



CHTC FONG'S INTERNATIONAL COMPANY LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 641)



**Environmental, Social and
Governance Report 2020**

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Environmental, Social and Governance Report 2020

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1. Scope

The reporting period for this Environmental, Social and Governance Report 2020 (“**this Report**”) is from 1 January 2020 to 31 December 2020, 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. ¹
(17-19 Lixin Road, Danzhutou Industrial Zone, Nanwan Sub-District, Longgang District, Shenzhen City, Guangdong Province, the PRC)
 - business covers the manufacture of dyeing and finishing machines
- Monforts Fong’s Textile Machinery (Zhongshan) Co., Ltd.
(19 Xiangshan Avenue, Cuicheng New District, Zhongshan City, 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 City, 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 (the “**Listing Rules**”), and the frequency of publication is once a year.

2. Reporting Principles

- **Materiality:** The Group regularly makes reference to the industry sustainability standards at the local and international level and strives to integrate with them. At the same time, regular communication with stakeholders of various aspects is used to identify the most concerned and important sustainability topics for the Group. Those sustainability topics will also be incorporated into the Company’s development policies under the overall strategy of the Company’s operations.
- **Quantitative:** The Group is committed to quantifying and disclosing key performance indicators and data within the environmental and social categories, and whenever feasible, explaining the methods of data collection and calculation to enhance transparency of the data.
- **Balance:** In order to maintain the balance of reporting content, fair disclosure of sustainability performance and challenges related to the Group and stakeholders is provided with impartial information to the public.
- **Consistency:** The Group adheres to the "Environmental, Social and Governance Reporting Guide" of the Listing Rules for disclosure, which allows the Group to make meaningful annual comparisons of past performance under the same framework, and to disclose updated calculation methods of relevant data when necessary.

¹ The factory has been moved to the factory premises in Zhongshan since October 2020. The scope of this Report covered the data of normal operation of this factory during the period from January to October 2020.

3. 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.

4. Environmental, Social and Governance Performance

4.1 Environmental

4.1.1 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. During the reporting period, the Group has not confirmed any significant violation of environmental emission case.

(a) Solid Wastes

(a)(1) Waste Disposal

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.

Types of waste	2020 Total Annual Emission Volumes (tonnes)			
	Group Overall	Manufacture of Dyeing and Finishing Machines (Shenzhen)	Manufacture of Dyeing and Finishing Machines (Zhongshan)	Manufacture of Stainless Steel Casting Products
Hazardous waste	614	545	61	9
Non-hazardous waste	2,908	869	2,010	29
Hazardous waste emission intensity (per tonne of production units)	0.03	0.12	0.0052	0.0031
Non-hazardous waste emission intensity (per tonne of production units)	0.15	0.19	0.1713	0.0105

(a)(1)(i) Manufacture of Dyeing and Finishing Machines

From the manufacture of dyeing and finishing machines, hazardous wastes generated, mainly cutting wastes, waste activated carbons, empty waste containers, waste paint residues, sludge, etc. will be collected and processed by qualified contractors; non-hazardous wastes, mainly, general metallic wastes and scrap wooden materials, 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.

Manufacture of dyeing and finishing machines	Unit	2019	2020
Hazardous waste emissions	(tonne)	559	606
Emission intensity ² (per tonne of production units)	(tonne / tonne)	0.03	0.04
Non-hazardous waste emissions	(tonne)	2,236	2,879
Emission intensity ³ (per tonne of production units)	(tonne / tonne)	0.12	0.18

(a)(1)(ii) Manufacture of Stainless Steel Casting Products

For the stainless steel casting operations, main hazardous waste generated from the stainless steel casting operation is cutting solvent, while non-hazardous wastes are mainly waste sands, both are collected and processed by qualified contractors.

Because of severe impacts to global economy incurred by pandemic in 2020, the production volume of the reporting year was significant less than that in 2019. Similarly, the emission of waste sands and cutting solvent was relatively reduced too. Based on calculation⁴ of emission intensity per tonne of production units, during the two consecutive years from 2019 to 2020, the emission intensities of waste sands and cutting solvent were around 0.01 tonne/tonne and less than 0.01 tonne/tonne respectively and hence no significant impact was incurred to the environment.

Manufacture of stainless steel casting products	Unit	2019	2020
Waste sand emissions	(tonne)	45.9	28.9
Emission intensity (per tonne of production units)	(tonne / tonne)	0.009	0.011
Cutting solvent emissions	(tonne)	10.2	8.6
Emission intensity (per tonne of production units)	(tonne / tonne)	0.002	0.003

² Calculation is based on the production volume of 16,228 tonnes in year 2020 from the business of manufacture of dyeing and finishing machines.

³ Calculation is based on the production volume of 16,228 tonnes in year 2020 from the business of manufacture of dyeing and finishing machines.

⁴ Calculation is based on the production volume of 2,738 tonnes in year 2020 from the business of manufacture of stainless steel casting products.

(b) Measures for Waste Reduction

(b)(1) Manufacture of Dyeing and Finishing Machines

The Group is striving to enhance the automation control for supporting emission reduction, including the development of equipment for digital-controlled composite chain parts processing in the Zhongshan factory. In addition, since 2017, the powder-spraying line was commissioned in replacement of the paint-spraying process. This reduced the amount of organic solvent containers generated during the paint-spraying process and hence reduced the types of empty container wastes.

Also, 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, as well as through best use of resources in the packaging process by reusing scrap carton boxes for packaging of components to customers.



Recycling of Steel Wastes
Annual savings
3,000 kilograms



Reuse of Scrap Cartons
Annual savings
300 kilograms

(b)(2) Manufacture of Stainless Steel Casting Products

The Group utilizes recycling processes to reduce the waste generation; these processes include the recycling of used sands from sand casting operations and the recycling of wax. In addition, it is committed to extracting reusable steel from the scrapped products to achieve reducing waste while improving material consumption rate.



Casting Sands - Reuse
Annual savings
4,149 tonnes



Wax Recycling
Annual savings
576 tonnes



**Scrap Steel Materials -
Extracted for Reuse**
Annual savings
82 tonnes

Through the recycling of casting sands and based on the new sand's consumption of 2,960 tonnes annually, the savings of casting sands amounted to 58% of the annual consumption.

During the wax recycling process, used wax would be collected for filtering, evaporating, mixing, settling, and then recycled for use. Based on the new wax's consumption of 2 tonnes in the reporting year, the savings of wax was totally over 99% of the annual consumption

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.

(c) Control of Sewage Discharge

The Group has established measures for managing industrial effluent. In the factories for the manufacture of dyeing and finishing machines, they have established wastewater treatment facilities which use continuous high-frequency pulse ionization membrane system, for prevention of environmental pollution incurred by industrial wastewater. During the reporting period, wastewater treatment system was utilized with the annual goal of processing 1,700 tonnes of wastewater.



Sewage Treatment Facilities

(d) Control of Air Pollution

(d)(1) Equipment for Emission Filtration

(d)(1)(i) Manufacture of Dyeing and Finishing Machines

Sites for the manufacture of dyeing and finishing machines would release exhaust gas to external environment. Factories adopted high-efficient dust removal and purifying facilities for reduction of dusts emitted during welding as well as exhaust gases and acidic mists released from other production processes.



Movable Welding Smoke Treatment Facilities



Acidic Mist Exhaust Treatment Facilities

In the Zhongshan factory, the paint-spraying room was installed with dust removal and purification facilities such as water curtain collection and activated carbon absorption equipment, with the annual goal of reducing emission to environment of around 35 tonnes of volatile organic compounds.



Water Curtain System for collection of spray paint exhaust



Spraying Tower for handling of paint exhaust



UV Photolysis and High-altitude Emission System for handling of spray paint exhaust

For minimizing emission of volatile organic compounds, the spraying production area started to adopt “water-based paint” in replacement of the original use of oil-based paint. In the reporting year, the proportion of water-based paint consumption was already higher than the consumption of oil-based paint, and its actual consumption accounted for around 63% of total paint consumption. Moreover, the factory adopted the powder-spraying technology to replace the use of paint oils in the spraying process, this reduced the use of volatile organic solvent and eventually it was estimated with annual reduction in emission of around 3.75 tonnes of volatile organic compounds.

(d)(1)(ii) Manufacture of Stainless Steel Casting Products

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.

(d)(2) Use of Clean Energy

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.

In the factory at Zhongshan for the manufacture of dyeing and finishing machines, natural gas was used in areas like paint-drying room, for substitution of municipal electricity supplied from coal combustion, from which achieved annual reduction of 74 tonnes in standard coal emission and consequently achieved mitigation to pollution incurred from coal-fired power generation.

In the manufacturing processes for stainless steel casting products, natural gas was used in the areas like furnace room and wax-removal room. Proportion in use of this clean energy reached 39% of total energy consumption on annual basis. Furthermore, parts of lighting switched to solar energy application, with the aim of using this renewable energy to avoid emission of greenhouse gases.

From the overall perspective, the following table set forth the sources and emission volumes of various greenhouse gases (GHG) generated during the reporting period, and the GHG emission intensity was calculated per unit of production:



**Direct
GHG emission
volume
(Scope 1)
6,599 tonne
CO₂ equivalent**



**Energy Indirect
GHG emission
volume
(Scope 2)
23,684 tonne
CO₂ equivalent**

**GHG e
mission intensity
1.60 tonne
CO₂ equivalent / tonne**

**Total GHG emission
volume
30,283 tonne
CO₂ equivalent**

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)	2,991	n/a	0	2,991	0
Gasoline consumption from stationary sources (litres)	7,845	n/a	0	7,845	0
Diesel oil consumption from mobile sources (litres)	33,603	n/a	27,873	1,770	3,959
Gasoline consumption from mobile sources (litres)	71,156	3,615	39,876	14,803	12,863
Natural gas consumption (cubic metres)	1,866,923	n/a	242,951	38,073	1,585,899
Acetylene consumption (kg)	1,223	n/a	743	351	129
Refrigerant (R-134a) consumption (kg)	1,125	n/a	52	1,073	0
Refrigerant (R-22) consumption (kg)	434	n/a	0	0	434
Electricity consumption (kWh)	28,368,593	154,766	7,197,150	4,235,280	16,781,397
Total GHG emission volume (tonne carbon dioxide equivalent) (t CO₂e)	30,283	87	6,789	5,086	18,320
Production volume (tonne)	18,966	n/a	4,494	11,734	2,738
GHG emission intensity (tonne carbon dioxide equivalent / tonne) (t CO₂e/ t)	1.60	n/a	1.51	0.43	6.69

4.1.2 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:

(a) 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, including the use of energy-saving LED lighting, and whenever feasible to maintain illumination level at the designated range in order to mitigate extra energy consumption caused by excessive lighting.

(a)(1) Manufacture of Dyeing and Finishing Machines

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.



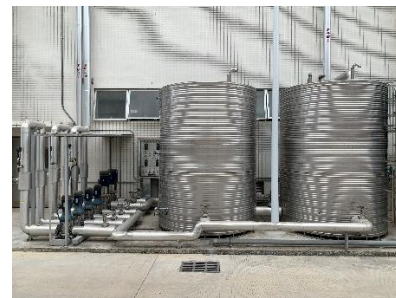
In-house CNC Equipment for processing of composite chain parts

(a)(2) Manufacture of Stainless Steel Casting Products

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 the other processes such as heat recycling from boilers and control of fan-assisted cooling towers by using water temperature.



Thermal-energy Recycling Device



Heat Recovery Device



Control of fan-assisted cooling towers by using water temperature

Annual electricity savings
15,880 kWh



Heat recycling from boilers

Annual savings of natural gas
11,281 cubic metres

(b) Water Conservation

The Group has adopted appropriate equipment and administrative measures in order to enhance water utilization.

(b)(1) Use of Appropriate Equipment

Factories for the manufacture of dyeing and finishing machines has set up wastewater treatment facilities within the sites for recycling of treated wastewater, such as for acid washing process at the Zhongshan factory. Moreover, a reservoir has been built for collection of rainwater, with the aim of reducing use of fresh water.



Use of Recycled Water
Annual savings
1,500 cubic metres



Rainwater collection for greening usage
Annual savings
3,000 cubic metres

Besides, Hong Kong office has further reduced the flow rate of the water valves in the reporting year, and this achieved the reduction in 35 cubic metres of water consumption as compared with last year.

(b)(2) Administrative Measures

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.

(c) Consumption of Packaging Materials

The following table set forth the weight⁵ of main packaging materials consumed by the Group during the reporting period:

Packaging Materials	Weight of 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)	33.76	n/a	3.52	19.38	10.85
Plastic (tonne)	60.78	n/a	23.06	23.05	14.67
Wood (tonne)	294.53	n/a	5.62	65.75	223.16
Metal (tonne)	4.16	n/a	4.16	n/a	n/a

(d) List of Resource Consumption

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)	28,368,593	154,766	7,197,150	4,235,280	16,781,397
Natural Gas (cubic metre)	1,866,923	n/a	242,951	38,073	1,585,899
Diesel Oil (litre)	36,593	n/a	27,873	4,761	3,959
Gasoline (litre)	79,001	3,615	39,876	22,647	12,863
Water (cubic metre)	413,835	130	249,695	45,574	118,436

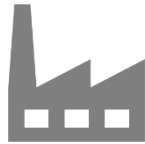
⁵ Only covered those packaging materials with accurate records of their weight data.



Electricity consumption
28,368,593 kWh



Natural gas consumption
1,866,923 cubic metres



Diesel oil consumption
36,593 litres



Gasoline consumption
79,001 litres



Water consumption
413,835 cubic metres



Packaging materials consumption
393 tonnes

Based on the calculation per tonne of production units, the following table set forth the consumption intensity of various key resources:

Resources	Annual Consumption	Consumption Intensity per tonne of production
Electricity (kWh)	28,368,593	1,495.74
Water (cubic metre)	413,835	21.82
Natural gas (cubic metre)	1,866,923	98.43
Diesel oil (litre)	36,593	1.93
Gasoline (litre)	79,001	4.17
Packaging materials (tonne)	393	0.02

4.1.3 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 our products aligning with the global trend towards the requirements of energy conservation and emission reduction. Consequently, the Group aims to satisfy the requirements of communities and customers by adopting green principles in the manufacturing and office operations as well as raising the relevant environmental awareness of employees.

(a) Manufacture of Dyeing and Finishing Machines

During the product design phase, the Group requires its products conforming to environmental protection requirements. Therefore, the Group designs dyeing and finishing machines that could conserve both water and energy, for example, 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, consequently this achieves energy saving performance while assuring air quality.

In addition, the gradual replacement of thinner by other cleaning substitutes would reduce waste of spent solvent. This eliminates fire safety risks in the relevant operations and mitigates the emission of volatile organic compounds (VOC).

(b) Manufacture of Stainless Steel Casting Products

In the manufacture of stainless steel casting products, the primary environmental impact of these activities is the generation of wastes. Apart from the above-mentioned technology of recycling, priority in the product specification is using materials of non-hazardous or low hazardous nature in order to ensure that products do not contain any substances hazardous to the environment and reduction in the generation of hazardous wastes.

Furthermore, the Group is dedicated to investing in new equipment. Since June 2020, the “water storage tank of cold energy” was deployed mainly in the wax-injection and molding workshops of fine casting production. In addition to raising the cost effectiveness, the equipment could be considered as a backup power supply via its function as storage tank of cold energy. It improves the stability of air conditioning system, and more importantly, reduces the pressure of the regional power grid, which in turn brings energy effectiveness to the communities in the region.



Water Storage Tank –
cold energy storage /
air-conditioning equipment

Technical principles:

- Capitalize on the characteristics of low electricity price at nighttime;
- Store the cold energy within the water storage tank, in form of freezing water at 4 degree Celsius;
- Use the stored energy at daytime when the electricity is priced high.

Energy effectiveness to society:

- Power plant: reduce investment in new power plants and raise the effectiveness of power generation at nighttime;
- Power grid: balance the load of the power grid and enhance safe operation performance of the power grid;
- Environmental protection: mitigate the peak adjustment pressure at power generation side and promote more consumption of clean energy.

(c) Green Office Management

Besides implementing green operations in the factories, the Group is also very concerned about the environmental impacts from office operation. Through various means, consumption of resources and generation of wastes is reduced.

(c)(1) Electronic Management

The Group understands that paper is an important resource consumed in the office environment, and actively promotes electronic documentation in day-to-day operations. Computer files are used instead of paper-based documentation in an attempt to implement the paperless office operations, which would reduce the use of paper consumables in the office. At the same time, the Group requires employees to adopt double-sided printing, and to reuse papers with only one-side used for the aim of paper saving.

(c)(2) Facility Management

Apart from use of energy efficient LED lighting, most of the electrical equipment in the Hong Kong office 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-conditioner, this in turn reduces waste generation from malfunctioned air conditioners.

(c)(3) Administrative Measures

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.

In addition, the Hong Kong office has been administered with waste 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.

(d) Environmental Education to Employees

The Group values employees as one of the important stakeholders. Through induction training and posting of slogans in workplace, the Group aims to raise environmental awareness of employees and to advocate them of energy conservation practices, such as requesting employees to switch off all electrical equipment responsible at the end of the working day. Moreover, for the appropriate environmental topics, relevant training would be arranged to employees. Take the example in Zhongshan factory region during the reporting year, a total of 522 employees have been provided with the trainings related to knowledge of environmental protections, for the purpose of their effective implementation of the environmental measures on energy saving and emission reduction, etc.

4.1.4 Policies for Responding to Climate Change

The Group is well aware of extreme weather being the main risks posed by climate change, which ultimately results in damage caused by typhoons and rainstorms. In accordance with the analysis of different risks and past incidents at various operating locations, potential hazards to the Group's operation have been identified. The following preparedness plans have been developed accordingly to cope with operational disruptions or other adverse effects resulting from extreme weather, in order to resume production for continued operations:

(a) Policies for responding to climate change

(a)(1) Preparedness for Typhoons and Rainstorms

For factories near the coast or more vulnerable to typhoon attack, the Group takes into account of experience with the previous damage caused by super typhoons, and would update the relevant response strategies and enhance the resilience of operating facilities against extreme weather conditions, including:

- Reinforce factory structure to better withstand typhoon attack ;
- Secure outdoor equipment or machinery prior to super typhoon signal hoisted ;
- Request employees to check and ensure all windows closed prior to typhoon attack, as well as to regularly inspect windows for avoidance of damages caused to operating regions ;
- Purchase appropriate insurance to cover financial loss caused by damage from natural disaster.

(a)(2) Management of Flooding Risks

For addressing flooding incurred by typhoons and rainstorms, the Group develops strategies and measures to ensure that production processes and related equipment would not be interrupted by flooding and those goods and raw materials in the warehouse would not be damaged by flooding.

(a)(3) Management for the Impacts of Disasters on the Supply Chain

For addressing the disruption to transportation incurred by typhoons and rainstorms, the Group develops contingency measures to ensure the supply of raw materials and on-time shipments to customers. Whenever necessary, the Group assesses the impact of climate change on procurement of raw materials, such as prices and quantities, in order to arrange appropriate storage and alternatives to raw materials at the earliest.

(a)(4) Management for Hot Weather

For addressing potential heat waves incurred by climate change, the Group evaluates the impacts on production processes, such as the operation of air conditioners and automated machines. Moreover, in response to the hot working environment caused by extreme weather, factories develop appropriate production plans to avoid heat stroke and mitigate health and safety risks to employees.

(a)(5) Enhancement of Employee Awareness on Disaster Preparedness

The Group has developed guidelines for working arrangement during the period of adverse weather, which guide staff in responding to possible emergencies, such as incapability to normal work incurred by flooding or typhoon attack, when typhoons and rainstorms weather warnings are hoisted. The Group also arranges appropriate trainings or drills to ensure that employees acquire knowledge of disaster preparedness and are proficient in emergency measures in order to cope with the impact of extreme weather on the business.

(b) Policies for Mitigation of Climate Change

In addition to the above-mentioned plans for addressing climate change, the Group has also developed policies to reduce greenhouse gas emissions in order to mitigate climate change:

(b)(1) Low-carbon Operational Targets

The Group makes reference to the best practices in energy-efficient applications within the industry, in setting realistic long-term targets for reducing carbon emissions, and where appropriate for the business conditions, allocates budgets for enhancing facilities or technologies in order to reduce greenhouse gas emissions and air pollution.

(b)(2) Green Procurement

The procurement of materials and services is preferred for low carbon and energy efficiency, and the Group prioritizes and engages local suppliers to minimize greenhouse gas emissions during transportation.

(b)(3) Environmental Equipment

The Group directs all departments to actively conserve energy and to make efforts to use energy-efficient lamps and equipment, and whenever feasible in the scope of operations, to increase the use of facilities adopting renewable energy (e.g. solar energy).

4.2 Social

4.2.1 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.

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

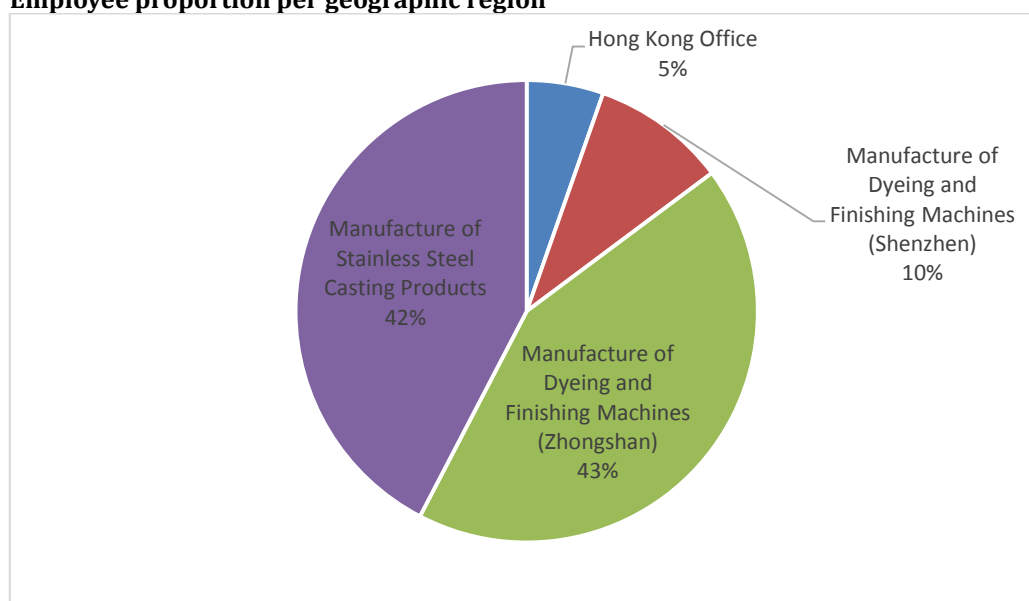
The Group makes reference to various factors, e.g. local market data, company's results, employee's performance, inflation and local employment regulations, in formulating and evaluating regularly the salaries and benefits system which consists of minimum wage, bonuses, overtime pay, paid holidays, sick 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 complaints pertaining to discrimination or recruitment.

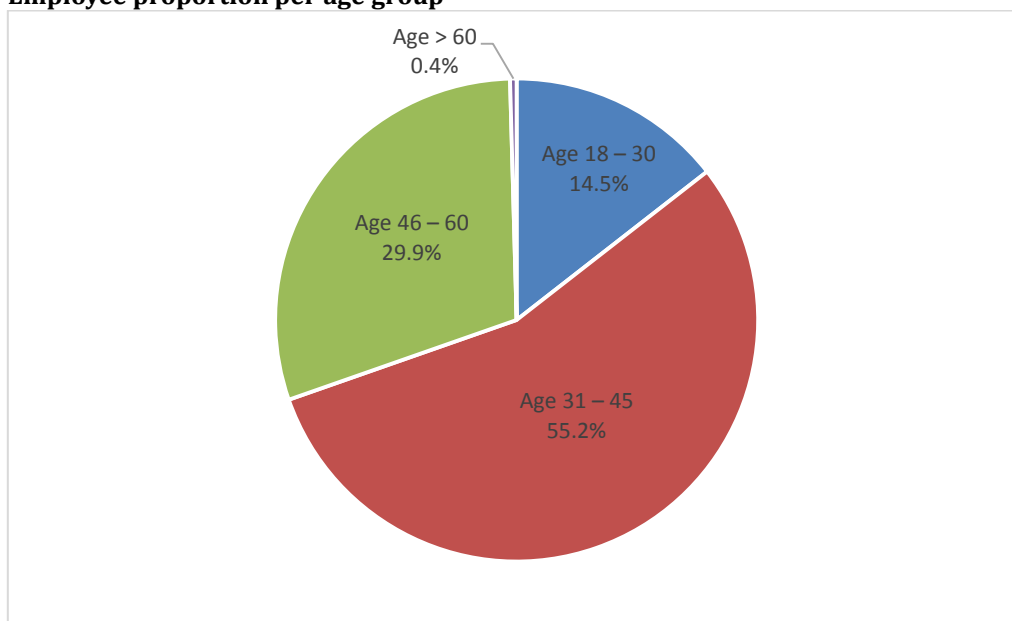
As at 31 December 2020, the table below listed out the number of employees and their associated age distribution:

		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	1,538	71	131	674	662
Female	287	27	41	108	111
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	1,825	98	172	782	773
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	264	3	6	153	102
31-45	1,007	25	101	458	423
46-60	546	63	64	171	248
> 60	8	7	1	0	0
Total	1,825	98	172	782	773

Employee proportion per geographic region



Employee proportion per age group



Since October 2020, the Shenzhen factory for the manufacture of dyeing and finishing machines has undergone a large-scale relocation, involving adjustment of a large number of personnel, which has boosted the Group's overall employee turnover rate in the reporting year. Excluding the effect of personnel adjustment in the Shenzhen factory for the manufacture of dyeing and finishing machines, the monthly average turnover rate of the other regions was 1.50%, which was higher than that of the previous year by 0.54%. The following table outlines the monthly average employee turnover rate by gender and age group:

		Monthly Average 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	6.32	0.22	20.79	1.09	3.17
Female	5.03	0.59	16.01	0.92	2.60		
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	4.41	0.00	10.90	1.82	4.92
		31-45	5.30	0.33	16.54	0.98	3.36
		46-60	6.78	0.24	24.37	0.60	1.89
		> 60	9.67	1.19	37.50	0.00	0.00
Overall Average	5.88	0.32	19.04	1.07	3.10		

4.2.2 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.

In response to the pandemic of the novel coronavirus, the Hong Kong office has formulated "Guidelines for Prevention and Control against Pandemic", and a series of work arrangements has been in place to ensure the safety and health of employees.

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. machinery operation, 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).

In addition to arrangement of basic safety training for new employees, occupational health and safety training arranged by the Group's factories during the year addressed different safety hazards: skills of safety hazard identification, avoidance of occupational hazards, chemical safety, fire safety, safety of special operation personnel and emergency drills. Moreover, the Shenzhen factory invited external professional institutions to provide suitable enhancement training to strengthen employees' understanding in work-related technical and safety knowledge.



**Occupational Health & Safety
Training Participants in the Year**
9,060



**Occupational Health & Safety
Training Hours in the Year**
3,916

Occupational Health & Safety 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	9,060	6,224	860	1,976
Training Hours totals in the year	3,916	1,130	1,970	816

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 742 employees exposed to hazardous positions have been arranged health examination in the reporting year, and there was 1 case of occupational disease diagnosed amongst them by the end of November in the year. The diagnosed employee worked in manufacturing position for stainless steel castings. After analysis, that employee was found of long years of service and worked in early years of operation, when occupational health and safety policies were not comprehensive and personal protection arrangement was inadequate. The employee was consequently suffered from the disease because the dust level of the operating environment exceeded the limit. For rectification, the factory has improved the workplace by increase in the frequency for maintenance of dust-removal facilities, as well as daily cleaning and collection of dust. Also, manual floor cleaning was replaced by use of dust collector, which prevented secondary dust dispersion and enhanced the dust-removal capacity. At the same time, the number of dust masks distributed has been increased from 1 to 2 per day. All these measures aimed to prevent the recurrence of similar incident.

Work-Life Balance

The Group is not just concerned with the occupational health and safety of the employees but 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.

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 working days lost due to work-related injuries was outlined as below:

	Working days lost 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	2,030	0	563	421	1,046

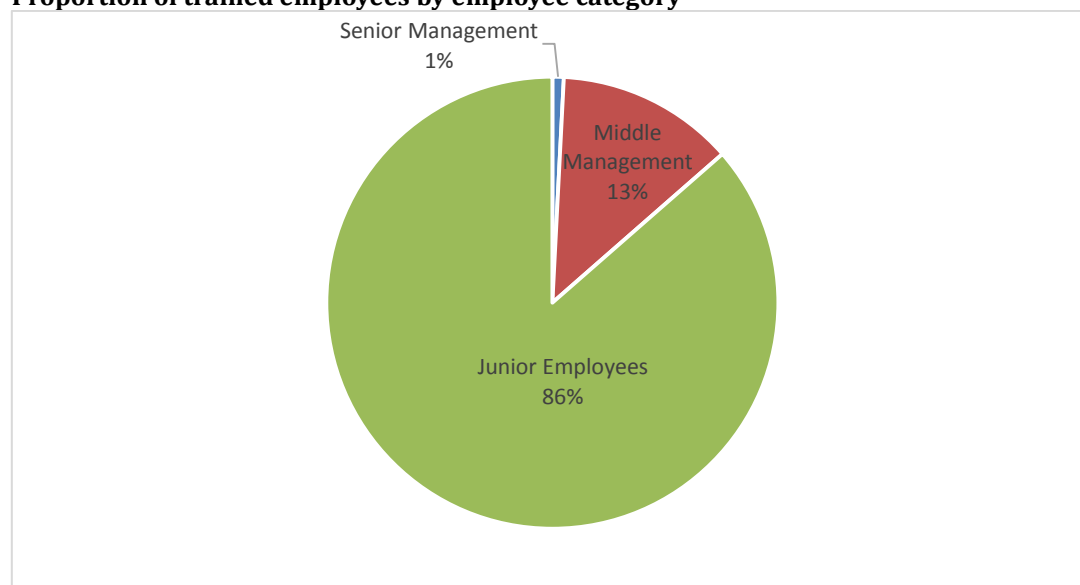
4.2.3 Development and Training

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 5,050 employees trained during the reporting period, which totally amounted to 9,574 training hours. As compared with last year, the number of training participants and training hours were decreased by about 58% and 54% respectively. The following diagrams and tables illustrate 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	4,328	3	44	2,455	1,826
Female	722	6	0	462	254
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	41	7	0	34	0
Middle Management	644	2	0	389	253
Junior Employees	4,365	0	44	2,494	1,827
Total	5,050	9	44	2,917	2,080

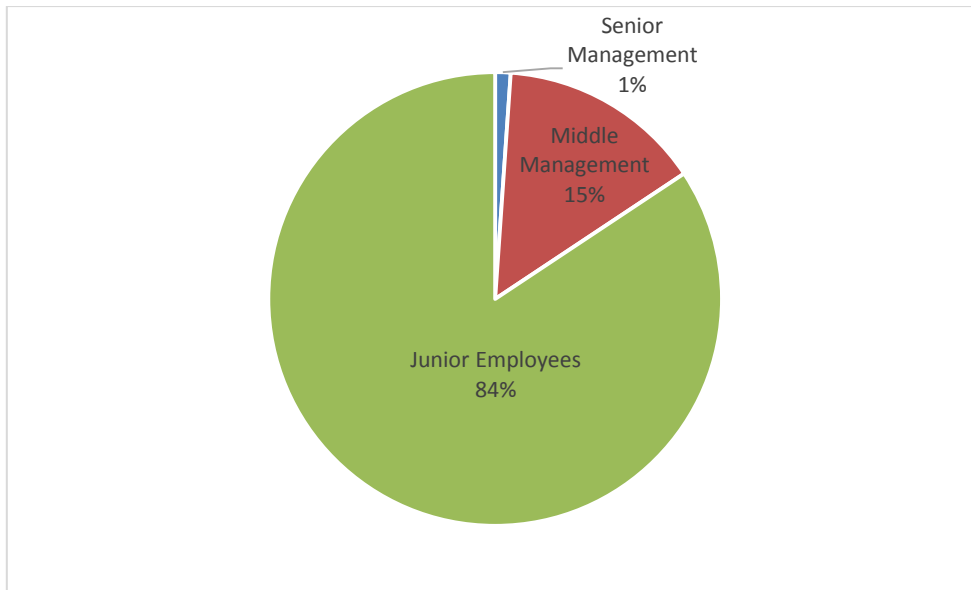
Proportion of trained employees by employee category



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	12.21	0.35	0.75	30.17	17.59
Female	14.11	1.73	0.00	35.27	19.45
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	4.96	2.15	0.00	17.71	0.00
Middle Management	11.77	0.39	0.00	27.21	19.48
Junior Employees	12.55	0.00	0.73	31.86	17.60
Overall Average	12.49	0.73	0.57	30.88	17.79

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	8,225	15	132	4,621	3,457
Female	1,352	27	0	811	515
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	105	29	0	76	0
Middle Management	1,396	13	0	862	521
Junior Employees	8,076	0	132	4,494	3,451
Total	9,577	42	132	5,432	3,972

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	0.24	0.02	0.02	0.57	0.36
Female	0.27	0.08	0.00	0.62	0.40
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	0.12	0.09	0.00	0.40	0.00
Middle Management	0.26	0.02	0.00	0.60	0.41
Junior Employees	0.24	0.00	0.02	0.57	0.36
Overall Average	0.25	0.03	0.02	0.57	0.36

4.2.4 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 afore-mentioned procedure for prevention of involuntary overtime work. Immediate investigation will be conducted in the event of non-compliance with this procedure.

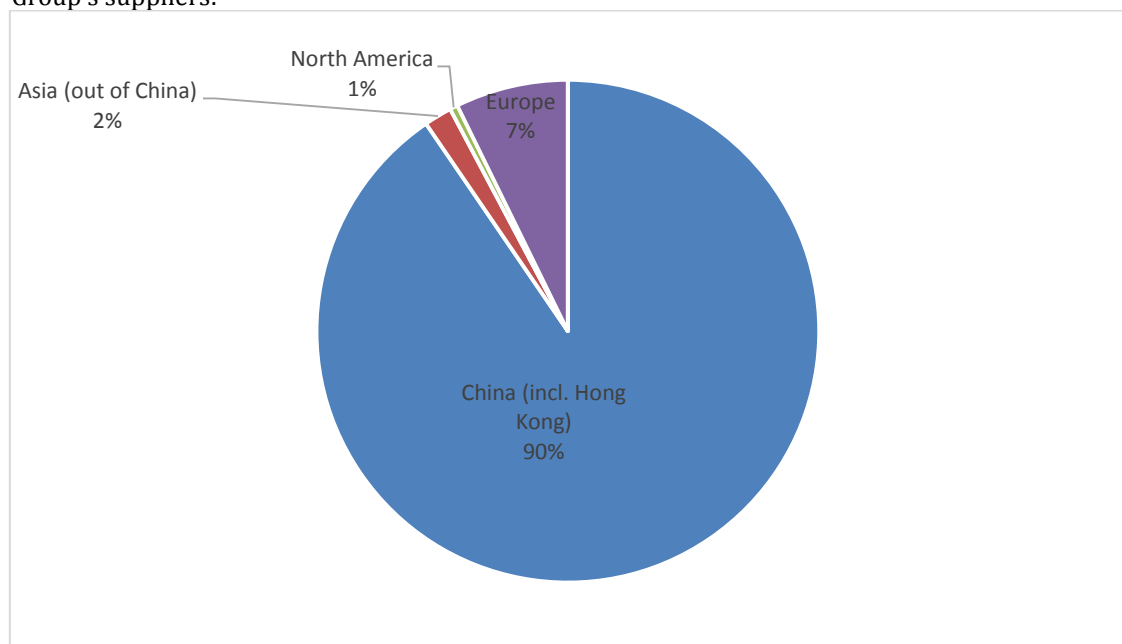
During the reporting period, the Group did not identify any legal non-compliance pertaining to employment of child labour or existence of forced labour.

4.2.5 Supply Chain Management

The Group has formulated the supplier management policy which communicates to suppliers of the Group's expectations and the requirements that the suppliers and their employees must abide by. This policy covers aspects including product quality, social responsibility, business ethics, these aspects are also the key criteria used for supplier selection. The Group has established the supplier selection and evaluation system. Apart from consideration of commercial interest, new suppliers would be evaluated prior to procurement and the performance of existing key suppliers would also be evaluated on regular basis. Outcomes of the evaluations are compiled into records which serve as the basis for future monitoring.

(a) Distribution of Suppliers

As at 31 December 2020, the business for the manufacture of dyeing and finishing machines has engaged not less than 548 suppliers, while the business for the manufacture of stainless steel castings has engaged 135 suppliers. Most of the engaged suppliers were located within the region of mainland China and Hong Kong, the remaining was distributed amongst Europe, North America and other countries in Asia. The following diagram illustrates geographical distribution of the Group's suppliers:



Country	Number of Suppliers		
	Manufacture of Dyeing and Finishing Machines (Shenzhen)	Manufacture of Dyeing and Finishing Machines (Zhongshan)	Manufacture of Stainless Steel Casting Products
Hong Kong	39	23	1
China (excluding Hong Kong)	460	243	133
Taiwan	3	0	1
Japan	3	2	0
South Korea	3	0	0
Thailand	1	3	0
Singapore	1	0	0
Indonesia	1	0	0
India	1	0	0
Turkey	2	0	0
Switzerland	5	0	0
Ireland	1	0	0
Italy	1	4	0
France	0	2	0
Germany	24	33	0
United Kingdom	1	0	0
United States of America	1	0	0
Canada	1	0	0
Total	548	311	135

(b) Evaluation of Suppliers

The Group has developed supplier assessment procedure to evaluate, investigate and conduct statistics on key suppliers regularly of their past performance, including the criteria: on-time delivery, reliability of incoming product quality, reasonableness of service, and price, etc. Based on the extent to which the relevant supplied materials affect the Group's products, the assessment can be conducted in the form of questionnaires, qualification and compliance document reviews, as well as on-site audits for assuring conformance of key requirements.

In the business for the manufacture of stainless steel castings, in addition to evaluation of the above-mentioned scope, which also covered the status of supplier's certifications: management system certifications on the aspects of quality, environment, energy, occupational health and safety, as well as the applicable industry certification such as RoHS, REACH, and FSC, etc.

During the reporting period, the Group engaged 114 new suppliers, which all completed the assessment prior to procurement. Moreover, for those key suppliers of current active status, they were regularly evaluated for the risks to the Group of their materials or services provided. In the same period, 370 existing suppliers were evaluated for assurance of their supplies in continued compliance with the requirements stipulated by the Group.

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	114	66	17	31
“New” suppliers after evaluation	114	66	17	31
“Existing” suppliers after evaluation	370	70	294	6

(c) Control of Environmental and Social Risks

The Group prioritizes the use of suppliers that do not pose significant environmental impacts, and evaluates their emission, pollution or other adverse impacts on the external environment. Also, the Group considers the operational compliance of business partners in the supply chain and evaluates the relevant social risks involved, such as: labour compliance on employment issues, safety compliance, supply chain interruption, product compliance, and integrity compliance, etc.

The Group is dedicated to promoting the importance of energy conservation and emission reduction in the supply chain. Where appropriate, the terms of the purchase order state clearly the requirements for the supplier’s compliance with national environmental regulations and achievement of ISO 14001 and ISO 50001 certification whenever possible. In the business for the manufacture of stainless steel castings, the proportion of suppliers which attained environmental certification such as ISO 14001 and energy management system accounted for about 71% of the total procurement volume of the same type of materials, and those types of supplied materials mainly were: LED lamps, electrical devices, steel ingots, cutting tools, coatings, silica sol, cleaning agents, etc.

In order to control environmental risks, focusing on materials with potential hazards, such as: silica sols, cleaning agents, ethanol, plywood, the results of environmental testing must be evaluated before the procurement decision and the testing scope mainly covers the content of: heavy metals like cadmium (Cd), lead (Pb), mercury (Hg), hexavalent chromium (Cr (VI)), as well as harmful substances like polybrominated biphenyls (PBBs).

In the business for the manufacture of stainless steel castings, social responsibility assessments would also be conducted to monitor the social related risks in the following areas:

- whether to pay labor in full and on time, and gradually raise the wage level in accordance with development of society;
- whether to provide a safe and healthy working environment, strengthen labor protection, achieve safe production, protect the safety of workers, and actively prevent occupational diseases;
- whether to establish the vocational education and on-the-job training system for company’s employees, and continuously enhance the talent and competence of employees;
- whether it can ensure the authenticity of products, safeguard purchase, honesty and trustworthiness, provide the correct commodity information, ensure the buyer’s right to know;
- whether it can provide comprehensive after-sales service and resolve buyer’s concerns in a timely manner;
- whether there is support (donation) to indefinite vulnerable groups in the society.

(d) Green Procurement

Upon complying with the Group's operating requirements, priority will be given to suppliers who are competent to provide environmental-friendly equipment and materials. Upon selection of energy consumption equipment, preference will be given to those suppliers whose products have obtained energy efficiency certification or high-efficient energy label.

In the operation for the manufacture of stainless steel castings, the environmental-friendly products being procured included cleaning agents, silicone sols, ethanol, plywood, etc. which were non-toxic and non-hazardous in nature. Those types of products accounted for around 73% of total procurement volume of the same type.

In addition, the Group has pursued local procurement policy as one of the measures for green procurement. Under the same quality conditions, priority is given to products and services provided by local suppliers (those within the region of mainland China and Hong Kong), in order to reduce greenhouse gas emissions during transportation in the procurement process. With reference to data in the above "Distribution of Suppliers" section of this Report, the proportion of local suppliers reached 90% of the total supply base of the Group in the reporting year.

4.2.6 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 strict 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.

(a) 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. During the reporting year, there were a total of 11 patents registered with the national authority on the product technologies, for protecting the intellectual property of the Group.

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.

(b) 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.

(c) 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.

(d) 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.

(e) 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.

(f) 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 542 cases of product return and 466 cases of product feedback from customers. All those complaint cases had been satisfactorily resolved within the reporting period.

(g) 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.

4.2.7 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.

(a) Anti-Corruption Measures

(a)(1) 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.

(a)(2) 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.

(a)(3) 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.

(b) Whistle-blowing Procedures

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 incidents 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 the reporting year. During the reporting period, the Group also did not identify any legal non-compliance or complaints relating to corruption.

(c) Anti-corruption Related Trainings

For assuring thorough implementation by employees at all levels of the above-mentioned policies related to anti-corruption, the Group would arrange trainings at unspecified time to employees who implement the relevant policies and therefore would cover board members and general staff.

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.



Anti-corruption related trainings

Total number of training participants in the year
860



Anti-corruption related trainings

Total training hours in the year
465


4.2.8 Community Investment

The Group is dedicated to upholding social responsibility which is deemed as one of important elements in the fulfillment of corporate values. The Group has partnered with different stakeholders over the years to support people in need and related charitable organizations in the community. Through own networking of each operating region, the Group would identify the needs of the community and define the appropriate means of support. For example, the Zhongshan factory partnered with the nearby community HR service centre - Cuiheng New District Executive Talent Service Centre, for co-hosting of “2020 Cuiheng New District Basketball Competition”, which helped building closer relationships with community organizations and enhanced communication for identifying the needs of the community.





Over the years, the Group's community support services have covered different categories of public welfare projects, including support for education, donation of money and materials to relevant community organizations. During the reporting year, the Group continued the sponsorship in the community education and has donated to “Guangxi School of Electrical and Mechanical Engineering” for supporting the school activities. The following table set forth some key community service examples supported by the Group for the reporting year.

The Group is striving for various environmental protection activities in the community, some of which have been awarded by the organizer such as “Community Leap” for recognition of the Group's contribution to the community.

Education 	Details of the event
	Donation to “Guangxi School of Electrical and Mechanical Engineering” for sponsoring school activities

Environmental protection 	Organizer	Details of the event
	Community Leap	Support and promotion on the pilot scheme for waste charging, with the use of garbage bags made from environmental-friendly materials
	Community Leap	Support and promotion on exhibition of environmental activities, of which topics included background of the solid waste charging scheme, waste reduction and environmental proposals, etc.
	Community Leap	Support and promotion on DIY workshop for storage bags, with the use of instant food packaging to make storage bags for advocacy of recycling
	Green Sense	Support and promotion on the “2020 No Air Con Night” event
	Greener Action	Support and promotion on the activities for recycling of mooncake boxes

Charity 	Organizer	Details of the event
	Food Grace	Support and promotion on the activities for collection and donation of mooncakes
	The Community Chest	The Community Chest Corporate Challenge 2020

Healthcare 	Organizer	Details of the event
	Kwai Tsing District Health Centre, Hong Kong	Support and promotion on the seminar for joint pain relief and smoking cessation through Chinese medicine