CHTC FONG'S INTERNATIONAL COMPANY LIMITED

(Incorporated in Bermuda with limted liability)
(Stock Code: 641)

Environmental, Social and Governance Report 2019

CHTC Fong's International Company Limited

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Table of Contents

1. Scope

The reporting period for this Environmental, Social and Governance Report 2019 ("this Report") is from 1 January 2019 to 31 December 2019, 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

  (Level 13, Tower 2, Kowloon Commerce Centre, 51 Kwai Cheong Road, Kwai Chung, Hong Kong)

- Fong's National Engineering (Shenzhen) Co., Ltd.

  (17-19 Lixin Road, Danzhutou Industrial Zone, Nanwan Sub-District, Longgang District, Shenzhen, Guangdong Province, the PRC)

  - 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, Guangdong Province, the PRC)
  - business covers the manufacture of dyeing and finishing machines

- Tycon Alloy Industries (Shenzhen) Co., Ltd.
  (17-19 Lixin Road, Danzhutou Industrial Zone, Nanwan Sub-District, Longgang District, Shenzhen, Guangdong Province, the PRC)

  - 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 listens 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.

Main hazardous waste generated from the stainless steel casting operations is cutting solvent, while non-hazardous wastes are mainly waste sands, both are collected and processed by qualified contractors. The production volume in 2019 was similar to that in 2018, and the Group could still continue the reduction in emission of waste sands and consumption of cutting solvent. For comparison of consumption intensity per tonne of production unit over these two consecutive years, emission of waste sands and consumption of cutting solvent were reduced by around 43% and 10% respectively.

	2018	2019
Total quantity of waste sands (tonne)	80.5	45.9
Annual production volume (tonne)	5,303	5,307
Intensity (tonne / tonne)	0.0152	0.0086

43.4%

	2018	2019
Total consumption of cutting solvent (tonne)	11.1	10.2
Annual production volume (tonne)	5,303	5,307
Intensity (tonne / tonne)	0.0021	0.0019

9.5%

From the manufacture of dyeing and finishing machines, hazardous wastes generated include sludge, spent thinner, cutting solvent, waste cutting sands, waste activated carbons, empty waste containers, waste mineral oils, waste paint residues, and scrap oily rags, all these wastes are collected and processed by qualified contractors; non-hazardous wastes include scrap papers, 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 operations for the manufacture of dyeing and finishing machines are striving to enhance the automation control for supporting emission reduction, including the development of equipment for digital-controlled composite chain parts processing in the factory at Zhongshan. In addition, since 2017, the powder-spraying line was commissioned in replacement of the paint-spraying process. This reduced the waste generation of organic solvent containers such as paint containers, diluted solvent containers involved in the paint-spraying process. During the year of 2019, there was reduction of approximate 6.3 tonnes of scrap organic solvent containers in the paint-spraying process. Moreover, in the Shenzhen factory, digital-controlled plasma cutting machine was adopted to substitute the sand knife cutting, and this eventually reduced the generation of waste sands of around 303 tonnes.

Through the implementation of the aforementioned policies and measures for waste reduction, per each tonne of production unit in the reporting period, the emission intensity of the Group for hazardous wastes and non-hazardous wastes are only 0.02 tonnes and 0.14 tonnes respectively.

	2019 Total Annual Emission Volume (tonne)			
Types of Wastes	**Group Overall**	**Manufacture of Dyeing and Finishing Machines (Shenzhen)**	**Manufacture of Dyeing and Finishing Machines (Zhongshan)**	**Manufacture of Stainless Steel Casting Products**
Hazardous wastes	569	399	160	10
Non-hazardous wastes	3,445	1,061	1,174	1,210

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, such as in the Zhongshan factory for the manufacture of dyeing and finishing machines, which has utilised the wastewater treatment system for reducing the discharge of 1,654 tonnes of wastewater during the year.

Mitigation of Air Pollution

The Group's operations are striving to the use of natural gas, which is clean energy in replacement of coal fuel supply for reducing the generation and emission of sulphur compounds and nitrous oxides. For example, in the factory at Zhongshan for manufacture of dyeing and finishing machines, natural gas was used in painting oven room, gas oven in canteen, and laboratory equipment, etc., for substitution of municipal electricity supplied from coal combustion. The consumption of natural gas was equivalent to 687,388 kWh of electricity, which amounted to 13% of total energy consumption in the factory. Moreover, the factory has administrative methods and equipment for controlling and reducing the emission of pollutants (e.g. dusts, volatile organic compounds) into the natural environment.

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. For example, in the Zhongshan factory, the dust filtration equipment installed for handling of exhaust gases was estimated reducing emission of around 37 tonnes of volatile organic compounds in 2019. At the same period, the factory also adopted equipment using clean energy. Natural gas was used in painting operation and this estimated reducing the annual emission of 68 tonnes of standard coals. Consequently, this mitigated the pollution from emission of coal combustion during electricity generation.

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.

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.

Furthermore, the Group is striving to fulfill the expectations of all stakeholders. Owing to historical issue, a few years after commencement of our Group's business, residential community had been establishing opposite to the factory site. Because both sites are in close proximity, there was frequent communication on environmental issues between both parties. Despite the Group has met the national standards of exhaust gas emission and pollutant discharge around factory's boundary, penalty was still levied to the relevant environmental authority and the Group continued the implementation of the following dust-removal measures:

1. Only adopt the plasma cutting and grinding-wheel cutting whenever necessary, and use mobile purifying equipment for dust collection
2. Collect dust generated from polishing and discharge only after filtration treatment with dust-removal equipment as well as installation of barriers
3. Clean floor on regular basis as well as watering irregularly

During the reporting period, no significant violation of environmental regulation was identified by the Group. The sources and emission volumes of greenhouse gases (GHG) generated during the period were listed in the table below, and the GHG emission intensity was calculated per unit of production:

Total GHG emission volume 48,480 tonne carbon dioxide equivalent	**Direct (Scope 1) GHG emission volume 10,646**	**Energy Indirect (Scope 2) GHG emission volume 37,834**	**GHG emission intensity 2.02 tonne carbon dioxide equivalent / tonne**

GHG sources	Group Overall	Hong Kong Office	Manufacture of Dyeing and Finishing Machines (Shenzhen)	Manufacture of Dyeing and Finishing Machines (Zhongshan)	Manufacture of Stainless Steel Casting Products
Diesel oil consumption from stationary sources (litres)	86	n/a	86	0	0
Gasoline consumption from stationary sources (litres)	10,617	n/a	0	10,617	0
Diesel oil consumption from mobile sources (litres)	64,133	n/a	42,261	7,922	13,950
Gasoline consumption from mobile sources (litres)	126,176	13,793	69,475	24,477	18,431
Natural gas consumption (cubic metres)	2,660,365	n/a	275,680	56,061	2,328,624
Acetylene consumption (kg)	1,736	n/a	1,105	335	296
Refrigerant (R-134a) consumption (kg)	1,468	n/a	0	1,468	0
Refrigerant (R-22) consumption (kg)	1,373	n/a	0	0	1,373
Heptafluropropane (FM200) fire extinguisher consumption (kg)	0	n/a	0	0	0
Carbon dioxide (CO_2) fire extinguisher consumption (kg)	150	n/a	0	0	150
Electricity consumption (kWh)	45,268,450	129,007	9,300,688	4,731,960	31,106,795
Total GHG emission volume (tonne carbon dioxide equivalent) ($t CO_2e$)	**48,480**	**103**	**8,660**	**6,091**	**33,626**
Production volume (tonne)	23,956	n/a	5,999	12,650	5,307
GHG emission intensity (tonne carbon dioxide equivalent / tonne) ($t CO_2e$/ t)	**2.02**	n/a	**1.44**	**0.48**	**6.34**

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 example, all factories have been gradually replacing traditional electric lights with LED lighting:

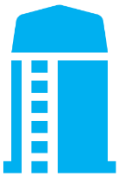
Factory region	**Annual saving (kWh)**
Manufacture of Dyeing and Finishing Machines – Shenzhen's production workshops	48,017
Manufacture of Dyeing and Finishing Machines – Zhongshan's office building / all functional departments	17,600
Manufacture of Stainless Steel Casting Products – Fine casting workshop	1,326

In the stainless steel casting operations, apart from replacement of energy-saving lights, the factory is also reducing electricity consumption by recycling of thermal energy through other processes such as heat recycling from boilers and control of fan-assisted cooling towers by using water temperature.

Energy Saving Processes	**Annual Saving**
Heat recycling from boilers	Natural gas: 22, 828 cubic metres
Control of fan-assisted cooling towers by using water temperature	Electricity: 23,820 kWh

Gradual replacement by LED lighting

Annual electricity saving
66,943 kWh



Control of fan-assisted cooling towers by using water temperature

Annual electricity saving
23,820 kWh

Heat recycling from boilers

Annual saving of natural gas
22,828 cubic metres

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. Through machinery control for achieving energy efficiency, the Group uses inverter controls in electrical equipment of high power consumption, use of energy efficient welding machines, manual plasma cutting machine, and digital-controlled composite chain parts processing. Moreover, production technology has been modified for reducing energy consumption, such as in the polishing department of the Shenzhen factory, stainless steel 8K surface board replaced 2B surface board to reduce the polishing process, which saved energy consumption up to 38,266 kWh in the year.

Apart from the production processes, the Group is aware of vehicle use being the concerned segment amongst energy conservation measures, therefore the Shenzhen factory has implemented program for reducing vehicle oil consumption. Through adopting 7 sets of battery-balanced forklift, there was a total saving in diesel oil of 27 tonnes. At the same time, the factory also has program next year for replacing or phasing out the old-model vehicles for reducing oil consumption, as well as for consolidating trips to reduce vehicle use frequency.

The Group is striving to advocate employees on energy conservation. Through issuance of notices and posting of slogans in workplace, the Group reminded employees of energy saving, and requested employees to switch off all machines appropriately at the end of the working day.

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, during the sand blasting process in the factory at Shenzhen for the manufacture of dyeing and finishing machines, it has used recycled water up to 24,823 cubic metres annually in the sand blasting workshop. Also, in the Zhongshan factory for the manufacture of dyeing and finishing machines, the amount of water recycled in the acid washing process of the production department was equivalent to water saving of 1,218 cubic metres. Moreover, the Zhongshan factory collected rainwater for greening purpose, this reduced fresh water consumption of 2,765 cubic metres.

Use of Recycled Water
Annual saving
26,041 cubic metres

Rainwater collection for greening usage
Annual saving
2,765 cubic metres

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. Totally 5,953 tonnes of casting sands have been saved in the year through this reusing process. Based on the consumption of new casting sands of 8,224 tonnes in the year, total savings of casting sands amounted to 42% of the annual consumption.

In addition, 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. Annual consumption of steel materials in the stainless steel casting operations amounted to 5,084 tonnes, totally 110 tonnes of steel materials were saved through recycling of the non-compliant stainless steel casting products, accounting for 2.2% of the annual consumption.

Stainless steel casting operations also have 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. Totally 903 tonnes of new wax were saved in the year through this recycling process. Based on the new wax's consumption of 28 tonnes annually, the saving of wax amounted to 97% of the annual consumption, which was similar to that of last year.

Reuse of Casting Sands
Annual saving
5,953 tonnes

Wax Recycling
Annual saving
903 tonnes

Reuse of Scrap Steel Materials
Annual saving
110 tonnes

In the operations for the manufacture of dyeing and finishing machines, the factory is striving to reuse and utilise the materials from the non-conforming or scrip products, such as: through the modifications of non-conforming products of large specifications to products of small specifications, and re-use of steels from scrap products for the factory's internal engineering, annual saving of 13.5 tonnes of steel materials was achieved through these recycling methods at the Zhongshan factory. Also, the factories made best use of resources in the packaging process and would reuse scrap carton boxes for packaging of components to customers. Through this paper reusing process at the Zhongshan factory, it saved up to 3.2 tonnes of paper materials in the year.

Recycling of Steel Wastes
Annual saving
13.5 tonnes

Reuse of Scrap Cartons
Annual saving
3.2 tonnes

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 paper with only one-side used with the aim of paper saving.

The table below listed out the weight of various packaging materials consumed by the Group during the reporting period (remark: only included those packaging materials with accurate records of their weight data):

Packaging Material		Annual Consumption				
		Group Overall	**Hong Kong Office**	**Manufacture of Dyeing and Finishing Machines (Shenzhen)**	**Manufacture of Dyeing and Finishing Machines (Zhongshan)**	**Manufacture of Stainless Steel Casting Products**
Paper	(tonne)	45	n/a	3.83	21.57	19.34
Plastic	(tonne)	89	n/a	28.23	34.15	26.91
Wood	(tonne)	425	n/a	8.54	71.58	344.97
Metal	(tonne)	11	n/a	10.98	0	n/a

Apart from the aforementioned packaging materials, the table below listed out the consumption of energy and fresh water by the Group:

Resources		Annual Consumption				
		Group Overall	**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)	45,268,450	129,007	9,300,688	4,731,960	31,106,795
Natural Gas	(cubic metre)	2,660,365	n/a	275,680	56,061	2,328,624
Diesel Oil	(litre)	64,219	n/a	42,347	7,922	13,950
Gasoline	(litre)	136,793	13,793	69,475	35,094	18,431
Water	(cubic metre)	367,942	165	235,594	42,727	89,456

Electricity consumption
45,268,450 kWh

Natural Gas consumption
2,660,365 cubic metres

Diesel Oil consumption
64,219 litres

Gasoline consumption
136,793 litres

Water consumption
367,942 cubic metres

Packaging Materials consumption
570 tonnes

The table below listed out the consumption intensity of various key resources, in accordance with each tonne of production unit:

Resource		Annual Consumption	Consumption Intensity per tonne of production
Electricity	(kWh)	45,268,450	1,889.65
Water	(cubic metre)	367,942	15.36
Natural Gas	(cubic metre)	2,660,365	111.05
Diesel Oil	(litre)	64,219	2.68
Gasoline	(litre)	136,793	5.71
Packaging materials	(tonne)	570	0.02

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. The products manufactured by the Group also possess the energy saving performance, such as the "stentering machine" of energy-saving model for delivery to customers. That product has been installed with internal heat recycling device, through which 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.

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.

In the operations for the manufacture of dyeing and finishing machines, since the second half of 2018, the Shenzhen factory has started to procure "water-based paint", which was partially replacing the use of oil-based paint and reduced emission of volatile organic compounds (VOC). During the year, this procurement occupied around 93% of total procurement of the same type.

In the operations for the manufacture of stainless steel casting products, the environmentally-friendly products being procured included cleansing agents and silica sol, etc. which are the types of non-toxic and non-hazardous substances. These types of products accounted for around 26% of total procurement of the same type. In addition, priority in procurement was given to those suppliers who have attained certification in environmental management system. There was a total of 13 suppliers of this type in the year, who provided the materials such as cutting tools, production accessories and labour protection supplies, etc.

The Group is also concerned with local procurement, as illustrated from the information in the "Supply Chain Management" section of this Report, the proportion of local suppliers (Hong Kong and mainland China) accounted for 93% 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.

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 5,953 tonnes of casting sands and 903 tonnes of new wax have been saved in the year. Moreover, dedication to using of renewable energy, such as solar energy, was in place to supply electricity for road lights. At the same time, the proportion of using clean energy was increased, such as increase in use of natural gas in the processes of fine casting, pre-furnace, wax-injection, and wax-removal, etc. Use of this clean energy accounted for around 34% of overall average monthly energy consumption.

Amongst the operations for the manufacture of dyeing and finishing machines, the Shenzhen factory also adopted natural gas for boiler operation. Use of this clean energy accounted for around 24% of overall average monthly energy consumption in the year. In addition, the Zhongshan factory used natural gas as the energy for the spray-drying process and this clean energy use accounted for around 10% of total energy consumption in the Zhongshan factory.

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.

Sites for the manufacture of dyeing and finishing machines would release exhaust gas to external environment. The factory adopted high-efficient dust removal and purifying facilities for reduction of exhaust gas emitted during welding and dust released from other production processes. Moreover, for reducing the amount of packaging materials used, the Shenzhen factory gradually requested the suppliers to adopt the methodology for recycling of packaging. This approach also helps reducing the generation of paper wastes along the supply chain.

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 been installed with electrical ballasts to increase energy efficiency. Dust filters on air conditioning vents are regularly cleaned by the property management office. 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.

3.1.4 Policies for Responding to Climate Change

The Group is convinced that climate change imposes significant impacts to the enterprises located in the Guangdong Greater Bay region. Accordingly, the management team has regularly evaluated the risks incurred by the climate change, and has identified from the process the possible natural disasters or extreme weather caused by the climate change, and therefore has adopted the following policies in response to the climate change impacts:

Mitigation of operational impacts incurred by climate change

1. Establishment of pragmatic and feasible long-term targets for reducing carbon emission
2. Adoption of the industry best practices on energy efficient applications
3. Use of renewable energy where appropriate
4. Promotion, education and encouragement to employees and suppliers on including targets of carbon emission reduction in their daily activities and operations
5. Procurement priority given to those materials and services with low carbon and energy efficient characteristics

Operational adaption to the impacts caused by climate change

1. Identification and evaluation of risks and opportunities caused by climate change against the corporate operation
2. Establishment of the appropriate workflow and system for preventing and mitigating the damage incurred by climate change as well as for capturing the possible opportunities
3. Maintenance and enhancement of the capabilities of various operational facilities preparing against the extreme weather

Operational resilience against the impacts caused by climate change

1. Inclusion of risks from climate change into the segment of risk management
2. Establishment of emergency preparedness plan for ad hoc incidents caused by crisis of the extreme weather as a result of climate change
3. Provision of information and resources for managing risks and crisis from climate change, enhancing the emergency responsive capabilities, as well as monitoring of carbon emission targets
4. Continued communication with employees, suppliers, community, government and stakeholders for promoting the Company's policies against climate change
5. Disclosure of risks incurred by climate change and the associated management measures

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. Relevant policies will be regularly reviewed to identify the needs of update. For streamlining and risk mitigation in operation of Hong Kong office, the Group has optimised the relevant content in the year for standardisation and has made the following main revisions in the employment system:

(1) Upon employees reaching the age of retirement, the current contract will be terminated in the following day (in the past there is option for employees to arrange retirement by the year end of the retirement age).

(2) For re-employment of the retired employees, another new one-year employment contract will be signed (in the past only consultancy service contract will be signed).

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

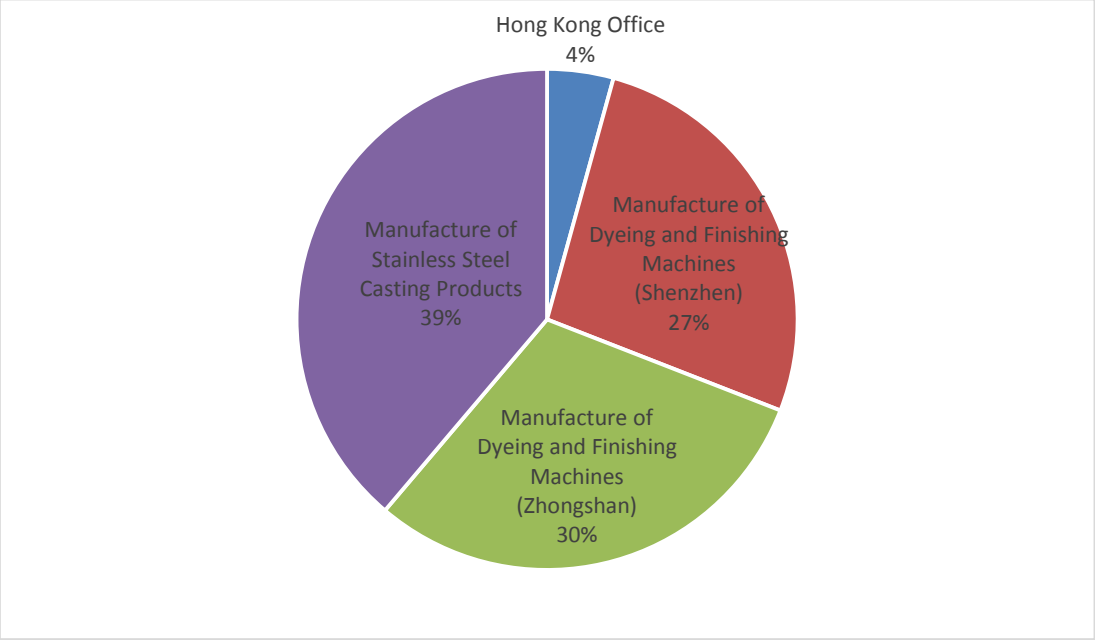
The Group makes reference to various factors, e.g. local market data, company's results, employee's performance, inflation and local employment regulations, in formulating and evaluating regularly the salaries and benefits system which consists of minimum wage, bonuses, overtime pay, paid holidays, sick 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 identify nor receive any legal non-compliance or complaint pertaining to discrimination or recruitment.

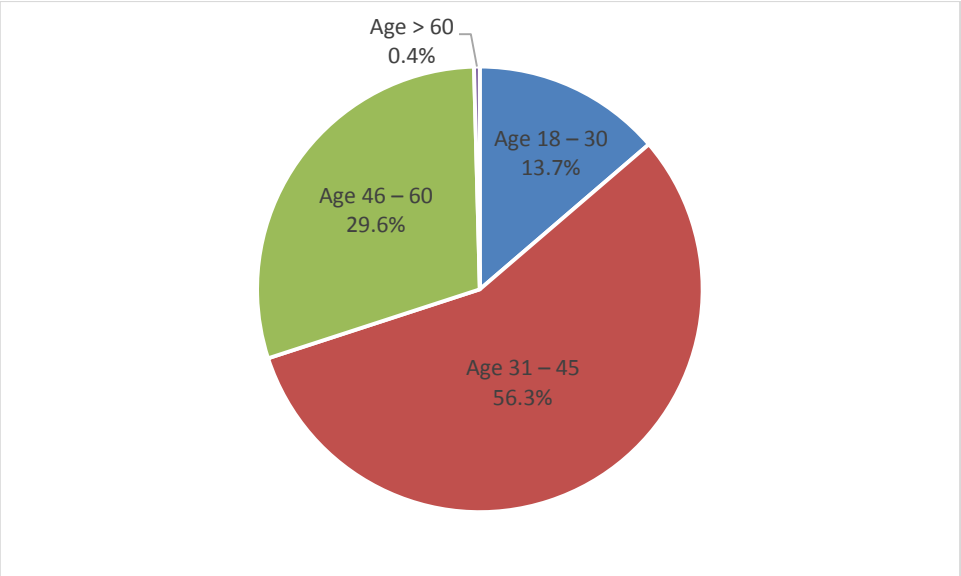
As at 31 December 2019, the table below listed out the number of employees and their associated age distribution:

	Number of Employees				
Gender	Group Overall	Hong Kong Office	Manufacture of Dyeing and Finishing Machines (Shenzhen)	Manufacture of Dyeing and Finishing Machines (Zhongshan)	Manufacture of Stainless Steel Casting Products
Male	2,199	82	520	686	911
Female	440	31	183	113	113
Job Type	Group Overall	Hong Kong Office	Manufacture of Dyeing and Finishing Machines (Shenzhen)	Manufacture of Dyeing and Finishing Machines (Zhongshan)	Manufacture of Stainless Steel Casting Products
Full-time	2,639	113	703	799	1,024
Part-time	0	0	0	0	0
Age	Group Overall	Hong Kong Office	Manufacture of Dyeing and Finishing Machines (Shenzhen)	Manufacture of Dyeing and Finishing Machines (Zhongshan)	Manufacture of Stainless Steel Casting Products
18-30	362	3	37	170	152
31-45	1,485	28	389	477	591
46-60	781	73	275	152	281
> 60	11	9	2	0	0
Total	**2,639**	**113**	**703**	**799**	**1,024**

Employee proportion per geographic region



Employee proportion per age group



In the middle of the year 2019, there was significant staff restructuring within the Shenzhen factory of the manufacture of dyeing and finishing machines. That raised the overall employee turnover rate of the Group in this year. However, after putting aside of the changes in the Shenzhen factory of the manufacture of dyeing and finishing machines in this year, the average monthly turnover rates amongst the other regions were 0.96%, as similar to that of last year. The following table set forth the average monthly employee turnover rates per gender and age group:

	Average Monthly Employee Turnover Rate (%)				
Gender	Group Overall	Hong Kong Office	Manufacture of Dyeing and Finishing Machines (Shenzhen)	Manufacture of Dyeing and Finishing Machines (Zhongshan)	Manufacture of Stainless Steel Casting Products
Male	4.39	0.57	14.91	1.03	1.04
Female	1.25	1.45	1.09	0.75	1.70
Age	Group Overall	Hong Kong Office	Manufacture of Dyeing and Finishing Machines (Shenzhen)	Manufacture of Dyeing and Finishing Machines (Zhongshan)	Manufacture of Stainless Steel Casting Products
18-30	6.77	4.86	17.24	1.69	3.29
31-45	3.91	1.70	12.13	0.95	0.84
46-60	2.67	0.33	9.68	0.44	0.22
> 60	2.40	0.00	9.58	0.00	0.00
Overall Average	**3.58**	**0.79**	**11.43**	**0.99**	**1.11**

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 factory, 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 indoor 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 organizations 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).

Each factory site in the Group arranged a wide variety of training topics in the year for occupational health and safety (OHS). The scope not only included: general trainings such as safety of new employee, production safety, fire safety, evacuation drill, etc. and also focused against occupational hazards: specialized operator training, occupational health training (e.g. job position at high noise level), as well as provision of safety guidance to personnel of external contractor. The total number of participants of the aforesaid trainings in the year amongst all factory sites reached 11,483 and amounted to a total of 10,357 training hours.

OHS Training Participants in the year 11,483

OHS Training Hours in the year 10,357

OHS Training	Group Overall	Manufacture of Dyeing and Finishing Machines (Shenzhen)	Manufacture of Dyeing and Finishing Machines (Zhongshan)	Manufacture of Stainless Steel Casting Products
Training Participant totals in the year	11,483	6,224	932	4,327
Training Hours totals in the year	10,357	1,130	2,250	6,977

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 those employees in production departments exposed to potential hazards, including dust, noise, high temperature, welding, paint spraying, polishing, sand blasting, acid washing, sewage treatment, etc., the Group even arranges specialized health examinations to them. A total of 608 employees exposed to hazardous positions have been arranged health examination in the year, and there were 5 cases of occupational disease diagnosed amongst them, in which one was retired and the other 4 have resigned during the reporting period.

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, including birthday parties, competitions of ping pong, chess, basketball, and other talents, etc.

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 identify any legal non-compliance pertaining to the relevant local occupational health and safety regulations. Within the same period, no work-related fatality of the employee was discovered and the number of lost work days due to work-related injuries was outlined as below:

	Lost days due to work-related injuries				
	Group overall	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	3,139	4	188	716	2,231

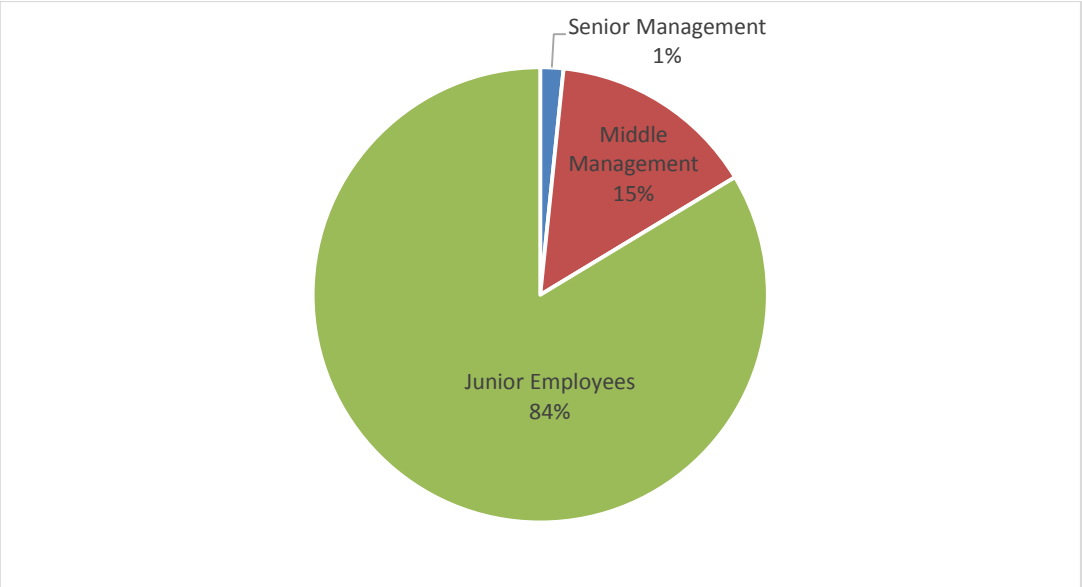
3.2.3 Development and Training

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.

Within the operating sites covered by this Report, there were 12,081 employees trained during the reporting period, and totally amounted to 20,896 training hours. As compared with last year, the number of training participants is increased by 10%, while the number of training hours is increased by 37%. The following diagram and table illustrated the monthly average proportion of trained employees and the monthly average training hours per employee:

	Total number of the Group's employees trained in the year				
Gender	Group overall	Hong Kong Office	Manufacture of Dyeing and Finishing Machines (Shenzhen)	Manufacture of Dyeing and Finishing Machines (Zhongshan)	Manufacture of Stainless Steel Casting Products
Male	10,428	19	74	8,178	2,157
Female	1,653	9	29	1,337	278
Employee Category	Group overall	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	198	6	0	192	0
Middle Management	1,777	21	0	1,416	340
Junior Employees	10,106	1	103	7,907	2,095
Total	**12,081**	**28**	**103**	**9,515**	**2,435**

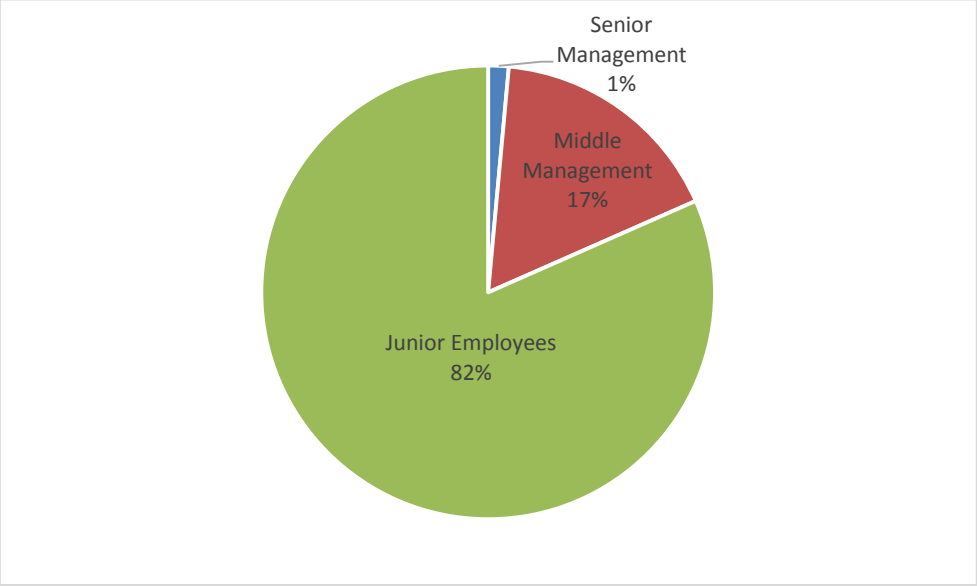
Proportion of trained employees by employee category



	Monthly average proportion of trained employees within the Group (%)				
Gender	Group overall	Hong Kong Office	Manufacture of Dyeing and Finishing Machines (Shenzhen)	Manufacture of Dyeing and Finishing Machines (Zhongshan)	Manufacture of Stainless Steel Casting Products
Male	30.47	1.85	0.72	100.00	19.31
Female	30.82	2.51	1.25	100.00	19.52
Employee Category	Group overall	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	25.46	1.83	0.00	100.00	0.00
Middle Management	32.22	3.49	0.00	100.00	25.39
Junior Employees	29.91	0.22	0.81	100.00	18.61
Overall Average	**30.53**	**2.02**	**0.77**	**100.00**	**19.33**

	Total number of the Group's employee training hours in the year				
Gender	Group overall	Hong Kong Office	Manufacture of Dyeing and Finishing Machines (Shenzhen)	Manufacture of Dyeing and Finishing Machines (Zhongshan)	Manufacture of Stainless Steel Casting Products
Male	17,845	267	144	11,838	5,596
Female	3,051	77	52	1,926	996
Employee Category	Group overall	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	305	25	0	280	0
Middle Management	3,539	311	0	2,053	1,175
Junior Employees	17,052	8	196	11,431	5,417
Total	**20,896**	**344**	**196**	**13,764**	**6,592**

Proportion of training hours by employee category



	Monthly average training hours per employee				
Gender	Group overall	Hong Kong Office	Manufacture of Dyeing and Finishing Machines (Shenzhen)	Manufacture of Dyeing and Finishing Machines (Zhongshan)	Manufacture of Stainless Steel Casting Products
Male	0.56	0.26	0.01	1.46	0.50
Female	0.60	0.22	0.02	1.46	0.70
Employee Category	Group overall	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	0.39	0.08	0.00	1.46	0.00
Middle Management	0.72	0.52	0.00	1.46	0.88
Junior Employees	0.49	0.02	0.02	1.46	0.48
Overall Average	**0.56**	**0.25**	**0.02**	**1.46**	**0.52**

3.2.4 Labour Standards

The Group strictly prohibits the employment of child labour and will only employ individuals aged 18 or above while considering the job nature in association with factory operations. 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 in mainland China 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 aforementioned procedure for prevention of involuntary overtime work. Immediate investigation will be conducted in the event of non-compliance with this procedure.

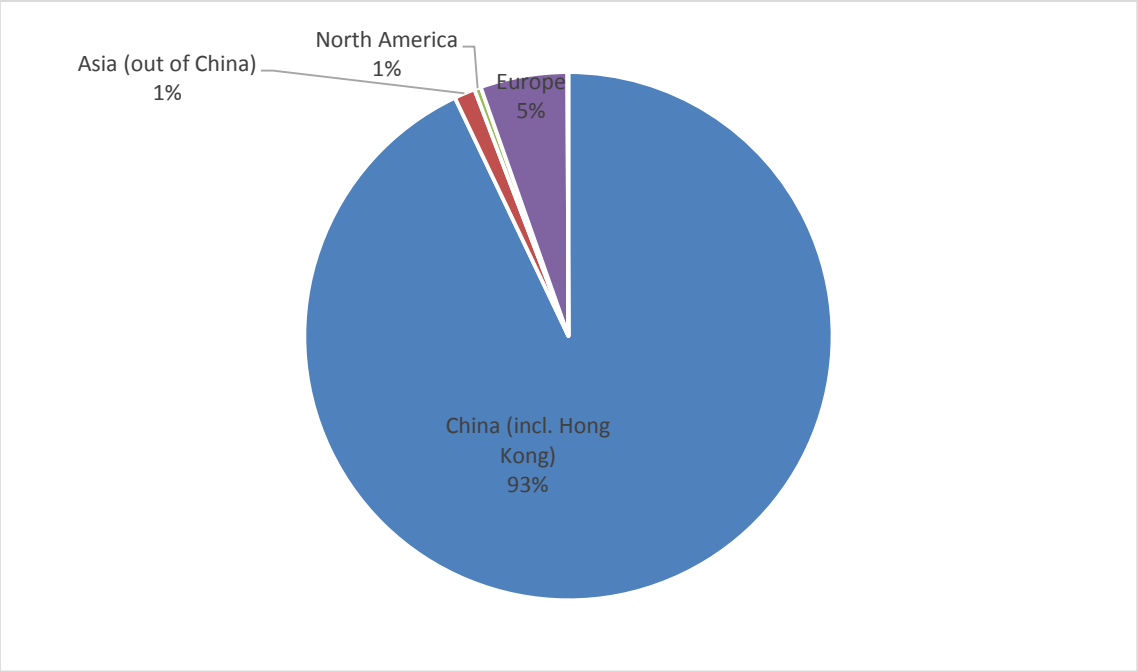
During the reporting period, the Group did not identify any legal non-compliance pertaining to employment of child labour or existence of forced labour.

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 ethicsm, 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 aforementioned 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 at 31 December 2019, the geographical distribution of the Group's suppliers was as follows:



	Number of Suppliers		
Country	Manufacture of Dyeing and Finishing Machines (Shenzhen)	Manufacture of Dyeing and Finishing Machines (Zhongshan)	Manufacture of Stainless Steel Casting Products
Hong Kong	46	23	4
China (excluding Hong Kong)	464	418	424
Taiwan	3	0	3
Turkey	2	0	0
Switzerland	5	0	0
Ireland	1	0	0
Italy	6	4	0
France	1	2	0
Germany	24	33	0
Japan	3	2	0
South Korea	3	0	1
United States of America (USA)	2	3	1
Thailand	1	0	0
Singapore	1	0	0
India	0	0	0
Austria	0	1	0
Australia	0	0	1
United Kingdom	1	0	1
Total	**563**	**486**	**435**

During the reporting period, the Group has engaged a total of 113 new suppliers. In accordance with the risks to the Group associated with the materials/services, annual evaluation will be conducted on the key suppliers for investigation and statistical analysis of their past performance, and the criteria include: on-time delivery, reliability of product quality upon received, reasonability of service, and pricing, etc. Considering the significant impacts of the supplied materials to the Group's products, on-site assessment may even be conducted. For suppliers who have significant impacts to the environment, the Group will carry out evaluation covering the relevant aspects of social responsibility.

The table below illustrated the status of supplier evaluation in this year:

Number of suppliers	Group overall	Manufacture of Dyeing and Finishing Machines (Shenzhen)	Manufacture of Dyeing and Finishing Machines (Zhongshan)	Manufacture of Stainless Steel Casting Products
New suppliers	113	42	19	52
"New" suppliers after evaluation	113	42	19	52
"Existing" suppliers after evaluation	526	47	467	12
On-site assessment – existing suppliers	21	1	18	2
On-site assessment – new suppliers	1	0	0	1

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.

All factory sites covered by this Report have 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 the manufacture of stainless steel casting products. This managed the efficient use of energy during the course of production. Each factory has established the appropriate environmental management measures in respect of the nature of the manufacturing business, this mitigated 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, such as in this year the Zhongshan factory has attained the award "Safe production standardization Class 2 enterprise (machinery)" from the "Guangdong Provincial Association of Work Safety", for recognition of the Group's achievement in technological management.

Intellectual Property Protection

The Group has also invested large amount of resources in the innovation for enhancing the productivity and product performance. Also, the Group is well aware of the importance of intellectual property. Whenever necessary, patent application will be proceeded for registration with the national and/or overseas authorities for protection of the Group's rights and interests.

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.

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.

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.

During the reporting period, the Group did not identify any legal non-compliance against 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 a total of 1,348 cases of customer complaints and around half of them were requests of product returns. All those complaint cases had been satisfactorily resolved within the reporting period.

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 Receipt of 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" given by the Group includes the terms forbidding corruption, bribery, misconduct, illegal practices, fraud, extortion and other unethical incidents. For effective implementation of the Code, training on "Code of Integrity" will be provided to newly joined employees. For existing employees, they would be reminded on full content of "Code of Integrity", or under appropriate circumstance, provided with other trainings related to anti-corruption. In this year, there was 1,021 participants in the related trainings which amounted to 449 hours in total.

Trainings related to Integrity and Anti-Corruption

Total number of training participants in the year
1,021

Trainings related to Integrity and Anti-Corruption

Total training hours in the year
449

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.

Through the aforesaid channels, no reported case of whistleblowing was received in this year. During the reporting period, the Group also did not identify any legal non-compliance 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.

During the reporting period, the Group did not receive any case of declaration related to conflict of interest.

- 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

The Group is dedicated to community liaison through various aspects, donating money and in-kinds to vulnerable groups in disasters, people in need and related charity organisations, as well as supporting the activities hosted by different community organisations. Each operating region leverages their own strength and network for establishing the communication channels for identification of community needs. For example, the Zhongshan factory partnered with the nearby community HR service centre, Cui Heng New Region Executive Talent Service Centre, for co-hosting of various ball games, including: 2019 "Cui Heng Cup" Badminton Competition, Cui Heng New Region 2019 Basketball Competition. These built up closer relationship with the community organizations and reinforce communication for identifying the community needs.

Educational sponsorship

Charity donation

Community activity

Since 2018, the Group collaborated with the Faculty of Engineering of The University of Hong Kong on establishment of the "Fong's Project Prize in Mechanical Engineering". In this year, the Group has donated HKD 35,000 to the awardees for presenting encouragement and respect to their project achievement.

In addition to educational sponsorship, the Group was also dedicated to supporting charity activities, including the donation of old furniture to the following 2 charity organizations in Hong Kong:

1) Chung Sing Benevolent Society Fong Wong Woon Tai Elderly Centre
2) Kowloon Women's Welfare Club Wong Cheung Kin Memorial Hostel for the Elderly

Moreover, in this year, the Group has ordered mooncakes from the social enterprise under the Tung Wah Group of Hospitals "iBakery" for free sharing to employees. This supported that enterprise for employment and training of disabled people which in turn promoted social inclusion.