

# TLMC

TAK LEE MACHINERY HOLDINGS LIMITED

德利機械控股有限公司

*(Incorporated in the Cayman Islands with limited liability)*

Stock code : 8142

## Environmental, Social and Governance Report 2018



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## About the Report

Tak Lee Machinery Holdings Limited (the “Company” or “Tak Lee”) and its subsidiaries (collectively, the “Group”, “we”, “us” or “our”) are proud to present its Environmental, Social and Governance report (“ESG report”) for the year ended 31 July 2018 (the “Reporting Period”).

This ESG report describes our sustainability initiatives and performances during the Reporting Period, and addresses issues that we have identified as important to stakeholders and to the Group.

The report is prepared in accordance with the “comply or explain” provisions of the Environmental, Social and Governance Reporting Guide contained in Appendix 20 to the Rules Governing the Listing of Securities on GEM of The Stock Exchange of Hong Kong Limited (the “GEM Listing Rules”).

The data presented in this report has been collected over the Reporting Period and includes all of our operations. Quantitative data in this report is from 1 August 2017 to 31 July 2018, unless otherwise specified.

We value your input on this ESG report and on our sustainable practices and performances. Please provide your feedback or comment through email at [tlmc@netvigator.com](mailto:tlmc@netvigator.com) or by phone (852) 2488-8888. For more information about us, please visit our website at <http://www.tlmc-hk.com/>. Details of our corporate governance and financial performances can be found in the 2018 Annual Report.

## About Tak Lee

Tak Lee is one of the leading earthmoving equipment providers in Hong Kong. Among various categories of heavy equipment, we strategically focus on earthmoving equipment since our inception in 2001. We have been serving customers from Hong Kong and Macao, as well as customers around the world, by providing quality heavy equipment, such as excavators, articulated dump trucks, compactors, wheel loaders, bulldozers, lifting cranes, and hydraulic breakers.

We provide comprehensive services for earthmoving equipment users in Hong Kong, including primarily (i) the sales of new and used earthmoving equipment and spare parts, (ii) the leasing of earthmoving equipment, and (iii) the provision of maintenance and ancillary services for earthmoving equipment users. We also offer other heavy equipment than earthmoving equipment for sales and for leasing.

With dedicated focus throughout the years, we have built up our expertise and reputation within the earthmoving equipment services industry. To further enhance our services, we also offer value-added services including the provision of equipment planning and execution advice, the sourcing and sales of heavy equipment other than earthmoving equipment, and the provision of qualified operators and technicians to manoeuvre or recondition leased earthmoving equipment on work sites, upon specific customer requests.

During the Reporting Period, we have expanded our product offerings to complement our clients' needs. One of the major new products being offered is the diesel engine generators that are suitable for construction sites and infrastructure projects. The engine generator has several environmentally-friendly features. Further information about these features are described in the following sections.



# Our Approach to Sustainability

## Sustainability Commitment

We have always considered sustainable development the cornerstone of Tak Lee's development strategies. Sustainability commitment is ingrained in the Group's corporate culture. Our commitment to sustainability is reflected in our core values, which are, namely, enhancing quality, safeguarding people, contributing to community, and protecting the environment.



### Safeguarding People

Provide necessary safety measures in all operations and transportation processes.

Protect the health and safety of all employees, customers and suppliers, the general public, and any others who may be involved in our operations.



### Protecting the Environment

Improve our environmental performance and reduce environmental impacts from our operations, products and services.

Commit to waste reduction and proper waste disposal to minimise pollution and harm to the environment.



### Enhancing Quality

Implement quality management system to monitor and enhance product and service quality.



### Contributing to Community

Integrate social responsibility into our corporate culture and acknowledge the importance of a sustainable community.

Support charities and non-profit organisations through sponsorship and participation.



## Stakeholder Engagement

Engaging with our stakeholders are highly valuable, as they can provide insights on their concerns and interests, as well as an opportunity for us to respond and progress in partnership with them. Throughout the Reporting Period, we have regularly interacted with major stakeholder groups, including our shareholders and investors, management and employees, customers, suppliers, community groups and general public, media, as well as governmental and regulatory bodies. Various communication channels and media have been employed to ensure effective and diverse engagement. The following table reflects the usual channels we employ for each stakeholder group.

Stakeholder Groups	Engagement Platforms
Shareholders and Investors	<ul style="list-style-type: none"> <li>• Press releases/announcements</li> <li>• Annual/interim/quarterly reports</li> <li>• Company website</li> <li>• Circulars</li> <li>• Meetings and correspondences</li> </ul>
Management and Employees	<ul style="list-style-type: none"> <li>• Business meetings and conferences</li> <li>• Employee performance evaluation</li> <li>• New hire orientation programs</li> <li>• Company events</li> </ul>
Customers	<ul style="list-style-type: none"> <li>• Company website</li> <li>• Customer assessment forms</li> <li>• Satisfaction surveys</li> <li>• Meetings and correspondences</li> <li>• Site visits</li> </ul>
Suppliers	<ul style="list-style-type: none"> <li>• Procurement tender meetings</li> <li>• Supplier assessment forms</li> <li>• Satisfaction surveys</li> <li>• Meetings and correspondences</li> </ul>
Community Groups and General Public	<ul style="list-style-type: none"> <li>• Charity activities</li> </ul>
Media	<ul style="list-style-type: none"> <li>• Press releases/newsletters</li> <li>• Meetings and correspondences</li> </ul>
Governmental and Regulatory Bodies	<ul style="list-style-type: none"> <li>• Compliance/non-compliance reports</li> <li>• Forms/licensing</li> <li>• Meetings/site visits</li> </ul>

## Corporate Governance

Managing our environmental, social and governance risks require the integration of ESG elements into routine operational practices. A transparent and open governance structure is upheld in Tak Lee to plan and implement sustainable policies into our business operations.

We operate in strict compliance with applicable laws, regulations and industry standards in Hong Kong. To this end, we have adopted various measures to secure ongoing compliance and to ensure that management and employees at all levels understand and perform according to the code provision (the “Code Provision(s)”) set out in the Corporate Governance Code (the “CG Code”) as contained in Appendix 15 to the GEM Listing Rules. These measures include, but are not limited to:

- Holding full board of directors of the Company (the “Board”) meetings at least four times a year to review the Group’s performance in all aspects;
- Engagement of an internal control consultant to review the Group’s internal control systems and procedures;
- Establishment of the Audit Committee to formally apply financial reporting and internal control principles to ensure compliance with all relevant laws and regulations; and
- Appointment of the compliance adviser to advise the Group on matters relating to the GEM Listing Rules.

Detailed information on our corporate governance structure and performance can be found in the Corporate Governance Report of the Group’s annual report for the year ended 31 July 2018.

## Corporate Integrity

We have committed to the values of transparency, integrity and accountability.

In order to maintain the corporate culture of good faith, high ethical standards and professionalism, we have established and adhered to the Group’s Anti-Fraud and Whistle-blowing Policy and Procedure, as well as other relevant policies. These detailed policies and procedures provide systematic and accurate guidelines to establish and communicate the importance of anti-fraud management within the Group.

We have defined fraudulent behaviours to include misstatement on one’s expenses, kickback with undue gifts or cash accepted, offering and accepting bribery, unauthorised pricing, fictitious suppliers, embezzlement of company assets in one’s position, and fraudulent financial statements. Fraud relating to occupation is defined as an act of abusing or misusing our resources or assets to line one’s own pocket by taking advantage of one’s duty.

In addition to strictly adhering to a set of code of conduct, we also knit effective internal control into the fraud risk evaluation process. The Board conducts a formal fraud risk evaluation on an annual basis, including evaluating and recording key fraud risks, and examining and optimising anti-fraud controls. We also provide trainings on professional ethics and fraudulent behaviours periodically. Measures described below are then implemented throughout our operations:

- Develop good leadership and promote rotation of staff
- Implement background check of new recruits
- Ensure compliance with code of conduct
- Assess employees against ethical and compliance standards
- Conduct ethics training

On the other hand, the Whistle-blowing Policy provides a mechanism for employees to report any abnormality or malpractice, including suspected misconduct within the Group, through filing a written report directly to the Audit Committee and the Board as a whistleblower under confidentiality. The Audit Committee, whose members are independent non-executive directors, will then review, conduct investigations and provide a fair conclusion without any bias and report to the Board. Under the confidentiality agreement, the whistleblower will not suffer any negative consequences and their identities will be kept confidential, unless the complaint is filed with the intention of seeking personal interests.

The Board would conduct investigations against any suspicious behaviour that are related to corruption, bribery, extortion, blackmail, fraud and money-laundering to protect the interests of the Group and its stakeholders. Disciplinary or other appropriate actions may be taken against any violators of corroborated allegations.

During the Reporting Period, we were not aware of any material breach of relevant laws and regulations on anti-corruption and anti-money laundering which had significant impact on the Group. There was no noted or reported act concerning corruption, bribery, extortion, blackmail, fraud and money laundering, nor were there any litigations arising therefrom.



## Information Protection

At Tak Lee, we understand the importance of confidentiality, with regards to all information of a confidential nature, including trade secrets and customer information.

We are committed to protecting the confidentiality of the personal data collected from our customers. The Group and our business units comply fully with the Hong Kong Personal Data (Privacy) Ordinance (the “Ordinance”) and other relevant laws and regulations. Policies and guidelines are in place to stipulate procedure of handling, storing and filing information and data. The section on Personal Data (Privacy) Policy has been updated within the Human Resources Manual (“HR Manual”) to reinforce the principles, guidelines, and company policies towards personal data and confidentiality.

Our customers and business partners are bound by contractual agreement to keep confidential and to avoid using any confidential information for its own purpose or without prior consent of the other party, unless such information is public knowledge.

There were no noted or reported cases of breach of the Ordinance, or any cases of leakage of confidential information during the Reporting Period.

## Intellectual Property

We have two registered trademarks of “TLMC” in Hong Kong and we are the owner of our domain name. These intellectual properties are imperative to develop our own brand of heavy equipment. We will continue to protect our intellectual property rights by filing proper registration in a timely manner.

We also respect the intellectual property rights of third parties. We seek necessary authorisation before using intellectual property of third parties and currently we are authorised to use our suppliers’ brand names, logos, trademarks and other forms of branding for marketing purposes, under relevant dealership and distributorship agreements.

## Compliance with Laws and Regulations

We maintain high standard of diligence in all areas of public accountability through our management system and in the promotion of a 'compliance culture'. A Group Compliance Policy and Procedures has been adopted and updated within the Reporting Period.

We also use a management system based on ISO 9001:2015, to demonstrate our commitment to:

- The highest standards of ethics and compliance with all applicable laws, regulations, rules and policies;
- Embedding compliance in the organisation culture; and
- Integrating compliance with the financial, risk, quality, environmental and health and safety management processes, and operational requirements and procedures.

Major laws and regulations that concern the Group's business and operation in Hong Kong include, but are not limited to:

- Factories and Industrial Undertakings Ordinance (Chapter 59 of the Laws of Hong Kong)
- Factories and Industrial Undertakings (Loadshifting Machinery) Regulation (Chapter 59AG of the Laws of Hong Kong)
- Factories and Industrial Undertakings (Lifting Appliances and Lifting Gear) Regulations (Chapter 59J of the Laws of Hong Kong)
- Code of Practice for Safe Use of Excavators
- Occupational Safety and Health Ordinance (Chapter 509 of the Laws of Hong Kong)
- Employees' Compensation Ordinance (Chapter 282 of the Laws of Hong Kong)
- Air Pollution Control (Non-road Mobile Machinery) (Emission) Regulation (Chapter 311Z of the Laws of Hong Kong)
- Noise Control Ordinance (Chapter 400 of the Laws of Hong Kong)

During the Reporting Period, we are not aware of any material breach of relevant laws and regulations that had material impact on the Group, and did not receive any complaint of non-compliance incidents.

## Enhancing Quality

Strong and friendly relationships with our customers and partners are critical to our business, and such relationships begin with quality products and services. We are committed to the introduction of high-quality heavy equipment and provision of quality pre-sales and after-sales service to maintain customers satisfactions and loyalty.

We are guided by our quality management system for our services in the supply, rental, installation and maintenance of heavy equipment, such as excavators, breakers and generators. We communicate with our customers to improve our offerings regularly. We also closely manage our supply chain to ensure the quality of products and services meet the requirement of our customers.

## Quality Management System

We believe that the quality requirements of ISO 9001:2015, coupled with our perseverance to offer professional services, are essential elements to the sustainable development of Tak Lee.

Our Chairman and senior management are committed to the establishment, implementation and improvement of the quality management system (“QMS”). They are responsible for ensuring the maintenance of system operations and record keeping, as well as continuous improvement of customer satisfaction and the effectiveness of the QMS.

Guided by the QMS, we have implemented the following policies:

- To provide adequate, effective and sufficient resources to efficiently provide high quality and reliable services to our customers;
- To identify and control business risks and opportunities;
- To ensure that the operations are customer-driven, and that customers’ requirements and expectations are met as planned;
- To maintain effective internal and external communications, and to actively monitor, observe and understand customers’ needs;
- To comply with all applicable requirements, including standards, statutory requirements, guidelines and codes, under all circumstances;
- To be responsible for the continuous development, analysis, improvement and enhancement of product or service quality, as well as operational efficiency and effectiveness to reduce operating costs; and
- To monitor and continuously improve the effectiveness of the QMS through regular internal audits, data analysis and management reviews.

In addition, we have made the following objectives to align with the quality policies, which are objectively measured:

- No more than three formal written complaints are to be received from customers on the same project
- 90% of customers' overall satisfaction is not to be below certain level

## Quality Products and Services

With large selection of brand new machines, ample choices of genuine spare parts, together with efficient and precise service, we are committed to fulfilling our customer's needs and expectations in the shortest possible time. We are committed to providing quality products and services to our customers, and we pride ourselves in offering the most economical, most efficient and reliable supply of construction machinery and services to all.

Our team consists of experienced and qualified teammates to provide (i) sales; (ii) leasing; and (iii) maintenance and ancillary service to meet the customised needs and schedule of our customers. Our procurement and technical team has vast industry and professional knowledge on our products and services. We also have an outstanding service team that has extensive knowledge of maintenance, troubleshooting and repair techniques. Specific trainings are conducted for selected new and existing products, to ensure employees are equipped with the latest knowledge and skills to effectively operate, properly maintain and efficiently resolve customer enquiries.

For new equipment, warranty is provided which covers all manufacturing defects of our products and is examined by our licensed technicians to ensure smooth operations. We also provide customised service plans for regular recondition and refurbishment, and service in case of emergency mechanical breakdown. In the event that any new earthmoving equipment is found defective, we will recover payment for the replacement from our manufacturer under the relevant dealership or distributorship agreements. However, we are not able to provide any warranty for our used earthmoving equipment as our technicians carefully conduct detailed examinations and component checks based on product manuals and terms of the purchase orders.

For our leased equipment, we perform detailed and comprehensive component checks prior delivery, as well as providing experienced operators and on-site training for hirers if required. We produce condition reports for each equipment when they are received and removed from the warehouse. If the equipment requires disassembling during transportation process, our technicians will conduct checks again upon being assembled on site. They are also responsible to carry out repair and maintenance work when the leased equipment is returned to the warehouse to ensure its satisfactory and usable condition for the next hirer.

We typically do not allow product return or refunds after delivery unless such defect of the equipment is attributable to us in which case we shall repair the defective parts free of charge. During the Reporting Period, we have not encountered any recall or return of products or warranty claims, nor have we experienced any material disputes with the quality of our products.

During the Reporting Period, we have increased our warehouse facility and office area from 39,000 square feet to more than 55,000 square feet. The new space serves to further enhance our efficient in-house maintenance service process, and to guarantee reliable supply of machinery and equipment.

### **Customer-Oriented Approach**

We are committed to providing streamlined one-stop service for all of our customers. With extensive knowledge of our products and the market, we are consulted by customers from time to time. As our products are mainly used in major infrastructure projects, the terrain and scope of projects may present complex technical difficulties that require special attention and customised solutions. When these difficulties and special requirements are presented upon us, we would leverage our expertise and help to find ideal solutions. If there is no solutions readily available, we would create a customised solution that would best suit our customers' needs.

We treat our customers and work seriously. Customer satisfaction rates are tabulated and calculated based on satisfaction surveys, and are used to foster communications and forecast expectations. The surveys assess appropriateness, efficiency and accuracy of services and communications, staff willingness to assist and service attitude, as well as our ability to meet agreed timelines and expectations. Constructive opinions are evaluated to improve the quality of our products and service. Albeit its rare occurrence, all formal and informal complaints are handled with due care and in a timely manner.

During the Reporting Period, we were not aware of any material breach of laws and regulations, with relations to health and safety, advertising, labelling and privacy matters concerning our products, which had a significant impact on the Group. We did not receive any complaint relating to product or service quality. Further information relating to health and safety and labelling of our products, and consumer privacy can be found in other sections of this report.

## Supply Chain Management

Guided by the QMS, we employ multiple procedures in controlling the quality of products and supplier services to ensure they meet relevant specified requirements.

We have a few key considerations when selecting competent suppliers, including suppliers' performance, value of the procured products or services, customers requirements and quotation. For suppliers' performance, we specifically look at their past performance, experience and reputation. Assessment on suppliers' ability to produce quality products, deliver satisfactory services, as well as meet contractual obligations also serve as valuable references.

We seek to establish mutually beneficial working relationships with suppliers to jointly enhance product quality. We maintain a list of approved suppliers. We will only select and appoint suppliers on this approved list unless individually reviewed and approved by senior management or specifically requested by the client.

We have developed a supplier review process that annually reviews and analyses whether supplier's product or service level and capabilities meet our and/or customers' requirements and expectations. Individual assessments may be conducted if a supplier fails the review, and appropriate improvement actions will be taken.

In managing the environmental and social risks of our supply chain, we have diversified our product offering and supplier base as aforementioned. The expansion of our warehouse facility during the Reporting Period also serves to allow greater flexibility in stocking larger quantity and higher variety of products that would minimise any disruption to our operations due to supply chain related risks. During the Reporting Period, we did not experience any disputes in our supply chain that had a significant impact on the Group.

## Safeguarding People

Caring for and safeguarding our people is critical to the sustainable development of the Group. Our policies and actions have continuously proven effective in maintaining, and even improving, our employees' physical safety and emotional health, through adhering to high standards of occupational health and safety, fair employment practices, and stable career advancement and learning opportunities.

### Health and Safety

We are committed to achieving a high standard of occupational safety and health. It will adhere to the principle that occupational safety and health of employees should be given the first and foremost consideration at work.

Occupational health and safety concerns primarily stem from the use, handling, storage, transportation and maintenance of our equipment within our premises and in our customers' job sites. To this end, our operations fully comply with applicable laws and regulations in relation to workplace and occupational safety, including but not limited to Factories and Industrial Undertakings (Loadshifting Machinery) Regulation, Factories and Industrial Undertakings (Lifting Appliances and Lifting Gear) Regulations, Code of Practice for Safe Use of Excavators, and Occupational Safety and Health Ordinance.

The Group has the following preventive measures in place to ensure its employees' occupational health and safety:

- Assign responsible persons to attend risk assessment training, and identify any actual and potential hazards and risks;
- Work towards a safe and hygienic work environment for employees by reducing, eliminating and controlling hazards at workplace;
- Monitor and review the safety management system and perform regular audit on safety and health performance;
- Maintain a complete set of emergency procedures and ensure that the procedures are being tested, drilled and updated systematically as required by law, and;
- Organise safety and health programs periodically to equip employees with the knowledge and skills to perform their duties in a safe manner.

During the Reporting Period, we have not encountered any health and safety incidents or complaints. There were no cases of work injuries or fatalities.

## Employment and Labour Practices

Tak Lee recognises the contributions of its employees and treats every individual fairly and consistently in all matters. We strive to uphold the following human resources philosophies:

- Human resources are best allocated to achieve optimum productivity and efficiency;
- Remunerations are offered in a fair, equitable and competitive manner;
- Employees are always encouraged to better equip themselves for the present work and future development of the Group;
- Rewards are merit-based;
- Two-way communications between employees and the management are promoted as a mean for building mutual understanding and trust; and
- Workplace safety is given top priority to protect human health and enable employees to deliver their best performance.

During the Reporting Period, we updated our HR Manual and a set of guidelines in relation to employees' compliance with laws, rules and regulations, as well as employees' ethical and legal responsibilities. Our code of conduct and compliance policies are incorporated into the HR Manual to include the following area:

- Anti-bribery and anti-corruption
- Conflict of interests
- Confidentiality of information
- Whistleblowing policy
- Continuous disclosure and communication policy

We have also added an equal opportunities policy and Personal Data (Privacy) policy in the updated HR Manual. Age, sex, marital status, pregnancy, family status, disability, race, nationality or religion are not considerations for recruitment, remunerations, promotion or other human resource procedures. Further information on the Personal Data policy can be found in the "Information Protection" section.



We aim to provide career advancement opportunities for employees to develop and utilise their potential whenever possible, while at the same time recognising their outstanding performance. Our basic principles of promotion are equal opportunities, non-discriminatory and the best person for the job. Selection for promotion should be based on merit with due consideration of job knowledge and technical know-how, competence and potential, performance and quality of work, qualifications, integrity and others.

We strictly prohibit forced labour and the employment of any persons under 18 years of age, in accordance with the Employment Ordinance and the Employment of Young Persons (Industry) Regulations (as the case may be). Prior to confirmation of any employment appointment, we will ensure that the candidates are lawfully employable and hold a valid Hong Kong Identity Card or other valid identity documents. Candidates are required to certify their qualifications and working experience by producing the original copies of their academic and professional credentials, reference letters from previous employers and other relevant documentation. We will conduct reference checks as far as practicable, to ensure no false information has been supplied or misrepresented.

Our employees are provided with rest periods and other benefits and welfare (if any) in accordance with the terms of employment. All employment with us is voluntary and employees who may be required to work on shift or additional hours owing to the nature of their duties are expected to refer to their supervisors. All overtime work or extra hours are rightfully compensated in accordance with company policies.

During the Reporting Period, we have not experienced any labour dispute or disturbances that would have interrupted our operations. Management believes that the relationship between the Group and the employees has been and will continue to be positive. As of 31 July 2018, we have a total workforce of 21 management and office staff, as well as 34 technical staff and operators.

During the Reporting Period, we were not aware of any material breach of relevant laws and regulations, in relation to our employment practices or labour standards, which may have material impact on the Group. Going forward, we shall continue to be diligent in ensuring our compliance with relevant labour laws.

## Training and Development

It is essential for our employees to develop key competencies that would enable them to perform their work successfully. All training and development programs aim to strengthen employees' job skills and knowledge, improve operational efficiency and productivity, and develop employees' potential.

We encourage and assist our employees to further their technical and professional standards. We sponsor employees to attend external training programs and to take relevant public examinations, in accordance with our policies. Attaining professional memberships may also be sponsored, based on their direct relevance to the operational requirements of the departments.

New recruits must attend an induction training and Staff Orientation Program to better understand the Group's mission, objectives, organisation structure, the relevant rules and regulations, as well as code of conduct.

Technical staff are provided with specific trainings for selected new and existing products. Some of these product trainings are directly trained by our suppliers, to ensure our technical team is equipped with the latest knowledge and skills to effectively operate and properly maintain the machinery. These skill sets are also highly beneficial in promptly resolving customer enquiries.

## Contributing to Community

As a responsible corporate citizen, we are committed to social responsibility as we consider it an integral part of our corporate culture and value. We believe in the importance of building a sustainable community, and developing our business with a positive relationship to the community in which we operate.

We actively support charitable and non-profit organisations in our community. This includes sponsorship of charitable causes that we deem worthy. Since 2014, we have been supporting Médecins Sans Frontières Hong Kong “7.7 MSF Day Campaign”. MSF is dedicated to providing medical aid to the populations in danger. The campaign encourages the general public to donate one day’s worth of their income as an equivalent to a full day’s worth of volunteering.

We also support Reading Dreams, a charity fund dedicated to the promotion of the important message of reading education to help the growth of disadvantaged rural children, and to nurture children to become high-quality citizens through a campus culture of love and care. This year, we are also delighted to be the Caring Partner of Orbis “Corporate Partner Program 2018-19”. We believe that our support, together with others, would help build the skills and resources needed to deliver quality eye care globally and to end avoidable blindness throughout the world.

In addition to corporate philanthropy, we also seek to understand the impact our operations may have on neighbouring communities and to ensure that our operations take into consideration their interests and concerns. We ensure that our operations, products and services comply with relevant laws and regulations. We also hold ourselves accountable through adhering to internationally-accredited quality management system, which ensures that our operations, products and services are of consistently high quality. We also joined numerous industry associations to further enhance industry standards, to create better value for our clients, and to understand and reduce impact our operations may have in the communities we operate within.



## Protecting the Environment

We view it as our duty to protect the environment, and build a sustainable planet and future for our future generations. We are committed to upholding high environmental standards, not only to fulfil relevant requirements under applicable laws and ordinances, but also to become a sustainable leader and corporate citizen in our community and industry.

We are primarily engaged in the sales, leasing and maintenance of heavy equipment, hence the environmental impact in terms of our operations is minimal. There are three main areas where we strive to reduce our environmental impact:

1. We ensure that our machinery and equipment comply with all laws and regulations relating to the environment.
2. We provide and collaborate with our customers to explore environmentally-friendly solutions.
3. We strive to improve our own operations and facilities to reduce our environmental impact and resource usage.

## Product Environmental Compliance

Our operation in sales, leasing, and maintenance and repair of earthmoving equipment is subject to the Air Pollution Control (Non-road Mobile Machinery (“NRMM”)) (Emission) Regulation (the “Regulation”). Came into effect in 2015, the regulation requires NRMMs to comply with prescribed emission standards. Only approved or exempted NRMMs with proper labels are allowed to be used in specific activities and locations, including construction sites, container terminals, and designated waste disposal facilities.

We have obtained approval or exemption for all of our machineries that are subject to the Regulation. We also intend to gradually phase out all exempted NRMMs and only purchase approved NRMMs. During the Reporting Period, we were able to only purchase approved NRMMs and had continued to gradually phased out all exempted NRMMs.

The number of exempted NRMMs in our inventory, including leasing fleet, has reduced from 24 as of 31 July 2017 to 11 as of 31 July 2018. The total number of approved NRMMs in our inventory, including leasing fleet, has increased from 305 to 481, as of 31 July 2018.

	Exempted NRMM		Approved NRMM	
Unit	At 31 July 2017	At 31 July 2018	At 31 July 2017	At 31 July 2018
Total	24	11	305	481

Our heavy equipments are also subject to the Noise Control Ordinance, and we use the Quality Powered Mechanical Equipment (“QPME”) Label to indicate the noise pollution levels our machines generate. Our customers are required to comply with the Noise Control Ordinance in carrying out construction works, in which our equipment is used.

Most of our suppliers from Japan, Europe, USA and others have obtained noise pollution level approval documents from their local governments, prior to the transportation of our purchased equipment to Hong Kong. We then apply for the QPME labels in Hong Kong to monitor and track the noise pollution levels our machines generate.

Except for those equipment that is excluded based on specifications from the QPME system or is excluded from the list of 15 types of construction equipment, most of our newly procured machineries are equipped with QPME label during the Reporting Period.

### **Environmentally-Friendly Solutions**

We have taken the initiative to provide new, notably quieter, more environmentally-friendly and efficient equipment in the heavy equipment industry, which directly benefits the surrounding environment in which our customers operate. Our customers have been receptive to our environmentally-friendly solutions, and we will continuously improve our product mix to allow for a more environmentally-conscious and balanced mix.

We collaborate closely with our customers to assist and provide them with one-stop solutions. Not only does the solution resolve their criteria for quality and difficulty in terrain or project scope, sometime the solutions also satisfy their operating cost considerations.

In addition to products’ environmentally-friendly nature, our solutions may also directly benefit the environment or reduce expected environmental impact. For customers who demand ecological considerations, we collaborate to explore suitable solutions together.

### **Environmental Impact and Resource Usage**

As our operations focus on machinery sales, leasing and maintenance, the environmental impact and resource use is minimal. We continuously search for innovative ways to minimise our impact and reduce the amount of resource use.

During the Reporting Period, we were not aware of any material breach of relevant laws and regulations, in relation to emissions or use of resources, which may have material impact on the Group. We also did not receive any complaint of non-compliance incidents.

## Waste

One of the major direct environmental impacts from our operations is the generation of hazardous and non-hazardous waste. Waste is generated from multiple sources of our operations. Although minimal, we are dedicated to reducing the amount of waste we produce and diverting these useful resources from landfill to recycling or repurposing.

Our operations generate 3 types of waste, namely, scrap metal, waste oil and other chemical waste, and other domestic and office waste. Scrap metals are sorted, organised, and stored on site at our facility. Once a certain amount is collected, we would commission a metal recycler to collect and recycle the scrap metal waste.

Chemical waste is hazardous and is handled with care. We are a registered Chemical Waste Producer under the Waste Disposal Ordinance. The major chemical wastes we produce are diesel discharge, waste synthetic oil and wasted oil filters. We have designated an area for the storage of chemical waste. We have also built a Chemical Spilling Control platform with strong material to prevent leakage of chemical waste, in accordance with the Code of Practice on the Packaging, Labelling and Storage of Chemical Wastes under the Waste Disposal Ordinance.

For non-hazardous waste, including packaging material from our suppliers, household and office waste, we have designated a collection area for general wastes and have appointed recycling companies to collect upon notification. Upon collection, recycling companies are accountable to treat and handle the waste in the most appropriate manner, including recycling, reusing or disposing. Specific items, such as battery and printer cartridge, are also collected by respective certified waste collectors. The collection of non-hazardous waste is not measured due to immaterial amount and the absence of a precise accounting and reporting mechanism.

We shall continue to encourage our employees to fully utilise all materials to avoid producing unnecessary waste and to reduce paper usage through electronic means. We shall also continue to search for innovative ways to further maximise material usage and reduce all types of waste generated through our operations.

During the Reporting Period, we have sent out 5 drums of waste oil for proper handling. We have also recycled 11,350 kilogram of scrap metal.

## Vehicle

Although the transportation of heavy equipment is contracted to a logistics company, the Group still owns a number of vehicles. These vehicles may affect the people and neighbouring communities through its air emissions. We therefore take precaution and endeavour to minimise air emissions from our vehicles, including greenhouse gas (“GHG”) emissions and other air pollutants, such as nitrogen oxides (“NO<sub>x</sub>”), sulphur oxides (“SO<sub>x</sub>”) and respiratory suspended particles (“RSP”, also known as Particulate Matter (“PM”)).

To control the amount of air emissions we generate, we understand that various initiatives must be implemented to reduce vehicle use and reduce emissions generated from the vehicles. To this end, we have encouraged our employees to travel via public transportations. We have also conducted regular vehicle maintenance to ensure they are operated at high efficiency.

As of 31 July 2018, the Group owns and maintains a total fleet of 8 vehicles. During the Reporting Period, the total distance travelled of all vehicles is 184,337.30 km<sup>1</sup>, and have calculated to have emitted 206.19 kg of NO<sub>x</sub>, 0.35 kg of SO<sub>x</sub>, as well as 14.83 kg of PM.

	<b>NO<sub>x</sub> (kg)</b>	<b>SO<sub>x</sub> (kg)</b>	<b>PM (kg)</b>
<b>Direct Air Emissions</b>	206.19	0.35	14.83

## GHG Emissions

Tak Lee acknowledges the urgency to take action on climate change, as it is one of the greatest global challenges. We have a duty to protect those who may be seriously affected by increase in global temperature, sea level rise, ocean acidification and other climate change impacts. Therefore, we must begin to understand the sources of our GHG emissions, and strive to minimise them to combat climate change and its impact, as called for by the United Nation Sustainable Development Goal 13.

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<sup>1</sup> Total distance traveled by the company vehicles is mainly derived from official monitoring record. Whenever official monitoring record is not available, manufacturer’s estimation were utilised.

This year, we have appointed an independent sustainability consultancy to further develop our environmental database, by tracking and monitoring our direct and indirect GHG emissions. The calculation was evaluated in accordance with the Guideline to Account for and Report on Greenhouse Gas Emissions and Removals for Buildings (Commercial, Residential or Institutional Purposes) in Hong Kong published by the Environmental Protection Department and the Electrical and Mechanical Services Department in Hong Kong. It also makes references to other international standards and guidelines, including the Greenhouse Gas Protocol developed by the World Resources Institute and World Business Council for Sustainable Development and ISO 14064 — GHG Emissions Inventories and Verification. The scope of the assessment includes all direct operations and offices in Hong Kong.

<b>GHG emissions</b>	<b>Emissions (tCO<sub>2</sub>e)</b>	<b>Percentage</b>
Scope 1 — Direct Emissions	127.85	77.82%
Scope 2 — Energy Indirect Emissions	36.43	22.18%

Our direct emissions originate from the combustion of fuel in company-owned vehicles, which accounted for 77.82% of our total emissions. On the other hand, energy indirect emissions, which are correlated with our energy consumption, contributed 22.18% of our total emissions.

## **Energy**

We place priority on optimising its energy consumption. Maximised energy usage can boost our environmental performance and improve our operational excellence, by improving resource efficiency and reducing associated pollution. It also has a financial incentive to maximise our operating cost.

We mainly use two sources of energy, namely, fuel and electricity. Fuel consumption attributes mostly to heavy equipment operation and ground transportation of equipment during delivery and collection of sold and leased equipment to and from our customers. Fuel is also used for vehicles. Detailed records of our fuel usage are properly kept to monitor and evaluate fuel-saving initiatives.



Electricity consumption is the only source of our indirect GHG emissions. Electricity consumption mainly attributes to office use, hence we continuously enhance our employees' awareness of energy saving within the office premises. Some of the energy saving initiatives implemented at the office include:

- Maintain indoor temperature at an optimal level for comfort
- Encourage employees to turn off computers and monitors when not in use
- Set timers and other sensors to automatically turn off office machines, such as copiers and TV monitors, after office hours
- Set timers to automatically turn off air-conditioners at canteen after lunch hours
- Encourage employees to make the best use of telecommunication system to avoid unnecessary travel arrangements
- Put up signages that emphasize on the importance of energy saving

Energy	Unit	Consumption	Percentage
Vehicle fuel	MJ	1,825,067.74	87.65%
• Diesel	L	42,852.25	—
• Petroleum	L	5,091.45	—
Electricity	kWh (MJ)	71,436.64 (257,171.92)	12.35%
Overall Energy Consumption	MJ	2,082,239.66	100%

### Water Use and Pollution

Water consumption is insignificant in our operations. It is mainly used for washing equipment and domestic use. During the Reporting Period, we have gone above and beyond compliance requirement to set up a new water sedimentation tank under ground. It is used as the first layer of wastewater treatment to allow suspended particles to settle out of water as it flows slowly through the tank into the public stream behind our facility. The accumulated solids, or sludge, are formed at the bottom of the tank and is periodically removed by professional licensed waste collector.

During the Reporting Period, we have consumed a total of 1,493.31 cubic meter of water<sup>2</sup>.

<sup>2</sup> For unavailable water bill data due to quarterly billing, an average daily use amount was calculated for the previous billing record to estimate the overall consumption.

## Key Performances

Key Performance Indicators	Unit	FY 2017/18
<b>Environmental</b>		
NO <sub>x</sub> Emissions	kg	206.19
SO <sub>x</sub> Emissions	kg	0.35
PM Emissions	kg	14.83
Total GHG Emissions	tCO <sub>2</sub> e <sup>-</sup>	164.28
Scope 1 — Direct Emissions	tCO <sub>2</sub> e <sup>-</sup>	127.85
Scope 2 — Energy Indirect Emissions	tCO <sub>2</sub> e <sup>-</sup>	36.43
GHG Emission Intensity by Number of FTE <sup>3</sup>	tCO <sub>2</sub> e <sup>-</sup> /Person	2.99
Total Energy Usage	MJ	2,082,239.66
Diesel Usage	L	42,852.25
Petroleum Usage	L	5,091.45
Electricity Usage	kWh	71,436.64
Energy Usage Intensity by Number of FTE	MJ/Person	37,858.90
Water Usage <sup>4</sup>	m <sup>3</sup>	1,493.31
Water Usage Intensity by Number of FTE	m <sup>3</sup> /Person	27.15
Scrap Metals Recycled	kg	11,350
Waste Oil Produced and Processed	Drum	5
<b>Social</b>		
Total Workforce	Person	55
— Management and Office Staff	Person	21
— Technical Staff and Operators	Person	34
Turnover Rate	%	24.80

<sup>3</sup> FTE refers to full-time employee.

<sup>4</sup> For unavailable water bill data due to quarterly billing, an average daily use amount was calculated for the previous billing record to estimate the overall consumption.

## ESG Reporting Guide Index

Aspects, General Disclosures and KPIs	Description	Relevant Chapter, Reference Page(s) or Explanation
<b>A. Environmental</b>		
<b>Aspect A1: 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.	Protecting the Environment — Product Environmental Compliance, Environmentally-Friendly Solutions
<b>KPI A1.1</b>	The types of emissions and respective emissions data.	Protecting the Environment — Environmental Impact and Resource Usage
<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).	Protecting the Environment — Environmental Impact and Resource Usage
<b>KPI A1.3</b>	Total hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	Protecting the Environment — Environmental Impact and Resource Usage; Key Performances
<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).	The collection of non-hazardous waste is not measured due to immaterial amount and the absence of a precise accounting and reporting mechanism.
<b>KPI A1.5</b>	Description of measures to mitigate emissions and results achieved.	Protecting the Environment — Product Environmental Compliance, Environmentally-Friendly Solutions
<b>KPI A1.6</b>	Description of how hazardous and non-hazardous wastes are handled, reduction initiatives and results achieved.	Protecting the Environment — Environmental Impact and Resource Usage
<b>Aspect A2: Use of Resources</b>		
<b>General Disclosure</b>	Policies on the efficient use of resources, including energy, water and other raw materials.	Protecting the Environment — Environmental Impact and Resource Usage
<b>KPI A2.1</b>	Direct and/or indirect energy consumption by type (e.g. electricity, gas or oil) in total (kWh in '000s) and intensity (e.g. per unit of production volume, per facility).	Protecting the Environment — Environmental Impact and Resource Usage
<b>KPI A2.2</b>	Water consumption in total and intensity (e.g. per unit of production volume, per facility).	Protecting the Environment — Environmental Impact and Resource Usage
<b>KPI A2.3</b>	Description of energy use efficiency initiatives and results achieved.	Protecting the Environment — Environmental Impact and Resource Usage
<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.	Protecting the Environment — Environmental Impact and Resource Usage
<b>KPI A2.5</b>	Total packaging material used for finished products (in tonnes) and, if applicable, with reference to per unit produced.	This KPI is not applicable to the Group's operations.

<b>Aspect A3: The Environment and Natural Resources</b>		
<b>General Disclosure</b>	Policies on minimising the issuer's significant impact on the environment and natural resources.	Protecting the Environment — Product Environmental Compliance
<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.	Protecting the Environment — Product Environmental Compliance
<b>B. Social</b>		
<b>Employment and Labour Practices</b>		
<b>Aspect B1: Employment</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.	Safeguarding People — Employment and Labour Practices
<b>KPI B1.1</b>	Total workforce by gender, employment type, age group and geographical region.	Safeguarding People — Employment and Labour Practices; Key Performances
<b>KPI B1.2</b>	Employee turnover rate by gender, age group and geographical region.	N.A.
<b>Aspect B2: 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.	Safeguarding People — Health and Safety
<b>KPI B2.1</b>	Number and rate of work-related fatalities.	Nil
<b>KPI B2.2</b>	Lost days due to work injury.	Nil
<b>KPI B2.3</b>	Description of occupational health and safety measures adopted, how they are implemented and monitored.	Safeguarding People — Health and Safety
<b>Aspect B3: Development and Training</b>		
<b>General Disclosure</b>	Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.	Safeguarding People — Training and Development
<b>KPI B3.1</b>	The percentage of employees trained by gender and employee category (e.g. senior management, middle management).	N.A.
<b>KPI B3.2</b>	The average training hours completed per employee by gender and employee category.	Safeguarding People — Training and Development

<b>Aspect B4: Labour 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 labour.	Safeguarding People — Employment and Labour Practices
<b>KPI B4.1</b>	Description of measures to review employment practices to avoid child and forced labour.	Safeguarding People — Employment and Labour Practices
<b>KPI B4.2</b>	Description of steps taken to eliminate such practices when discovered.	N.A.
<b>Operating Practices</b>		
<b>Aspect B5: Supply Chain Management</b>		
<b>General Disclosure</b>	Policies on managing environmental and social risks of the supply chain.	Enhancing Quality — Supply Chain Management
<b>KPI B5.1</b>	Number of suppliers by geographical region.	N.A.
<b>KPI B5.2</b>	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, how they are implemented and monitored.	Enhancing Quality — Supply Chain Management
<b>Aspect B6: 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.	Corporate Governance — Compliance with Laws and Regulations; Enhancing Quality — Quality Management System, Quality Products and Services, Customer-Oriented Approach; Safeguarding our People — Contributing to Community
<b>KPI B6.1</b>	Percentage of total products sold or shipped subject to recalls for safety and health reasons.	Nil
<b>KPI B6.2</b>	Number of products and service related complaints received and how they are dealt with.	Enhancing Quality — Customer-Oriented Approach
<b>KPI B6.3</b>	Description of practices relating to observing and protecting intellectual property rights.	Corporate Governance — Intellectual Property
<b>KPI B6.4</b>	Description of quality assurance process and recall procedures.	Enhancing Quality — Quality Management System, Quality Products and Services, Customer-Oriented Approach; Contributing to Community
<b>KPI B6.5</b>	Description of consumer data protection and privacy policies, how they are implemented and monitored.	Corporate Governance — Information Protection

<b>Aspect B7: 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.	Corporate Governance — Corporate Integrity
<b>KPI B7.1</b>	Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the reporting period and the outcomes of the cases.	Nil
<b>KPI B7.2</b>	Description of preventive measures and whistle-blowing procedures, how they are implemented and monitored.	Corporate Governance — Corporate Integrity
<b>Community</b>		
<b>Aspect B8: 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.	Contributing to Community
<b>KPI B8.1</b>	Focus areas of contribution (e.g. education, environmental concerns, labour needs, health, culture, sport).	Contributing to Community
<b>KPI B8.2</b>	Resources contributed (e.g. money or time) to the focus area.	Contributing to Community