

ENVIRONMENTAL, SOCIAL
AND GOVERNANCE REPORT

環境、社會及管治報告

2019/20



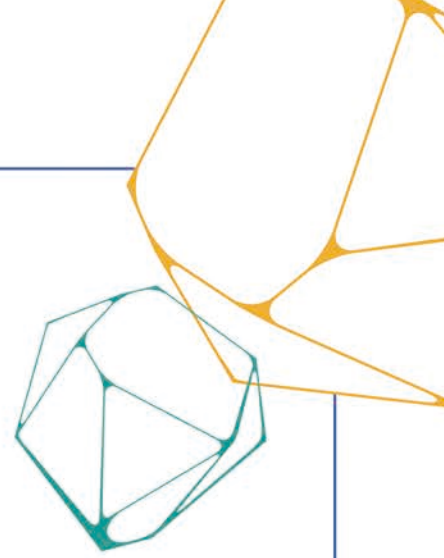
力勁科技集團有限公司
L.K. Technology Holdings Limited

(Incorporated in the Cayman Islands with limited liability)
(於開曼群島註冊成立之有限公司)

(Stock Code 股份代號 : 558)

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ABOUT THIS REPORT

The board of directors (the “Board”) of L.K. Technology Holdings Limited (the “Company”) is pleased to present this Environmental, Social and Governance (hereinafter called “ESG”) Report (the “Report”) of the Company and its subsidiaries (collectively as the “Group” or “We”). This ESG Report summarizes the policies, sustainability strategies, management approach, initiatives and performance made by the Group in the environmental and social aspects of its business.

The ESG Report covers the sustainable development strategies, policies and performance in the environmental and social aspects of the Group’s business in the manufacture and sale of die-casting machine, plastic injection moulding machine and computerized numerical controlled (“CNC”) machining centre for the year ended 31 March 2020. The Report discloses the required information under the “comply or explain” provisions of the ESG Reporting Guide set out in Appendix 27 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (“HKEX”). The relevant provisions and details are listed out at the end of the Report.

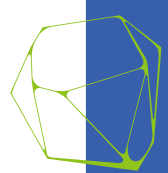
The Board is responsible for the Group’s ESG strategy formulation and reporting, evaluating and determining the Group’s ESG-related risks, and ensuring that appropriate and effective ESG risk management measures and internal control systems are in place. In order to determine the ESG reporting scopes, the key management personnel has discussed internally and identified the environmental, social and operating items; and assessed their importance to the stakeholders and the Group. The summary of material ESG items are listed out per Section III in this report.

STAKEHOLDERS' ENGAGEMENT



The Group is committed to maintaining the sustainable development of its business and the environmental protection of the communities in which it operates. We maintain a close tie with its stakeholders, including government/regulatory organizations, shareholders/investors, employees, customers, suppliers, community, etc., gain a better understanding of all parties and strive to balance their opinions and interests through constructive communications in order to determine the directions of its sustainable development. We assess and determine our ESG risks, and ensure that the relevant risk management measures and internal control systems are operating effectively. The following table shows the means of communication with the stakeholders and the management response to the stakeholders' expectations and concerns:

Stakeholders	Expectations and concerns	Means of communication	Management response
Government/regulatory organizations	<ul style="list-style-type: none"> • Compliance in laws and regulations • Fulfill tax obligation • Safety production • Joint anti-epidemic 	<ul style="list-style-type: none"> • Periodic report/announcement • Regular communication with regulators • Field investigation • Handle official business through government affairs website or application 	<ul style="list-style-type: none"> • Uphold integrity and compliance in operations • Pay tax on time, and contribute to the society • Establish comprehensive and effective internal control system • Fully implement safety production accountability system • Support the government's epidemic prevention policies and guidelines
Shareholders/investors	<ul style="list-style-type: none"> • Return on investment • Information transparency • Corporate governance system 	<ul style="list-style-type: none"> • Information disclosed on the HKEX website • Company's official website • Annual general meeting and other shareholders' meetings • Investor meeting/Factory visit • Opinion mailbox/Email 	<ul style="list-style-type: none"> • Management possesses relevant experience and professional knowledge in business sustainability • Ensure transparent and efficient communications by dispatching information at the websites of HKEX and the Company • Continue to improve the internal control system and focus on risk management • Continue to communicate efficiently with investors through various communication channels • Adopt effective preventive and control measures and fully resume work and production as soon as possible



STAKEHOLDERS' ENGAGEMENT

Stakeholders	Expectations and concerns	Means of communication	Management response
Employees	<ul style="list-style-type: none"> • Labor rights • Career development • Compensation and welfare • Health and workplace safety • Humanistic care • Joint anti-epidemic 	<ul style="list-style-type: none"> • Staff activities • Employee performance evaluation • Induction and on the job training • Internal meetings and announcements • Contact via email, phone and communication applications • Employee rewards and punishments, and innovation and improvement proposal management system • General manager mailbox 	<ul style="list-style-type: none"> • Set up contractual obligations to protect labor rights • Encourage employees to participate in continuous education and professional trainings to enhance ability • Establish a fair, reasonable and competitive remuneration scheme • Pay attention to occupational health and safety • Regularly provide medical check to employees and conduct occupational disease hazard inspection on key positions to identify various occupational hazard source and adopt appropriate response plans as soon as possible • Establish an efficient and rewarding communication mechanism to motivate employees to actively provide opinions to the company and bring opportunities for mutual development to both parties • Provide anti-epidemic supplies, reasonable scheduling and shifts or work from home
Customers	<ul style="list-style-type: none"> • High quality products and services • Timely delivery • Reasonable price • Joint anti-epidemic 	<ul style="list-style-type: none"> • Business visit • Contact via email, phone and communication applications • Conference and exhibition • Customer service team • Customer satisfaction survey 	<ul style="list-style-type: none"> • Improve the quality of products and services continuously in order to maintain customer satisfaction • Establish an effective, efficient and green supply chain system and actively conduct developments on different type of products to meet customers' requirements and the current development trend of Industry 4.0 • Formulate comprehensive quality assurance process • Ensure fulfillment of contractual obligations • Establish and continuously improve the pre-sales, in-sales, after-sales service and customer training systems • Adopt effective preventive and control measures and fully resume work and production as soon as possible • Arrange technical personnel to assist customers in resuming work and production during the epidemic as far as possible

STAKEHOLDERS' ENGAGEMENT



Stakeholders	Expectations and concerns	Means of communication	Management response
Suppliers	<ul style="list-style-type: none"> Stable demand Good relationship with the Company Corporate reputation Joint anti-epidemic 	<ul style="list-style-type: none"> Business visit Contact via email, phone and communication applications Conference and exhibition 	<ul style="list-style-type: none"> Ensure fulfillment of contractual obligations Establish policy and procedures in supply chain management Establish and maintain strong and long-term relationship with suppliers Select suppliers with due care Resume full operations as soon as possible
Community	<ul style="list-style-type: none"> Environmental protection Reduce greenhouse gas emissions and waste generation Effective resource utilization Community contribution Economic development and community employment Joint anti-epidemic 	<ul style="list-style-type: none"> The Company's official website and information publicity website of government department Community activities 	<ul style="list-style-type: none"> Pay attention to climate change and actively take various clean production measures Continue to invest resources in environmental protection Actively innovate environmental protection technology Strengthen energy saving and emission reduction management Encourage employees to actively participate in charitable activities and voluntary services Maintain good and stable financial performance and business growth Establish an epidemic prevention and control team and formulate epidemic prevention rules and guideline to prevent further spread of the epidemic

FEEDBACK

Our ongoing improvement relies on your valuable opinions on our performance and reporting methods. If you have any questions or recommendations with regard to this report, you are welcome to fill in the inquiry form on our official website (https://www.lk.world/tc/enquiry_form.php) or send your comments to lkgeneral@lkmachinery.com.hk for the continuous improvement in our environmental, social and governance work.



MATERIALITY MATRIX

During the reporting period, the Group has evaluated a number of environmental, social and operating items, and assessed their importance to stakeholders and the Group through various channels. This assessment helps to ensure that the Group’s business objectives and development direction are in line with the stakeholders’ expectations and requirements. The Group’s and stakeholders’ matters of concern are presented in the following materiality matrix:

		Materiality Matrix		
Importance to Stakeholders	High	<ul style="list-style-type: none"> ◆ Anti-discrimination measures ◆ Labor rights protection 	<ul style="list-style-type: none"> ◆ Talent management ◆ Staff training and promotion opportunity ◆ Staff compensation and welfare 	<ul style="list-style-type: none"> ➤ Customers' satisfaction ➤ Product quality and safety ➤ Suppliers management ➤ Anti-epidemic ◆ Occupational health and workplace safety ◆ Anti-epidemic ◇ Clean production ◇ Anti-epidemic
	Medium	<ul style="list-style-type: none"> ➤ Community contribution 	<ul style="list-style-type: none"> ➤ Anti-corruption ◇ Greenhouse gas emissions ◇ Use of resources 	<ul style="list-style-type: none"> ➤ Operational compliance ➤ Customers' privacy measures and protection ◇ Exhaust air emission ◇ Sewage discharge ◇ Disposal of hazardous wastes
	Low	<ul style="list-style-type: none"> ◆ Preventive measures for child and forced labor ➤ Product labeling and traceability 	<ul style="list-style-type: none"> ◇ Water resources utilization ◇ Disposal of non-hazardous wastes 	<ul style="list-style-type: none"> ◇ Use of raw materials
		Low	Medium	High
		Importance to the Group		

- ◇ Environmental
- ◆ Employee
- Operation

ENVIRONMENTAL PROTECTION



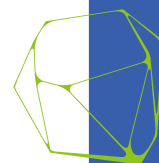
The Group has always strictly complied with the People's Republic of China's laws and regulations on environmental protection, including the "Law of the People's Republic of China on Environmental Protection", the "Law of the People's Republic of China on the Prevention and Control of Atmospheric Pollution", the "Law of the People's Republic of China on the Prevention and Control of Water Pollution", the "Law of the People's Republic of China on the Prevention and Control of Environmental Pollution by Solid Waste", the "Law of the People's Republic of China on the Prevention and Control of Environmental Noise Pollution", the "Energy Conservation Law of the People's Republic of China" and the requirements and standards of the government of the Hong Kong Special Administrative Region and the local government of related business operation locations. In order to let employees understand the importance of their impact on the environment, the Group set up various policies and measures, and take various actions with an aim to reduce carbon footprint, thereby reducing the adverse effects on the environment from the enterprise's business activities and the employees' personal life. The details are described in the sections "Management of Emissions" and "Management of Resources Utilization" below.

MANAGEMENT OF EMISSIONS

The Group mainly manufactures and sells die-casting machines, plastic injection moulding machines and CNC machining centres. Exhaust air, wastewater, solid wastes and noise are generated during operation and we are fully aware of our activities have impact on the environment. Therefore, we have taken into account the environmental factors into our business development strategy, established the environmental safety supervision department in each plant to monitor the implementation of the environmental protection policies of the Group by various departments, continuously optimize the measures and facilities relating to environmental protection and pollution prevention, and to organize seminars regularly to collect ideas in resolving major environmental issues. The Group pays close attention to the

updates in national environmental protection policy and development strategies and takes appropriate adjustment measures accordingly while carrying out different production activities. In order to implement the Group's environmental protection policy effectively, we have established a sound environmental policy and internal rules and regulations following the requirements of the ISO 14001 environmental management system, local environmental laws and regulations and the characteristics of our businesses so that all levels of the Group can get a better understanding of their environmental protection work, and thereby strengthening the effectiveness of the Group's environmental protection policies, reducing the generation of pollutants and avoiding resource wastages.

During the reporting period, Shenzhen plant has participated in the municipal-level environmental credit evaluation work organized by the local ecological and environmental protection bureau. The evaluation content included pollution prevention, ecological protection, environmental management and social monitoring. The environmental protection department mainly conducted on-site inspection and monitoring to check the control of the total amount of key pollutants, and evaluate the positivity and compliance level of the enterprises in fulfilling environmental and social responsibilities. On June 5, 2020, the Shenzhen Municipal Ecological and Environmental Protection Bureau announced that Shenzhen plant had received a "Blue Card" rating in the evaluation (regard as a Good Environmental Protection Company). Such result has further affirmed the Group's environmental protection investment on the plant, the methods for achieving the environmental goals and targets and the employees' active cooperation with various environmental protection measures formulated by the Group. Each plant of the Group will actively refer to the environmental protection strategy of Shenzhen plant, continue to improve the above-mentioned management system, reasonably invest in effective environmental facilities and equipment and adopt efficient environmental protection measures to accelerate the pace of the Group's sustainable development strategy.



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Management of Exhaust Air and Greenhouse Gas Emissions

The Group's CNC machining centre business only involves the process of parts assembling and steel processing, and except for the waste gas generated by the use of vehicles, the related business does not generate any waste gas from its production. Regarding the manufacture of the die casting machine and the injection moulding machine, hydrochloric acid mist and hydrogen chloride is generated in the acid washing process; volatile organic compounds ("VOCs") is produced during the painting and drying process; smoke is generated during the welding process; dust is generated during the powder spraying, sand blasting, shot blasting and grinding processes; besides, electric furnaces and annealing furnaces are used in the manufacture of castings, and waste gas such as coal-fired waste gas, hot smoke and dust is generated during the castings production process.

In order to strictly comply with the national and each operating locations' laws, regulations and standards on the prevention and control of the atmospheric pollution, we set up waste gas treatment facilities according to different production processes, for example, use the alkaline liquid drip tower to treat hydrochloric acid mist and hydrogen chloride in the acid washing process; use water curtain cabinet, oil curtain cabinet and activated carbon adsorption device to collect and treat waste paint mist containing VOCs in the process of painting and drying; use gas collecting hood and a bag filter to collect smoke and dust in the welding process; use suction fan, sand and dust separator, filter cartridge dust collector, pulse bag filter, etc. to separate, filter and collect dust generated from the dust and sand blasting production process carried out in a closed environment; use ring shape smoke collector and dust remover to cool down and purify the hot smoke and use wet desulfurization method to treat coal-fired waste gas in the castings production process. These waste gases are discharged at or above the national and local government regulated discharge height after being treated by the environmental protection facilities.

Employees must strictly follow the operation manual to operate the environmental protection facilities. We regularly conduct repair and maintenance for the facilities to ensure that the equipment runs properly. Staff have to report any abnormalities found to management at once and take appropriate actions to prevent waste gas leakage and cause environmental pollution incidents.

During the reporting period, the Group entrusted the qualified local environmental consulting company to measure the concentration and the emission velocity of different air pollutants inside the plants and the test results met the standards.

During the reporting period, in accordance with the "Shenzhen Blue" Sustainability Action Plan for 2019, Shenzhen plant formulated a VOCs one-enterprise, one-policy plan to strengthen the management of VOCs emission concentration and emissions; the relevant plant has started from the source and reduced the use of oil-based paint, use the environmental-friendly water-based paint for the painting process to reduce the emission of VOCs. In addition to the environmental protection treatment facilities meeting the emission standards being installed in Shenzhen plant, three sets of painting and spraying waste gas treatment equipment were installed in December 2019. It can further reduce the VOCs emissions at the final stage. The plant regularly replaces the activated carbon in the waste gas treatment equipment to ensure the VOCs treatment efficiency of equipment and avoid the unstable or excessive VOCs emission. Besides, Fuxin plant followed the government's requirement and uses biomass pellet fuel in boiler instead of coal; it mainly contains straw, rice husk, peanut shell, corn cob, oil tea shell, cottonseed shell and other environment friendly materials which produce less greenhouse gases than burning coal.

On top of managing the waste gas generated during the production process, the Group's environmental management system also monitors the emissions generated from office daily operation and staff activities. Please refer to "Management of Resource Utilization" and "Conservation of Energy" below for details of the emission reduction measures.



Three sets of painting and spraying waste gas treatment equipment added by Shenzhen plant during the reporting period

Management of Wastewater

The hazardous wastewater generated by the Group in the manufacture of die-casting machines and plastic injection moulding machines are mainly wastewater generated from degreasing, phosphating, acid-washing, paint-spraying process, waste lubricating oil, waste cutting fluid, waste emulsion and environmental treatment equipment wastewater.

In order to strictly comply with the national and each operating locations' laws, regulations and standards on the prevention and control of the water pollution, we set up wastewater treatment stations and adopted the hazard-free treatment technology in our plants; the wastewater is discharged to the local sewage treatment plant for further processing only after the process of drug neutralization, electro-floc, coagulation, flocculation, sedimentation, sand filtration, etc.. We regularly entrust qualified companies to remove the sediments from the sewage tank and set up dedicated pipelines for wastewater; and discharge of waste oil, chemicals or any substances that may cause pipeline blockage to public sewer is strictly prohibited. We regularly conduct repair and maintenance for the wastewater treatment facilities and pipelines to ensure that they operate properly to prevent leakage from the wastewater pipelines, so as to avoid secondary pollution to the environment. The sludge deposited in the sewage treatment station or sludge after dehydration and drying process contains

hazardous substances (such as heavy metals). Since we do not have the required professional treatment capability, we entrust qualified company to recycle the hazardous sludge, waste mother liquor, waste lubricating oil, waste cutting fluid and waste emulsion and alkaline drip tower wastewater. Some of the plants have set up water reuse system to recycle the wastewater that has been treated harmlessly and reused at the production processes and we increase the number of repeated use of steel washing water to reduce the volume of wastewater discharge. Besides, cutting fluids and emulsions are used in metal cutting and processing processes. Therefore, we pay close attention to their quality and the adverse effects on the environment. We give priority to purchase environmental-friendly cutting fluids and emulsions during the procurement process and thereby reducing the production of waste cutting fluid and waste emulsion.

During the reporting period, due to production needs, Kunshan plant treated 57.68 tonnes of cleaning wastewater generated by the use of sheet metal spraying production line in last year. The plant no longer uses this production line since then. In the current year, Zhongshan plant also treated 40.00 tonnes of paint wastewater generated last year, thereby generating extra hazardous wastewater. However, the production volume of die-casting machines, injection moulding machines and CNC

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machining centres businesses has a slight decrease in the current year, causing the hazardous wastewater to increase 63.49 tonnes or 34.92% as compared with last year, and generating a total of 245.31 tonnes of hazardous wastewater.

The non-hazardous wastewater generated from our operations mainly includes wastewater generated from production, office and living, and oily wastewater from canteen. We have established a series of water-saving and emission-reduction measures to reduce the generation of domestic wastewater. Please refer to the section “Management of Resource Utilization” – “Conservation of Water Resources Utilization” below for details of the measures. Since the wastewater produced in the canteen contains oil, the wastewater needs to pass through the oil and slag separation and biochemical procedures before they can be discharged together with the domestic wastewater to the local sewage pipe network for further treatment by the local sewage treatment plant. In order to comply with the increasingly stringent laws and regulations, we enhance our production processes, improve our production and environmental protection facilities, and regularly conduct repairs and maintenance for the equipment so as to ensure that the wastewater treatment facilities operate properly. Besides, we installed a wastewater emergency pool to prevent environmental pollution caused by leakage of wastewater; in the event of a pollution incident, the environmental safety management department personnel should immediately report to their superior and take appropriate actions to reduce the severity of the environmental pollution.

The domestic plants follow the requirements of the local Ecology and Environment Bureau to regularly entrust professional organizations to inspect wastewater at each outlet in the plants. During the reporting period, the test results met the national emission standards and other local discharge standards of the operation locations. Besides, the local Ecology and Environment Bureau will also occasionally perform spot inspection of the discharge situation in the plant. During the reporting period, we did not receive any notification of illegal treatment or excessive discharge of wastewater.

During the reporting period, in accordance with the “Management Standardization Technical Guidelines on Shenzhen Industrial Pollution Prevention Facilities Construction (Trial)”, Shenzhen plant actively cooperated with local government departments to improve the level of fine management and law enforcement on illegal wastewater discharge, and completed the transformation and construction requirements on “Four Clear, Three Cleansing, Two Standards, Two Balances”, checked whether there is any leakage in the wastewater generation section and pool, carried out the laying of various water pipes, and clearly identify various water supply and wastewater discharge pipes. Besides, Shenzhen plant has also begun to reuse the wastewater generated from the wastewater treatment station into the sheet metal pickling and phosphating process to reduce the amount of wastewater discharged from the plant.

During the reporting period, the Group’s manufacturing of die-casting machines, injection moulding machines and CNC machining centres generated approximately 247,073.98 tonnes of non-hazardous wastewater, representing a decrease of approximately 25,175.38 tonnes or 9.25% from the previous year; it was due to the suspension of the operation of the phosphorus washing production line and the repair of leaking water supply pipelines in Shenzhen plant during the above construction and transformation period, resulting in a reduction in the amount of non-hazardous wastewater produced by Shenzhen plant by approximately 27,630.40 tonnes or 15.75%. In addition to being affected by the decrease in the number of employees and production volume, the reduction of the wastewater generated also depends on our employees’ active cooperation with our water conservation measures. As a result, the water consumption has decreased and the amount of non-hazardous wastewater generated has also decreased.

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During the reporting period, the Group's data in hazardous and non-hazardous wastewater discharged are as follows:

	2019/2020 (Tonnes)	2018/2019 (Tonnes)
Hazardous Wastewater¹		
Manufacture of Die-Casting Machine and Plastic Injection Moulding Machine and CNC Machining Centre:		
Total	245.31	181.82
Intensity ³	0.05	0.03
Manufacture of Casting:		
Total	0.39	0.24
Intensity ³	0.01	–
Group's Total Emission	245.70	182.06
Non-Hazardous Wastewater²		
Manufacture of Die-Casting Machine and Plastic Injection Moulding Machine and CNC Machining Centre:		
Total	247,073.98	272,249.36
Intensity ³	49.56	52.29
Manufacture of Casting:		
Total	8,246.00	8,571.00
Intensity ³	174.73	167.00
Group's Total Emission	255,319.98	280,820.36

Notes:

- 1 Our Shanghai and Chongqing plants only involve the assembly process and after-sales service of die-casting machine, and the parts used in production are mainly provided by external suppliers. Therefore, the amount of hazardous wastewater produced is insignificant. Besides, part of the assembly process is carried out at the customer location, and the hazardous wastewater generated therefrom is handled by the customer, and such data is not included in this report.
- 2 Some of the plants do not have a flow meter installed in sewage discharge ports, the amount of non-hazardous wastewater produced is estimated based on 80%–90% of the volume of water consumed.
- 3 The emission intensity for the business of manufacturing die-casting machine, plastic injection moulding machine and CNC machining centre is calculated based on the number of production units. While the emission intensity for the manufacturing of casting business is calculated in terms of production per kilo-tonne.



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Management of Disposal of Solid Wastes

The Group has always complied with the laws, regulations and standards related to the prevention and control of environmental pollution by solid waste of the state and each operating locations. We have established our internal policy and procedures to manage and monitor the collection, storage and disposal of solid waste. The solid waste generated in daily operations mainly includes recyclable waste, non-recyclable waste and hazardous waste. We control solid waste production at source and actively adopt clean production methods, use clean energy and raw materials, apply advanced production technology and equipment, improve our operational management and increase resources utilization rate. Besides, we provide our employees with professional skills and environmental knowledge training and conduct regular assessments to ensure that employees clearly understand the methods of operating the production equipment, and also enable employees to understand the relationship between their behavior and environmental protection, thereby effectively reducing solid waste production in business operation.

Management of Hazardous Solid Wastes

Hazardous or harmful solid wastes generated during the manufacture of die-casting machines and plastic injection moulding machines mainly include waste paint slag, waste paint buckets, waste oil rag, waste activated carbon, oily dust, sludge (please refer to the “Management of Emissions” – “Management of Wastewater” section above for details). The CNC machining centre business only involves assembly and steel cutting processes, which resulting in less hazardous solid wastes (such as waste oil rag) generated. And the hazardous or harmful solid wastes generated when manufacturing castings mainly include coal tar and waste activated carbon. Each plant has set up temporary hazardous waste warehouse or area with anti-spread, anti-loss, anti-leakage and other pollutant prevention measures to ensure the hazardous wastes are stored in accordance with the “Standard for Pollution Control of Dangerous Wastes Storage” and other related laws, regulations and standards, and to prevent environmental pollution from improper storage. Our environmental protection officers regularly inspect the production workshops

to ensure that the environmental protection facilities operate properly and employees strictly follow the operation manual to operate each facility and equipment so as to prevent generating unnecessary hazardous wastes. We have established hazardous waste management system. All kinds of hazardous wastes are stored at designated locations inside the hazardous waste warehouses according to different categories and requirements. We put clear labels at every storage location. We make detailed records for all kinds of hazardous wastes and set the maximum storage limit. If it exceeds the limit, it needs to be disposed of in time to prevent secondary pollution.

We follow the “Management Measures for the Transfer of Hazardous Wastes” and the applicable laws and regulations of the local government and the requirements under ISO 14001 environmental management system, and set up “Hazardous Waste Transfer Plan” and has contracted with the storage and transportation company that holds the “Hazardous Waste Operation License”. All hazardous wastes must be stored in the plants before transfer of the hazardous wastes, to prevent random dumping and improper disposal. We obtain prior approval from the local environmental protection department before any hazardous wastes can be disposed by the recycler.



The plants set up storage areas and warehouses for different types of wastes to prevent recyclable wastes from being mistakenly treated as non-recyclable wastes



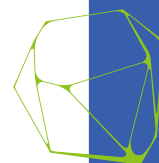
During the reporting period, the Group's manufacturing of die-casting machines, injection moulding machines and CNC machining centres generated approximately 98.11 tonnes of hazardous solid wastes. As Shenzhen plant suspended the operation of the phosphorus washing production line, the volume of wastewater treated in the wastewater treatment station was reduced, and the sludge generated in the treatment of wastewater was reduced accordingly. An additional sludge was generated by cleaning up the wastewater tank at Ningbo plant which carried out a large-scale maintenance for the wastewater treatment equipment in the plant area last year. The sludge generated this year was relatively less which reduced the amount of hazardous solid wastes generated in the relevant plant. More than that, the Group has gradually replaced the oil-based paint with environmental-friendly water-based paint to reduce the generation of waste paint slag. From the above reasons, the Group's generation of hazardous solid wastes decreased by approximately 36.66 tonnes or 27.20% compared with the previous year.

Management of Non-Hazardous Solid Wastes

Non-hazardous solid wastes are mainly come from metal scrap, raw material packaging, welding slag, furnace slag, waste sand, waste iron and domestic garbage generated in production, office and living. We follow the "Standard for Pollution Control on the Storage and Disposal Site for General Industrial Solid Wastes", "Waste Disposal Act" and the applicable local laws and regulations to categorize and store the wastes at designated locations, and sign industrial and domestic waste disposal contracts with qualified companies. Recycled industrial and domestic waste is mainly disposed of by incineration or landfill. The Group advocates the waste treatment policy of "Reduction, Recycling and Hazardous-free", we actively enhance employees' awareness of waste separation and rational use of materials and strictly require our employees to operate production

equipment in accordance with operating procedures so as to reduce waste from generation. We hope to optimize the utilization of wastes, for example, sale of metal scrap to recycling companies with better recycling technologies, use of waste sand as material for ground repairs, reuse large metal scraps in the production process; repair the damaged wooden pallets as far as possible or use the pallet wood to repair other facilities; collect parts and components from disposed equipment for future maintenance; encourage employees to reuse waste paper or stationery; use food waste as plant fertilizer, etc.. Any disposing of hazardous wastes and non-hazardous wastes together is strictly prohibited to avoid large scale of adverse effects on the environment and human health during the process of waste collection, transportation, storage, treatment, and disposal.

During the reporting period, the Group's manufacturing of die-casting machines, injection moulding machines and CNC machining centres generated approximately 1,450.72 tonnes of non-hazardous solid waste, representing a decrease of approximately 274.56 tonnes or 15.91% from the previous year. This was mainly affected by the decline in production volume, and followed by the improvement in the implementation of waste reduction and utilization measures by our employees. While the production volume of the castings manufacturing business of the Group decreased, the amount of non-hazardous solid waste generated increased by 438.55 tonnes or 7.36% compared with the previous year. This is mainly due to more machine tool castings were produced in the current year, and more waste sand and waste ash were generated during the production of these products. Besides, Fuxin plant has changed the sand used in the sand treatment process from coarse sand to finer sand in order to improve the appearance of the castings, thereby generating more waste sand. Therefore, the related business generated a total of approximately 6,396.49 tonnes of non-hazardous solid wastes.



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During the reporting period, the Group's data in production of hazardous and non-hazardous solid wastes is as follows:

	2019/2020 (Tonnes)	2018/2019 (Tonnes)
Hazardous Solid Waste¹		
Manufacture of Die-Casting Machine and Plastic Injection Moulding Machine and CNC Machining Centre:		
Total	98.11	134.77
Intensity ²	0.02	0.03
Manufacture of Casting:		
Total	2.15	2.39
Intensity ²	0.05	0.05
Group's Total Emission	100.26	137.16
Non-Hazardous Solid Waste¹		
Manufacture of Die-Casting Machine and Plastic Injection Moulding Machine and CNC Machining Centre:		
Total	1,450.72	1,725.28
Intensity ²	0.29	0.33
Manufacture of Casting ³ :		
Total	6,396.49	5,957.94
Intensity ²	135.54	116.09
Group's Total Emission	7,847.21	7,683.22

Notes:

- 1 Our Shanghai and Chongqing plants only involve the assembly process and after-sales service of die-casting machine, and the parts used in production are mainly provided by external suppliers. Therefore, the amount of hazardous wastewater produced is insignificant. Besides, part of the assembly process is carried out at the customer location, and the hazardous wastewater generated therefrom is handled by the customer, and such data is not included in this report.
- 2 The emission intensity for the business of manufacturing die-casting machine, plastic injection moulding machine and CNC machining centre is calculated based on the number of production units. While the emission intensity for the manufacturing of casting business is calculated in terms of production per kilo-tonne.
- 3 Last year's comparative figures are restated to conform with the current year's presentation.



Management of Noise

The noise generated by the Group in its operations mainly comes from the production machinery and equipment. In order to strictly abide by the applicable provisions of the “Emission Standard for Industrial Enterprises Noise at Boundary”, we have formulated the “Management Regulations of Equipment Noise”, we restrict the production workshop location, the placement setting of production equipment and implement vibration and noise reduction measures to control the impact of noise on the environment, for example, put shock absorbers under the equipment; machines with enclosure guard must be shielded properly during operation; regularly conduct repair and maintenance for machinery and equipment, use lubricating oil to reduce wear and tear on the equipment and prevent unnecessary noise; and to purchase low-noise equipment as a priority. Besides, we arrange appropriate production time and plant a lot of trees inside factories to reduce the impact of noise on the surrounding community environment. At the same time, we equip our employees with earmuffs or earplugs and adjust working hours to reduce the chance of suffering from occupational diseases.

Compliance

During the reporting period, we did not involve in any confirmed violations that are related to emissions and have significant impact on the Group.

MANAGEMENT OF RESOURCES UTILIZATION

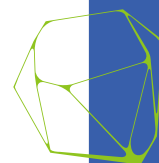
The Group mainly uses the resources of natural gas, coal, gasoline, diesel, electricity, water and paper. We strictly comply with the “Law of the People’s Republic of China of Energy Conservation”, “Regulations on Water Conservation in Cities” and the applicable laws and regulations on resource conservation, and to continuously identify and reduce the impact from our business activities on the environment. The production

department and the office have implemented a number of measures, paid attention to the promotion and education of environmental protection, energy conservation and emission reduction knowledge, and conduct environmental protection education and training in a timely manner to provide a better understanding to our employees on the importance of resources saving and demand everyone to make best use of resource, to maximize their effectiveness and to eliminate waste of resources. Our measures for the effective use of various resources are detailed below:

Conservation of Energy

Conservation of Liquefied Petroleum Gas, Towngas, Natural Gas, Gasoline, Diesel, Welding/Cutting Gases, Refrigerant, Coal and Biomass Fuel

The Group uses coal, biomass fuel, towngas and natural gas mainly for cooking in canteen, operation of heating systems and some of the production line; gasoline and diesel for product commissioning, cleaning parts, vehicles and forklifts. The vehicles and forklifts are mainly used for business promotion, picking up guests, providing customer service and transferring goods in warehouses. The gases used in the welding and cutting processes mainly include carbon dioxide, acetylene, propylene, etc.. Fuxin Plant used coal as fuel for annealing furnaces in the production of castings and heating boilers. During the reporting period, the related plant has ceased to use coal as fuel for heating boilers, and transform the old heating boilers to use biomass pellet fuel as substitute. As compared to coal, biomass pellet fuel has higher combustion value with low energy consumption, which can effectively reduce the generation of greenhouse gases. Besides, we have strict rules on the quantity of food to be prepared in the canteen to avoid excessive food prepared and consume unnecessary cooking fuel, and at the same time, to reduce the production of food wastes and greenhouse gas.



ENVIRONMENTAL PROTECTION

For the use of diesel and gasoline, our factories and offices have established “Management System for Use of Vehicles” as the Group owned a number of vehicles. We have also set up a number of conservation measures to regulate the use of gasoline and diesel in order to reduce emissions of waste gases and greenhouse gases. For example, replace old vehicles as needed to increase energy efficiency; vehicle management department is responsible for recording the monthly mileage and the amount of fuel consumed so as to enable fuel usage analysis by each vehicle; driver checks the condition of the vehicle and the forklift daily and conducts regular repairs and maintenance to ensure that they are in good condition, to raise the efficiency of energy use, and to prevent excessive fuel consumed and waste gas generated due to parts failure; drivers must stop the car engine when the vehicle is idling, so as to reduce unnecessary energy consumption; drivers have to obtain prior approval before using the vehicles and the driving routes need to be planned in advance; if passengers are going to the same or close destinations, they will be arranged to use the same vehicle to shorten the driving distance and also reduce the consumption of gasoline and diesel; promote the concept of “Green Travel” and encourage employees to use public transport or walk to work. The Group also pays attention to the carbon emissions caused by travel, and actively implements a number of measures, such as making good use of various communication tools to communicate with business partners in order to reduce the use of vehicles and the number of business trips, thereby reducing the generation of greenhouse gases and waste air. For the fuel used for product commissioning and cleaning parts, we require employees to strictly follow the commissioning procedures of various products, and try to increase the number of repeated use of fuel for cleaning parts to reduce fuel consumption and increase its effectiveness.

During the reporting period, the Group consumed approximately 245.62 tonnes and 288.20 tonnes of gasoline and diesel respectively. The gasoline consumption increased 16.46 tonnes or 7.18% compared with the previous year. The diesel consumption was also decreased by approximately 55.49 tonnes or 16.15% compared with the previous year. These are mainly due to the impact of the epidemic, which reduces the number of business trips, customer services and cargo transportation. As a result, the fuels consumption has decreased. However, the number of gasoline vehicles of the Group increased, causing the gasoline consumption to increase, compared with the previous year. Due to Fuxin plant stopped using coal in the heating boiler and switched to biomass fuel, the amount of coal used decreased by approximately 437.03 tonnes or 25.83%, a total of 1,254.66 tonnes was used. 555.38 tonnes of biomass fuel was used.



During the reporting period, the Group's direct use of energy and the Scope 1 greenhouse gas emissions generated by the Group are as follows:

	2019/2020		2018/2019	
	Consumption	CO ₂ Equivalent Emissions (Tonnes)	Consumption	CO ₂ Equivalent Emissions (Tonnes)
Manufacture of Die-Casting Machine and Plastic Injection Moulding Machine and CNC Machining Centre:				
Liquefied Petroleum Gas	0.32 Tonnes	0.97	-	-
Towngas	34.50 Tonnes	66.06	28.17 Tonnes	71.90
Natural Gas	77,499.00 m ³	141.94	77,116.00 m ³	141.23
Gasoline	224.05 Tonnes	822.87	207.73 Tonnes	644.86
Diesel	209.29 Tonnes	671.80	256.50 Tonnes	817.78
Welding/Cutting Gases	210.62 Tonnes	2,283.90	285.15 Tonnes	3,362.73
Refrigerant	0.02 Tonnes	32.56	-	-
Business Total Emission		4,020.10		5,038.50
Business Emission Intensity¹		0.81		0.97
Manufacture of Casting:				
Liquefied Petroleum Gas	32.25 Tonnes	97.30	-	-
Gasoline	21.57 Tonnes	66.62	21.43 Tonnes	66.52
Diesel	78.90 Tonnes	244.95	87.18 Tonnes	277.97
Welding/Cutting Gases	9.16 Tonnes	16.36	8.02 Tonnes	18.75
Coal	1,254.66 Tonnes	2.63	1,691.69 Tonnes	3.54
Biomass Fuel	555.38 Tonnes	N/A ²	-	-
Business Total Emission		427.86		366.78
Business Emission Intensity¹		9.07		7.15

Notes:

- The emission intensity for the business of manufacturing die-casting machine, plastic injection moulding machine and CNC machining centre is calculated based on the number of production units. While the emission intensity for the manufacturing of casting business is calculated in terms of production per kilo-tonne.
- Burning biomass fuels will produce waste gas (such as sulfur dioxide, nitrogen oxides, dust, etc.) and greenhouse gas. However, since there is no reliable emission factor for calculating the emission of greenhouse gas and waste gas, we have not disclosed the related emissions data in this report.



ENVIRONMENTAL PROTECTION

Conservation of Electricity

“Reduction at Source” is the Group’s energy management strategy. Therefore, we have established energy management plan in the office, for example, we use LED lamps instead of fluorescent lamps, encourage employees to use natural light for daily operations, restricted use of air conditioners according to seasonal and temperature changes, regularly clean the air conditioners filter and turn off the unnecessary electrical equipment after work.

There are strict regulations on using electrical equipment in the plant. Employees are required to follow the operating procedures in using the electrical machinery and equipment, employees are not allowed to change the electricity system circuits and set up high electric power equipment without authorization. Prior approval from the management is required for making such changes if found needed. The plants are gradually phasing out the old equipment, and replaced with those being nationally recognized or with the energy-efficient labels. We enhance and strengthen the repairs and maintenance of the electrical equipment, to record and analyze the monthly electricity consumption data and some plants set it as one of monthly performance evaluation indicators which linked to bonuses. When project contractors need to use electricity, the Power Equipment Department will arrange and monitor the usage in order to ensure that the contractors pay attention to energy conservation as the project progresses. Since the production of castings requires the use of equipment such as electric furnaces, annealing furnaces and air compressors that consume a lot of electricity, we implement power-saving measures, such as preparation work in the early stage is completed before the furnace is switched on to reduce the idling time of electric furnaces; switching on the electric furnace and annealing furnace according to the production plan to avoid frequently booting of the electric furnace and annealing furnace and wasted energy; and install a frequency converter for the 24 hours operating air compressor, the equipment can change the operating power of the compressor so as to effectively reduce electricity consumption.

In order to convey the message of “Energy Management is Everyone’s Responsibility” to our employees, we organize energy-saving training

activities in the plants and offices and educate employees about the national safety regulations and policies to enhance the employee’s skill and knowledge on energy conservation. We also establish an innovation improvement proposal mechanism to encourage employees to actively provide different opinions to the company, including suggestions for process optimization and energy-saving transformation. When our employees support our energy management strategy, we hope that it can effectively reduce carbon emissions and also bring opportunities for mutual development to both parties.

During the reporting period, Shenzhen plant actively implemented the above-mentioned energy-saving measures to effectively reduce the use of electricity. It phased out many old production equipment with high energy consumption and low efficiency, and carried out energy efficiency improvement and transformation for 145 motors; gradually replaced the lighting lamps in each production workshop with LED energy-saving lamps; connected and modified the compressed air pipelines in the plant to reduce the operating rate of air compressors; and strengthened the daily inspections. Since Chongqing plant used the die-casting machine for display use in the plant area for production in the previous year and the plant did not carry out related production activities this year, so the electricity consumption dropped by approximately 65% compared with the previous year. Continuous energy-saving training and strengthening of equipment maintenance have also increased the efficiency of electricity consumption for other plants. Other than the above reasons, in the case of a slight decrease in the production volume of the manufacturing of die-casting machines, injection moulding machines and CNC machining centres, the reduction in electricity consumption is also dependent on each employee’s active cooperation with the energy-saving measures of the Group, and the electricity consumption is further reduced by approximately 2,191.53 megawatt hours (“MWh”) or 9.48%, the total electricity consumption is approximately 20,922.14 MWh. Due to the decrease in the production volume of the casting business and the reduction in the use of more powerful electric melting furnaces and annealing furnaces, the electricity consumption of this business was reduced by approximately 4,185.42 MWh or 11.44% compared with the previous year, a total of electricity approximately 32,401.02 MWh was consumed.



During the reporting period, the Group's indirect use of electricity and the Scope 2 greenhouse gas emissions generated by the Group are as follows:

	2019/2020		2018/2019	
	Consumption (MWh)	CO ₂ Equivalent Emissions (Tonnes)	Consumption (MWh)	CO ₂ Equivalent Emissions (Tonnes)
Manufacture of Die-Casting Machine and Plastic Injection Moulding Machine and CNC Machining Centre:				
Electricity	20,922.14	16,744.94	23,113.67	18,842.46
Business Total Emission		16,744.94		18,842.46
Business Emission Intensity¹		3.36		3.62
Manufacture of Casting:				
Electricity	32,401.02	35,906.81	36,586.44	40,870.71
Business Total Emission		35,906.81		40,870.71
Business Emission Intensity¹		760.85		796.36

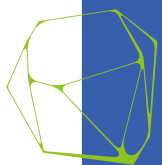
Note:

- 1 The emission intensity for the business of manufacturing die-casting machine, plastic injection moulding machine and CNC machining centre is calculated based on the number of production units. While the emission intensity for the manufacturing of casting business is calculated in terms of production per kilo-tonne.

Conservation of Water

The Group mainly uses government-supplied water sources, but some of the plants are located in remote areas of which municipal pipelines are not covered and need to rely on groundwater as their water source. The water supplies can meet the needs of the Group's daily operations. During the reporting period, although we did not encounter any problems in obtaining applicable water resources, we clearly understand the importance of water resources to our production and living needs. Therefore, in order to reduce our demand on water resources, we actively implement different water usage measures, put great effort on the development of water recycling technologies to increase the water reuse rate, to build good habits in using water among our employees, to enhance the water use method during our operations, and to reduce the amount of wastewater discharges.

We also pay attention to the daily maintenance and management of water supply facilities, regularly inspect the water supply system to avoid running, dripping, leaking and long flowing water; notify our maintenance department promptly for repair once damaged pipes and valves or water leakage is found so as to reduce unnecessary wastage. Regarding management of use of water for living, we post "Water Saving" sign at noticeable locations, educate employees and enhance their awareness in water conservation and to build better water use habits. Employees are required to turn off the water taps immediately after washing hand and dishes. Kitchen washing water is used to irrigate plants in the factories for more effective use of water resources.



ENVIRONMENTAL PROTECTION

Water use in production process is mainly related to cleaning the surface of steel to remove oil, oxides and rust; and to enhance the corrosion resistance of steel and adhesion to paint. In order to reduce water consumption in production and to increase the utilization rate of water resources, we increase the number of times for water recycling, lengthen the aeration of water before use and reuse the purified wastewater into the production processes to increase the effectiveness of water uses in the process of acid washing, degreasing and phosphorus removal and increase the frequency of cleaning water reused in the production workshop, etc.. The Property Management Department monitors the monthly water consumption of each production department and need to investigate and find out the cause for abnormalities found, take appropriate action promptly so as to eliminate wastage of water resources.

During the reporting period, the Group used approximately 317,356.85 tonnes of water resources for daily operations and employees' lives, representing a decrease of approximately 34,042.60 tonnes or 9.69% from the previous year. It was mainly due to the construction and transformation process of "Four Clear, Three Cleansing, Two Standards, Two Balances" by Shenzhen plant (please refer to the "Management of Wastewater" section above for details), unnecessary water consumption was reduced. Also, as the production volume, number of employees and dormitory occupancy rate had decreased, resulting in a decrease in water consumption of approximately 34,538.00 tonnes or 15.75%; while other factories effectively reduced the Group's water consumption through daily maintenance of water pipes, water conservation promotion activities and training, and the management and requirements for water conservation to our employees.

During the reporting period, the Group's water consumption is as follows:

	2019/2020 (Tonnes)	2018/2019 (Tonnes)
Water Resources¹		
Manufacture of Die-Casting Machine and Plastic Injection Moulding Machine and CNC Machining Centre:		
Total	307,742.85	339,573.45
Intensity ²	61.73	65.21
Manufacture of Casting:		
Total	9,614.00	11,826.00
Intensity ²	203.72	230.43
Group's Total Emission	317,356.85	351,399.45

Notes:

- One of the plants in Fuxin uses groundwater for production and living, but no flowmeter was installed. As such, we made an estimate for the related data and included in the above table.
- The emission intensity for the business of manufacturing die-casting machine, plastic injection moulding machine and CNC machining centre is calculated based on the number of production units. While the emission intensity for the manufacturing of casting business is calculated in terms of production per kilo-tonne.



Conservation of Paper

The Group actively promotes “Paperless Office” and advocates to make good use of our online office system and encourage employees to transmit information and documents in electronic form to reduce photocopying and printing. We encourage our employees to set the printer to double-sided printing as default, check the file format (such as kerning, margins, and pages) before photocopying or printing, use both sides of the paper whenever possible. We make full use of paper by reuse one-side used paper for printing; collect the double-side wasted papers in recycled paper collection box and recycle by qualified recyclers. We also set up Document Control Department in some plants, they are responsible for providing guidance to the copying and printing clerks on their work relating to documents, forms and receipts copying, printing and registering and at the same time controlling the amount of paper used reasonably. The Administration and Human Resources Department is responsible for purchases and collect data for paper used. We irregularly sample check the paper consumption record of user departments, and penalize employees who violate the requirement, aiming at enhancing the environmental awareness among employees and, at the same time, to reduce the impact from daily operations on the environment. During the reporting period, the Group consumed approximately 19.82 tonnes of paper, decreased by approximately 7.14 tonnes or 26.48% from the previous year.

THE ENVIRONMENT AND NATURAL RESOURCES

The source of significant impact by the Group on the environment and natural resources is mainly come from atmospheric emissions, wastewater, solid wastes, and use of natural resources (such as electricity, natural gas, carbon dioxide, fuel, water, papers, etc.) in business activities. The Group continues to pay close attention to the changes in local environmental laws, regulations and policies, update our environmental management system and the related policies and implement in the plants and offices in a timely manner to ensure operational compliance. We will continue to monitor the Group’s business operations and the impact on the environment, reasonably increase investment in various environmental protection projects, and implement various policies, measures and take actions (please refer to “Management of Emissions” and “Management of Resources Utilization” above for details) to raise the environmental awareness at all levels within the Group, enhance employees’ environmental awareness, require employees to pay attention to their own behavior and be responsible for the environment, in order to build good habits in using resources and to reduce our impact on the environment from business development.

The Group takes the national environmental protection policy as our blueprint for development, and will continue to adhere to the principles of safety, harmony, green development and clean production, instilling the thoughts about environmental protection to the core of our operations, to protect and to care for the nature, and also to work with employees in order to build an environmental-friendly and resource-saving enterprise. We also would like to dispatch our environmental protection messages to families, friends, business partners, etc., to let them understand that global environmental issues are becoming more and more severe, so as to build a more powerful cohesion to improve and jointly create a more livable environment and to promote the sustainable development of the world.



EMPLOYMENT AND LABOR PRACTICES

Employees are our valuable assets and the key driver for the Group's sustainable and long-term business development. We devote to create a non-discrimination, equal, harmonious and safe workplace; build up mutual-respect and good relationship among our people; encourage our employees to be innovative, flexible and committed when dealing with our customers and produce high quality products and services as their mission. To accomplish this target, our human resources department collects our employees' thought and need through various channels including organizing seminars, issuing questionnaires and make use of opinion boxes, etc.. It facilitates communication with the Group's management and based on our employees' idea, we offer opportunities of advancement to attract, develop, retain and reward our talented staff; provide commensurate remuneration, personal growth and career development training; and other fringe benefits. The loyalty and high morale of employees can play a role in team efficiency. Therefore, we attach great importance to cultivating talents and teamwork spirit. We welcome talents from different backgrounds, encourage, support and cultivate employees' personal expertise, and affirm individual performance and team achievements. We organize after work activities and training courses and hope to enhance employees' skills and team cohesion while caring for their physical and mental health.

TALENT SELECTION

The Group has always adhered to the concept of recruiting the talented people and making the best use of their talents. It also advocates equal opportunity and respects personal privacy, and established related policy in this area. During the recruitment process, the department head determines the job positions' responsibilities and requirements, and the human resources department assesses and screens applicants according to the requirements. The appropriate candidates would be selected based on their morality, knowledge, abilities and job requirements, and regardless of their age, gender, race, class, marital status, language, religion, political factions, nationality or disability. The policy applies to all phases of the employment relationship, including

but not limited to, hiring, promotion, performance appraisal, training, personal development and termination. On the basis of equality, the Group hopes to identify talents who are committed and dedicated to work, willing to take responsibility, keep learning, continuously improving their abilities and willing to move forward with the Group.

LABOR STANDARDS

The Group cherishes human rights and protects labor rights. We follow the applicable labor laws and regulations to prohibit child and forced labor. We inspect the identity documents of the applicants in the hiring process to prevent someone from using false identification. The working hours of employees must comply with the relevant local labor laws and regulations; and all necessary overtime arrangements must be agreed by employees and cooperate voluntarily to avoid forced overtime work, and the employees are compensated in accordance with the applicable labor laws and regulations. During the reporting period, the Group did not hire any applicant under the legal working age in order to comply with the local laws and regulations in respect of child and forced labor.

COMPENSATION AND WELFARE

The Group attracts and retains outstanding talents with competitive remuneration packages; benchmarks up-to-date remuneration data in their industry and strives to establish a fair, reasonable and competitive remuneration scheme. Employee compensation varies among factories and offices by locations, and their salaries level are decided based on one's knowledge, skills, experiences and education background with respect to their work requirements. Some factories and offices at different locations offer remuneration package consists of basic salary and performance-based bonus. The employee remuneration package includes salary, overtime pay, subsidies, bonus and so on. Other benefits include staff dormitories, free body check-up, messing allowance, communication allowance, high temperature allowance, wedding gifts and/or festive gifts (such as New Year, Dragon Boat Festival, Mid-Autumn Festival, International Women's Day) etc..

EMPLOYMENT AND LABOR PRACTICES



In order to enhance employees' work quality and efficiencies, inspire their motivation and establish sound communication channel, the Group conducts periodic and systematic performance appraisal, and fairly assesses the level of bonuses, salaries increment and/or promotion recommendations based on a number of criteria (working experience, seniority, knowledge and skills, performance, contribution, etc.).

Besides, the Group follows the local labor laws and social security laws and regulations to provide social security benefits for all employees. For example, the Group contributes to various social insurance scheme (endowment insurance, medical insurance, unemployment insurance, work injury insurance and maternity insurance) and housing provident fund for the employees in Mainland China; contributes to the Mandatory Provident Fund Scheme for the employees in Hong Kong. The Group handles dismissal and compensation in accordance with the local laws and regulations.

The Group pays attention to its employees' health and encourages everyone to maintain work-life balance, and set up employee work hours according to the requirements of the local labor laws and protects the employee rights to rest days and holidays; so that all employees are entitled to rest days and statutory holidays. Besides, we care about our employees' physical and mental health, and set up library and provide recreation rooms (such as billiard room, table tennis room, chess room, fitness room, etc.). We also organize a variety of leisure activities, including Spring Festival party, tug of war competitions, hiking activities, travelling activities, "L.K. Cup" ball games, etc. in order to enhance team cohesiveness and sense of belongings, and to reduce work pressure.



Various recreation rooms are set up in the plants to allow employees to relax in their spare time



EMPLOYMENT AND LABOR PRACTICES



Highlights of various sports events, tourism, outings, mountaineering activities, and job skill competitions held and participated in each plant

During the COVID-19 outbreak in early 2020, the Group did not reduce the employees' compensation and welfare nor layoff any employees. When the factories resumed production, employees may need to work overtime. The Group still obtains the employees' advance consent as usual and they are compensated in accordance with the applicable labor laws and regulations. Besides, for the sake of employees' health and safety, the Group has implemented various anti-epidemic prevention measures. Please refer to the "Health and Safety" below for details.

DEVELOPMENT AND TRAINING

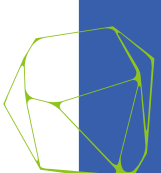
An excellent corporate team is critical to the Group's sustainable and long-term business development. Therefore, we have established a stringent and comprehensive recruitment system, standards and procedures; introduced competition mechanism, hoping to explore and cultivate professional talents, and to encourage staff to continue study and lifelong learning. Apart from aligning the Group's corporate business plan, we also hope to enhance the quality, technical skills and knowledge of employees through continuous training. These not only enable employees to specialize in their own work, but also to enhance their flexibility in more job positions. The training mainly includes basic knowledge training, management system training, enhancement training and safety knowledge training.



Training in the forms of on-site practical operations, lectures, case sharing, test questions, etc. to increase employee's engagement in training

New hires have to participate in induction training with an aim to introduce background and business of the Group, corporate culture, industry knowledge, organizational structure, staff handbook, policies and procedures, work procedures and skills, operational safety, management system knowledge, etc.. On top of providing foundation training, we also provide skills advancement, professional and management training to ensure that staff possess professional theory and knowledge, and new knowledge for overcoming challenges in order to lay a solid foundation for long-term development of employees and the Group.

Plants and offices in different regions formulated training plan with reference to their human resources needs. We organized internal training activities and participated in external training held by professional organizations. During the reporting period, in addition to pre-employment training to new hires, the Group also organized various training programs related to procurement, customer service, human resources management, environmental management, financial management, production, quality management (please refer to “Product Responsibility” below for details), safety management (please refer to “Health and Safety” below for details), etc., such as guidelines and procedures of Procurement Department, vendor management guidelines, vendor evaluation procedures, customer service concepts, guidelines of Customer Service Department, etiquette and communication skills, skills in improving customer satisfaction, remuneration system, recruitment guidelines, guidelines for new hire evaluation, garbage sorting regulations, waste management guidelines, environmental safety management, cost management, working capital management, income tax, accounts receivable management, financial analysis and evaluation, various production processes and operating skills, etc..



EMPLOYMENT AND LABOR PRACTICES

HEALTH AND SAFETY

The Group cares about our employees' health and their working environment safety, and adheres to the policy of "Safety First, Prevention First, Comprehensive Management" in order to prevent occupational hazards and protect our valuable talent assets. To comply with the Law of the People's Republic of China on Safety Production and the local laws and regulations, we have established policies and procedures to ensure safe production and set up the production safety committee and safety management organization structure. The management and employees at all levels must clearly understand their own safety responsibilities and sign the respective safety responsibility statement; and strictly perform in accordance with the requirements as stated on the safety responsibility statement.

Training topics are mainly related to workplace safety and occupational health. The Group provides appropriate occupational health and safety training to introduce the corporate development plan, enhance their awareness on safety and continuously strengthen their consciousness, improve their professional skills, especially those job positions with significant potential safety hazards, and enable them to perform their duties in a safe environment. Employees have to report to the management immediately when incident occurs or aware of any potential hazards. New hires must join various practical trainings, understand the workflow, equipment operation and guidelines relating to the production department; receive safety education. We also provide frequent trainings to our staff to enhance their awareness, knowledge and

techniques on safety. We also carry out role-based technical training periodically, safety assessment and team activities to ensure that our staff are prepared mentally and have adequate knowledge and skills to meet the safety standards and to fulfill their job duties. On top of the induction training for the new hires, we also organized various training programs during the reporting period, including safety production management, safety rewards and punishment system, hazardous chemicals management, warehouse management, safety emergency knowledge of warehouse staff, the content and requirements of "5S" on-site management rules, fire safety training, inspection and use methods of fire-fighting equipment, safe driving, etc..



Each plant regularly held different scale of fire drills to ensure that employees have the fastest response and appropriate escape route and handling measures in the outbreak of fire

In accordance with the "Law of the People's Republic of China on the Prevention and Control of Occupational Diseases", "Provisions on the Supervision and Administrative of Occupational Health at Work Sites", "Measures for the Supervision and Administration of Employers' Occupational Health Surveillance", and the local laws and regulations, the Group has established an occupational health management system. The safety committee office is responsible for the effective identification of hazards factors at workplace, like noise, dust and chemical poison substances, etc., strictly prohibits and will



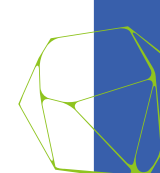
not assign our minor staff to handle tasks relating to toxic, hazardous, excessive physical labor or positions involving danger. According to the characteristics and actual needs in production, we provide our staff with protective supplies such as masks, protective lens, safety shoes, hand gloves, etc. and urge them to use the supplies correctly as required. Employees are required to conduct pre-employment and on-the-job body check, only those passed the medical examination are allowed to work. That shows our care on employees' health and occupational safety. Through daily inspections and regular meetings, as well as posting various warning signs and occupational hazard notification cards in the production workshops, we always remind employees of the importance of wearing labor insurance products and improve their vigilance. During the reporting period, the plants at Shenzhen, Zhongshan, Ningbo, etc. engaged third party professional organizations to inspect and assess noise level and hazardous substances in the air that may cause occupational diseases. The noise level exposed to some job positions at Shenzhen and Ningbo plants, and the xylene exposed to the paint spraying position at Ningbo plant failed to reach the standard of "Occupational Exposure Limits for Hazardous Agents in the Workplace". We have rectified at source, and gradually replaced oil-based paint with water-based paint to improve the problem of excessive xylene; reduce overtime work hours of employees to avoid exposure to noise for long time; provide employees with better protective supplies in order to lower the risk of occupational diseases.



Various occupational disease protective equipment for different job positions

Besides, the Group conducts risk assessments on the likelihood of an incident, the severity of the consequences and the frequency of employees' exposure to hazards, and establishes records for hazards source. We also post job warning signs and take preventive measures to eliminate hazards source and to reduce the likelihood of an incident. In order to handle different types of emergencies effectively and to ensure safety of our employees at the scene of incident, the Group has formulated safety incident management system and determined each department's responsibilities. After incident occurred, the responsible department arrives at the scene and understands when it has happened, the casualties and pollution caused, and to make preliminary assessment as to its nature, estimated location, causes, and the impact on the surrounding environment, etc., so as to determine its severity level and to take appropriate measures to contain the damage.

Staff of special work types (e.g. welders, paint sprayers, plumbers, sander, duster, etc.), must receive relevant professional safety training and possess valid license from the government authority before they are put to work. In order to ensure the safety protection equipment are kept in good condition, we take various measures, for example, Equipment Department carries out periodic maintenance to all kinds of equipment (including production, fire prevention and special type of equipment, etc.); use electrical equipment that is up to national standard and well insulated, and protective measure exists for metallic shells; annual repairs and maintenance to special types of equipment performed by qualified service providers and examined by the State Bureau of Quality and Technical Supervision. Explosion-proof electrical equipment must be used at those work places with risk of gas or dust explosion. Besides, first-aid and rescue medicine and equipment must be prepared for use in case of occupational poisoning, personal injuries and other incidents, so as to reduce the occurrence of any occupational accidents.



EMPLOYMENT AND LABOR PRACTICES



Strictly stipulate employees to wear appropriate occupational disease protection equipment when performing any production activities

With the COVID-19 outbreak in early 2020, the Group has implemented a number of preventive measures to protect the health and personal safety of our employees, and the details are as follow:

- Demanded our employees to avoid going to the areas with severe epidemics; the company also formulated isolation measures for the employees returning to the company and dormitory from the areas with epidemics;
- Launched the “Emergency Plan/Control Measures for Epidemic Prevention and Control” and set up epidemic prevention and control committee/team to cope with the situation of possible spread of epidemic in the company, plant and dormitory;
- Provided anti-epidemic supplies such as masks, gloves, goggles, alcohol, hand sanitizer for employees;
- Demanded employees to use electronic communication, reminded employees to maintain safe distance from others;
- Employees must wear mask at work and be aware of hand hygiene;
- Measured body temperature and recorded personal health status for employees daily, and only those employees without any suspected symptoms of infection are allowed to access the offices, plants and dormitories;
- Conducted sterilization in the production plants, office area, washrooms, canteens, dormitories, vehicles, etc., and opened door and window regularly in order to maintain good air quality, some of the companies are prohibited to use air-conditioners;
- Discarded masks must be put in the designated trash bin;
- Strengthened the hygiene management in canteens, and all service personnel must wear masks. Strict rules are also established for employees’ meals, including employees need to bring their own utensils, avoid talking during meals, limit the number of staff sharing at each table, and stagger the meal time.

COMPLIANCE

Except for the noise and xylene level of some job positions in Shenzhen and Ningbo plants failed to meet the standards, the Group did not involve in any non-compliance incidents relating to employment, health and safety, and labor standards that have significant impact on the Group during the reporting period.

OPERATING PRACTICES



SUPPLY CHAIN MANAGEMENT

The Group conveys its concern on environmental issues to its suppliers and business partners, and expects them to implement similar practices. We serve to maintain long-term, stable and strategic cooperative relationships with leading suppliers, and co-develop with them on the basis of equality and win-win situation. To adhere to our commitment on product quality to our customers, we have established procurement and vendor assessment management systems to closely monitor the processes of supplier evaluation, selection, procurement, goods receipt and acceptance, and quality review. This is to ensure that high-quality and environmental-friendly raw materials are used in the production process. The Procurement and the responsible departments select and evaluate vendors, and set up “approved supplier list”. Evaluation criteria include accreditation, quality stability, on-time delivery, legal compliance and professional skills/quality, and so on. Besides, in order to ensure that the goods are supplied timely with good quality; and to protect the information security and confidentiality, suppliers are required to provide written commitments. We also sign agreement with all suppliers, avoid acts that may harm the legal interests of each party and for anti-corruption purpose. We have established stringent procedures in supply chain management and provided various reporting channels for employees, suppliers, customers and other business partners to report any violations and suspected abuse of one’s authority for own interest. During the reporting period, the Group did not have significant issues relating to violations in this respect.

PRODUCT RESPONSIBILITY

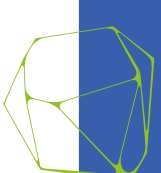
The Group has been striving for continuous innovation and improvement, and to insist on quality control to achieve “zero-defect products”, and we established a sound quality assurance system. We perform annual internal audit in product quality management covering all production workflows. We follow the Six Sigma and ISO 9001 quality management systems and formulate strict inspection procedures in the entire manufacturing process starting from raw materials selection, procurement, production and finished goods quality assurance. Besides, we actively adopt and apply the local and international standards. Our products are qualified for the European CE

certification, and, our die-casting machine Company in China simultaneously meets the standard of the North American Industry Association and the standards of all developed countries in Europe, the United States, and Japan.

We believe that employees’ quality has positive impact on product quality, thereby regularly providing training courses relating to product quality, including quality control policy, relationship and importance of work quality and product quality control system, knowledge of ISO 9001 Quality Management System, eight quality control principles for ISO quality management system, seven quality control methods, sampling inspection standards, quality control system, business management and team building, food safety, etc. so as to ensure that the quality inspectors possess the latest skill and knowledge. We hope that employees can gain sense of satisfaction and accomplishment at work, seize every opportunity to improve the product quality with the Group together and move towards a higher quality goal.

In addition to various quality inspections and product commissioning in the production process, in order to prevent confusion or misuse of a wide range of raw materials, spare parts, semi-finished products and finished products, we use traceability measures such as labels, signs, and steel seals to make different materials, semi-finished products and finished products clearly marked, and storage areas are divided, and batch and first-in-first-out management systems are implemented. These measures not only provide clear guidelines for employees, to reduce the chance of misuse of materials, they can also be used in the quality verification process in which we know whether the materials used are in line with the production plan and improve the efficiency of quality verification process. When product quality problems are found, after-sales service procedures can be quickly implemented to minimize customers’ and our loss.

Satisfying the ever-changing needs of customers is the core work of the Group. We emphasize open and candid communication, establish mutual trust and respect with customers, and maintain long-term business relationships, with the aim at assisting our customers in improving their product quality



OPERATING PRACTICES

and establishing a sound production model so as to enhance their competitiveness in the market. Customers can use our 24 hours service hotline for high quality services such as maintenance and fast delivery of accessories at any time. If the customers have issues about our products and services, they can give feedbacks or lodge complaints via our after-sales service mechanism. Quality Control Department will make preliminary inspection and analysis on the complaints. The responsible department will analyze the reasons for the issues, formulate plan for handling the complaints, taking corrective actions, and setting target completion time. A designated staff is assigned to follow up with the customers to ensure their complaints are promptly handled. We will also provide customers with training on the use of products. The training includes product structure, control principles, process parameter debugging, safe operation and maintenance, etc.. After the training is provided, the effect of the training will be investigated. In addition to knowing whether the customer has understood the above content, we can also use customers' opinions for review, and make more adequate preparations for the next or next customer's training. Besides, we share the customer feedback and the result of our self-reflection during regular product quality review meetings. The departments relating to the complaints are held accountable and are responsible for proper handling of the cases; and the customer service personnel must follow up and thereby continuously improving our product and service quality.

Although the COVID-19 outbreak in early 2020 had greater impact on the after-sales service support to the customers in China, in order to increase the efforts to assist our customers in resuming work and production, and reduce customers' costs, we established "resumption service team" to carry out maintenance and potential hazard investigation at major customers' plants to help customers to resume work and production safely and effectively, so as to fulfill our promise of "L.K. Service Never Say No".

Confidentiality is one of the Group's core values. We handle customers' information diligently and confidentially. For any confidential information obtained through business relationships, all employees are strictly prohibited to disclose any information to third parties without proper authority unless there is a legal or professional right or duty to do so. Besides, we also

regularly check and evaluate the confidentiality risks of customer information. If abnormalities are found, we will promptly implement and continue to follow up corrective measures to reduce the chance of losing customer information.

During the reporting period, the Group's products and services did not involve significant issues relating to violations nor did the Group receive any complaints concerning breaches of customer privacy and loss of data.

ANTI-CORRUPTION

Maintaining an ethical working environment is one of the Group's core values. We have adopted a zero-tolerance approach for all kinds of corruption, bribery and extortion situation. To comply with the "Criminal Law of the People's Republic of China", the "Prevention of Bribery Ordinance" enforced by Hong Kong Independent Commission Against Corruption and other applicable laws and regulations, we set up administrative and self-discipline rules to regulate the employees' conduct, to prevent and report fraud, bribes and money laundering. Our General Manager Office is responsible for leading and coordinating the works relating to this area; setting up the whistle-blowing hotline, email address and correspondence address, etc.; managing the whistle-blowing calls and reports received from whistle-blowers, either named or anonymous; preparing written records of all details and reporting to the management or the board of directors timely; investigating the incidents and submitting report of the investigation results to the management or the board of directors; and keeping proper record after completion. During the reporting period, the Group or its employees did not involve in any litigation cases relating to corruptions.

The Group's daily operations involve tendering and bidding. In order to prevent any violations of the "Law of the People's Republic of China on Tenders and Bids" during the process. Therefore, we have formulated internal rules and regulations, and make division of labor according to job responsibilities. One job position with multiple responsibilities is prohibited in order to maintain fairness, transparency and impartiality during the process. During the reporting period, there were no litigation cases involving allegations of corruption by the Group or its employees.

COMMUNITY INVESTMENT



The Group actively contributes with a will to build a sustainable and harmonious society. Therefore, we are committed to our people-oriented corporate culture and to take up the social responsibility. The Group has paid tax in accordance with applicable laws since its incorporation, and spares no effort in easing local employment pressure. We help our staff to prepare and plan for their retirement. We have maintained good manufacturing operation, environmental protection and achieve a good development order; and, to some certain extent, we have contributed to social stability and building a harmonious community. During the reporting period, Shenzhen plant donated epidemic prevention supplies to the local frontline personnel in Wuhan; Fuxin plant donated money to support local poverty alleviation activities to purchase living supplies for local villagers; the employees of the Ningbo plants participated in blood donation activities to help patients in need.



Donated anti-epidemic supplies and held poverty alleviation activities



HONORS AND CERTIFICATIONS

In 2019/2020, the Group has obtained and held the following major awards and certifications:

Aspects	Certifications and Honors	Companies
Environmental Management	GB/T 24001-2016/ ISO 14001:2015 Certification in Environmental Management System	<ul style="list-style-type: none"> Shenzhen Leadwell Technology Co. Ltd.
	ISO 14001:2015 Certification in Environmental Management System	<ul style="list-style-type: none"> L.K. Machinery Corp. Idra S.r.l.
	Honor of "Green Factory in Ningbo"	<ul style="list-style-type: none"> Ningbo L.K. Machinery Co. Ltd.
Product Responsibilities	ISO 9001:2015 Certification in Quality Management System	<ul style="list-style-type: none"> Shenzhen Leadwell Technology Co. Ltd. L.K. Machinery (Shenzhen) Co. Ltd. Zhongshan L.K. Machinery Co. Ltd. Shanghai Atech Machinery Co. Ltd. Ningbo L.K. Technology Co. Ltd. Ningbo L.K. Machinery Co. Ltd. L.K. Machinery International Limited L.K. Machinery Corp. Idra S.r.l.
	GB/T 19001-2016/ ISO 9001:2015 Certification in Quality Management System	<ul style="list-style-type: none"> Fuxin Lida Steel Casting Co. Ltd. Fuxin L.K. Northern Machinery Co. Ltd. Chongqing L.K. Machinery Co. Ltd.
	T/CFA 0303-01-2017; GB/T 19001-2016/ ISO 9001:2015 Upgrade Certification in Quality Management System	<ul style="list-style-type: none"> Fuxin Lida Steel Casting Co. Ltd.
	IATF 16949/2016 Certification in Automotive Quality Management System	<ul style="list-style-type: none"> Chongqing L.K. Machinery Co. Ltd.
	GB/T 29490-2013 Certification in Intellectual Property Management System	<ul style="list-style-type: none"> Shenzhen Leadwell Technology Co. Ltd. Chongqing L.K. Machinery Co. Ltd.
	GBT 23001/2017 Certification in Informatization and Industrialization Management System	<ul style="list-style-type: none"> Chongqing L.K. Machinery Co. Ltd.

HONORS AND CERTIFICATIONS



Aspects	Certifications and Honors	Companies
Product Responsibilities (Continued)	Honor of “High-tech Enterprise”	<ul style="list-style-type: none"> • Zhongshan L.K. Machinery Co. Ltd. • Shanghai Atech Machinery Co. Ltd. • Ningbo L.K. Technology Co. Ltd. • Ningbo L.K. Machinery Co. Ltd. • Fuxin Lida Steel Casting Co. Ltd. • Chongqing L.K. Machinery Co. Ltd.
	Honor of “Songjiang District Enterprise Technology Center”	<ul style="list-style-type: none"> • Shanghai Atech Machinery Co. Ltd.
	Honor of “The 3rd China Foundry Industry Machine Tool Casting Sub-Industry Leading Enterprise”	<ul style="list-style-type: none"> • Fuxin Lida Steel Casting Co. Ltd.
	Honor of “2019 Hong Kong Awards for Industries: Equipment and Machinery Design Award”	<ul style="list-style-type: none"> • L.K. Technology Holdings Limited
	Honor of “Hong Kong Innovation and Technology Achievement Award”	<ul style="list-style-type: none"> • L.K. Technology Holdings Limited
Labor Relationship	Honor of “Enterprise with Harmonious Labor Relations in Kunshan City”	<ul style="list-style-type: none"> • L.K. Precision Machinery (Kunshan) Co. Ltd.
Health and Safety	ISO 45001:1018 Certification in Occupational Health and Safety Management System	<ul style="list-style-type: none"> • Idra S.r.l.
	Honor of “Work Safety Standardization Level III Enterprise”	<ul style="list-style-type: none"> • Ningbo L.K. Technology Co. Ltd. • Chongqing L.K. Machinery Co. Ltd. • Fuxin Lida Steel Casting Co. Ltd.
	Honor of “Municipal Safe Enterprise”	<ul style="list-style-type: none"> • L.K. Precision Machinery (Kunshan) Co. Ltd.
Social Contributions	Honor of “Top 10 Taxpayers”	<ul style="list-style-type: none"> • Ningbo L.K. Machinery Co. Ltd.
	Certificate in Donation of “Love Home” Scholarship	<ul style="list-style-type: none"> • Shanghai Atech Machinery Co. Ltd.
	Honor of “2019 Smart Learning Enterprise Award”	<ul style="list-style-type: none"> • L.K. Machinery International Limited



VISION OUTLOOK

As a good corporate citizen, the Group strives to strike a balance between achieving the corporate economic goals and business objectives, and to fulfill our social responsibility. We will continue to evaluate our performance on environmental protection, employee care, product/service quality and community investment and to build edge for the sustainable development of the Group.

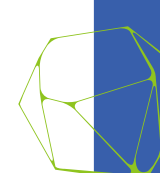
The Group will continue to comply with the stringent laws and regulations in environmental protection, allocate resources and undertake various environmental improvement projects, including improving emissions, wastewater and solid waste treatment facilities. We will also put employee satisfaction and production safety as our top priority. We aim at attracting more talents through providing a safe workplace and competitive remuneration scheme. As for product and service quality, in order to meet the various new production needs of our customers, we put our customers' success first, create a forward-looking team, and strive to provide a full range of one-stop die-casting, injection moulding and CNC machining solutions. At the same time, we are committed to fulfilling our social responsibility by actively participating in charitable activities and promoting the community's sustainable development.

The Group hopes to play a strong role in changing the world and is committed to establishing a cost-effective platform to meet the needs of the global manufacturing industry; we will provide reliable and economical solutions to increase investment returns in the manufacturing industry.

ENVIRONMENTAL PERFORMANCE DATA SUMMARY



Unit	Die-casting Machines		Plastic Injection Moulding Machines		CNC Machining Centre		Manufacture of Casting		Total		
	2019/2020	2018/2019	2019/2020	2018/2019	2019/2020	2018/2019	2019/2020	2018/2019	2019/2020	2018/2019	
Greenhouse Gas ("GHG") emission											
Scope 1:											
Total	Tonnes	3,305.12	4,315.89	614.52	647.18	100.46	75.43	427.86	366.78	4,447.96	5,405.28
Intensity ³	Tonnes	2.23	2.48	0.19	0.20	0.36	0.29	9.07	7.15	N/A	N/A
Scope 2:											
Total	Tonnes	10,508.71	12,301.00	5,295.00	5,568.72	941.23	972.74	35,906.81	40,870.71	52,651.75	59,713.17
Intensity ³	Tonnes	7.11	7.07	1.64	1.74	3.34	3.71	760.85	796.36	N/A	N/A
Air emissions⁴											
Nitrogen Oxides	Kilograms	1,694.77	1,860.47	1,442.10	1,564.28	114.49	97.16	2,547.97	2,826.48	5,799.33	6,348.39
Sulfur Oxides	Kilograms	5.31	5.91	2.63	3.11	0.52	0.48	1.90	2.06	10.36	11.56
Particulate Matters	Kilograms	105.54	117.61	87.22	92.80	7.51	6.57	163.67	181.73	363.94	398.71
Hazardous Wastes											
Sewage Discharged:											
Total	Tonnes	93.89	129.35	89.80	44.07	61.62	8.40	0.39	0.24	245.70	182.06
Intensity ³	Tonnes	0.06	0.07	0.03	0.01	0.22	0.03	0.01	-	N/A	N/A
Solid Wastes											
Generated:											
Total	Tonnes	77.29	96.26	20.82	37.80	-	0.71	2.15	2.39	100.26	137.16
Intensity ³	Tonnes	0.05	0.06	0.01	0.01	-	-	0.05	0.05	N/A	N/A
Non-hazardous Waste											
Sewage Discharged:											
Total	Tonnes	177,897.18	206,004.06	58,304.00	52,098.40	10,872.80	14,146.90	8,246.00	8,571.00	255,319.98	280,820.36
Intensity ³	Tonnes	120.28	118.33	18.08	16.26	38.56	54.00	174.73	167.00	N/A	N/A
Solid Wastes											
Generated:											
Total	Tonnes	800.04	1,055.50	592.72	608.89	57.96	60.89	6,396.49	5,957.94	7,847.21	7,683.22
Intensity ³	Tonnes	0.54	0.61	0.18	0.19	0.21	0.23	135.54	116.09	N/A	N/A
Packaging Materials											
Used for Finished Products											
Total	Tonnes	21.34	16.31	19.13	16.86	53.51	15.02	137.18	139.40	231.16	187.59
Intensity ³	Tonnes	0.01	0.15	0.01	0.01	0.19	0.06	2.91	2.72	N/A	N/A



ENVIRONMENTAL PERFORMANCE DATA SUMMARY

Unit	Die-casting Machines		Plastic Injection Moulding Machines		CNC Machining Centre		Manufacture of Casting		Total		
	2019/2020	2018/2019	2019/2020	2018/2019	2019/2020	2018/2019	2019/2020	2018/2019	2019/2020	2018/2019	
Energy and Water Resources Consumption											
Liquefied Petroleum Gas:											
Total	Tonnes	0.32	-	-	-	-	-	32.25	-	32.57	-
Intensity ³	Tonnes	-	-	-	-	-	-	0.68	-	N/A	N/A
Towngas:											
Total	Tonnes	32.70	27.16	1.80	1.01	-	-	-	-	34.50	28.17
Intensity ³	Tonnes	0.02	0.02	-	-	-	-	-	-	N/A	N/A
Natural Gas:											
Total	m ³	22,114.00	22,640.00	52,403.00	51,927.00	2,982.00	2,549.00	-	-	77,499.00	77,116.00
Intensity ³	m ³	14.95	13.00	16.25	16.21	10.57	9.73	-	-	N/A	N/A
Gasoline:											
Total	Tonnes	135.35	105.30	67.27	82.38	21.43	20.05	21.57	21.43	245.62	229.16
Intensity ³	Tonnes	0.09	0.06	0.02	0.03	0.08	0.08	0.46	0.42	N/A	N/A
Diesel:											
Total	Tonnes	136.91	177.10	67.35	76.72	5.03	2.68	78.90	87.18	288.19	343.68
Intensity ³	Tonnes	0.09	0.10	0.02	0.02	0.02	0.01	1.67	1.70	N/A	N/A
Welding and Cutting Gases:											
Total	Tonnes	174.25	252.19	36.37	32.96	-	-	9.16	8.02	219.78	293.17
Intensity ³	Tonnes	0.12	0.14	0.01	0.01	-	-	0.19	0.16	N/A	N/A
Refrigerant:											
Total	Tonnes	0.02	-	-	-	-	-	-	-	0.02	-
Intensity ³	Tonnes	-	-	-	-	-	-	-	-	N/A	-
Coal:											
Total	Tonnes	-	-	-	-	-	-	1,254.66	1,691.69	1,254.66	1,691.69
Intensity ³	Tonnes	-	-	-	-	-	-	26.59	32.96	N/A	N/A
Biomass Fuel:											
Total	Tonnes	-	-	-	-	-	-	555.38	-	555.38	-
Intensity ³	Tonnes	-	-	-	-	-	-	11.77	-	N/A	-
Electricity:											
Total	MWh	13,080.70	15,044.64	6,436.92	6,638.31	1,404.52	1,430.72	32,401.02	36,586.44	53,323.16	59,700.11
Intensity ³	MWh	8.84	8.64	2.00	2.07	4.98	5.46	686.56	712.88	N/A	N/A
Water Resources:											
Total	Tonnes	221,271.85	256,525.45	72,880.00	65,123.00	13,591.00	17,925.00	9,614.00	11,826.00	317,356.85	351,399.45
Intensity ³	Tonnes	149.61	147.34	22.61	20.33	48.20	68.42	203.72	230.43	N/A	N/A

Notes:

- 1 Scope 1 refers to the Group's business direct GHG emissions, including the use of liquefied petroleum gas, towngas, natural gas, gasoline, diesel, welding and cutting gases, coal and refrigerant.
- 2 Scope 2 refers to the Group's business indirect GHG emissions, including consumption of purchased electricity.
- 3 The emission/production/consumption intensity of the business of manufacturing die-casting machine, plastic injection moulding machine and CNC machining centre are calculated based on the number of production units. The emission/production/consumption intensity of the manufacturing of casting business are calculated in terms of production per kilo-tonne.
- 4 Last year's air emissions and part of non-hazardous solid wastes comparative figures are restated to conform with the current year's presentation.

"ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORTING GUIDE" BY THE STOCK EXCHANGE OF HONG KONG LIMITED



General Disclosure/ Key Performance Indicators ("KPIs")	Reporting Guideline	Page
A. Environmental		
Aspect A1	Emissions	
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste.	7–15
KPI A1.1	The types of emissions and respective emissions data.	35
KPI A1.2	Greenhouse gas emissions in total (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	17, 19, 35
KPI A1.3	Total hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	11, 14, 35
KPI A1.4	Total non-hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	11, 14, 35
KPI A1.5	Description of measures to mitigate emissions and results achieved.	7–15
KPI A1.6	Description of how hazardous and non-hazardous wastes are handled, reduction initiatives and results achieved.	9–14
Aspect A2	Use of Resources	
General Disclosure	Policies on the efficient use of resources, including energy, water and other raw materials.	15–21
KPI A2.1	Direct and/or indirect energy consumption by type (e.g. electricity, gas or oil) in total (MWh) and intensity (e.g. per unit of production volume, per facility).	17, 19, 36
KPI A2.2	Water consumption in total and intensity (e.g. per unit of production volume, per facility).	20, 36
KPI A2.3	Description of energy use efficiency initiatives and results achieved.	15–19
KPI A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency initiatives and results achieved.	19–20
KPI A2.5	Total packaging material used for finished products (in tonnes) and, if applicable, with reference to per unit produced.	35
Aspect A3	The Environment and Natural Resources	
General Disclosure	Policies on minimizing the issuer's significant impact on the environment and natural resources.	21
KPI A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	21



"ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORTING GUIDE" BY THE STOCK EXCHANGE OF HONG KONG LIMITED

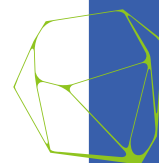
General Disclosure	Reporting Guideline	Page
B. Social¹		
Aspect B1	Employment and Labor Practices	
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare.	22–24
Aspect B2	Health and Safety	
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to providing a safe working environment and protecting employees from occupational hazards.	26–28
Aspect B3	Development and Training	
General Disclosure	Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.	24–25
Aspect B4	Labor Standards	
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child and forced labor.	22
Aspect B5	Supply Chain Management	
General Disclosure	Policies on managing environmental and social risks of the supply chain.	29
Aspect B6	Product Responsibility	
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress.	29–30



General Disclosure	Reporting Guideline	Page
B. Social¹		
Aspect B7	Anti-corruption	
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering.	30
Aspect B8	Community Investment	
General Disclosure	Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests.	31

Note:

- 1 Pursuant to Appendix 27 of the "Main Board Listing Rules", the KPIs under Area B "Social" are recommended disclosures only. Therefore, the Group chose not to disclose those KPIs in this report.





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