



CHTC FONG'S INTERNATIONAL COMPANY LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 641)



**Environmental, Social and
Governance Report 2024**

Environmental, Social and Governance Report 2024

Table of Contents

1. Scope..... 2

2. Reporting Principles..... 2

3. Board’s Governance on Environmental, Social and Governance Topics..... 3

4. Communication with Stakeholders..... 5

5. Environmental, Social and Governance Performance 7

5.1 Environmental..... 7

5.1.1 The Environment and Natural Resources 7

5.1.2 Emissions 11

5.1.3 Use of Resources..... 16

5.1.4 Policies for Responding to Climate Change 20

5.2 Social..... 21

5.2.1 Employment..... 21

5.2.2 Health and Safety..... 25

5.2.3 Development and Training..... 27

5.2.4 Labour Standards 29

5.2.5 Supply Chain Management..... 29

5.2.6 Product Responsibility 32

5.2.7 Anti-Corruption..... 35

5.2.8 Community Investment 37

1. Scope

This Environmental, Social and Governance Report 2024 (“**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 2024 to 31 December 2024, regarding the performance of the following core business scopes and the three operating regions 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.

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

In 2024, the external economic environment remained uncertain, presenting challenges for the Group's operations. Inflation remained at a high level, raw material prices surged, and a tight labor market further drove up operating costs. In response, the Group implemented strict quality control measures and integrated cost control initiatives across its operational framework. Under this strategic framework, the Board of Directors (the "**Board**") oversees the environmental, social, and governance (ESG) aspects within the existing business strategy, continuously seeking to enhance the Group's sustainability performance. In addition to ensuring ongoing compliance with relevant laws and regulations in its operating regions, the Group places a strong emphasis on stakeholder interests in its corporate strategy, aiming to align with ESG expectations while proactively managing operational risks and fostering long-term sustainable growth.

The Group regularly collects ESG information through various functional departments and working groups, consolidating, analyzing, and disclosing it in the ESG report. The Board assumes full responsibility for ESG strategies and disclosures, establishing a comprehensive ESG framework to ensure the effective implementation of the Company's policies and commitments. To strengthen ESG governance, the Group has established a policy committee that reports and recommends ESG-related policies to the Board, ensuring that decisions and actions align with best practices and regulatory requirements. Under the policy committee, an executive committee and a factory leadership team have been set up to support the execution of ESG responsibilities. These committees regularly report to the policy committee and the Board on ESG policies, initiatives, progress, targets, and outcomes. The Board also conducts regular reviews of the effectiveness of ESG initiatives, assessing their potential impacts and risks on the Group's business model.

ESG Governance Structure



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

The continued downturn in China's industrial market has impacted product demand. Despite the intense competition in the textile dyeing and finishing machinery industry, the Group's sales in this sector have shown a slight year-on-year increase. The Group is committed to enhancing labor efficiency and product quality by investing in further training for skilled workers, implementing key strategies to reduce costs and improve production standards. Through continuous technical training and professional skill development programs, the Group ensures that employees stay up to date with the latest production technologies and standards, optimizing workflows, minimizing waste, and improving overall operational efficiency. To address market fluctuations and urgent orders, the Group is considering increasing subcontracting to supplement its existing workforce. This approach not only enhances business flexibility, allowing the Group to respond quickly to urgent demands, but also helps manage fixed labor costs and mitigate operational risks. By strategically allocating internal manpower and external resources, the Group can maintain stable production while ensuring cost efficiency, thereby strengthening its competitive edge. Through a combination of workforce optimization and subcontracting strategies, the Group aims to sustain high-quality production, meet customer demands, and maintain financial stability, ensuring the long-term sustainability of its business.

As a leading manufacturer of textile dyeing and finishing machinery, product development and innovation are key operational strategies. The Group will continue to drive efficiency as a core motivator, actively promoting the application of smart manufacturing technologies and optimizing production processes to enhance overall capacity and quality. The Group will invest in automation equipment and data analytics systems to accelerate the transformation into a digitalized factory, achieving a more precise, efficient, and flexible production management model.

Manufacturing and selling of stainless steel casting products

This business primarily offers high-quality castings and machined components made from stainless steel, duplex steel, and nickel-based alloys, widely used in industrial equipment across various sectors, including valves, pumps, chemicals, petroleum, natural gas, and food processing, with primary customers based in Europe, the United States, and Japan. During the year, order volumes for castings declined from their peak, mainly due to a significant increase in customer inventory levels during the pandemic, leading to a current destocking phase. Given the uncertainty in the economic environment, customers have adopted a more cautious ordering strategy, contributing to the decline in order volumes. Fortunately, over the past few years, the management team has actively explored new customer sources, sought potential collaboration opportunities, and focused on developing unique and high-end casting products. As a result, the Group is able to implement a prudent capacity expansion plan, upgrading facilities and replacing outdated machinery to support the production of higher-value casting products while moderately increasing automation to enhance overall efficiency.

Despite implementing stringent cost control measures across various aspects, the Group recognizes that addressing climate change has become a global consensus for sustainable development. Therefore, while ensuring corporate competitiveness, the Board is also actively promoting sustainable development policies, integrating environmental protection principles into all aspects of product management. The Group not only formulates relevant policies and targets but also conducts regular performance reviews and implementation assessments to ensure the effective execution of environmental measures while continuously striving to reduce carbon emissions and resource waste. To achieve this, the Group has adopted a series of strategies, including prioritizing the use of eco-friendly materials during the product design phase or selecting products that enhance environmental performance to minimize environmental impact. Additionally, the Group is actively upgrading production line equipment and machinery to improve energy efficiency and reduce pollution. Furthermore, the Group closely collaborates with customers and supply chain partners to develop more environmentally friendly production technologies, driving the industry's transition toward greener practices. To further promote renewable energy adoption, the Group has invested in photovoltaic power generation systems and other renewable energy projects within its facilities to reduce reliance on traditional energy sources and lower carbon emissions. These initiatives not only contribute to the Group's long-term sustainable development but also enhance its market competitiveness, ensuring a balance between environmental responsibility and economic viability.

Despite the challenging external environment and intense market competition, the Group will continue to uphold its business philosophy of "Technology as a Tool, Customer as the Core," dedicating more resources to research and development to introduce higher-quality and market-adapted products that meet diverse customer needs. With a solid core business foundation, a strong management team, advanced production facilities, and cutting-edge manufacturing technologies, the Group remains well-positioned for future growth. Looking ahead, the Group is committed to integrating sustainable development principles into its core business processes, which not only enhances operational efficiency but also reinforces its commitment to responsible corporate citizenship. By continuously improving internal supervisory frameworks and refining its sustainable business model, the Group navigates the ever-changing business landscape while remaining steadfast in its dedication to sustainable growth and ethical business practices. Moving forward, the Group will continue working collaboratively with all stakeholders to build a better future together.

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.

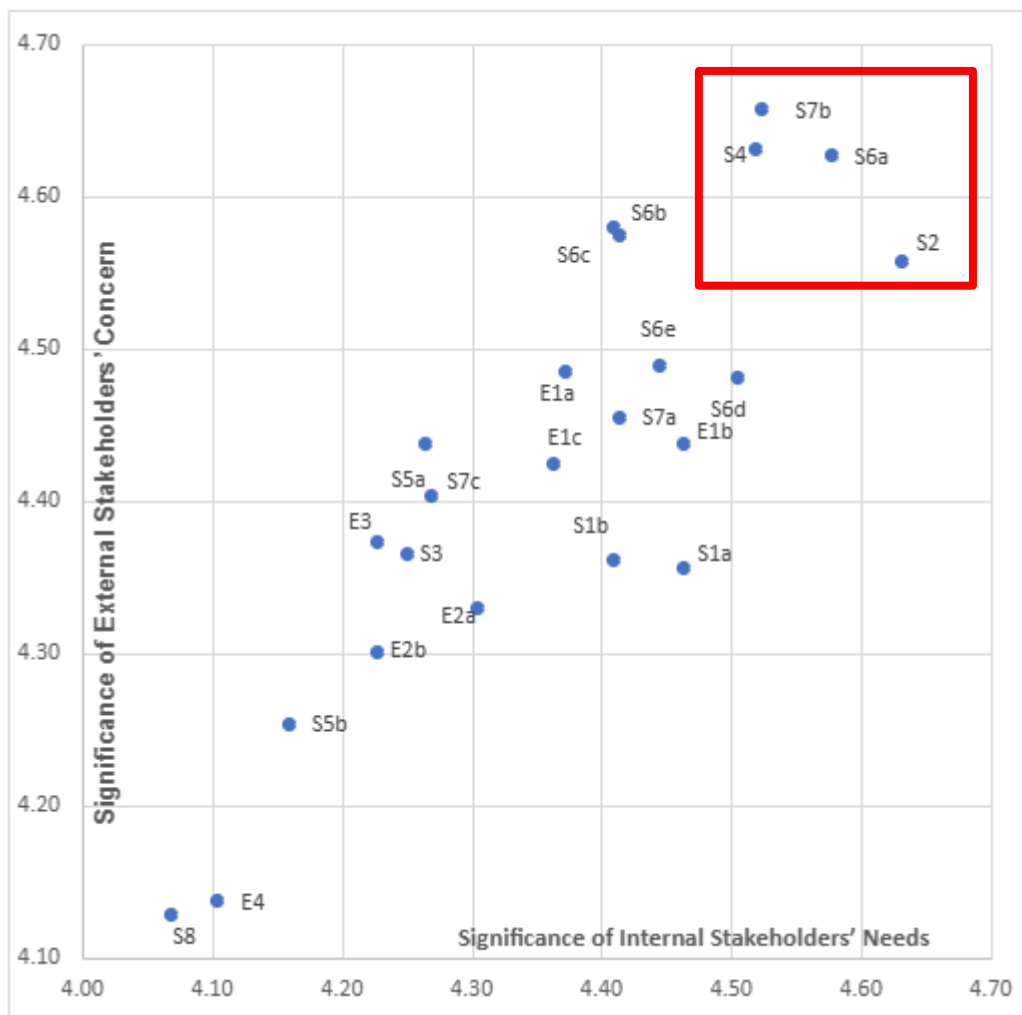
In order to better understand the environmental, social and governance awareness and expectations of our stakeholders, in addition to the above stakeholder communication channels, the Group conducted a survey of stakeholders in the reporting year and proceeded the following three steps to prepare and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

Step 1 Identify topics on environmental, social and governance	In accordance with the Environmental, Social and Governance Reporting Guide of the Listing Rules 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.
Step 2 Identify stakeholders and set up questionnaires	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.
Step 3 Evaluate and identify material topics	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).

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

Legend	ESG topics	Legend	ESG topics
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



In the materiality assessment for this year (2024), four of the identified material topics are similar to the results from the previous year (2023) (indicated in *italics* in the table below), while the remaining three are newly identified topics. Based on the results of this materiality analysis, the Group will continue to evaluate and refine its sustainable development strategic priorities to enhance sustainability governance.

Year 2024	Year 2023
<i>Product / service quality (S6a)</i>	Product / service quality (S6a) Customer service and complaint handling mechanism (S6c) Customers' health and safety (S6b)
<i>Occupational safety and health (S2)</i> Prevention of corruption/bribery and money laundering (S7b)	Occupational safety and health (S2)
Prevention of Child and Forced Labour (S4)	Customer data privacy protection (S6e)
<i>Customers' health and safety (S6b)</i> <i>Customer service and complaint handling mechanism (S6c)</i> Intellectual property right protection (S6d)	Wastewater Treatment (E1b)

5. Environmental, Social and Governance Performance

5.1 Environmental

5.1.1 The Environment and Natural Resources

The Group's long-term development is closely intertwined with social sustainability, with environmental protection being a key component of sustainable development. The Group recognizes that while pursuing economic growth, it must also fulfill its social responsibilities. Therefore, it actively integrates environmental protection principles into its daily operations to ensure that business activities align with environmental sustainability requirements. The Group is committed to implementing environmentally friendly operational practices by preventing pollution, reducing resource consumption, and improving energy efficiency to minimize the environmental impact of its business operations.

To enhance environmental protection more effectively, the Group has established a comprehensive environmental management system that systematically monitors and improves environmental performance. The Group conducts regular internal reviews and engages third-party organizations for independent assessments to ensure the continuous improvement and effective implementation of its environmental management measures. This not only strengthens the Group's environmental competitiveness but also enhances stakeholders' trust in the Group. The Group's efforts in environmental protection have been widely recognized by the government, industry associations, customers, and suppliers.

(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.

Environmental targets	Directional statements	Measures taken during the year
Emission reduction	1. Reduction in emission of exhaust gases containing volatile organic compounds (VOC)	i. Application of powder-spraying line for substitution of paint-spraying process, which led to reduced emission of volatile organic compounds ii. For suitable products, use water-based paint in replacement of oil-based paint to reduce the emission of volatile organic compounds
	2. Enhancement in the filtration and treatment system for exhaust gases / dust	i. Increase in the facilities for dust removal at polishing stage and for treatment of exhaust gases ii. Installation at paint-spraying room with water curtain collection system, cleaning towers, ultra-violet (UV) photolysis and activated carbon absorption equipment, as well as high altitude emission devices, for reducing emission of dust and volatile organic compounds
	3. Increase in the use of clean energy for reducing pollution incurred from coal-fired power generation	i. In the paint-spraying room of dyeing and finishing machine manufacturing factory, substitution of electricity by natural gas for provision of heat energy ii. In the heating furnace of stainless-steel casting production factory, use of natural gas in replacement of electricity as the energy source
	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
	5. Gradually replacing traditional lighting with LED fixtures	The lighting fixtures in the workshops of various functional departments are gradually being replaced with LED lights to reduce indirect greenhouse gas emissions (Scope 2) generated from purchased electricity
	6. Utilizing renewable energy to reduce greenhouse gas emissions	The 6.9MW solar power system at the stainless steel casting manufacturing plant was put into operation in mid-year, preparing for increased utilization of renewable energy

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	In stainless-steel casting production factory, practices for recycling and re-use of materials were in place: • Re-use of casting sands • Recycling of wax
	2. Upcycling of raw materials from nonconforming products or wastes	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 ii. In dyeing and finishing machine manufacturing factory, large defective products are converted into smaller-sized products, allowing the steel from scrap materials to be reused for in-house engineering projects.
	3. Application of devices which could achieve waste reduction	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 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.

Environmental targets	Directional statements	Measures taken during the year
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 deeply understands that business travel increases energy consumption and leads to higher greenhouse gas emissions. Therefore, it actively reduces the frequency of business travel to lower emissions caused by travel activities. During the year, the Group introduced relevant documents and policies, explicitly encouraging employees to minimize business trips and adopt alternative communication methods. Telephone and/or video conferencing are promoted as substitutes for long-distance in-person meetings, effectively reducing greenhouse gas emissions from unnecessary 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 1084 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, wastewater 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 categories and put wastes into the designated areas; appointing the qualified vendors for disposal of the finally confirmed wastes.

Types of wastes	Total Annual Emission (tonne)	Emission Intensity per tonne of production units (tonne / tonne)
Hazardous wastes	166.2	0.0147
Non-hazardous wastes	2,138.4	0.1891

(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.

Manufacture of dyeing and finishing machines	Unit	Year 2024	Year 2023
Hazardous waste emissions	(tonne)	81.4	79.3
Emission intensity ¹ (per tonne of production units)	(tonne / tonne)	0.0208	0.0071
Non-hazardous waste emissions	(tonne)	1,863.2	1,573.2
Emission intensity (per tonne of production units)	(tonne / tonne)	0.4764	0.1409

(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.

Manufacture of stainless steel casting products	Unit	Year 2024	Year 2023
Waste sand emissions	(tonne)	52.1	57.8
Emission intensity ² (per tonne of production units)	(tonne / tonne)	0.0126	0.0139
Cutting solvent emissions	(tonne)	16.6	17.6
Emission intensity (per tonne of production units)	(tonne / tonne)	0.0040	0.0042

(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.

Additionally, the factory is committed to recycling and reusing materials from defective or scrap products. For example, large defective products are converted into smaller-sized products, and steel from scrap materials is repurposed for in-house engineering projects.

¹ Calculation is based on the production units of 11,308.81 tonnes in the year 2024 from the operations for the manufacture of dyeing and finishing machines.

² Calculation is based on the production units of 3,911 tonnes in the year 2024 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
1,062 tonnes



Wax Recycling
Annual savings approximate
800 tonnes



**Scrap Steel Materials –
Extracted for Reuse**
Annual savings approximate
308 tonnes

Through the re-use of casting sands and based on the new sand’s consumption of 3,665 tonnes in the reporting year, the savings of casting sands amounted to around 29% 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 7.8 tonnes in the reporting year, the savings of wax was around 99% of the annual consumption.

For those non-recyclable wastes, the Group will identify the suitable contractors for sale in order to reduce the environmental impact caused by waste discharge directly.

(c) Control of Sewage Discharge

The Group has established measures for managing industrial effluent. In the factories for the manufacture of dyeing and finishing machines, they have established wastewater treatment facilities which use continuous high-frequency pulse ionization membrane system, for prevention of environmental pollution incurred by industrial wastewater, 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 m³ 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

To reduce emissions of VOC, the factory has adopted a powder coating process instead of using paint materials in the spraying process. This change significantly reduces the use of volatile organic solvents, thereby lowering VOC emissions. It is estimated that this initiative will reduce VOC emissions by approximately 52 tonnes annually.

(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 is committed to utilizing various clean energy sources instead of coal-based energy in its operations, aiming to reduce the generation and emission of air pollutants.

During the year, the dyeing and finishing machinery manufacturing plant implemented a photovoltaic power generation system, which is estimated to reduce approximately 166 tonnes of standard coal consumption annually. Additionally, in the painting department, natural gas has been adopted to replace coal-generated electricity, thereby reducing air pollution caused by coal-fired power generation. This energy transition is expected to reduce approximately 74 tonnes of standard coal consumption annually.

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:

			
	Direct GHG emission⁴ (Scope 1)	Energy Indirect GHG emission⁵ (Scope 2)	GHG emission intensity⁶
Total GHG emission³			1.97 tonnes CO₂ equivalent / tonne
29,978 tonnes CO₂ equivalent	6,160 tonnes CO₂ equivalent	23,817 tonnes CO₂ equivalent	

³ 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).

⁴ 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".

⁵ 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.

⁶ 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 2024	Year 2023
Diesel oil consumption (litres)	13,264	12,722
Gasoline consumption (litres)	19,039	50,118
Natural gas consumption (m ³)	1,994,405	2,001,319
Acetylene consumption (kilograms)	313	1,648
Refrigerant (R-134a) consumption (kilograms)	959	897
Electricity consumption (kWh)	44,386,469	38,098,568

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 production facilities, the Group has also implemented an automatic lighting control system in dormitory buildings. Sound and light sensor switches have been installed in appropriate locations to detect human activity and automatically control lighting, ensuring that lights are turned on only when needed, thereby reducing unnecessary energy consumption. Furthermore, LED lighting has replaced traditional lighting fixtures in workshops and office buildings across the factory area. This transition is estimated to reduce electricity consumption by approximately 15,800 kWh annually.

(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

In the stainless steel casting manufacturing plant, all departments have placed warning and notification labels at various electricity usage points to remind employees of the importance of energy conservation. As a result of these measures, the plant's electricity consumption has decreased by 3% compared to the previous year.

Additionally, the plant continues to utilize the "water storage tank of cold energy" that was established in 2022. This system primarily supports the wax-injection and molding workshops of precision casting production. While enhancing cost efficiency, the system also serves as a backup power source. Through its function as storage tank of cold energy, it improves the stability of the air conditioning system. More importantly, it helps reduce the load on the regional power grid, contributing to overall energy efficiency within the community.



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°C
- 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 are equipped with wastewater treatment facilities, allowing treated reclaimed water to be reused. For example, the treated water is utilized in the pickling process at the Zhongshan plant. Additionally, some factory sites have constructed rainwater collection pools, storing water for non-production purposes such as pickling and phosphating. Furthermore, certain production equipment is designed for water recycling, where wastewater generated from the pickling rinsing process can be treated and reused within the process. Through these water recycling initiatives, the Group effectively reduces the consumption of freshwater resources.



Use of Recycled Water
Annual savings approximate
14,000 m³



Rainwater collection for greening usage
Annual savings approximate
900 m³

(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 weight⁷ of main packaging materials consumed by the Group during the reporting period:

Packaging Materials		Year 2024	Year 2023
Paper	(tonne)	19.01	20.09
Plastic	(tonne)	56.26	656.75
Wood	(tonne)	1,669.16	1,407.20
Metal	(tonne)	77.04	6.21

⁷ Only covered those packaging materials with accurate records of their weight data.

(d) List of Resource Consumption



Electricity consumption
44,386,469 kWh



Natural gas consumption
1,994,405 m³



Diesel oil consumption
13,264 litres



Gasoline consumption
19,039 litres



Water consumption
217,640 m³



Packaging materials consumption
1,821 tonnes

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

Resource Consumption Intensity per tonne of production⁸	Year 2024	Year 2023
Electricity (kWh)	2,898.30	2,487.72
Water (m ₃)	14.21	14.98
Natural gas (m ₃)	130.23	130.68
Diesel oil (litre)	0.87	0.83
Gasoline (litre)	1.24	3.27
Packaging materials (tonne)	0.12	0.14

⁸ 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 fully aware of the severity of global climate change and will continue to monitor climate conditions closely while staying attentive to guidance and recommendations from government agencies and industry associations. This approach enables the Group to better address and manage climate-related risks while achieving its sustainability goals. By analyzing the varying risks and past incidents at different operating locations, the Group identifies potential threats to its operations and has developed the following contingency plans to address operational disruptions or other negative impacts caused by extreme weather, ensuring a swift recovery of production and continuous 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

In response to potential transportation disruptions caused by typhoons and heavy rainfall, the Group has established comprehensive contingency measures to ensure a stable supply of raw materials and the on-time delivery of products to customers. The Group closely monitors weather conditions and maintains close communication with suppliers, enabling swift adjustments to supply chain strategies when transportation is affected. Additionally, when extreme weather conditions may impact raw material procurement costs or supply availability, the Group conducts risk assessments and proactively develops countermeasures, such as increasing inventory reserves or identifying alternative material sources. The Group's objective is to minimize the impact of climate change, ensure uninterrupted production schedules, and fulfill commitments to customers on time.

(a)(4) Management for Hot Weather

For addressing potential heat waves incurred by climate change, the Group assesses their impact on the production process, including the operation of air conditioning systems and automated machinery. During the year, the dyeing and finishing machinery manufacturing plant installed a total of 39 high-power fans across various workshop rooftops to enhance ventilation. Additionally, to address the extreme heat conditions brought by severe weather, the factory arranges appropriate production schedules to prevent heatstroke among employees, mitigating health and safety risks in the workplace.

(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 actively references the industry's most advanced and energy-efficient technologies to establish concrete and feasible long-term carbon reduction targets. Committed to minimizing greenhouse gas emissions from its operations, the Group continuously optimizes production processes and enhances energy efficiency to achieve a more sustainable business model. Based on business development and financial conditions, the Group allocates budgets accordingly to invest in environmental technologies and equipment upgrades, such as introducing energy-saving devices, improving production system efficiency, or adopting renewable energy to reduce carbon footprint and air pollution. Additionally, the Group encourages employees to participate in energy-saving and carbon reduction initiatives, fostering a culture of green operations.

(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 provides equal opportunities for all job applicants and does not discriminate based on gender, age, race, or nationality. All hiring decisions are made solely based on whether the applicant meets the job requirements. During the recruitment process, in addition to considering applications from local candidates, the Group also welcomes job seekers of different ethnicities and nationalities.

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 formulates and regularly evaluates its compensation and benefits system based on various factors, including local market data, company performance, employee performance, inflation levels, and local labor regulations. This system covers aspects such as minimum wages, bonuses, overtime pay, paid leave, sick leave, and work injury leave. Additionally, the Group ensures compliance with local regulations by providing employees with the required social insurance.

During relevant seasons, the Group organizes recreational and entertainment activities to enrich employees' workplace experience and help them achieve a healthy work-life balance. This year, the Group won the championship in the third annual Corporate Employee Men's Basketball Tournament, further promoting teamwork and a healthy lifestyle among employees.



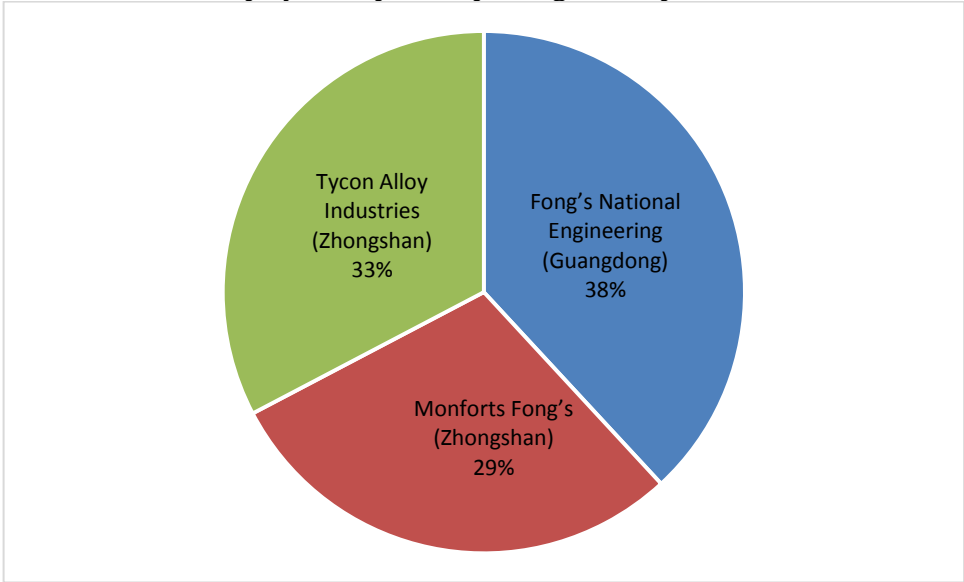
"Chinese Dream · The Beauty of Labor" 2024 Cuiheng New District (Nanlang Street) Third Corporate Employee Men's Basketball Tournament

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

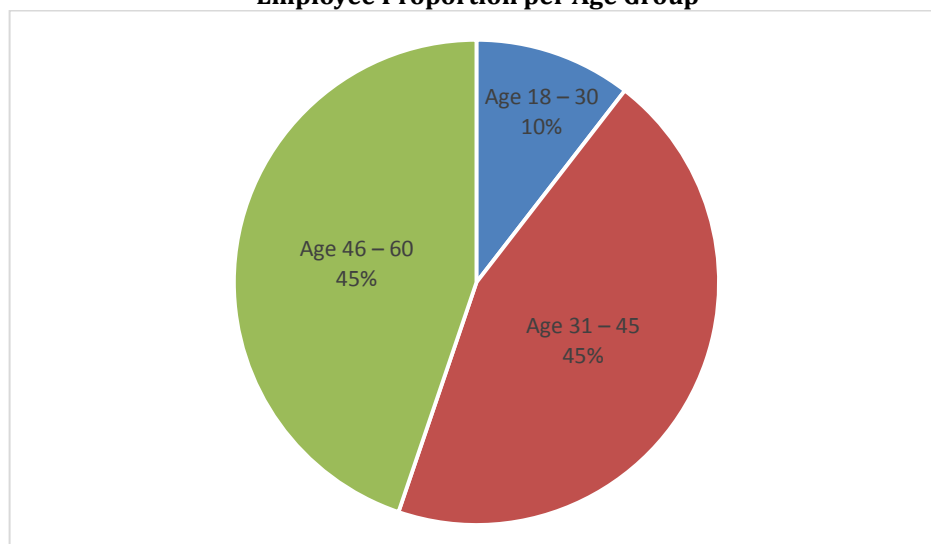
As at 31 December 2024, the table below listed out the number of employees and their associated age distribution:

	Number of Employees
Gender	
Male	1,422
Female	181
Job Type	
Full-time	1,603
Part-time	0
Age	
18-30	168
31-45	717
46-60	718
> 60	0
Region	
Mainland China	1,603
Total	1,603

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 2024	Year 2023
Gender			
	Male	1.43	2.90
	Female	2.60	2.16
Age			
	18-30	2.72	4.26
	31-45	1.35	2.56
	46-60	1.25	2.39
	> 60	0.00	2.78
Region			
	Mainland China	1.56	2.81

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 regularly assesses workplace safety hazards and establishes operational guidelines to manage health and safety risks, implementing emergency response and preventive measures. These guidelines are tailored to different production processes and equipment, covering aspects such as flammable gas safety procedures, gas cylinder storage regulations, and X-ray radiation management. Employees are required to strictly follow these guidelines, with management conducting on-site inspections to correct any violations. Additionally, the Group evaluates job-related risks, provides appropriate personal protective equipment, and arranges regular equipment inspections by qualified third parties or internal professionals. To further enhance workplace safety, necessary protective devices are installed on equipment to mitigate potential hazards and ensure a secure working environment.

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. 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 provides appropriate training to ensure the effective implementation of operational guidelines and the safe use of equipment. The training covers topics such as the proper use of protective gear, workplace safety, occupational health knowledge, case studies, and practical safety operations for specific job roles and equipment. For specialized positions requiring specific qualifications, operators must hold valid licenses or complete specialized training. Additionally, the Group conducts regular fire drills and emergency response exercises to familiarize employees with evacuation routes in critical situations, enhancing their emergency handling skills and ensuring workplace safety.

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 2024

9,268 participants

Year 2023

16,514 participants

Employee Health Examination

The Group conducts annual occupational health examinations for employees in positions with potential health risks to ensure they have not developed occupational diseases. In the dyeing and finishing machinery department, high-risk positions include welders, spray painters, grinders, sandblasters, pickling workers, wastewater treatment workers, and punch press operators. In the stainless steel casting department, potential hazards involve exposure to noise, ultraviolet radiation, chromium and manganese compounds, and inorganic dust that may cause pneumoconiosis. A total of 716 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 1,465 days in the reporting period.

	Year 2024	Year 2023
Number of working days lost due to work-related injuries	1,465	1,602
Number of work-related fatalities	0	0

Work-Life Balance

The Group not only prioritizes employees' health and safety at work but also cares about their mental well-being and personal life needs. To support this, various leave policies related to family responsibilities have been established, along with flexible leave or early leave arrangements based on employees' family requirements. Additionally, to help employees relieve stress and enrich their lives outside of work, the Group regularly organizes various activities, promoting a healthy work-life balance and enhancing overall well-being.

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.

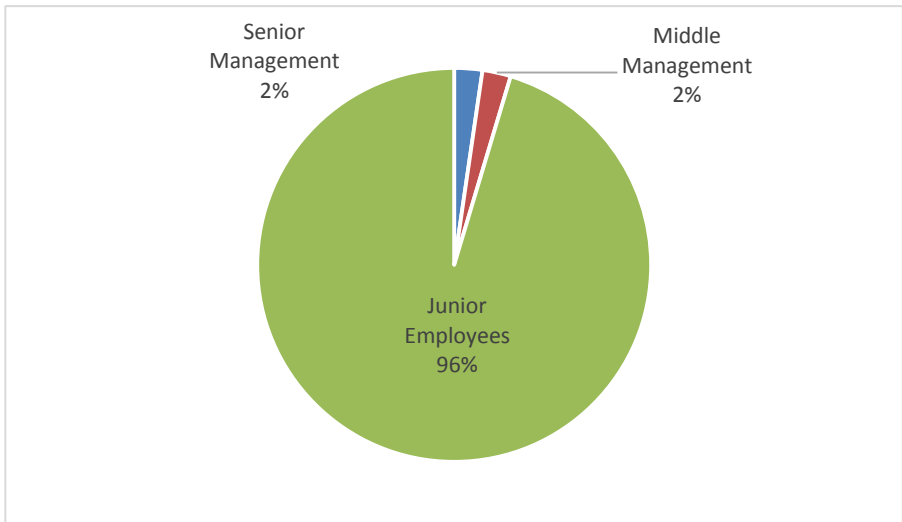
5.2.3 Development and Training

The Group has established a comprehensive training system covering various aspects, including onboarding, factory regulations, product processes, environmental protection, safety training, and other necessary external courses. In addition to traditional classroom training, the Group emphasizes hands-on experience by assigning team leaders, supervisors, or experienced employees to mentor new hires, helping them quickly adapt to job requirements and enhance their performance. This training approach is flexible and can be adjusted based on the new employee's background and experience. Furthermore, the Group tailors career development plans for employees according to different product categories, business needs, and project strategies, providing regular knowledge and skills training based on job requirements. Through annual performance evaluations, outstanding employees are given promotion opportunities, motivating career growth. This well-structured employee development and training system not only supports individual career advancement but also drives the continuous growth and success of the Group.

Within the operating sites covered by this Report, there was a total of 14,782 counts of participation in employees' training during the reporting period, which totally amounted to 21,542 training hours. The following diagrams and tables illustrated the monthly average proportion of trained employees and the monthly average training hours per employee:

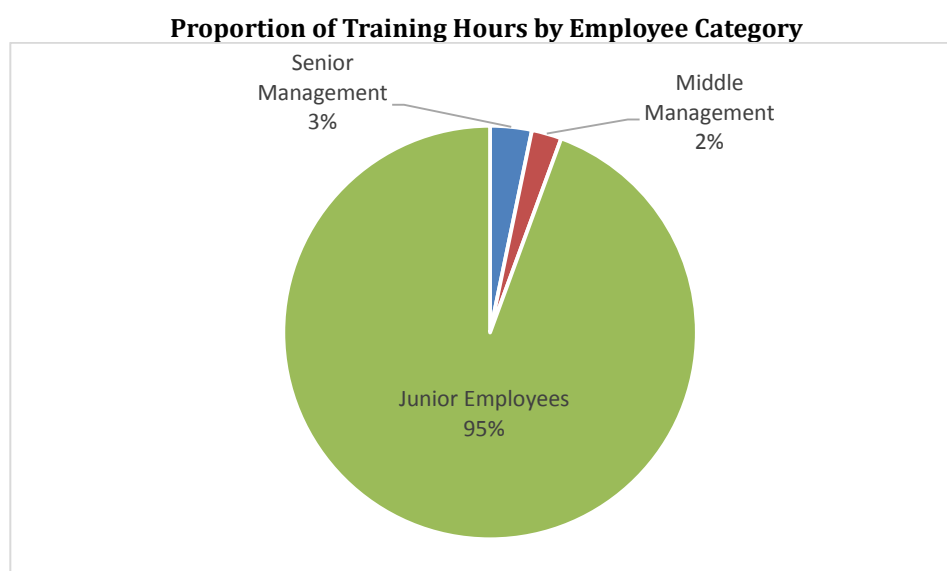
Total Number of Training Participants within the Group		Year 2024	Year 2023
Gender			
	Male	13,519	19,992
	Female	1,263	1,037
Employee Category			
	Senior Management	341	273
	Middle Management	344	734
	Junior Employees	14,097	20,022
	Total	14,782	21,029

Proportion of Training Participants by Employee Category



Monthly Average Proportion of Trained Employees within the Group (%)	Year 2024	Year 2023
Gender		
Male	73.45	65.05
Female	54.85	33.70
Employee Category		
Senior Management	46.43	37.02
Middle Management	30.71	38.79
Junior Employees	76.13	67.20
Overall Average	71.40	63.77

Total Number of the Group's Employee Training Hours in the Year	Year 2024	Year 2023
Gender		
Male	19,468	23,901
Female	2,074	1,475
Employee Category		
Senior Management	701	467
Middle Management	505	1,111
Junior Employees	20,337	23,798
Total	21,542	25,376



Monthly Average Training Hours per Employee	Year 2024	Year 2023
Gender		
Male	1.11	0.99
Female	0.90	0.49
Employee Category		
Senior Management	0.98	0.78
Middle Management	0.50	0.52
Junior Employees	1.12	1.00
Overall Average	1.08	0.93

5.2.4 Labour Standards

The Group strictly complies with relevant laws and regulations, prohibiting the employment of child labor and hiring only individuals aged 18 or above, considering the nature of factory operations. It ensures that no forced labor occurs by assigning tasks appropriately and not requiring employees to perform work beyond their capabilities or unreasonable duties. Additionally, the Group does not force employees to work overtime; any extension of working hours must be voluntarily requested by the employee and approved accordingly. To protect employees' legal rights, the Group does not collect deposits or withhold identification documents upon hiring.

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 established measures to prevent forced labor, ensuring that all overtime work is conducted voluntarily. Employees who wish to work overtime must submit a request to their direct supervisor and provide written confirmation. The Group strictly enforces this procedure to eliminate any instances of involuntary overtime. If any violations of this process are discovered, an immediate investigation will be conducted to identify the cause and implement appropriate corrective actions. This ensures the protection of employees' rights and maintains a fair working environment.

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

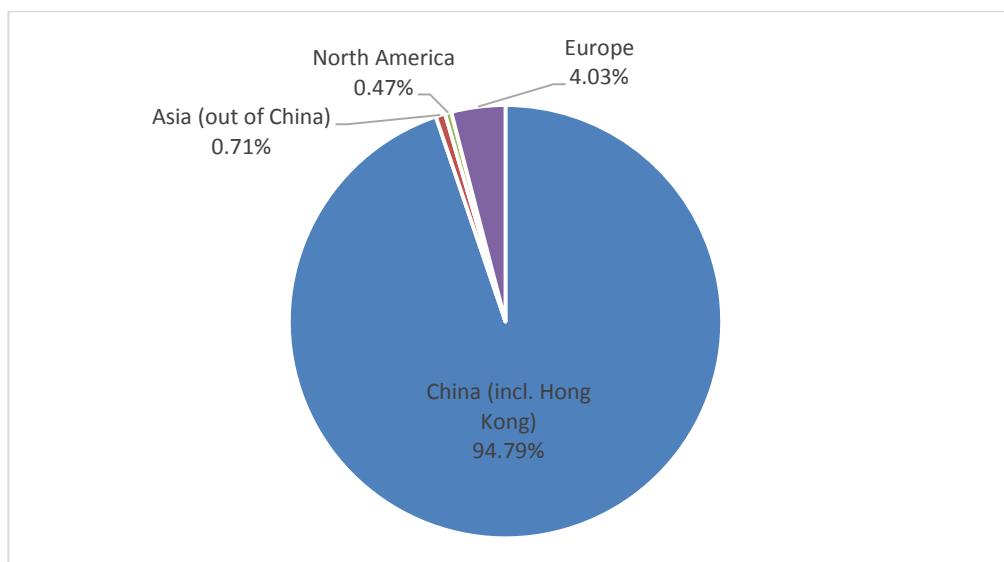
5.2.5 Supply Chain Management

The Group has established a comprehensive supplier management policy to clearly communicate its expectations and requirements for suppliers and their employees. This policy covers various aspects, including product quality, social responsibility, and business ethics, which serve as key criteria for supplier selection. To ensure supply chain stability and compliance, the Group has implemented a rigorous supplier selection and evaluation system. Before procurement, in addition to commercial considerations, a thorough assessment of new suppliers' qualifications is required, while regular evaluations are conducted for existing key suppliers. All evaluation results are documented as a basis for ongoing monitoring and decision-making, ensuring that suppliers consistently meet the Group's standards and maintain high-standard partnerships.

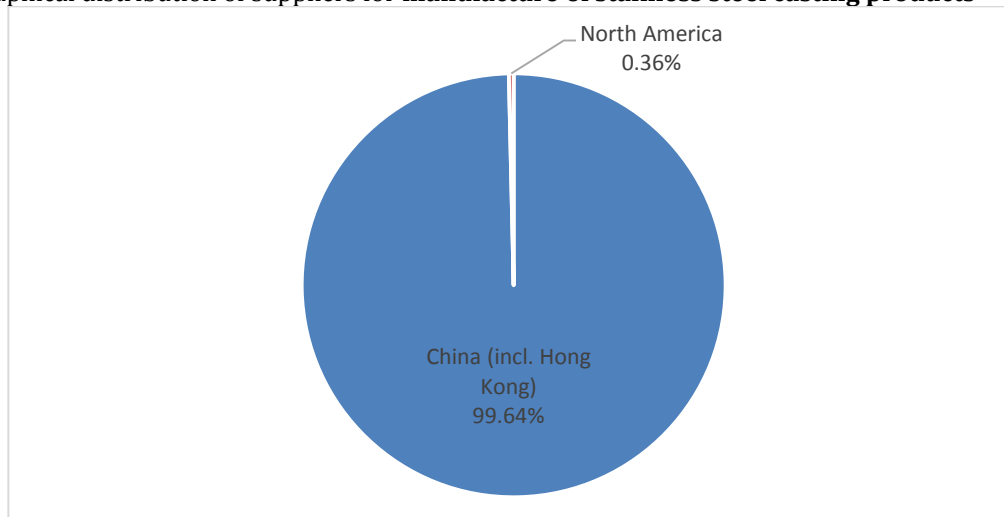
(a) Distribution of Suppliers

As at 31 December 2024, the business for the manufacture of dyeing and finishing machines has engaged no less than 422 suppliers, while the business for the manufacture of stainless steel casting products has engaged 277 suppliers. Above 94% 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 established a comprehensive supplier evaluation process, implementing various assessment methods based on the risk level of different materials to the final product. Regular evaluations of key suppliers are conducted through multiple approaches, including supplier self-assessment questionnaires, material inspections, on-site audits, and reviews of suppliers' quality, environmental, and energy management system documents. During the evaluation, the Group investigates and tracks suppliers' past performance, focusing on key criteria such as delivery accuracy, consistency in product quality, service reliability, and price competitiveness. Through this rigorous evaluation process, the Group ensures that suppliers meet critical production and product quality requirements, thereby maintaining supply chain stability and ensuring the reliability of production quality.

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 83 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 708 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 suppliers that do not pose significant environmental risks and evaluates their emissions, pollution, and other potential negative impacts on the external environment. Simultaneously, the Group emphasizes the operational compliance of business partners within the supply chain, conducting comprehensive reviews of relevant social risks. The evaluation criteria include labor law compliance, workplace safety compliance, supply chain disruption risks, product compliance, and business integrity compliance. Through these assessments, the Group ensures that selected suppliers and their business partners meet environmental protection standards while effectively managing social responsibility risks.

The Group is committed to promoting the importance of energy conservation and emission reduction within the supply chain. Where appropriate, procurement contract terms specify that suppliers must comply with national environmental regulations and, whenever possible, seek suppliers that have obtained environmental and energy management system certifications such as ISO 14001 and ISO 50001. Additionally, to strengthen environmental risk control and prevent potential hazardous substances in products, the Group evaluates relevant environmental testing results before procuring raw materials from suppliers. For example, RoHS compliance testing is conducted to review whether the content of hazardous substances in materials meets the required standards.

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 the 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

Under the premise of meeting operational requirements, the Group prioritizes environmentally friendly equipment and materials to minimize environmental impact. Additionally, when selecting energy-consuming equipment, the Group gives preference to products that have obtained energy-saving certifications or high-efficiency energy labels, thereby enhancing energy efficiency and reducing overall energy consumption.

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 a crucial raw material in the machinery manufacturing business. Under the premise of meeting customer requirements and production technical conditions, the Group prioritizes the procurement and application of powder coatings or water-based paints. Compared to traditional oil-based paints, powder coatings and water-based paints offer greater environmental benefits, as they effectively reduce the emission of VOCs during use.

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 94% of the total supply base of the Group in the reporting year.

5.2.6 Product Responsibility

The Group recognizes that producing high-quality products is a key factor in supporting long-term business development. Therefore, in the countries where it manufactures and sells products, the Group strictly complies with local laws, regulations, and customer-specific requirements to ensure that products meet national standards and customer expectations, delivering high-quality solutions. The Group is committed to using premium materials and superior craftsmanship in all final products, ensuring they are brand new, unused, and fully compliant with the quality, specifications, and performance standards stipulated in contracts.

The relevant factories covered in this Report have achieved ISO 9001 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.



ISO9001 Quality Management System Certification

Fong's National Engineering
(Guangdong)

Monforts Fong's
(Zhongshan)

Tycon Alloy Industries
(Zhongshan)

(a) Intellectual Property Protection

The Group has also invested large number 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 20 patents in China.

Whether for in-house designs or products manufactured according to customer specifications, all related information is strictly protected. The Group has established clear regulations and requires employees to sign a code of integrity, acknowledging that they are prohibited from disclosing or reproducing any confidential information without authorization. Additionally, the Group signs confidentiality agreements with customers to ensure that no customer-related information, such as product drawings, technical specifications, or other confidential materials involving intellectual property, is disclosed. A dedicated department is responsible for the secure storage and management of such documents, and employees are strictly prohibited from copying or removing any relevant files from the company without authorization.

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 all product information provided on promotional websites and other marketing materials is truthful and accurate. Additionally, for products that include user manuals, the content is based on reliable data and professional standards. At the same time, the Group requires sales personnel to promote products by conveying only the confirmed advantages and features of the Group's offerings, without making negative statements about competitors or their products, thereby avoiding misleading claims or inappropriate comparisons.

(c) After-Sales Service

For the business of manufacture of dyeing and finishing machines, the Group guarantees product quality under the conditions of proper installation and normal usage. In accordance with the sales contract, after satisfactory product testing, the Group provides a warranty period of no less than one year. During the warranty period, the Group is responsible for repairs or replacements of defects caused by proper use and non-abnormal wear and tear. Additionally, the Group also takes responsibility for correcting any computer program malfunctions caused by software errors, ensuring the stable operation of the machinery within the warranty period.

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 supplied by suppliers must undergo incoming quality inspection by the Quality Department. Only materials that pass inspection and are confirmed to meet the required standards can be released for use in the production facility. The manufacturing process must strictly follow the inspection plan to ensure that quality standards are met at every stage. Upon completion of production, all finished products must undergo a final inspection to verify compliance with relevant specifications and standards before they can be delivered to customers.

(e) Handling of Customer Complaints

The Group has established a comprehensive complaint handling mechanism. Upon receiving a customer complaint, the Quality Department conducts a thorough analysis of the issue and provides the customer with the analysis results and corresponding follow-up actions within a specified timeframe. A dedicated department is responsible for managing and following up on customer complaints to ensure that issues are properly resolved. If necessary, the Group will initiate a product recall process to further safeguard customer interests and maintain product quality.

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 major violations of product liability regulations. In the stainless steel casting manufacturing business, a total of 241 return requests and 358 customer product feedback cases were received. All returns and complaints were successfully resolved within the reporting period. Additionally, in the business of manufacture of dyeing and finishing machines, 1 customer complaint was received, all related to frequent communication failures of certain components. After dispatching personnel for inspection and replacing the faulty components, each complaint case was confirmed to be fully resolved within the reporting period.

(f) Product Recall/Return Procedure

In the event of a customer rejecting a product, the Group first assesses the reason for the rejection or return. If a recall is deemed necessary, the Group ensures proper protection of the affected product and transports it to the Quality Department for inspection. At the same time, the Group collaborates with relevant departments to analyze the issue and develop specific improvement measures to prevent similar occurrences in the future. During the reporting period, the Group implemented strict quality monitoring and management for sold products and did not identify any cases requiring a recall due to safety or health concerns.

(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 behaviors 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

To strengthen procurement control, the Group requires the collection of evaluation data from at least two suppliers before making a procurement decision. This ensures fairness and impartiality in procurement quotations, allowing the selection of the most suitable supplier. The approval process for procurement contracts is generally determined based on the contract amount. Whenever feasible, a multi-level approval process is required, meaning that implementation can only proceed with the unanimous authorization of two levels of superiors above the responsible officer.

(a)(3) Financial Auditing

The Group engages an independent third-party auditor to audit the Group's financial accounts, ensuring clarity and accuracy in financial data. At the same time, the Group enhances internal financial controls and supervision to further improve transparency and compliance in financial management, effectively safeguarding the overall interests of shareholders.

(b) Whistle-blowing Procedures

The Group has established a comprehensive whistleblowing mechanism and reporting channels, providing employees with a safe and confidential means to proactively report any suspected violations of integrity or unlawful activities. Whistleblowers can submit reports confidentially and anonymously in writing to the designated "Board of Directors' Mailbox." Upon receiving a report, the Board of Directors will immediately assign the relevant department to investigate and follow up, ensuring that all reports are handled in a timely manner.

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

To ensure that employees at all levels fully understand and effectively implement the Group's anti-corruption policies, the Group arranges periodic specialized training sessions. These sessions provide systematic guidance to employees responsible for enforcing relevant policies, ensuring their thorough implementation. The training programs cover all levels within the Group, including board members and general employees, fostering collective participation from decision-making to execution.

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 1,101 training participants in positions related to corruption risk amongst the operating regions covered by this Report, and such trainings amounted to a total of 1,014 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
- Important changes to exchange listing rules regarding climate-related disclosures

5.2.8 Community Investment

The Group has always been committed to fulfilling its corporate social responsibility by engaging with community stakeholders through various channels, understanding their needs, and providing necessary assistance. Over the years, the Group has contributed to multiple areas, including poverty alleviation, care visits, educational support, and environmental volunteer activities, demonstrating its dedication to social well-being. This year, the Group participated in a blood donation campaign, contributing six hours of volunteer service, and actively supported rural revitalization in Pinglu County by donating RMB 50,000 to aid local development. Moving forward, the Group will continue to engage with community members and organizations, seeking more opportunities to give back through material donations and volunteer services, providing support and care to those in need.