



CHTC FONG'S INTERNATIONAL COMPANY LIMITED

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



Environmental, Social and  
Governance Report 2023

**Environmental, Social and Governance Report 2023**

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## 1. Scope

This Environmental, Social and Governance Report 2023 (“**this Report**”) covered the disclosure of CHTC Fong’s International Company Limited (the “**Company**”, and together with its subsidiaries, collectively referred to as the “**Group**”) during the period from 1 January 2023 to 31 December 2023, regarding the performance of the following core business scopes and the three operating regions<sup>1</sup> which represented the majority of the Group’s business revenues and the significant implication with the environment:

### **Manufacturing and Selling of Dyeing and Finishing Machines**

- Fong’s National Engineering (Guangdong) Co., Ltd.  
(9 Xiangshan Avenue, Cuicheng New District, Zhongshan City, Guangdong Province, the PRC)
  
- Monforts Fong’s Textile Machinery (Zhongshan) Co., Ltd.  
(19 Xiangshan Avenue, Cuicheng New District, Zhongshan City, Guangdong Province, the PRC)

### **Manufacturing and Selling of Stainless Steel Casting Products**

- Tycon Alloy Industries (Zhongshan) Co., Ltd.  
(28 Wugui Road, Cuicheng New District, Zhongshan City, Guangdong Province, the PRC)

The contents of this Report are prepared in accordance with the Environmental, Social and Governance Reporting Guide as set out in Appendix C2 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. During the year, the Group also conducted stakeholder surveys to identify their expectations on the Group and developed appropriate strategies to respond to their views and needs.
- **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.

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<sup>1</sup> Considering that the headquarters in Hong Kong have insignificant impact on the data in environmental and social aspects, the Company has decided not to disclose the related data of the headquarters in Hong Kong (located at Level 13, Tower 2, Kowloon Commerce Centre, 51 Kwai Cheong Road, Kwai Chung, Hong Kong and Units 2201 & 2203, Orient International Tower, 1018 Tai Nan West Street, Cheung Sha Wan, Kowloon, Hong Kong) in this Report.

### 3. Board's Governance on Environmental, Social and Governance Topics

In 2023, the global economy stabilised gradually and showed signs of improvement, but the recovery was not as strong as expected. Meanwhile, inflation remained at a high level, and the surge in raw material prices led to an increase in operating costs. The Group adopted strict quality control measures and implemented cost control initiatives throughout the entire operating structure as part of the strategic framework. The Board of Directors of the Company (the "Board") continues to oversee the relevant environmental, social and governance (ESG) aspects within the framework of the current business strategy, for ensuring operations in continued compliance with local laws and regulations in the business regions and safeguarding the interests of stakeholders, especially provision of quality products to customers and mitigation of the environmental impacts incurred by the production processes.

The Group collects environmental, social and governance information on a regular basis through different committees and working groups, and then consolidates, analyses and discloses performance in the ESG report. At the board meeting of the Company, board members will review ESG performance disclosed in the report, regarding the status of suitability and compliance with the Group's business strategy and identifying the sustainability topics being material to the Group and stakeholders, so as to make appropriate decisions and adjust the relevant strategies as necessary.



Through regular communication with committees/working groups and the annual ESG report, the Board will evaluate the potential risks disclosed from the ESG information, and then prioritise the management of those ESG topics with significant impacts and formulate the effective preventive and control measures. In response to the aforesaid market risks, the Board has adopted a prudential approach in management of different core businesses, including but not limited to the following strategies :

### **Manufacturing and selling of dyeing and finishing machines**

Due to the ongoing challenges in the global economic environment and the relatively weak rebound, customers' intentions towards investing in new dyeing and finishing machines and expansion projects have become cautious. This has resulted in a slow recovery in the demand for new production equipment. The cost control measures implemented by the Group were not merely applied to the production process, resources were also allocated for enhanced trainings of skilled workers. This approach achieved cost savings while improving the quality of output. In addition, the Group would consider utilising high-quality subcontracted labor to effectively meet customer needs for urgent orders while controlling fixed labor costs.

As a leading manufacturer of dyeing and finishing machines, product development and innovation are crucial strategies for operations. The Group would continue to carry out thorough and in-depth reform of the manufacturing process, with the aim to further enhance efficiency, constantly improve lean manufacturing, and enhance overall performance and output quality of production. During the reporting period, the Group has launched a new model of its flagship fabric dyeing machines in response to market changes and ardent needs of customers, and such products won unanimous praise in the market.

### **Manufacturing and selling of stainless steel casting products**

The products of this business primarily included high-quality castings and machined processing parts made of stainless steel, duplex steel, and nickel-based alloys, which are widely used in industrial equipment for industries such as valves, pumps, chemicals, petroleum, natural gas, and food, where customers are mainly from Europe, the United States, and Japan. At the beginning of the reporting period, most countries have already lifted various anti-pandemic control measures and returned to normal. However, the expected significant economic rebound has not emerged. Coupled with the unstable external environment, the purchasing intentions of customers have become more cautious, and this slowed down the pace of sales. Fortunately, the management team has been actively broadening new customer base over the past few years to seek for potential collaboration opportunities, and to focus on developing unique and high-end casting products. This allowed the Group to adopt a prudent plan for capacity expansion, upgrade of facilities and replacement of old machinery, with the aim of supporting the development of a higher-value casting product mix, as well as enhancing automation duly to raise overall efficiency.

Despite the Group has implemented cost control measures in various aspects, given addressing climate change has become a global consensus for achieving sustainable development, the Board is also dedicated to making relevant contributions to sustainable development. Along the various stages of product management, the Board will develop relevant policies or targets, and will regularly review performance and implementation progress, for achieving emission reduction and resource conservation, including but not limited to the following strategy examples:

- Priority of product design given to the use of environmentally friendly materials or products that could enhance the characteristics of environmental protection
- Enhancement in the environmental protection characteristics of the equipment and machinery along the production lines
- Collaboration with customers and business partners in the supply chain to explore green production technology
- Investment, exploration, and application of renewable energy projects within factory's premises, such as photovoltaic system for generation of electricity

Looking ahead, the Group will continue to uphold the business philosophy of "Technology-focused and Customer-oriented", to allocate more resources for research and development of new products, and to gradually introduce more high-quality and market-adapted products to meet the needs of different customers. In the dyeing and finishing machinery business, the overseas markets in Europe and Americas are expected to fall short of expectations. However, looking at the emerging markets in China and Southeast Asia where the Group focuses, the demand remains significant. Overall, the management team of the Group is diligent, and actively keeps pace with the market, formulates strategies and measures to respond to market trends, and implements long-term capacity upgrade and expansion plans, at the same time striving to continuously improve efficiency, maintain quality, and provide products that are suitable for customers and the market.

#### 4. Communication with Stakeholders

The Company convenes an annual general meeting which provides an effective platform for the Board 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.

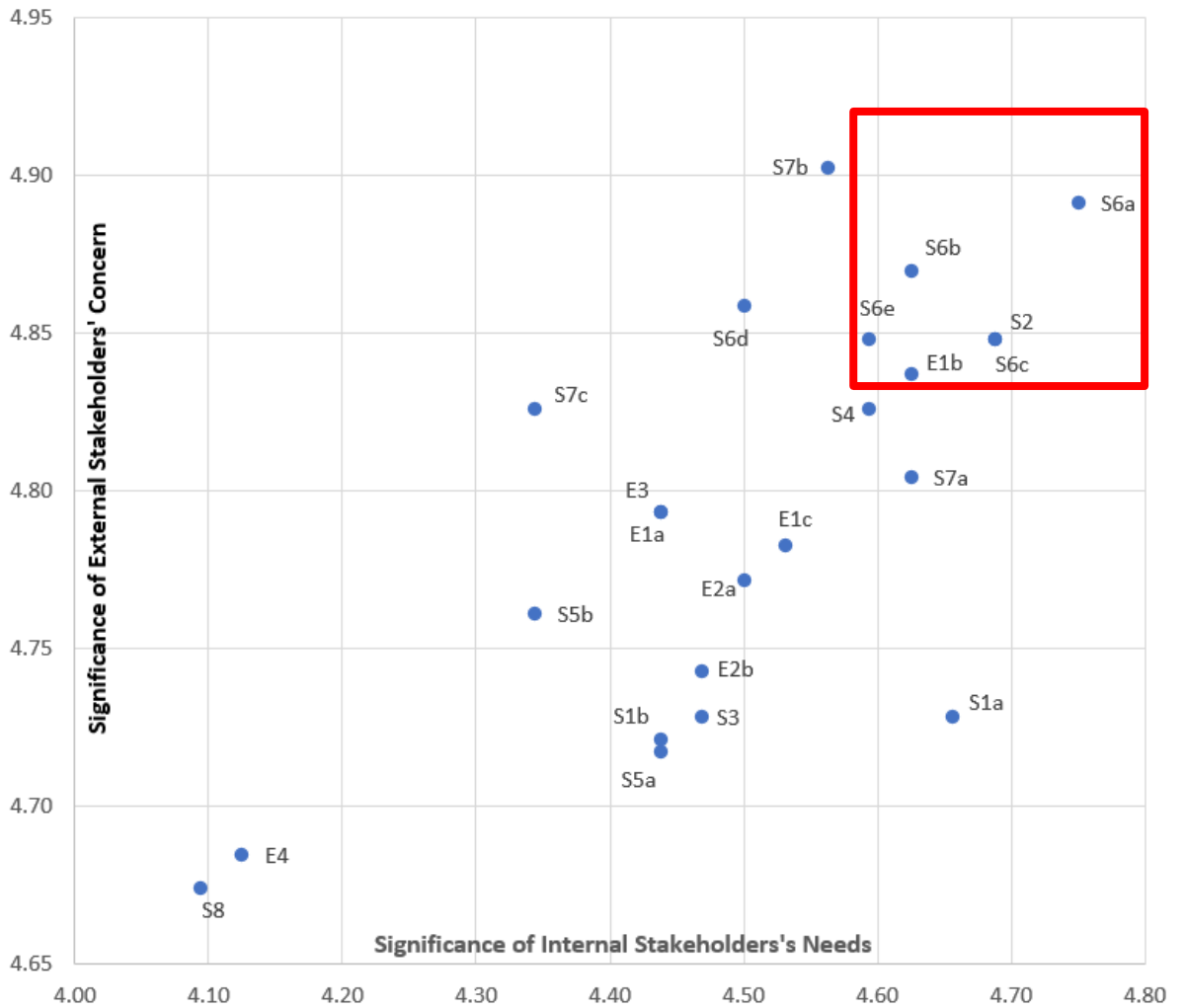
In order to better understand the environmental, social and governance awareness and expectations of our stakeholders, in addition to the above stakeholder communication channels, the Group conducted a survey of stakeholders in the reporting year and proceeded the following three steps to prepare and conduct the materiality assessment:

|  |  |
|--|--|
| <p>Step 1</p> <p>Identify topics on environmental, social and governance</p> | <p>In accordance with the Hong Kong Stock Exchange's Environmental, Social and Governance Reporting Guide as the framework for materiality assessment, and taking into account factors such as corporate development strategies, industry trends, regulatory and market requirements, the stakeholder questionnaire was developed to proceed survey on 23 sustainability [environmental, social and governance (ESG)] topics in four categories: environmental protection, employment and labour management, operating practices and community investment.</p> |
| <p>Step 2</p> <p>Identify stakeholders and set up questionnaires</p>         | <p>The stakeholders identified as utmost important to the Group are our customers, suppliers and employees. According to their respective perceptions and expectations, specific content of the topics was formulated in their respective questionnaires. The questionnaires were then distributed to the sampled stakeholders, whose feedback was collected within the specified time frame.</p>  |
| <p>Step 3</p> <p>Evaluate and identify material topics</p>                   | <p>Through statistical analysis of survey feedback from external stakeholders, and review of the Group's strategies and the priorities of internal stakeholders, data of both external and internal demands was consolidated for plotting the "ESG Materiality Matrix Diagram". From the aforesaid 23 sustainability topics, the ESG material topics of the Group were identified (within the red square in the upper right corner of the matrix diagram on next page).</p>  |

**“Materiality Assessment” based on 23 Sustainability Topics in Four Categories**

| <b>Legend</b> | <b>ESG topics</b>   | <b>Legend</b> | <b>ESG topics</b>                                     |
|---------------|---|---------------|---|
| E1a           | Control for emission of air pollutants/ greenhouse gas          | S4            | Prevention of Child and Forced Labour                 |
| E1b           | Wastewater Treatment  | S5a           | Supply Chain Management                               |
| E1c           | Solid Waste Handling  | S5b           | Green procurement                                     |
| E2a           | Energy conservation   | S6a           | Product / service quality                             |
| E2b           | Water conservation  | S6b           | Customers' health and safety                          |
| E3            | Operations minimising environmental impacts                     | S6c           | Customer service and complaint handling mechanism     |
| E4            | Strategy against climate change                                 | S6d           | Intellectual property right protection                |
| S1a           | Employment and staff benefits                                   | S6e           | Customer data privacy protection                      |
| S1b           | Equal, anti-discrimination, and diversified working environment | S7a           | Corporate governance                                  |
| S2            | Occupational safety and health                                  | S7b           | Prevention of corruption/bribery and money laundering |
| S3            | Employee development and training                               | S7c           | Anti-competitive practices                            |
|               |   | S8            | Community contribution                                |

**ESG Materiality Matrix Diagram**



To enhance the granularity of the materiality assessment results, the number of topics covered in the stakeholder questionnaire were increased from 18 to 23. During the materiality assessment in this reporting year (2023), the top six material topics were identified similar to those of last year (2022) (marked as *italic text* in the following table). For the topic "Corporate Governance" which was only identified as material last year, Section 5.2.7 in This Report also depicted relevant measures for this reporting year.

| Year 2023   | Year 2022   |
|---|---|
| <i>Product / service quality</i> (S6a)<br><i>Customer service and complaint handling mechanism</i> (S6c)<br><i>Customers' health and safety</i> (S6b) | Customer Service                                  |
| <i>Occupational safety and health</i> (S2)  | Safety  |
| <i>Customer data privacy protection</i> (S6e)   | Intellectual Property Right Protection            |
|   | Information Security and Personal Data Protection |
| <i>Wastewater Treatment</i> (E1b)   | Water Conservation                                |
|   | Corporate Governance                              |

## 5. Environmental, Social and Governance Performance

### 5.1 Environmental

#### 5.1.1 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) Directional Targets on Environmental Protection

The Group is committed to corporate social responsibility and protection of environment, therefore, has established the following targets with the aim to mitigate the adverse environmental impacts incurred from the operations:



| <b>Environmental targets</b> | <b>Directional statements</b>   | <b>Measures taken during the year</b>   |
|------------------------------|---|---|
| Emission reduction           | 1. Reduction in emission of exhaust gases containing volatile organic compounds (VOC)                   | <ul style="list-style-type: none"> <li>i. Application of powder-spraying line for substitution of paint-spraying process, which led to reduced emission of volatile organic compounds</li> <li>ii. For suitable products, use water-based paint in replacement of oil-based paint to reduce the emission of volatile organic compounds</li> </ul>   |
|                              | 2. Enhancement in the filtration and treatment system for exhaust gases / dust                          | <ul style="list-style-type: none"> <li>i. Increase in the facilities for dust removal at polishing stage and for treatment of exhaust gases</li> <li>ii. Installation at paint-spraying room with water curtain collection system, cleaning towers, ultra-violet photolysis and activated carbon absorption equipment, as well as high altitude emission devices, for reducing emission of dust and volatile organic compounds</li> </ul> |
|                              | 3. Increase in the use of clean energy for reducing pollution incurred from coal-fired power generation | <ul style="list-style-type: none"> <li>i. In the paint-spraying room of dyeing and finishing machine manufacturing factory, substitution of electricity by natural gas for provision of heat energy</li> <li>ii. In the heating furnace of stainless-steel casting production factory, use of natural gas in replacement of electricity as the energy source</li> </ul>   |
|                              | 4. Decrease in the vehicles' consumption of diesel oil or gasoline                                      | Gradual replacement of diesel forklifts by electric forklifts, consequently for reducing emission of exhaust gases and greenhouse gases generated by the engines of diesel forklift   |

| Environmental targets | Directional statements  | Measures taken during the year   |
|-----------------------|---|--|
| Waste reduction       | 1. Re-use of relevant raw materials along the production processes for reducing industrial wastes | <p>In stainless-steel casting production factory, practices for recycling and re-use of materials were in place:</p> <ul style="list-style-type: none"> <li>• Re-use of casting sands</li> <li>• Recycling of wax</li> </ul>   |
|                       | 2. Upcycling of raw materials from nonconforming products or wastes                               | <p>i. In stainless-steel casting production factory, scrap casting products are reused, saving approximately 120 tonnes of steel and approximately 3% of the annual steel consumption throughout the year</p> <p>ii. In dyeing and finishing machine manufacturing factory, steels from scrap products were extracted for use in the factory's internal engineering works, through modifications of non-conforming products of large specifications to products of small specifications, saving approximately 80 tonnes of steel materials throughout the year</p> |
|                       | 3. Application of devices which could achieve waste reduction                                     | <p>i. Cutting machines of environmental model were adopted within cutting departments in factories for manufacture of dyeing and finishing machines, aiming to reduce the generation of waste sands</p> <p>ii. In factories for manufacture of dyeing and finishing machines, in-house CNC equipment for processing of composite chain parts was in place for reducing waste generation.</p>   |

| <b>Environmental targets</b> | <b>Directional statements</b>   | <b>Measures taken during the year</b>   |
|------------------------------|---|---|
| Energy use efficiency        | 1. Application of heat recovery technology for reducing energy consumption  | In stainless-steel casting production factory, natural gas consumption was reduced by approximately 5,600 cubic meters through installation of energy-saving device for recovery of heats from exhaust gases of boilers   |
|                              | 2. Increase in use of energy-saving equipment                               | In factories for manufacture of dyeing and finishing machines, energy-efficient welding equipment was adopted. In addition, energy-efficient boilers were installed in Tooling Equipment department to substitute the old boilers for reducing consumption of natural gas |
|                              | 3. Enhancement in technology for reducing energy consumption                | Manual plasma cutting machine was used to replace carbon dioxide laser machine in the process of Dyeing Vat department, thereby saving approximately 30% of electricity consumption throughout the year   |
| Water use efficiency         | 1. Reuse of wastewater that was treated and meeting the specified standards | In factories for manufacture of dyeing and finishing machines, treated wastewater was recycled for non-production usage in the factories, such as floor cleaning and greening activities, through utilisation of sewage treatment facilities                              |
|                              | 2. Adoption of water recycling equipment                                    | In factories for manufacture of dyeing and finishing machines, "pressure-test water recycling system" was established with water pool for collection and recycling of water   |

(b) Green Office Management

In addition to establishing the aforesaid environmental targets for factory's operations, 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.

(b)(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.

(b)(2) 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.

(c) 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. Amongst the operating regions covered by this Report in the reporting year, the Group has arranged a total of 659 participants in the environmental awareness trainings, for the purpose of their effective implementation of the environmental measures on energy saving and emission reduction, etc.

### 5.1.2 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 did not identify any significant non-compliance to the regulations pertinent to emissions or other environmental issues.

(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.

| <b>Types of wastes</b> | <b>Total Annual Emission<br/>(tonne)</b> | <b>Emission Intensity per tonne of<br/>production units<br/>(tonne / tonne)</b> |
|------------------------|--|---|
| Hazardous wastes       | 157.0                                    | 0.0103  |
| Non-hazardous wastes   | 1,885.8                                  | 0.1231  |

(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, empty chemical containers, and 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.

| <b>Manufacture of dyeing and finishing machines</b>                | <b>Unit</b>     | <b>Year 2023</b> | <b>Year 2022</b> |
|--|-----------------|------------------|------------------|
| Hazardous waste emissions  | (tonne)         | 79.3             | 102.4            |
| Emission intensity <sup>2</sup><br>(per tonne of production units) | (tonne / tonne) | 0.0071           | 0.0065           |
| Non-hazardous waste emissions                                      | (tonne)         | 1573.2           | 2,054.2          |
| Emission intensity<br>(per tonne of production units)              | (tonne / tonne) | 0.1409           | 0.1306           |

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

From the stainless steel casting production, the main hazardous waste generated was cutting solvent and other chemical liquid waste, while non-hazardous wastes were mainly waste sands, metallic wastes, and dust from dust collectors, all were collected and processed by qualified contractors.

| <b>Manufacture of stainless steel casting products</b>             | <b>Unit</b>     | <b>Year 2023</b> | <b>Year 2022</b> |
|--|-----------------|------------------|------------------|
| Waste sand emissions   | (tonne)         | 57.8             | 64.4             |
| Emission intensity <sup>3</sup><br>(per tonne of production units) | (tonne / tonne) | 0.0139           | 0.0139           |
| Cutting solvent emissions  | (tonne)         | 17.6             | 18.1             |
| Emission intensity<br>(per tonne of production units)              | (tonne / tonne) | 0.0042           | 0.0039           |

**(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 addition to automation control, environmental-friendly equipment is preferred in procurement, such as installation of cutting machine of environmental-friendly model in the Cutting and Forming department for reducing the generation of waste cutting sands.

Also, the factory is striving to reuse and utilise the materials from the non-conforming or scrap products, such as: through the modifications of non-conforming products of large specifications to products of small specifications, and re-use of steels from scrap products for the factory's internal engineering, as a result, approximately 80 tonnes of steel materials were saved throughout the year.

<sup>2</sup> Calculation is based on the production units of 11,167 tonnes in the year 2023 from the operations for the manufacture of dyeing and finishing machines.

<sup>3</sup> Calculation is based on the production units of 4,148 tonnes in the year 2023 from the operations for the manufacture of stainless steel casting products.

(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 approximate  
**2,103 tonnes**



**Wax Recycling**  
Annual savings approximate  
**3 tonnes**



**Scrap Steel Materials -  
Extracted for Reuse**  
Annual savings approximate  
**120 tonnes**

Through the re-use of casting sands and based on the new sand's consumption of 4,320 tonnes in the reporting year, the savings of casting sands amounted to around 33% 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 8 tonnes in the reporting year, the savings of wax was around 27% 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, such as treating the discharge of wastewater from acid washing and phosphating processes. During the reporting period, wastewater treatment system using technology of Continuous High-Frequency Pulse Ionization Membrane was adopted for the annual target of processing around 1,950 cubic metres 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

Paint-spraying room was installed with dust removal and purification facilities, including water curtain system for collection of exhaust gases, cleaning towers, ultra-violet photolysis and activated carbon absorption equipment, as well as high-altitude emission devices. All these aimed for reducing environmental emission of dust and 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

In order to minimise emission of volatile organic compounds, the factory adopted the powder-spraying technology to replace the use of paint oils in the spraying process, this reduced the application of volatile organic solvent and eventually reduced emission 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 addition, external organizations will be commissioned to conduct environmental monitoring to control noise, domestic sewage, and exhaust gas emissions. 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 factories for manufacture of dyeing and finishing machines, natural gas was used in paint-drying room, for substitution of municipal electricity supplied by coal combustion, thereby mitigating air pollution incurred from coal-fired power generation. This energy conversion was estimated to reduce annual emission reduction of around 74 tonnes of coal equivalent.

In the manufacturing processes for stainless steel casting products, natural gas was used in the areas like furnace room and wax-removal room. Power supply for heating boilers was changed from electricity to natural gas, which achieved reduction in use of coal-fired electricity and hence indirectly mitigated air pollution incurred by coal-fired power generation.

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:

|  | <br><b>Direct<br/>GHG emission<sup>5</sup><br/>(Scope 1)</b> | <br><b>Energy Indirect<br/>GHG emission<sup>6</sup><br/>(Scope 2)</b> | <b>GHG emission intensity<sup>7</sup></b>                |
|--|---|--|--|
| <b>Total GHG emission<sup>4</sup></b>              |   |  |  |
| <b>27,763 tonnes<br/>CO<sub>2</sub> equivalent</b> | <b>6,035 tonnes<br/>CO<sub>2</sub> equivalent</b>   | <b>21,728 tonnes<br/>CO<sub>2</sub> equivalent</b>   | <b>1.81 tonnes<br/>CO<sub>2</sub> equivalent / tonne</b> |

<sup>4</sup> Global Warming Potential (GWP) adopted in this GHG calculation were based on the values disclosed in the Sixth Assessment Report (AR6) of Intergovernmental Panel on Climate Change (IPCC).

<sup>5</sup> Direct GHG emission was mainly originated from fuel combustion by vehicles, and consumption of diesel oil / gasoline, natural gas, acetylene and refrigerants (R-134a) by manufacturing facilities. Method of calculation was based on "2006 IPCC Guidelines for National Greenhouse Gas Inventories".

<sup>6</sup> Energy indirect GHG emission was originated mainly from consumption of electricity purchased from external source. Regional grid emission factors used in the calculation were referenced to the values issued by National Development and Reform Commission (NDRC) in People's Republic of China.

<sup>7</sup> The base for calculation of emission intensity is the total production units (in weight of tonne) from both business for manufacturing of dyeing and finishing machines and business for stainless-steel casting production.



| Main sources of GHG emission                 | Year 2023  | Year 2022  |
|--|------------|------------|
| Diesel oil consumption (litres )             | 12,722     | 20,994     |
| Gasoline consumption (litres)                | 50,118     | 38,443     |
| Natural gas consumption (cubic metres)       | 2,001,319  | 2,145,672  |
| Acetylene consumption (kilograms)            | 1,648      | 8,679      |
| Refrigerant (R-134a) consumption (kilograms) | 897        | 1,037      |
| Electricity consumption (kWh)                | 38,098,568 | 40,398,718 |

### 5.1.3 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, energy-efficient welding machines, manual plasma cutting machine, and digital-controlled composite chain parts processing. For example, the use of energy-efficient welding machines reduced electricity consumption by about 120,000 kWh throughout the year.



In-house CNC Equipment for processing of composite chain parts

In addition to the production plant, the Group has also designed an automatic lighting control system for dormitory buildings, and installed sound and light sensing switches in appropriate locations to turn on and off lights automatically based on human activities, which achieved the goal of only turning on lights when needed and reduced unnecessary energy consumption when not in use.

(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 recovery of thermal energy through the other processes such as heat recovery from boilers. Through heat recovery from boilers, it achieved annual saving of around 5,600 cubic meters of natural gas consumption.



Thermal-energy Recycling Device



Heat Recovery Device

Furthermore, the stainless-steel casting factory has been adopting the “water storage tank of cold energy” since the previous year, for providing energy 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. Through 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

(b) Water Conservation

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

(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, rainwater collection ponds have been built in some factories to store water for non-production purposes, such as greening. On the other hand, some production facilities are capable of recycling water, for example, wastewater generated during the acid washing and rinsing process can be reused in the process after treatment. Through the above-mentioned water recycling facilities, the Group has reduced the consumption of approximately 5,500 cubic meters of fresh water supply.



**Use of Recycled Water**  
Annual savings approximate  
**20,600 cubic metres**



**Rainwater collection for greening usage**  
Annual savings approximate  
**2,300 cubic metres**

(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. In addition, some factories have installed water valve control equipment equipped with infrared sensing technology to assist employees and visitors to conserve water.

(c) Consumption of Packaging Materials

The following table set forth the weight<sup>8</sup> of main packaging materials consumed by the Group during the reporting period:

| <b>Packaging Materials</b> | <b>Year 2023</b> | <b>Year 2022</b> |
|----------------------------|------------------|------------------|
| Paper (tonne)              | 20.09            | 33.84            |
| Plastic (tonne)            | 656.75           | 110.40           |
| Wood (tonne)               | 1,407.20         | 1,130.98         |
| Metal (tonne)              | 6.21             | 12.88            |

<sup>8</sup> Only covered those packaging materials with accurate records of their weight data.

(d) List of Resource Consumption



**Electricity consumption**  
**38,098,568 kWh**



**Natural gas consumption**  
**2,001,319 cubic metres**



**Diesel oil consumption**  
**12,722 litres**



**Gasoline consumption**  
**50,118 litres**



**Water consumption**  
**229,466 cubic metres**



**Packaging materials consumption**  
**2,090 tonnes**

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

| <b>Resource Consumption Intensity per tonne of production<sup>9</sup></b> |               | <b>Year 2023</b> | <b>Year 2022</b> |
|---|---------------|------------------|------------------|
| Electricity   | (kWh)         | 2,487.72         | 1,984.31         |
| Water   | (cubic metre) | 14.98            | 14.64            |
| Natural gas   | (cubic metre) | 130.68           | 97.58            |
| Diesel oil  | (litre)       | 0.83             | 1.03             |
| Gasoline  | (litre)       | 3.27             | 1.89             |
| Packaging materials   | (tonne)       | 0.14             | 0.06             |

<sup>9</sup> Calculation of consumption intensity is based on the total production units (in weight of tonne) from both operations for the manufacture of dyeing & finishing machines and the manufacture of stainless-steel casting products.

## 5.1.4 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).

## 5.2 Social

### 5.2.1 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.

At the relevant festivals, the Group also arranges entertainment or other recreational activities to enrich employees' lives in the factory and help them achieve a work-life balance. On the occasion of the 60<sup>th</sup> anniversary of the Group's founding, various activities such as calligraphy exhibitions, essay contests, and ball games were organised, providing all employees with opportunities to enjoy life beyond work. Furthermore, the Group benefited from the "SINOMACH Love Day Donation Event" organised in the reporting year by the parent company, China National Machinery Industry Corporation (SINOMACH). This event supported employees of the Group who met the hardship relief standard and helped them get out of the predicament.



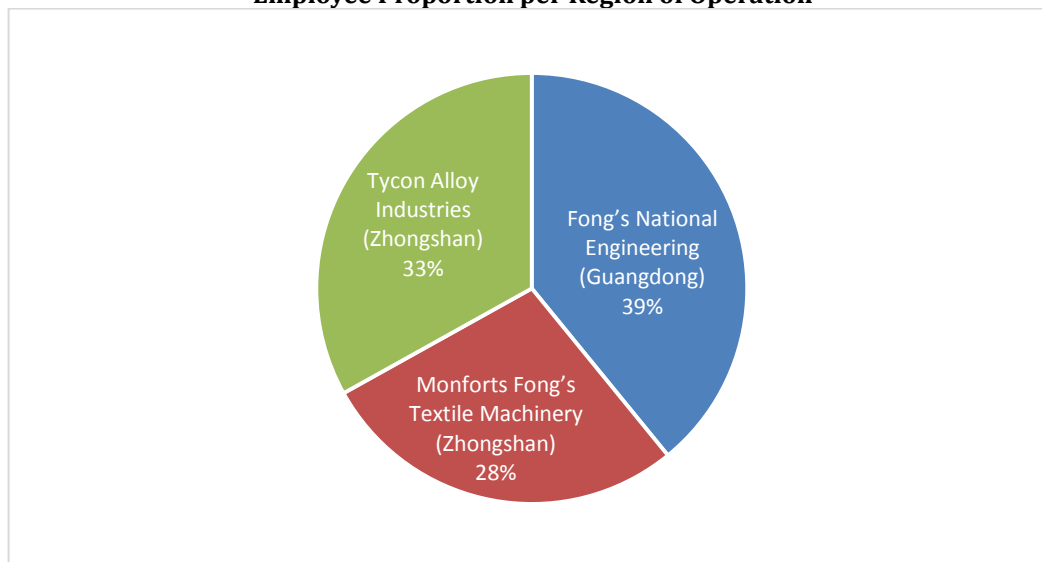
Calligraphy exhibitions and essay contests for celebration of the Group's 60<sup>th</sup> Anniversary

During the reporting period, the Group did not identify nor receive any significant legal non-compliance or complaints pertaining to discrimination or recruitment.

As at 31 December 2023, the table below listed out the number of employees and their associated age distribution:

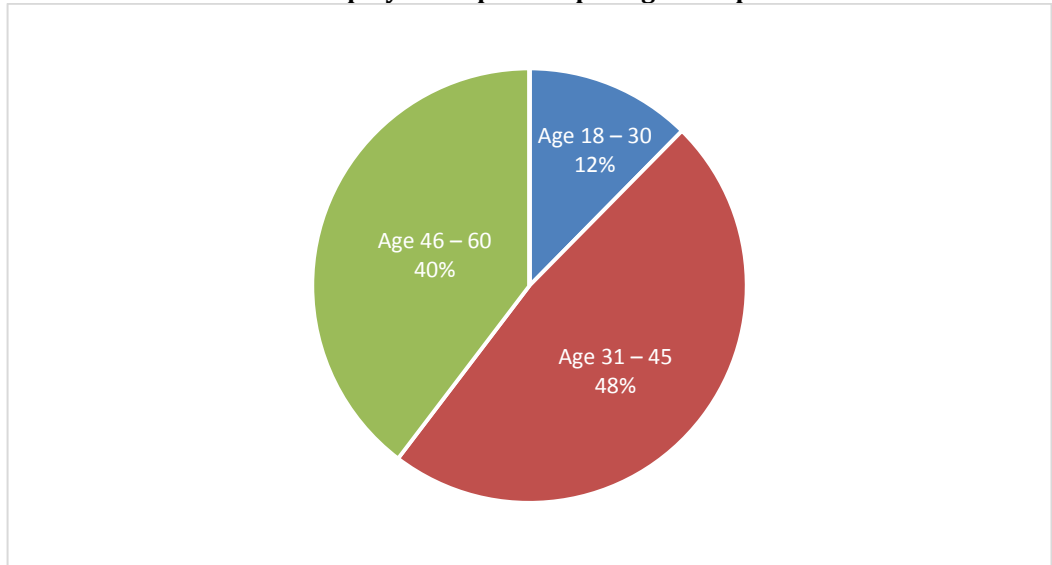
|                 | <b>Number of Employees</b> |
|-----------------|----------------------------|
| <b>Gender</b>   |                            |
| Male            | 1,626                      |
| Female          | 215                        |
| <b>Job Type</b> |                            |
| Full-time       | 1,841                      |
| Part-time       | 0                          |
| <b>Age</b>      |                            |
| 18-30           | 228                        |
| 31-45           | 883                        |
| 46-60           | 730                        |
| > 60            | 0                          |
| <b>Region</b>   |                            |
| Mainland China  | 1,841                      |
| <b>Total</b>    | <b>1,841</b>               |

**Employee Proportion per Region of Operation**





### Employee Proportion per Age Group



The following table outlines the monthly average employee turnover rate by gender and age group of the Group:

| Monthly Average Employee Turnover Rate (%) | Year 2023 | Year 2022 |
|--|-----------|-----------|
| <b>Gender</b>                              |           |           |
| Male                                       | 2.90      | 2.12      |
| Female                                     | 2.16      | 2.85      |
| <b>Age</b>                                 |           |           |
| 18-30                                      | 4.26      | 3.36      |
| 31-45                                      | 2.56      | 2.50      |
| 46-60                                      | 2.39      | 1.73      |
| > 60                                       | 2.78      | 2.38      |
| <b>Region</b>                              |           |           |
| Mainland China                             | 2.81      | 2.51      |

## 5.2.2 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.

Furthermore, Monforts Fong's Textile Machinery (Zhongshan) Co., Ltd. was awarded the "Advanced Unit of the Smallest Emergency Unit" by the "Linhai Police Station of Cuiheng New District in Zhongshan." This award recognized the company's robust emergency management system without occurrence of public safety incidents in the previous year, highlighting the satisfactory performance of the Group's factory in safety management.

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 fundamental safety training for new employees, various factories of the Group have arranged occupational health and safety trainings to address the relevant safety hazards. The trainings organized in the reporting year included but not limited to:

- i. Trainings on new safety production laws training
- ii. Trainings on safe use and storage of hazardous chemicals
- iii. Training on operational safety procedures
- iv. Training on first aid skills
- v. Training on firefighting skills
- vi. Fire emergency knowledge training
- vii. Occupational hazards and precaution training
- viii. Specialized trainings on skills of identifying production safety hazards



### **Occupational Health and Safety - Total Number of Training Participants**

**Year 2023**

**16,514 participants**

**Year 2022**

**14,370 participants**

### Employee Health Examination

The Group provides the employees with an annual occupational health examination to ensure they are free from occupational diseases. In the dyeing and finishing machinery department, positions with potential hazards include welders, oil sprayers/painters, grinders, sandblasters, acid washing workers, sewage treatment workers, and punch press operators. In the stainless steel casting manufacturing department, potentially hazardous positions involve exposure to noise, ultraviolet radiation, chromium and manganese and their chemical compounds, as well as other inorganic dust that can cause pneumoconiosis. A total of 730 employees exposed to hazardous positions have been arranged to attend health examination in the reporting year, and there were no cases of occupational disease diagnosed.

### Performance of Occupational Health and Safety

In the past 3 years including the current reporting period, there was no work-related fatality of the employee, and the number of working days lost due to work-related injuries amounted to 1,602 days in the reporting period.

|  | <b>Year 2023</b> | <b>Year 2022</b> |
|--|------------------|------------------|
| Number of working days lost due to work-related injuries | 1,602            | 1,831            |
| Number of work-related fatalities                        | 0                | 0                |

### 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.

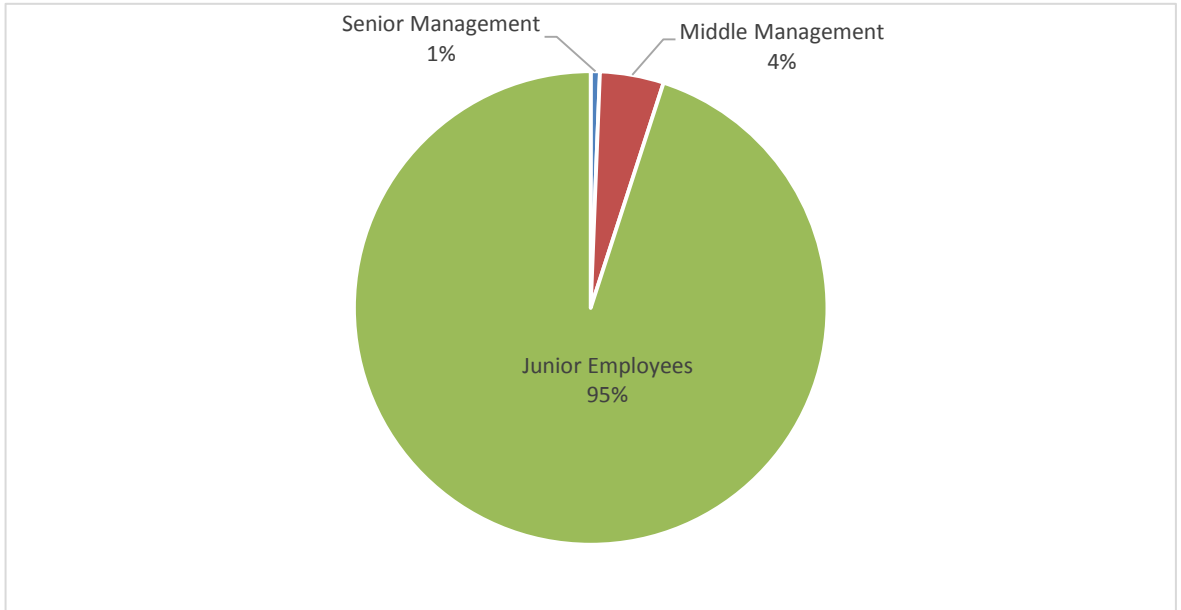
### **5.2.3 Development and Training**

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 was a total of 21,029 counts of participation in employees' training during the reporting period, which totally amounted to 25,376 training hours. The following diagrams and tables illustrated the monthly average proportion of trained employees and the monthly average training hours per employee:

| <b>Total Number of Training Participants within the Group</b> | <b>Year 2023</b> | <b>Year 2022</b> |
|---|------------------|------------------|
| <b>Gender</b>   |                  |                  |
| Male  | 19,992           | 17,003           |
| Female  | 1,037            | 798              |
| <b>Employee Category</b>                                      |                  |                  |
| Senior Management   | 273              | 111              |
| Middle Management   | 734              | 776              |
| Junior Employees  | 20,022           | 16,914           |
| <b>Total</b>  | <b>21,029</b>    | <b>17,801</b>    |

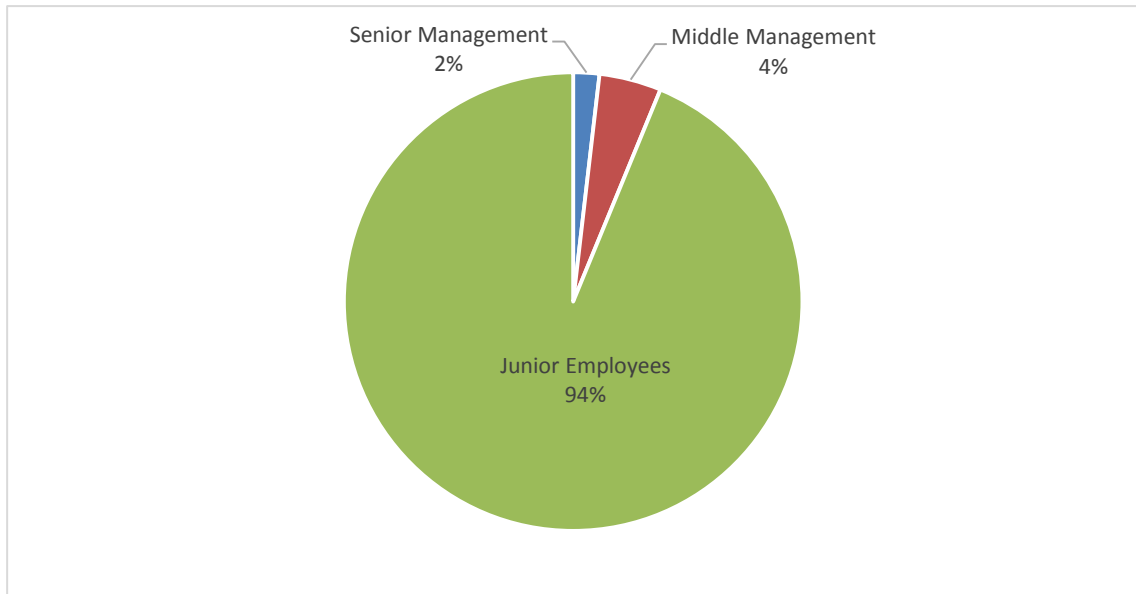
**Proportion of Training Participants by Employee Category**



| <b>Monthly Average Proportion of Trained Employees<br/>within the Group (%)</b> |                        | <b>Year 2023</b> | <b>Year 2022</b> |
|---|------------------------|------------------|------------------|
| <b>Gender</b>   |                        |                  |                  |
|   | Male                   | 65.05            | 40.01            |
|   | Female                 | 33.70            | 17.50            |
| <b>Employee Category</b>  |                        |                  |                  |
|   | Senior Management      | 37.02            | 14.79            |
|   | Middle Management      | 38.79            | 16.70            |
|   | Junior Employees       | 67.20            | 40.64            |
|   | <b>Overall Average</b> | <b>63.77</b>     | <b>37.80</b>     |

| <b>Total Number of the Group's Employee Training Hours<br/>in the Year</b> |                   | <b>Year 2023</b> | <b>Year 2022</b> |
|--|-------------------|------------------|------------------|
| <b>Gender</b>  |                   |                  |                  |
|  | Male              | 23,901           | 22,057           |
|  | Female            | 1,475            | 1,469            |
| <b>Employee Category</b>   |                   |                  |                  |
|  | Senior Management | 467              | 192              |
|  | Middle Management | 1,111            | 1,234            |
|  | Junior Employees  | 23,798           | 22,099           |
|  | <b>Total</b>      | <b>25,376</b>    | <b>23,525</b>    |

### Proportion of Training Hours by Employee Category



| Monthly Average Training Hours per Employee | Year 2023   | Year 2022   |
|---|-------------|-------------|
| <b>Gender</b>                               |             |             |
| Male  | 0.99        | 0.53        |
| Female                                      | 0.49        | 0.31        |
| <b>Employee Category</b>                    |             |             |
| Senior Management                           | 0.78        | 0.28        |
| Middle Management                           | 0.52        | 0.27        |
| Junior Employees                            | 1.00        | 0.57        |
| <b>Overall Average</b>                      | <b>0.93</b> | <b>0.52</b> |

#### 5.2.4 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.

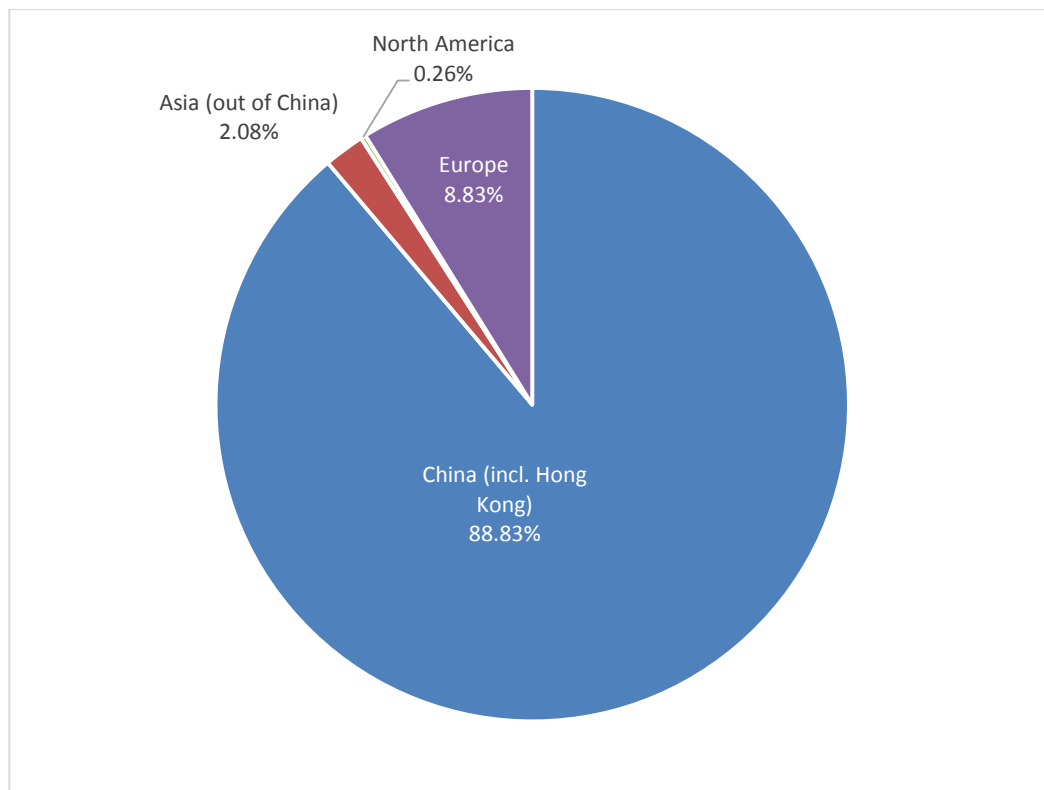
### 5.2.5 Supply Chain Management

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.

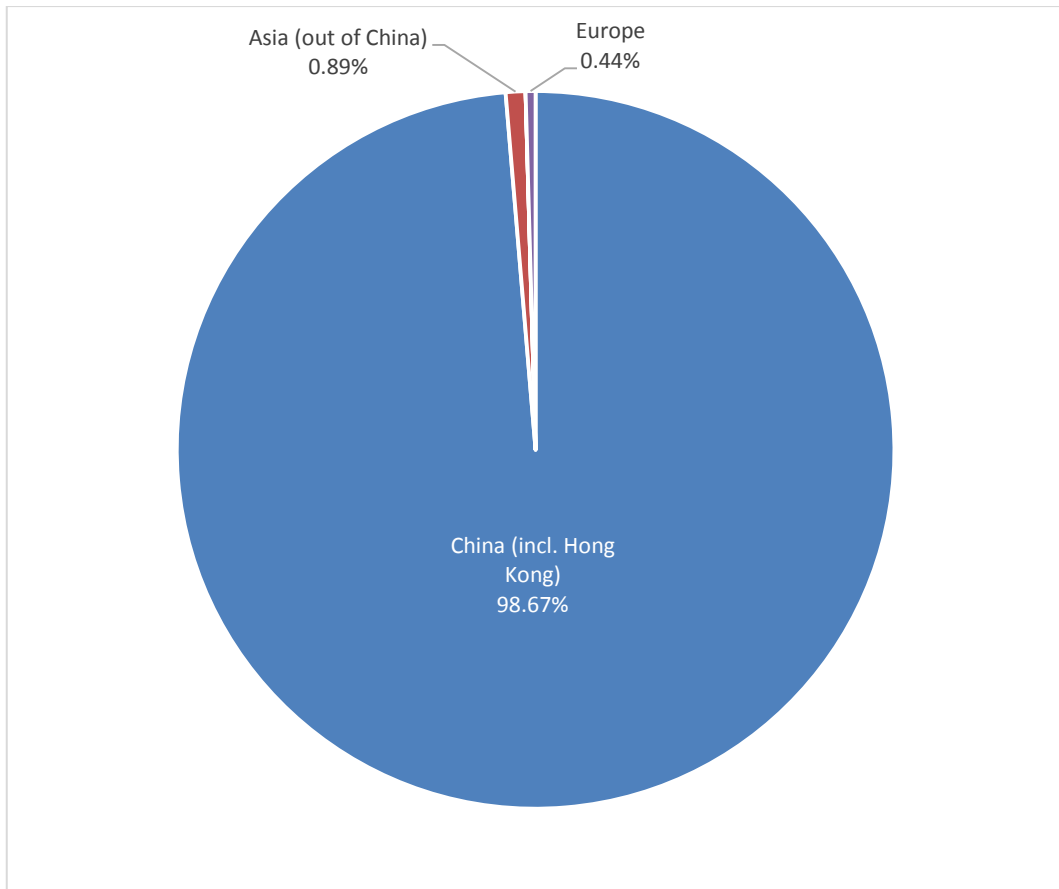
#### (a) Distribution of Suppliers

As at 31 December 2023, the business for the manufacture of dyeing and finishing machines has engaged no less than 385 suppliers, while the business for the manufacture of stainless steel casting products has engaged 225 suppliers. Above 88% of the engaged suppliers were located within the region of Mainland China and Hong Kong, and the remaining was distributed amongst Europe, North America, and other countries in Asia.

#### Geographical distribution of suppliers for **manufacture of dyeing and finishing machines**



## Geographical distribution of suppliers for **manufacture of stainless steel casting products**



### (b) Evaluation of Suppliers

The Group has developed supplier assessment procedure. Based on different levels of risks that the supplying materials pose to the final products, corresponding methods are adopted, ranging from self-assessment questionnaires returned by suppliers, material testing and inspections, on-site assessment, and review of management system documentation on topics like quality/environment/energy, etc., for evaluation, investigation and statistics of key suppliers regularly of their past performance, including the criteria: on-time delivery, reliability of incoming product quality, reasonableness of service, and price, etc. , for assuring the conformance of key requirements related to production and products.

In the business for the manufacture of stainless-steel castings, in addition to evaluation of the above-mentioned scope, the status of supplier's certifications will also be identified, covering the suppliers' capabilities to manage their product quality, environmental, energy, and occupational health and safety systems.

During the reporting period, the Group engaged no less than 94 new suppliers and all of them have completed the supplier evaluation prior to procurement. In accordance with the procurement requirements as stated in ISO 9001 quality management system, each factory has completed the regular evaluation on all existing suppliers for assurance of their supplies in continued compliance with the requirements stipulated by the Group. Also, pursuant to the risks of supplied materials or service incurred to the Group's products, no less than 288 suppliers had gone through in-depth evaluations and they belonged to those accounting for a significant portion of procurement amount or relating to important production materials and components for machinery. The scope of evaluations covered quality, unit price, on-time delivery rate, quality and timeliness of service response, etc. Furthermore, the supply of key components is subject to quarterly assessments and material testing and inspections for assuring the conformance with product and customer requirements.



(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, as well as pursuing suppliers who have attained certification on environmental and energy management systems such as ISO 14001 and ISO 50001 certification. Furthermore, to manage environmental risks and prevent potential hazardous substances within products, review of relevant environmental testing results, such as RoHS compliance testing, is conducted before making decisions in procuring raw materials from suppliers, in order to assure the content of hazardous substances within materials.

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. During the reporting year, questionnaires were also used to evaluate key suppliers' documents in the aspects of corporate quality and social responsibility:

- 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; and
- 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.

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. During the reporting year, the relatively environmentally friendly procurement has been made for the materials like cleaning agents, silicone sols, ethanol, etc.

## Manufacture of Dyeing and Finishing Machines

Paint is one of the important raw materials in the business for manufacture of dyeing and finishing machines. Under the conditions of fulfilling requirements of both customers and production technology, the Group gives priority to the procurement and application of powder paint or water-based paint, because their environmental characteristics could achieve a reduction in emission of volatile organic compounds (VOC) during consumption as compared to traditional oil-based paint.

## Local Procurement

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 of supplier distribution in the previous section of this Report, the proportion of local suppliers was nearly 90% of the total supply base of the Group in the reporting year.

## 5.2.6 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.

The relevant factories covered in 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 qualifications 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 for assurance of product conformance to the quality and safety levels as required by the legal regulations and customer requirements.



Fong's National Engineering  
(Guangdong)



Monforts Fong's Textile Machinery  
(Zhongshan)



Tycon Alloy Industries  
(Zhongshan)

(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 would be proceeded for registration with the national and/or overseas authorities for protecting the intellectual property of the Group. During the reporting period, the dyeing and finishing machinery business has registered a total of 4 patents in China.

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.

During the reporting period, the Group did not identify any significant non-compliance against the relevant legal regulations pertaining to product responsibility. In the same period, within the business of stainless steel casting production, there was a total of 562 cases of product return and 300 cases of customer feedback on products. All such cases have been satisfactorily resolved by the end of the reporting period. On the other hand, within the business of the manufacture of dyeing and finishing machines, there were 3 cases of customer complaints, all these complaints were attributed to the malfunction or damage of components after use or movement. After the Group sent personnel to the customer's site to inspect and replace the components, each of these complaint cases was satisfactorily resolved within the reporting period.

(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, amongst all products sold, the Group did not identify any product recall incident resulting from product safety or health reason.

(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.

## 5.2.7 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 identify any significant non-compliance related to declaration for 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 channel, no reported case pertinent to corruption was received in the reporting year. During the reporting period, the Group also did not identify any significant 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 Group conveys the information related to anti-corruption in the "Employee's Code of Conduct" and "Code of Integrity". The employee's "Code of Integrity" given by the Group includes the terms forbidding corruption, bribery, misconduct, illegal practices, fraud, extortion and other integrity requirements, as well as the need of declaration for conflict of interest when necessary. For effective implementation of the Code, new employees are given "Employee's Code of Conduct" and "Code of Integrity". For existing employees, they would be reminded on full content of "Code of Integrity", or under appropriate circumstance, provided with other trainings related to anti-corruption. In the reporting year, specialized trainings on integrity topics were organized, and relevant employees were required to participate. During the reporting period, there were 249 training participants in positions related to corruption risk amongst the operating regions covered by this Report, and such trainings amounted to a total of 488 hours.

In addition, with regard to the role and responsibilities of the directors, the Group arranged training materials for them on topics related to corporate governance, such as internal control and legal compliance matters, covering the following themes during the reporting year:

- Auditing, financial reporting and related internal control matters
- Internal control and planning for upcoming audit guidelines
- Compliance with the amended "Listing Rules" in relation to share schemes
- Implications of "The Civil Code of the People's Republic of China" on human resource management, contracts and cross-border financing

### **5.2.8 Community Investment**

The Group has always been upholding corporate social responsibility and reaching out to stakeholders in the community through various channels for understanding their needs and aiding them overcome difficulties and sustain. Over the past few years, the scope of community contributions by the Group have included a wide range of aspects like poverty alleviation, caring visits, education assistance, and environmental protection obligations. The Group will be striving to identify actively the needs of community personnel and organizations. In the upcoming year, the Group will plan to seek opportunities to give back to the community through appropriate means such as in-kind donations or volunteering activities, with the aim to provide support and care to those in need.