

2016

善用科技 共創多贏

Environmental, Social
and Governance Report

環境、社會及管治報告



英達公路再生科技(集團)有限公司

Freotech Road Recycling Technology (Holdings) Limited

(Incorporated in the Cayman Islands with limited liability)

(於開曼群島註冊成立的有限公司)

Stock Code 股份代號: 6888

公路醫生®

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ABOUT THIS REPORT

PURPOSE OF THE REPORT

This report is the first environmental, social and governance report (the “Report”) published by Freotech Road Recycling Technology (Holdings) Limited (the “Company”) and its subsidiaries (the “Group”, or “Freotech Group”), which reflects our commitment in transparency and accountability to elaborate on the Company’s sustainable development plan and performance.

REPORTING SCOPE

The Report sets out the Group’s environmental and social performance for the fiscal year 2016 (“the year”). The scope covers the core business of the Group (including the Company and its major subsidiaries: Freotech Road Recycling Corporation and Nanjing Freotech Road Maintenance Vehicle Manufacturing Corporation): asphalt pavement maintenance (“APM”) equipment manufacturing and APM service.

The Report outlines the Group’s environmental and social protection performance, while other areas including corporate governance, regulatory matters and directors’ information, etc. are set out in the Group’s 2016 annual report.

REPORTING DATA DESCRIPTION

The contents of the Report are based on a set of systematic procedures. The procedures include: assessing the importance and relevance of identified environmental and social areas, compiling and verifying the reported information, reviewing and responding the views of the stakeholders on the Report. Unless otherwise stated, the financial figures in this report are in Hong Kong dollars.

REPORTING PREPARATION PRINCIPLES AND IMPLEMENTATION

The Report was prepared in accordance with the “comply or explain” provisions of Environmental, Social and Governance Reporting (“ESG”) Guide, under Appendix 27 of the Rules Governing the Listing of Securities (“Listing Rules”) on the Main Board of The Stock Exchange of Hong Kong Limited published in 2016. Corporate governance complies with Appendix 14 of the Listing Rules. For details, please refer to the Group’s 2016 annual report.

The Company has formed the ESG report team to optimize and implement the relevant measures, as well as collect and analyse the environmental and social impact of the Company’s operations. The report team was coordinated by the finance department of Hong Kong headquarters, its members include human resources department, sales department, equipment division, production department, project management department and administration department of Hong Kong and subsidiaries in the People’s Republic of China.

CHAIRMAN'S STATEMENT

I am pleased to present our first Environmental, Social and Governance ("ESG") Report (the "Report") of Freotech Road Recycling Technology (Holdings) Limited (hereinafter referred to as "Freotech", the "Company" or the "Group"). The purpose of the Report is to reflect the Group's commitment in the transparency and accountability, to elaborate the Company's sustainable development plans and performance. Further, to demonstrate that the Company is actively promoting technological innovation, investing into environmental protection and making contribution for the country's infrastructure and cyclical economy.

The Group has made great efforts to prolong the service life of roads, actively promote the sustainable development of the road maintenance industry and develop multi-win situation for the whole society, the partners and ecological environment. In the long-term, the Group is committed to create value for all stakeholders, including shareholders, employees and customers in the economic, social and environmental areas. Strengthened our capacity in environment, society and governance areas. To understand the growing interest of the stakeholders on our environment, society and governance issues. In 2016, we conduct a comprehensive assessment and reporting on the Group's environment, society and governance, and all important issues will be discussed in the Report.

Freotech is committed to develop technological innovation and environmental protection. For the past year, the Group has continued to strengthen its independent research and development capabilities and work closely with the external education and research institutions stakeholders to enhance the overall research and development capability and technical level to assist the Company maintaining its leading position in the Hot-in-Place recycling industry. While expanding the production capacity in order to meet the growing market demand, the Group also continues to promote the recycling equipment and the related new products and services to reduce pollutant emissions, promote recycling of reuse materials and achieve environmental protection goals.



CHAIRMAN'S STATEMENT

From the view of "protect public interests and solve the problems of the owners", the Hot-in-Place recycling technology (developed and promoted by the Group) has achieved environmental protection (100% recycling of reuse materials), high quality (prolonging the service life of the roads), and less traffic interruption features (low noise and fast entering and leaving the working site), which has been applied in more than 100 cities within China. During the year ended 31 December 2016, the Group has completed 2.9 million square meters of APM services.

As a good corporate citizen, we treat all employees with fair and respectful attitude, attract and train all kinds of talents with effective corporate governance and healthy and safe working environment. During the reporting year, we have implemented a series of policies and measures to promote good corporate governance, including safety production training, fun games, management seminars, president open days, etc.. Aimed to improve employees' safety and health awareness, understand the ideas of the employees, enhancing the communication between the Company and the employees, gradually improving the relevant system.

Along with the national "One Belt One Road" development strategy, Fretech customizes different kinds of tailor-made technologies and solutions for the international market, focusing on the research and development, manufacturing and services of environmental protection and recycling road maintenance equipment. The Company is putting efforts to expand the overseas markets in the countries along "One Belt One Road" and four Asian Tigers, and to meet the needs of overseas customers.

Looking ahead, the Group will continue to seize the opportunity of "One Belt One Road" and actively expand the market with high quality, innovative and environmentally friendly equipment and business. Link with the environment and internal and external stakeholders, the Company will adhere to the sustainable development and achieve the Company's long term vision: Our products and services will be applied on every high-grade highway and municipal roads. We are committed to working with the stakeholders to create a green future and make a greater contributions for the community.

Finally, on behalf of the board of directors, I would like to thank the management team and employees for their tireless efforts, and the stakeholders for their trust and support to the Group.

Mr. Sze Wai Pan
Chairman

25 July 2017

STAKEHOLDERS ENGAGEMENT

We value the participation of the stakeholders and understand that the stakeholders have different expectations on our sustainable development. Therefore, we use different channels to maintain communication and establish long-term relationships with the stakeholders. When developing business strategies, we will consider these factors to improve the transparency of the Group and the confidence of the stakeholders on the sustainable development of the Group.

Stakeholders	Communication Channels	Concerns
Shareholders/Investors	Annual General Meeting and Extraordinary General Meeting	Financial performance Company business development Company significant matters Sustainable development matters
	Annual report, interim report and announcement	
	Direct communication	
	Company website	
Government	Direct communication (including teleconference calls and face-to-face meetings)	Implement government policy Participate in local development and construction Business integrity The social responsibility should borne by the enterprise
Community	Participate in community environmental protection activities and charity activities	Environmental protection and social welfare matters, such as Green Office Awards Labelling Scheme and scholarship scheme
Suppliers	Direct communication and feedbacks	Product quality management
Employees and technical team	President open days	Working requirement of the employee and the Company development
	Training Courses	Safety and health
	Work and life balance activities	Recreational activities
	Periodic performance assessment	Employee welfare and benefits, and sustainable development strategy
Customers	Direct communication: letters, telephone, email and interviews etc.	Customer experience and feedback



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MAIN CATEGORY:

A. Environmental

The Group has always focused on environmental protection and sustainable development strategies, through the Hot-in-Place recycling road maintenance projects to reduce waste disposal and waste gas emissions. The Group takes other measures to fight against global warming. We ensure the maintenance process in compliance with the relevant environmental laws and regulations through continuously keep up-to-date on the relevant laws and regulations. By using the Hot-in-Place recycling technology, other than the advantages of saving the energy, reducing the waste, controlling various types of pollution, such as noise etc, while also promoting the recycling of old materials and also save the city construction funds for the local governments.

Compared with the traditional method which will produce a lot of dust and cause noise pollution, Freotech's Hot-in-Place recycling technology is able to substantially reduce dust and noise pollution during the construction.

The following are the comparative advantages of Hot-in-Place recycling technology against the traditional method on environmental impact:

Hot-in-Place recycling technology	
Energy consumption saving	40%
Waste disposal reduced	100%
Dust emission reduced	96%
Carbon dioxide emission reduced	44%
Sulfur dioxide emission reduced	83%
Nitrogen oxides emission reduced	51%

Source: CCID, PRC industry standard for Technical Specifications for Maintenance of Highways Asphalt Pavement, sinoasphalt.com, 2013

Aspect A1: Emissions: relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste.

- (a) The Company has developed various internal policies to effectively manage the emissions, including: "Environmental Factors Management Procedures", "Identification and Evaluation Procedures for Environmental Factors", "Operational Control Procedures" and "List of Important Environmental Factors". From the beginning of environmental assessment, each department has explicitly applied the relevant regulation, identify and perform rating evaluation on the different types of polluted waste. Finally, propose a comprehensive management program. During the business operation process, in order to reduce the environmental pollution of solid waste and control the solid waste, the Company also has developed "Solid Waste Management System". The Company obtained the "Environmental Management System Certificate ISO14001 2014" in 2014 (effective until November 2017).



- (b) The Group complies with the relevant national laws and regulations during the year.

Aspect A2: Use of Resources — Efficient use of resources (including energy, water and other raw materials)

The Company has developed "Office Supplies and Other Non-production Materials Management System" to effectively use of office supplies materials.

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The Company adopts the following measures to make effective use of production resources:

1. Stick water-saving label to each water tap;
2. Turn off the office equipment, such as computers, lighting systems, photocopiers, air-conditioning, etc., at the end of the working day;
3. Save the use of paper (such as double-sided printing) and packaging materials, to avoid unnecessary wastage;
4. Conduct water pipe inspection from time to time, if leakage is found, immediately perform maintenance to avoid waste of water resources;
5. Shorten the starting time of the modular series equipment (the machine starting standby time has been changed from 1 hour to 15 minutes before the commencement of maintenance work) which will reduce the use of liquefied petroleum gas and diesel;
6. Construction department will add appropriate amount of asphalt aggregate material to meet the road conditions and customer requirements, and avoid to add too thick asphalt aggregate material;
7. Steel: the steel plate site has scrap storage area, those steel plate with less than 0.04 square meters identified as waste materials will be recycled by the waste recycling factory.

Aspect A3: The Environment and Natural Resources

The Company has taken the following measures to reduce the significant impact on the environment and natural resources:

1. Collect the waste batteries and return to the manufacturers through trade-in;
2. Enter into contract with the relevant recycling units to recycle waste metals and plastics on a regular basis;
3. Enter into contract with relevant qualified units to centrally manage industrial dangerous waste such as waste oil, waste oil cotton yarn, etc.;
4. Regularly inspect the environment of the plant in accordance with the requirements of the environmental management system, rectify within deadline;
5. Conduct durable and water-resistant flooring on the workshop ground, and conduct epoxy waterproof flooring in hazardous waste storage room to prevent the pollutants contaminate soil and groundwater resources.



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B. Social

Aspect B1: Employment

The success of the business depends on a professional, energetic, responsible and enthusiastic team. We advocate people-oriented, attract, train and retain talents to drive the continued growth of the business, where the employees can unleash their own advantages, and facilitate their working enthusiasm. The Company has formulated various internal employment policies according to the relevant laws and regulations, including: "Salary Management System", "Recruitment Management System", "Employee Promotion Management System", "Attendance Management System", "Performance Management System", "Employee Welfare System", "Lunch Subsidy Standard Adjustment Notice", "Employee Care Fund Management System" and "Employee Behavior Requirement and Assessment Methods". With these policies, enable us more standardized when recruiting new candidate.

During the year, the Group did not violate the relevant laws and regulations.

Aspect B2: Health and Safety

The Company concerns the safety and health of the employees. According to the relevant laws and regulations, it clearly states the Company's responsibilities on labour protection such as occupational health and safety of the employees. The Company has formulated various internal health and safety policies for the employees, including: "Occupational Health and Safety Operation Management Procedures", "Hazard Identification, Risk Assessment and Renewal Control Procedures" and "Operation Control Program". In order to protect the safety and health of the employees during the process of production, operation and services, and properly use the labour protection supplies, the Company has formulated and implemented the "Labour Protection and Labour Protection Supplies Management Procedures". Equipment Maintenance and Application Training Center is responsible for the identification of safety factors during the production process and use the safety factors to develop control management program and related systems. Human Resources Department is responsible for labour hygiene and the centralized management of the employee's occupational health. The Administration Department is responsible for the implementation of occupational health examination work. The Raw Material Supply Department is responsible for the procurement, custody, the release of labour protection supplies. Each department is responsible for their employees' safety during production activities and the implementation of relevant systems and management measures. The Company also obtained the "Occupational Health and Safety Management System Certificate OHSAS18001" in 2014 (valid until November 2017).



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During the year, in order to enable employees to get a balance between work and life, the following activities were held:

- 2016 Fun Games
- 2016 Chinese New Year Dinner
- Xuanwu Lake Walking Activities
- Nanshan Zhuhai Spring Tour



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Aspect B3: Development and Training

For the employee personnel development on different type of positions, the Company has developed a set of complete training and development program. The Company also has a relevant training program to upgrade all levels of talents. Different types of training activities are arranged every year. The following is a brief introduction of the training activities for the year:

1. *Equipment manufacturing*

- Every year in June, the Company holds "Safety Month" activity (check the fire-fighting equipment of the plant, perform special inspection on the fire prevention area of the plant, conduct a fire drill and position responsibility system safety training);
- Invite the manufacturer to organize safety operation training for the workers before the using of special production equipment;
- Workshop workers are required to receive Level 3 safety education before the new employees' enrollment.

2. *Construction*

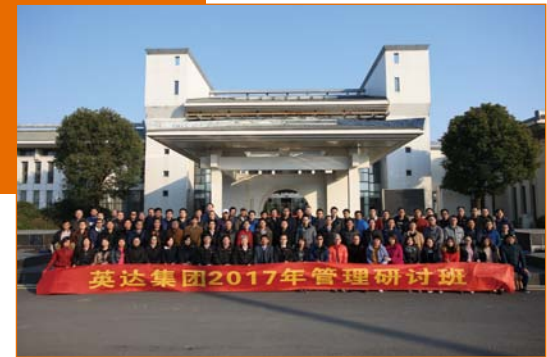
- Organize a large-scale safety production training every year;
- Conduct a safety emergency drill at the plant;
- Conduct a safety training for all construction personnel before commencement of construction project;
- Send the designated personnel to the site for safety checks during construction process;
- Every quarter, each construction team are required to watch safety education video;
- Organize "Engineering Experiment Training" competition in February 2016.



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3. *Management training*

- 2016 Management Seminar was held on 18–21 February 2016. Through different activities and interactively method, these enable the employees at or above the manager level to train and develop their soft skills, such as leadership and problem-solving skills. These also enable the employees to understand the latest developments of the Company and increase cohesion and tacit understanding among teams and departments.



Aspect B4: Labour Standards

The Company respects and complies with international human rights principles, such as the United Nations' "Universal Declaration of Human Rights" and the convention of International Labour Organization (ILO); adheres to the policy of not using child labour or forced labour. The Company is also strictly complies with the "Prohibition of Using Child Labour Provision", and will not hire minority which is less than 16 years old. The Company is strictly complies with the "Labour Contract Law of the People's Republic of China" when hiring employees. The Company will negotiate with the employees in relation to the terms of the labour contract, including working environment, working hours and wages.

The Company strictly abides with the relevant laws and regulations, and never hire child labour or forced labour.

Aspect B5: Supply Chain Management

The Company has formulated various internal supply chain management policies including "Procurement Control Procedures" and "Supplier Management Measures". According to ISO9001: 2008 "Quality Management System Requirements", the Company established and implemented the quality management system, developed a "Supplier Selection and Control Procedures" and request control requirements on the environmental and safety impact of the products or services provided by the supplier, and inform the supplier in the form of "Notification to the Relevant Party".

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Aspect B6: Product Responsibility

The Company has formulated a variety of internal related product liability policies including: "Non-qualified Product Control Procedures", "Customer Service Control Procedures", "Construction Quality Management Approach", "Product Monitoring and Measurement Management Approach" and "Process and Finished Product Inspection Control Procedures". According to the relevant product safety policy and the quality management system standards, the Company has developed the "Design and Development Control Procedures". The environmental factors, occupational health and safety risks which caused during using or producing process, are the important factors to consider in the product development, and require to be assessed in order to ensure product safety performance and environmental performance are complied with the requirement of the laws and regulations. In regarding to the customers protection, the information of the user should not be disclosed to any person or entity, unless reported to the defective vehicle product recall management information platform of the State Quality Supervision Bureau. The Company has obtained the "Quality Management System Certificate ISO9001 2014" in 2014 (valid until November 2017).



Aspect B7: Anti-corruption

The Company's policy is strictly complied with all applicable laws and regulations, including anti-corruption laws. The Company does not have an independent anti-corruption policy, but has the supervision system on violation of laws, regulations and cultural values. The Company has formulated relevant anti-corruption policies in the "Employee Code of Conduct and Assessment Measures" to formulate codes of conduct and provides relevant training for the employee; defines the scope of corruption activities, formulates the prevention and control measures and establishes reporting procedures for reporting on corruption and bribery activities.

The Company has been complying with anti-corruption laws and regulations. During the year ended 31 December 2016, the Company has not found any investigation or conviction by the regulatory department as against the directors, employees or distributors of the Company in violation of the relevant provisions or improper payments.

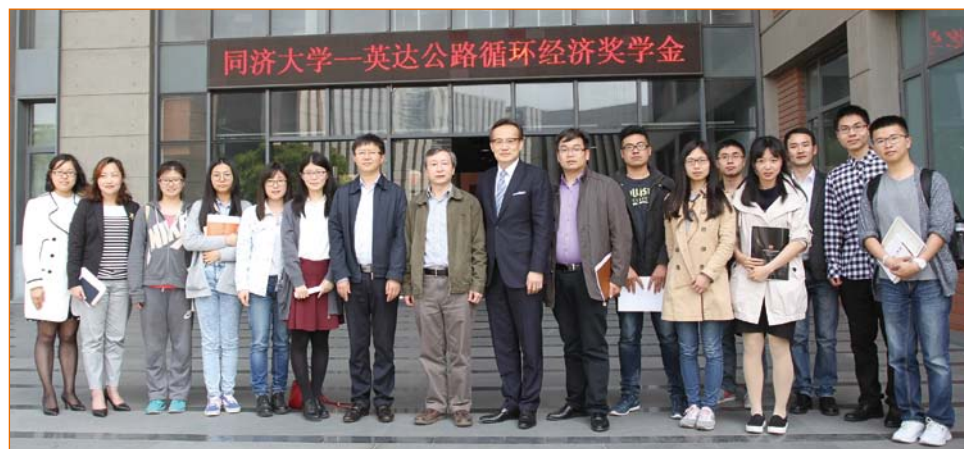
Aspect B8: Community Investment

The Company does not have an independent community investment policy, but has the courage to take social responsibility and actively participate in various social welfare activities. Over the years, we have actively supported the training of the students in various universities and technical colleges. The following table is the scholarship established by the Company:

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Summary of scholarship made for the year ended 31 December 2016

Name of university/school	Scholarship	Amount
Southeast University	Freotech Technology Scholarship	HK\$34,989
Tongji University	Freotech Highway Cyclical Economy Scholarship	HK\$34,989
University of Chinese Academy of Sciences Education Foundation	Chinese Academy of Sciences Scholarship	HK\$34,989
Nanjing Vocational Institute of Transport Technology	Freotech Green Conservation Scholarship	HK\$23,326
The IMC of Sheng Kung Hui Holy Trinity Church Secondary School	Scholarship	HK\$100,000



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Summary of donation made for the year ended 31 December 2016

Name of university/organisation	Purpose of the Donation	Annual Amount
Chinese Academy of Sciences and Fretech Ecological Science and Technology Research Center	Donation	HK\$466,520
The Hong Kong Polytechnic University	Fund raising dinner for student development	HK\$20,000
Lingnan University	Sponsor fund raising dinner	HK\$100,000
The City University of Hong Kong	Internship Sponsorship scheme	HK\$40,000

In addition, the Company also supported Hong Kong's non-governmental organization "World Green Organization" and participated in the "Green Office" award, passed the relevant review and gained to green office logo, and make contribution for environmental protection.



PERFORMANCE

PERFORMANCE TABLE

Indicator	Unit	2016
Gaseous Emissions		
— Nitrogen oxides (NO _x)	kg	208.28
— Sulphur oxides (SO _x)	kg	1.04
Greenhouse Gas Emissions		
Total	CO ₂ e (tonnes)	4,877.48
— Scope 1: direct emissions	CO ₂ e (tonnes)	4,445.92
— Scope 2: indirect emissions	CO ₂ e (tonnes)	431.56
GHG emissions intensity		
— by revenue	CO ₂ e (tonnes)/HK\$'M revenue	9.84
Hazardous Waste		
Total	tonnes	6.18
Hazardous Waste Intensity		
— by revenue	CO ₂ e (tonnes)/HK\$'M revenue	0.01
Non-hazardous Waste		
— Metal	tonnes	12.39
— Paper	tonnes	0.04
Energy Usage		
— Electricity	kWh	631,073.17
Energy Intensity		
— by revenue	kWh ('000)/HK\$'M revenue	1.27
Water Consumed		
Total	m ³	19,276.83
Water Consumed Intensity		
— by number of employees	m ³ /number of employees	49.55

PERFORMANCE

Indicator	Unit	2016	
Total Workforce and Turnover Rate		Workforce	Turnover Rate
Total	no. of people/%	389	16.08
By gender			
— male	no. of people/%	111	14.23
— female	no. of people/%	278	16.80
By employment position			
— Senior management	no. of people/%	14	6.90
— Managers	no. of people/%	32	6.06
— Frontline and general staff	no. of people/%	343	17.31
By age group			
— 20–30	no. of people/%	74	22.75
— 30–40	no. of people/%	152	20.65
— 40–50	no. of people/%	109	8.77
— 50–60	no. of people/%	45	8.51
— 60–70	no. of people/%	7	–
— 71 or above	no. of people/%	2	–
By location			
— Hong Kong	no. of people/%	22	8.70
— Nanjing	no. of people/%	367	16.50
Employees trained			
By gender			
— male	Hours/no. of people	14.95	
— female	Hours/no. of people	1.71	
By employment position			
— Senior management	Hours/no. of people	1.71	
— Managers	Hours/no. of people	9.88	
— Frontline and general staff	Hours/no. of people	5.24	
Total Training Hours			
By gender			
— male	Hours	1,660	
— female	Hours	476	
By employment position			
— Senior management	Hours	24	
— Managers	Hours	316	
— Frontline and general staff	Hours	1,796	



Freotech Road Recycling Technology (Holdings) Limited
英達公路再生科技(集團)有限公司