



力勁科技集團有限公司
L.K. TECHNOLOGY HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)
(於開曼群島註冊成立之有限公司)

(Stock Code 股份代號 : 558)

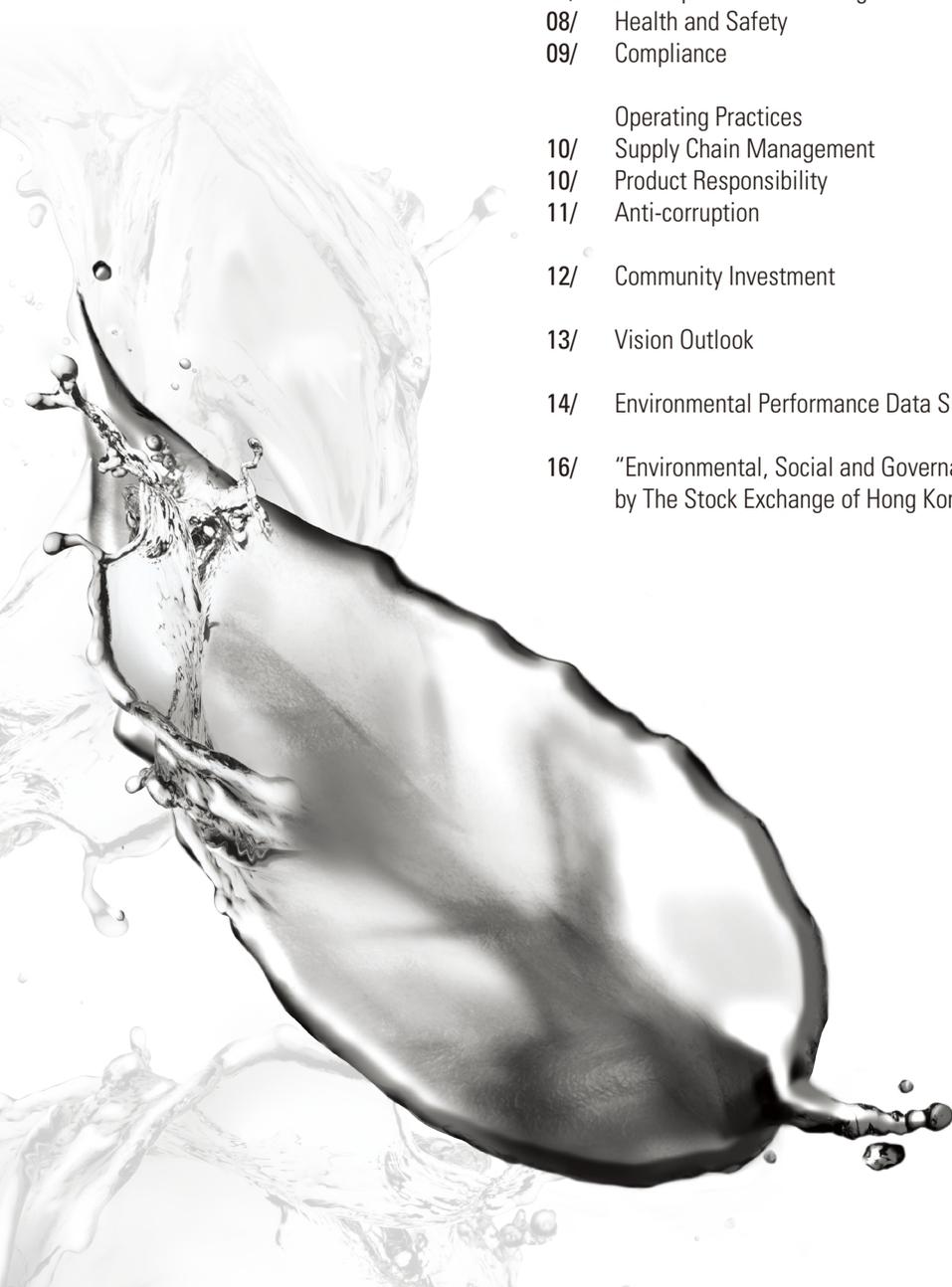
2017/18

ESG REPORT

環境、社會及管治報告

CONTENTS

02/	About this Report
	Environmental Protection
03/	Management of Emissions
05/	Management of Resources Utilization
06/	The Environment and Natural Resources
	Employment and Labor Practices
07/	Talent Selection
07/	Labor Standards
07/	Compensation and Welfare
08/	Development and Training
08/	Health and Safety
09/	Compliance
	Operating Practices
10/	Supply Chain Management
10/	Product Responsibility
11/	Anti-corruption
12/	Community Investment
13/	Vision Outlook
14/	Environmental Performance Data Summary
16/	"Environmental, Social and Governance Reporting Guide" by The Stock Exchange of Hong Kong Limited



About this Report

The purpose of this Environmental, Social and Governance (hereinafter called “ESG”) Report is not only to communicate the sustainability strategies, management approaches and performances of L.K. Technology Holdings Limited and its subsidiaries (collectively the “Group” or “we”) with the stakeholders, but also strengthen the Group’s understanding towards their ongoing activities in sustainable development of the society and the environment as a whole. This ESG Report summarizes the efforts and achievements made by the Group in corporate social responsibility and sustainable development.

The Group hopes to develop its business objectives and creates shareholder/investor value, while at the same time protects the ecological environment by fully utilizing resources and minimizing the emission of pollutants during operation. As a responsible and visionary corporate, we have to balance the relationship between operations and environment by continuously optimizing operations management, business strategies and policies on environmental protection, training and development, and community investment; and contribute towards the sustainable development of the globe, human being and our business.

SCOPE AND PERIOD OF REPORTING

The ESG Report covers the Group’s main business in the manufacture and sale of die-casting machine, plastic injection moulding machine, and computerised numerical controlled (CNC) machining centre, and presents the Group’s strategic approach to sustainability and performance in the environmental and social aspects of the above business for the reporting period from 1 April 2017 to 31 March 2018. A summary of the environmental indicators and the performance data are listed out at the “Environmental Performance Data Summary”.

02

REPORTING GUIDELINES

The ESG Report has been prepared in accordance with the updated Environmental, Social and Governance Reporting Guide issued by The Stock Exchange of Hong Kong Limited (“the Stock Exchange”), as set out in Appendix 27 to the Rules Governing the Listing of Securities on the Stock Exchange.

MANAGEMENT OF EMISSIONS

The Group mainly manufactures and sells die-casting machines, plastic injection moulding machines and CNC machining centres. As we are fully aware of the exhaust air, sewage, noise and various wastes generated during operation, the Group devotes to the environmental protection and pollution prevention measures of our factories. We convene meetings as and when required to solve significant issues relating to these areas. The objective is to reduce the impact of exhaust air, sewage and wastes on the environment. We established environmental safety department which focuses on managing and supervising various units of production safety at the workplace. Efficient collection, storage, disposal and recording of all kinds of exhaust air, sewage and other wastes that may cause danger or pollution to the environment can reduce unnecessary wastage and pollution during the production process. Besides, in order to optimize the environmental safety management measures, we have commissioned environmental protection officers to carry out monitoring, data collection and environmental information update in each production unit to ensure the effective operation of various environmental protection equipment and facilities. In order to integrate with the national environmental safety emission targets, we have improvement plans on the use of various environmental protection equipment and facilities to minimize the emission of various hazards or pollutants. We start from the source of production to strictly implement water-saving plans to save water resources. We have developed a strict processing and recycling system in solid waste management. Illegal dumping is strictly prohibited in order to prevent environmental pollution incidents. We also identify and update the related environmental laws and regulations from time to time, and organize professional training to all the related staff and carry out internal evaluation to ensure their operation is in full compliance.

Management of Exhaust Air and Greenhouse Gas Emissions

In order to meet the local government's emission standards of air pollutants, we have formulated the pollutant management systems and established environmental safety department to monitor emissions with the coordination of each production departments. We have set up professional equipment to manage exhaust air and greenhouse gas emissions; including installing organic filters (activated carbon) at the exhaust air emission exits; installed particulate material recovery equipment for dust particle management. The activated carbon is periodically replaced by designated staff and dust is collected and stored at designated location. We require regular maintenance to the facilities. We control and monitor the quantities of air pollutants according to the emission standards regulated by the local government. Members of our Safety and Environmental Protection Working Team are required to compile statistics on the types, quantities and concentrations of air pollutants discharged by the pollution emission and treatment facilities under normal situation. We take appropriate action and maintain the facilities timely when significant fluctuations to the volume of pollutants are noted. This is to ensure that the pollutant treatment facilities operate properly to prevent pollution incidents. We obtained pollutant discharge permit issued by the local government. In accordance with the requirements of the local government, we test the sewage on regular or irregular basis. The testing scope includes particulate matter, benzene, toluene, xylene, lead, tin, nitrogen oxides, soot, blackness, other compounds etc. All the test results are up to the local government standards during the reporting period. We prohibit the burning of oil, asphalt, rubber, plastic and other materials that generates toxic or stench air in our factory locations. For paints and organic solvents that release volatile organic compounds (VOC), we ensure that paints and organic solvents meet safety standards and control their use to reduce organic gas emissions.

Management of Sewage

In order to meet the requirements of the local government's law and regulations, we established sewage prevention management system. We adjust and upgrade our facilities to control sewage pollution. We also inspect and maintain the facilities on regular basis, ensure their normal operation and prevent pollution incidents from occurring. Comprehensive prevention measures are adopted and water recycling technology is developed to enhance the re-use rate of water resources, use water resources reasonably and to reduce sewage discharge volume. We observed and managed following the pollutants emission limits under the pollutant discharge permit obtained. We commissioned qualified agents to periodically test the sewage emissions. We follow the requirement to compile statistics on the types, quantities and concentrations of pollutants when sewage is discharged and report. When the readings show significant fluctuations, the members from the Environmental Safety Management Department will investigate and handle timely. In case of sewage pollution incident, immediate measures will be taken to avoid pollution from spreading and timely reporting to management is required for coordinating emergency actions. In accordance with the requirements of the local government, we test the sewage on regular or irregular basis. The testing scope includes acidity, chemical oxygen demand, phosphate, total zinc, etc.. All the test results are up to the local government standards during the reporting period. We strictly prohibit discharge of sewage, coolant or emulsion, oil wastes, waste residues, acid wastes or toxic fluids into our sewage system unless with prior approval.

Management of Disposal of Solid Wastes

To comply with local laws and regulations, we have formulated relevant internal policies and procedures to manage and monitor the disposal of solid wastes workflow. Solid wastes produced during our manufacturing process, daily life and other activities mainly include recyclable wastes, non-recyclable wastes and hazardous wastes. We recycle as many wastes as we can, and non-recyclable wastes are handled by qualified environment protection agents. The hazardous wastes are treated in accordance with the requirements of the local government.

Hazardous or harmful solid wastes refer to the waste items on the local government hazardous waste list. They are mainly generated from production, office operation and living consumption, and include oil rags, waste oil, activated carbon wastes, waste residual paint, emulsion for treating waste slag, waste water generated from treating sludge, waste toner cartridge, waste battery, waste fluorescent tube, waste paint barrels, waste thinner barrels, etc.. In compliance with the laws and regulations of the local government, we manage and prevent hazardous wastes from polluting our environment. When solid wastes are produced, we prevent or reduce their impact to the environment. Control measures are established for solid wastes collection, storage, transportation, usage and disposals to prevent spreading, lost and leakage. No one is allowed to dump, stack or dispose solid wastes without permission. In compliance with our ISO 14001 Environmental Management System for prevention and minimization of pollution to the environment by solid wastes, we set up dangerous waste transfer plan and has contracted qualified solid wastes handling agents to strictly monitor the transportation and disposals of wastes.

To comply with national laws and regulations, we have established the wastes (such as packaging boxes, cleaning rag, used gloves, household garbage) recycling and disposal procedures so as to standardize its handling and workflow process. We insist "To repair whatever repairable; and to save costs" for better utilization of resources. The repaired items can be deployed as backup. Staff on duty collects and stores steel and iron scraps produced in manufacturing at designated storage locations. They also replenish damaged knives, knife grains, tools etc. caused by normal wear and tear at warehouse. Wood, papers, paper boards, rubbish from office and daily life are gathered at specified sites. Respective departments must follow the requirements to categorize, handle and put the wastes to the specified location for storage; discarding wastes at other locations is not allowed; and record in detail. We comply with the relevant national policies and the regulations of the Ministry of Public Security and the Ministry of Environmental Protection in disposal of wastes and resources and commissioned qualified environmental protection agents for recycling.

MANAGEMENT OF RESOURCES UTILIZATION

In terms of resource management, the Group believes that operation and environmental protection are closely related; and continuing and timely identifying issues arisen from business activities can reduce the adverse impact to the environment. To comply with the relevant laws, regulations and policies on resource conservation, the production departments and offices have set up various resource conservation measures to raise the awareness of the employees so that, when selecting office equipment, they would consider the impact on the environment and acquire energy saving products as far as possible. We adopt energy conservation and reduction of consumption principles to continually enhance and to reduce the negative impacts to the environment.

Conservation of Energy

There are strict regulations on using electrical equipment in factories. We reduce the transformer rated capacity and basic energy wastage. Employees are not allowed to change the electricity system circuits and set up high electric power equipment without authorization. Prior approval from the management is required for such changes if found needed. We pay attention to saving energy when using electricity. Our manufacturing plant in Shenzhen has tied power consumption in production equipment to its production efficiency; the electricity costs is reviewed every month. Besides, they have also implemented a series of energy-saving measures, such as the use of efficient energy-saving motor, photovoltaic power grid operation at the roof of the dormitory; press waste heat recovery; solar hot water systems, etc.. When project contractors need to use electricity, the Power Equipment Department will arrange and monitor the usage in order to ensure that the contractors pay attention to energy conservation as the project progresses. We inspect electric power equipment regularly to prevent endangering lives and loss of energy caused by electric leakage.

Factories and offices at different locations have implemented different energy-saving and energy-efficiency enhancement measures to improve the electrical performance of the appliances and encourage our staff to change their habits in using electrical appliances. These measures include switching off electrical appliances such as lighting, computers, printers, photocopiers, scanners, televisions, air conditioners, etc.. Use of air conditioners is limited according to seasonal and temperature changes; and turning on and off are managed and controlled by designated employees. Doors and windows are not allowed to stay open when air conditioners are on. Air conditioners are cleaned regularly to raise the energy efficiency level. We avoid to switch on all the lights at corridor, instead we turn on lights in interval. The factory in Zhongshan has embedded environmental protection elements in its production plant's design. Its roof has a lighting belt and allow them making full use of natural light; reduce use of electric lamps; the location of the manufacturing plant is carefully considered so as to reduce the use of fan and air-conditioners.

Management of Fuel and Natural Gas Utilization

The Group managed procurement, storage and measurement of fuel and natural gas centrally. There are strict rules for usage of fuel and natural gas. There are anti-leakage facilities installed at the storage area to prevent leakage leading to environmental pollution. The fuel oil use request and supply to equipment are strictly controlled; this is to improve the fuel oil utilization rate. Expired fuel oil collection, exchange and recycling are centralized, categorized, and stored at designated containers. They are then handled by designated responsible department. Usage of fuel by vehicles follows the consumption index. The factory in Shanghai uses natural gas boiler/stove to replace the coal boiler/stove. This is not only to increase the caloric value, but also reduce energy consumption and pollution. There are regular repairs, maintenance and inspection for natural gas equipment and transfer pipes to prevent any pollution to the environment caused by leakage and also the heat efficiency of natural gas. We have strict procedures for the purchase and use of vehicles. Vehicles must be inspected annually to improve energy efficiency; and to ensure that exhaust air emission is within standard and reduce air pollution.

During the reporting period, the Group's business consumed 24,798.68 megawatt hours ("MWh") of electricity, 171.54 tonnes of liquified carbon dioxide, 72.29 tonnes of natural gas, 280.09 tonnes of diesel and 202.88 tonnes of gasoline. With reference to the guidelines of the Greenhouse Gas Protocol and the regional emission factors, greenhouse gas emissions are calculated from the above-mentioned data. For total carbon dioxide emission during the reporting period, Scope 1 emissions and Scope 2 emissions were 1,688.67 tonnes and 20,458.86 tonnes respectively.

Conservation of Water

The regional factories and offices have developed different water-saving plan. The responsible department inspects the water supply system regularly and promptly notify the relevant departments to arrange repairs and maintenance when water leakage due to damaged water supply facilities are found. Water-saving labels are posted to areas with water taps, in toilets and area for washing dishes, reminding everyone to pay attention to water conservation and immediately turn off the water taps after use. The administrative department at the Shanghai factory has designated staff regularly check the water meter every day to monitor the water usage readings; and will immediately investigate and analyze the cause in case of water consumption anomalies is noted. Repairs to water pipeline or faucet will be arranged to prevent water resources wastage. We focus on recycling of water resources and improve the efficiency of water usage. For example, we re-use cooling water for adjusting die casting machines, collecting air conditioner cooling water, and rice and vegetables washing water at canteens for watering plants. During the reporting period, the Group's business consumed 273,182.50 tonnes of water.

Conservation of Paper

We require our people to make good use of our online office system, like the OA system, ERP system and special news portal. Issue of notices and data transfers should be done through the computer network; photocopying, printing and facsimile should be minimized. Administration and Human Resources Department is responsible for papers procurement, preparation and management of paper consumption statistics, encouraging staff to use less paper and use paper reasonably. We demand our staff to photocopy and print less and we encourage print jobs in double-sides; reuse single-sided papers; recycle double-sided printed papers through collecting the recycle paper in designated boxes. We spot check the paper use situation by departments irregularly and punish those employees who have violated the requirement. The ultimate purpose is to raise our employees' awareness in environmental protection. During the reporting period, the Group's business consumed approximately 26.93 tonnes of paper.

Compliance

During the reporting period, we did not have non-compliance incidents in relation to environmental protection that have a significant impact on the Group.

THE ENVIRONMENT AND NATURAL RESOURCES

The significant impact on the environment and natural resources is mainly the atmospheric emissions, sewage, solid wastes, and the use of natural resources (such as electricity, natural gas, liquefied carbon dioxide, fuel, water, papers) generated by the Group's business activities. The Group has strived to care for and to protect the nature, everyone should take part in it and hope to create a beautiful world together. In order to let employees know the importance of our environmental impact, we continue to adopt various policies, measures, and actions in reducing carbon footprint, and to minimize the impact on the environment from daily lives and business activities (please refer to "Management of Emissions" and "Management of Resources Utilization" above for details). We also hope that every staff can start from themselves, convey the message of protecting the environment to their families, friends and business partners; build more powerful cohesion in alleviating climate change together.

Employment and Labor Practices

The Group devotes to provide a comfortable work place and establish a comprehensive management system. We formulate our human resources strategies on the base of the Group's long-term development plan. The Group devotes to provide a comfortable work place and establish a comprehensive management system. We formulate our human resources strategies on the base of the Group's long-term development plan. We establish an equal and competitive mechanism internally, regulate the promotion process of employees, and provide regular training activities to lay the foundation for their future career development. Besides, we care about staff's physical and mental health. We organize regular cultural and training activities to enrich their leisure time, improve their technical skills and promote team cohesion. We encourage employees to maintain harmonious interpersonal relationships, promote team spirit of cooperation and unity, bravely face difficulties and overcome challenges.

TALENT SELECTION

We have always adhered to the concept of recruiting the talented people and making the best use of their talents. As an employer that offering equal opportunities, we establish fair and transparent talent recruitment procedures, insist on following the basic principles of non-discrimination, and devote to protect the human rights and personal privacy of employees. In order to enhance the Group's competitiveness, we attract different talents from different places not only through publishing recruitment information on our website, but also various recruitment websites, campus recruitment, recruitment agencies and headhunting companies, etc.. During staff recruitment, knowledge, ability, morality and job requirements are used as the selection standards, and they are not discriminated against because of their disability, age, gender, race, class, marital status, appearance, language, place of birth, religion or nationality so as to maintain our principles of "fairness, impartiality and openness". We provide equal opportunities to employees in providing benefits, promotion, performance appraisal, training and career development. We only consider their morality, knowledge, ability and technical skills, etc.. The above-mentioned policy not only comply the requirements of local laws and regulations, but also hope to use them as a set of guidelines to optimize the overall corporate effectiveness, and we work with our employees together to create a win-win situation.

LABOR STANDARDS

The Group respects human rights and strictly prohibit any unethical hiring practices, including child labor and forced labor in the workplace. We have established policies and procedures in compliance with the labor laws and regulations. During the recruitment process, we review the identity documents of the applicants and never hires any applicant below the legal working age. In addition, we encourage the retirement re-employment scheme, hoping to provide opportunities for our people to learn from the experienced retiring staff. The work hours of staff are in line with the relevant local labor laws and regulations. Staff consent for working overtime is needed so as to prevent forced overtime work; and they are compensated in accordance with the requirement of the relevant laws and regulations.

COMPENSATION AND WELFARE

The Group attracts and retains outstanding talents with competitive remuneration packages and regularly examines their salary levels to ensure it is up to standard. The Group collects up-to-date remuneration data within their industry and strives to establish a fair, reasonable and competitive remuneration system. Staff salaries level are decided based on one's knowledge, skills, experiences and education background relevant to their work requirements. The remuneration package includes basic salary, subsidies and benefits (including meal expenses, body check, festivals gifts, free transportation, special subsidies to employees who are in need of assistance, etc.). We have set up a comprehensive remuneration and bonus scheme. Annual discretionary bonus is assessed and distributed with reference to one's performance achievements, personal contributions, ability, experience and performance in discharging the assigned duties and responsibilities. It provides the employees with a fair remuneration system and attracts them to further advance their career with us. In accordance with the local labor laws and social security laws and regulations, we provide social security benefits for all employees, and protect their rights of rest days and holidays. We terminate or compensate staffs in accordance with local laws and regulations.

In order to provide a healthy and comfortable workplace; to relieve the employees' work pressure; to create work-life balance; to raise the employees' sense of belonging; we actively maintain a happy, open, healthy, friendly and harmonious working and living atmosphere. For the purpose of enriching employees' leisure time, strengthening their physical health and enhancing team cohesion, we established a library and recreation room (like billiard room, table tennis room, chess room, etc.), organized various competition (like tug of war, basketball competitions, etc.). Gifts are distributed in major festivals during the year including Mid-Autumn Festival, Dragon Boat Festival, etc.. We also organized annual dinner, Chinese New Year party, birthday party, staff gathering and outing.

DEVELOPMENT AND TRAINING

With the advent of the knowledge economy, training and development is the axis of human resource management. With a comprehensive education and training system, we were able to build an organized knowledge hierarchy and develop the core knowledge. We enhance employees' skills through job training. These not only enable employees to specialize in his own work, but also to enhance their flexibility in more job positions.

In order to encourage our people to continue learning in a systematic way, we build the atmosphere so that everyone is eager to learn. Combing various departments' human resources needs, we offer a series of on-the-job training courses; and facilitate self-learning. New hires have to participate in pre-employment training and pass the assessment. The training topics include corporate culture, rules and regulations, quality control system and 5S management, team building activities, business ethics, company businesses, rules, organizational structure and occupational safety, etc.. Our factory in Shenzhen has established an occupational training center in April 2004 with clear educational and training objectives. After years of operation and accumulated training experience, the training methodologies and educational system become mature. Training is offered systematically; targeted to enhance the organization's management system, to perfect the provision of professional subjects; so as to provide our employees with integrated skills and knowledge to meet the development need of the society; and ultimately promoting and enhancing the further development of the machinery manufacturing and high-tech industry.

During the reporting period, on top of providing our new hires with pre-employment training, we also organized various training programs. The training topics include service consciousness and behavior, business etiquette, efficient team building, cross-department communication and cooperation, cost management process, high staff turnover rate and counter-measure analysis, production safety (please refer to the "Health and Safety" section below for details of production safety training).

HEALTH AND SAFETY

To comply with the relevant local safety production laws and regulations, we establish policies and procedures to ensure safe production and have our production safety committee and safety management organization structure. Supervisors and employees at all levels must clearly understand their own safety responsibilities and sign the respective safety responsibility statement; and strictly perform in accordance with the requirements as stated on the safety responsibility statement. New hires must join different practical trainings, understand the workflow, equipment operation and guidelines of the production department; receive safety education. We also provide frequent trainings to our staff for their awareness, knowledge and techniques of safety. We also carry out role-based technical training periodically, safety assessment and team activities to ensure that our staff are prepared mentally and have adequate knowledge and skills to meet the safety standards and to fulfill their job duties. During the reporting period, we organized training programs, including preventing explosion and flood emergency drill plan, team operation training, basic knowledge of injection moulding machine, electrical principle of injection moulding machine, adjusting injection moulding machine, practical training of two-color machine, assembling skills and requirements, daily behaviors and on-site 5S management.

In order to effectively implement occupational health management and comply with local laws and regulations on prevention and treatment of occupational diseases, we have established an occupational health management system. The safety committee office is responsible for the effective identification of hazards factors at workplace, like noise, dust and chemical poison substances, etc., estimating the probability of incident occurrence, the seriousness of the consequences should the incident happen; risk assessment and exposure, and establishing risk profile. By eliminating hazards source, controlling the likelihood of an incident, using techniques and taking preventive measures; we can prevent or reduce the chance of incident occurrence. We provide job warning signs and organize occupational health knowledge training. According to the characteristics and actual needs in the production, we provide our staff with protective supplies such as masks, protective lens, safety shoes, hard gloves, etc. and urge them to use the supplies correctly as required. We strictly prohibit and will not assign our minor staff to handle tasks relating to toxic, hazardous, excessive physical labor or dangerous type of works. Staff of production department must undergo body check by hygiene department before taking up the post and compulsory periodic body check thereafter. Appropriate measures are taken to prevent occupational deceases.

Staff of special work types such as electricians, machine operators, must receive relevant professional safety training to ensure that they are qualified before they are put to work. Business units are responsible for their own occupational safety, providing their staff with safety education; carrying out safety inspection, safety rewards and punishment systems and safety operation procedures for various work types. Production equipment must be maintained regularly and have them repaired whenever found necessary. Safety protection functions must be in good condition. The installation of all kinds of electrical equipment and electric circuits must comply with the standards and specifications of the Nation. Electrical equipment must be well insulated and there must be protective measure to their metallic shells. For special types of equipment, such as vehicles, must be repaired and maintained by qualified suppliers and examined once annually by the State Bureau of Quality and Technical Supervision. Explosion-proof electrical equipment are used at those work places with risk of gas or dust explosion. For those places with possible occurrence of occupational poisoning, personal injuries and other incidents, it must be equipped with rescue medicine and equipment and regularly checked or replaced to reduce the occurrence of any occupation accidents.

COMPLIANCE

During the reporting period, the Group did not have significant issues relating to violations nor received any complaints concerning labor practices.

SUPPLY CHAIN MANAGEMENT

The Group is dedicated to maintaining long-term, stable and strategic cooperative relationships with leading suppliers, and is committed to a strategic procurement-led approach, achieving co-development with our suppliers on the basis of equality and win-win situation. We have established policies and procedures in supply chain management and provided various reporting channels for employees, suppliers, customers and other business partners in case they are aware of any violations of laws or regulations; abuse of job authority or misconducts. During the reporting period, the Group did not have significant issues relating to violations in this respect.

The Group has stringent procurement procedures and have management control over procurement contracts processing from preparation, amendment and approval. This is to ensure that the Group's interests are appropriately protected. We have also strengthened the control over execution of the procurement contracts to ensure that procurements are executed as scheduled; and to prevent unnecessary disputes or to get all disputes occurred can be solved timely. We have yearly goods supply contracts for all critical materials for production; while other general suppliers can be bound by formal purchase orders. Purchasing department prepares contract and contract evaluation forms; Finance department will then make assessment base on price and payment methods. All evaluation forms from different departments are properly kept by Finance Department. We have established formal procedures for supplier selection. Strict and reasonable method is used in supplier evaluation. On top of performing supplier background check and evaluation, we sign agreements with the approved suppliers to protect the legal interests of both parties and for anti-corruption purpose. In order to ensure that the goods are supplied timely with good quality; and to protect the information security and confidentiality; suppliers are required to provide written commitments. Purchasing and other departments who involve in supplier selection are responsible for carrying out examination and evaluation; conducting surveys and keeping proper record. This is to ensure that suppliers provide good quality products. The Group signs agreement with all suppliers, avoid acts that may harm the legal interests of each party.

In order to prevent procurement disputes, all approved suppliers have to sign a goods supply framework agreement. Separate agreement is signed for important project procurements. We strengthen the procurement contract control and execution and to prevent disputes. We place purchase orders for general supplier procurements. The Purchasing and Supplies Control departments make monthly assessment on supplier performance base on goods quality, price and timeliness of delivery. Annual supplier evaluation is performed jointly by Purchasing, Supplies Control, Quality Control and Finance Departments. We have stern segregation of duties throughout contract signing and supervision the quality of goods received. We require the suppliers of goods and services to possess recognized qualifications and with good internal control system so as to provide quality stability, deliver on-time, offer reasonable price, comply with laws and regulations and attained the required professional level. As such, we can ascertain that the suppliers selected are competitive and high quality of products and services are provided.

PRODUCT RESPONSIBILITY

Product quality is as important as lives. We strive for continuous innovation and improvement. Establishing a sound quality assurance system to ensure that the quality assurance process is strictly carried out and improved continuously; good product quality is consistently maintained and reliable, our employees are service-oriented. This is an all-round quality control concept and we pursuit "zero-defect products". We primarily focus on setting up prevention measures, supplemented with proper management controls and full participation by our employees. We perform annual internal audit in product quality management covering all production workflows. We follow the ISO 9001 management system in the entire manufacturing process and strictly control every step involved. We get support from professionals, meticulous facilities and equipment, advanced management processes to ensure our product quality is always maintained. We actively adopt and apply the domestic and international standards. Our products are qualified for the European CE certification. And, we are the only die-casting machine company in China simultaneously met the standard of the North American Industry Association; and the standards of all developed countries in Europe, the United States, and Japan.

Operating Practices
(Continued)

We have established a sound after-sales service system, clearly defined the service items and requirement. We have set up more than 60 sales and customer service center in more than 20 countries and regions. 24-hour speedy service is offered in most of the regions in China. Besides, we have also established mechanism for collecting customer feedback and carrying out data analysis so as to find out the product quality adaptability and effectiveness. We will also ensure that all customer feedback collected, such as customer satisfaction survey, are handled effectively and properly followed up; with an aim to solve problems timely and to prevent the same problem to occur again in the future. We analyze and prepare summary for the customer satisfaction survey collected and track improvement action execution. We have established product return management policies and procedures to regulate the operation of product returns; to effectively collect and follow up customer complaints relating to product quality. We share the customer feedback and the result of self-reflection in our regular product quality meetings. The departments relating to the complaints are held accountable and are responsible for proper handling of the cases; and the customer service personnel must follow up and take appropriate action prior to the assigned deadlines. We developed guidelines for collecting proposals relating to product quality improvement and innovation, effectively gathering feedbacks, and constantly carrying out product quality advancement work.

Employees accumulated valuable experience in their positions and are able to provide valid suggestions in this area. At the same time, they can have a better working environment with job satisfaction and sense of accomplishment. We hope that staff can work with us together for further improving our product quality. Our manufacturing plant in Shenzhen has established a mechanism to collect quality improvement proposals and designated a month in a year for holding events relating product quality. This can encourage their employees actively participate in product quality management and control; and to promote the craftsmen spirit of continuous pursuing excellence. At the same time, this can raise the staff awareness; and to create an atmosphere of mutual monitoring and focus; and our product quality could ultimately be improved and advanced. We have developed guidelines at different workflows for product inspection throughout the entire production process. We strengthened the processing inspection routine; established multiple quality assurance and monitoring. Regarding the problems relating to the supplied raw materials, we have developed a sub-standard goods quality control and goods return tracking method. During the reporting period, the Group's products did not involve major violations and irregularities.

ANTI-CORRUPTION

In accordance with the local laws and regulations, we always attach importance to creating a harmonious and honest working environment and we commit in achieving and maintaining high integrity and accountability standards with great emphasis in corporate governance, moral culture and staff quality. All employees should act in upright, impartial and honest manner and strictly follow policies and procedures. We established management policies in fraud prevention and report, bribes and money laundering. We require all of our employees and suppliers to sign agreement to show their commitment. Our general manager office is responsible to lead and co-ordinate the works relating to this area; announcing the whistle-blowing telephone number, email address and correspondence address, etc.; managing the whistle-blowing calls and reports received from whistle-blowers, either in real names or anonymous; preparing written records of all details and reporting to the management or the board of directors timely; investigating the incidents and submitting report of the investigation results to the management or the board of directors; and keeping proper record after completion. During the reporting period, there was no legal action against the Group and our employees for corruptions.

Community Investment

The Group actively contributes with a will to build a sustainable and harmonious society. Therefore, we are committed to our people-oriented corporate culture and to take up the corporate responsibility. We participate in the charity fundraising walk organized by Zhongshan City every year; show our sympathy to those staff in need or with serious diseases. Our factory in the Italy has made donations to various social-welfare organizations, like those engaged in protecting children, and helping the disabled and people with serious diseases. The Group has paid tax in accordance with applicable law since its incorporation, and spares no effort in easing local employment pressure. We help our staff to prepare and plan for their retirement. We have maintained good manufacturing operation, environmental protection and achieve a good development order; and, to some certain extent, we have contributed to social stability and building a harmonious community.

Vision Outlook

As a good corporate citizen, the Group hopes to balance between achieving the corporate economic goals and business objectives, and to fulfill its social responsibility. We will continue to pay attention to environmental protection, employee care, product quality, and community contribution so as to create niche for sustainable development.

As for environmental protection, the Group will endeavor to comply with the stringent environmental protection laws and regulations, allocate resources and undertake various environmental improvement projects, including improving emissions (exhaust air and sewage) and waste treatment facilities. In terms of employee care, we will put employee satisfaction and operation safety as our top priority. Through ensuring occupational safety and a competitive system, we aim to attract more talents in the technical and management arenas. We also focus on customers experience and will continue to provide them with high quality product. We also committed to fulfill our social responsibility by contributing and promoting the community's sustainable development.

Becoming a respectable enterprise is the aim of the Group. Through implementing sustainable business strategies and to improve our business performance, we will create more meaningful long-term value for the Group and its stakeholders.

Environmental Performance Data Summary

	Unit	Die-casting Machine	Plastic Injection Moulding Machine	CNC Machining Centre	2017/18
Greenhouse gas ("GHG"):					
Scope 1¹:					
Total	Tonnes	921.97	715.55	51.15	1,688.67
Intensity	Set	0.43	0.17	0.56	0.26
Scope 2²:					
Total	Tonnes	13,704.61	6,045.03	709.22	20,458.86
Intensity	Set	6.44	1.44	7.71	3.20
Air emissions:					
Nitrogen oxides	Tonnes	48.98	34.13	3.87	86.98
Sulfur oxides	Tonnes	5.98	4.00	0.31	10.29
Particles	Tonnes	13.28	8.61	0.42	22.31
Hazardous wastes³:					
Solid wastes generated:					
Total	Tonnes	105.30	12.97	0.66	118.93
Intensity	Set	0.05	— [#]	0.01	0.02
Sewage discharged:					
Total	Tonnes	97.88	43.60	N/A	141.48
Intensity	Set	0.05	0.01	N/A	0.02
Non-hazardous wastes³:					
Solid wastes generated:					
Total	Tonnes	2,566.76	830.55	39.75	3,437.06
Intensity	Set	1.21	0.20	0.43	0.54
Sewage discharged:					
Total	Tonnes	14,541.36	4.32	1,495.70	16,041.38
Intensity	Set	6.84	— [#]	16.26	2.51
Packaging materials used:					
Total	Tonnes	3.79	0.55	32.11	36.45
Intensity	Set	— [#]	— [#]	0.35	0.01

Environmental
Performance
Data Summary
(Continued)

	Unit	Die-casting Machine	Plastic Injection Moulding Machine	CNC Machining Centre	2017/18
Energy and water consumption:					
Electricity:					
Total	MWh	16,732.79	7,188.80	877.09	24,798.68
Intensity	MWh	7.87	1.72	9.53	3.87
Liquified carbon dioxide:					
Total	Tonnes	171.54	N/A	N/A	171.54
Intensity	Set	0.08	N/A	N/A	0.03
Natural Gas:					
Total	Tonnes	16.11	53.93	2.25	72.29
Intensity	Set	0.01	0.01	0.02	0.01
Diesel:					
Total	Tonnes	173.06	106.81	0.22	280.09
Intensity	Set	0.08	0.03	#	0.04
Gasoline:					
Total	Tonnes	107.27	81.02	14.59	202.88
Intensity	Set	0.05	0.02	0.16	0.03
Water:					
Total	Tonnes	174,862.50	83,363.00	14,957.00	273,182.50
Intensity	Set	82.21	19.92	162.58	42.66

Notes:

- ¹ Scope 1 refers to the Group's business direct GHG emissions, including combustion of liquified carbon dioxide, natural gas, diesel and gasoline.
- ² Scope 2 refers to the Group's business indirect GHG emissions, including consumption of purchased electricity.
- ³ The main business of L.K. Machinery Corp. is CNC Machining Centre. Since its revenue only accounts for 0.98% of the Group's revenue, therefore, its environmental performance data is not included in the above data.
- [#] Data less than 0.01.

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

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

Key Performance Indicators	Reporting Guideline	Page
B. Social ¹		
Aspect B1	Employment and Labor Practices	
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare.	7–8
Aspect B2	Health and Safety	
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to providing a safe working environment and protecting employees from occupational hazards.	8–9
Aspect B3	Development and Training	
General Disclosure	Policies on improving employees’ knowledge and skills for discharging duties at work. Description of training activities.	8
Aspect B4	Labor Standards	
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child and forced labor.	7
Aspect B5	Supply Chain Management	
General Disclosure	Policies on managing environmental and social risks of the supply chain.	10
Aspect B6	Product Responsibility	
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress.	10–11
Aspect B7	Anti-corruption	
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering.	11
Aspect B8	Community Investment	
General Disclosure	Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities’ interests.	12

Note:

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

力勁科技集團有限公司
L.K. TECHNOLOGY HOLDINGS LIMITED

<http://www.lktechnology.com>

Unit A, 8/F., Mai Wah Industrial Building,
1-7 Wah Sing Street, Kwai Chung,
New Territories, Hong Kong

香港新界葵涌華星街1-7號
美華工業大廈8樓A室