



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)

ENVIRONMENTAL, SOCIAL  
AND GOVERNANCE REPORT  
環境、社會及管治報告  
2020/21

GOVERNMENT

EMPLOYEES

COMMUNITY

SHAREHOLDERS

CUSTOMERS

SUPPLIERS



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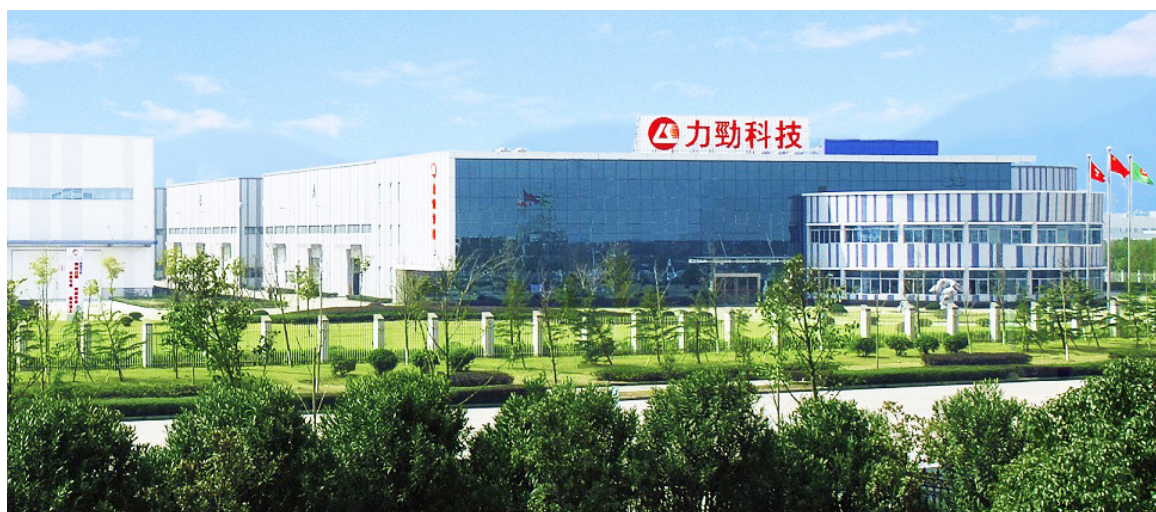


## ABOUT THE REPORT

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 sustainable development strategies, policies and performance in the environmental and social aspects of 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 2021. 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 believes that sound ESG strategies can create investment value for the Group and deliver long-term returns to its stakeholders. Establishment of appropriate governance framework is critical to successful implementation of the Group's ESG sustainability strategy, therefore, we set up the ESG governance structure with clear duties and responsibilities. The Board sets long-term policies and strategies for the sustainable development of the Group's business, and reports on the performance. The Board also discusses internally to identify, review and evaluate the Group's corporate responsibility and sustainability, and lists out the ESG items that the major stakeholders and the Group concerned, assesses the importance to them and selects the relative important ESG items (details are disclosed in Section III in this Report). The management team reports to the Board on a regular basis to assist the Board in assessing and determining whether the company has established an appropriate and effective internal control system to contain the ESG risks. At the operational level, functional units are responsible for ensuring the integration of sustainability strategies and practices into the Group's business operations and exploring new action plans/initiatives.



While the Group is committed to maintaining the sustainable development of its business, it also actively bears the social responsibilities, hoping to achieve both economic and social benefits. It has also provided support in environmental protection to the communities in which it operates for years. The Group maintains a close tie with its stakeholders, including government/regulatory organizations, shareholders/investors, employees, customers, suppliers, community, etc., gain a better understanding of all parties 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 means of communication with the stakeholders and the management response to the stakeholders' expectations and concerns:

Stakeholders	Expectations and concerns	Means of communication	Management response
<b>Government/ regulatory organizations</b>	<ul style="list-style-type: none"> <li>• Compliance in laws and regulations</li> <li>• Fulfill tax obligation</li> <li>• Green operation</li> <li>• Safety production</li> <li>• Work together to fight against the coronavirus ("COVID-19")</li> </ul>	<ul style="list-style-type: none"> <li>• Periodic report/announcement</li> <li>• Regular communication with regulators</li> <li>• Field investigation</li> <li>• Handle official business through government affairs website or application</li> </ul>	<ul style="list-style-type: none"> <li>• Uphold integrity and compliance in operations</li> <li>• Pay tax on time, and contribute to the society</li> <li>• Establish comprehensive and effective internal control system</li> <li>• Fully implement safety production accountability system</li> <li>• Comply with the government's COVID-19 measures and guidelines to curb the spread of COVID-19</li> </ul>
<b>Shareholders/ investors</b>	<ul style="list-style-type: none"> <li>• Return on investment</li> <li>• Information transparency</li> <li>• Corporate governance system</li> <li>• Operational risk management</li> </ul>	<ul style="list-style-type: none"> <li>• Information disclosed on the HKEX website</li> <li>• Company's official website</li> <li>• Annual general meeting and other shareholders' meetings</li> <li>• Investor meeting/factory visit</li> <li>• Opinion mailbox/email</li> </ul>	<ul style="list-style-type: none"> <li>• Management possesses relevant experience and professional knowledge in business sustainability</li> <li>• Ensure transparent and efficient communications by dispatching information at the websites of HKEX and the Company</li> <li>• Continue to improve the internal control system and focus on risk management</li> <li>• Continue to communicate efficiently with investors through various communication channels</li> <li>• Adopt effective preventive and control measures and fully resume work and production as soon as possible</li> </ul>

## STAKEHOLDERS' ENGAGEMENT

Stakeholders	Expectations and concerns	Means of communication	Management response
<b>Employees</b>	<ul style="list-style-type: none"> <li>• Labor rights</li> <li>• Career development</li> <li>• Compensation and welfare</li> <li>• Health and workplace safety</li> <li>• Humanistic care</li> <li>• Work together to fight against COVID-19</li> </ul>	<ul style="list-style-type: none"> <li>• Staff activities</li> <li>• Employee performance evaluation</li> <li>• Induction and on the job training</li> <li>• Internal meetings and announcements</li> <li>• Contact via email, phone and communication applications</li> <li>• Employee rewards and punishments, and innovation and improvement proposal management system</li> <li>• General manager mailbox</li> </ul>	<ul style="list-style-type: none"> <li>• Set up contractual obligations to protect labor rights</li> <li>• Encourage employees to participate in continuous education and professional trainings to enhance ability</li> <li>• Establish a fair, reasonable and competitive remuneration scheme</li> <li>• Pay attention to occupational health and safety</li> <li>• Regularly provide medical check to employees and conduct occupational disease hazard inspection on key positions to identify various occupational hazard source and adopt appropriate response plans as soon as possible</li> <li>• Establish an efficient and rewarding communication mechanism to motivate employees to actively provide opinions to the company and bring opportunities for mutual development to both parties</li> <li>• Provide anti-epidemic supplies, reasonable scheduling and shifts or work from home</li> </ul>
<b>Customers</b>	<ul style="list-style-type: none"> <li>• High quality products and services</li> <li>• Timely delivery</li> <li>• Reasonable price</li> <li>• Work together to fight against COVID-19</li> </ul>	<ul style="list-style-type: none"> <li>• Business visit</li> <li>• Contact via email, phone and communication applications</li> <li>• Conference and exhibition</li> <li>• Customer service team</li> <li>• Customer satisfaction survey</li> </ul>	<ul style="list-style-type: none"> <li>• Improve the quality of products and services continuously in order to maintain customer satisfaction</li> <li>• Establish an effective, efficient and green supply chain system and actively conduct developments on different type of products to meet customers' requirements and the current development trend of Industry 4.0</li> <li>• Formulate comprehensive quality assurance process</li> <li>• Ensure fulfillment of contractual obligations</li> <li>• Establish and continuously improve the pre-sales, in-sales, after-sales service and customer training systems</li> <li>• Adopt effective preventive and control measures and fully resume work and production as soon as possible</li> <li>• Arrange technical personnel to assist customers in resuming work and production during the epidemic as far as possible</li> </ul>

Stakeholders	Expectations and concerns	Means of communication	Management response
<b>Suppliers</b>	<ul style="list-style-type: none"> <li>• Stable demand</li> <li>• Good relationship with the company</li> <li>• Corporate reputation</li> <li>• Work together to fight against COVID-19</li> </ul>	<ul style="list-style-type: none"> <li>• Business visit</li> <li>• Contact via email, phone and communication applications</li> <li>• Conference and exhibition</li> </ul>	<ul style="list-style-type: none"> <li>• Ensure fulfillment of contractual obligations</li> <li>• Establish policy and procedures in supply chain management</li> <li>• Establish and maintain strong and long-term relationship with suppliers</li> <li>• Select suppliers with due care</li> <li>• Resume full operations as soon as possible</li> </ul>
<b>Community</b>	<ul style="list-style-type: none"> <li>• Environmental protection</li> <li>• Reduce greenhouse gas emissions</li> <li>• Reduce waste generation</li> <li>• Effective resource utilization</li> <li>• Community contribution</li> <li>• Economic development and community employment</li> <li>• Work together to fight against COVID-19</li> </ul>	<ul style="list-style-type: none"> <li>• The Company's official website and information publicity website of government department</li> <li>• Community activities</li> </ul>	<ul style="list-style-type: none"> <li>• Pay attention to climate change and actively take various clean production measures</li> <li>• Continue to invest resources in environmental protection</li> <li>• Actively innovate environmental protection technology</li> <li>• Strengthen energy saving and emission reduction management</li> <li>• Instill environmental protection knowledge into employees</li> <li>• Encourage employees to actively participate in charitable activities and voluntary services</li> <li>• Maintain good and stable financial performance and business growth</li> <li>• Establish an epidemic prevention and control team and formulate epidemic prevention rules and guideline to prevent further spread of the epidemic</li> </ul>

## FEEDBACK

Our ongoing improvement relies on your valuable opinions on our performance and reporting methods. If you have any questions or recommendations with regard to this Report, you are welcome to fill in the enquiry form on our official website ([https://www.lk.world/en/enquiry\\_form.php](https://www.lk.world/en/enquiry_form.php)) or send your comments to [lkgeneral@lk.world](mailto:lkgeneral@lk.world) for the continuous improvement in our environmental, social and governance work.

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

◇ Environmental

◆ Employee

➤ Operation

The emissions in the Group's production process are mainly generated by its production plants in Mainland China, Taiwan and Italy, and the Group strictly complies with the laws and regulations on environmental protection, including the "Law of the People's Republic of China on Environmental Protection", the "Law of the People's Republic of China on the Prevention and Control of Atmospheric Pollution", the "Law of the People's Republic of China on the Prevention and Control of Water Pollution", the "Law of the People's Republic of China on the Prevention and Control of Environmental Pollution by Solid Waste", the "Law of the People's Republic of China on the Prevention and Control of Environmental Noise Pollution", the "Law of the People's Republic of China on Energy Conservation", the "Basic Environment Act" and other local laws and regulations. The Group based on the environmental protection laws and regulations, and the ISO 14001 environmental management system standards, and made reference to the Group's operating environment, structure, production capabilities, human resources and environmental factors to develop different emissions management measures to regulate exhaust air, wastewater, noise and different types of solid wastes generated in operation and production. The Group's production plants in Shenzhen, Taiwan and Italy has obtained ISO 14001:2015 environmental management system certification. In order to let employees understand the importance of their impact on the environment, the Group sets up various policies and measures, and takes various actions with an aim to reduce carbon footprint, thereby reducing the adverse effects on the environment from the enterprise's business activities and the employees' personal life. The details are described in the sections "Management of Emissions" and "Management of Resources Utilization" below.

## 1. 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 taken into account the environmental factors into our business development strategy, established the environmental safety supervision department in each plant to monitor the implementation of the environmental protection policies of the Group by various departments, continuously optimize the measures and facilities relating to environmental protection and pollution prevention, and to organize seminars regularly to collect ideas in resolving major environmental issues. The Group pays close attention to the updates in national environmental protection policy and development strategies and takes appropriate adjustment measures accordingly and has established a sound internal rules and regulations so that all levels of the Group can get a better understanding of their environmental protection work, thereby strengthening the effectiveness of the Group's environmental protection policies, reducing the generation of pollutants and avoiding resource wastages.

On 5 June 2020, the Shenzhen Municipal Ecological and Environmental Protection Bureau announced that Shenzhen plant had received a "Blue Card" rating (regard as a Good Environmental Protection Company) in the municipal-level environmental credit evaluation work. The content of assessment included pollution prevention, ecological protection, environmental management and social monitoring. The Ecological and Environmental Protection Bureau inspects the control of the total amount of key pollutants, and evaluate the positivity and compliance level of the enterprises in fulfilling environmental and social responsibilities mainly through on-site inspection and



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monitoring. Such result has further affirmed the Group's environmental protection investment on the plant, the methods for achieving the environmental goals and targets and the employees' active cooperation with various environmental protection measures formulated by the Group. Each plant of the Group will actively refer to the environmental protection strategy of Shenzhen plant, continue to improve the above-mentioned management system, reasonably invest in effective environmental facilities and equipment and adopt efficient environmental protection measures to accelerate the pace of the Group's sustainable development strategy.

### 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 except for the waste gas generated by the use of vehicles, the related business does not generate any waste gas from its production. The waste gas generated during the manufacture of the die casting machines and the injection moulding machines mainly includes hydrochloric acid mist and hydrogen chloride in the acid washing process; volatile organic compounds ("VOCs") in the painting and drying processes; smoke and greenhouse gas in the welding process; dust in the powder spraying, sand blasting, shot blasting and grinding processes; waste gases such as hot smoke and dust when using electric furnaces and annealing furnaces in the casting production process; the exhaust air and greenhouse gas when use of gasoline and diesel in cars and forklifts, and the greenhouse gas produced when using electricity, natural gas, liquefied petroleum gas and other energy resources.

In order to strictly comply with the national and each operating locations' laws, regulations and standards on the prevention and control of the atmospheric pollution, 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 painting and drying processes; use gas collecting hood and 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 in the casting 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. The Fuxin plant has followed the requirement of the government to use biomass pellet fuel to substitute coal as the fuel of boilers. The biomass pellet fuel is mainly composed of environmental-friendly materials such as straw, rice husk, peanut husk, corn cob, camellia husk, cottonseed husk, etc.; and it generates less greenhouse gases when compared to coal. From October 2020, Ningbo plant implemented emission reduction measures in accordance with the provisions of the local Bureau of Ecology and Environment, such as using water-based paint instead of oily paint in the painting process; re-transforming the spray room to improve the exhaust air collection rate up to 90%.



*Painting and spraying waste gas treatment equipment of Shenzhen plant*

The various departments of the Group perform their duties and cooperate with each other to monitor various control points to ensure that the discharge of industrial waste gas meets the national standards. The production department strictly implemented the working guidelines of each production line, and the production supervisors urge the employees of the production department to follow the operating procedures of the environmental protection and production equipments so as to ensure that the environmental protection and production equipment are operating effectively at the same time; and the repairs and maintenance of the environmental protection and production equipment are jointly responsible by the environmental safety supervision department and production department. Whenever there is hidden hazard found, instant report to the management is required and appropriate actions must be taken to prevent waste gas leakage and cause environmental pollution incidents.

During the reporting period, the Group entrusted the qualified local environmental consulting company to measure the concentration and the emission velocity of different air pollutants inside the plants and the test results met the standards.

### Management of Wastewater

In order to strictly comply with the national and the local laws, regulations and standards in prevention of water pollution of each operating locations, the Group has formulated internal working guidelines to regulate the management work related to hazardous and non-hazardous wastewater, and the details are described in the below section. The environmental safety supervision department is responsible for the treatment of industrial wastewater, monitoring the pollution discharge and the effectiveness of emission reduction measures being conducted by each of the production departments, and mastering and evaluation of the environmental situation.

#### Management of Hazardous Wastewater

The hazardous wastewater generated by the Group in the manufacture of die-casting machines and plastic injection moulding machines are mainly wastewater generated from production processes, waste lubricating oil, waste cutting fluid, waste emulsion and environmental treatment equipment wastewater.

In order to strictly comply with the national and each operating locations' laws, regulations and standards on the prevention and control of the water pollution, we set up wastewater treatment stations and adopted the hazard-free treatment technology in our

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plants; the wastewater is discharged to the local sewage treatment plant for further processing only after the process of drug neutralization, electro-floc, coagulation, flocculation, sedimentation, sand filtration, etc.. We regularly entrust qualified companies to remove the sediments from the sewage tank and set up dedicated pipelines for wastewater; and discharge of waste oil, chemicals or any substances that may cause pipeline blockage to public sewer is strictly prohibited. We also regularly conduct repair and maintenance for the wastewater treatment facilities and pipelines to ensure that they operate properly to prevent leakage from the wastewater pipelines, so as to avoid secondary pollution to the environment. The sludge deposited in the sewage treatment station or sludge after dehydration and drying process 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 lubricating oil, waste cutting fluid and waste emulsion and so on. Some of the plants have set up water reuse system to recycle the wastewater that has been treated harmlessly and reused at the production processes and we increase the number of repeated use of steel washing water to reduce the volume of wastewater discharge. Besides, cutting fluids and emulsions are used in metal cutting and processing processes. Therefore, we pay close attention to their quality and the adverse effects on the environment. We give priority to purchase environmental-friendly cutting fluids and emulsions during the procurement process, thereby reducing the production of waste cutting fluid and waste emulsion. Due to the increase in the production level of die-casting machine and injection moulding machine and CNC machining centre business, the hazardous wastewater produced from this source increased by approximately 84.34 tonnes or 16.06% when compared to last year, resulting in a total of approximately 609.56 tonnes of hazardous wastewater.

### Management of Non-hazardous Wastewater

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 wastewater emergency pool to prevent environmental pollution caused by leakage of wastewater; in the event of 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.

The plants in Mainland China follow the requirements of the local Bureau of Ecology and Environment to regularly entrust professional organizations to inspect wastewater at each outlet in the plants. During the reporting period, the test results met the national emission standards and other local discharge standards of the operation locations. Besides, the local Bureau

of Ecology and Environment will also occasionally perform spot inspection of the discharge situation in the plant. During the reporting period, we did not receive any notification of illegal treatment or excessive discharge of wastewater.

During the reporting period, the Group's business in manufacturing of die-casting machine, plastic injection moulding machine and CNC machining centre generated approximately 183,658.40 tonnes of non-hazardous wastewater, representing a decrease of approximately 63,415.58 tonnes or 25.67% as compared to the previous year; this is because Shenzhen plant began to overhaul the underground fire water pipes since June 2020 to rectify the leakage of

water pipes, resulting in a significant decrease in the amount of non-hazardous wastewater from the plant. In addition, our employees actively support our water conservation measures, the amount of water consumed dropped, and the amount of non-hazardous wastewater produced also dropped accordingly. In order to meet the production needs, one of the plants in Fuxin began to build the new production plant in June 2020, and led to significant increase of the amount of water consumed by the casting manufacturing business. The non-hazardous wastewater increased by approximately 8,432.40 tonnes or 1.02 times as compared with last year, and a total of approximately 16,678.40 tonnes of non-hazardous wastewater was produced during the reporting period.

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

	2020/2021 (Tonnes)	2019/2020 (Tonnes)
<b>Hazardous Wastewater</b> <sup>1,4</sup>		
Manufacture of Die-Casting Machine and Plastic Injection Moulding Machine and CNC Machining Centre:		
Total	609.56	525.22
Intensity <sup>3</sup>	0.08	0.11
Manufacture of Casting:		
Total	5.58	4.93
Intensity <sup>3</sup>	0.09	0.10
<b>Group's Total Emission</b>	<b>615.14</b>	530.15
<b>Non-Hazardous Wastewater</b> <sup>2</sup>		
Manufacture of Die-Casting Machine and Plastic Injection Moulding Machine and CNC Machining Centre:		
Total	183,658.40	247,073.98
Intensity <sup>3</sup>	24.18	49.56
Manufacture of Casting:		
Total	16,678.40	8,246.00
Intensity <sup>3</sup>	262.61	174.73
<b>Group's Total Emission</b>	<b>200,336.80</b>	255,319.98

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### 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 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.
- 3 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.
- 4 Last year's comparative figures are restated to conform with the current year's presentation.

### Management of Disposal of Solid Waste

The Group has always complied with the laws, regulations and standards related to the prevention and control of environmental pollution by solid waste of the state and each operating location. We have established 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.

### Management of Hazardous Solid Waste

Hazardous/harmful solid waste refers to the items listed on the local government's hazardous waste list. Hazardous or harmful solid wastes generated during the manufacture of die-casting machines and plastic injection moulding machines mainly include waste paint slag, waste paint buckets, waste oil rag, waste activated carbon, oily dust, sludge (please refer to the "Management of Emissions" — "Management of Wastewater" section above for details). The CNC machining centre business only involves assembly and steel cutting processes, which resulting in less hazardous solid wastes (such as waste oil rag) generated. And the hazardous or harmful solid wastes generated when manufacturing castings mainly include waste activated carbon. Each plant has set up temporary hazardous waste warehouse or area with anti-spread, anti-loss, anti-leakage and other pollutant prevention measures to ensure the hazardous wastes are stored in accordance with the "Standard for Pollution Control of Dangerous Wastes Storage" and other related laws, regulations and standards, and to prevent environmental pollution from improper storage. Our environmental protection officers regularly inspect the production workshops to ensure that the environmental protection facilities operate properly and employees strictly

follow the operation manual to operate each facility and equipment so as to prevent generating unnecessary hazardous wastes. We have established 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 clear labels 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.

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". All hazardous wastes must be stored in the plants before transfer of the hazardous wastes, to prevent random dumping and improper disposal. We obtain prior approval from the local environmental protection department before any hazardous waste can be disposed by the recycler.

Due to the increase in the production level of die-casting machine and injection moulding machine and CNC machining centre business, the amount of hazardous solid waste increased by about 27.09 tonnes or 27.61%, as compared to the previous year, and a total of approximately 125.20 tonnes of hazardous solid waste was produced.



*The plants provide storage places and warehouses for different types of waste to prevent recyclable waste from being mistaken for non-recyclable waste disposal*

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### Management of Non-Hazardous Solid Waste

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. The Group advocates the waste treatment policy of "Reduction, Recycling and Hazardous-free", we actively enhance employees' awareness of waste separation and rational use of materials and strictly require our employees to operate production equipment in accordance with operating procedures so as to reduce waste from generation. We hope to optimize the utilization of wastes, for example, sale of metal scrap to recycling companies with better recycling technologies, use of waste sand as material for ground repairs, reuse large metal scraps in the production process; repair the damaged wooden pallets as far as possible or use the pallet wood to repair other facilities; collect parts and components from disposed equipment for future

maintenance; encourage employees to reuse waste paper or stationery; use food waste as plant fertilizer, etc.. Any disposing of hazardous wastes and non-hazardous wastes together is strictly prohibited to avoid large scale of adverse effects on the environment and human health during the processes of waste collection, transportation, storage, treatment and disposal.

During the reporting period, the Group's die-casting machine and injection moulding machine manufacturing business and the CNC machining centre business has generated approximately 2,763.79 tonnes of non-hazardous solid waste, representing an increase of approximately 1,313.07 tonnes or 90.51%, as compared to the previous year. This is mainly due to increased production level. Besides, the weight data relating to waste wooden materials, scrap materials and scrap iron produced by Shenzhen plant handled by the recyclers prior to August 2020 are estimates only. However, the Shenzhen plant has followed the requirements of the Shenzhen Bureau of Ecology and Environment and standardized the management of general industrial solid waste and measured the weight of the recyclable waste starting August 2020; and led to a significant increase in the amount of non-hazardous solid waste generated by Shenzhen plant during the reporting period.

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

	2020/2021 (Tonnes)	2019/2020 (Tonnes)
<b>Hazardous Solid Waste <sup>1</sup></b>		
Manufacture of Die-Casting Machine and Plastic Injection Moulding Machine and CNC Machining Centre:		
Total	125.20	98.11
Intensity <sup>2</sup>	0.02	0.02
Manufacture of Casting:		
Total	8.68	2.15
Intensity <sup>2</sup>	0.14	0.05
<b>Group's Total Emission</b>	<b>133.88</b>	100.26
<b>Non-Hazardous Solid Waste <sup>1</sup></b>		
Manufacture of Die-Casting Machine and Plastic Injection Moulding Machine and CNC Machining Centre:		
Total	2,763.79	1,450.72
Intensity <sup>2</sup>	0.36	0.29
Manufacture of Casting:		
Total	7,901.35	6,396.49
Intensity <sup>2</sup>	124.41	135.54
<b>Group's Total Emission</b>	<b>10,665.14</b>	7,847.21

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.



## ENVIRONMENTAL PROTECTION

### 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", we restrict the production workshop location, the placement setting of production equipment and implement vibration and noise reduction measures to control the impact of noise on the environment, for example, put shock absorbers under the equipment; 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 time and plant a lot of trees inside factories to reduce the impact of noise on the surrounding community environment. At the same time, we equip our employees with earmuffs or earplugs and adjust working hours 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.

## 2. MANAGEMENT OF RESOURCES UTILIZATION

In order to comply with the "Law of the People's Republic of China on Energy Conservation" and the local laws and regulations, and adhere with the operating direction of sustainable development, with the view of the growing climate change and the society has paid more attention to environmental protection and energy conservation, the Group has taken into account the environmental factors in mapping our sustainable development strategies and has actively responded to changes in the government's environmental policies. The Group establishes measures to conserve natural resources and promotes the conservation culture in environmental protection. The Group strives to improve the operating environment of the plants, encourages employees to save and make full use of resources, maximizes the benefits, and eliminates wastes. Our measures for the effective use of various resources are detailed below:

### Conservation of Energy

#### **Conservation of Gasoline, Diesel, Liquefied Petroleum Gas, Towngas, Natural Gas, Coal, Biomass Fuel, Welding/Cutting Gases and Refrigerant**

Gasoline and diesel are mainly for vehicles, trucks, forklifts, product commissioning, cleaning parts, etc.. The vehicles, trucks and forklifts are mainly used for business promotion, picking up guests, providing customer service and transferring goods in warehouses. Our factories and offices have established "Management System for Use of Vehicles" as the Group owns 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. For example, replace old vehicles as needed to increase energy efficiency; 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; 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 waste gas generated due to parts failure; drivers must stop the car engine when the vehicle is idling, so as to reduce unnecessary energy consumption, and reduce exhaust air and greenhouse gas; drivers have to obtain prior approval before using the vehicles and the driving routes need to be planned in advance; if passengers are going to the same or close destinations, they will be arranged to use the same vehicle to shorten the driving distance and also reduce the consumption of gasoline and diesel; promote the concept of "Green Travel" and encourage employees to use public transport or walk to work. The Group also pays attention to the carbon emissions caused by travel, and actively implements a number of measures, such as making good use of various communication tools to communicate with business partners in order to reduce the use of vehicles and the number of business trips, thereby reducing the generation of greenhouse gases and waste air. For the fuel used for product commissioning and cleaning parts, we require employees to strictly follow the commissioning procedures of various products, and try to increase the number of repeated use of fuel for cleaning parts to reduce fuel consumption and increase its effectiveness.

During the reporting period, the Group consumed approximately 281.01 tonnes and 339.51 tonnes of gasoline and diesel respectively, with gasoline consumption increased by approximately 35.39 tonnes or 14.41% and diesel consumption increased by approximately 51.32 tonnes or 17.81% as compared to the previous year. The frequency of travel, customer service and goods transportation were reduced last year mainly due to the epidemic. As the epidemic was brought under control in the current year, the frequency of travel, customer service and goods transportation returned to normal, and as a result, the consumption of gasoline and diesel increased.

The Group uses biomass fuel, town gas and natural gas mainly for cooking in canteen, operation of heating systems and some of the production line. Coal is mainly used in production lines. Gases used in welding and cutting processes mainly include carbon dioxide, acetylene, propylene and so on. We strictly regulate the amount of food prepared in our canteens so as to reduce the consumption of cooking fuel due to excessive food preparation, as well as the production of food waste and greenhouse gases. We also regularly check the natural gas pipeline and cooking and heating equipment to avoid unnecessary waste caused by leakage and equipment damage. At the same time, gas leak is very dangerous and can cause serious incidents. Fuxin Plant has ceased to use coal as fuel for heating boilers last year, and transformed the old heating boilers to use biomass pellet fuel as substitute. As compared to coal, biomass pellet fuel has higher combustion value with low energy consumption, which can effectively reduce the generation of greenhouse gases. During the reporting period, due to increased production level at Fuxin Plant, coal use increased by approximately 665.34 tonnes or 53.03% when compared to previous year; and resulted in a total of approximately 1,920.00 tonnes of coal being used.

## ENVIRONMENTAL PROTECTION

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

	2020/2021		2019/2020	
	Consumption	CO <sub>2</sub> Equivalent Emissions (Tonnes)	Consumption	CO <sub>2</sub> Equivalent Emissions (Tonnes)
Manufacture of Die-Casting Machine and Plastic Injection Moulding Machine and CNC Machining Centre:				
Liquefied Petroleum Gas	0.40 Tonnes	1.21	0.32 Tonnes	0.97
Towngas	22.25 Tonnes	42.60	34.50 Tonnes	66.06
Natural Gas	100,603.00 m <sup>3</sup>	184.25	77,499.00 m <sup>3</sup>	141.94
Gasoline	257.70 Tonnes	946.52	224.05 Tonnes	822.87
Diesel	215.10 Tonnes	688.65	209.29 Tonnes	671.80
Welding/Cutting Gases	331.78 Tonnes	3,586.11	210.62 Tonnes	2,283.90
Refrigerant	0.01 Tonnes	12.67	0.02 Tonnes	32.56
<b>Business Total Emission</b>		<b>5,462.01</b>		<b>4,020.10</b>
<b>Business Emission Intensity<sup>1</sup></b>		<b>0.72</b>		<b>0.81</b>
Manufacture of Casting:				
Liquefied Petroleum Gas	37.61 Tonnes	113.46	32.25 Tonnes	97.30
Gasoline	23.31 Tonnes	73.85	21.57 Tonnes	66.62
Diesel	124.41 Tonnes	323.93	78.90 Tonnes	244.95
Welding/Cutting Gases	8.08 Tonnes	15.03	9.16 Tonnes	16.36
Coal	1,920.00 Tonnes	4.02	1,254.66 Tonnes	2.63
Biomass Fuel	470.06 Tonnes	N/A <sup>2</sup>	555.38 Tonnes	N/A <sup>2</sup>
<b>Business Total Emission</b>		<b>530.29</b>		<b>427.86</b>
<b>Business Emission Intensity<sup>1</sup></b>		<b>8.35</b>		<b>9.07</b>

Notes:

- 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.
- Burning biomass fuels will produce waste gas (such as sulfur dioxide, nitrogen oxides, dust, etc.) and greenhouse gas. However, since there is no reliable emission factor for calculating the emission of greenhouse gas and waste gas, we have not disclosed the related emissions data in this report.

### Conservation of Electricity

The Group mainly controls the use of electricity and enhances its efficiency through daily management. The Group also strengthens the promotion of conservation culture, and actively takes technically feasible and economically reasonable measures to use electricity more efficiently and reasonably. The department supervisors are responsible for inspecting and control of the electricity consumption of equipment in their jurisdictions, including production equipment, workshop lighting, office equipment, air conditioners, etc.. They are also responsible for formulating and implementing targeted remediation plans in a timely manner if abnormal electricity consumption is noticed. The production departments strengthen the management of production workshop facilities and equipment, for example, 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 some plants set it as one of the 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 requires 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.

“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, encouraged employees to use natural light for daily operations, restricted use of air conditioners according to seasonal and temperature changes, regularly cleaned the air conditioners filter, turned off the unnecessary electrical equipment after work, used hot water instead of electricity heating and so on. In order to convey the message of “Energy Management is Everyone’s Responsibility” to our employees, we organize energy-saving training activities in the plants and offices and educate employees about the national safety regulations and policies to enhance the employee’s skill and knowledge on energy conservation. We also establish an innovation improvement proposal mechanism to encourage employees to actively provide different opinions to the company, including suggestions for process optimization and energy-saving transformation. When our employees support our energy management strategy, we hope that it can effectively reduce carbon emissions and also bring opportunities for mutual development to both parties.

## ENVIRONMENTAL PROTECTION

During the reporting period, the Group consumed a total of 66,941.69 megawatt hours ("MWh") of electricity. As the Group's production level increased, the electricity consumption increased by approximately 13,618.53 megawatt hours ("MWh") or 25.54% when compared to previous year. However, due to the active cooperation of each employee in the Group's energy saving measures and the replacement of electricity heating with purchased hot water heating in one of its plants in Fuxin during the year, the electricity consumption dropped, thereby reducing the intensity of electricity consumption.

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:

	2020/2021		2019/2020	
	Consumption (MWh)	CO <sub>2</sub> Equivalent Emissions (Tonnes)	Consumption (MWh)	CO <sub>2</sub> Equivalent Emissions (Tonnes)
Manufacture of Die-Casting Machine and Plastic Injection Moulding Machine and CNC Machining Centre: Electricity	26,216.07	20,446.55	20,922.14	16,744.94
<b>Business Total Emission</b>		20,446.55		16,744.94
<b>Business Emission Intensity</b> <sup>1</sup>		2.69		3.36
Manufacture of Casting: Electricity	40,725.62	44,089.56	32,401.02	35,906.81
<b>Business Total Emission</b>		44,089.56		35,906.81
<b>Business Emission Intensity</b> <sup>1</sup>		694.21		760.85

Note:

- 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.

### 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. The water supplies can meet the needs of the Group's daily operations. During the reporting period, although we did not encounter any problems in obtaining applicable water resources, we clearly understand water resource is a precious, shared, limited resource, and its importance 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 among our employees, to enhance the water use method during our operations, 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.

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 and reuse the purified wastewater into the production processes to increase the effectiveness of water uses in the process of acid washing, degreasing and phosphorus removal and increase the frequency of cleaning water reused in the production workshop, etc.. 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 Group's business in die casting machine and injection moulding machines manufacturing and CNC machining centre consumed approximately 231,417.90 tonnes of water for daily operations and staff living, which decreased by approximately 76,324.95 tonnes or 24.80% as compared to the previous year, mainly due to the underground fire lines inspection and repairs at Shenzhen plant starting from June 2020; and the water leak remediation has led to a significant reduction in the plant's water consumption. In order to meet the production needs, one of the plants in Fuxin began to build a new production plant in June 2020, so the water consumption of the casting manufacturing business increased significantly by approximately 11,234.00 tonnes or 1.17 times, with a total of approximately 20,848.00 tonnes of water consumed.

## ENVIRONMENTAL PROTECTION

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

	2020/2021 (Tonnes)	2019/2020 (Tonnes)
<b>Water Resources</b> <sup>1</sup>		
Manufacture of Die-Casting Machine and Plastic Injection Moulding Machine and CNC Machining Centre:		
Total	231,417.90	307,742.85
Intensity <sup>2</sup>	30.47	61.73
Manufacture of Casting:		
Total	20,848.00	9,614.00
Intensity <sup>2</sup>	328.26	203.72
<b>Group's Total Emission</b>	<b>252,265.90</b>	<b>317,356.85</b>

Notes:

- 1 One of the plants in Fuxin uses groundwater for production and living, but no flow meter 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.

### Conservation of Paper

The Group actively promotes "Paperless Office" and advocates to make good use of our online office system 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. We also set up Document Control Department in some plants, they are responsible for providing guidance to the copying and printing clerks on their work relating to documents, forms and receipts copying, printing and registering and at the same time controlling the amount of paper used reasonably. 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 requirements, aiming at enhancing the environmental awareness among employees and, at the same time, to reduce the impact from daily operations on the environment.

### 3. THE ENVIRONMENT AND NATURAL RESOURCES

The Group has always been focusing on environmental protection, apart from complying with the applicable laws and regulations, the Group also keeps close communication with its stakeholders and discusses about the issues of their concern, to set environmental objectives and policies, to periodically assess their appropriateness, and properly record and manage all environmental data; to take appropriate corrective actions once problems or irregularities are found, so as to raise the effectiveness of the environmental protection measures. Factories at different locations implemented clean production, such as regular review and allocate resources in various new pollution prevention equipment and techniques, and to regulate the activities that exert adverse impact on the environment like waste treatment; organize a variety of environmental protection activities and training courses to enhance employees' environmental awareness, promote better use of resources and to avoid wastage. Such initiatives aim at reducing the negative impacts on the environment and natural resources from business operations. Besides, the Group continues to develop environmental-friendly products. Customers can also achieve energy conservation and emission reduction through using our products. For example, we adopt intelligent information management energy-saving devices, which not only save electricity, but also speed up the production cycle, and further enhance efficiency; L.K. injection moulding machine meets Level 1 energy-saving standard of the national energy-saving injection moulding machine energy label; L.K. die-casting machine which is equipped with a unique energy-saving device, combined with a patented circulating cooling device, is suitable for harsh die-casting working environment, and exerts energy-saving efficiency.

The Group has a pool of dedicated and diligent employees. When formulating sustainable development strategies, the employees actively support and contribute feasible suggestions speeding up the Group's pace towards green management. The Group will continuously take the national environmental protection policy as its blueprint for development, and will adhere to the principles of safety, harmony, green development and clean production, instilling the thoughts about environmental protection to the core of its operations, to protect and to care for the nature, and also to work with employees in order to build an environmental-friendly and resource-saving enterprise. We would also like to dispatch our environmental protection messages to families, friends, business partners, etc., to let them understand that global environmental issues are becoming more and more severe, so as to build a more powerful cohesion to improve and jointly create a more livable environment and to promote the sustainable development of the world.



## EMPLOYMENT AND LABOR PRACTICES

Employees are the Group's valuable assets. The Group strives to provide a non-discrimination, equal, harmonious and safe workplace. The Group based on the long-term benefit of the Group; incorporating sustainability into strategies, in formulating appropriate human resources policies. The Group also constantly reviews the talent management mechanism, creates favorable conditions to attract, develop, retain and identify high potential talents. In addition, the Group provides commensurate remuneration, personal growth and career development opportunities; and other fringe benefits. The Group establishes an equal and competitive mechanism for regulating the employees' promotion and advancement process, and reflects the Group's focus on fostering talents. The loyalty and high morale of employees can play a role in team efficiency. Therefore, we attach great importance to cultivating talents and teamwork spirit. We welcome talents from different backgrounds, encourage, support and cultivate employees' personal expertise, and affirm individual performance and team achievements. We organize after work activities and training courses and hope to enhance employees' skills and team cohesion while caring for their physical and mental health.

### 1. TALENT SELECTION

The Group has always adhered to the concept of recruiting the talented people and making the best use of their talents. It also advocates equal opportunity and respects personal privacy, and established related policy in this area. During the recruitment process, the department head determines the job positions' responsibilities and requirements, and the human resources department assesses and screens applicants according to the requirements. 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, nationality or disability. The policy applies to all phases of the employment relationship, including but not limited to, hiring, promotion, performance appraisal, training, personal development and termination. On the basis of equality, the Group hopes to identify talents who are committed and dedicated to work, willing to take responsibility, keep learning, continuously improving their abilities and willing to move forward with the Group.

### 2. LABOR STANDARDS

The Group cherishes human rights and protects labor rights, and follows the applicable laws and regulations in forbidding child and forced labor. The Human Resources Department reviews the identity documents of the candidates in the hiring process to prevent employment of child labor. Besides, the Group also strictly implements various measures to prevent any form of forced labor, including prisoner, indentured servitude, bonded labor; for example, labor contract is signed by the employee on a fair and voluntary basis, ensure employees do not need to bear any onboarding costs, never deduct wages, benefits or property of employees without reason, detention of employee's identity card or other identification documents is strictly prohibited, any form of physical abuse, assault, body search or insult, or forcing an employee to work by means of violence, threat or unlawful restriction of personal freedom is all forbidden. Seeking consent from employees for overtime work is required to avoid involuntary overtime, and the employees are compensated as appropriate in accordance with the applicable labor laws and regulations. During this reporting period, the Group did not involve in any violation of the laws and regulations related to the child and forced labor.

### 3. 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. Employee compensation varies among factories and offices by locations, and their salaries level are decided based on one's knowledge, skills, experiences and education background with respect to their work requirements. Some factories and offices at different locations offer remuneration package consists of basic salary and performance-based bonus. The employee remuneration package includes salary, overtime pay, subsidies, bonus and so on. Other benefits include staff dormitories, free body check-up, messing allowance, communication allowance, high temperature allowance and/or festive gifts, etc..

In order to enhance employees' work quality and efficiencies, inspire their motivation and establish sound communication channel, the Group conducts periodic and systematic performance appraisal, and fairly assesses the level of bonuses, grant of share option, salaries increment and/or promotion recommendations based on a number of criteria (working experience, seniority, knowledge and skills, performance, contribution, etc.).

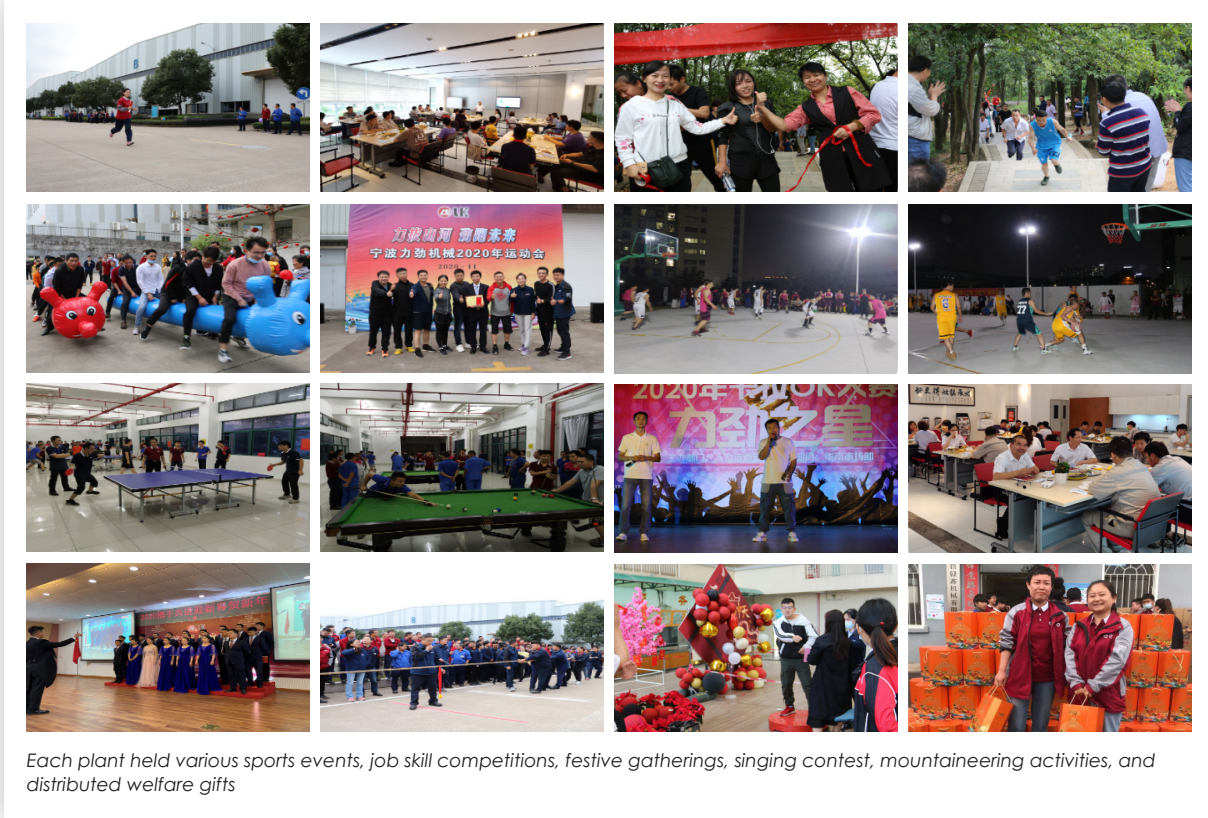
Besides, the Group follows the local labor laws and social security laws and regulations to provide social security benefits for all employees. For example, the Group contributes to various social insurance scheme (endowment insurance, medical insurance, unemployment insurance, work injury insurance and maternity insurance) and housing provident fund for the employees in Mainland China; contributes to the Mandatory Provident Fund Scheme for the employees in Hong Kong. The Group handles dismissal and compensation in accordance with the local laws and regulations.

The Group pays attention to its employees' health and encourages everyone to maintain work-life balance, and set up employee work hours according to the requirements of the local labor laws and protects the employee rights to rest days and holidays; so that all employees are entitled to rest days and statutory holidays. Besides, we care about our employees' physical and mental health, and set up library and provide recreation rooms (such as billiard room, table tennis room, chess room, fitness room, etc.). Without affecting the anti-epidemic measures, we also organize a variety of leisure activities, including sports day, hiking activities, travelling activities, ball games, chess games, Spring Festival gathering, etc. in order to enhance team cohesiveness and sense of belongings, and to reduce work pressure.



Various recreation rooms are set up in the plants to allow employees to relax in their spare time

## EMPLOYMENT AND LABOR PRACTICES



During the COVID-19 outbreak in early 2020, the Group did not reduce the employees' compensation and welfare nor layoff any employees. When the factories resumed production, employees may need to work overtime. The Group still obtains the employees' advance consent as usual and they are compensated in accordance with the applicable labor laws and regulations. Besides, for the sake of employees' health and safety, the Group has implemented various anti-epidemic prevention measures. Please refer to the "Health and Safety" below for details.

### 4. 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. The Group establishes and implements the "Employees Appraisal Management Guideline", continuously optimizes the

employee performance evaluation, promotion and reward mechanism, guarantees the openness, fairness and impartiality of employees' promotion, and meets the needs of employees for career development. 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 their own work, but also to enhance their flexibility in more job positions. The training mainly includes basic knowledge training, management system training, enhancement training and safety knowledge training.

New hires have to participate in induction training with an aim to introduce background and business of the Group, corporate culture, industry knowledge, organizational structure, staff handbook, policies and procedures, work procedures and skills, operational safety, management system knowledge, etc. On top of providing foundation training, we also provide skills advancement, professional and management training to ensure that staff possess professional theory and knowledge, and new knowledge for overcoming challenges in order to lay a solid foundation for long-term development of employees and the Group.

The Group has been devoted to nurturing employees and building a learning enterprise. We establish "L.K. Young Engineers Nurturing Program" in our L.K. technology, research and development centre with the aim of continuously enhance the competency and technical skills of the young talents, and grow into unique elites in the industry. Besides, plants and offices in different regions formulated training plan with reference to their human resources needs. We organized internal training activities and participated in external training held by professional organizations. During the reporting period, in addition to pre-employment training to new hires, the Group also organized various training programs related to procurement, sales skills, human resources management, environmental management, financial management, information system management, production, quality management (please refer to "Product Responsibility" below for details), safety management (please refer to "Health and Safety" below for details), etc., such as guidelines and procedures of Procurement Department, communication skills in procurement, sales skills, shaping of marketing mind, how to understand customers' needs, knowledge on social insurance, procedures of attendance management, evaluation and control, environmental protection conventions on

## EMPLOYMENT AND LABOR PRACTICES

prohibiting pollution, guidelines of water and electricity management, regulations on garbage classification, canteens' food waste classification and daily supervision, new energy vehicle die-casting, production cost accounting, financial analysis, daily ERP operations and precautions, computer use skills, guidelines of network security, guidelines of IT equipment maintenance, various production processes and operating skills, etc.. The Group also designs specific training to technical staff or site management staff in accordance with local labor regulations. For example, they have to participate in electrician certification re-assessment training, electric welding certification re-assessment training, etc.. They must pass the assessment to ensure that they have the required knowledge and skills to perform their work.



*To enhance employees' devotion to training through on-site practice, lectures, case sharing, examination questions and other ways*

## 5. HEALTH AND SAFETY

The Group cares about our employees' health and their working environment safety, and adheres to the policy of "Safety First, Prevention First, Comprehensive Management" in order to prevent occupational hazards and protect our valuable talent assets. To comply with the "Law of the People's Republic of China on Safety Production" and the local 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.

Training topics are mainly related to workplace safety and occupational health. The Group sets up annual safety training plan with reference to the needs of each department, and review its implementation status during year-end and to assess the new safety risk arisen from business or operation changes so as to provide reliable source of information for preparing the next year's planning. The Group enhances their employee's awareness on occupational health and safety, raises their consciousness and improves their professional skills, especially those job positions with significant potential safety hazards, and enable them to perform their duties in a safe environment. New hires production staff must join a variety of practical trainings, understand the workflow and guideline, equipment operation techniques of the production department, receive safety education

conducted by team and production department. The Group provides frequent trainings to instill safety values, knowledge and skills in employees. The Group also carries out role-based technical training periodically, safety assessment and team activities to ensure that its staff are prepared mentally and have adequate knowledge and skills to meet the safety standards and to fulfill their job duties. On top of the induction training for the new hires, we also organized various training programs during the

reporting period, including safety production policies, laws and regulations, safety production management, hazardous chemicals management, warehouse management, the content and requirements of "5S" on-site management rules, fire safety training, inspection and use methods of fire-fighting equipment, safe driving, safety precautions for aerial-work, special equipment and operation, precautions for occupational disease, epidemic prevention and control rules, and so on.



*Each plant held fire drills of various scale regularly*

## EMPLOYMENT AND LABOR PRACTICES

In accordance with the “Law of the People’s Republic of China on the Prevention and Control of Occupational Diseases”, the “Provisions on the Supervision and Administrative of Occupational Health at Work Sites”, the “Measures for the Supervision and Administration of Employers’ Occupational Health Surveillance”, and the local laws and regulations, the Group has 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., strictly prohibits and will not assign our minor staff to handle tasks relating to toxic, hazardous, excessive physical labor or positions involving danger. 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. Employees are required to conduct pre-employment and on-the-job

body check, only those passed the medical examination are allowed to work. That shows our care on employees’ health and occupational safety. Through daily inspections and regular meetings, as well as posting various warning signs and occupational hazard notification cards in the production workshops, we always remind employees of the importance of wearing labor insurance products and improve their vigilance. During the reporting period, the plants at Shenzhen, Shanghai, Zhongshan, Fuxin, etc. engaged third party professional organizations to inspect and assess noise level and hazardous substances in the air that may cause occupational diseases. The noise level exposed to some job positions at Shenzhen and Zhongshan plants failed to reach the standard of “Occupational Exposure Limits for Hazardous Agents in the Workplace”. We have provided employees with better protective supplies and strictly required employees to wear protective supplies in order to lower the risk of occupational diseases.



Various occupational disease protective equipment for different job positions

Besides, the Group conducts risk assessments on the likelihood of an incident, the severity of the consequences and the frequency of employees' exposure to hazards, and establishes records for hazards source. We also 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 arrives at the scene and understands 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.

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.



*Strictly regulate employees to use proper occupational protection supplies in any production activities*



## EMPLOYMENT AND LABOR PRACTICES

With the COVID-19 outbreak in early 2020, the Group has implemented a number of preventive measures to protect the health and personal safety of our employees, and the details are as follow:

- Launched the “Emergency Plan/Control Measures for Epidemic Prevention and Control” and set up epidemic prevention and control committee/team to cope with the situation of possible spread of epidemic in the company, plant and dormitory;
- Provided anti-epidemic supplies such as masks, gloves, goggles, alcohol, hand sanitizer for employees;
- Demanded employees to use electronic communication, reminded employees to maintain safe distance from others;
- Employees must wear mask at work and be aware of hand hygiene;
- Measured body temperature and recorded personal health status for employees daily, and only those employees without any suspected symptoms of infection are allowed to access the offices, plants and dormitories;
- Conducted sterilization in the production plants, office area, washrooms, canteens, dormitories, vehicles, etc., and opened door and window regularly in order to maintain good air quality, some of the companies are prohibited to use air-conditioners;
- Discarded masks must be put in the designated trash bin;
- Strengthened the hygiene management in canteens, and all service personnel must wear masks. Strict rules are also established for employees' meals, including employees need to bring their own utensils, avoid talking during meals, limit the number of staff sharing at each table, and stagger the meal time.



COVID-19 prevention measures and supplies

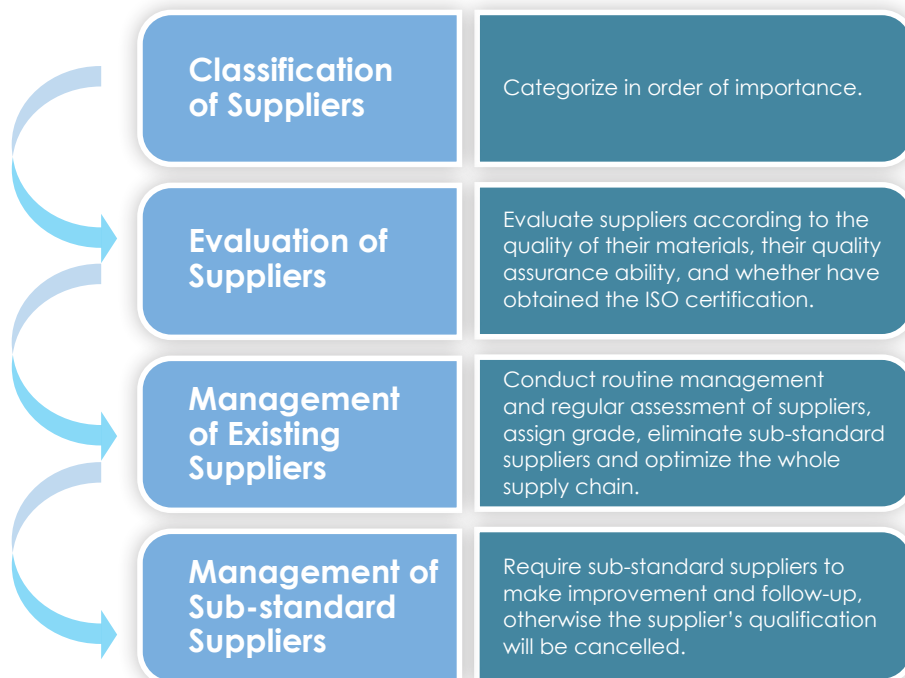
## COMPLIANCE

Except for the noise level of some job positions in Shenzhen and Zhongshan plants failed to meet the standards, 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 during the reporting period.

**1. 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-develop 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 environmental-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.



## OPERATING PRACTICES

### 2. 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 Six Sigma and ISO 9001 quality management systems 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, including quality control policy, relationship and importance of work quality and product quality control system, quality control case analysis and preventive measures, knowledge of ISO 9001 Quality Management System, importance of quality, quality control during processing, quality record control procedures, food safety, 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.

In addition to various quality inspections and product commissioning in the production process, in order to prevent confusion or misuse of a wide range of raw materials, spare parts, semi-finished products and finished products, we use traceability

measures such as labels, signs, and steel seals to make different materials, semi-finished products and finished products clearly marked, and storage areas are divided, and batch and first-in-first-out management systems are implemented. These measures not only provide clear guidelines for employees, to reduce the chance of misuse of materials, they can also be used in the quality verification process in which we know whether the materials used are in line with the production plan and improve the efficiency of quality verification process. When product quality problems are found, after-sales service procedures can be quickly implemented to minimize customers' and our loss.

The satisfaction of our customers is our continuous pursuit. To this end, the Group has set up pre-sales, in-sales and after-sales service. Pre-sales service includes investment budgeting, factory planning, equipment repairs and maintenance, etc.. In-sales service includes machines foundation construction, assistance in production, installation of equipment, training, etc.. After-sales service implements the 24 hours quick response mechanism, including machine testing and maintenance, routine visit, technical support, maintenance support, etc.. In order to enhance the professional skills of the customers' operators and technicians, we also provide training to customers by sending our professional technicians to customers' trial production sites for practical equipment operation training, and provide guidance to customers for trial production. Customers can also arrange personnel to our plants to receive training according to their needs to learn more detailed and comprehensive knowledge in machine operation and maintenance. Through comprehensive and professional services, the Group provides customers with all-round technical support and service guarantee so as to maximize the benefits of 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, taking corrective actions, and setting target completion time. A designated staff is assigned to follow up with the customers to ensure their complaints are promptly handled.

The Group also provides customers with training on the use of products. The training includes product structure, control principles, process parameter debugging, safe operation and maintenance, etc. After the training is provided, the effect of the training will be investigated. In addition to knowing whether the customer has understood the above content, we can also use customers' opinions for review, and make more adequate preparations for the next or next customer's training. 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.

Despite the global pandemic of COVID-19 in the past year which had greater impact on the after-sales service support to the customers in China, in order to fulfill our promise of "L.K. Service Never Say No", our employees show team spirit, rise to the challenge of the crisis and grab the chance to provide customers with technical support and maintenance recommendations of machines with our excellent service attitude, rich and professional knowledge and skills.

The Group's product promotion activities mainly include participation in exhibitions and advertising in magazines, industry websites, search engine websites, etc.. The content of product promotion mainly involves the characteristics, functionalities, parameters and other information relating to the product, which are centrally described and explained by the Group and distributed to the subsidiaries to ensure that the content complies with the requirement of the "Advertising Law of the People's Republic of China" and other applicable laws, regulations and standards.

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. Besides, we also regularly check and evaluate the confidentiality risks of customer information. If abnormalities are found, we will promptly implement and continue to follow up corrective measures to reduce the chance of losing customer information.

The Group respects intellectual property rights and employees are not allowed to own or use copyrighted material without the permission of the copyright owner.

During the reporting Period, the Group has not been involved in any confirmed violations or irregularities related to product and service responsibilities that have a material impact on the Group, nor has it received any complaints about breach of customer privacy, loss of customer data or intellectual property rights.

## OPERATING PRACTICES

### 3. 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 countries' applicable laws and regulations, we set up administrative and 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 coordinating 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.

The Group's daily operations involve tendering and bidding. In order to prevent any violations of the "Law of the People's Republic of China on Tenders and Bids" during the process. Therefore, we have formulated internal rules and regulations, and make division of labor according to job responsibilities. One job position with multiple responsibilities is prohibited in order to maintain fairness, transparency and impartiality during the process. During the reporting period, there were no litigation cases involving allegations of corruption by the Group or its employees.

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, Hong Kong company provided students of Vocational Training Centre with financial assistance, and donated money to support "Blindfold Challenge" activity held by Hong Kong Blind Sports Federation; so as to support the visually disabled people. Shenzhen plant donated money to an industry charitable foundation to support the industry development. Chongqing plant participated in volunteer service to help cleaning the community and picking up plastic garbage. Fuxin plant donated living supplies to local villagers. Italy plant donated money to various charitable organizations to support protection of child and physically disabled people.

## HONORS AND CERTIFICATIONS

In 2020/2021, the Group has obtained and held the following major awards and certifications:

Aspects	Certifications and Honors	Companies
Environmental Management	GB/T 24001-2016/ISO 14001:2015 Certification in Environmental Management System	<ul style="list-style-type: none"> <li>Shenzhen Leadwell Technology Co. Ltd.</li> </ul>
	ISO 14001:2015 Certification in Environmental Management System	<ul style="list-style-type: none"> <li>L.K. Machinery Corp.</li> <li>Idra S.r.l.</li> </ul>
	"ecovadis Sustainability Assessment" Bronze Medal	<ul style="list-style-type: none"> <li>Idra S.r.l.</li> </ul>
Product Responsibilities	ISO 9001:2015 Certification in Quality Management System	<ul style="list-style-type: none"> <li>Shenzhen Leadwell Technology Co. Ltd.</li> <li>L.K. Machinery (Shenzhen) Co. Ltd.</li> <li>Zhongshan L.K. Machinery Co. Ltd.</li> <li>Shanghai Atech Machinery Co. Ltd.</li> <li>Ningbo L.K. Technology Co. Ltd.</li> <li>Ningbo L.K. Machinery Co. Ltd.</li> <li>L.K. Machinery International Limited</li> <li>L.K. Machinery Corp.</li> <li>Idra S.r.l.</li> </ul>
	GB/T 19001-2016/ISO9001:2015 Certification in Quality Management System	<ul style="list-style-type: none"> <li>Fuxin Lida Steel Casting Co. Ltd.</li> <li>Fuxin L.K. Northern Machinery Co. Ltd.</li> <li>Chongqing L.K. Machinery Co. Ltd.</li> </ul>
	T/CFA0303-01-2017; GB/T19001-2016/ISO9001:2015 Upgrade Certification in Quality Management System	<ul style="list-style-type: none"> <li>Fuxin Lida Steel Casting Co. Ltd.</li> </ul>
	IATF16949/2016 Certification in Automotive Quality Management System	<ul style="list-style-type: none"> <li>Chongqing L.K. Machinery Co. Ltd.</li> </ul>
	GB/T 29490-2013 Certification in Intellectual Property Management System	<ul style="list-style-type: none"> <li>Shenzhen Leadwell Technology Co. Ltd.</li> <li>Chongqing L.K. Machinery Co. Ltd.</li> </ul>
	GBT23001/2017 Certification in Informatization and Industrialization Management System	<ul style="list-style-type: none"> <li>Chongqing L.K. Machinery Co. Ltd.</li> </ul>
	Honor of "High-tech Enterprise"	<ul style="list-style-type: none"> <li>Zhongshan L.K. Machinery Co. Ltd.</li> <li>Shanghai Atech Machinery Co. Ltd.</li> <li>Ningbo L.K. Technology Co. Ltd.</li> <li>Ningbo L.K. Machinery Co. Ltd.</li> <li>Fuxin L.K. Northern Machinery Co. Ltd.</li> <li>Fuxin Lida Steel Casting Co. Ltd.</li> <li>Chongqing L.K. Machinery Co. Ltd.</li> </ul>

Aspects	Certifications and Honors	Companies
Product Responsibilities (Continued)	Honor of "The Leading Enterprise of the Third Machine Tool Casting Sub-industry of China Foundry Industry"	• Fuxin Lida Steel Casting Co. Ltd.
	Honor of "The National Technology Standard Innovation Base (Intelligent Casting)"	• Shenzhen Leadwell Technology Co. Ltd.
	Honor of "Ringier Technology Innovation Prize"	• Ningbo L.K. Machinery Co. Ltd.
	Honor of "The Main Drafting Unit of Special Injection Moulding Machine for Outdoor Large Plastic Trash Bins"	• Zhongshan L.K. Machinery Co. Ltd.
Labor Relationship	Honor of "Enterprise with Harmonious Labor Relations in Kunshan City"	• L.K. Precision Machinery (Kunshan) Co. Ltd.
	Honor of "Enterprise with Grade A Labor Protection Credibility in Kunshan City"	• L.K. Precision Machinery (Kunshan) Co. Ltd.
Health and Safety	ISO 45001:1018 Certification in Occupational Health and Safety Management System	• Idra S.r.l.
	Honor of "Work Safety Standardization Level III Enterprise"	• Ningbo L.K. Technology Co. Ltd. • Chongqing L.K. Machinery Co. Ltd. • Fuxin Lida Steel Casting Co. Ltd.
	Honor of "Municipal Safe Enterprise"	• L.K. Precision Machinery (Kunshan) Co. Ltd.
Social Contributions	"Shenzhen Charitable Donation Certificate"	• Shenzhen Leadwell Technology Co. Ltd.



## 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/service 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, in order to meet the various new production needs of our customers, we put our customers' success first, create a forward-looking team, and strive to provide a full range of one-stop die-casting, injection moulding and CNC machining solutions. 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 hopes to play a strong role in changing the world and is committed to establishing a cost-effective platform to meet the needs of the global manufacturing industry; we will provide reliable and economical solutions to increase investment returns in the manufacturing industry.

# ENVIRONMENTAL PERFORMANCE DATA SUMMARY

	Unit	Plastic Injection									
		Die-casting Machines		Moulding Machines		CNC Machining Centre		Manufacture of Casting		Total	
		2020/2021	2019/2020	2020/2021	2019/2020	2020/2021	2019/2020	2020/2021	2019/2020	2020/2021	2019/2020
<b>Greenhouse Gas ("GHG") Emission</b>											
<b>Scope 1<sup>1</sup>:</b>											
Total	Tonnes	4,628.87	3,305.12	711.08	614.52	122.06	100.46	530.29	427.86	5,992.30	4,447.96
Intensity <sup>3</sup>	Tonnes	2.01	2.23	0.15	0.19	0.31	0.36	8.35	9.07	N/A	N/A
<b>Scope 2<sup>2</sup>:</b>											
Total	Tonnes	12,563.92	10,508.71	6,851.03	5,295.00	1,031.60	941.23	44,089.56	35,906.81	64,536.11	52,651.75
Intensity <sup>3</sup>	Tonnes	5.47	7.11	1.40	1.64	2.63	3.34	694.21	760.85	N/A	N/A
<b>Air Emission</b>											
Nitrogen Oxides	Kilograms	2,351.12	1,694.77	1,544.60	1,442.10	162.33	114.49	3,315.18	2,547.97	7,373.23	5,799.33
Sulfur Oxides	Kilograms	5.84	5.31	2.74	2.63	0.64	0.52	2.39	1.90	11.61	10.36
Particulate Matters	Kilograms	164.42	105.54	94.14	87.22	10.65	7.51	215.02	163.67	484.23	363.94
<b>Hazardous Waste</b>											
<b>Wastewater Discharged<sup>4</sup>:</b>											
Total	Tonnes	61.72	93.89	544.82	369.71	3.02	61.62	5.58	4.93	615.14	530.15
Intensity <sup>3</sup>	Tonnes	0.03	0.06	0.11	0.11	0.01	0.22	0.09	0.10	N/A	N/A
<b>Solid Waste Generated:</b>											
Total	Tonnes	97.33	77.29	27.87	20.82	-	-	8.68	2.15	133.88	100.26
Intensity <sup>3</sup>	Tonnes	0.04	0.05	0.01	0.01	-	-	0.14	0.05	N/A	N/A
<b>Non-hazardous Waste</b>											
<b>Wastewater Discharged:</b>											
Total	Tonnes	111,369.60	177,897.18	62,800.00	58,304.00	9,488.80	10,872.80	16,678.40	8,246.00	200,336.80	255,319.98
Intensity <sup>3</sup>	Tonnes	48.46	120.28	12.81	18.08	24.21	38.56	262.61	174.73	N/A	N/A
<b>Solid Waste Generated:</b>											
Total	Tonnes	1,973.79	800.04	767.18	592.72	22.82	57.96	7,901.35	6,396.49	10,665.14	7,847.21
Intensity <sup>3</sup>	Tonnes	0.86	0.54	0.16	0.18	0.06	0.21	124.41	135.54	N/A	N/A
<b>Packaging Materials Used for Finished Products</b>											
Total	Tonnes	37.16	21.34	27.51	19.13	108.15	53.51	129.76	137.18	302.58	231.16
Intensity <sup>3</sup>	Tonnes	0.02	0.01	0.01	0.01	0.28	0.19	2.04	2.91	N/A	N/A

## ENVIRONMENTAL PERFORMANCE DATA SUMMARY

Unit	Plastic Injection										
	Die-casting Machines		Moulding Machines		CNC Machining Centre		Manufacture of Casting		Total		
	2020/2021	2019/2020	2020/2021	2019/2020	2020/2021	2019/2020	2020/2021	2019/2020	2020/2021	2019/2020	
<b>Energy Consumption</b>											
<b>Liquefied Petroleum Gas</b>											
Total	Tonnes	0.40	0.32	-	-	-	-	37.61	32.25	38.01	32.57
Intensity <sup>3</sup>	Tonnes	-	-	-	-	-	-	0.59	0.68	N/A	N/A
<b>Towngas:</b>											
Total	Tonnes	22.25	32.70	-	1.80	-	-	-	-	22.25	34.50
Intensity <sup>3</sup>	Tonnes	0.01	0.02	-	-	-	-	-	-	N/A	N/A
<b>Natural Gas:</b>											
Total	m3	21,285.00	22,114.00	76,260.00	52,403.00	3,058.00	2,982.00	-	-	100,603.00	77,499.00
Intensity <sup>3</sup>	m3	9.26	14.95	15.55	16.25	7.80	10.57	-	-	N/A	N/A
<b>Gasoline:</b>											
Total	Tonnes	162.31	135.35	69.18	67.27	26.21	21.43	23.31	21.57	281.01	245.62
Intensity <sup>3</sup>	Tonnes	0.07	0.09	0.01	0.02	0.07	0.08	0.37	0.46	N/A	N/A
<b>Diesel:</b>											
Total	Tonnes	137.77	136.91	71.07	67.35	6.26	5.03	124.41	78.90	339.51	288.19
Intensity <sup>3</sup>	Tonnes	0.06	0.09	0.01	0.02	0.02	0.02	1.96	1.67	N/A	N/A
<b>Welding and Cutting Gases:</b>											
Total	Tonnes	265.63	174.25	66.15	36.37	-	-	8.08	9.16	339.86	219.78
Intensity <sup>3</sup>	Tonnes	0.12	0.12	0.01	0.01	-	-	0.13	0.19	N/A	N/A
<b>Refrigerant</b>											
Total	Tonnes	0.01	0.02	-	-	-	-	-	-	0.01	0.02
Intensity <sup>3</sup>	Tonnes	-	-	-	-	-	-	-	-	N/A	N/A
<b>Coal:</b>											
Total	Tonnes	-	-	-	-	-	-	1,920.00	1,254.66	1,920.00	1,254.66
Intensity <sup>3</sup>	Tonnes	-	-	-	-	-	-	30.23	26.59	N/A	N/A
<b>Biomass Fuel</b>											
Total	Tonnes	-	-	-	-	-	-	470.06	555.38	470.06	555.38
Intensity <sup>3</sup>	Tonnes	-	-	-	-	-	-	7.40	11.77	N/A	N/A
<b>Electricity:</b>											
Total	MWh	16,096.46	13,080.70	8,580.72	6,436.92	1,538.89	1,404.52	40,725.62	32,401.02	66,941.69	53,323.16
Intensity <sup>3</sup>	MWh	7.00	8.84	1.75	2.00	3.93	4.98	641.24	686.56	N/A	N/A

## ENVIRONMENTAL PERFORMANCE DATA SUMMARY

	Unit	Plastic Injection									
		Die-casting Machines		Moulding Machines		CNC Machining Centre		Manufacture of Casting		Total	
		2020/2021	2019/2020	2020/2021	2019/2020	2020/2021	2019/2020	2020/2021	2019/2020	2020/2021	2019/2020
<b>Water Resources Consumption</b>											
<b>Water Resources:</b>											
Total	Tonnes	141,056.90	221,271.85	78,500.00	72,880.00	11,861.00	13,591.00	20,848.00	9,614.00	252,265.90	317,356.85
Intensity <sup>3</sup>	Tonnes	61.38	149.61	16.01	22.61	30.26	48.20	328.26	203.72	N/A	N/A

### Notes:

- 1 Scope 1 refers to the Group's business direct GHG emissions, including the use of liquefied petroleum gas, towngas, natural gas, gasoline, diesel, welding and cutting gases, coal and refrigerant.
- 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 Part of 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
	<b>A. Environmental</b>	
<b>Aspect A1</b>	<b>Emissions</b>	
<b>General Disclosure</b>	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.	7-16
<b>KPI A1.1</b>	The types of emissions and respective emissions data.	41
<b>KPI A1.2</b>	Greenhouse gas emissions in total (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	18,20,41
<b>KPI A1.3</b>	Total hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	11,15,41
<b>KPI A1.4</b>	Total non-hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	11,15,41
<b>KPI A1.5</b>	Description of measures to mitigate emissions and results achieved.	7-16
<b>KPI A1.6</b>	Description of how hazardous and non-hazardous wastes are handled, reduction initiatives and results achieved.	9-15
<b>Aspect A2</b>	<b>Use of Resources</b>	
<b>General Disclosure</b>	Policies on the efficient use of resources, including energy, water and other raw materials.	16-22
<b>KPI A2.1</b>	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)	18,20,42
<b>KPI A2.2</b>	Water consumption in total and intensity (e.g. per unit of production volume, per facility).	22,43
<b>KPI A2.3</b>	Description of energy use efficiency initiatives and results achieved.	16-20
<b>KPI A2.4</b>	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency initiatives and results achieved.	21-22
<b>KPI A2.5</b>	Total packaging material used for finished products (in tonnes) and, if applicable, with reference to per unit produced.	41
<b>Aspect A3</b>	<b>The Environment and Natural Resources</b>	
<b>General Disclosure</b>	Policies on minimizing the issuer’s significant impact on the environment and natural resources	23
<b>KPI A3.1</b>	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	23

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General Disclosure/ Key Performance Indicators (“KPIs”)	Reporting Guideline	Page
	<b>B. Social <sup>1</sup></b>	
<b>Aspect B1</b>	<b>Employment and Labor Practices</b>	
<b>General Disclosure</b>	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.	24-27
<b>Aspect B2</b>	<b>Health and Safety</b>	
<b>General Disclosure</b>	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.	29-32
<b>Aspect B3</b>	<b>Development and Training</b>	
<b>General Disclosure</b>	Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.	27-28
<b>Aspect B4</b>	<b>Labor Standards</b>	
<b>General Disclosure</b>	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.	24
<b>Aspect B5</b>	<b>Supply Chain Management</b>	
<b>General Disclosure</b>	Policies on managing environmental and social risks of the supply chain.	33
<b>Aspect B6</b>	<b>Product Responsibility</b>	
<b>General Disclosure</b>	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.	34-35
<b>Aspect B7</b>	<b>Anti-corruption</b>	
<b>General Disclosure</b>	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.	36
<b>Aspect B8</b>	<b>Community Investment</b>	
<b>General Disclosure</b>	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.	37

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.



力勁科技集團有限公司

L.K. Technology Holdings Limited

[www.lk.world](http://www.lk.world)

Unit A, 8th Floor, Mai Wah Industrial Building,  
1-7 Wah Sing Street, Kwai Chung,  
New Territories, Hong Kong

香港新界葵涌華星街 1-7 號  
美華工業大廈 8 樓 A 室