for Pollution Control on the Storage and Disposal Site for General Industrial Solid Wastes”, “Waste Disposal Act” and the applicable local laws and regulations to categorize and store the wastes at designated locations, and sign industrial and domestic waste disposal contracts with qualified companies. Recycled industrial and domestic waste is mainly disposed of by incineration or landfill. We advocate the recycling of recyclable waste, such as the sale of metal scrap to recycling companies with better recycling technologies, and use of slag and waste sand as materials for ground repairs.

During the reporting period, the Group’s business in manufacture of die-casting machine, plastic injection moulding machine and CNC machining centre has generated a total of 1,725.28 tonnes of non-hazardous solid waste, representing a decrease of approximately 526.94 tonnes or 23.40% from the previous year. It is mainly due to the drop in the Group’s overall production volume and produced less waste iron, iron scrap and metal scrap.

Environmental Protection
(Continued)

During the reporting period, the Group's data in production of hazardous and non-hazardous solid wastes is as follows:

	2018/2019 (Tonnes)	(Restated) ³ 2017/2018 (Tonnes)
Hazardous Solid Waste¹:		
Manufacture of Die-Casting Machine and Plastic Injection Moulding Machine and CNC Machining Centre:		
Total	134.77	153.08
Intensity ²	0.03	0.02
Manufacture of Casting:		
Total	2.39	2.46
Intensity ²	0.05	0.05
Group's Total Emission	137.16	155.54
Non-Hazardous Solid Waste:		
Manufacture of Die-Casting Machine and Plastic Injection Moulding Machine and CNC Machining Centre:		
Total	1,725.28	2,252.22
Intensity ²	0.33	0.34
Manufacture of Casting:		
Total	3,244.24	3,442.22
Intensity ²	63.21	63.33
Group's Total Emission	4,969.52	5,694.44

Notes:

- 1 Our Shanghai and Chongqing plants only involve the assembly process and after-sales service of die-casting machine, and the parts used in production are mainly provided by external suppliers. Therefore, the amount of hazardous wastewater produced is insignificant. Besides, part of the assembly process is carried out at the customer location, and the hazardous wastewater generated therefrom is handled by the customer, and such data is not included in this report.
- 2 The emission intensity for the business of manufacturing die-casting machine, plastic injection moulding machine and CNC machining centre is calculated based on the number of production units. While the emission intensity for the manufacturing of casting business is calculated in terms of production per kilo-tonne.
- 3 Last year's comparative figures are restated to conform with the current year's presentation.



Environmental Protection
(Continued)

Management of Noise

The noise generated by the Group in its operations mainly comes from the production machinery and equipment. In order to strictly abide by the applicable provisions of the “Emission Standard for Industrial Enterprises Noise at Boundary”, we have formulated the “Management Regulations of Equipment Noise” and adopted different measures to regulate noise emissions. For example, we put the machinery and equipment at appropriate locations with reference to the level of noise produced, machines with enclosure guard must be shielded properly during operation; regularly conduct repair and maintenance for machinery and equipment, use lubricating oil to reduce wear and tear on the equipment and prevent unnecessary noise; and to purchase low-noise equipment as a priority. Besides, we arrange appropriate production times to reduce the impact of noise on the surrounding community environment. At the same time, we equip our employees with earmuffs or earplugs to reduce the chance of suffering from occupational diseases.

Compliance

During the reporting period, we did not involve in any confirmed violations that are related to emissions and have significant impact on the Group.

MANAGEMENT OF RESOURCES UTILIZATION

The Group mainly uses the resources of natural gas, coal, gasoline, diesel, electricity, water and paper. We strictly comply with the “Law of the People’s Republic of China of Energy Conservation”, “Regulations on Water Conservation in Cities” and the applicable laws and regulations on resource conservation, and to continuously identify and reduce the impact from our business activities on the environment. The production department and the office have implemented a number of measures and illustrate to our employees the importance of resources saving, and demand everyone to make best use of resources, to maximize their effectiveness and to eliminate waste of resources. Our measures for the effective use of various resources are detailed below:

Conservation of Energy

Conservation of Coal, Towngas, Natural Gas, Gasoline, Diesel and Welding/Cutting Gases

The Group uses coal, towngas and natural gas mainly for the production of castings, cooking in canteen and operation of heating systems; gasoline and diesel for production of finished goods, vehicles, forklifts, used in product commissioning, business promotion, picking up guests and transferring goods in warehouses. The gases used in the welding and cutting processes mainly include liquefied carbon dioxide, methane, acetylene, propylene, etc.. Fuxin Plant used coal as fuel for annealing furnaces in the production of castings and heating boilers. In March 2019, it ceased to use coal as fuel for heating boilers, and transform the old heating boilers to use biomass pellet fuel as substitute following the government’s requirement in August 2019. As compared to coal, biomass pellet fuel has higher combustion value with low energy consumption, which can effectively reduce the generation of greenhouse gases. Besides, we have strict rules on the quantity of food to be prepared in the canteen to avoid excessive food prepared and consume unnecessary natural gas, and at the same time, to reduce the production of food waste.

For the use of diesel and gasoline, our factories and offices have established “Management System for Use of Vehicles” as the Group owned a number of vehicles. We have also set up a number of conservation measures to regulate the use of gasoline and diesel in order to reduce emissions of waste gases and greenhouse gases. All types of fuel are purchased, stored and measured centrally. Fuels are stored in the dangerous goods warehouse that has anti-leakage facilities to prevent wastage and environmental pollution. The production workshops request fuel supply based on actual demand and refueling must be handled by the employees holding the dangerous goods license to prevent any safety accidents from happening. Waste oils that are no longer usable need to be recycled, categorized and stored in the containers at the designated zones, and handled by the responsible department. The vehicle management department is responsible for recording the monthly mileage and the amount of fuel consumed so as to enable fuel usage analysis by each vehicle. The driver checks the condition of the vehicle and the forklift daily and conducts regular repairs and maintenance to ensure that they are in good condition, to raise the efficiency of energy use, and to prevent excessive fuel consumed and exhaust air generated due to parts failure. Drivers have to plan the route in advance and stop the car engine while idling, so as to make it the shortest distance and to reduce unnecessary energy consumption and exhaust gas emissions.



Environmental Protection
(Continued)

During the reporting period, the Group's direct use of energy and the Scope 1 greenhouse gas emissions generated by the Group are as follows:

	2018/2019		(Restated) ² 2017/2018	
	Consumption	CO ₂ equivalent Emissions (Tonnes)	Consumption	CO ₂ equivalent Emissions (Tonnes)
Manufacture of Die-Casting				
Machine and Plastic Injection Moulding Machine and CNC Machining Centre:				
Towngas	28.17 Tonnes	71.90	28.15 Tonnes	71.87
Natural Gas	77,116.00 m ³	141.23	90,374.61m ³	165.52
Gasoline	207.73 Tonnes	644.86	218.06 Tonnes	676.98
Diesel	256.50 Tonnes	817.78	371.58 Tonnes	1,184.72
Welding/Cutting Gases	285.15 Tonnes	3,362.73	302.24 Tonnes	3,590.11
Business Total Emission		5,038.50		5,689.20
Business Emission Intensity¹		0.97		0.87
Manufacture of Casting:				
Coal	1,691.69 Tonnes	3.54	1,412.30 Tonnes	2.96
Gasoline	21.43 Tonnes	66.52	21.16 Tonnes	65.70
Diesel	87.18 Tonnes	277.97	68.33 Tonnes	217.86
Welding/Cutting Gases	8.02 Tonnes	18.75	7.21 Tonnes	17.15
Business Total Emission		366.78		303.67
Business Emission Intensity¹		7.15		5.59

Notes:

- 1 The emission intensity for the business of manufacturing die-casting machine, plastic injection moulding machine and CNC machining centre is calculated based on the number of production units. While the emission intensity for the manufacturing of casting business is calculated in terms of production per kilo-tonne.
- 2 Last year's comparative figures are restated to conform with the current year's presentation.

Conservation of Electricity

“Reduction at Source” is the Group’s energy management strategy. Therefore, we have established energy management plan in the office, for example, we use LED lamps instead of fluorescent lamps, encourage employees to use natural light for daily operations, restricted use of air conditioners according to seasonal and temperature changes, regularly clean the air conditioners filter and turn off the unnecessary electrical equipment after work.

There are strict regulations on using electrical equipment in the plant. Employees are required to follow the operating procedures in using the electrical machinery and equipment, employees are not allowed to change the electricity system circuits and set up high electric power equipment without authorization. Prior approval from the management is required for making such changes if found needed. The plants are gradually phasing out the old equipment, and replaced with those being nationally recognized or with the energy-efficient labels. We enhance and strengthen the repairs and maintenance of the electrical equipment, to record and analyze the monthly electricity consumption data and set it as one of monthly performance evaluation indicators which linked to bonuses. When project contractors need to use electricity, the Power Equipment Department will arrange and monitor the usage in order to ensure that the contractors pay attention to energy conservation as the project progresses. Since the production of castings require the use of equipment such as electric furnaces, annealing furnaces and air compressors that consume a lot of electricity, we implement power-saving measures, such as preparation work in the early stage is completed before the furnace is switched on to reduce the idling time of electric furnaces; switching on the electric furnace and annealing furnace according to the production plan to avoid frequently booting of the electric furnace and annealing furnace and wasted energy; and install a frequency converter for the 24 hours operating air compressor, the equipment can change the operating power of the compressor so as to effectively reduce electricity consumption. The other plants are actively considering the energy-saving measures as implemented by the Shenzhen and Zhongshan plants, such as selecting high-efficiency energy-saving motors, installing photovoltaic grid-connected power generation systems on rooftop, setting up daylight tunnel on the roof, recycling residual heat and temperature, using solar water boiler systems, etc..

Besides, we organize energy-saving training activities in the plants and offices to enhance the employee’s skill and knowledge on energy conservation, to educate employees about the national safety regulations and policies. We hope that our employees can support our energy management strategy to achieve “Energy management is everyone’s responsibility” and thus, effectively reduce carbon emissions.

During the reporting period, the Group has consumed 23,113.67 megawatt hours (“MWh”) of electricity in manufacture of die-casting machine, plastic injection moulding machine and CNC machining centre, representing a decrease of approximately 2,256.29 MWh or 8.89% from the previous year. The drop is mainly due to the decline in the Group’s overall production volume, and active support from the employees in our environmental policies and the energy-saving measures. The energy-saving measures include replacing energy-saving lamps by LED lamps, changing transformers and less nighttime electricity consumption in Shanghai and Kunshan plants; inviting comments from the university team in respect of the energy-saving measures being adopted by the plant. Due to the drop in the production volume from the casting manufacturing business, a total of approximately 36,586.44 MWh of electricity was consumed, representing a decrease of approximately 198.58 MWh or 0.54% from the previous year.



Environmental Protection (Continued)

During the reporting period, the Group's indirect use of electricity and the Scope 2 greenhouse gas emissions generated by the Group are as follows:

	2018/2019		(Restated) ² 2017/2018	
	Consumption	CO ₂ equivalent Emissions (Tonnes)	Consumption	CO ₂ equivalent Emissions (Tonnes)
Manufacture of Die-Casting				
Machine and Plastic Injection Moulding Machine and CNC Machining Centre:				
Electricity	23,113.67 MWh	18,842.46	25,369.96 MWh	20,775.34
Business Total Emission		18,842.46		20,775.34
Business Emission Intensity ¹		3.62		3.18
Manufacture of Casting:				
Electricity	36,586.44 MWh	40,870.71	36,785.02 MWh	41,092.55
Business Total Emission		40,870.71		41,092.55
Business Emission Intensity ¹		796.36		755.98

Notes:

- 1 The emission intensity for the business of manufacturing die-casting machine, plastic injection moulding machine and CNC machining centre is calculated based on the number of production units. While the emission intensity for the manufacturing of casting business is calculated in terms of production per kilo-tonne.
- 2 Last year's comparative figures are restated to conform with the current year's presentation.

Conservation of Water

The Group mainly uses government-supplied water sources, but some of the plants are located in remote areas of which municipal pipelines are not covered and need to rely on groundwater as their water source. During the reporting period, although we did not encounter any problems in obtaining applicable water resources, we clearly understand the importance of water resources to our production and living needs. Therefore, in order to reduce our demand on water resources, we actively implement different water usage measures, put great effort on the development of water recycling technologies to increase the water reuse rate, to build good habits in using water, to enhance the water use method in production, and to reduce the amount of wastewater discharges.

We also pay attention to the daily maintenance and management of water supply facilities, regularly inspect the water supply system to avoid running, dripping, leaking and long flowing water; notify our maintenance department promptly for repair once damaged pipes and valves or water leakage is found so as to reduce unnecessary wastage. Regarding management of use of water for living, we post "Water Saving" sign at noticeable locations, educate employees and enhance their awareness in water conservation and to build better water use habits. Employees are required to turn off the water taps immediately after washing hand and dishes. Kitchen washing water is used to irrigate plants in the factories for more effective use of water resources.

Environmental Protection (Continued)

Water use in production process is mainly related to cleaning the surface of steel to remove oil, oxides and rust; and to enhance the corrosion resistance of steel and adhesion to paint. In order to reduce water consumption in production and to increase the utilization rate of water resources, we increase the number of times for water recycling, lengthen the aeration of water before use, increase the effectiveness of water uses in the process of acid washing, degreasing and phosphorus removal. The Property Management Department monitors the monthly water consumption of each production department and need to investigate and find out the cause for abnormalities found, take appropriate action promptly so as to eliminate wastage of water resources.

During the reporting period, the Italian plant has bought the steam-cleaning machines and industrial floor cleaning machines of better water-saving performance. They can quickly clean the product parts, recycle and reuse the floor washing water, and less amount of water was consumed by the Italian plant. Shanghai plant has also finished repairing the water supply pipe network with leakage being reported last year. The level of water consumption by the plant has returned to normal. Although less amount of water was consumed by the Italian and Shanghai plants, better employees' awareness in water conservation has built, and the water-saving measures have gradually achieving results; water leakage from some of the underground pipes in the Shenzhen plant, and increased number of staff living in dormitories has led to a significant increase in the amount of water consumed over last year. As a result, the Group has consumed 339,573.45 tonnes of water in manufacture of die-casting machine, plastic injection moulding machine and CNC machining centre, representing an increase of approximately 64,616.95 tonnes or 23.50% over the previous year. In September 2019, we commissioned a professional maintenance company to repair the underground water pipes of the Shenzhen plant, and further strengthen the inspection and maintenance of water equipment to prevent the leakage from happening again and unnecessary wastage.

During the reporting period, the Group's water consumption is as follows:

	2018/2019 (Tonnes)	(Restated) ³ 2017/2018 (Tonnes)
Manufacture of Die-Casting Machine and Plastic Injection Moulding Machine and CNC Machining Centre:		
Total	339,573.45	274,956.50
Intensity ²	65.21	42.11
Manufacture of Casting¹:		
Total	11,826.00	11,792.18
Intensity ²	230.43	216.94
Group Total Consumption	351,399.45	286,748.68

Notes:

- 1 One of the plants in Fuxin uses groundwater for production and living, but no flowmeter was installed. As such, we made an estimate for the related data and included in the above table.
- 2 The emission intensity for the business of manufacturing die-casting machine, plastic injection moulding machine and CNC machining centre is calculated based on the number of production units. While the emission intensity for the manufacturing of casting business is calculated in terms of production per kilo-tonne.
- 3 Last year's comparative figures are restated to conform with the current year's presentation.

Environmental Protection (Continued)

Conservation of Paper

The Group actively promotes “paperless office” and advocates to make good use of our online office system, such as OA systems, ERP systems and special news portal, and encourage employees to transmit information and documents in electronic form to reduce photocopying and printing, we encourage our employees to set the printer to double-sided printing as default, check the file format (such as kerning, margins and pages) before photocopying or printing, use both sides of the paper whenever possible. We make full use of paper by reuse one-side used paper for printing; collect the double-side wasted papers in recycled paper collection box and recycle by qualified recyclers. The Administration and Human Resources Department is responsible for purchases and collect data for paper used. We irregularly sample check the paper consumption record of user departments, and penalize employees who violate the requirement, aiming at enhancing the environmental awareness among employees and, at the same time, to reduce the impact from daily operations on the environment. During the reporting period, the Group consumed approximately 26.96 tonnes of paper, increased by 1.53 tonnes or 6.02% from the previous year.

THE ENVIRONMENT AND NATURAL RESOURCES

The source of significant impact by the Group on the environment and natural resources is mainly come from atmospheric emissions, wastewater, solid wastes, and use of natural resources (such as electricity, natural gas, liquefied carbon dioxide, fuel, water, papers, etc.) in business activities. Starting 2018, China levies taxes on industrial emissions and pollution; largely strengthened the control in environmental pollution. We will continue to pay close attention to the changes in local environmental laws, regulations and policies, and update our environmental management system and the related policies to ensure operational compliance. We will continue to monitor our business operations and the impact on the environment, and implement various policies, measures and take actions (Please refer to “Management of Emissions” and “Management of Resources Utilization” above for details) to encourage our employees to build good habits in using resources and to reduce our impact on the environment from business development. The Group will continue to adhere to the principles of safety, harmony, green development and clean production, instilling the thoughts about environmental protection to the core of our operations, to protect and to care for the nature, and also to work with employees in order to build an environmentally friendly and resource-saving enterprise. We would like to dispatch our environmental protection messages to families, friends, business partners, etc., to build a more powerful cohesion in alleviating climate change together.

Employment and Labor Practices

Employees are our valuable assets and the key driver for the Group's sustainable and long-term business development. We devote to create a non-discrimination, equal, harmonious and safe workplace; build up mutual-respect and good relationship among our people; encourage our employees to be innovative, flexible and committed when dealing with our customers and produce high quality products and services as their mission. To accomplish this target, our human resources department collects our employees' thought and need through various channels including organizing seminars, issuing questionnaires and make use of opinion boxes, etc.. It facilitates communication with the Group's management and based on our employees' idea, we offer opportunities of advancement to attract, develop, retain and reward our talented staff; provide commensurate remuneration, personal growth and career development training; and other fringe benefits. Besides, we care about our employees' work, life, physical and mental health. We organize after work activities and training courses to enrich their leisure time and to enhance their technical skills and team cohesion. We encourage employees to maintain harmonious interpersonal relationships, promote team spirit of cooperation and unity, bravely face difficulties and overcome challenges.

TALENT SELECTION

The Group has always adhered to the concept of recruiting the talented people and making the best use of their talents. We are also a fair opportunity employer and respect personal privacy. Hence, we have established and implemented fair treatment policy. The appropriate candidates would be selected based on their morality, knowledge, abilities and job requirements, and regardless of their age, gender, race, class, marital status, language, religion or political factions. The policy applies to all phases of the employment relationship, including but not limited to, hiring, promotion, performance appraisal, training, personal development and termination.

LABOR STANDARDS

The Group cherishes human rights and prohibits any unethical hiring practices, including child and forced labor by conducting background checks (review the identity documents of the applicants) in its hiring process. Employees' consent for working overtime is required to avoid forced overtime work, and the employees are compensated in accordance with the applicable labor laws and regulations. During the reporting period, the Group did not hire any applicant under the legal working age in order to comply with the local laws and regulations in respect of child and forced labor.



COMPENSATION AND WELFARE

The Group attracts and retains outstanding talents with competitive remuneration packages; benchmarks up-to-date remuneration data in their industry and strives to establish a fair, reasonable and competitive remuneration scheme. Staff salaries level are decided based on one's knowledge, skills, experiences and education background with respect to their work requirements. Employee compensation varies among factories and offices by locations. The employee remuneration package includes salary, overtime subsidies, bonus and so on. Other benefits include free body check-up, messing allowance, communication allowance, high temperature allowance, wedding gifts, festive gifts (such as Dragon Boat Festival, Mid-Autumn Festival) etc.. All employees are entitled to rest days and holidays (such as annual leaves, sick leaves, marriage leaves, maternity leaves, funeral leaves, etc.). We conduct periodic performance appraisal and fairly assess the level of awards, subsidies, salaries increment and/or promotion recommendations based on a number of criteria (working experience, seniority, knowledge, skills, performance, contribution, etc.). To comply with the local labor and social securities laws and regulations, we provide social security benefits for all employees. For example, those in Mainland China participated in the social security scheme and housing provident fund. Hong Kong employees participated in the Mandatory Provident Fund Scheme. We handle dismissal and compensation in accordance with the local laws and regulations.

We pay attention to our employees' health and encourage work-life balance. Employees' work hours are set based on the local labor laws. Besides, we care about our employees' physical and mental health, and set up library and provide recreation room (such as billiard room, table tennis room, chess room, etc.). We organize a variety of leisure activities, including Spring Festival party, basketball and tug of war competitions, birthday parties, hiking activities, travelling activities, "L. K. Cup" talent show and technical competition, etc. in order to enhance team cohesiveness and sense of belongings, and to reduce work pressure.



Photos of staff activities of different plants

DEVELOPMENT AND TRAINING

An excellent corporate team is critical to the Group's sustainable and long-term business development. Therefore, we have established a stringent and comprehensive recruitment system, standards and procedures; introduced competition mechanism, hoping to explore and cultivate professional talents, and to encourage staff to continue study and lifelong learning. Apart from aligning the Group's corporate business plan, we also hope to enhance the quality, technical skills and knowledge of employees through continuous training. These not only enable employees to specialize in his own work, but also to enhance their flexibility in more job positions. New hires have to participate in induction training with an aim to introduce corporate culture, industry knowledge, organizational structure, rules and regulations and work safety, etc.. Beside induction training, we also established a comprehensive staff training plan with reference to the departmental human resources needs. We organized internal training activities and participated in external training held by professional organizations. During the reporting period, internal training covered procurement management, customers service, human resources management, environmental management, financial management, quality management (please refer to "Product Responsibility" below for details), work safety (please refer to "Health and Safety" below for details), etc., covering guidelines and procedures of Procurement Department, vendor management guidelines, safety management of Customers' Service Department, telephone manner, internal auditing skills, remuneration system, requirements and rules for disposal of waste papers and carton, guidelines for use of electricity and water, individual income tax training, new corporate accounting standards, financial accounting and analysis, etc.. Topics of external training included China Tax and Business, Certificate course on Import/Export and Logistics Practices, and so on.



Each plant conducted employee training in the form of skill competitions, seminars and morning meetings, and so on



HEALTH AND SAFETY

To comply with the Law of the People's Republic of China on Safety Production and the local laws and regulations and the applicable laws and regulations, we have established policies and procedures to ensure safe production and set up the production safety committee and safety management organization structure. The management and employees at all levels must clearly understand their own safety responsibilities and sign the respective safety responsibility statement; and strictly perform in accordance with the requirements as stated on the safety responsibility statement. New hires must join various practical trainings, understand the workflow, equipment operation and guidelines relating to the production department; receive safety education. We also provide frequent trainings to our staff to enhance their awareness, knowledge and techniques on safety. We also carry out role-based technical training periodically, safety assessment and team activities to ensure that our staff are prepared mentally and have adequate knowledge and skills to meet the safety standards and to fulfill their job duties.

Training topics are mainly related to workplace safety and occupational health. The Group provides appropriate occupational health and safety training to introduce the corporate development plan, enhance their awareness on safety and continuously strengthen their consciousness, improve their professional skills, especially those job positions with significant potential safety hazards, and enable them to perform their duties in a safe environment. Employees have to report to the management immediately when incident occurs or aware of any potential hazards. During the reporting period, we organized various training programs, for example, knowledge on hydraulic and electrical principle, debugging of two-plate machines, welding process, CNC machining skill training, safety on driving forklift, repair and maintenance of machine tools, safety training on hazardous chemicals, production safety training, "5S" and "6S" on-site management, fire safety training, inspection and use methods of fire-fighting equipment, incident handling training, incidents case review training, etc..

In accordance with the Law of the People's Republic of China on the Prevention and Control of Occupational Diseases, we have established an occupational health management system. The safety committee office is responsible for the effective identification of hazards factors at workplace, like noise, dust and chemical poison substances, etc.. We post job warning signs and take preventive measures to eliminate hazards source and to reduce the likelihood of an incident. In order to handle different types of emergencies effectively and to ensure safety of our employees at the scene of incident, the Group has formulated safety incident management system and determined each department's responsibilities. After incident occurred, the responsible department arrive at the scene and understand when it has happened, the casualties and pollution caused, and to make preliminary assessment as to its nature, estimated location, causes, and the impact on the surrounding environment, etc., so as to determine its severity level and to take appropriate measures to contain the damage. According to the characteristics and actual needs in production, we provide our staff with protective supplies such as masks, protective lens, safety shoes, hand gloves, etc. and urge them to use the supplies correctly as required. We strictly prohibit and will not assign our minor staff to handle tasks relating to toxic, hazardous, excessive physical labor or positions involving danger. The Group has arranged pre-employment and on-the-job body check to our staff, only those passed the medical examination are allowed to work. That shows our care on employees' health and occupational safety.

Employment and Labor Practices (Continued)

Staff of special work types (e.g. welders, paint sprayers, plumbers, sander, duster, etc.), must receive relevant professional safety training and possess valid license from the government authority before they are put to work. In order to ensure the safety protection equipment are kept in good condition, we take various measures, for example, Equipment Department carries out periodic maintenance to all kinds of equipment (including production, fire prevention and special type of equipment, etc.); use electrical equipment that is up to national standard and well insulated, and protective measure exists for metallic shells; annual repairs and maintenance to special types of equipment performed by qualified service providers and examined by the State Bureau of Quality and Technical Supervision. Explosion-proof electrical equipment must be used at those work places with risk of gas or dust explosion. Besides, first-aid and rescue medicine and equipment must be prepared for use in case of occupational poisoning, personal injuries and other incidents, so as to reduce the occurrence of any occupational accidents.



Efficient ventilation equipment and appropriate labor supplies are installed and provided in the welding process

COMPLIANCE

During the reporting period, the Group did not involve in any non-compliance incidents relating to employment, health and safety, and labor standards that have significant impact on the Group.



Operating Practices **SUPPLY CHAIN MANAGEMENT**

The Group conveys its concern on environmental issues to its suppliers and business partners, and expects them to implement similar practices. We serve to maintain long-term, stable and strategic cooperative relationships with leading suppliers, and co-develops with them on the basis of equality and win-win situation. To adhere to our commitment on product quality to our customers, we have established procurement and vendor assessment management systems to closely monitor the processes of supplier evaluation, selection, procurement, goods receipt and acceptance, and quality review. This is to ensure that high-quality and environmentally friendly raw materials are used in the production process. The Procurement and the responsible departments select and evaluate vendors, and set up "approved supplier list". Evaluation criteria include accreditation, quality stability, on-time delivery, legal compliance and professional skills/quality, and so on. Besides, in order to ensure that the goods are supplied timely with good quality; and to protect the information security and confidentiality, suppliers are required to provide written commitments. We also sign agreement with all suppliers, avoid acts that may harm the legal interests of each party and for anti-corruption purpose. We have established stringent procedures in supply chain management and provided various reporting channels for employees, suppliers, customers and other business partners to report any violations and suspected abuse of one's authority for own interest. During the reporting period, the Group did not have significant issues relating to violations in this respect.

PRODUCT RESPONSIBILITY

The Group has been striving for continuous innovation and improvement, and to insist on quality control to achieve "zero-defect products", and we established a sound quality assurance system. We perform annual internal audit in product quality management covering all production workflows. We follow the ISO 9001 management system and formulate strict inspection procedures in the entire manufacturing process starting from raw materials selection, procurement, production and finished goods quality assurance. Besides, we actively adopt and apply the local and international standards. Our products are qualified for the European CE certification, and our die-casting machine Company in China simultaneously meets the standard of the North American Industry Association and the standards of all developed countries in Europe, the United States, and Japan.

We believe that employees' quality has positive impact on product quality, thereby regularly providing training courses relating to product quality, such as quality control policy, record keeping and control procedures of quality control, relationship of work quality and product quality control system, knowledge of ISO 9001 Quality Management System, quality management system-controlled documents, case study of quality control and sub-standard products case analysis, quality consciousness on large machines, etc. so as to ensure that the quality inspectors possess the latest skill and knowledge. We hope that employees can gain sense of satisfaction and accomplishment at work, seize every opportunity to improve the product quality with the Group together and move towards a higher quality goal.

Operating Practices (Continued)

To satisfy customers' expectations and to provide good customer experience are critical to our future business continuous growth and sustainable development, therefore we are dedicated to providing high quality and professional services with the highest degree of integrity to our customers. If the customers have issues about our products and services, they can give feedbacks or lodge complaints via our after-sales service mechanism. Quality Control Department will make preliminary inspection and analysis on the complaints. The responsible department will analyze the reasons for the issues, formulate plan for handling the complaints, take corrective actions, and set target completion time. A designated staff is assigned to follow up with the customers to ensure their complaints are promptly handled. Besides, we share the customer feedback and the result of our self-reflection during regular product quality review meetings. The departments relating to the complaints are held accountable and are responsible for proper handling of the cases; and the customer service personnel must follow up and thereby continuously improving our product and service quality.

Confidentiality is one of the Group's core values. We handle customers' information diligently and confidentially. For any confidential information obtained through business relationships, all employees are strictly prohibited to disclose any information to third parties without proper authority unless there is a legal or professional right or duty to do so.

During the reporting period, the Group's products and services did not involve significant issues relating to violations nor did the Group receive any complaints concerning breaches of customer privacy and loss of data.

ANTI-CORRUPTION

Maintaining an ethical working environment is one of the Group's core values. We have adopted a zero-tolerance approach for all kinds of corruption, bribery and extortion situation. To comply with the "Criminal Law of the People's Republic of China", the "Prevention of Bribery Ordinance" enforced by Hong Kong Independent Commission Against Corruption and other applicable laws and regulations, we set up self-discipline rules to regulate the employees' conduct, to prevent and report fraud, bribes and money laundering. Our General Manager Office is responsible for leading and co-ordinating the works relating to this area; setting up the whistle-blowing hotline, email address and correspondence address, etc.; managing the whistle-blowing calls and reports received from whistle-blowers, either named or anonymous; preparing written records of all details and reporting to the management or the board of directors timely; investigating the incidents and submitting report of the investigation results to the management or the board of directors; and keeping proper record after completion. During the reporting period, the Group or its employees did not involve in any litigation cases relating to corruptions.



Community Investment, Honors and Certifications

The Group actively contributes with a will to build a sustainable and harmonious society. Therefore, we are committed to our people-oriented corporate culture and to take up the social responsibility. The Group has paid tax in accordance with applicable laws since its incorporation, and spares no effort in easing local employment pressure. We help our staff to prepare and plan for their retirement. We have maintained good manufacturing operation, environmental protection and achieve a good development order; and, to some certain extent, we have contributed to social stability and building a harmonious community. During the reporting period, some of the Group's subsidiaries made donation to "Shanghai Charity Fund", and was accredited the following major honors and certifications:

- "ISO 9001:2015 Quality Management System" Certificate
- "GB/T 24001-2016/ISO 14001:2015 Environmental Management System" Certificate
- "GB/T 29490-2013 Intellectual Property Management System" Certificate
- "High Technology Enterprise" Certificate

Vision Outlook

As a good corporate citizen, the Group strives to strike a balance between achieving the corporate economic goals and business objectives, and to fulfill our social responsibility. We will continue to evaluate our performance on environmental protection, employee care, product quality and community investment and to build edge for the sustainable development of the Group.

The Group will continue to comply with the stringent laws and regulations in environmental protection, allocate resources and undertake various environmental improvement projects, including improving emissions, wastewater and solid waste treatment facilities. We will also put employee satisfaction and production safety as our top priority. We aim at attracting more talents through providing a safe workplace and competitive remuneration scheme. As for product and service quality, we will continue to invest resources for further improvement to our products so as to meet the environmental standards. At the same time, we are committed to fulfilling our social responsibility by actively participating in charitable activities and promoting the community's sustainable development.

The Group aspires to become a respectable enterprise. Going forward, the Group will continue to enhance its business performance through implementation of sustainable development strategies and to generate more meaningful long-term value for the enterprise and its stakeholders.



Environmental Performance Data Summary

Unit	Die-casting Machines		Plastic Injection Moulding Machines		CNC Machining Centre		Manufacture of Casting		Total		
	(Restated) ⁴		(Restated) ⁴		(Restated) ⁴		(Restated) ⁴		(Restated) ⁴		
	2018/19	2017/18	2018/19	2017/18	2018/19	2017/18	2018/19	2017/18	2018/19	2017/18	
Greenhouse Gas ("GHG")											
Emission:											
Scope 1¹:											
Total	Tonnes	4,315.89	4,864.29	647.18	746.10	75.43	78.81	366.78	303.67	5,405.28	5,992.87
Intensity ³	Tonnes	2.48	2.29	0.20	0.18	0.29	0.36	7.15	5.59	N/A	N/A
Scope 2²:											
Total	Tonnes	12,301.00	13,704.61	5,568.72	6,045.03	972.74	1,025.70	40,870.71	41,092.55	59,713.17	61,867.89
Intensity ³	Tonnes	7.07	6.45	1.74	1.44	3.71	4.62	796.36	755.98	N/A	N/A
Air Emissions:											
Nitrogen Oxides	Tonnes	48.95	65.11	30.88	30.84	5.60	5.99	16.09	13.76	101.52	115.70
Sulfur Oxide	Tonnes	6.03	8.33	3.38	3.76	0.48	0.50	2.33	1.92	12.22	14.51
Particles	Tonnes	13.46	19.11	6.86	8.34	0.72	0.72	5.78	4.65	26.82	32.82
Hazardous Wastes:											
Solid Wastes Generated:											
Total	Tonnes	96.26	115.84	37.80	36.58	0.71	0.66	2.39	2.46	137.16	155.54
Intensity ³	Tonnes	0.06	0.05	0.01	0.01	–	–	0.05	0.05	N/A	N/A
Sewage Discharged:											
Total	Tonnes	129.35	110.40	44.07	47.88	8.40	3.80	0.24	1.24	182.06	163.32
Intensity ³	Tonnes	0.07	0.05	0.01	0.01	0.03	0.02	–	0.02	N/A	N/A
Non-Hazardous Wastes:											
Solid Wastes Generated:											
Total	Tonnes	1,055.50	1,366.14	608.89	830.55	60.89	55.53	3,244.24	3,442.22	4,969.52	5,694.44
Intensity ³	Tonnes	0.61	0.64	0.19	0.20	0.23	0.25	63.21	63.33	N/A	N/A
Sewage Discharged:											
Total	Tonnes	206,004.06	141,094.70	52,098.40	66,690.40	14,146.90	13,199.23	8,571.00	8,784.24	280,820.36	229,768.57
Intensity ³	Tonnes	118.33	66.43	16.26	15.94	54.00	59.46	167.00	161.60	N/A	N/A
Packaging Materials											
Used:											
Total	Tonnes	16.31	21.55	16.86	27.00	15.02	32.44	139.40	128.17	187.59	209.16
Intensity ³	Tonnes	0.01	0.01	0.01	0.01	0.06	0.15	2.72	2.36	N/A	N/A

Environmental
Performance
Data Summary
(Continued)

Unit	Die-casting Machines		Plastic Injection Moulding Machines		CNC Machining Centre		Manufacture of Casting		Total		
	(Restated) ⁴		(Restated) ⁴		(Restated) ⁴		(Restated) ⁴		(Restated) ⁴		
	2018/19	2017/18	2018/19	2017/18	2018/19	2017/18	2018/19	2017/18	2018/19	2017/18	
Energy and Water											
Resources											
Consumption:											
Electricity:											
Total	MWh	15,044.64	16,732.79	6,638.31	7,188.80	1,430.72	1,448.37	36,586.44	36,785.02	59,700.11	62,154.98
Intensity ³	MWh	8.64	7.88	2.07	1.72	5.46	6.52	712.88	676.73	N/A	N/A
Coal:											
Total	Tonnes	-	-	-	-	-	-	1,691.69	1,412.30	1,691.69	1,412.30
Intensity ³	Tonnes	-	-	-	-	-	-	32.96	25.98	N/A	N/A
Towngas:											
Total	Tonnes	27.16	26.93	1.01	1.22	-	-	-	-	28.17	28.15
Intensity ³	Tonnes	0.02	0.01	-	-	-	-	-	-	N/A	N/A
Natural gas:											
Total	m ³	22,640.00	20,141.00	51,927.00	67,416.00	2,549.00	2,817.61	-	-	77,116.00	90,374.61
Intensity ³	m ³	13.00	9.48	16.21	16.11	9.73	12.69	-	-	N/A	N/A
Gasoline:											
Total	Tonnes	105.30	128.33	82.38	67.76	20.05	21.97	21.43	21.16	229.16	239.22
Intensity ³	Tonnes	0.06	0.06	0.03	0.02	0.08	0.10	0.42	0.39	N/A	N/A
Diesel:											
Total	Tonnes	177.10	261.38	76.72	108.49	2.68	1.71	87.18	68.33	343.68	439.91
Intensity ³	Tonnes	0.10	0.12	0.02	0.03	0.01	0.01	1.70	1.26	N/A	N/A
Welding and Cutting											
Gases:											
Total	Tonnes	252.19	264.62	32.96	37.62	-	-	8.02	7.21	293.17	309.45
Intensity ³	Tonnes	0.14	0.12	0.01	0.01	-	-	0.16	0.13	N/A	N/A
Water Resources:											
Total	Tonnes	256,525.45	174,862.50	65,123.00	83,363.00	17,925.00	16,731.00	11,826.00	11,792.18	351,399.45	286,748.68
Intensity ³	Tonnes	147.34	82.33	20.33	19.92	68.42	75.36	230.43	216.94	N/A	N/A

Notes:

- 1 Scope 1 refers to the Group's business direct GHG emissions, including combustion of coal, towngas, natural gas, gasoline, diesel, and welding and cutting gases.
- 2 Scope 2 refers to the Group's business indirect GHG emissions, including consumption of purchased electricity.
- 3 The emission/production/consumption intensity of the business of manufacturing die-casting machine, plastic injection moulding machine and CNC machining centre are calculated based on the number of production units. The emission/production/consumption intensity of the manufacturing of casting business are calculated in terms of production per kilo-tonne.
- 4 Last year's comparative figures are restated to conform with the current year's presentation.



“Environmental,
Social and
Governance
Reporting Guide”
by The Stock
Exchange of
Hong Kong Limited

General Disclosure/ Key Performance Indicators (“KPIs”)	Reporting Guideline	Page
A. Environmental		
Aspect A1	Emissions	
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste.	6–13,29
KPI A1.1	The types of emissions and respective emissions data.	29
KPI A1.2	Greenhouse gas emissions in total (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	15, 17, 29
KPI A1.3	Total hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	9, 12, 29
KPI A1.4	Total non-hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	9, 12, 29
KPI A1.5	Description of measures to mitigate emissions and results achieved.	6–13
KPI A1.6	Description of how hazardous and non-hazardous wastes are handled, reduction initiatives and results achieved.	6–13
Aspect A2	Use of Resources	
General Disclosure	Policies on the efficient use of resources, including energy, water and other raw materials.	14–19
KPI A2.1	Direct and/or indirect energy consumption by type (e.g. electricity, gas or oil) in total (MWh) and intensity (e.g. per unit of production volume, per facility).	15, 17, 30
KPI A2.2	Water consumption in total and intensity (e.g. per unit of production volume, per facility).	18, 30
KPI A2.3	Description of energy use efficiency initiatives and results achieved.	14–19
KPI A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency initiatives and results achieved.	17–18
KPI A2.5	Total packaging material used for finished products (in tonnes) and, if applicable, with reference to per unit produced.	29
Aspect A3	The Environment and Natural Resources	
General Disclosure	Policies on minimizing the issuer’s significant impact on the environment and natural resources.	19
KPI A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	19

General Disclosure	Reporting Guideline	Page
B. Social ¹		
Aspect B1	Employment and Labor Practices	
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare.	20–21
Aspect B2	Health and Safety	
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to providing a safe working environment and protecting employees from occupational hazards.	23–24
Aspect B3	Development and Training	
General Disclosure	Policies on improving employees’ knowledge and skills for discharging duties at work. Description of training activities.	22
Aspect B4	Labor Standards	
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child and forced labor.	20
Aspect B5	Supply Chain Management	
General Disclosure	Policies on managing environmental and social risks of the supply chain.	25
Aspect B6	Product Responsibility	
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress.	25–26
Aspect B7	Anti-corruption	
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering.	26
Aspect B8	Community Investment	
General Disclosure	Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities’ interests.	27

Note:

1 Pursuant to Appendix 27 of the “Main Board Listing Rules”, the KPIs under Area B “Social” are recommended disclosures only. Therefore, the Group chose not to disclose those KPIs in this report.



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