



## CHTC Fong's International Company Limited

(Incorporated in Bermuda with limited liability)

(Stock Code: 641)

Environmental, Social and  
Governance Report 2017

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## Environmental, Social and Governance Report 2017

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## 1. Scope

The reporting period for this Environmental, Social and Governance Report 2017 (“this Report”) is from 1 January 2017 to 31 December 2017, its contents cover the following operating locations and business scopes of CHTC Fong’s International Company Limited (the “Company”, and together with its subsidiaries, collectively referred to as the “Group”) :

- Hong Kong Headquarters (8/F, 22-28 Cheung Tat Road, Tsing Yi, Hong Kong)
- Fong’s National Engineering (Shenzhen) Co., Ltd.  
(17-19 Lixin Road, Danzhotou Industrial Zone, Nanwan Sub-District, Longgang District, Shenzhen)
  - business covers the manufacture of dyeing and finishing machines
- Monforts Fong’s Textile Machinery (Zhongshan) Co., Ltd.  
(Monforts Fong’s Industrial Zone, 101 Cuicheng Avenue, Tsui Hang New District, Zhongshan)
  - business covers the manufacture of dyeing and finishing machines
- Tycon Alloy Industries (Shenzhen) Co., Ltd.  
(17-19 Lixin Road, Danzhotou Industrial Zone, Nanwan Sub-District, Longgang District, Shenzhen)
  - business covers the manufacture of stainless steel casting products.

The contents of this Report are prepared in accordance with the Environmental, Social and Governance Reporting Guide as set out in Appendix 27 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, and the frequency of publication is once a year.

## 2. Communication with Stakeholders

The Company convenes an annual general meeting which provides an effective platform for the Board of Directors to exchange views with its shareholders. In addition to the annual general meeting, for maintaining close relationships with customers, suppliers and other stakeholders, the Group communicates from time to time with stakeholders and listen to their views and needs through visits, phone conferences, e-mails, customer service representatives, and trade exhibitions, etc.. The Group's overall business performance is also reported to the investors in the annual report of the Company.

## 3. Environmental, Social and Governance Performance

### 3.1 Environmental

#### 3.1.1 Emissions

The Group actively responds to the global trend of emission reduction and is committed to minimising the emissions or discharges of greenhouse gases, air-borne particulates, waste water and solid wastes in its daily operations. The Group is seeking for innovative technology and new products to improve environmental protection performance and has developed a series of environmental policies to strengthen control, including:

#### Waste Reduction

The Group has formulated Environmental Handbook or relevant environmental practices that manage the environmental impacts resulting from manufacturing operations; these impacts include the handling of malfunctioned parts, consumption of electricity and other resources in the manufacturing process. At the same time, measures are taken to recycle all usable scrap materials in order to mitigate the environmental impacts from such waste discharge.

The Group classifies various wastes for appropriate handling, which includes identifying recyclable / reusable wastes and designating areas for storage of these wastes; training employees to categorise and put wastes into the designated areas; appointing the qualified vendors for disposal of the finally confirmed wastes.

For the stainless steel casting operations, the Group has multiple recycling processes to reduce the waste generation; these processes include the recycling of used sands from sand casting operations and the recycling of scrap casting products. For those non-recyclable wastes, the Group will identify the suitable contractors for sale in order to reduce the environmental impact caused by waste discharge directly.

Hazardous wastes generated from the stainless steel casting operations include sludge, cutting solvent, and liquid waste containers. Such hazardous and non-hazardous wastes (mainly waste sands) are collected and processed by qualified contractors. Despite the production volume in 2017 is higher than that in 2016, the Group achieved the reduction in emission of waste sands and consumption of cutting solvent. Per each production unit, the relevant emission of waste sands and consumption of cutting solvent was reduced by 21% and 16% respectively.

		<b>2016</b>	<b>2017</b>	
Total quantity of waste sands	(tonne)	143	121	
Annual production volume	(tonne)	4,313	4,625	
Intensity	(tonne / tonne)	0.033	0.026	↓ <b>21%</b>

		<b>2016</b>	<b>2017</b>	
Total consumption of cutting solvent	(tonne)	34.2	30.7	
Annual production volume	(tonne)	4,313	4,625	
Intensity	(tonne / tonne)	0.008	0.007	↓ <b>16%</b>

From the manufacture of dyeing and finishing machines, hazardous wastes generated include sludge, spent thinner, cutting solvent, empty waste containers, all these wastes are collected and processed by qualified contractors; non-hazardous wastes include scrap wooden materials and metal wastes, such as scrap steel materials, scrap iron, scrap copper, scrap aluminium, scrap zinc-plated boards), these are classified into two types namely recyclable and non-recyclable categories. Recyclable wastes are processed by qualified contractors or sold, while the non-recyclable wastes are moved to the designated garbage processing centre.

The factory in Zhongshan for the manufacture of dyeing and finishing machines is also striving to enhance the automation control for supporting emission reduction. In the first quarter of 2017, the production department has developed equipment for digital-controlled composite chain parts processing, which has supported reducing wastes by approximately 16% and amounted to reduction in approximately 1.3 tonnes during the 10-month period from date of commissioning to the end of 2017. In addition, since the third quarter, the Zhongshan factory for the manufacture of dyeing and finishing machines has commissioned the powder-spraying line in replacement of the paint-spraying process. This has reduced the organic solvent container wastes such as paint containers, diluted solvent containers involved in the paint-spraying process and eventually reduced generation of such kinds of wastes by 60%.

The Group has demonstrated the following results in the reporting period through the implementation of the aforementioned policies and measures for waste reduction:

Types of Wastes	Total Annual Emission (tonne)		
	Manufacture of Dyeing and Finishing Machines (Shenzhen)	Manufacture of Dyeing and Finishing Machines (Zhongshan)	Manufacture of Stainless Steel Casting Products
Hazardous wastes	378	29	31
Non-hazardous wastes	2,003	2,176	121

Types of Wastes	Intensity per Production Unit (tonne/tonne)		
	Manufacture of Dyeing and Finishing Machines (Shenzhen)	Manufacture of Dyeing and Finishing Machines (Zhongshan)	Manufacture of Stainless Steel Casting Products
Hazardous wastes	0.044	0.002	0.007
Non-hazardous wastes	0.234	0.134	0.026

#### Wastewater Reduction

In the factories for the manufacture of dyeing and finishing machines, the Group has administrative provisions for discharge of factory wastewater. The Group's factories have established wastewater treatment facilities which use reverse osmosis technology to reduce pollutants in wastewater. Treated wastewater would then be reused for reducing the use of fresh water. During the reporting period in 2017, the Shenzhen factory for the manufacture of dyeing and finishing machines has reduced the discharge of wastewater by approximately 50%, which totally amounted to 21,000 tonnes of wastewater discharge and the Zhongshan factory for the manufacture of dyeing and finishing machines has used the wastewater treatment system since its establishment, it reduced the consumption of about 1,433 m<sup>3</sup> of fresh water in a year through recycling of treated wastewater.

#### Mitigation of Air Pollution

The factories for the manufacture of dyeing and finishing machines are equipped with dust removal system and moving purifiers (e.g. activated carbon absorption devices) to ensure the processed exhaust gases comply with the local emission standards. Apart from the installation of purifying equipment, the Group is also striving to improve the production processes for prevention of environmental pollution. In 2017, the Shenzhen factory for the manufacture of dyeing and finishing machines has upgraded the dust removal devices in the polishing room and added wet-type dust removal at the sieve auto-polishing devices for reduction of dust emission; the Zhongshan factory for the manufacture of dyeing and finishing machines has commissioned the powder-spraying lines in the third quarter for substitution of paint-spraying. This reduced the generation of volatile exhaust gases during the production processes, and this substitution process could reduce the emission by 85%.

The factory for the manufacture of stainless steel casting products has also established control for emission of exhaust gas and equipped with facilities for reduction of pollutants to the environment. Supervisory personnel perform daily inspection patrol to ensure normal operations of the relevant environmental facilities for dust removal and the automatic doors of sand casting facilities. In accordance with the systems and regulations pertinent to environmental protection, types of emissions and standards stipulated in the discharge permit are being controlled, such as those for benzene/ toluene/ xylene. Also, they maintain records for monitoring and take prompt actions in event of abnormalities.

For the stainless steel casting operations, the Group uses natural gas which is clean energy in replacement of coal fuel supply reducing the generation and emission of sulphur compounds and nitrous oxides. Also, the factory is actively increasing the use of renewable energy. In 2017, natural gas accounted for around 42% of total energy consumption, which was 3% higher than that in the same period of 2016. Moreover, the factory has administrative methods for exhaust gas emissions as well as measures and equipment for controlling and reducing the emission of pollutants (e.g. dusts, volatile organic compounds) into the environment.

The factory in Shenzhen for the manufacture of dyeing and finishing machines continues to use natural gas as the boilers' fuel. The consumption in 2017 was higher than that in 2016 by 33,802 m<sup>3</sup>, mainly due to the increase in machine testing.

In addition to the aforementioned measures to prevent emissions of air pollutants, the Group has also formulated the following measures for reducing greenhouse gas emissions:

- Reduction of business trips

The Group thoroughly understands that business trips increase energy consumption and lead to an increase in greenhouse gas emissions. Consequently, the Group actively reduces the number of business trips in order to reduce greenhouse gas emissions, alternatively uses other effective means of communication in an effort to reduce greenhouse gas emissions that arise from additional traffic, e.g. avoidance of meetings which need long travelling, replacement by phone and/or video conferencing, and encouragement to employees using public transportation.

- Environmental Education for Stakeholders

The Group is committed to promoting the importance of energy-saving and emission reduction in its supply chain and, where appropriate in the purchase orders, requests the suppliers to comply with national environmental protection regulations and to obtain ISO 14001 and ISO 50001 certifications. At the same time, the Group treats employees as important stakeholders and aims to raise their awareness of environmental protection through induction training, posters and network sharing. Moreover, training procedures are formulated to incorporate the concept of environmental protection into the employee's annual training program, which ensures effective implementation of the relevant energy-saving and emission reduction measures within the Group.

During the reporting period, no violation of environmental regulation was found by the Group. The sources and emission volumes of greenhouse gases generated during the period were as follows:

<b>Greenhouse Gas Emission Sources</b>	<b>Manufacture of Dyeing and Finishing Machines (Shenzhen)</b>	<b>Manufacture of Dyeing and Finishing Machines (Zhongshan)</b>	<b>Manufacture of Stainless Steel Casting Products</b>
Diesel oil consumption from stationary sources (litres )	89,453	4,330	n/a
Gasoline consumption from stationary sources (litres)	n/a	14,196	n/a
Diesel oil consumption from mobile sources (litres)	13,719	8,394	17,281
Gasoline consumption from mobile sources (litres)	82,832	26,140	19,639
Natural gas consumption (cubic metres)	297,669	72,060	1,770,699
Acetylene consumption (kg)	1,455	331	440
Refrigerant (R-134a) consumption (kg)	n/a	681	n/a
Refrigerant (R-22) consumption (kg)	95.2	n/a	613
Refrigerant (R600a) consumption (kg)	0.5	n/a	n/a
Heptafluoropropane (FM200) fire extinguisher consumption (kg)	23	n/a	n/a
Carbon dioxide (CO <sub>2</sub> ) fire extinguisher consumption (kg)	12	n/a	366
Electricity consumption by facilities (kWh)	13,190,723	4,830,640	30,725,621
<b>Total greenhouse gas emission (tonne carbon dioxide equivalent) (t CO<sub>2</sub>e)</b>	<b>12,772</b>	<b>5,360</b>	<b>31,551</b>
Production volume (tonne)	8,545	16,220	4,625
<b>Greenhouse gas emission intensity (tonne carbon dioxide equivalent /tonne) (t CO<sub>2</sub>e/ t)</b>	<b>1.49</b>	<b>0.33</b>	<b>6.82</b>



### 3.1.2 Use of Resources

The Group is concerned on environmental protection and upholds its business philosophy “Conservation as priority, Management at sources”, and hence carries out appropriate measures to enhance the utilisation of resources:

#### Energy Conservation

For reduction of energy consumption, the Group is striving to use energy-efficient products and equipment in an attempt to replace equipment with high energy consumption. For instance, the Group is gradually replacing traditional electric lights with LED lights in the factories, and is phasing out obsolete facilities in the production line. Also the Group is actively promoting energy conservation amongst employees and reminds employees of energy saving by issuing notices and putting up posters in the working areas. The Group also requests employees to ensure all machinery is properly shut off after work.

In the stainless steel casting operations, energy management system is established with clear targets and relevant energy-saving measures, including the replacement by LED lights. In 2017, the factory continued procurement and replacement of energy-saving LED lights, and the installation of that batch of new lighting achieved an average monthly saving of 5,493 kWh. Together with all other energy-saving lights established in the whole factory, the total monthly saving amounted to approximately 58,676 kWh. Apart from replacement of energy-saving lights, the factory is also reducing energy consumption by recycling of thermal energy through the other processes such as heat recycling from boilers and control of fan-assisted cooling towers by using water temperature.

Energy Saving Measures	Annual Saving
Heat recycling from boilers	Natural gas : 14, 956m <sup>3</sup>
Control of fan-assisted cooling towers by using water temperature	Electricity : 237,120 kWh

In respect of the operations for the manufacture of dyeing and finishing machines, the Group has formulated Environmental Handbook, Energy Management Handbook or the relevant operating documentation for energy conservation in an attempt to achieve energy saving and efficient operations. Regarding machinery control, the Group uses inverter controls in electrical equipment of high power consumption and energy efficient welding machines for the purpose of energy saving. In the Zhongshan factory for the manufacture of dyeing and finishing machines, energy-saving lights are used comprehensively and each light could achieve energy saving of around 15% as compared to traditional lights used previously. Furthermore, the Zhongshan factory has developed digital-controlled composite chain parts processing in the first quarter of 2017. Energy consumption has been saved by 25% through this process, and totally around 1,600 kWh has been saved during the 10-month period between the date of commissioning and the end of 2017.



### Water Conservation

The Group has adopted multiple administrative measures to enhance water utilisation. The Group has set up wastewater treatment facilities in the factories for recycling part of treated wastewater. Through this measure, the Shenzhen factory for the manufacture of dyeing and finishing machines has already reduced the discharge of wastewater up to 9,852 m<sup>3</sup> per month. Apart from intensive treatment of reclaimed water, in the plant for the manufacture of dyeing and finishing machines, the Group has built rainwater collection facilities which convey rainwater into recirculation tanks for cleaning purpose, including for flushing toilets and washing passages, etc. Such measures have saved totally 10,000 m<sup>3</sup> on monthly basis. Moreover, in the Zhongshan factory for the manufacture of dyeing and finishing machines, the reclaimed water after wastewater treatment amounted to 1,433 m<sup>3</sup> during the year. In addition, the factory also collected rainwater and underground water for providing 60% of total greening water of 4,450 m<sup>3</sup> annually, equivalent to 2,670 m<sup>3</sup>, in order to support the reduction in use of fresh water.

In the factory for the manufacture of stainless steel casting products, the Group has improved existing techniques to reduce water consumption, at the same time has formulated monitoring control whereby abnormal water consumption will be investigated for identification of the cause of abnormal water leakage.

Furthermore, the Group inspects water consumption facilities in the manufacturing plants and offices, and takes timely remedies to any water leakage or dripping. Water conservation slogans are posted and promoted to raise employee awareness of water conservation and to remind employees and visitors to conserve water.

### Resource Conservation

The Group is striving to improve production processes and technology to enhance resource utilisation. In the stainless steel casting operations, procedures are formulated in respect of the reusing of sand in sand casting operations. This achieves both saving of materials and reduction of wastes at the same time. In 2017, the consumption of casting sand was reduced by a total of 6,831 tonnes through this re-using measure. Based on the consumption of new casting sand of 6,504 tonnes in the year, total savings amounted to 51% of the annual consumption.

In event of occurrence of non-compliant steel casting products, they will be handled in accordance with the procedures for reworking/recycling of scrap casting products, then collected to steel storage warehouse for allocation to furnace operation. In 2017, annual consumption of steel materials amounted to 5,471 tonnes. Totally 170.4 tonnes of steel materials were saved through recycling of the non-compliant steel casting products, accounting for 3% of the annual consumption.

Moreover, stainless steel casting operation has a wax recycling process in which the production line has installed facilities to collect the used wax for filtering, evaporating, mixing, settling, and reusing. This process reduces both the generation of waste wax as well as the use of new wax. In 2017, 623 tonnes of new wax were saved through this recycling process. Based on the new wax's consumption of 32.5 tonnes annually, the saving amounted to 95% of the annual consumption. All the aforesaid technologies increase the resource utilisation rate and reduce wastage.

In the operations for the manufacture of dyeing and finishing machines, the factory is striving to reuse and utilize the materials from the non-conforming or scrap products, such as : through the modifications of non-conforming products of large specifications to products of small specifications, re-use of steels from scrap products for the factory's internal engineering work ; the best use of resources in the packaging process, the production department would make use of scrap carton boxes for packaging of components to customers, this achieved the reduction of wastes by 15%.

Moreover, in its day-to-day operations, the Group actively promotes electronic documentation. Computer files are used instead of hardcopies in an attempt to implement the paperless office operations, which would reduce the use of paper consumables in the office. At the same time, the Group requires employees to adopt double-sided printing, and to reuse papers with only one-side used with the aim of paper saving.

During the reporting period, the key resources consumed in the Group's operations were summarized as follows:

Resource	Annual Total Volume			
	Hong Kong Office	Manufacture of Dyeing and Finishing Machines (Shenzhen)	Manufacture of Dyeing and Finishing Machines (Zhongshan)	Manufacture of Stainless Steel Casting Products
Electricity (kWh)	136,378	13,190,723	4,830,640	30,725,621
Water (cubic metre)	474	257,996	58,731	90,759
Natural gas (cubic metre)	n/a	297,669	72,060	1,770,699
Packaging material - Paper (tonne or piece)	n/a	5 tonnes	22 tonnes + 4,600 pieces	13 tonnes
Packaging material - Plastic (tonne or piece)	n/a	44 tonnes	30 tonnes + 365,848 pieces	13 tonnes
Packaging material - Wood (tonne or cubic metre or piece)	n/a	15 tonnes	679 cubic metres + 8,511 pieces	409 tonnes
Packaging material - Metal (tonne)	n/a	19	n/a	n/a

Resource	Consumption Intensity per tonne of production		
	Manufacture of Dyeing and Finishing Machines (Shenzhen)	Manufacture of Dyeing and Finishing Machines (Zhongshan)	Manufacture of Stainless Steel Casting Products
Electricity (kWh/tonne)	1,543.68	297.82	6,643.25
Water (cubic metre/tonne)	30.19	3.62	19.62
Natural gas (cubic metre/tonne)	34.84	4.44	382.85
Packaging material - Paper (kg/tonne or piece/tonne)	0.63 kg/tonne	1.37 kg/tonne + 0.28 piece/tonne	2.76 kg/tonne
Packaging material - Plastic (kg/tonne or piece/tonne)	5.10 kg/tonne	1.83 kg/tonne + 22.56 piece/tonne	2.86 kg/tonne
Packaging material - Wood (kg/tonne or cubic metre/tonne or piece/tonne)	1.79 kg/tonne	0.04 cubic metre/tonne + 0.52 piece/tonne	88.35 kg/tonne
Packaging material - Metal (kg/tonne)	2.18	n/a	n/a

### **3.1.3 The Environment and Natural Resources**

In response to the public concerns about environmental protection topics, the customers of the Group also expect the advancement in machinery aligning with the international requirements of energy saving and emission reduction. Consequently the Group aims to satisfy the requirements of communities and customers by adopting green principles amongst the procurement, manufacturing, and office operations.

#### **Green Procurement**

Upon complying with the Group's operating requirements, priority will be given to suppliers who are competent to provide environmentally-friendly equipment and materials. The Group has formulated the control procedure for supplier evaluation: for selection of suppliers of energy consumption equipment, preference will be given to those suppliers in the national recommendation list, whose products have obtained energy efficiency certification or Level I/II energy label. Moreover, the Group has formulated the control procedure for equipment procurement. For planning procurement of equipment and facilities, the Group requests suppliers to adhere to the national regulations and policies which pertain to the phase-out of outdated equipment and adoption of latest energy-saving technology. Also supplier's energy saving performance is one of important evaluation factors in making procurement decision.

The Group is also concerned with local procurement, such as for the operations in Zhongshan for the manufacture of dyeing and finishing machines, the proportion of local suppliers even accounted for 60% or above. This reduces the additional greenhouse gas emission incurred from the overseas transportations.

#### **Green Manufacturing**

The Group's business includes the manufacture of dyeing and finishing machines and the manufacture of stainless steel casting products, the primary environmental impacts of these activities are the generation of metallic wastes as well as various emissions resulting from the manufacturing processes. In addition to pursuing green philosophy in manufacturing processes, the Group is striving to provide customers with products complying environmental protection requirements. During the product design phase, the Group requires its products conform to environmental protection requirements. Therefore, the Group designs dyeing and finishing machines that could conserve both water and energy, and the stainless steel casting products also do not contain any substances hazardous to the environment.

In the workplace for the manufacture of dyeing and finishing machines, illumination level is maintained at the designated range (generally 90-150 lux) to mitigate extra energy consumption caused by excessive lighting. In addition, the gradual replacement of thinner by other cleaning substitutes would reduce waste of spent solvent and also eliminate fire safety risks in the relevant operations. In 2017, stretching machine of new energy saving model has been installed. Along with its internal heat recycling device, exhaust gas from the oven is purified and routed back to the oven. This reduces the energy consumption while maintaining sufficient heat in the oven as well as improving air quality. Consequently, this achieved both objectives of energy saving and environmental protection.

For the manufacture of stainless steel casting products, priority in the product specification is using materials of non-hazardous or low hazardous nature in order to reduce the generation of hazardous wastes. Through effective recycling of materials and waste classification, totally 6,831 tonnes of casting sand and 623 tonnes of new wax have been saved in the year.

### Green Office Management

Besides implementing green operations in the factories, the Group is also very concerned about the environmental impacts from office operation: consumption of resources and generation of wastes. Management of resource consumption comprises three aspects: advancement of employee awareness, administrative measures and facility management.

The Group has issued notices to all employees and put up slogans in the office to remind employees of energy saving, and to request employees to switch off lighting in their responsible workplace at the end of the working day.

Paper is an important resource in the office environment and slogans are put up in the office to remind employees of using fewer toilet papers, receiving faxes by computers and communicating faxes by emails, as well as using papers on both sides.

Energy-saving practices are also achieved by facility management. In the Hong Kong office, the majority of electrical equipment has installed with electrical ballasts to increase energy efficiency. Also, activated charcoals in air processing units are replaced on an annual basis and dust filters in air conditioning outlets are regularly cleaned. Besides energy saving, these measures also help extend the useful life of the central air conditioning system and reduce the replacement frequency of air-conditioners, this in turn reduces waste generation from malfunctioned air conditioners.

In addition, the office has been designated with recycling measures such as collection of the outdated magazines and waste papers for recycling by qualified companies, and transferring of electronic wastes (including old computers) to recycling companies for appropriate handling.

## **3.2 Social**

### **3.2.1 Employment**

In addition to complying with the requirements of local employment regulations, the Group has also formulated a series of employment policies to ensure that employees are treated in a fair and reasonable manner.

#### Recruitment and Promotion

The Group gives equal opportunity to every job applicant and shall not reject any applicant because of their gender, age, race or nationality. Employment decisions are based solely on fulfilment of the job requirements. Besides local applicants, applicants of other ethnicities and nationalities are also considered at the time of recruitment.

The Group has an equitable promotion mechanism that only makes reference to an employee's performance, experience and competence; other irrelevant factors such as ethnicity, gender, and marital status will not be considered.

#### Salaries and Benefits

The Group makes reference to various factors, e.g. local market data, company's results, employee's performance, inflation and local employment regulations, in formulating and evaluating regularly the salaries and benefits system which consists of minimum wage, bonuses, overtime pay, paid holidays, sick leave, leave for work-related injuries, etc. At the same time, the Group also purchases the mandatory social insurance for employees according to local regulations.

During the reporting period, the Group did not discover any violation or receive any complaint pertaining to discrimination or recruitment.

As of 31 December 2017, the total number and distribution of employees within the Group were summarized as follows:

	Number of Employees			
<b>Gender</b>	<b>Hong Kong Office</b>	<b>Manufacture of Dyeing and Finishing Machines (Shenzhen)</b>	<b>Manufacture of Dyeing and Finishing Machines (Zhongshan)</b>	<b>Manufacture of Stainless Steel Casting Products</b>
Male	88	1,794	674	884
Female	30	227	108	120
<b>Job Type</b>	<b>Hong Kong Office</b>	<b>Manufacture of Dyeing and Finishing Machines (Shenzhen)</b>	<b>Manufacture of Dyeing and Finishing Machines (Zhongshan)</b>	<b>Manufacture of Stainless Steel Casting Products</b>
Full-time	118	2,021	782	1,004
Part-time	0	0	0	0
<b>Age</b>	<b>Hong Kong Office</b>	<b>Manufacture of Dyeing and Finishing Machines (Shenzhen)</b>	<b>Manufacture of Dyeing and Finishing Machines (Zhongshan)</b>	<b>Manufacture of Stainless Steel Casting Products</b>
18-30	7	307	195	199
31-45	35	1,197	483	598
46-60	69	510	104	207
> 60	7	7	0	0
<b>Total</b>	<b>118</b>	<b>2,021</b>	<b>782</b>	<b>1,004</b>

	Average Monthly Employee Turnover Rate (%)			
<b>Gender</b>	<b>Hong Kong Office</b>	<b>Manufacture of Dyeing and Finishing Machines (Shenzhen)</b>	<b>Manufacture of Dyeing and Finishing Machines (Zhongshan)</b>	<b>Manufacture of Stainless Steel Casting Products</b>
Male	0.19	0.96	1.37	1.44
Female	0.81	0.80	0.99	1.45
<b>Age</b>	<b>Hong Kong Office</b>	<b>Manufacture of Dyeing and Finishing Machines (Shenzhen)</b>	<b>Manufacture of Dyeing and Finishing Machines (Zhongshan)</b>	<b>Manufacture of Stainless Steel Casting Products</b>
18-30	1.19	2.62	2.44	3.51
31-45	0.68	0.90	1.05	1.07
46-60	0	0.16	0.47	0.09
> 60	1.19	0	0	0
<b>Overall Average Turnover Rate</b>	<b>0.35</b>	<b>0.94</b>	<b>1.31</b>	<b>1.44</b>

### **3.2.2 Health and Safety**

The Group has established an occupational health and safety management system which uses different measures to minimize the occurrence of occupational disease and industrial injury.

#### **Workplace Safety Management**

The Group assesses safety risks in the workplaces and formulates corresponding operating rules to manage the health and safety hazards posed to the employees. The Group also has formulated relevant contingency and precautionary measures. Operating rules are developed in response to the risks posed by relevant production processes and equipment, e.g. operating rules for safe handling of flammable gases, administrative measures for safe storage of gas cylinders, administrative measures for operating with X-ray radiation. The Group requests employees to abide by the operating rules, also arranges supervisory personnel to conduct on-site inspection and supervision, as well as to handle and rectify any non-compliant practices. Beyond the operating rules, the Group also evaluates the job risks to provide employees with suitable personal protective equipment, and appoints qualified agencies or internal qualified personnel to conduct regular inspection and testing of operating equipment. According to the identified safety risks, the Group installs essential protective devices on the relevant equipment.

For special working conditions such as high-temperature environment in the stainless steel casting plant, the Group provides cooling facilities (air conditioners, fans, etc.) and monitors and records the temperatures of the workplaces. Relevant rules are established and employees are provided with protective equipment against high temperature. Employees are requested to abide by the operating rules and supervisory personnel are assigned to undertake site inspections, as well as to report and supervise rectification in event of non-compliant situation.

Besides paying attention to hazards in the manufacturing sites, the Group also manages health and safety risks in the office. For example, regular cleaning of the air conditioning system and replacement of relevant components are arranged to ensure good in-door air quality for protection of employees' health.

Moreover, the Group regularly monitors the compliance status in other aspects such as the provision of fire-fighting equipment and regular inspection of such equipment.

#### **Employee Safety Training**

The Group arranges suitable trainings to ensure effective implementation of operating rules and safe operation of equipment. The main content includes the correct use of protective equipment, knowledge and case studies in safe production and occupational health, safe operating practices for job and equipment. For special positions with required qualifications, the operators are required to hold the valid permit or to pass the professional training. The Group also arranges employees to attend fire and emergency drills on a regular basis to ensure they are familiar with evacuation routes in case of emergency.

Design of training program varies in response to occupational health and safety requirements of general staff and special positions. Relevant evaluation and examination will be arranged after training. To ensure the trainings more comprehensive and the sustainable development of employees, the Group invites external professional organisations to extend the scope of appropriate trainings, which include trainings related to environmental protection (e.g. implementation and review of environmental protection laws, carbon emission management), job-related technical and safety trainings (e.g. theory and practices of electrical engineering to enhance knowledge and skills in electrical operation), and management skill trainings (e.g. trainings in mediation of employment disputes, relevant terms and interpretations of social insurance).



### Employee Health Examination

The Group provides the employees with an annual occupational health examination to ensure they are free from occupational diseases. Also, occupational health records are established for the employees. For employees in high risk positions, such as those responsible for operating X-ray testing equipment, the Group even arranges special health examinations to them.

### Work-Life Balance

The Group is not just concerned with the occupational health and safety of the employees; it is also concerned with the psychological well-being and need of private life of the employees. Hence, the Group devises various categories of leaves relating to an employee's family life, and makes provision for early leave, flexible vacation, etc. to align with the roles of an employee in his/her family. In addition, the Group will arrange a variety of activities to ease the employees' pressure and enrich employees' life outside of work, such as arrangement of festival celebration activities, sport competitions, etc.

Name of Activities	Organisers	Scope of Activities	Number of Participants
Shenzhen Nanwan Street Enterprises Fun Sports Day	Shenzhen Nanwan Street Office Human Resource Service Centre, Shenzhen Baina Sport Development Co., Ltd.	A total of 5 games included Times Wheel, Together on The Same Boat, Work As One, Eight Immortals Crossing The Sea, One Step One Footprint	17
Series of cultural and leisure activities for "Welcoming National Day, Celebrating Mid-Autumn"	Shenzhen CHTC Fong's trade union	Chess/Ping Pong/Billiard/Prose & Poem/Photography competitions	97

The Group is very concerned with employees' opinions towards the management and operations of the Group. Hence, the Group designates communication channel and suggestion box for the employees, and regularly follows up the employees' opinions received.

During the reporting period, the Group did not discover any violation pertaining to the relevant local occupational health and safety regulations. Within the same period, no work-related fatality of the employees was discovered and the lost work days due to work injuries are outlined below:

	Lost days due to work injuries			
	Hong Kong Office	Manufacture of Dyeing and Finishing Machines (Shenzhen)	Manufacture of Dyeing and Finishing Machines (Zhongshan)	Manufacture of Stainless Steel Casting Products
Annual Total	12	889	1,796	1,979
Monthly Average	1.00	74.08	149.67	164.92

### 3.2.3 Development and Training

The Group has established a comprehensive training system that covers orientation training, factory's rules and systems training, product workmanship, environmental protection, safety training and other necessary external trainings, etc. In addition to the general classroom trainings, the Group emphasizes practical work and thus will arrange for team leaders, group leaders or experienced employees to guide new recruits in their work. This helps new recruits fulfill the requirements of their positions as quickly as possible and improve training efficiency as well as the new recruits' performance. This arrangement can be flexibly modified according to the new employee's characteristics and experience. At the same time, based on the Group's development strategies for different product types, businesses and projects, career development plan is formulated for the employees to train them on the essential knowledge and skills required by their positions. Employees are offered with promotion opportunities through annual performance evaluation and sustainable development of the Group's business is propelled through this development and promotion system.

During the reporting period, the monthly average proportion of trained employees within the Group and the monthly average training hours per employee were summarised as follows:

Monthly average proportion of trained employees within the Group (%)				
Gender	Hong Kong Office	Manufacture of Dyeing and Finishing Machines (Shenzhen)	Manufacture of Dyeing and Finishing Machines (Zhongshan)	Manufacture of Stainless Steel Casting Products
Male	1.04	1.47	100.00	4.89
Female	1.35	0.58	100.00	4.79
Employee Category	Hong Kong Office	Manufacture of Dyeing and Finishing Machines (Shenzhen)	Manufacture of Dyeing and Finishing Machines (Zhongshan)	Manufacture of Stainless Steel Casting Products
Senior Management	2.06	0	100.00	0
Middle Management	0.60	0	100.00	4.57
Junior Employees	1.26	1.58	100.00	4.91
<b>Overall Average</b>	<b>1.12</b>	<b>1.37</b>	<b>100.00</b>	<b>4.89</b>

Monthly average training hours per employee				
Gender	Hong Kong Office	Manufacture of Dyeing and Finishing Machines (Shenzhen)	Manufacture of Dyeing and Finishing Machines (Zhongshan)	Manufacture of Stainless Steel Casting Products
Male	0.12	0.04	2.83	0.37
Female	0.14	0.02	2.86	0.38
Employee Category	Hong Kong Office	Manufacture of Dyeing and Finishing Machines (Shenzhen)	Manufacture of Dyeing and Finishing Machines (Zhongshan)	Manufacture of Stainless Steel Casting Products
Senior Management	0.08	0	2.63	0
Middle Management	0.14	0	2.51	0.55
Junior Employees	0.13	0.05	2.90	0.35
<b>Overall Average</b>	<b>0.13</b>	<b>0.04</b>	<b>2.84</b>	<b>0.37</b>

### **3.2.4 Labour Standards**

The Group strictly prohibits the employment of child labour and will only employ individuals aged 18 or above. The Group ensures there is no forced labour and will arrange jobs according to appropriate scenarios, which will not force employees to do tasks beyond their competencies or other unreasonable jobs. In addition, the Group does not force overtime work; if extended working hours are required, it must be initiated and applied by the employees voluntarily. The Group does not take deposits from employees or withhold their identification documents at the time of recruitment.

For effective prevention of child labour, the recruitment advertisements will specify that applicants must be at least 18 years of age. During recruitment, scrutiny is conducted on an employee's identification document and resumes for age verification. The Human Resources Department reviews applicants' resumes and eliminates those less than 18 years of age. Through the Group's annual child labour inspection and daily operation management, employment will be immediately terminated if any child labour is discovered.

The Group has also formulated measures to prevent forced labour. For ensuring voluntary overtime, if an employee wishes to work overtime, the employee must initiate the overtime application to his immediate supervisor through written confirmation with signature. The Group requires that the work arrangement adheres to the afore-mentioned procedure for prevention of involuntary overtime work. Immediate investigation will be conducted in the event of non-compliance with this procedure.

During the reporting period, the Group did not discover any violation of laws and regulations pertaining to employment of child labour or forced labour.

### **3.2.5 Supply Chain Management**

The Group has formulated the supplier management policy which communicates to suppliers of the Group's expectations and the requirements that the suppliers and their employees must abide by. This policy covers aspects including product quality, social responsibility, business ethics, these aspects are also the key criteria used for supplier selection. The Group has established the supplier selection and evaluation system, besides consideration of commercial interest, the system evaluates qualification of new suppliers and performance of existing key suppliers on regular basis. Evaluations are in the form of on-site audits and/or document reviews on qualification and compliance. Third party agencies may be appointed to participate in assessment tasks in respect of certain evaluation, such as assessing suppliers' performance on corporate social responsibility. Outcomes of the evaluations are compiled into records which serve as the basis for future monitoring.

In addition to considering the afore-mentioned scope of evaluation, priority will be given to local suppliers who comply with the Group's business requirements and demonstrate the same performance as their non-local counterparts. This reduces additional greenhouse gas emission resulting from overseas procurement and transportation.

As of 31 December 2017, the geographical distribution of the Group's suppliers was as follows:

Geographical Location	Number of Suppliers		
	Manufacture of Dyeing and Finishing Machines (Shenzhen)	Manufacture of Dyeing and Finishing Machines (Zhongshan)	Manufacture of Stainless Steel Casting Products
Hong Kong	30	17	2
China (except Hong Kong)	296	191	193
Taiwan	3	1	2
Turkey	2	0	0
Switzerland	6	0	0
Ireland	1	0	0
Italy	4	2	0
France	1	0	0
Denmark	1	0	0
Germany	20	21	0
Japan	3	0	0
Israel	1	0	0
South Korea	2	0	0
United States of America	2	2	0
Thailand	1	0	0
Singapore	1	0	0
Canada	1	0	0
India	0	1	0
Austria	0	1	0
Australia	0	0	1
<b>Total</b>	<b>375</b>	<b>236</b>	<b>198</b>

In 2017, the Group has new suppliers and proceeded evaluation and even on-site assessment in view of the key impacts of the relevant supplied materials on the Group's products. For the existing key suppliers, regular evaluation and on-site assessment will also be conducted. The evaluation status of the suppliers is as follows:

	<b>Manufacture of Dyeing and Finishing Machines (Shenzhen)</b>	<b>Manufacture of Dyeing and Finishing Machines (Zhongshan)</b>	<b>Manufacture of Stainless Steel Casting Products</b>
<b>New suppliers in 2017</b>	91	19	22
<b>Suppliers after evaluation</b> note #1	147 note #2	147	27
<b>On-site assessment - existing suppliers</b>	16	21	5
<b>On-site assessment - new suppliers</b>	1	6	5
<b>Suppliers evaluated on performance of social responsibility / environmental protection</b> note #1	0	147	0

Note #1 : Including new suppliers and existing suppliers

Note #2 : Including new supplier evaluation (91), key supplier performance evaluation (50) and on-site supplier assessment (16), amongst which 10 suppliers overlap.

### 3.2.6 Product Responsibility

The Group thoroughly understands manufacturing of equipment of high quality is the essential element for sustaining long-term business growth. In those countries where there are manufacturing or sale, the Group strictly abide by the local regulations as well as those regulations in the customer's home territory. This ensures that the Group's products conform to regulatory requirements of the countries where the business operates, and customers' needs as well as provision of quality products to customers. The Group assures that the final products are manufactured with high-grade materials and the top-notch workmanship. Products are assured as brand new which have not been used before, and fully compliance to contractual requirements in terms of quality, specification and functionality.

The Group has achieved ISO9001 certification for quality management system standard, providing the customers with even higher level of quality assurance. The system strictly implements the procedures for production quality management and enhances the management and development planning for product quality. During the course of manufacturing and sales, the system strengthens record-keeping in every detail of product quality management. The Group possesses the relevant qualification in design and manufacturing, and products are designed and manufactured in line with the manufacturing standards of different countries. Before delivery, all products must undergo strict quality and safety testing to ensure they comply with the quality and safety requirements in the specifications. In addition, the Group has achieved certification of ISO50001 energy management system for efficient use of energy in the manufacture of both dyeing and finishing machines and stainless steel casting products. ISO14001 certification for environmental management system in respect of the manufacture of dyeing and finishing machines has even been obtained which mitigates the environmental impacts incurred from the operations.

Apart from the establishment of a comprehensive management system, the technologies and professionalism of the Group have also been recognised by external stakeholders. In 2017, the Group has been awarded by various external organizations for recognition of the Group's achievement in products and technologies.

<b>Name of Award</b>	<b>Awarding organization</b>	<b>Date of Award</b>
Guangdong Innovative Enterprise	Guangdong Hi-Tech Technology Enterprise Association	January 2017
Enterprise Skills Talent Service Station	Zhongshan Technologist Association / Zhongshan Municipal People and Social Bureau Torch Branch	January 2017
Zhongshan Engineering Technology Research Centre	Zhongshan Science and Technology Bureau	January 2017

#### Fair Promotion of Products

The Group ensures that product information on promotional websites and in other promotional materials is true and accurate. Some of the Group's products are accompanied with operating manuals, in which the contents are supported by reliable data and evidence. In addition, the Group requires that at the time of promotion, sales personnel should convey only those product information related to the confirmed advantages of the Group's products but not mention the negative aspects of competitors or their products. This prevents customers from being misled at the time of purchase.

#### After-Sales Service

For the business of manufacture of dyeing and finishing machines, the Group ensures that quality assurance is provided on machinery that has been correctly installed and being properly operated. Upon the product proved satisfactory after testing, product warranty of not less than one year will be provided as stipulated in the sales contract. The Group is responsible for either repairing or replacing in the case of defects arising from proper operation and abnormal wear. During the warranty period, the Group is also responsible for rectifying computer program failure resulting from any software error.

For the manufacture of stainless steel casting products, the Group has also established communication channels via telephone and e-mail, etc. for customer enquiries, elaboration of product details, etc.

#### Quality Assurance Process

All raw materials from suppliers must undergo incoming quality control conducted by the Quality Department and are distributed for use in the manufacturing plants only after the quality has been verified and passed. Manufacturing process is controlled according to the specified inspection and testing plan, and finished products must pass through the final inspection and testing before delivery to the customers.

### Handling of Customer Complaints

The Group has formulated a complaint handling mechanism, whereby, upon receipt of a complaint, it will be analysed by the Quality Department. The mechanism requires responding to the customer in the specified time frame with results of the analysis and the follow-up actions. The Group also designates the responsible departments to follow up the complaint cases and initiate product recall procedures when necessary.

According to product types, the Group has set up different communication channels for customers to make enquiries, give their feedback or file complaints. Designated departments are responsible for following up and responding to the customers, as well as suggesting solutions to the problems encountered by the customers. Customer opinions or complaints are processed through the Group's internal customer complaint management system, which delegates to relevant departments for cause analysis and formulation of corrective actions, thus reducing or even preventing the recurrence of the same problem.

During the reporting period, the Group did not discover any violation to the relevant regulations pertaining to product responsibility; amongst all products sold, none was found to be recalled for health and safety reason. In the same period, the Group received 665 customer complaints and all these cases had been satisfactorily resolved.

### Product Recall/Return Procedure

In the event of product rejection by customers, the Group will assess the reasons for the rejection or return of the product. Whenever product recall is deemed necessary, the Group will preserve the product in question and send it to the Quality Department for quality inspection. Relevant departments will also join in to analyse and formulate corrective measures for the identified product's defects.

### Intellectual Property Protection

The Group acknowledges the importance of intellectual property rights and all relevant information will be strictly secured for products of both the Group's own design and customer specification. The Group stipulates in the employee's code of integrity and employees are required to sign this code for acknowledging that confidential information must not be disclosed or replicated without prior authorisation. In addition, the Group will sign confidentiality agreements with its customers to ensure that no disclosure of any customer information to external parties. Confidential information and documents relating to customer's intellectual property rights such as product drawings, technical specifications must be securely stored by the designated department. Without permission, employees are not allowed to make their own copies of these documents, nor take documents out of the Group's premises.

For commercial software being used in the office, the Group is committed to not purchasing any form of pirated software and only procuring software from the licensed suppliers.

### Privacy Protection of Consumer Information

In order to ensure fairly use of customer information and to strengthen protection of customer information within the Group, access control is defined in the Customer Relationship Management (CRM) system which restricts sales and relevant operation staff to access customer information relevant to their responsible area only. All customer information is carefully managed and can only be accessed by the authorised personnel. For CRM log-in from external systems, the staff identity needs to be confirmed through the Group's Virtual Private Network (VPN) protection system prior to access granted. The aforesaid two systems provide employees with designated account numbers and passwords which strengthen information security management and prevent leakage or theft of customer information.



### 3.2.7 Anti-Corruption

The Group has established comprehensive infrastructure for internal control and formulated a set of strict policies, which prevent malpractices and unethical business practices, and also avoid the occurrence of corruption and other fraudulent behaviours through effective implementation. The Group has formulated an employee's Code of Integrity which includes "Declaration Form for receiving Gift" and the associated guidelines for declaration. It requires all employees to declare via filling in "Statement of Integrity". Whenever feasible, terms and conditions relating to anti-corruption are included in the contracts with service providers. It demonstrates the Group's emphasis on anti-corruption and defines the responsibilities and required actions amongst both parties in the occurrence of any corruption.

#### Whistle-blowing Procedure

The employee's Code of Integrity of the Group forbids corruption, bribery, misconduct, illegal practices, fraud, extortion and other unethical incidents. The Group has established whistle-blowing mechanism and channel for employees to freely report incidents of misconduct or suspected illegality. Whistle-blower is allowed to report the incident in confidential and anonymous way to the "Board of Directors' mailbox". Upon receipt, the Board of Directors will appoint the relevant department for investigation and follow-up.

During the reporting period, the Group did not discover any legal violation or complaint relating to corruption.

#### Anti-Corruption Measures

##### - Declaration for Conflict of Interest

The Group is striving to avoid conflict of interest in the course of its operations and also requests all employees to avoid the situations triggering conflict of interest, including the prohibition to abuse one's authority or position within the Group for personal gain, or avoidance of hindering one's normal duties from compromising the interests of one's family members, relatives or friends. In case of actual or potential conflict of interest, the relevant staff is required to fill in the "Declaration Form for Conflict of Interest" contained in the Code of Integrity immediately, and is subject to the appropriate decision and arrangement by the senior management.

##### - Procurement Approval Management

For control of procurement, the Group requires collecting and assessing information of at least two suppliers before making procurement decision. This ensures the purchasing quotation is fair and equitable. Procedure for approval of a specific procurement contract is generally dependent on the contract amount involved. Whenever feasible, the confirmation of a contract needs to undergo multiple approvals, namely, by the managers at the upper two levels senior to the undertaker.

##### - Financial Auditing

The Group engages an independent third-party auditor to audit the Group's financial accounts. This ensures that the Group's accounts are clear and accurate, and strengthens internal financial control and supervision for protecting the interests of the shareholders as a whole.

### **3.2.8 Community Investment**

Every year the Group actively reaches out to community groups who share the common philosophy in corporate responsibility for liaisons and collection of opinions. This enables decision on suitable donations and provision of other supporting resources. The Group has a dedicated department responsible for collecting community's suggestions and needs which are responded and followed up within a specific timeframe. The Group investigates the feasibility of converting those suggestions and needs into performance indicators. Also, the Group undertakes regular review and improvement, and responds to the relevant stakeholders whenever necessary.

For many years, the Group has made contributions to the communities in various aspects, including cash donations to those people suffered from disasters, in-kind donations to needy persons in Hong Kong and overseas, as well as support to charity events organised by the charities, such as "Yan Oi Tong", "Kowloon Women's Welfare Club". In the reporting period, the Group continues to fulfill the commitment of concerning the communities. The Group's Hong Kong office complimented its employees with mooncakes ordered from "Gingko House", which is the catering service organization promoting the elderly employment. That ordering supported the organization for offering the opportunities of elderly employment.