

TAT HONG EQUIPMENT SERVICE CO., LTD.

達豐設備服務有限公司*

(incorporated in the Cayman Islands with limited liability)

Stock Code : 02153



2021

ENVIRONMENTAL, SOCIAL AND
GOVERNANCE REPORT

* For identification purpose only

Environmental, Social and Governance Report

CONTENTS

1	About The Report	2
2	About The Group	3
3	Business Sustainability	4
	3.1 Environmental, Social and Governance Task Force	5
	3.2 Stakeholder Engagement	6
	3.3 Materiality Assessment	7
4	Operational Practices	9
	4.1 Product Quality	9
	4.2 Quality Service	10
	4.3 Protecting Intellectual Property Rights	11
	4.4 Compliance Operation	11
	4.5 Supplier Management	12
	4.6 Information Management	13
5	Team Building	14
	5.1 Recruitment Criteria	14
	5.2 Safety First	16
	5.3 Employee Training	18
6	Paying Attention to the Environment	19
	6.1 Energy Conservation and Emission Reduction	19
	6.2 Waste Management	20
	6.3 Water Resource Management	21
7	Community Involvement	21
	Appendix I: Summary of Sustainable Development Information	22
	Appendix II: ESG Reporting Guide Content Index	25



Environmental, Social and Governance Report

1 ABOUT THE REPORT

Tat Hong Equipment Service Co., Ltd. (the “**Company**”) and its subsidiaries (collectively known as the “**Group**” or “**We**”) are pleased to publish its first Environmental, Social and Governance (ESG) Report. The ESG Report outlines its performance on sustainability for the financial year ended 31 March 2021 (the “**Reporting Period**” or the “**Year**”). For more information on the corporate governance of the Group, readers may refer to the “Corporate Governance Report” section of the Annual Report or visit the official website of the Group.

Scope of the Report

The ESG Report covers the day-to-day operation of the Group and discloses environmental key performance indicators (“**KPIs**”) of the Group’s headquarters.

Reporting Framework

The ESG Report is prepared in accordance with the Environmental, Social and Governance Reporting Guide (the “**Guide**”) set out in Appendix 27 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. Readers may refer to the last section of the ESG Report — “Appendix II: ESG Reporting Guide Content Index” for details on how the provisions of the Guide are adhered to. The ESG Report also adheres to the Reporting Principles of “materiality”, “quantitative”, “balance”, and “consistency”.

Report Language

The ESG Report is published in both Chinese and English. In case of any discrepancy, the **Chinese version** shall prevail.

Contact Details

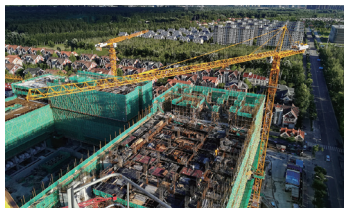
The Company highly values your comments on the ESG Report. If you have any enquiries or suggestions, please send them to ESG.enquiry@tathongchina.com.

Environmental, Social and Governance Report

2 ABOUT THE GROUP

Tat Hong Equipment Service Co., Ltd., China's first foreign-funded tower crane service provider, has been committed to providing one-stop tower crane solution services which include consultation, technical design, commissioning, construction to after-sales services to Chinese Special-tier and Tier-1 Engineering Procurement Construction (the "EPC") contractors since 2007. We are principally engaged in EPC projects undertaken by its clients in the infrastructure, energy, commercial and residential industries. As of 31 March 2021, the Group had 258 projects in progress and 60 projects on hand.

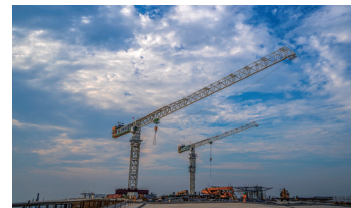
The Group, as China's second largest tower crane service provider, managed 1,090 tower cranes and operated 8 tower crane yards in Hefei, Wuxi, Taicang, Chongqing and Dongguan, the PRC as of 31 March 2021. We have accumulated experience and established brand reputation over the years. We have participated in and witnessed the completion of several large landmark projects below:



China CITIC Bank information technology research and development base in Beijing



Eastern artificial island project of the Hong Kong-Zhuhai-Macao Bridge, a bridge-island-tunnel system



Shanghai Pudong International Airport's Phase III expansion project



Pudong International Airport's project of satellite hall and MRT station



New Beijing Daxing International Airport



Yu County power plant in Wenchi Village, Niucun Town, Shanxi

The Group has an insight into the development of infrastructure and real estate sectors. The rapid urbanisation has promoted the development of the infrastructure and real estate sectors. The country's strong push into prefabricated construction and carbon neutrality have driven the market demand for tower cranes. In the future, the Group will keep expanding its business, consolidate its strength in the market, and grasp the potential development opportunities. We intend to expand our fleet of large and medium-sized tower cranes and enhance our research and development ("the R&D") capabilities and competitiveness by recruiting more employees. Apart from focusing on the Chinese Special-tier and Tier-1 EPC projects, the Group will also pay close attention to project opportunities arising from government-led initiatives in the Yangtze River Delta, the Hainan Free Trade Zone and the Guangdong-Hong Kong-Macao Greater Bay Area, aiming to undertake the responsibility of harmonious development for the society.



Environmental, Social and Governance Report

Honours & Awards

The Group has received a number of recognitions and awards from clients and government departments in recent years, including:

Honours & Awards	Awarding Bodies
<i>Jiangsu Zhongjian Tat Hong Machinery Construction Co., Ltd.</i> One of the top 20 tower crane rental companies in China	Organizing Committee of Global Tower Crane Summit & China's Top 100 Tower Crane Lessors Conference
An excellent entity in construction machinery installation quality evaluation	Shanghai Research Institute of Building Sciences Co., Ltd.
An entity praised in hoisting equipment installation quality evaluation in 2020	Shanghai Construction Machinery Testing Center Co., Ltd.
An advanced enterprise in construction machinery industry in Hangzhou in 2020	Construction Machinery Safety Branch of Hangzhou Construction Engineering Quality and Safety Management Association
Excellent equipment service provider for 2020	North China branch under General Contracting Company of CCTEB
<i>China Nuclear Huaxing Tat Hong Machinery Construction Co., Ltd.</i> AAA credit rating certificate	Shanghai Construction Machine Trade Association
An entity praised in hoisting equipment installation quality evaluation in 2020	Shanghai Construction Machinery Testing Center Co., Ltd.
Advanced enterprise for safety work in 2020	Building Safety Branch of Construction Safety Association of Shanghai
<i>Changzhou Tat Hong Zhaomao Machinery Construction Co., Ltd.</i> Advanced enterprise for safety work in 2020	Building Safety Branch of Construction Safety Association of Shanghai
AA credit rating for construction machinery and equipment rental companies in Jiangsu	Building Safety Equipment Management Branch of Jiangsu Construction Industry Association

3 BUSINESS SUSTAINABILITY

The Group, which operates its business with the vision of “being the best construction equipment service provider”, focuses on business development and strives to undertake the responsibility of harmonious development for the society. The Group will continue to monitor, manage and review ESG-related policies and performance, and establish appropriate and effective ESG risk management and internal control systems. The Group plans to identify ESG risks that are significant to us on a regular basis in the future. The management will supervise the implementation of the internal control system and provide the Board of Directors (“**the Board**”) with information regarding the system’s effectiveness for appropriate adjustments.

The Group has built the following ESG-related competitive advantages and will continue to improve sustainability performance in other aspects:



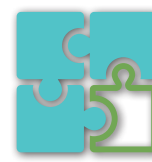
Strong technical capability



Long-term business relationships with clients



High importance to safety



High-quality solution services

Environmental, Social and Governance Report

3.1 Environmental, Social and Governance Task Force

The Company established the ESG Task Force in 2021 to better manage and plan ESG-related policies to enhance sustainability performance and promote ESG development. The Task Force is coordinated by an Executive Director and he reports to the Board on a regular basis. We will improve the ESG governance structure by increasing discussions in the ESG context among members in the Task Force, the Board and the management. The Board will also take up the responsibility in formulating ESG management approach and strategy, advancing and monitoring ESG issues as well as reviewing and improving ESG procedures, so as to prepare for next year's target setting on environmental KPIs and respond to stricter disclosure requirements.



Responsibilities of members of the ESG governance structure



Board of Directors

- Shoulder overall responsibility for formulating ESG strategy and reporting;
- Confirm material ESG issues identified by the Group;
- Ensure that appropriate ESG risk management and internal monitoring systems are in place; and
- Review ESG reports



ESG Task Force

- Identify ESG issues that have a significant impact on the Group's operations and stakeholders;
- Promote departments to implement ESG policies and conduct regular reviews; and
- Ensure compliance with legal and regulatory requirements in the operations of the Group



Persons-in-charge of functional departments

- Perform ESG-related work
- Collect and report internal ESG policies; and
- Abide by all ESG policies and regulations

Environmental, Social and Governance Report

3.2 Stakeholder Engagement

Through regular communication with stakeholders, the Group understands their expectations and concerns on corporate governance, management and sustainable development. We will also strive to incorporate feasible suggestions into our daily operation. We have identified the following key stakeholders and corresponding communication channels, including:

Stakeholders	Communication channels
Shareholders/investors	<ul style="list-style-type: none">• Annual general meetings and other shareholders' meetings• Interim reports and annual reports• Corporate communications, such as letters/circulars to shareholders and notices of meetings• Results announcement• Shareholders' visits• Investor conferences• Senior management meetings• Face-to-face talks
Clients	<ul style="list-style-type: none">• Client satisfaction survey and feedback form• Client service centre• Client relationship maintenance/regular visit• Daily operation/communication• Online service platform• Telephone• Mail
Employees	<ul style="list-style-type: none">• Employee satisfaction survey• Work performance assessment and talks• Business brief
Business partners	<ul style="list-style-type: none">• Reports• Meetings• Visits• Lectures
Peers	<ul style="list-style-type: none">• Communication meetings
Suppliers	<ul style="list-style-type: none">• Supplier management process• Supplier/contractor evaluation system• Meetings• Site investigation
Media	<ul style="list-style-type: none">• Senior management visits• Results announcement
Communities/NGOs	<ul style="list-style-type: none">• Volunteer activities• Donation• Community activities• Seminars/lectures/workshops
Regulators	<ul style="list-style-type: none">• Meetings• Written response to the public consultation• Compliance reports

3.3 Materiality Assessment

We had conducted a materiality assessment during the Year to identify ESG issues that had significant impact on the businesses and stakeholders. Our Board participated in the materiality assessment to evaluate, prioritise and identify material ESG-related issues. The steps of conducting a materiality assessment are as follows:

Identify ESG issues

- Referring to the Guide, Sustainability Accounting Standards Board (SASB) Materiality Map, Global Reporting Initiative (GRI) and peer benchmarking to summarise ESG issues applicable to the Group
- Identifying a total of 15 material ESG issues to include in the materiality analysis of the Year

Prioritize issues

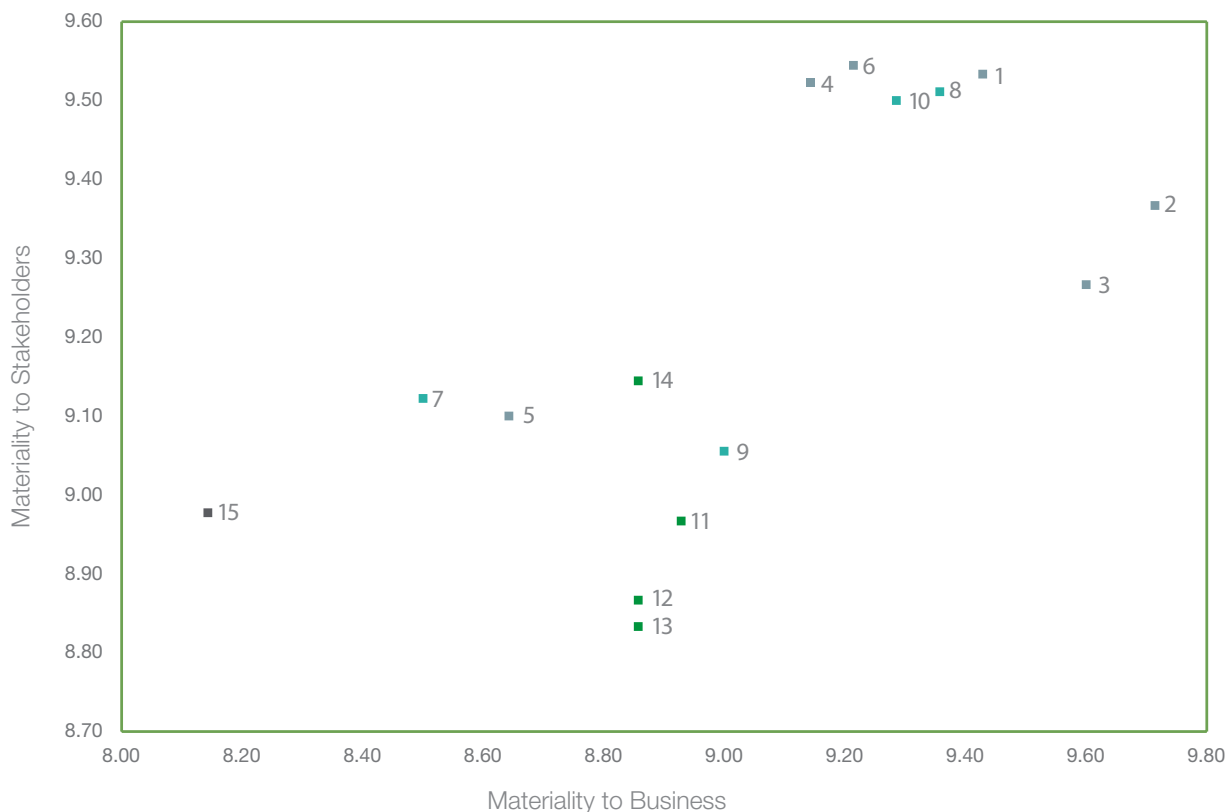
- Rating the issues on a scale of 1 to 10 by stakeholders through an online questionnaire

Show the materiality assessment results

- Expressing the results through a materiality matrix
- Confirming the materiality assessment result by senior management

Environmental, Social and Governance Report

Tat Hong Materiality Assessment Matrix



Materiality assessment

A. Economics and Operation

- 1 Compliance with laws and regulations
- 2 Health and safety of products and services
- 3 Customer services and satisfaction
- 4 Protection of customers' privacy
- 5 Supply chain management
- 6 Anti-corruption

B. Employment and Labour Practices

- 7 Employment rights (e.g. Working hours, holidays, benefits, promotion)
- 8 Occupational health and safety
- 9 Training and development of employees
- 10 Prevention of child labour and forced labour

C. Environment

- 11 Waste management
- 12 Energy consumption and efficiency
- 13 Water consumption and efficiency
- 14 Minimise the adverse impacts on the environment and natural resources

D. Community

- 15 Care to community

4 OPERATIONAL PRACTICES

The Group, with its professional technical strength, excellent service quality and good brand awareness, has also been able to secure a number of large projects and to obtain wide recognition. We not only pay attention to the improvement of tower crane operational efficiency and service quality, but also focus on adhering to good business ethics. We will continue to make efforts to maintain and improve the quality of project execution and delivery in order to achieve our mission of “providing clients with the safest services”.

4.1 Product Quality

When purchasing cranes, the Group signs a sales contract with detailed terms and conditions to protect our interests. In addition, to ensure the health and safety of products, all the equipment will be accompanied by a Product Quality Certificate and Property Ownership Certificate issued by a certification body. We do not use special equipment that has not been maintained in accordance with safety and technical specifications as well as that has not been inspected or failed to pass inspection. We purchase liability insurance for construction machinery and equipment, cargo transportation, third parties and employees in accordance with the internal policy of the Insurance Operations to manage and mitigate operational risks.

The Group operates in accordance with the Product Quality Law of the People’s Republic of China, the Special Equipment Safety Law of the People’s Republic of China, the Regulations on Safety Supervision of Special Equipment and the Regulations on Safety Supervision and Management of Construction Hoisting Machinery. It has standardised the quality control and maintenance management in accordance with the Control Procedures for Equipment Leasing and Service Process and the Control Procedures for Tower Crane Maintenance Management, and effectively controlled the whole process of equipment leasing.

Quality Control

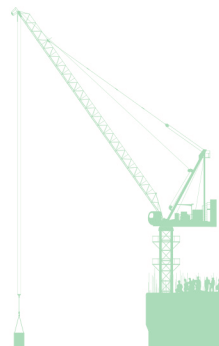
- Maintaining equipment on a regular basis to ensure the safety of tower cranes and extends their service life.
- Scrapping tower cranes (i) which have reached service life, (ii) which are not allowed to be used after testing by a professional testing agency, or (iii) which become irreparable due to major mechanical safety accidents.
- Regularly counting, analysing and supervising the daily safety inspections of equipment during the leasing process.



Maintenance Management

- Maintenance workers are required to carry out technical measurements and appraisals after the completion of general maintenance, and take photos and fill in forms for archival purposes.
- After tower cranes have been repaired, team leaders, electricians and technicians need to conduct trial operation and acceptance, and check and archive the data in time.
- Regular maintenance and self-inspection are conducted on special equipment.

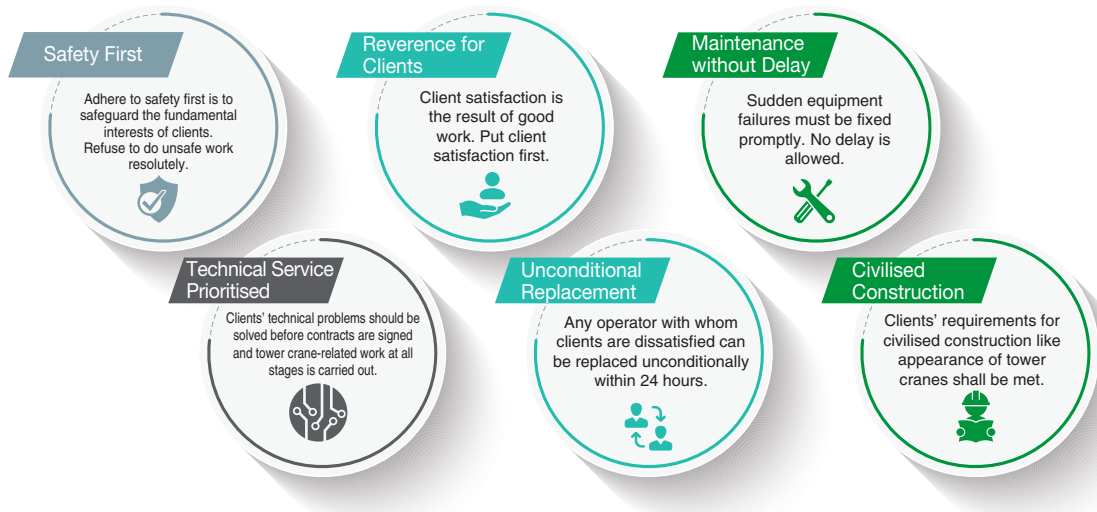
The Group had no product which was subject to recalls for safety and health reasons during the Reporting Period.



Environmental, Social and Governance Report

4.2 Quality Service

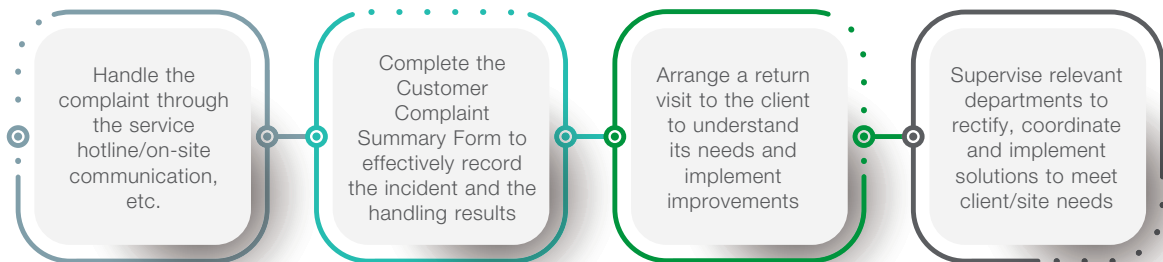
A client-oriented approach has been adopted to provide clients with high-quality and satisfactory tower crane solutions and other services, and to deepen and manage the relationships with them. We regularly communicate with our clients and share insights of market trends and new technical solutions to ensure that our services proactively meet their needs and requirements.



Six Principles for Fulfilling Commitment Regarding Customer Service

We have set up a Client Service Centre that is responsible for communicating with our clients to understand and analyse their satisfaction with our service. After collecting clients' views, the Client Service Centre will communicate and reflect to the relevant department, striving to continuously improve the service level. The Client Service Team conducts daily work in accordance with the Client-related Control Procedures. We respond to client demands in time and follow up to meet their needs. In addition, we communicate with clients on a regular basis and conduct Client Satisfaction Survey to evaluate and analyse the satisfaction and timely adjust the work process, so as to improve client satisfaction. The Group had an average client satisfaction rating of 94% during the Reporting Period.

The Group received no complaint about its products or services during the Year. If a complaint is received, all departments should cooperate closely and respond as follows:



4.3 Protecting Intellectual Property Rights

Considerable resources have been used to develop technical solutions about tower cranes, and protection of intellectual property rights is of paramount importance. We adhere to the Copyright Law of the People's Republic of China, the Patent Law of the People's Republic of China and other relevant laws and regulations during our operations, and implemented the Intellectual Property Management System to protect our legitimate rights and interests. Intellectual property rights are protected through patents, software registration, copyrights, trademarks, etc. Our R&D personnel are required to sign additional confidential contracts and undertake confidentiality obligation during their tenure or after resignation according to laws and contracts. In cooperative projects, we will sign contracts to clarify the ownership of intellectual property rights. Moreover, employees are strictly prohibited from disclosing the Company's core technical secrets in any form and before the registration of patents and software.

We have 44 utility models and invention patents regarding tower cranes. Continuous efforts will be made on R&D to gain the first-mover advantage in the industry. In the future, we will continue our industry, academic and research cooperation with the Shenyang Jianzhu University and seek other strategic partnerships with well-known universities and R&D centres to boost the development of our tower crane service technologies and patents.

4.4 Compliance Operation

The Group, which attaches paramount importance to business compliance, complies with the relevant laws and regulations, which include but not limited to the Anti-Money Laundering Law of the People's Republic of China, the Anti-Corruption Law of the People's Republic of China, the Criminal Law of the People's Republic of China, and the Supervision Law of the People's Republic of China. We did not involve in any corruption-related litigation cases during the Year.

We have formulated the Tat Hong China Anti-corruption System to regulate the code of conduct of the employees, build a corruption-free enterprise, prevent the occurrence of violations of laws or disciplines for seeking illegitimate interests and ensure that the employees are honest, incorruptible and efficient and create a win-win result in business activities. We prohibit the following bribery, corruption or fraud by our Directors, employees and supply chain levels:

- Failing to report any conflict of interest in a timely manner;
- Giving or accepting bribes, kickbacks, luxury goods or money to or from suppliers;
- Claiming or accepting conveniences and benefits from clients; and
- Terminating the cooperation with any business partner who violates our internal anti-corruption policies and procedures, and reserve the right to investigate and claim for damages, etc.

In terms of preventive measures, the Group has organised anti-fraud training during the Reporting Period and even require the new employees to receive anti-corruption training to increase their awareness of anti-corruption. The Group will severely punish employees who violate the internal anti-corruption policies and procedures. Employees who are suspected of committing crimes will be reported to the relevant governmental or judicial authorities for investigation.

We have established reporting platforms such as face-to-face, telephone, letter, online, and e-mail reporting for the purpose of irregularity, and will keep the identity of whistleblowers confidential. The relevant departments will conduct in-depth and thorough investigations into reported cases and will report the progress to their supervisors.

Environmental, Social and Governance Report

4.5 Supplier Management

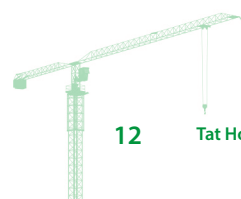
We select suppliers fairly and impartially in accordance with the Anti-unfair Competition Law of the People's Republic of China and the Government Procurement Law of the People's Republic of China. We follow the internal system of the Equipment Procurement Management to standardise our equipment procurement process and meet the procurement requirements.

With importance attached to the safety and reliability of equipment, we put forward higher requirements for equipment suppliers. Suppliers are required to submit supporting documents for background check and site inspections are conducted. Suppliers are evaluated on a regular basis. When we find that a supplier's act is inconsistent with our procurement policies, we will terminate cooperation until it makes improvements to our satisfaction.

We will pay attention to the environmental and social risks associated with supplier management, and we require suppliers to demonstrate compliance with laws and regulations and their practices in the areas of environment, employment, health and safety, labour standards, anti-corruption, etc. When we purchase tower cranes, we will give priority to selecting green and eco-friendly suppliers. We are committed to promoting green procurement and selecting suppliers based on stricter environmental criteria, as we know that greenness is one of the future trends.

We have teamed up with 147 major suppliers during the Year to purchase quality tower cranes, spare parts and accessories. The number of suppliers by geographical region is as follows:

Suppliers by geographical region	Unit	Fiscal year 2021
Northern China	No. of supplier	33
Northeastern China	No. of supplier	7
Eastern China	No. of supplier	46
Central China	No. of supplier	9
Northwestern China	No. of supplier	2
Southern China	No. of supplier	50
Total	No. of supplier	147



Environmental, Social and Governance Report

4.6 Information Management

We value the security of computer system and client data. We have complied with the relevant laws and regulations, which include the Regulations on Safeguarding Computer Information Systems of the People's Republic of China, the State Secrets Law of the People's Republic of China, and the Law on Protection of Consumer Rights and Interests of the People's Republic of China.

We have formulated an IT Management System and an IT Management Cycle to regulate the information system management and protect our computer system. Our system administrator is responsible for daily management and maintenance, system security, installation of antivirus software and other related work. The Information Department is responsible for ensuring that employees protect the office information system, following policies to assure data transmitted over the network are safe and secure, and dealing with crises according to procedures, so as to avoid the intrusion of external viruses or hackers and the leakage of confidential files or information. Moreover, training sessions on privacy are organised for employees on a regular basis to raise their privacy awareness.

We set access rights for employees according to their responsibilities, so as to reduce their access to unnecessary information. After employees resign from the Group, their work-related accounts will be deleted. Our business secrets and personal privacy rights are stored in computers or transmitted through computers' internal network to reduce the risk of data leakage due to printing.

In order to protect client data and privacy, we collect and use client information in a legal manner, and use their information only in the ways specified in contracts. Employees can only obtain client information after approval and with sufficient reasons. They must not extract, duplicate, copy, transmit or release client information without authorisation. In addition, our relevant departments regularly and continuously monitor and detect privacy risks to implement corresponding mitigation measures.

In terms of advertising, we publicise our services through brochures and promotional videos in accordance with the Advertising Law of the People's Republic of China. Publicity materials are reviewed and proofread several times before being published, so as to ensure that there is no misleading information.



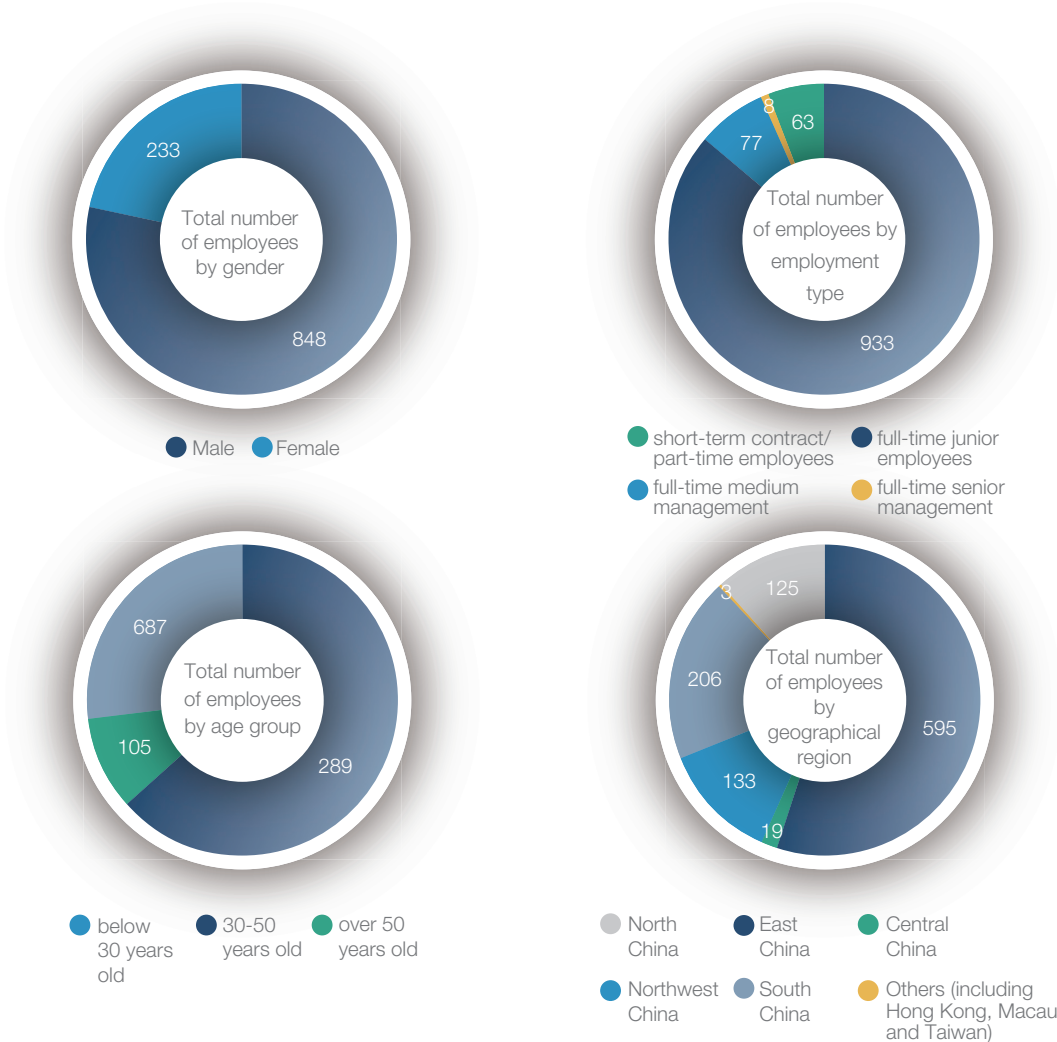
Environmental, Social and Governance Report

5 TEAM BUILDING

The Group shoulders the mission of “providing employees with a platform for stable development”. We need to attract talents to enhance our competitiveness in the industry. We are committed to pouring more resources to recruit talents, protect employees’ rights, health and safety, and provide them with training and development opportunities.

We had strictly complied with the laws and regulations relating to labour and employment, including the Labour Law of the People’s Republic of China, the Labour Contract Law of the People’s Republic of China, the Social Insurance Law of the People’s Republic of China, the Law on the Protection of Minors of the People’s Republic of China and the Provisions on the Prohibition of Using Child Labour during the Year.

The workforce information of the Group during the Year was as follows:



5.1 Recruitment Criteria

We follow the procedures set out in the Recruitment Operations for recruitment. The Human Resources Department is responsible for preparing the annual Staffing Schedule to summarise the staffing needs of various departments and plan recruitment matters. The Human Resources Department will publish a job advertisement after the department head examines and approves the staffing needs. We select the right candidates through the first and second interviews in a fair and equitable manner, and screen them based on interview performance, academic qualification, industry experience, job match, etc. We have zero tolerance for discrimination in any form, including gender, sexual orientation, disability, age, race, nationality and family status. Every new employee will be subject to a probationary period, during which we assess their performance and attitude, working skills, communication skills and so forth to determine their suitability for a job. Looking ahead, we will work with local vocational schools and universities to further attract more talents with special skills and right background to join us.

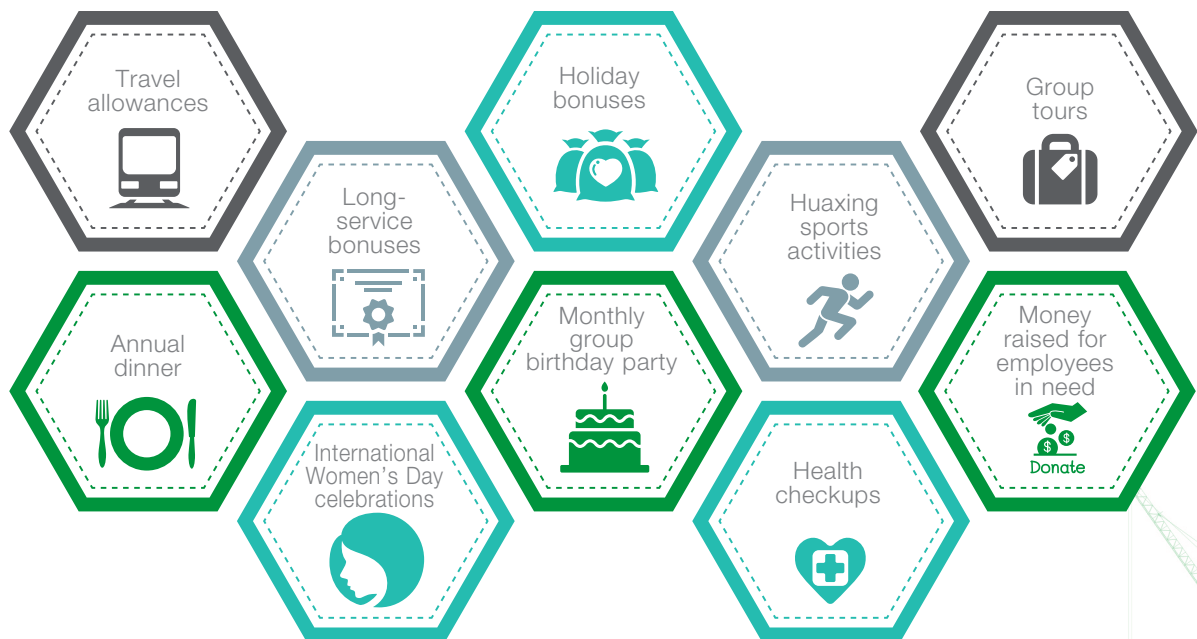
Environmental, Social and Governance Report

Furthermore, we cherish, reward and recognise employees for their contributions, work performance and skills, with job transfer and promotion. We consider internal promotion first and then external recruitment. Employees will be promoted in a fair and equitable manner.

In order to avoid child and forced labour, the Group's Human Resources Department strictly implements the system of the On-boarding Operations and checks the employees' ID cards and other identity documents to ensure that they have reached the minimum age for employment and provide no false information. We will sign labour contracts with our employees in accordance with the Labour Contract Law of the People's Republic of China, which specify their working hours, holiday arrangements and other terms to protect the interests of both parties. We institute a five-day workweek. If employees need to work overtime, it will be regulated by the Policy of the Overtime Operations. The Group reviews and approves necessary overtime work, and provides employees with dinner subsidies and reimburses them for fares. Although managers may ask employees to work on rest days, employees have the rights to refuse. If employees agree to work on a rest day, an additional leave will be arranged. There were no cases of child and forced labour during the Year.

All employees of the Group are paid based on their competitiveness, experience, skills and qualifications for the position, which implements and adjusts competitive compensation packages in line with business and market development. Employees are entitled to receive a monthly salary, a year-end bonus and welfare. In addition, we adjust salaries and pay year-end bonuses based on employees' performance in the performance appraisal.

The Group, which attaches importance to the well-being of employees, has formulated an internal policy of the Compensation and Benefits Operations. We contribute to endowment insurance, medical insurance, unemployment insurance, industrial injury insurance, maternity insurance and housing provident fund for our employees according to the Interim Regulations on the Collection and Payment of Social Insurance Premiums and the Social Insurance Law of the People's Republic of China. Employees also enjoy national statutory holidays in accordance with laws, as well as study/examination holidays. The Group will make adjustments according to the actual business conditions. Other benefits include:



Environmental, Social and Governance Report

If an employee is found to have committed a serious breach of ethics or caused losses to the Group, we will first understand the situation and then dismiss him or her for the gravity of the situation. The employee can choose to resign on his or her own, and complete the handover work and resignation procedures during the notice period. The head of the Human Resources Department and manager of the department will have a face-to-face talk with him or her to listen to their views.

The information of Group's turnover rate was as follows:

Turnover rate ¹	Unit	Fiscal year 2021
Total turnover rate	%	17.1
Employee turnover rate by gender		
Turnover rate for female employees	%	3.6
Turnover rate for male employees	%	13.5
Employee turnover rate by age group		
Employees under the age of 30	%	5.9
Employees aged 30–50	%	9.9
Employees aged over 50	%	1.2
Employee turnover rate by geographical region		
Northern China	%	1.0
Eastern China	%	10.7
Central China	%	0.2
Northwestern China	%	2.4
Southern China	%	2.7
Others (including Hong Kong, Macau and Taiwan)	%	0.0

5.2 Safety First

We enjoy high reputation in the industry, with focus on the safety of our employees. We are devoted to ensuring the safety of the project execution process and the surrounding environment in order to achieve our core value of "safety". Our tower crane business is a high-risk industry. Under the increasing difficulties in massive construction (e.g. prefabricated construction), tower crane service providers are facing more challenges in controlling production safety during the installation, operation, and dismantlement of tower cranes. We have hence established a professional and standardised safety management system to avoid any potential accidents, so as to maintain market competitiveness.

Both China Nuclear Huaxing Tat Hong Machinery Construction Co., Ltd. and Jiangsu Zhongjian Tat Hong Machinery Construction Co., Ltd., the Group's subsidiaries, have obtained the certification of occupational health and safety management systems. We operate in accordance with the relevant laws and regulations in the places where our premises are located, which include the Production Safety Law of the People's Republic of China, the Regulations on Production Safety in Construction Projects, and the Law on Prevention and Treatment of Occupational Diseases of the People's Republic of China. During the Reporting Period, the Group had not identified any material non-compliance with the above health and safety-related laws and regulations. We got a contractor license for hoisting equipment installation projects from the Ministry of Housing and Urban-Rural Development as we met specific requirements in financial strength, net asset value, number of technicians and project experience.

¹ Turnover rate calculation method: Number of departed employees ÷ (Number of departed employees + year-end employees) × 100%; the number of departed employees and year-end employees excludes short-term contract/part-time employees

Environmental, Social and Governance Report

With great importance attached to safety, we strictly comply with the Safety Management Control Procedures to ensure that safety requirements are met in production and construction and increase the safety awareness of employees and reduce the risk of serious accidents. As stipulated in national production safety regulations, special operators are requested to attend special safety training, obtain corresponding qualifications and hold valid certificates before they start to work. We provide operators with adequate and safe labour protection equipment. We map out emergency rescue plans and organise regular drills to avoid production safety accidents. Our employees are covered with liability insurances. In case of any safety violation during production, the work team will be deterred from operating equipment on the spot and punished. The work team will be requested to receive safety education and training to prevent the re-occurrence of similar incidents. Moreover, a Safety Committee has been established and regular meetings are held to implement and monitor effective safety management measures and set forth safety management objectives.

To ensure health and safety in offices, we arrange annual health checkups for qualified employees and conduct regular fire drills. In the face of the COVID-19 pandemic, we have taken the following measures:

- When the pandemic situation is serious, we will allow the employees to work from home to reduce contact in the communities;
- We have made detailed planning of work guidelines and other arrangements prior to resumption of work;
- Adequate anti-pandemic supplies have been provided to the employees;
- We will take the employees' temperature before they can enter the office building;
- Face-to-face meetings have been reduced and replaced with online ones;
- Larger rooms have been arranged for necessary face-to-face meetings;
- As required by government requirements, we have conducted regular tests to track the physical conditions of the employees;
- We have actively encouraged the employees to get vaccinated against the COVID-19, etc.

Also, the Group has complied with all public health and safety measures imposed by the People's Republic of China government in light of the COVID-19 pandemic.

The Group had recorded no work-related fatality and no lost day due to work injury during the Reporting Period. In case of a safety accident, the employees can follow the procedures set out in the Safety Management Control Procedures to deal with it. We will truthfully record and report the investigation and its result and treatment situation of potential accidents.

Environmental, Social and Governance Report

5.3 Employee Training

The Group is committed to providing comprehensive and effective professional training to meet business needs and enhance the competitiveness of its employees. On-boarding training will be arranged for new employees to increase their understanding of the Company's operations. In addition, we encourage our employees to participate in external seminars and sharing sessions to enrich knowledge in their expertise. We provide education subsidies and tuition reimbursements for approved courses, in a bid to encourage employees to further their studies. When mapping out training plans, the Human Resources Department will conduct a survey on training needs to collect the employees' needs and summarise training plans based on their opinions. The training activities we have organised during the Year include training on the commercial insurance system and anti-fraud training. In the future, we plan to build a Maintenance Centre in Yangzhou to provide targeted technical training courses for the employees.

The performance indicators for employees' participation in training activities during the Reporting Period were as follows:

	Unit	Fiscal year 2021
Number of employees trained by gender²		
Female employees	person-time	260
Male employees	person-time	968
Number of employees trained by employment type		
Short-term contract/part-time employees	person-time	0
Junior employees	person-time	1,127
Middle management	person-time	85
Senior management	person-time	16
Average training hours completed per employee by gender		
Female employees	Hour	35
Male employees	Hour	36
Average training hours completed per employee by employment type		
Average training hours completed per short-term contract/part-time employee	Hour	0
Average training hours completed per junior employee	Hour	35
Average training hours completed per middle-level employee	Hour	29
Average training hours completed per senior employee	Hour	34

² Number of trained employees: The number of trained employees refers to the total number of employees attending training during the Reporting Period, including the employees who have left during the Reporting Period.

Environmental, Social and Governance Report

6 PAYING ATTENTION TO THE ENVIRONMENT

As the Group is not a production-oriented enterprise, it will not have significant impacts on the environment and natural resources. When maintaining tower cranes, we comply with environmental-related laws and regulations, such as the Environmental Protection Law of the People's Republic of China, the Energy Conservation Law of the People's Republic of China, and the Law on the Prevention and Control of Environmental Pollution by Solid Wastes of the People's Republic of China. We abide by the internal Environmental Management Control Procedures during construction.

We had collected and disclosed annual consumption data for the headquarters during the Year to enable the Group to better understand the environmental performance. In the future, we will gather more annual data as a basis for performance comparison and target setting, in an effort to operate our business in a more eco-friendly manner.

6.1 Energy Conservation and Emission Reduction

The greenhouse gas emissions was calculated with reference to the Greenhouse Gas Protocol jointly convened by World Resources Institute and World Business Council for Sustainable Development and the ISO14064-1 standard set by the International Organization for Standardization. We have summarised the fuel consumption used from vehicles and electricity consumption during operation during the Year, so as to calculate greenhouse gas emissions (Scope 1 and 2).

The greenhouse gas emissions and intensity of the Group's headquarters were as follows:

KPIs	Unit	Fiscal year 2021
Greenhouse gas emissions		
Scope 1: Direct greenhouse gas emissions	tonnes of carbon dioxide equivalent (CO ₂ e)	13.8
Scope 2: Indirect greenhouse gas emissions	tonnes of CO ₂ e	42.7
Total greenhouse gas emissions (Scope 1 and 2)	tonnes of CO ₂ e	56.5
Greenhouse gas emissions intensity		
Greenhouse gas emissions intensity per square metre (Scope 1 and 2)	tonnes of CO ₂ e/square metre	0.05

Scope 1: Direct greenhouse gas emissions from sources that are owned and controlled by the Company.

Scope 2: Indirect greenhouse gas emissions from the generation of the electricity, heating and cooling, or steam purchased by the Company.

In managing vehicles, we regularly arrange maintenance and repair for our fleet to prevent inefficient vehicles from consuming more fuel and emitting more pollutants. Employees are encouraged to take public transportation to commute and use company cars when necessary.

The Group's vehicles consumed 5,090.0 litres of petrol during the year, and have emitted 28.9 kg of nitrogen oxides (NO_x), 0.07 kg of sulphur oxides (SO_x) and 2.7 kg of particulate matters (PM).

In addition, a variety of measures have been taken to reduce energy consumption, aiming to creating a green office environment.

Environmental, Social and Governance Report

In terms of lighting system, we have tried our best to use daylighting and energy-efficient lamps. Offices have not been installed with lights with higher brightness than required. Offices have been divided into different lighting zones, each of which has independent lighting switches. As for air conditioning system, we have set the lowest air conditioning temperature for offices at 26°C, and installed sealing strips on the doors and windows to avoid the leakage of tempered air. When installing air conditioners, the Group does not install them in places that are exposed to direct sunlight. We will regularly check the air conditioning system to ensure the efficiency of the system. Besides, the employees are allowed to wear light clothing to work in hot days to reduce the use of air conditioners. The Group will maintain the above systems on a regular basis to improve energy efficiency as much as possible. Apart from regular cleaning, we will remind our employees to turn off the lighting and air conditioning systems when leaving office. These will help them develop good habits and reduce unnecessary consumption.

Our headquarters consumed 70,000.0 kWh of electricity during the Year, with an intensity of 61.2 kWh per square metre.

6.2 Waste Management

The Group has disposed waste in accordance with the internal waste management measures, striving to promote waste classification and recycling. Waste sorting and recycling bins are used to recycle waste paper, metal and plastic. Employees are encouraged to reuse stationery (e.g. ballpoint pens and lead pencils with replaceable refills, envelopes, folders, file cards, etc.) and reduce the use of disposable and non-recyclable products. In addition, we regularly assess material consumption and adjust material orders to avoid waste of resources. In terms of disposing hazardous waste, the Group has established relevant procedures for the disposal of hazardous waste. We have also engaged a recycling company certified by the ISO14001 Environmental Management System to assist in the proper disposal and recycling of the waste ink cartridges and discarding of computers and printers, as efforts to reduce the pollution to the environment.

The waste produced and intensity at the headquarters during the Year were as follows:

Waste produced and intensity	Unit	Fiscal year 2021
Total hazardous waste produced	No. of computer	10
	No. of battery	182
Hazardous waste produced per employee	No. of computer/employee	0.2
	No. of battery/employee	3.9
Total non-hazardous waste produced	kg	6,600.0
Non-hazardous waste produced per employee	kg/employee	140.4

In view of paper usage in office, the Group have proactively taken measures to manage and reduce paper consumption. We have put up notices to encourage our employees to use double-sided photocopying and reuse paper, and to use electronic means whenever possible, including electronic communication records and information transmission. Some disposable paper products, such as paper cups and chopsticks, have been replaced with reusable cups and cutlery. We actively use printing paper and toilet paper containing recycled materials. To effectively manage paper usage, we regularly monitor printer usage and make adjustments, such as setting print limits for users.

The Group consumed 275.6 kg of paper during the Year, with an intensity of 5.9 kg per employee.

Environmental, Social and Governance Report

6.3 Water Resource Management

The Group had no issue in sourcing water that is fit for purpose. The total water consumption during the Year was 1,200.0 cubic metres, with an intensity of 1.0 cubic metre per square metre.

7 COMMUNITY INVOLVEMENT

“Undertaking the responsibility of harmonious development for the society” is one of the missions of the Group. We devote our resources to contributing and giving back to the society. In view of the COVID-19 pandemic and considering the health and safety of participants, the Group did not organize or participate in charity activities during the Year.

The Group actively assigns, calls on and supports employees to participate in volunteer services. In the past, employees participated in voluntary blood donation and fundraising activities organised by do-gooders to help children in mountainous areas. We plan to launch various charity projects in the coming year to focus on supporting the disadvantaged.

E.G.G. Walkathon

E.G.G. Walkathon is a charity event initiated by Shanghai United Foundation in 2011. The 12-hour, 50-kilometre hike is targeted to raise funds for children aged 0–18 in need to grow up healthily, happily and develop equally. E.G.G. Walkathon, which has been launched based on the concept of happiness, independent and effective charity, allows the participants to realise the dual value of personal challenge and charity participation, charity organizations to enhance their professional ability in communication and service, and children in need to really benefit from the perfect system and social care. The participants who are divided into teams of 3–5 people can complete a 50km hike within 12 hours and at the same time raise funds through their network of acquaintances in creative ways to achieve the fundraising goal.



The Group participated in this event in the past. In 2017, we sent 6 teams to participate in the 50km challenge and successfully raised RMB120,000 for vulnerable children. We also sent teams to participate in the event held in May 2021.

Environmental, Social and Governance Report

APPENDIX I: SUMMARY OF SUSTAINABLE DEVELOPMENT INFORMATION

Environmental KPIs ³	Unit	Fiscal year 2021
Emissions⁴		
Nitrogen oxides (NO _x)	kg	28.9
Sulphur oxides (SO _x)	kg	0.07
Particulate matter (PM)	kg	2.7
Vehicles' fuel consumption		
Petrol	Litre	5,090.0
Greenhouse gas emissions		
Direct greenhouse gas emissions (Scope 1)	tonnes of carbon dioxide equivalent (CO ₂ e)	13.8
Indirect greenhouse gas emissions (Scope 2)	tonnes of CO ₂ e	42.7
Total greenhouse gas emissions (Scope 1 and 2)	tonnes of CO ₂ e	56.5
Greenhouse gas emissions intensity per square metre (Scope 1 and 2)	tonnes of CO ₂ e/square metre	0.05
Hazardous waste		
Total hazardous waste produced	No. of computer	10
	No. of battery	182
Hazardous waste intensity per employee	No. of computer/employee	0.2
	No. of battery/employee	3.9
Non-hazardous waste		
Total non-hazardous waste produced	kg	6,600.0
Non-hazardous waste intensity per employee	kg/employee	140.4
Paper		
Paper consumption	kg	275.6
Paper consumption intensity per employee	kg/employee	5.9
Energy usage		
Total electricity consumption	kWh	70,000.0
Electricity consumption intensity per square metre	kWh/square metre	61.2
Water consumption		
Total water consumption	Cubic metre	1,200.0
Water consumption intensity per square metre	Cubic metre/square metre	1.0

³ The disclosure scope of environmental KPIs includes the Group's headquarters

⁴ Emissions produced by vehicles

Environmental, Social and Governance Report

Social KPIs ⁵	Unit	Fiscal year 2021
Total workforce	Person	1,081
Number of employees by gender		
Female	Person	233
Male	Person	848
Number of employees by employment type		
Short-term contract/part-time employees	Person	63
Full-time junior employees	Person	933
Full-time middle management	Person	77
Full-time senior management	Person	8
Number of employees by age group		
Employees under the age of 30	Person	289
Employees aged 30–50	Person	687
Employees aged over 50	Person	105
Number of employees by geographical region		
Northern China	Person	125
Eastern China	Person	595
Central China	Person	19
Northwestern China	Person	133
Southern China	Person	206
Others (including Hong Kong, Macao and Taiwan)	Person	3
Employee turnover rate⁶		
Total turnover rate	%	17.1
Employee turnover rate by gender		
Turnover rate for female employees	%	3.6
Turnover rate for male employees	%	13.5
Employee turnover rate by age group		
Employees under the age of 30	%	5.9
Employees aged 30–50	%	9.9
Employees aged over 50	%	1.2
Employee turnover rate by geographical region		
Northern China	%	1.0
Eastern China	%	10.7
Central China	%	0.2
Northwestern China	%	2.4
Southern China	%	2.7
Others (including Hong Kong, Macao and Taiwan)	%	0.0

⁵ Social KPIs to be disclosed encompass the data of the whole Group

⁶ Turnover rate calculation method: $\text{Number of departed employees} \div (\text{Number of departed employees} + \text{year-end employees}) \times 100\%$; the number of departed employees and year-end employees excludes short-term contract/part-time employees

Environmental, Social and Governance Report

Social KPIs ⁵	Unit	Fiscal year 2021
Number of work-related fatalities and lost days due to work injury		
Number of work-related fatalities	Person	0
Lost days due to work injury	Day	0
Number of employees trained by gender⁷		
Female employees	Person-time	260
Male employees	Person-time	968
Number of employees trained by employment type		
Short-term contract/part-time employees	Person-time	0
Junior employees	Person-time	1,127
Middle management	Person-time	85
Senior management	Person-time	16
Average training hours completed per employee by gender		
Female employees	Hour	35
Male employees	Hour	36
Average training hours completed per employee by employment type		
Average training hours completed per short-term contract/part-time employee	Hour	0
Average training hours completed per junior employee	Hour	35
Average training hours completed per middle-level employee	Hour	29
Average training hours completed per senior employee	Hour	34

⁷ Number of trainees: The number of trainees refers to the total number of employees attending training during the Reporting Period, including the employees who have left during the Reporting Period.

Environmental, Social and Governance Report

APPENDIX II: ESG REPORTING GUIDE CONTENT INDEX

KPIs			Relevant Chapter(s)
A. Environmental			
Aspect A1: Emissions	General Disclosure	Relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste: Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer.	6. Paying Attention to the Environment
	KPI A1.1	The types of emissions and respective emissions data.	6.1 Energy Conservation and Emission Reduction Appendix I: Summary of Sustainable Development Information
	KPI A1.2	Greenhouse gas emissions and intensity.	6.1 Energy Conservation and Emission Reduction Appendix I: Summary of Sustainable Development Information
	KPI A1.3	Total hazardous waste produced and intensity.	6.2 Waste Management Appendix I: Summary of Sustainable Development Information
	KPI A1.4	Total non-hazardous waste produced and intensity.	6.2 Waste Management Appendix I: Summary of Sustainable Development Information
	KPI A1.5	Description of measures to reduce emission and the achievements.	6.1 Energy Conservation and Emission Reduction
Aspect A2: Use of Resources	KPI A1.6	Description of measures to handle hazardous and non hazardous wastes and to reduce production and the achievements.	6.2 Waste Management
	General Disclosure	Policies on the efficient use of resources, including energy, water and other raw materials.	6.1 Energy Conservation and Emission Reduction 6.3 Water Resource Management
	KPI A2.1	Direct and/or indirect energy consumption by type and intensity.	6.1 Energy Conservation and Emission Reduction Appendix I: Summary of Sustainable Development Information
	KPI A2.2	Water consumption in total and intensity	6.3 Water Resource Management Appendix I: Summary of Sustainable Development Information
	KPI A2.3	Description of the plan to improve energy use efficiency and the achievements.	6.1 Energy Conservation and Emission Reduction
Aspect A3: The Environment and Natural Resources	KPI A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, and the plan to improve water use efficiency and the achievements.	6.3 Water Resource Management
	KPI A2.5	Total packaging material used for finished products and with reference to per unit produced.	The packaging material used for finished products is not applicable for our business
	General Disclosure	Policies on minimising the issuer's significant impacts on the environment and natural resources.	6. Paying Attention to the Environment
	KPI A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	6. Paying Attention to the Environment

Environmental, Social and Governance Report

KPIs			Relevant Chapter(s)
B. Social			
Aspect B1: Employment	General	Relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare: Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer.	5. Team Building 5.1 Recruitment Criteria
	Disclosure		
	KPI B1.1	Total workforce by gender, employment type, age group and geographical region.	5. Team Building Appendix I: Summary of Sustainable Development Information
Aspect B1.2	KPI B1.2	Employee turnover rate by gender, age group and geographical region.	5.1 Recruitment Criteria Appendix I: Summary of Sustainable Development Information
	General	Relating to providing a safe working environment and protecting employees from occupational hazards: Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer.	5.2 Safety First
	Disclosure		
Aspect B2: Health and Safety	KPI B2.1	Number and rate of work-related fatalities.	5.2 Safety First Appendix I: Summary of Sustainable Development Information
	KPI B2.2	Lost days due to work injury.	5.2 Safety First Appendix I: Summary of Sustainable Development Information
	KPI B2.3	Description of occupational health and safety measures adopted, and how they are implemented and monitored.	5.2 Safety First
Aspect B3: Development and Training	General	Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.	5.3 Employee Training
	Disclosure		
	KPI B3.1	The percentage of employees trained by gender and employee category (e.g. senior management, middle management).	5.3 Employee Training We disclosed the person-time of employees trained by gender and employee category for the Year. Instead, the percentage of employees trained will be disclosed in the coming year. Appendix I: Summary of Sustainable Development Information
Aspect B3.2	KPI B3.2	The average training hours completed per employee by gender and employee category.	5.3 Employee Training Appendix I: Summary of Sustainable Development Information
	General	Relating to preventing child and forced labour: Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer.	5.1 Recruitment Criteria
	Disclosure		
Aspect B4: Labour Standards	KPI B4.1	Description of measures to review employment practices to avoid child and forced labour.	5.1 Recruitment Criteria
	KPI B4.2	Description of steps taken to eliminate such practices when discovered.	5.1 Recruitment Criteria

Environmental, Social and Governance Report

KPIs			Relevant Chapter(s)
B. Social			
Aspect B5: General	Disclosure	Policies on managing environmental and social risks of the supply chain.	4.4 Supplier Management
Supply Chain Management	KPI B5.1	Number of suppliers by geographical region.	4.4 Supplier Management
	KPI B5.2	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, and how they are implemented and monitored.	4.4 Supplier Management
Aspect B6: General	Disclosure	Relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress: Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer.	4. Operational Practices 4.1 Product Quality 4.2 Quality Service 4.3 Protecting Intellectual Property Rights 4.6 Information Management
Product Responsibility	KPI B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons.	4.1 Product Quality
	KPI B6.2	Number of products and service related complaints received and how they are dealt with.	4.2 Quality Service
	KPI B6.3	Description of practices relating to observing and protecting intellectual property rights.	4.3 Protecting Intellectual Property Rights
	KPI B6.4	Description of quality assurance process and recall procedures.	4.1 Product Quality
	KPI B6.5	Description of consumer data protection and privacy policies, and how they are implemented and monitored.	4.6 Information Management
Aspect B7: General	Disclosure	Relating to bribery, extortion, fraud and money laundering: Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer.	4.4 Compliance Operation
Anti-corruption	KPI B7.1	Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the Reporting Period and the outcomes of the cases.	4.4 Compliance Operation
	KPI B7.2	Description of preventive measures and whistle-blowing procedures, and how they are implemented and monitored.	4.4 Compliance Operation
Aspect B8: 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.	7. Investment in Communities
Community Investment	KPI B8.1	Focus areas of contribution (e.g. education, environmental concerns, labour needs, health, culture, sport).	7. Investment in Communities
	KPI B8.2	Resources contributed to the focus area.	Consider to disclose information in the future