

TLMC

TAK LEE MACHINERY HOLDINGS LIMITED

德利機械控股有限公司

(STOCK CODE:2102.HK)

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT 2021



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ABOUT THIS REPORT

Tak Lee Machinery Holdings Limited (the “Company” or “TLMC”) along with its subsidiaries (the “Group”) is pleased to present the Environmental, Social and Governance (“ESG”) Report (this “Report”). This Report aims to provide a balanced representation of the Group’s ESG management approach, strategy, performance and achievements. All information is prepared and published based on existing policies, practices and official documents or reports in an accurate, genuine and transparent manner.

The scope of this Report focuses on the three segments operated by the Group, being the sales of heavy equipment and spare parts, leasing of heavy equipment, as well as the provision of maintenance and ancillary services in Hong Kong. The Group has operational control over these principal activities, which are mainly conducted in its headquarters office, workshop and warehouse facility located in Pat Heung and branch office located in Tsuen Wan. Unless otherwise specified, this Report covers the financial year from 1 August 2020 to 31 July 2021 (the “Reporting Period”).

This Report is prepared in accordance with the “Mandatory Disclosure Requirements” and the “Comply or Explain” provisions of the ESG Reporting Guide of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) set out in Appendix 27 to the Rules Governing the Listing of Securities on the Stock Exchange (the “Listing Rules”). The following four reporting principles served as the foundation in preparation of this Report.

Materiality	Quantitative
Following an ESG stakeholder engagement exercise and a materiality assessment, this Report is structured based on the materiality of ESG issues of the Group. The board of directors of the Company (the “Board”) and management review these sustainability issues annually to ensure that stakeholder’s opinions are reflected. The results of the materiality assessment process is set out in the section headed ‘Materiality Assessment’ in this Report.	This Report discloses relevant ESG key performance indicators (“KPIs”) and quantitative information of the headquarters office, branch office, workshop and warehouse facility. Quantitative information is further accompanied by descriptions where appropriate.
Balance	Consistency
The Board endeavours to present an unbiased overview of its ESG performance in this Report, disclosing both achievements and areas of improvements whenever applicable.	This Report follows methodologies that are consistent with previous years, which allows for meaningful comparison of ESG data over time. There was no significant change with the reporting scope of this Report.

The Group welcomes reader's feedback on this Report and its approach to sustainability. Please share comments or suggestions via the following channels:

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Email	tlmc@netvigator.com
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For more details regarding the Group's corporate governance and financial performance, please refer to the Annual Report 2021 which has been published on the websites of the Stock Exchange and the Company (<https://www.tlmc-hk.com>).

ABOUT TLMC

For over 20 years, TLMC has been serving customers in Hong Kong and Macau, as well as customers around the world. The Group mainly engages in the sales of new and used heavy equipment and spare parts, the leasing of heavy equipment, and the provision of maintenance and ancillary services in Hong Kong. The Group provides a diversity of high quality heavy equipment, including excavators, articulated dump trucks, compactors, wheel loaders, bulldozers, lifting cranes, and diesel energy generators, among others.

Listing on GEM (formerly known as the Growth Enterprise Market) of the Stock Exchange in July 2017 and then transferring to the Main Board of the Stock Exchange in October 2020 demonstrates the devotion of the Group to continuously deliver excellent services and quality products to its customers. As its business evolves, the Group will continue to create value to its stakeholders as well as strive to uphold its unique strengths and features.



Mission and Objectives

TLMC is committed to introducing high-quality heavy equipment and providing quality pre-sales and after-sales service to our customers. TLMC offers the most economical, most efficient and reliable supply of construction machinery and services to all. The usage of our services include quarry, construction, civil engineering, waste treatment and land reclamation.



Our Highlights

- Sole authorised dealer of Hitachi brand heavy equipment in Hong Kong and Macau
- Exclusive distributor of various earthmoving attachments of LaBounty brand in Hong Kong and Macau
- Exclusive distributor of various earthmoving attachments of Ramfos brand in Hong Kong, Macau and certain provinces in the People's Republic of China ("PRC")
- Supplier of our own TLMC brand of earthmoving attachments manufactured in Italy
- Exclusive dealer of heavy vehicles of Ammann brand in Hong Kong and Macau
- Distributor of diesel engine generators of Airman brand in Hong Kong and Macau
- Distributor of articulated dump trucks and articulated trucks (water tankers) of Bell brand in Hong Kong
- Dealer of grapples and other earthmoving attachments and also the exclusive dealer for the supply of Orange Peels product line of Rotobec brand in Hong Kong and Macau

SUSTAINABILITY AT TLMC

The Board considers it imperative that sustainability forms the backbone of the business to achieve corporate growth. Hence, the Group is dedicated to incorporating the concept of sustainability into every facet of its business, by upholding a well-rounded governance system, establishing strategic directions and maintaining active communication with its stakeholders.

During the Reporting Period, the Group has developed and implemented a Sustainability Policy in order to be a responsible business that creates value for the community in which the Group operates. By embedding sustainability into its operations, the Group strives to provide innovative products and services, minimise environmental impact and strengthen relationships with its customers, suppliers and business partners.

ESG Management

The Board is responsible for overseeing the Group's ESG vision, objectives and strategies for the short, medium and long terms. In addition to identifying material ESG issues of the Group, the Board is dedicated to evaluating, prioritising and managing material ESG issues, as well as considering relevant ESG risks and opportunities. The Board regularly meets to review its various ESG targets and progress, and the Board discusses, reviews and evaluates all ESG issues relevant to the Group at least once a year.

To strengthen its management and governance of each ESG issue, during the Reporting Period, the Group further developed a set of new ESG policies such as the Sustainability Policy and Human Rights Policy. The Group strives to guide its management and various business functions to effectively implement ESG strategies and practices that address key ESG issues. Information about the Group's newly formulated policies are detailed throughout this Report.

ESG Strategies

Recent and current events, such as the strong typhoons experienced by Hong Kong and the novel coronavirus disease 2019 ("COVID-19") pandemic, have highlighted the importance of creating a strategy that guides the Group in navigating against the turbulent environmental and social climate, whilst remaining in sight of its objectives. Subsequently, a series of ESG strategies were developed to bring clarity and focus on the Group's sustainability direction.

Through the Group's ESG strategies, the Group strives to bring positive outcomes to its five focus areas: (i) Ethical Governance, (ii) Quality Product and Service, (iii) Dedicated Workforce, (iv) Corporate Citizen and (v) Green Operations. Each focus area details pragmatic objectives of the Group. This provides the Group with guidance in deploying resources whilst shaping its trajectory in how the Group delivers its products and services in a way that strengthens the business of the Group.



Stakeholder Engagement

Keeping abreast of stakeholders' opinions and concerns enables TLMC to improve its ESG approach and performance. By understanding stakeholders' expectations and gauging their priorities, the Group is better equipped to address their concerns, review its business approach, and ultimately, update or formulate better sustainability policies and strategies.

The Group maintains active communications with internal and external stakeholders through various communication channels. The following table lists the stakeholders and their corresponding engagement channels during the Reporting Period.

Stakeholder Groups	Engagement Channels
Shareholders and Investors	<ul style="list-style-type: none"> • Press releases • Annual/ interim reports • Company webpage • Circulars • General meetings and teleconferences
Employees	<ul style="list-style-type: none"> • Meetings and teleconferences • Performance assessment • Training programmes • Company events
Customers	<ul style="list-style-type: none"> • Company webpage • Satisfaction surveys • Meetings and teleconferences • Correspondences
Suppliers	<ul style="list-style-type: none"> • Tender meetings • Supplier assessment • Correspondences • Meetings and teleconferences
Community	<ul style="list-style-type: none"> • Charity events • Correspondences
Media	<ul style="list-style-type: none"> • Press releases • Meetings and teleconferences
Regulatory Bodies	<ul style="list-style-type: none"> • Compliance/ non-compliance reports • Certifications/ licensing • Meetings and teleconferences • Site visits

Materiality Assessment

An independent sustainability consultant was engaged to conduct the first comprehensive ESG-specific stakeholder engagement exercise for the Reporting Period. The exercise, in the form of a survey, helped identifying and evaluating sustainability issues that are material to the Group and its stakeholders, as well as determining the coverage and structure of this Report. The Group is committed to performing this exercise annually to ensure that its existing priorities, strategies and policies align with stakeholders' expectation as well as the Group's vision.

Through a four-step systematic process set out below, the Group identified, prioritised, validated and reviewed material ESG issues.

Step 1: Identification	22 materials were identified based on the following strategies: <ul style="list-style-type: none"> • Internal benchmark (previous ESG reports of the Group) • External benchmark (ESG reports of industry peers)
Step 2: Prioritisation	Key stakeholder groups were invited to complete an online survey and rank material ESG issues based on their perceived importance. Particularly, seven members from the Board and management ranked the importance of material issues towards the Group's sustainable development, whilst twenty five employees ranked the importance of material issues based on their own preferences and expectations.
Step 3: Validation	The Group's management confirmed and validated the list of material topics for disclosure in this Report.
Step 4: Review	The Board reviewed the identified material issues and the results to ensure appropriate relevance and materiality to the Group.

The ESG issues were plotted in a matrix mapping out their position relative to the degree of importance to stakeholders versus the importance to the sustainable development of the Group. The top 10 material ESG issues are highlighted in bold in the following material ESG issues table.



Ethical Governance		Quality Product and Service	
<ul style="list-style-type: none">1. Anti-corruption2. Intellectual Property3. Confidentiality and Data Privacy4. Prohibition of Child and Forced Labour5. Marketing and Labelling		<ul style="list-style-type: none">6. Product Quality Assurance7. Product Safety8. Customer Satisfaction9. Responsible Supply Chain Management10. Suppliers’ Environmental and Social Practices	
Dedicated Workforce		Corporate Citizen	
<ul style="list-style-type: none">11. Employment Standards12. Occupational Health and Safety13. Workplace Well-being14. Diversity and Equal Opportunity15. Training and Development		<ul style="list-style-type: none">16. Community Investment and Engagement17. Volunteering Opportunities	
Green Operations			
<ul style="list-style-type: none">18. Environmental Compliance19. Air, Noise and Greenhouse Gas (“GHG”) Emissions Control20. Energy Use and Efficiency21. Waste Management22. Climate-related Risks			

ETHICAL GOVERNANCE

Strong corporate governance is essential both to delivering sustainable value as well as pursuing a culture of integrity. The Group is committed to ensuring that its business operates with the highest standard of business integrity through complying with all relevant laws, rules and regulations, implementing sound risk management and respecting intellectual and human rights.

Anti-Corruption

Professionalism, high ethical standards, integrity and honesty are core values of the Group. The Code of Conduct in the Human Resources (“HR”) Manual in conjunction with the Anti-Fraud and Anti-Bribery Policy, which was developed during the Reporting Period, are in place to ensure proper professional and ethical conduct across all aspects of the Group’s operations. Those who breach the policies may be subject to summary dismissal. The Code of Conduct details employee’s responsibilities and obligations with respect to their work duties, whilst the Anti-Fraud and Anti-Bribery Policy contains provisions for combating bribery, extortion, fraud and money laundering, which apply to employees, contractors and suppliers. The following tables details the identification of potentially fraudulent activities and responsibilities of key departments in upholding professional and ethical conduct.

Potential fraudulent activities at TLMC

- Fraudulent financial reporting arising from improper revenue recognition, capitalisation of expenses, asset valuation, related-party transactions, and management override of financial transactions
- Misappropriation of assets
- Improper or unauthorised expenditures
- Self-dealings, including kickbacks
- Violations of laws, rules and regulations

Responsibilities of TLMC Personnel

The Board	To organise a formal fraud risk evaluation annually to evaluate and record key fraud risks, as well as review effectiveness of controls to avoid potential occurrence.
HR Department	To arrange for training on professional ethics and fraudulent behaviours.
All managers	To examine fraud risks within their scope of duty constantly and ensure that adequate controls are in place. Material fraud risks must be reported to the Board.

To put the provisions of the Code of Conduct into practice and reinforce good corporate governance, the Group has arranged anti-corruption training for the Board and senior management. The Group invited the Hong Kong Business Ethics Development Centre of the Independent Commission Against Corruption to conduct a webinar to discuss the roles of the Board and senior management in corporate governance and principal ethical risks in listed companies. The Group is committed to keeping abreast of the latest anti-corruption advice, reporting requirements and the constantly evolving regulatory environment.

Whistle-blowing

The Anti-Fraud and Whistle-blowing Policy is central to how the Group manages and handles unethical behaviour. The implementation of such policy is overseen by the Board and the Audit Committee. It sets out examples of malpractice, the reporting process, as well as investigation procedures. The mechanism established under the policy enables employees to raise concerns to the Board or the Audit Committee about any suspected case of misconduct, malpractice or impropriety in a confidential manner, and without fear of retaliation. The policy ensures that the whistle-blower who lodges a complaint will not be fired, mistreated, or suffer unnecessary disciplinary punishments.

In the event of an alleged misconduct being reported, investigative measures will commence with the advisory of the Board and the Audit Committee. The Group may, on the grounds of misconduct, take appropriate disciplinary actions against any violators of corroborated allegations. As stipulated under the Supervisory Policy under the Anti-Fraud and Whistle-blowing Policy, all allegation records shall be preserved by the Audit Committee for review and analysis for improvement.

Risk Management and Internal Control

TLMC is keenly aware of any potential risks associated with the industry and makes efforts to respond to them appropriately. With rapidly emerging trends, changing regulatory requirements, as well as new prospective infrastructure projects, it is more important than ever to maintain an effective risk management system. The Group has implemented a Corporate Governance Policy that ensures risk management an integral part of its overall governance. Risk management is led by the Board, and supported and executed by the Audit Committee and senior management. The policy details the process of identification, documentation, evaluation, assessment and treatment of risks. Risks are monitored and reviewed on a regular basis to ensure regulatory compliance at all times.

Among various risks identified by the Audit Committee during the Reporting Period, a significant risk faced by the Group is the unpredictable local and international economic environment under the impact of the COVID-19. Amidst the challenging backdrop, the Group adopted a flexible fleet management strategy in the operation of its leasing business, which enhanced its ability to adapt to changing circumstances. Furthermore, the Group leveraged on maintaining strong relationships with major suppliers such as Hitachi Construction Machinery Co., Ltd., Bell Equipment Company SA (Pty) Ltd and Ammann BauAusrüstung AG to create opportunities and competitive advantage. With digitisation and automation forecasted to alter the heavy equipment industry, the Group will continue to seize opportunities through diversifying its product base to include technologically-advanced heavy equipment.

Information Confidentiality

It is the Group's obligation to safeguard corporate and personal information, and the Group is committed to strengthening its security protocols to minimise risks of business disruption, such as leaks of information. As iterated in the Information Security Policy, which is managed by the Administration Manager and was launched during the Reporting Period, employees are required to handle, store and file confidential information received in the course of business with due care. Measures of the Group include the signing of confidentiality agreements upon engagement of third-party services providers, and forbidding employees to disclose any confidential information to any person or department prior to the Group's official announcement or disclosure to the public.

To ensure that personal information is securely protected, the Personal Data Protection Officer is responsible for executing the Personal Data Privacy Policy, which was developed during the Reporting Period, through managing and implementing security protocols in accordance with requirements of the Personal Data (Privacy) Ordinance (Cap. 486 of the Laws of Hong Kong), as well as ensuring effectiveness of such protocols through an annual review. In the event that any employees, departments or subsidiaries discover information has been exposed improperly, they shall immediately notify the Personal Data Protection Officer and request advice from external advisers if necessary.

Intellectual Property

The Group protects its intellectual property rights, including copyrights, patents and trademarks. The Group currently possesses two registered trademarks of “TLMC” in Hong Kong and is the owner of a domain name. The Group also makes all reasonable efforts to respect the intellectual property rights of third-parties. For instance, the Group obtains authorisation before using third parties’ intellectual property, including the use of its suppliers’ brand names, logos, trademarks and other forms of branding for marketing purposes, under relevant dealership and distributorship agreements. Within its internal operations, the Group strictly prohibits employees from exploiting corporate internet access to communicate information that may infringe intellectual property rights or violate relevant laws or regulatory requirements.

During the Reporting Period, the Group was not aware of any material non-compliance with any laws, rules and regulations relating to violation of intellectual property rights. The Group shall continue to protect intellectual property rights by filing proper registration in a timely manner.

Marketing and Labelling

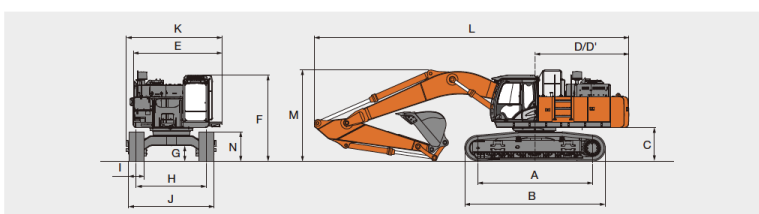
The Group is committed to offering its customers an array of products and services based on their needs and preferences whilst adhering to applicable laws, rules and regulations.

The Group clearly discloses all product features such as engine model, fuel, weight, capacity, frequency, voltage, rated output and current, phase, as well as power factor, so customers can select the equipment best suited for them.

SPECIFICATIONS

Fix Undercarriage : ZX470-5A / ZX470LC-5A / ZX490H-5A / ZX490LCH-5A
Variable Gauge Undercarriage : ZX490LCH-5A

DIMENSIONS



Unit: mm

	ZX470-5A [Fixed]	ZX470LC-5A [Fixed]	ZX490H-5A [Fixed]	ZX490LCH-5A [Fixed]	ZX490LCH-5A [Variable]
A Distance between tumblers	4 040	4 470	4 040	4 470	4 470
B Undercarriage length	5 040	5 470	5 040	5 470	5 470
* C Counterweight clearance	1 230	1 270	1 230	1 270	1 360
D Rear-end swing radius	3 670	3 670	3 670	3 670	3 670
D' Rear-end length	3 660	3 660	3 660	3 660	3 660
E Overall width upperstructure	3 480	3 480	3 480	3 480	3 480
F Overall height of cab	3 170	3 210	3 280	3 320	3 410
* G Min. ground clearance	495	535	495	535	572
H Track gauge	2 740	2 740	2 740	2 740	2 890 / 2 390
I Track shoe width	600 / 750	600 / 750	600	600	600
J Undercarriage width	3 340	3 340	3 340	3 340	3 490 / 2 990
	with 600 mm shoe				
	with 750 mm shoe				
K Overall width	3 820	3 820	3 820	3 820	3 820
L Overall length	12 040	12 070	12 040	12 030	12 020
M Overall height of boom	3 450	3 720	3 450	3 450	3 480
N Track height	1 150	1 150	1 150	1 150	1 190

* Excluding track shoe lug

Human Rights

The Group recognises that fundamental human rights should be protected. The Human Rights Policy, launched during the Reporting Period, outlines the protection for human rights, commitment to valuing diversity and non-tolerance for inappropriate or unfair treatment and hiring of child and forced labour. It applies to all employees of the Group and draws reference from, among others, international human rights principles such as United Nations Guiding Principles on Business and Human Rights.

Part of the measures to combat child and forced labour involves checking identity documents and performing background verifications during the recruitment process. The recruitment process will only commence after the applicant's identity has been verified to ensure that prospective employees are lawfully employable. In the unlikely event of hiring a worker with false information or identity, the recruitment procedures or the employment (as the case may be) will be terminated immediately.

To encourage a culture of integrity, human rights provisions are extended to contractors and suppliers of the Group as outlined in the Code of Practice for Suppliers, which was launched during the Reporting Period. For further information regarding the Code of Practice for Suppliers, please refer to the section headed "Supply Chain Management". During the Reporting Period, the Group was not aware of any non-compliance with relevant laws, rules and regulations that had a significant impact on the Group relating to preventing child and forced labour.

QUALITY PRODUCT AND SERVICE

The Group is committed to the highest level of product and service quality for the long-term development of the Group within the heavy equipment industry. The Group strives for customer satisfaction and trust, and prioritises delivering professional and responsible services through fulfilling requirements of safety, quality, value for money and efficiency. While strengthening its product quality assurance and customer engagement services, the Group also maintains mutually beneficial relationships with suppliers to ensure stable and reliable sources of heavy equipment and related services.

Leveraging Technology

Rapid digitisation and automation in the heavy equipment industry is changing the variety and quality of solutions the Group can offer to its customers. The Group is dedicated to working closely with its leading suppliers to harness technology and diversify its product offering to enhance operational efficiency, strengthen health and safety and boost productivity for its customers.

Real-time Alerts and Notifications



Data reports



Maintenance warranty



ConSite OIL



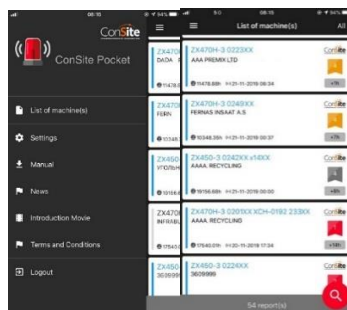
ConSite Pocket



ConSite Shot



ConSite Health Check



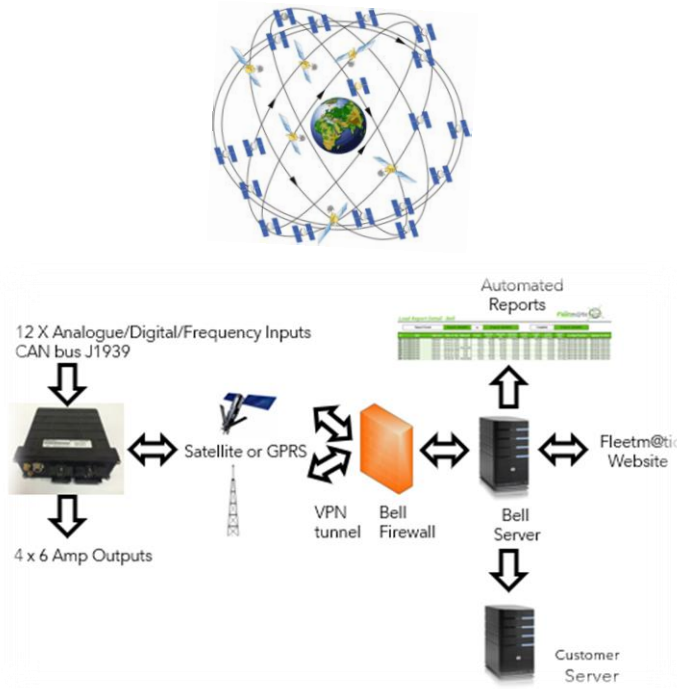
ConSite
Consolidated Solution for Construction Sites

The Group offers the Hitachi brand excavators equipped with ConSite®, a consolidated solution service system that provides 24-hour real-time location detection and real-time overheating alarms.

Through gathering timely insights in ConSite® OIL solution, customers can avoid machine breakdown, including overheating and sudden changes in oil property and abnormality. In turn, it minimises maintenance cost and extends the service life.

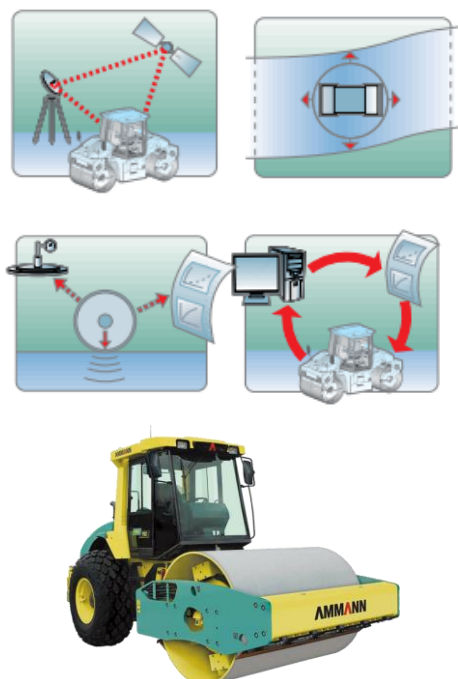
Furthermore, the system can predict the wear and tear of machines, which improves risk control management and enables quicker response to improve the safety of the construction site.

Fleet Management



The Bell brand dump truck installed with Fleetm@tic® is a satellite-based fleet management system that provides automated reports, alerts, production data, various packages to choose from and pole-to-pole satellite coverage to keep track of the equipment at the worksites on a continuous basis. This allows customers to manage their fleet with greater precision, and overall enhances operational efficiency.

Detecting Compression Efficiency



The Ammann Compaction Expert (ACE), a proprietary intelligent compaction system installed in Ammann brand rollers, is able to provide data regarding the areas the roller has covered through GPS mapping capabilities.

In addition to its ability to conduct automatic measurement, control and documentation, it can display and measure the degree of compaction for worksite efficiencies and quality control purposes in ACE^{force} system. This unique function reduces the risk of over-compaction and minimises material destruction.

Product Quality Assurance

The ISO 9001:2015 Quality Management System (“QMS”) underpins the overall approach of the Group to the supply, rental, installation and maintenance of heavy equipment and ensures that its products meet customer and regulatory requirements.

Quality Assurance

The Group has appointed senior management to oversee the procedures and actions in achieving the Group’s quality objectives. The senior management is responsible for identifying risks and opportunities, delegating roles and responsibilities, ensuring employees’ competence and awareness, as well as managing customer satisfaction. During the Reporting Period, the Group fulfilled the requirements in the QMS and had no major non-conformance.

Quality Requirements at TLMC

- Providing adequate, effective and sufficient resources to provide high quality and reliable services to customers
- Identifying and controlling business risks and opportunities
- Ensuring that the operations are customer-driven, and that customers’ requirements and expectations are met as planned
- Maintaining effective internal and external communications, and actively monitoring, observing and understanding customers’ needs
- Complying with all applicable requirements, including standards, statutory requirements, guidelines and codes, under all circumstances
- Being responsible for the continuous development, analysis, improvement and enhancement of product or service quality, as well as operational efficiency and effectiveness to reduce operating costs
- Monitoring and continuously improving the effectiveness of the QMS through regular internal audits, data analysis and management reviews

Regular internal reviews are conducted to ensure that the Group delivers products and services that meet or exceed customers’ expectations. The Group also appointed external auditors to perform the Management System Certification Audit on the quality of supply, rental, installation and maintenance service of excavators, breakers and generators during the Reporting Period. As a final step to ensure product quality, senior management had carried out a review against 2020/21 objectives and targets.

Quality Objectives and Targets 2020/21



1. <3 customer complaints for every project

2. >90% of customer satisfaction in Grade B

Quality Assessment Results 2020/21



No material complaint in FY2020/21



No corrective action request was issued for internal audit



>90% of customer satisfaction in Grade A and B

During the Reporting Period, both targets were achieved and the Group did not have any products sold or shipped that have been subject to recalls for safety and health reasons.

Customer Engagement

TLMC believes in nurturing strong relationships with its customers through regular engagement where the Group listens to their feedback and subsequently improve its services. The Group developed a Customer Service Policy during the Reporting Period. In addition to utilising the standardised terms and conditions under the Sales Policy for the ordering and acceptance of equipment quotation, the Group follows the Technical Procedures - Tender Review and Project Initiation under the QMS in the preparation, review, approval and post-contract processing of quotations. These policies and procedures help the Group maintain excellent customer satisfaction for all its work.

Maintenance, Repair and Service

The Group provides attentive inspection, maintenance and other services throughout the equipment leasing process. Prior to the delivery of leased equipment, comprehensive component checks will be performed to meet safety expectations and ensure good conditions. Subsequently, condition reports are generated for each equipment upon receipt and removal from the warehouse. When assembling the equipment on-site, technicians will conduct checks on the equipment and provide on-site training for lessees, whenever necessary. These equipment checks are also carried out when the equipment are returned.

Customers of the Group are offered with top-notch after-sales technical support, such as recondition and refurbishment services. In the case of a manufacturing defect, the Group will recover payment for the replacement from the manufacturer according to the dealership and distributorship agreements.

Assessment and Satisfaction

Customer feedback is paramount for the continuous improvement of services. The Group welcomes all feedback to improve its operations and enhance customer experience. Guided by the Complaints Handling Policy which was developed during the Reporting Period, and the Operations Procedures - Customer Satisfaction under the QMS, the Group distributes customer satisfaction surveys annually. The survey assesses appropriateness, efficiency and accuracy of services and communications, staff's willingness to assist and service attitude, as well as the ability to meet agreed timelines and expectations. To identify positive attributes and areas of improvements, the Group reviews the survey results on a regular basis. During the Reporting Period, the customers of the Group were generally satisfied with its products and services, and the Group received no material complaints or negative customer feedback.

Supply Chain Management

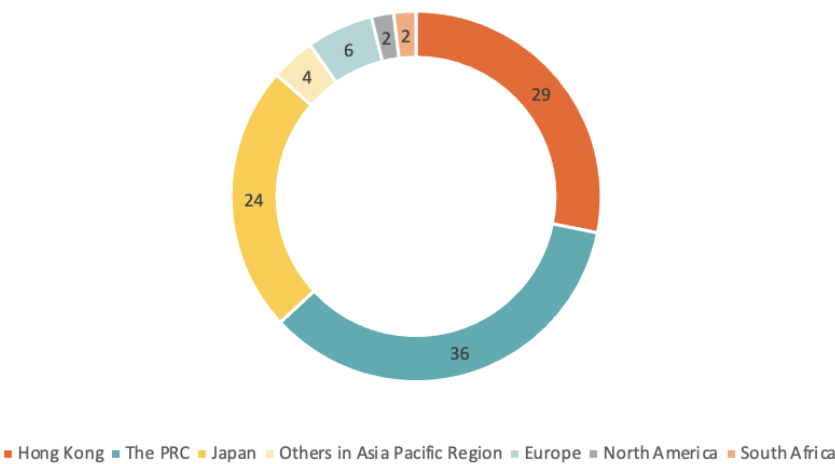
TLMC greatly relies on the reliability and quality of products and services delivered by its suppliers, hence, the Group is committed to developing an ongoing collaborative working relationship within its supply chain. The selection of suppliers is governed by the Technical Procedures - Selection and Appointment of Suppliers under the QMS, as well as the New Supplier Assessment procedures.

To ensure that the most qualified suppliers are selected to meet the needs of the Company as well as its customers, the Group assesses potential suppliers on various criteria, such as the value of the procured products and/or services, customer requirements and quotation, years of experience and reputation in the industry. An annual Supplier Performance Assessment is also performed to assess existing suppliers based on nine criteria. During the Reporting Period, all suppliers have successfully passed the assessment criteria for continual engagement. During the Reporting Period, the Group worked with 103 suppliers that span across more than 11 geographical locations.

Supplier Performance Assessment Criteria	
1	Product and/or Service Pricing
2	Response to and Handling Quotation
3	Employee Attitude and Competency
4	Product and Craftmanship Quality
5	Provision of Sufficient Resources
6	Procedural Control
7	Compliance with Legal and Contractual Requirements
8	Timely and Accurate Delivery
9	Safety and Environmental Awareness

The chart below sets out the distribution of the Group’s suppliers by geographical region:

Distribution of Suppliers by Geographical Region



Suppliers' Environmental and Social Practices

The Group takes into environmental and social considerations when managing its supply chain. Reviewed annually, the Code of Practice for Suppliers sets out the Group's expectations on ethical conduct, human and labour rights, environmental protection and climate action, health and safety and cybersecurity.

Code of Practice for Suppliers	
Ethical Conduct	Perform high ethical conduct through compliance with laws, rules and regulations, respect intellectual property rights, maintain data confidentiality, and uphold anti-corruption practices.
Human and Labour Rights	Respect human and labour rights by prohibiting child and forced labour, establish fair working conditions, promote anti-discrimination, and support the freedom of association and fair-trade products.
Environmental Protection and Climate Action	Encourage practices that address climate change through establishing relevant environmental policies, reduce the usage of natural resources, conducting energy efficient initiatives, adhere to local environmental regulations, and execute sustainability initiatives.
Health and Safety	Implement an effective management system that establishes relevant health and safety policies, provide appropriate training and ensure compliance with relevant laws, rules and regulations to maintain a safe and healthy workplace.
Cybersecurity	Align to the Group's cybersecurity expectations which are to protect unauthorised access, safeguard confidential information and ensure accuracy and complete information.

Furthermore, suppliers are more likely to be selected or retained if they are certified with the ISO 9001: 2015 QMS certification. The Group is also dedicated to working with suppliers who demonstrate commitment to sustainable development and promote environmental practices in their supply chain through implementing environmental policies, conducting sustainability initiatives, and reporting their sustainability performance. In addition to ensuring that the supplier's safety and environmental awareness is assessed during the supplier performance assessment, employees liaise with suppliers and seek to ensure that they meet the same safety standards and requirements as upheld by the Group.

DEDICATED WORKFORCE

The contributions of the Group's workforce are critical to its success. Whilst the Group strives to safeguard the health and safety of its employees and to grow and sustain its talented workforce, it also aims to nurture talents to help them thrive professionally and grow their technical capabilities. During the Reporting Period, the Group was not aware of any material non-compliance with any laws, rules and regulations relating to occupational health and safety, employment practices, as well as workplace ethics.

Occupational Health and Safety

The nature of the Group's works involves working with heavy equipment. Any inappropriate acts may create accidents and cause injuries. As such, the Group regards occupational health and safety as a primary concern. Such concern stems from the use, handling, storage, transportation and maintenance of its heavy equipment. The Group, therefore, is committed to constructing a hazard-free working environment by identifying, assessing, evaluating and mitigating operational hazards and risks for its employees and contractors. To achieve this, the Group strictly adheres to its Health and Safety Policy which was developed during the Reporting Period.

Health and Safety Policy Commitments

- Support and nurture a culture that promotes employee wellness and enhance health and safety awareness
- Adopt and maintain effective management systems designed to eliminate health and safety hazards, respond to public health contingencies, conduct regular reviews and make continuous improvement in pertinent areas of health and safety
- Provide necessary information, instruction, training and supervision, and provide a healthy and safe working environment
- Encourage commitments from all employees and all levels of management
- Extend its commitments to its business partners to meet the same health and safety standards

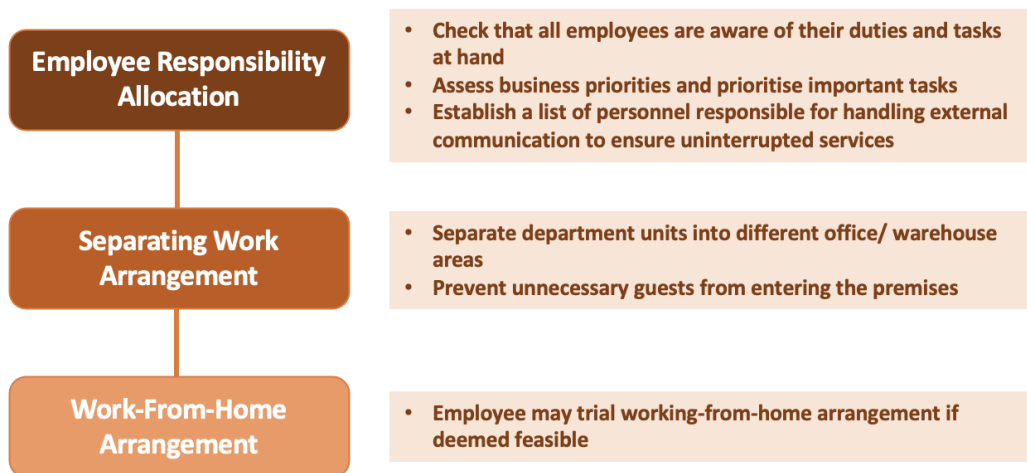
Aside from establishing a management system, the Group holds safety awareness training classes regularly so that employees can proactively recognise hazards and implement appropriate control measures. By attending training classes, employees can understand better the methods of preventing accidents, risks associated with the work, and their individual roles and responsibilities, thereby improving safety and work efficiency. The Group strictly abided by the Employment Ordinance (Cap. 57 of the Laws of Hong Kong), which governs the right for employees to receive compensation for work injuries. During the Reporting Period, there was one reported work injuries which resulted in seven lost days and an injury rate per 100 employees of 0.47¹. Additionally, there was no work-related fatalities for the past three years. The Group is determined to continue maintaining a good track record in this regard.

¹ Total number of injuries divided by total workforce at the end of the Reporting Period multiplied by 100.

Responding to COVID-19

As the COVID-19 pandemic continues to create challenges across the globe, the Group believes that it is crucial to implement a long-term pandemic response and recovery mechanism to help minimise disruption to its employees and customers, as well as ensure business continuity. In doing so, the Group established the Office and Warehouse Contingency Procedures, which detail the emergency response system for its operations.

Office and Warehouse Contingency Procedures



To enhance preparedness to health and safety risks, the Group implemented a range of measures, such as requiring all employees and guests to wear masks, perform body temperature checks at least twice a day, and properly disinfect hands upon entry to the premises. Employees are also required to report on recent trips, suspected symptoms and contact with confirmed/ suspected COVID-19 cases. To strengthen immunity for its employees as well as the wider society, the Group encouraged vaccination of its employees through offering incentives. During the Reporting Period, the Group provided 32,250 surgical masks and offered free testing kits to keep its staff at peace of mind when coming to work.

Workplace Well-being

The Group takes crucial steps to safeguard the safety and well-being of the physical environment for a healthier and productive workforce. As a regular practice, the QMS auditor commissioned by the Group performed the annual Workplace Environmental Assessment at the facility site during the Reporting Period. A total of eight site health and safety elements were assessed and received satisfactory levels of conformance.

Workplace Environmental Assessment	
1	Air Ventilation and Odour
2	Noise Nuisance and Vibration
3	Hygiene Condition
4	Adequacy of Lighting
5	Room Temperature and Humidity
6	Availability of Fire-fighting Equipment
7	Unobstructed Escape Routes
8	Availability of Other Safety Equipment

In a bid to instil a culture of health and safety at the offices, the Group maintained a Smoke-Free Working Policy and Office Occupational Health and Safety Guidelines during the Reporting Period.

Smoke-Free Working Policy	Office Occupational Health and Safety Guidelines
The Group recognises that smoking can impair the health of its employees as well as their job performance. The policy ensures that smoking is prohibited as smoking is illegal in all indoor areas of workplaces and public places.	To enhance the awareness of good workplace environmental practices, the Group communicated the Office Occupational Health and Safety Guidelines to its employees. The guidelines cover topics such as office workplace management, appropriate lighting, indoor air quality, security, equipment handling, hazard response and mental well-being. These factors enable the Group to maintain a thriving work environment.

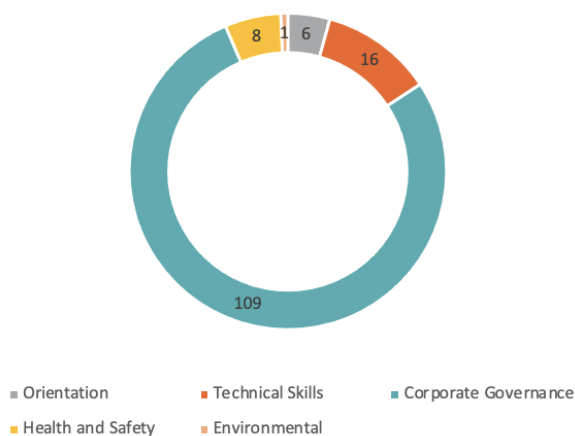
Talent Development

TLMC values the professional development of its employees, and encourages them to regularly enrich their knowledge to unleash their potential. Launched during the Reporting Period, the Learning and Development Policy of the Group guides the Administration Department in implementing a diverse range of training courses for employees of all levels and is formulated based on a balance between employee preferences and strategic business objectives.

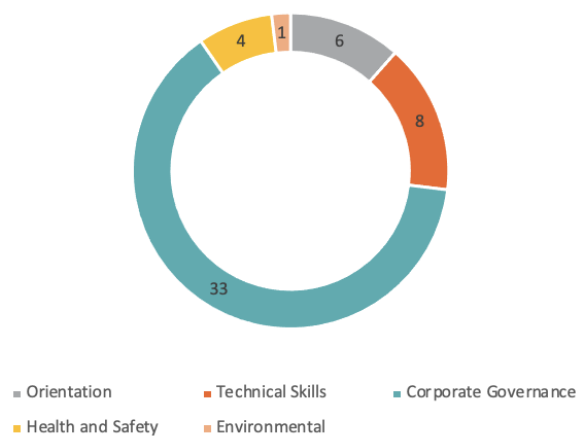
All new recruits are expected to attend induction training, which aims to guide them to understand the Group's core values, organisation structure, business goals, relevant policies, as well as code of conduct. As for technicians and operators that require specific professional expertise, the Group ensures that training is arranged for relevant products. A portion of these product training is directly conducted by the suppliers who ensure that the Group's technical team is equipped with the latest knowledge and skills to effectively operate and properly maintain the equipment. These skills also serve to help address customers' enquiries promptly and efficiently.

To nurture talents, the Group sponsors external training programs related to individuals' job scope, relevant public examinations, as well as application for professional membership. During the Reporting Period, the external and internal training courses of the Group covers aspects of business ethics, anti-corruption, occupational health and safety, among others. During the Reporting Period, 140 hours (2020: 401.5 hours) have been allocated for training purposes within the Group.

Distribution of Training Hours



Distribution of Participants (Hours)



For further details of the training data during the Reporting Period, please refer to the section headed “Performance Data Summary” in this Report.

Employment Welfare

Employees are indispensable to the long-term development and sustainability of TLMC. Guided by a people-oriented philosophy, the Group strives to cultivate an ideal workplace by providing attractive benefits, rewarding high performers, facilitating two-way communications and promoting fairness in the workplace.

Benefits and Compensation

To develop a thriving workforce, the Group offers competitive remuneration and benefits. These include basic salary, performance-related discretionary bonus, retirement benefits, overtime allowance, as well as group medical insurance scheme. They are also entitled to rest periods and leave, such as annual leave, sick leave, education leave, maternity leave, paternity leave, marriage leave, compassionate leave and jury leave. As set out in the HR Manual, employees who work outside normal working hours as specified by management are appropriately compensated in the form of compensation leave, or job-related payments and reimbursement.

Communication and Engagement

The Group believes that success of the business depends on mutual trust, communication, respect and understanding between different departments and seniority. Hence, employees are encouraged to candidly share their views and constructive criticisms with their immediate supervisors or senior management through various communication channels, including staff communication groups, briefing sessions or other informal channels. In striving to build a culture of fairness, the Group is committed also to ensuring that grievances are treated with respect and confidentiality. Appropriate investigation and resolving procedures will be taken if necessary.

Diversity and Equal Opportunity

The Equal Opportunity Policy in the HR Manual embodies the Group's dedication to foster a diverse and inclusive workplace that strictly prohibits any form of discrimination, harassment, victimisation or vilification. The Group takes an active approach to ensure that the recruitment, promotion and retention of employees are free of discrimination. The Group is committed to providing equal opportunities regardless of their age, sex, marital status, pregnancy, family status, disability, race, nationality or religion, provided that these do not impede the abilities of the prospective appointees to carry out normal job duties or affect the health and safety of fellow employees. The Group prides itself in being a competence-based employer by evaluating candidates based on their merits and abilities, including job knowledge and technical know-how, competence and potential, performance and quality of work, qualifications, working attitude and interpersonal skills, as well as personal attributes.

During the Reporting Period, the Group joined career fair of the Hong Kong Institute of Construction (HKIC) to create pathways for diverse talent to support the Group. Targeting recent college graduates from HKIC, the Group offered apprenticeship programs that last for two or three years for successful candidates. Candidates are assessed based on their merits and abilities through their application and on-the-spot interview, etc.

As of 31 of July 2021, the Group's workforce consisted of 215 employees (2020: 211), representing an increase of 1.90% in total workforce compared to the previous Reporting Period. The workforce of the Group comprises full-time management, office employees, technicians and operators and all of them are based in Hong Kong.



CORPORATE CITIZEN

TLMC is committed to taking part in nurturing a healthy, caring and sustainable society, concentrating efforts in the areas of health and medical care. The Group integrates corporate social responsibility into its corporate culture and promotes positive values and relationships with its community.

The Group has a long history of supporting charitable and non-profit organisations and have been awarded the Caring Company by the Hong Kong Council of Social Service as a company that cares for the community, employees and environment.

During the Reporting Period, the Group donated HK\$74,000 to support the operations of various organisations focusing on, among others, the underprivileged, children's health and the construction industry.

The Group also fully believes in lending a helping hand to those in great needs. Hence, the Group donated HK\$10,000 towards One Click Care, an initiative launched in 2020 by the Hong Kong Angelman Syndrome Foundation dedicated to improving the quality of life of the disabled or people with special needs and their families. Through this donation TLMC hopes to expand efforts in Hong Kong that raise convenience and efficiency for persons with disabilities.



Society Contribution

Many local communities in Hong Kong, especially the underprivileged, have experienced significant challenges due to the impacts of COVID-19. In response, the Group donated 498,000 pieces of surgical masks to 25 charities and non-profit organisations to support ongoing local efforts in combating COVID-19.

During the Reporting Period, the Group did not engage in community activities due to health and safety concerns arising from COVID-19. Moving forward, the Group hopes to participate in community events soon when situation permits it.

GREEN OPERATIONS

TLMC is committed to strengthening the control of environmental pollutants and adopting more environmentally-conscious operation methods. As the Group is primarily engaged in the sales, leasing and maintenance of heavy equipment, the environmental impact is relatively low compared to its manufacturers and product users at construction sites. Nevertheless, the Group still seeks ways to minimise its indirect environmental footprint through strictly complying with laws, rules and regulations, closely controlling emissions, improving energy efficiency, managing waste and adapting to climate change. The Group's Environmental Policy was developed during this Reporting Period to reduce the environmental impacts of its activities and to establish processes and procedures in line with regional environmental and climate objectives.

Environmental Compliance

The Group procures machinery that strictly adheres to the regulatory requirements of the Environmental Protection Department's (the "EPD") on emission of non-road mobile machinery. To comply with prescribed air and GHG emissions standards, the Group ensures that its machineries comply with the Air Pollution Control (Non-road Mobile Machinery) (the "NRMM") (Emission) Regulation (Cap. 311Z of the Laws of Hong Kong). The noise levels of the heavy equipment of the Group also comply with the Noise Control Ordinance (Cap. 400 of the Laws of Hong Kong) and are indicated by the Quality Powered Mechanical Equipment ("QPME") Labels.

The Group has obtained approval or exemption labels for regulated machineries for inventory and leasing purposes. Equipment with such labels are in compliance with international standards, including Article 12 of the Directive 2000/14/EC relating to the noise emission in the environment by equipment for use outdoors of the European Union (EU) and the Low Noise Construction Equipment Regulations by the Ministry of Land, Infrastructure, Transport and Tourism (MLIT) of Japan. The Group did not receive any material complaints of non-compliance during the Reporting Period.

The table below sets out the number of equipment of different standards:

<i>(As of 31 Jul 2021)</i>	Exempted NRMM	Approved NRMM	QPME
Inventory (unit)	4	158	46
Leasing Fleet (unit)	7	353	211

Environmental Impact and Resource Efficiency

The Group recognises the role it plays in helping to transition the world into a low-carbon society. Whilst its direct impact remains low, the Group strives to optimise its operational efficiency, as well as to seek environmental-friendly solutions for its customers.

Air, Noise and GHG Emissions Control

To ensure that the operation and emissions performance of the machinery provided to its customers is of excellent condition, the Group conducts thorough inspections before rental and performs regular maintenance during the rental process. Additionally, older machinery would be progressively phased out to keep in line with the most updated regulatory control requirements. The Group also adopts initiatives

to lower noise emission levels in its machineries such as applying anti-vibration devices to equipment, installing silencers, air compressor tubes, as well as using flexible joints for draught fans.

To improve its customers' environmental footprint, for a number of years the Group has expanded its rental and sales product line to include hybrid hydraulic excavators. Hybrid equipment are eco-friendly equipment with higher fuel efficiency levels than those powered by internal combustion engines. In addition, in August 2021, the Group leased out its first electric excavator for use in construction sites in Hong Kong. As customers are becoming increasingly conscious of their environmental impacts, the Group hopes to offer a diverse range of machinery to tailor to their sustainability requirements and values.

Regarding vehicles that support its daily business operations, the Group strives to lessen its impact on climate change by continuously monitoring their emission performance, documenting energy usage, and calculating respective air and GHG emission annually, in an accurate and transparent manner. As of 31 July 2021, the Group maintained a total fleet of 20 (2020: 16) vehicles and their total distance travelled with available data was 252,951.30 km (2020: 276,886.74 km).

The Group's air emissions primarily consist of GHG and exhaust gas emissions. In terms of GHG emissions, Scope 1 direct emissions stemmed from fuel combustion of the usage of its own vehicles, whereas Scope 2 indirect emissions derived from generated electricity used in its offices and facilities. Exhaust gas emissions mainly derived from the operation of the Group's own vehicles, which generates direct air pollutants, including nitrogen oxides ("NOx"), sulphur oxides ("SOx") and particulate matter ("PM").

The quantification methodology makes reference to the Guidelines to Account for and Report on Greenhouse Gas Emissions and Removals for Buildings (Commercial, Residential or Institutional Purposes) in Hong Kong, published by the Electrical and Mechanical Services Department ("EMSD") and Environmental Protection Department, as well as the latest emission factors, published by the China Light and Power Company Limited ("CLP"). The following table shows the Group's GHG emission profile for the Reporting Period as compared with the previous two years.

Emission Type	Unit	2018/19	2019/20	2020/21	% Change ²
NOx	kg	404.67	534.18	383.86	-5.14%
SOx	kg	0.56	0.71 ³	0.47	-16.18%
PM	kg	33.51	42.24	37.07	10.63%
Scope 1 Emissions	tCO ₂ e-	99.59	118.89 ⁴	80.44	-19.23%
Scope 2 Emissions	tCO ₂ e-	44.04	50.85	36.14	-17.95%

² This column compares information of FY20/21 with FY18/19 as the base year.

³ The Group started purchasing barrels of diesel oil to fill up some of its vehicles in June 2020. Due to insufficient data, 7,562 litres of diesel oil is excluded from the calculation of SOx emissions.

⁴ Due to insufficient data, the calculation of scope 1 direct emissions assumed that 7,562 litres of diesel oil was consumed for the use of medium goods vehicles.

Energy Usage and Efficiency

Enhancing energy efficiency can lead to an overall improvement in environmental performance and lessen its impact on the environment. The two principal energy sources that support the operations of the Group are fossil fuel and electricity.

Energy Type	Function
Diesel, Petroleum	<input type="checkbox"/> Operation and transportation of heavy equipment for the delivery and collection of sold and leased equipment to and from customers; and <input type="checkbox"/> Transportation means for the Group's personnel.
Electricity	<input type="checkbox"/> Powering electronic appliances that support operations.

In 2020, the Group installed solar panels on the rooftops of one of its warehouses. The solar panels are connected to the power grid and CLP's Feed-in Tariff (FiT) Scheme, and provide a source of renewable energy. During the Reporting Period, the solar panels generated 132,545.35 kW of electricity. Looking forward, the Group hopes for more opportunities in expanding its solar panels to other facilities to promote wider use of renewable energy.

Within its office, the Group actively practises energy-saving measures as efforts to reduce its overall carbon footprint. The Group will continue to strengthen employee's awareness in responsible energy use at the office.

Energy Saving Initiatives at TLMC

- Maintaining indoor temperature at an optimal level of comfort
- Encouraging employees to turn off computers and monitors when not in use
- Setting timers and other sensors to automatically turn off office appliances, such as copiers, TV monitors and air-conditioners, after office hours
- Encouraging employees to make the best use of telecommunication system to avoid unnecessary travel arrangements
- Putting up signage that emphasise the importance of energy saving
- Optimising logistics arrangement to and from customers' sites
- Using energy-efficient light bulbs such as LED, T5 or compact fluorescent lamps with energy labels (i.e. EMSD's Grade 1 and 2 or equivalent)
- Monitoring room temperature through inspecting thermometers

Energy Usage	Unit	2018/19	2019/20	2020/21	% Change ⁵
Diesel	L	32,953.76	40,494.37	27,204.43⁶	-17.45%
Petroleum	L	3,805.37	3,648.37	2,567.72⁷	-32.52%
Electricity ⁸	kWh	86,348.81	101,694.15	97,660.87	12.71%

Waste Management

Waste generated by machineries, if improperly handled, can be a potential health risk and harm the environment. TLMC is dedicated to managing its waste effectively, and divesting useful resources from landfills to recycling or repurposing, whenever applicable. The Group generates two major types of waste from its operation, specifically scrap metal and other non-hazardous waste including package materials of parts, domestic household waste and office waste.

For scrap metals, the Group performs a systematic process for sorting, organising and storing scrap metal at its facility site. Once a certain amount is collected, the Group commissions a metal recycler to collect and recycle the scrap metal waste in accordance with the Construction Waste Disposal Charging Scheme implemented by the EPD. During the Reporting Period, the Group recycled 178,030.00 kg (2020: 62,450 kg) of scrap metals, which is a significant increase in scrap metal recycling compared to the amount recycled in last year.

For other non-hazardous waste, the Group encourages the recycling and reuse of materials. A designated area has been set up for waste handling by an appointed waste collection company. During the Reporting Period, 95 tonnes of waste have been collected for further handling by the Group's third-party collection company.

Although the operations of the Group do not directly produce any hazardous chemical waste, the Group is committed to ensuring that all chemical waste is handled with due care by its lessees at sites. As a registered Chemical Waste Producer, the Group strictly abides by the Waste Disposal Ordinance (Cap. 354 of the Laws of Hong Kong) to control the release of chemical waste generated by the direct usage of heavy equipment by its lessees. Moreover, the Group ensures that the lessees handle chemical waste with care at sites by creating a designated area for the storage of waste, in accordance with the Code of Practice on the Packaging, Labelling and Storage of Chemical Wastes under the Waste Disposal Ordinance (Cap. 354 of the Laws of Hong Kong).

Paper Usage

At the office, the Group is committed to reducing paper consumption through adopting digital means of communications instead of using paper. In addition to performing double-sided printing, the Group promotes the concept of reusing and sharing stationary and office furniture. During the Reporting Period,

⁵ This column compares information of FY20/21 with FY18/19 as the base year.

⁶ The calculation of diesel usage covers 18 vehicles (2020: 12 vehicles), including those sold during the Reporting Period.

⁷ The calculation of petroleum usage covers 4 vehicles (2020: 3 vehicles), including those sold during the Reporting Period.

⁸ The calculation of electricity usage covers its headquarters office, branch office and 3 warehouses in its operating sites.

the Group has consumed approximately 102,500 pieces (2020: 55,000 pieces) of paper, which is equivalent to the weight of 0.51 tonne (2020: 0.27 tonne).

Water Usage

The Group recognises that water is a scarce resource and strives to use its water resources efficiently by treating sewage in a sustainable manner. In its facilities, the Group has set up a water sedimentation tank as the first layer of wastewater treatment that allows suspended particles to settle as the water flows into the public stream. Once the accumulated solids, or sludge, are formed at the bottom of the tank, they are periodically removed by a professional licensed waste collector. During the Reporting Period, the Group did not encounter any issue in sourcing water. The Group has consumed a total of 571.51 cubic metres (2020: 2,136.57 cubic metres) of water⁹ during the Reporting Period.

Climate Change Adaptation

The impacts of climate change are increasingly experienced and acknowledged by people and businesses around the world. Adapting to such change is necessary to help a company protect its operations and the safety of its people from climate-related risks. At TLMC, the Group has adopted appropriate measures to prepare its operations for and people to react to extreme weather events. The HR Manual sets out comprehensive guidelines to all employees on responding to typhoon and rainstorm warnings in accordance with the Code of Practice in Times of Typhoons and Rainstorms published by the Labour Department of the Hong Kong Government. For example, employees are advised not to report duty if the typhoon signal no.8 or above is hoisted before working hours.

With the number of hot days expected to increase over the 21st century, the Group strictly follows the Guidelines on Site Safety Measures for Working in Hot Weather issued by the Construction Industry Council of Hong Kong. To reduce worker's heat load and prevent disruption to its operations, the Group provides work shelters, ventilation facilities, rest periods, potable water, appropriate clothing and relevant training. In addition, the Group updates employees with information on extreme hot weather conditions through staff communication groups. Through these measures, the Group aims to promote good practices to its employees and ensure that they have the latest weather information to make timely arrangements.

Targets

To join the global efforts in combating climate change, the Group formulated a series of environmental targets that aim to reduce its operational impact on the environment. The Group took into consideration the industry's best practices and analysed its previous quantitative environmental data disclosed in past ESG reports in developing a set of appropriate environmental targets.

Environmental Issue	Target
GHG Emissions	By 2025, reduce GHG emissions (Scope 1 & 2) intensity (by tCO ₂ e / HK\$ 'million) by 4%, compared to a FY17/18 baseline
Electricity	By 2025, reduce electricity consumption intensity (by full time employee ("FTE")) by 67%, compared to a FY17/18 baseline

⁹ Water usage covers 2 operating sites (2020: 3 operating sites).

LAWS, RULES AND REGULATIONS

The Group recognises the importance of and is committed to having an effective governance system. Its Compliance Policies and Procedures outline its goals to maintain the highest standards of diligence in all areas of public accountability and conduct its activities in accordance with relevant regulatory requirements, internal policies and procedures. The Group Corporate Governance Policy also requires members of the senior management, who have been delegated responsibilities, to use their best endeavours to ensure that operations are in strict compliance with applicable laws, rules and regulations. The following table provides a summary of all laws, rules and regulations that have a significant impact on its operations.

Applicable Laws, Rules and Regulations	Compliance
Ethical Governance	
<ul style="list-style-type: none"> • Listing Rules • Companies Ordinance (Cap. 622 of the Laws of Hong Kong) • Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong) • Competition Ordinance (Cap. 619 of the Laws of Hong Kong) • Trade Descriptions Ordinance (Cap. 362 of the Laws of Hong Kong) • Prevention of Bribery Ordinance (Cap. 201 of the Laws of Hong Kong) • Personal Data (Privacy) Ordinance (Cap. 486 of the Laws of Hong Kong) • Employment of Children Regulations (Cap. 57B of the Laws of Hong Kong) • Employment of Young Persons (Industry) Regulations (Cap. 57C of the Laws of Hong Kong) 	<p>During the Reporting Period, the Group was not aware of any material violations of laws, rules and regulations relating to bribery, extortion, fraud, and the hiring of child and forced labour, which had a significant impact on the Group.</p>
Dedicated Workforce	
<ul style="list-style-type: none"> • Employment Ordinance (Cap. 57 of the Laws of Hong Kong) • Minimum Wage Ordinance (Cap. 608 of the Laws of Hong Kong) • Mandatory Provident Fund Schemes Ordinance (Cap. 485 of the Laws of Hong Kong) • Employees' Compensation Ordinance (Cap. 282 of the Laws of Hong Kong) • Family Status Discrimination Ordinance (Cap. 527 of the Laws of Hong Kong) • Occupational Safety and Health Ordinance (Cap. 509 of the Laws of Hong Kong) • Sex Discrimination Ordinance (Cap. 480 of the Laws of Hong Kong) • Disability Discrimination Ordinance (Cap. 487 of the Laws of Hong Kong) • Race Discrimination Ordinance (Cap. 602 of the Laws of Hong Kong) • Occupiers Liability Ordinance (Cap. 314 of the Laws of Hong Kong) • Motor Vehicles (First Registration Tax) Ordinance (Cap. 330 of the Laws of Hong Kong) • Road Traffic (Registration and Licensing of Vehicles) Regulations (Cap. 374E of the Laws of Hong Kong) 	<p>During the Reporting Period, the Group was not aware of any material violations of laws, rules and regulations relating to remuneration and dismissal, recruitment, promotion, working hours, anti-discrimination, occupational health safety and other safety treatments, which had a significant impact on the Group.</p>

<ul style="list-style-type: none"> • Factories and Industrial Undertakings Ordinance (Cap. 59 of the Laws of Hong Kong) • Factories and Industrial Undertakings (Loadshifting Machinery) Regulation (Cap. 59AG of the Laws of Hong Kong) • Factories and Industrial Undertakings (Lifting Appliances and Lifting Gear) Regulations (Cap. 59J of the Laws of Hong Kong) • Code of Practice on Safe Use of Excavators 	
Environmental Management	
<ul style="list-style-type: none"> • Air Pollution Control (Non-road Mobile Machinery) (Emission) Regulation (Cap. 311Z of the Laws of Hong Kong) • Noise Control Ordinance. (Cap. 400 of the Laws of Hong Kong) • Waste Disposal Ordinance (Cap. 354 of the Laws of Hong Kong) • Water Pollution Control Ordinance (Cap. 358 of the Laws of Hong Kong) 	<p>During the Reporting Period, the Group was not aware of any material violations of laws, rules and regulations relating to air and GHG emissions, noise emissions and discharges into water and land that have a significant impact on the Group.</p>

PERFORMANCE DATA SUMMARY

The table below sets out quantitative information regarding some of the records in relation to emission, use of resources and employment data of the Group:

Key Performance Indicators	Unit	2018/19	2019/20	2020/21
Environmental				
NOx Emissions	kg	404.67	534.18	383.86
SOx Emissions	kg	0.56	0.71	0.47
PM Emissions	kg	33.51	42.24	37.07
GHG Emission - Scope 1	tCO ₂ e-	99.59	118.89	80.44
GHG Emission - Scope 2	tCO ₂ e-	44.04	50.85	36.14
GHG Emissions (Scope 1 & 2)	tCO ₂ e-	143.63	169.74	116.57
GHG Emission Intensity by Revenue ¹⁰	tCO ₂ e- / HKD Million	0.25	0.27	0.24
GHG Emission Intensity by FTE	tCO ₂ e- / Person	1.23	0.80	0.54
Electricity Usage	kWh	86,648.81	101,694.15	97,660.87
Petroleum Usage	Litre	3,805.37	3,648.37	2,567.72
Diesel Usage	Litre	32,953.76	40,494.37	27,204.43
Energy Usage	MJ	1,710,655.18	2,051,693.87	1,487,894.17
Energy Usage Intensity by Revenue	MJ / HKD Million	2,990.40	3,262.88	3,062.79
Energy Usage Intensity by FTE	MJ / Person	14,620.98	9,723.67	6,920.44
Water Usage	m ³	1,526.53	2,136.57	571.51
Water Usage Intensity by Revenue	m ³ / HKD Million	0.00	0.00	1.18
Water Usage Intensity by FTE	m ³ / Person	13.05	10.13	2.66
Scrap Metals Recycled	kg	10,850.00	62,450.00	178,030.00
Paper Disposed	Tonne (Piece)	N/A	0.27 (55,000)	0.51 (102,500)
Paper Recycled	Tonne (Piece)	N/A	N/A	0.12 (25,000)

¹⁰Intensity by revenue figures in 2018/19 and 2019/20 were converted to the revenue unit in HKD Million for more meaningful comparison

Key Performance Indicators	Unit	2018/19	2019/20	2020/21
Social				
Total Workforce (Turnover)	Person (Person/%)	117	211 (30.00%)	215 (15.02%)
<i>By Gender (Turnover)</i>				
Male	Person (Person/%)	N/A	178	193 (11.32%)
Female	Person (Person/%)	N/A	33	22 (40.00%)
<i>By Age Group (Turnover)</i>				
<30	Person (Person/%)	N/A	25	27 (45.15%)
30-40	Person (Person/%)	N/A	44	52 (10.42%)
41-50	Person (Person/%)	N/A	64	63 (6.30%)
>50	Person (Person/%)	N/A	78	73 (14.57%)
<i>By Employment Type (Turnover)</i>				
Management	Person (Person/%)	4	4 (0.00%)	4 (0.00%)
Administration and Accounting	Person (Person/%)	4	6 (1.00%)	7 (30.77%)
Sales and Marketing	Person (Person/%)	13	16 (11.00%)	17 (54.55%)
Procurement and Warehousing	Person (Person/%)	6	7 (0.00%)	7 (85.71%)
Technical and Maintenance	Person (Person/%)	22	30 (18.00%)	39 (23.19%)
Operators	Person (Person/%)	68	148 (0.00%)	141 (4.84%)
<i>Total Trained</i>				
Total Trained Employees	Person	48	20	21
Total Training Hours	Hour	552.00	401.50	140.00
<i>Trained Employees By Gender (% of Employees Trained)</i>				
Male	Person (%)	33 (N/A)	15 (8.00%)	14 (7.25%)
Female	Person (%)	15 (N/A)	8 (24.00%)	5 (23.73%)
<i>Trained Employees (% of Employees Trained) By Employment Category</i>				
Management	Person (%)	4 (100%)	4 (100.00%)	4 (100.00%)
Administration and Accounting	Person (%)	3 (75%)	2 (33.00%)	3 (42.86%)
Sales and Marketing	Person (%)	6 (46%)	2 (13.00%)	2 (11.76%)
Procurement and Warehousing	Person (%)	2 (33%)	2 (29.00%)	1 (14.29%)
Technical and Maintenance	Person (%)	27 (100%)	8 (27.00%)	10 (25.64%)
Operators	Person (%)	6 (9%)	2 (1.00%)	1 (0.71%)

<i>Training Hours By Gender (Average per Employee)</i>				
Male	Hour (Hour)	339.50 (N/A)	310.50 (1.74)	44.5 (0.23)
Female	Hour (Hour)	212.50 (N/A)	91.00 (2.76)	95.5 (4.34)
<i>Training Hours By Employment Category (Average per Employee)</i>				
Management	Hour (Hour)	58.00 (14.50)	79.50 (19.88)	100 (25.00)
Administration and Accounting	Hour (Hour)	16.00 (4.00)	42.00 (7.00)	8 (1.14)
Sales and Marketing	Hour (Hour)	53.00 (4.08)	14.00 (0.88)	6 (0.35)
Procurement and Warehousing	Hour (Hour)	2.00 (0.33)	14.00 (2.00)	1 (0.14)
Technical and Maintenance	Hour (Hour)	283.00 (12.86)	238.00 (7.93)	10 (0.26)
Operators	Hour (Hour)	140.00 (2.06)	14.00 (0.09)	1 (0.01)
<i>Work-related Injuries</i>				
Work-related Injuries	Case	N/A	N/A	1
Lost Days Due to Work Injuries	Days	N/A	N/A	7
Work-related Fatalities	Fatalities	0	0	0
Injury Rate	Per 100 Employees	N/A	N/A	0.47

STOCK EXCHANGE ESG GUIDE CONTENT INDEX

Aspects, General Disclosures and KPIs	Description	Relevant Chapter or Explanation
Mandatory Disclosure Requirements		
Governance Structure		
	<p>A statement from the board containing the following elements:</p> <ul style="list-style-type: none"> i) a disclosure of the board's oversight of ESG issues; ii) the board's ESG management approach and strategy, including the process used to evaluate, prioritise and manage material ESG-related issues (including risks to the issuer's businesses); and iii) how the board reviews progress made against ESG-related goals and targets with an explanation of how they relate to the issuer's businesses. 	Sustainability at TLMC - ESG Management, ESG Strategies, Stakeholder Engagement and Materiality Assessment
Reporting Principles		
	<p>A description of, or an explanation on, the application of the following Reporting Principles in the preparation of the ESG Report:</p> <p>Materiality: The ESG report should disclose: (i) the process to identify and the criteria for the selection of material ESG factors; and (ii) if a stakeholder engagement is conducted, a description of significant stakeholders identified, and the process and results of the issuer's stakeholder engagement.</p> <p>Quantitative: Information on the standards, methodologies, assumptions and/or calculation tools used, and source of conversion factors used, for the reporting of emissions/energy consumption (where applicable) should be discussed.</p> <p>Consistency: The issuer should disclose in the ESG report any changes to the methods or KPIs used, or any other relevant factors affecting a meaningful comparison.</p>	About this Report; Sustainability at TLMC - Stakeholder Engagement, Materiality Assessment and Performance Data Summary
Reporting Boundary		
	A narrative explaining the reporting boundaries of the ESG report and describing the process used to identify which entities or operations are included in the ESG report. If there is a change in the scope, the issuer should explain the difference and reason for the change.	About this Report

Aspects, General Disclosures and KPIs	Description	Relevant Chapter or Explanation
“Comply or Explain” Provisions		
Aspect A1: Emissions		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws, rules and regulations that have a significant impact on the issuer relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste.	Green Operations - Environmental Compliance, Environmental Impact and Resource Efficiency, Climate Change Adaptation and Laws, Rules and Regulations
KPI A1.1	The types of emissions and respective emissions data.	Green Operations - Environmental Impact and Resource Efficiency and Performance Data Summary
KPI A1.2	Direct (Scope 1) and energy indirect (Scope 2) greenhouse gas emissions (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	Green Operations - Environmental Impact and Resource Efficiency and Performance Data Summary
KPI A1.3	Total hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	Green Operations - Environmental Impact and Resource Efficiency and Performance Data Summary
KPI A1.4	Total non-hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	Green Operations - Environmental Impact and Resource Efficiency and Performance Data Summary
KPI A1.5	Description of emissions target(s) set and steps taken to achieve them.	Green Operations – Climate Change Adaptation
KPI A1.6	Description of how hazardous and non-hazardous wastes are handled, and a description of reduction target(s) set and steps taken to achieve them.	Green Operations - Environmental Impact and Resource Efficiency. The Group will consider analysing material waste records, and implementing reduction targets, where material.
Aspect A2: Use of Resources		
General Disclosure	Policies on the efficient use of resources, including energy, water and other raw materials.	Green Operations - Environmental Impact and Resource Efficiency
KPI A2.1	Direct and/or indirect energy consumption by type (e.g. electricity, gas or oil) in total (kWh in '000s) and intensity (e.g. per unit of production volume, per facility).	Green Operations - Environmental Impact and Resource Efficiency and Performance Data Summary
KPI A2.2	Water consumption in total and intensity (e.g. per unit of production volume, per facility).	Performance Data Summary
KPI A2.3	Description of energy use efficiency target(s) set and steps taken to achieve them.	Green Operations – Climate Change Adaptation
KPI A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency target(s) set and steps taken to achieve them.	Green Operations - Environmental Impact and Resource Efficiency. The Group will consider analysing water consumption records, and implementing reduction targets, where material.
KPI A2.5	Total packaging material used for finished products (in tonnes) and, if applicable, with reference to per unit produced.	The Group did not use packaging material to support its operations during the Reporting Period.
Aspect A3: The Environment and Natural Resources		
General Disclosure	Policies on minimising the issuer’s significant impacts on the environment and natural resources.	Green Operations - Environmental Compliance, Environmental Impact and Resource Efficiency and Climate Change Adaptation
KPI A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	Green Operations - Environmental Compliance, Environmental Impact and Resource Efficiency and Climate Change Adaptation

Aspect A4: Climate Change		
General Disclosure	Policies on identification and mitigation of significant climate-related issues which have impacted, and those which may impact, the issuer.	Through a comprehensive materiality assessment, climate change was considered immaterial. Hence, the Group opts not to disclose this information at this time. However, the Group still disclosed its adaptation arrangements for extreme weather in Green Operations - Climate Change Adaptation. The Group will regularly conduct materiality assessment and consider performing analysis on the impact of climate change on its operations in the future.
KPI A4.1	Description of the significant climate-related issues which have impacted, and those which may impact, the issuer, and the actions taken to manage them.	
Aspect B1: Employment		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws, rules and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare.	Dedicated Workforce - Employment Welfare and Laws, Rules and Regulations
KPI B1.1	Total workforce by gender, employment type, age group and geographical region.	Performance Data Summary
KPI B1.2	Employee turnover rate by gender, age group and geographical region.	Performance Data Summary
Aspect B2: Health and Safety		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws, rules and regulations that have a significant impact on the issuer relating to providing a safe working environment and protecting employees from occupational hazards.	Dedicated Workforce - Occupational Health and Safety and Laws, Rules and Regulations
KPI B2.1	Number and rate of work-related fatalities occurred in each of the past three years including the reporting year.	Dedicated Workforce - Occupational Health and Safety and Performance Data Summary
KPI B2.2	Lost days due to work injury.	Dedicated Workforce - Occupational Health and Safety and Performance Data Summary
KPI B2.3	Description of occupational health and safety measures adopted, and how they are implemented and monitored.	Dedicated Workforce - Occupational Health and Safety
Aspect B3: Development and Training		
General Disclosure	Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.	Dedicated Workforce - Talent Development
KPI B3.1	The percentage of employees trained by gender and employee category (e.g. senior management, middle management).	Dedicated Workforce - Occupational Health and Safety and Performance Data Summary
KPI B3.2	The average training hours completed per employee by gender and employee category.	Dedicated Workforce - Occupational Health and Safety and Performance Data Summary
Aspect B4: Labour Standards		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws, rules and regulations that have a significant impact on the issuer relating to preventing child and forced labour.	Ethical Governance - Human Rights; Laws, Rules and Regulations
KPI B4.1	Description of measures to review employment practices to avoid child and forced labour.	Ethical Governance - Human Rights
KPI B4.2	Description of steps taken to eliminate such practices when discovered.	Ethical Governance - Human Rights

Aspect B5: Supply Chain Management		
General Disclosure	Policies on managing environmental and social risks of the supply chain.	Quality Product and Service - Supply Chain Management
KPI B5.1	Number of suppliers by geographical region.	Quality Product and Service - Supply Chain Management and Performance Data Summary
KPI B5.2	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, and how they are implemented and monitored.	Quality Product and Service - Supply Chain Management
KPI B5.3	Description of practices used to identify environmental and social risks along the supply chain, and how they are implemented and monitored.	Quality Product and Service - Supply Chain Management
KPI B5.4	Description of practices used to promote environmentally preferable products and services when selecting suppliers, and how they are implemented and monitored.	Quality Product and Service - Supply Chain Management
Aspect B6: Product Responsibility		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws, rules and regulations that have a significant impact on the issuer relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress.	Quality Product and Service - Leveraging Technology, Product Quality Assurance, Customer Engagement and Laws, Rules and Regulations
KPI B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons.	Nil
KPI B6.2	Number of products and service related complaints received and how they are dealt with.	Nil
KPI B6.3	Description of practices relating to observing and protecting intellectual property rights.	Ethical Governance - Information Confidentiality
KPI B6.4	Description of quality assurance process and recall procedures.	Quality Product and Service - Product Quality Assurance
KPI B6.5	Description of consumer data protection and privacy policies, and how they are implemented and monitored.	Ethical Governance - Information Confidentiality
Aspect B7: Anti-corruption		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws, rules and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering.	Ethical Governance - Anti-corruption
KPI B7.1	Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the reporting period and the outcomes of the cases.	Nil
KPI B7.2	Description of preventive measures and whistle-blowing procedures, and how they are implemented and monitored.	Ethical Governance - Anti-corruption
KPI B7.3	Description of anti-corruption training provided to directors and staff.	Ethical Governance - Anti-corruption
Aspect B8: Community Investment		
General Disclosure	Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests.	Corporate Citizen - Society Contribution
KPI B8.1	Focus areas of contribution (e.g. education, environmental concerns, labour needs, health, culture and sport).	Corporate Citizen - Society Contribution
KPI B8.2	Resources contributed (e.g. money or time) to the focus area.	Corporate Citizen - Society Contribution