



興證國際金融集團有限公司

China Industrial Securities International Financial Group Limited

(Incorporated in the Cayman Islands with limited liability)

Stock code : 6058



2021

**Environmental, Social and
Governance Report**

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

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1. STATEMENT OF THE BOARD OF DIRECTORS

Year 2021 marked the start of the “14th Five-Year” Plan, and coincided with our 10th anniversary since the start of our operations in Hong Kong. The past decade witnessed our evolvement from a Chinese-funded securities house incepted in Hong Kong, an international finance hub, as a go-global bridgehead of Industrial Securities Co. Ltd. (“Industrial Securities”) to an integrated player among leading securities firms in the territory, thanks to our efforts in seizing first-mover opportunities in the offshore market to grow our expertise and quality services. Along this journey, we attached great importance to Environmental, Social and Governance (“ESG”) management, integrating ESG concepts into our corporate culture, strategic initiatives and daily operations to align our economic value creation with ESG management enhancements for a sustainable financial ecosystem.

Sound operations laying a ground for effective governance. We placed great emphasis on ESG management on the basis of a well-established governance system featuring robust risk compliance management. We set up a top-down ESG governance structure, where the Board of Directors oversees ESG practices and assumes the overall responsibility. Under the Environmental, Social and Governance Committee (“ESG Committee”) at the Board level, the Environmental, Social and Governance Committee Work Team (“ESG Work Team”) was set up to execute our ESG assignments and ensure continuity and effectiveness of ESG delivery.

Focusing on low-carbon operation to support green finance. Staying mindful of the environmental impact of our operations, we took initiatives to identify, assess and conduct analysis on climate risks and opportunities, seeking to manage climate risks across business development and operations by incorporating ESG factors including the environmental factor into our investment and financing considerations and assessing energy conservation and emission reduction during operations. Targets were developed across greenhouse gas emission, energy management, water resource management and waste management, with reference to our business practices. We will annually review our performance against targets and our environmental commitments to internal and external stakeholders to expedite the process of achieving national dual carbon goals.

Contributing to society by creating shared value. Adhering to the core values of advancing employee value and creating customer value, we are active in undertaking our responsibilities to employees, customers and society. We embraced the nature of finance to fuel technological innovation companies, going-global of Chinese enterprises and civilian infrastructure. To extend our care for employee growth, we provided them with a competitive compensation system, benefit packages, well-developed career ladders and training. Our active presence in giving back to society was also witnessed by our social and charity engagements and our care for disadvantaged groups, demonstrating our social responsibility as a Chinese-funded financial institution.

Looking ahead, amid China’s faster opening-up pace and the lingering COVID-19 pandemic, we as a Hong Kong based Chinese-funded securities company will uphold our core philosophy to focus on value and create the future with wisdom, leveraging the city’s clout as an international finance hub and our financial expertise to create maximum value for all stakeholders. To begin with, we will adhere to a quality-minded growth approach to serve the real economy with sustainable finance. In particular, a healthy and resilient business model upon our well-disciplined neutral and prudence-tilt risk appetite, together with rational internal controls, will enable us to reward shareholders and serve customers effectively. Meanwhile, we will continue to improve our human resource management system, upgrade climate change management and countermeasures, and take part in social and charity undertakings to promote common and sustainable growth of employees, the environment and the society.

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2. BUSINESS OF CISI

2.1 Group Overview

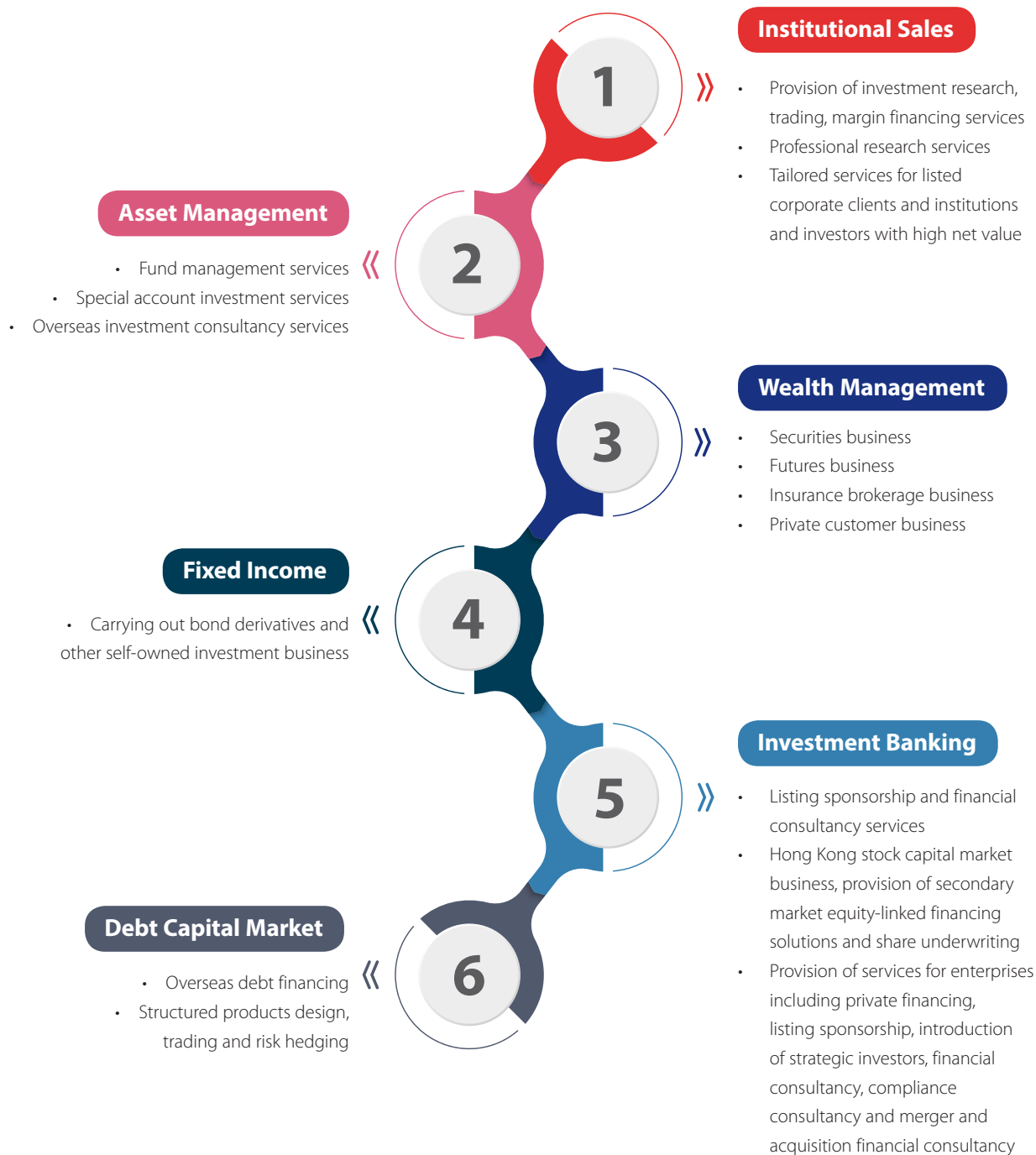
China Industrial Securities International Financial Group Limited (stock code: 6058.HK) ("CISI") was listed on the GEM of the Hong Kong Stock Exchange and became the first overseas spun-off and listed subsidiary of a PRC securities Group in 2016. In 2019, it was successfully converted to be listed on the Main Board. The Group, located in Hong Kong, is an integrated financial group integrating global securities and futures brokerage, institutional sales and research, corporate financing, fixed income, asset management, private wealth management and other investment and financing business operations. It has obtained licences for Types 1, 2, 4, 5, 6 and 9 regulated activities issued by the Securities and Futures Commission of Hong Kong.

Industrial Securities Co. Ltd. is CISI's controlling shareholder. CISI is a bridgehead for Industrial Securities to put into practice the strategy of establishing international presence. The Group upholds the concept of "focus on value, create the future with wisdom", relying on Hong Kong, an international financial hub, to construct an international investment and financing platform. Through years of development, the Group has gradually built a solid foundation in Hong Kong and become one of the major integrated brokers in Hong Kong.

At the end of 2021, CISI had total assets of HK\$16.8 billion and operating revenue of HK\$636.37 million for the year.

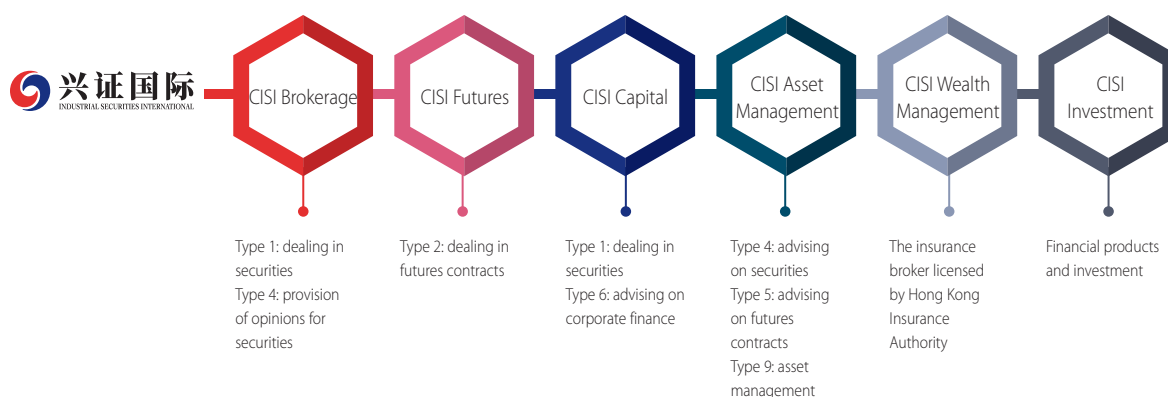
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2.2 Principal Business



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2.3 Group Structure and Development History



Development History of CISI

| Year | Major Event |
|------|--|
| 2021 | China Core Asset Fund was successfully accepted as a northbound fund under the Mutual Recognition of Funds scheme |
| 2020 | Asset management scale ranked third among Chinese securities brokers |
| 2019 | Converted to be listed on the Main Board in January, code 6058.HK |
| 2018 | G3 currency-denominated high-yield bond underwriting amount ranked third among Chinese securities brokers in Hong Kong |
| | Custody assets of Hong Kong shares ranked fourth among Chinese securities brokers |
| 2017 | Total assets of clients exceeded HK\$130 billion |
| | G3 currency-denominated bond underwriting amount ranked top 10 among Chinese securities brokers in Hong Kong |
| 2016 | Listed on the GEM of the Hong Kong Stock Exchange in October |
| | Issued and paid-up share capital increased to HK\$4 billion |
| | Total assets of clients exceeded HK\$80 billion |
| 2015 | Total assets of clients exceeded HK\$30 billion |
| 2014 | Issued and paid-up share capital increased to HK\$500 million |
| 2013 | Issued and operated the first offshore fund product |
| 2012 | Industrial Securities (Hong Kong) commenced business |
| | The initially issued share capital was HK\$100 million |

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2.4 Awards and Accolades

| Title of the Accolade | Awarded by |
|--|--|
| 2021 Bloomberg Businessweek Wealth Management Platform Award | Bloomberg Businessweek |
| Most Socially Responsible Company Award among Listed Companies in Greater China for 2021 by gelonghui.com | Gelonghui.com |
| Best Chinese Securities Dealer of the Golden Bauhinia Awards in 2021 by China Securities | Ta Kung Wen Wei Media Group |
| Best New Economy Company Award at the 6th Golden Hong Kong Stock | Zhitongcaijing & Straight Flush |
| Best Asset Management Business Performance of the third Golden Central Award | Zhitongcaijing & Straight Flush |
| Most Comprehensively Capable Hong Kong and United States Securities Broker of the third Golden Central Award | Zhitongcaijing & Straight Flush |
| 2021 Capital Market Star Investment Bank Award by China Financing | China Financing magazine |
| 2021 Annual Best Performance Fund Award by China Financing | China Financing magazine |
| First Prize in Hong Kong Stocks and Overseas Research in 2021 of the 19th New Fortune Selection | New Fortune magazine |
| First Prize in Overseas Research of the 15th Seller Analyst Crystal Ball Award in 2021 | Securities Market Weekly magazine |
| First Prize in the 3rd Sina Best Analysts | Sina Finance |
| First Prize in the 21st Century Gold Medal Analyst Selection in 2021 | 21st Century Business Herald |
| Outstanding Financial Institution Award of the 9th Hong Kong Stocks Top 100 | Top 100 Hong Kong Listed Companies Research Centre |
| 2021/2022 Hong Kong Caring Company | The Hong Kong Council of Social Service |



Most Socially Responsible Company Award in 2021 by gelonghui.com



Best Chinese Securities Dealer of the Golden Bauhinia Awards in 2021

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Best New Economy Company Award at the 6th Golden Hong Kong Stock



China Financing awards in 2021



Outstanding Financial Institution Award of the 9th Hong Kong Stocks Top 100



2021 Bloomberg Businessweek Wealth Management Platform Award



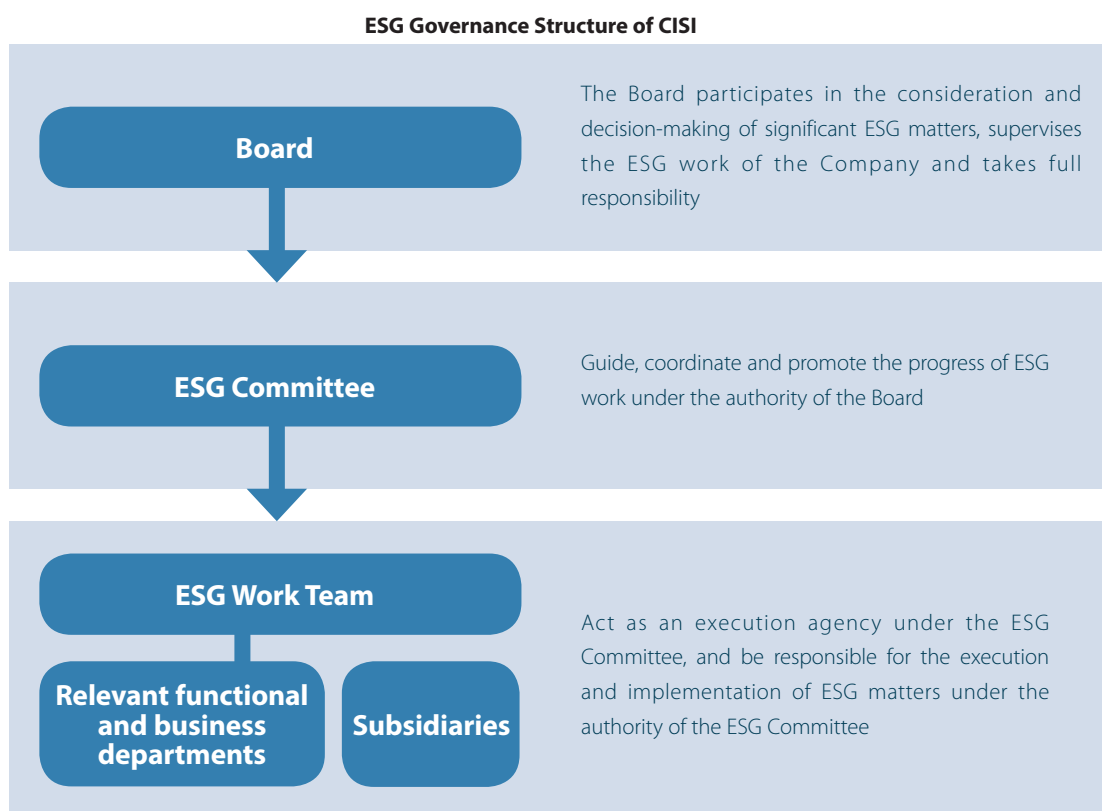
Golden Central Awards in 2021

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3. ESG GOVERNANCE

The Group actively integrates ESG factors into all aspects of its enterprise operation and management. By establishing ESG governance structure and setting ESG management objectives, the Group continues to translate its responsibility concept and its commitment to stakeholders into concrete actions to promote sustainable development of itself and stakeholders.

The Group has further improved its ESG management at the Board level by newly setting up the Environmental, Social and Governance Committee (“ESG Committee”) under the Board; the Environmental, Social and Governance Work Team (“ESG Work Team”) has also been set up under the ESG Committee to coordinate and promote the Group’s ESG management and practices from top to bottom.



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4. RESPONSE TO STAKEHOLDERS

4.1 Communication with Stakeholders

The Group identifies and confirms 6 major stakeholders according to its own industry characteristics and business conditions, and establishes a regular communication mechanism with each stakeholder to incorporate the demands of stakeholders into the operation and decision-making process and continuously improve the effectiveness of communication with stakeholders.

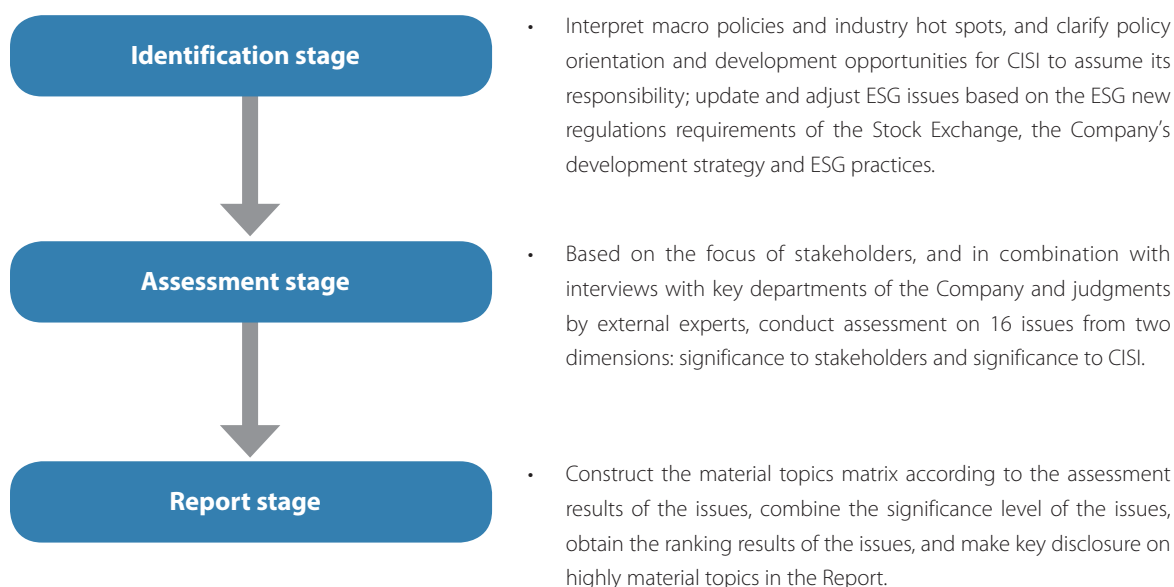
Stakeholder Focus and Response

| Stakeholder | Focus issue | Communication and response |
|------------------------------------|--|---|
| Shareholders and investors | Anti-corruption | Establish an anti-corruption management system Carry out relevant anti-corruption training Daily communication and report |
| Customers | Information security and customer privacy protection Investor education Customer enquiries and complaints | Promote information security infrastructure construction Strictly implement customer privacy protection measures Carry out investor education activities Establish the 95562 customer service system Smart cat intelligent assistant system |
| Employees | Employee rights and benefits Staff development and training Employee health and safety | Enterprise OA platform Establish staff training and promotion systems Staff care activities |
| Government and regulatory agencies | Anti-corruption Responsible marketing Intellectual property protection Legal and compliant operation | Establish an anti-corruption management system Carry out relevant anti-corruption training Promote appropriateness management Strictly implement legal and compliant operations Intellectual property protection |
| Suppliers and partners | Supplier management | Bidding and procurement Cooperation and communication |
| Community and the public | Community charity Green finance and ESG investment Response to climate change The environment and natural resources Waste management | Participate in charity activities Issue green bonds Put ESG investment into practice Manage climate change risks Promote low-carbon operation Properly dispose of waste |

4.2 Identification and Analysis of Material Topics

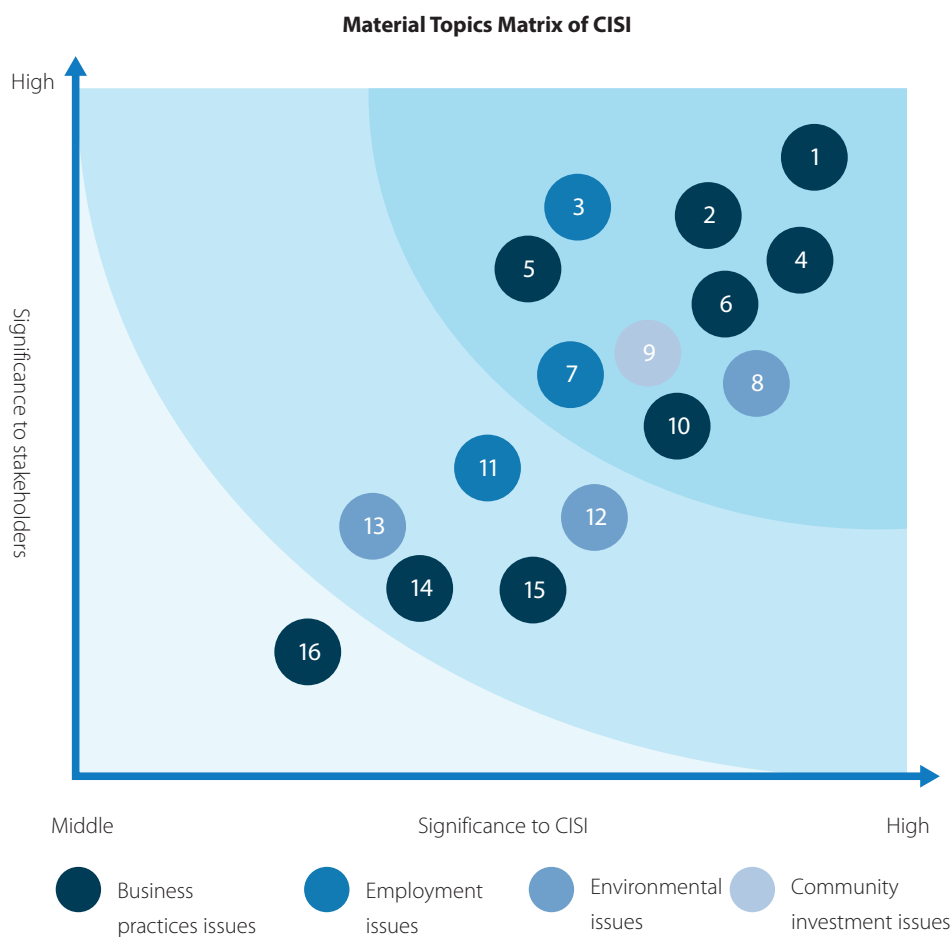
In order to make the Report better respond to the demands and expectations of stakeholders, in 2021, based on domestic and foreign macro policies, ESG standards at home and abroad, the Group's development strategy and peer benchmarking, the Group carried out the identification, assessment and report of material topics, and confirmed 16 issues significant to the Group and stakeholders, which were ultimately approved by the Board, so as to determine the identification results of significant ESG issues of the Group and ensure the coverage of significant ESG issues.

Analysis Process of Material Topics



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Material Topics Matrix



| No. | Topic |
|-------------------------------|--|
| Highly material topics | |
| 1 | Serve the real economy |
| 2 | Information security and customer privacy protection |
| 3 | Staff development and training |
| 4 | Anti-corruption |
| 5 | Customer communication and complaint management |
| 6 | Green finance and ESG investment |
| 7 | Employee rights and benefits |
| 8 | Address climate change |
| 9 | Community investment |
| 10 | Investor education |

| No. | Topic |
|--|---------------------------------------|
| Moderately highly material topics | |
| 11 | Employee health and safety |
| 12 | The environment and natural resources |
| 13 | Waste management |
| 14 | Responsible marketing |
| 15 | Intellectual property protection |
| Moderately material topics | |
| 16 | Supplier management |

5. ECONOMIC AND OPERATIONAL RESPONSIBILITIES

5.1 Compliance with Business Ethics

- **Anti-corruption**

The Group has strictly complied with the Prevention of Bribery Ordinance and other laws and regulations and formulated the Provisions on Professional Integrity of Staff of China Industrial Securities International Financial Group Limited to regulate the conduct of employees and clearly prohibit the transfer of illicit benefits to any other person or seeking illicit benefits, or any forms of corruption, bribery, extortion and fraud in business, so as to create a working environment of integrity and honesty.

In order to strengthen integrity risk prevention and increase employees' awareness of integrity in work, the Group conducts anti-corruption training sessions to promote and ensure employees' compliance with relevant anti-corruption regulations and internal systems. In 2021, the Group conducted anti-corruption training sessions for employees and directors, engaging a total of 120 employees and recording an average training time of 1 hour for both employees and directors.

At the same time, the Group has established a reporting and handling mechanism for complaining and whistle-blowing, through which employees can report any illegal conduct. Upon receiving the report, the Group will investigate it while keeping the whistle-blower's identity information and relevant information completely confidential, and if necessary, report to the Independent Commission Against Corruption ("ICAC") and relevant regulatory authorities within 5 working days.

During the Reporting Period, there was no litigation against or violation committed by the Company or its employees in connection with bribery, corruption, extortion and fraud.

[Case Study] Inviting the ICAC to hold the Professional Integrity – Our Winning Edge anti-corruption and compliance training

In December 2021, in order to strengthen the compliance culture of integrity and continue to improve the ethics of our employees, the Group invited the ICAC to jointly carry out the Professional Integrity – Our Winning Edge anti-corruption and compliance training. The Senior Community Relations Officer of ICAC Hong Kong West/Islands Office and the key employees of the Group participated in the training.

Focused on the importance of professional integrity, corruption reporting in the financial industry, interpretation of the Prevention of Bribery Ordinance, recent cases handled by the ICAC, and consultation and reporting channels of the ICAC, the training comprehensively increased our employees' awareness of and capabilities in integrity and discipline in work to promote and maintain a good business environment in Hong Kong.

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- **Anti-money Laundering**

The Group has actively exercised the anti-money laundering responsibility of financial institutions, strictly complied with anti-money laundering laws and regulations, including the Anti-Money Laundering and Counter-Terrorist Financing Ordinance, the Drug Trafficking (Recovery of Proceeds) Ordinance, the Organized and Serious Crimes Ordinance, the United Nations (Anti-Terrorism Measures) Ordinance, the United Nations Sanctions Ordinance, the Weapons of Mass Destruction (Control of the Provision of Services) Ordinance and the Guideline on Anti-Money Laundering and Counter-Financing of Terrorism (For Licensed Corporations), and accordingly formulated the Regulations on Anti-Money Laundering and Counter-Financing of Terrorism and other anti-money laundering rules to clarify anti-money laundering guidelines and procedures and instruct employees to carry out anti-money laundering work in a standard manner, so as to effectively prevent money laundering risks.

Meanwhile, the Group regularly reviews its anti-money laundering rules and, if necessary, improve and revise them in line with the actual situation of the Group and the latest changes in relevant anti-money laundering laws, regulations and regulatory requirements to ensure the timeliness and effectiveness of the anti-money laundering management system.

The Group has established an effective and comprehensive anti-money laundering risk management system, with the Board, senior management, anti-money laundering committee, business and management departments performing their respective duties in the money laundering risk management structure, so as to enhance anti-money laundering management and ensure effective implementation of anti-money laundering measures.

CISI's money laundering risk management structure

- The Board of the Group is responsible for anti-money laundering management and supervision.
- The senior management of the Group is responsible for reviewing the effectiveness of anti-money laundering rules, and approving the relevant rules and measures to identify and guard against money laundering risks.
- The anti-money laundering committee is responsible for establishing and maintaining anti-money laundering rules, appointing the head of the compliance management department as the money laundering reporting officer, and taking charge in the implementation of money laundering risk management.
- All departments jointly form the three lines of defence against money laundering and implement anti-money laundering management.



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In 2021, attaching great importance to the promotion and education of anti-money laundering, the Group circulated the latest regulatory requirements of anti-money laundering and non-compliance cases by means of conducting anti-money laundering training, releasing monthly anti-money laundering reports, and issuing must-read compliance reminders via emails and the Group's internal management system to increase employees' anti-money laundering awareness. During the Reporting Period, the Group held 2 anti-money laundering training sessions with an attendance of 430, and released 12 issues of monthly anti-money laundering reports.

During the Reporting Period, there was no non-compliance incidents related to money laundering.

[Case Study] Carrying out annual anti-money laundering training to increase awareness of money laundering risk prevention

In December 2021, the Group held the annual anti-money laundering training, focusing on the basic knowledge of anti-money laundering, regulations and measures of anti-money laundering and counter-financing of terrorism, and recent anti-money laundering penalties imposed by the Securities and Futures Commission of Hong Kong to improve employees' capability and increase their awareness of money laundering risk management.

In terms of customer money laundering risk management, the Group adheres to the "Know Your Customer" principle, formulated the Guidelines on Materials for Opening Accounts and the Detailed Rules for the Management of Customer Information to set up standard procedures for processing customer information and ensure the authenticity, completeness and validity of customer information. Meanwhile, the Group conducts customer due diligence and continuous monitoring by adopting simplified due diligence measures for customers initially assessed as having low money laundering risk and stricter due diligence measures for customers having high money laundering risk, so as to reduce money laundering risks.

- **Protection of Intellectual Property Rights**

In compliance with the Copyright Ordinance, the Trade Marks Ordinance, the Patents Ordinance and other laws and regulations, the Group strictly reviews the distributed content to observe the regulations to protect intellectual property rights such as copyright and trademarks.

In addition, the Group has dedicated legal personnel to conduct legal review of contracts to be signed to prevent legal risks related to intellectual property rights, avoiding infringement of intellectual property rights of others while protecting its own intellectual property rights.

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5.2 Supplier Management

Attaching great importance to supplier risk management, the Group has formulated the Measures for Procurement Management of China Industrial Securities International Financial Group Limited and the Norms on the Management of Information Technology Supplier of China Industrial Securities International Financial Group Limited to strictly regulate qualification review, classification, process control, assessment and evaluation, and risk management. In addition, the Group pays attention to the environmental and social risks of suppliers, as well as their performance in terms of the environment, labour, and business ethics, and therefore will not consider suppliers who are involved in negative news or violated environmental and social regulations.

In terms of promoting green procurement, the Group clearly stipulates that supplier selection criteria should conform to energy conservation, environmental protection and green concept to fully take on its social responsibility. When purchasing refrigerators, printers and other office equipment, the Group will give priority to products with higher environmental protection standards and energy efficiency labels. When purchasing materials, the Group will give priority to recyclable products with less packaging, such as replaceable ballpoint pen refills and recyclable toner cartridges.

In terms of supplier anti-corruption management, the Group has formulated the Measures for Procurement Management of China Industrial Securities International Financial Group Limited and the Procurement Integrity and Self-discipline Undertaking, which all employees involved in procurement and supplier evaluation are required to sign, to strictly prevent active or passive bribery by employees and suppliers, and prohibit any collusive bidding, fraud, bribery and other illegal acts.

5.3 Implementation of Sustainable Finance

- **Green Investing**

ESG development is an opportunity for an enterprise to build its core competencies, enabling it to gain a key competitive advantage for its long-term sustainable development. The Group actively implements its ESG investment philosophy by incorporating ESG factors into the research of sector- and company-specific fundamentals and the investment decision-making process, and using ESG investing strategies such as positive screening, exclusionary screening and active ownership to avoid ESG risks and identify more quality enterprises for investment, thus creating long-term and sustainable economic and social benefits.

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CISI ESG investing strategies and application

ESG investing strategy

Application

- | | |
|--------------------|--|
| Positive screening | <ul style="list-style-type: none">• Actively support industries including new energy, low-carbon and energy conservation, and green manufacturing to promote the development of clean energy and green industries• Accord priority to enterprises with leading energy-saving technology while investing in traditional industries to facilitate the green transformation of traditional enterprises |
| Negative screening | <ul style="list-style-type: none">• Invest cautiously in enterprises that have major ESG issues, or once had serious ESG issues but have not yet provided specific and feasible solutions• Take governance factors into consideration in the investment decision-making process, and invest cautiously in enterprises with major governance incidents such as frequent changes in management and lack of stability, corruption in senior management, and regulatory penalties due to inadequate internal control systems• Take environmental factors into consideration in the research of sector- and company-specific fundamentals, and invest cautiously in enterprises subject to regulatory penalties for environmental issues such as illegal discharge of waste and damage to geological formations |
| Active ownership | <ul style="list-style-type: none">• Actively communicate ESG matters with investees and encourage them to disclose ESG information to promote their ESG management practices |

In 2021, the fund products under CISI's asset management department have invested a total of HK\$711 million in green bonds including those issued by the Hong Kong Special Administrative Region, China Development Bank, and Shuifa Group. The proceeds raised from the bonds will be used for purposes such as water resources improvement and green building and construction to contribute to the promotion of constructing a civil ecosystem and green industry development.

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- **Green Financing**

With the popularity of the green development concept, the financial services industry has reached a consensus on the necessity to push forward the development of green finance. Building green finance has been elevated to a national strategic level since the issuing of the Guiding Opinions on Building a Green Financial System in 2016.

As one of the earliest enterprises to develop green finance, the Group continues to promote the inclusion of environmental and other ESG factors into customer due diligence, gradually strengthens the evaluation of ESG performance of financing projects, and actively provides upstream and downstream enterprises with green financial services to step up efforts in protecting and improving the ecological environment.

In terms of ESG risk management, the Group has formulated the Code of Practice for Project Due Diligence in Equity Investment Banking Business, Code of Practice for Due Diligence in Bond Investment Banking Business and other rules, and paid close attention to ESG risks of customers and projects by enquiring about the ESG risks of customers and projects during the business approval process, strengthening the vetting of customers and projects with higher ESG risks, and closely tracking changes in ESG risks in the course of post-investment management.

In addition, it is clearly set out in the Bond Investment Banking Business Initiation Standards of the Group that the ultimate debtor must not belong to the steel, coal, coal-fired power, cement, electrolytic aluminium, flat glass, shipping or any other sectors with excess capacity to avoid ESG risks in relation to sectors.

[Case Study] Participating in ESG risk management training to improve ESG capabilities

In July 2021, Industrial Securities held a special training session on ESG risk management for the whole Group, focusing on ESG development trends, ESG investing and ESG information disclosure as well as topics such as carbon neutrality and green finance. Personnel from the relevant business departments and the risk control line of the Group actively participated in the training session to better incorporate ESG factors into business development and risk management and control.

The Group develops its green securities financial business comprehensively to facilitate the green transformation and upgrade of various industries. In 2021, the Group issued 5 green bonds at an aggregate amount equivalent to approximately US\$1.423 billion and an underwriting amount equivalent to approximately US\$39.2258 million.

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Milestones in the development of CISI's green finance

- | | |
|------|--|
| 2018 | <ul style="list-style-type: none">• Took the lead among peers in embarking on a green path and took the first step in developing green securities financial business by underwriting overseas green financial bonds for the first time |
| 2020 | <ul style="list-style-type: none">• Assisted Industrial Bank to issue approximately US\$450 million blue bonds, one of the first blue bonds issued by a commercial financial institution, to support prevention of marine pollution and sustainable blue economic development• Assisted Industrial Bank to issue HK\$3 billion COVID-19 anti-epidemic bonds, the world's first bond in compliance with the COVID-19 Resilience Finance Certification Scheme of the Hong Kong Quality Assurance Agency ("HKQAA"), the proceeds of which were used to meet multiple anti-epidemic goals• Assisted Yuzhou Group Holdings Company Limited to issue its first US\$300 million 6-year offshore green bonds, marking a milestone in promoting green industry development and achieving sustainable growth |
| 2021 | <ul style="list-style-type: none">• Assisted Changxing Urban Construction Investment Group Company Limited in the pricing of an aggregate of US\$300 million 3-year senior unsecured offshore bonds in two tranches with the green certification issued by HKQAA• Assisted Industrial Bank Hong Kong Branch to issue 2 carbon neutral bonds at an aggregate amount equivalent to US\$922 million, the proceeds of which were specifically used for green projects to reduce carbon emissions• Assisted Shuifa Group Company Limited in the pricing of US\$200 million 3-year senior unsecured offshore bonds, the proceeds of which were used to develop green business and build eco-friendly projects |

[Case Study] Assisting Industrial Bank Hong Kong Branch to issue carbon neutral bonds

In June 2021, as the joint bookrunner, CISI assisted Industrial Bank Hong Kong Branch to successfully issue US\$922 million senior unsecured carbon neutral bonds, the proceeds of which were specifically used for green projects to reduce carbon emissions.

The investment and management of the proceeds raised from the issue of carbon neutral bonds have been carried out under the Industrial Bank Green Bond Framework and in line with ICMA's Green Bond Principles, underpinned by the green finance certification from HKQAA and the second-party opinion from Sustainalytics, the world's leading ESG rating and research company, to ensure strict compliance with international green bond standards.

In the future, the Group will continue to expand its business scope based on the types of ESG bonds available in the international market, and focus on green bonds while introducing and participating in the issue and underwriting of social responsibility bonds, sustainability bonds and other ESG bonds popular internationally to vigorously support sustainable economic development.

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• Promoting ESG-linked Financing Facilities

In order to facilitate business sustainability of customers, the Group continues to provide initial public offering (IPO), bond issuance, bond underwriting and other financial services to enable enterprises with outstanding ESG performance to access the capital market and assist them in obtaining financing facilities to further support the growth of the real economy, including the technology and innovation industry, private sector and new economy sectors. In 2021, the Group issued 88 bonds at an aggregate amount of US\$20.443 billion.

Financial service Major project

| | |
|---|---|
| Supporting the development of innovative technology enterprises | <ul style="list-style-type: none"> In September 2021, as the IPO joint bookrunner and joint lead manager, CISI successfully assisted Broncus Holding Corporation, a company focusing on interventional pulmonology, to be listed on the main board of the Hong Kong Stock Exchange In October 2021, as the IPO joint bookrunner and joint lead manager, CISI successfully assisted Abbisko Cayman Limited, a biotech company focusing on small molecule oncology therapies, to be listed on the main board of the Hong Kong Stock Exchange |
| Serving Chinese enterprises going global | <ul style="list-style-type: none"> In January 2021, as the joint bookrunner, CISI successfully assisted Bank of China Limited Hong Kong Branch to issue US\$500 million Yulan bonds, helping Chinese issuers raise capital from the international market In October 2021, CISI assisted Nanjing Lishui Economic and Technological Development Group Company Limited, Hunan Xiangjiang New Area Development Group Company Limited, Chengdu Hi-tech Investment Group Company Limited, Hualu Holding Company Limited and other companies to issue US dollar bonds of Chinese issuers |
| Assisting in livelihood and infrastructure construction | <ul style="list-style-type: none"> In June 2021, as the joint bookrunner, CISI assisted Chongqing Nan'an Urban Construction and Development (Group) Company Limited to successfully issue US\$500 million senior unsecured bonds in 2 tranches, the proceeds of which were used for urban construction such as roads, flyovers and schools In June 2021, as the joint global coordinator, CISI assisted Linyi Urban Construction Investment Group Company Limited to successfully issue US\$300 million 3-year senior fixed-rate unsecured bonds, the proceeds of which were used for livelihood construction such as transport hub projects and urban infrastructure |

6. PRODUCT AND SERVICE RESPONSIBILITIES

6.1 Responsible Marketing

In accordance with regulatory documents including the Code of Conduct for Persons Licensed by or Registered with the Securities and Futures Commission (the “SFC”) and the Guidelines on Online Distribution and Advisory Platforms, the Group formulated the Guidelines on Sales of Financial Products and the Due Diligence Guidelines on Introduction of Financial Products. Through standard due diligence and risk rating processes for financial products, we can ensure that the risk levels of financial products recommended in the sales process matched with risk tolerance of investors, with a view to protecting investor interests effectively.

On standard Internet marketing and market development, we formulated the Internet Media Management Measures, the Management Rules on Direct Marketing and the Guidelines on Market Development and Services in accordance with the Guidelines on Online Distribution and Advisory Platforms of the SFC and other regulations. These policies are designed to centrally plan for and manage promotional activities of the Group and its subsidiaries through Internet media and other channels, regulate employees’ marketing activities, and effectively ensure compliance of our business marketing and market development.

During the Reporting Period, the Group was not involved in any information or label non-compliance for its products and services, or any violation of marketing and promotion regulations.

6.2 Customer Communication and Complaint Management

Keeping the customer-oriented service awareness in mind, we are committed to understanding customer needs, delivering on their expectations and continuously upgrading our customer services. In 2021, we formulated or amended the Management Rules on Account Opening Witness and Verification and the Management Rules on Customer Accounts, to refine our policies, procedures, online functions and staffing for account opening, leading to better efficiency and standard practices in the account opening vetting and approval process.

We continued to leverage our digital customer service operation, setting up a 95562 hotline call centre and Smart Cat intelligent assistant to process customer enquiries more efficiently. Three channels including service hotline, service mailbox and online service representative allowed us to process customer enquiries about application for account opening, account query, deposit/withdrawal and stock transactions, and ensured prompt responses from dedicated officers as a part of our quality customer services.

In 2021, the Group processed 25,681 customer enquiries, including 10,436 enquiries via customer hotline, 8,184 enquiries via service mailbox and 7,061 enquiries via online service representatives.

Our well-established channels allowed customers to contribute opinions and lodge complaints through onsite visits, calls to our Customer Service Department or our complaint hotline, emails to our Customer Service Department or instant messaging via applications acceptable to us.

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In processing customer opinions and complaints, we adopted the model of central management, hierarchical processing, dedicated officers and level-by-level escalation. To this end, we formulated the Detailed Rules on Processing Customer Opinions and Complaints, to regulate the handling process of customer opinions and complaints and ensure that they are addressed in a timely and appropriate manner. Additionally, we classified customer opinions and complaints, and clearly defined duties of departments to improve our processing efficiency. In 2021, the Group processed 8 customer complaints, with a complaint resolution ratio of 100%.

Classification of Customer Opinions and Complaints

Processing Method of Customer Opinions and Complaints

| | |
|---|--|
| Customer opinions and general customer complaints | The Customer Service Department takes the leading role in processing and investigation, and completes investigation procedures and responds to the customer with the findings within 10 business days from receipt of customer opinion or complaint |
| Regulatory complaints | The Compliance Management Department takes the leading role in processing and investigation, with the main responsible department, Customer Service Department or Compliance Management Department, as appropriate, being responsible for execution and responding to the customer |
| Major customer complaints | Our senior management members appoint other professional departments or establish a special workgroup to take the leading role in processing the complaint, depending on its uniqueness and seriousness |

6.3 Protection of Customer Privacy

We put strong emphasis on information security and customer privacy protection. In accordance with the Code of Conduct for Persons Licensed by or Registered with the SFC, the Guidelines for Reducing and Mitigating Hacking Risks Associated with Internet Trading and other relevant regulations, we formulated management rules, such as the Information Security Management Measures of China Industrial Securities International Financial Group Limited and the Data Security Management Measures of China Industrial Securities International Financial Group Limited, to guide employees in protecting customers' personal information and data. Employee authorities were reviewed quarterly and unreasonable authorities were cleaned up on a regular basis to protect information security and customer privacy.

To ensure information security, we continued to construct information security infrastructure and disaster recovery system and upgrade our operation and maintenance support capacity. In June 2021, we conducted an information security training session and required all employees to participate in the training and pass the examination to improve their holistic information security awareness.

As stipulated in the Guidelines on Market Development and Services, employees must keep integrity and confidentiality of customers' data and information throughout market development and customer services, and must not disclose any customer information to any third party without prior authority.

During the Reporting Period, the Group had no divulgence of customer information or privacy.

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6.4 Investor Education

We pressed ahead with investor education through a combination of online and offline tools, and pooled articles, live streaming and video content to educate investors, with an online intelligent customer service system to respond to investors' enquiries and needs and help them establish a rational investment philosophy.

Riding on the Internet media platform, we are committed to generating differentiated wealth management content, featuring a series of wealth management hot topics like Top Views, US Stock Commentary and USD Bonds of Chinese Issuers, providing investors the access to fundamental knowledge on and investment skills for overseas securities markets as well as different risk return profiles of stocks, bonds, funds and other vehicles. In 2021, the Group held 50 live streaming sessions to provide online investor education content which were relayed by 18 third-party platforms, with a total of more than 400,000 views.



Live streaming poster –
Envisaging the Year of
the Tiger



Best Wealth Management Platform Award for overseas securities
companies, a first-time recognition by Bloomberg Businessweek

7. RESPONSIBILITIES FOR EMPLOYEES

7.1 Safeguarding Employees' Rights and Interests

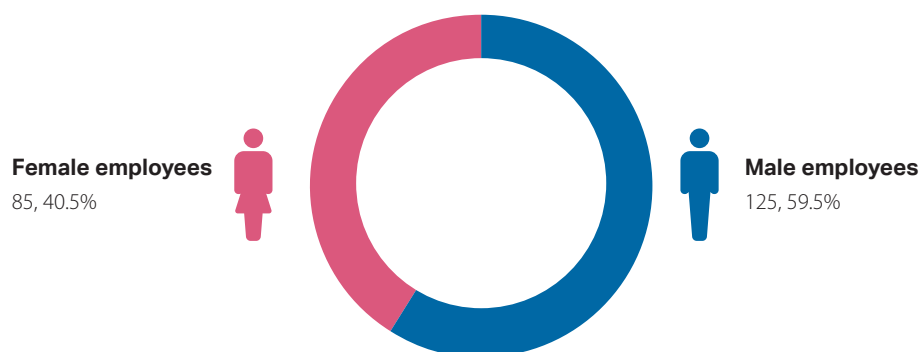
- **Recruitment and Employment**

We adhere to the employee-oriented principle and proactively support their growth through a variety of measures, paths and conditions. In strict compliance with Hong Kong's Employment Ordinance, We formulated and continued to improve our human resource rules and policies to effectively protect employees' basic rights and interests in compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunities, diversity, anti-discrimination, and other benefits and welfare with an aim at harmonious labour relations.

On promoting diversity and equal opportunities, we resolutely oppose any discrimination in terms of gender, age, nationality, race, belief, disability, religion, etc. in accordance with the Code of Practice on Employment under the Sex Discrimination Ordinance, the Disability Discrimination Ordinance, the Race Discrimination Ordinance and other relevant ordinances, so as to ensure that employees have the access to equal employment and career growth opportunities. During the Reporting Period, the Group did not receive any complaint about discrimination cases.

We prohibit employment of child labour and forced labour, strictly verify the identity of employees and regularly check labour intensity to ensure zero incidence of such cases. During the Reporting Period, the Group was not involved in any legal disputes and did not receive any complaints as a result of illegal use of child labour or forced labour.

Number and Ratio of Employees by Gender in 2021





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Staff Recruitment and Employment

| Aspect | Description |
|------------------------|---|
| Recruitment management | In the principle of professionalism orientation, scientific selection, standard management and relative, we adopted fair and open recruitment policies to achieve standard recruitment management under the Recruitment Management Rules. The objective is to build a unified, standard and professional recruitment system, and select and recruit high-calibre and suitable talents in a scientific and rational manner |
| Dismissal of employees | Pursuant to the Employment Ordinance, we defined strict conditions and procedures for dismissal of employees to protect their legitimate rights and interests in the dismissal process |
| Working hours | 8 hours each day, 40 hours each week in principle |
| Rest periods | Employees are entitled to two rest days each week, public holidays, paid annual leave, maternity leave, wedding leave and other rest periods |

Moreover, to continue our care for the youth in Hong Kong, we took initiatives to provide a career development platform for the adolescent, including offering internship opportunities to outstanding students through a summer internship scheme and helping students make career choices and plans to contribute to a more inclusive society.

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[Case Study] Offering a career development platform to youth through a summer internship scheme

In September 2021, we were invited to the graduation ceremony and experience sharing session of the 2021 summer internship scheme hosted by the Hong Kong United Youth Association (HKUYA) and co-sponsored by the Youth Department of the Liaison Office of the Central People's Government, and received a certificate of appreciation from the host.

The internship scheme admitted 60 interns out of more than 150 college student applicants, all from 11 local universities in Hong Kong. As a Hong Kong based Chinese-funded financial institution and a partner of HKUYA, we are committed to helping students build up social experience, understand the workplace culture, nail down career paths and foster their sense of social responsibility through the scheme.



A certificate of appreciation from HKUYA

Furthermore, we established a fair, impartial, transparent and effective mechanism for processing employee complaints, allowing employees to lodge complaints in case of discrimination, sexual harassment or unreasonable treatment. A complaint investigation team with members from our General Management Department and Compliance Department will handle the complaint and timely respond to the complainant with the findings. During the investigation, employee privacy will be strictly protected and the content of the complaint will be kept confidential.



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- **Health and Wellbeing**

We are committed to protecting employee health and safety. While providing employees with medical insurance and annual physical examination, we formulated emergency plans such as the Fire Control Plan, the Earthquake Emergency Response Plan and the Typhoon and Rainstorm Emergency Response Plan to address in advance emergencies such as fires, earthquakes, typhoons and rainstorms and ensure the safety of the life of all employees.

During the past three years, the Group had no work-related employee fatalities.

Starting from the outbreak of the COVID-19 pandemic in 2020, we actively undertook and timely adjusted our anti-pandemic strategies and measures according to the dynamics of the pandemic in Hong Kong, such as off-peak work shifts and working from home for some employees, to ensure effective protection for all employees. Up to the end of 2021, the Group had no employee infected with COVID-19, with a vaccination rate of 98%.

CISI's Anti-pandemic Measures against COVID-19

- Established a group-wide, real-time pandemic notification and feedback mechanism to ensure timely and unobstructed two-way information flows between the Group and employees
- Proactively purchased anti-pandemic supplies, and strengthened overall disinfection in office areas
- Submitted weekly anti-pandemic reports regularly, and reported any abnormal situation timely
- Introduced a vaccination incentive plan to encourage employees to get vaccinated

7.2 Supporting Employees to Grow

Giving high priority to employee training, we formulated the Management Measures on Employee Training. We are committed to building a systematic and targeted employee training system and improving the professional competence and skill set of employees to maintain their competitiveness, aiming to effectively align employees' career growth with our business development.

Under a well-established and improving employee training system, we provided various training resources and channels, including induction training, professional training, management capability and leadership development sessions, seeking to improve employees' professional knowledge, business expertise and skill set and prepare them for better performance in their future career path.

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In 2021, we provided induction, compliance, professional and business training sessions with an employee training coverage of nearly 100%, and the total training hours for front-line employees met the requirement on continuous professional training (CPT) of the SFC.

[Case Study] Professional lawyers from world-class law firms engaged to provide employees with compliance training

In June 2021, in order to help front-line employees meet the SFC's CPT training hour requirements and deepen their professional knowledge, we engaged professional lawyers from the largest law firm in Hong Kong to provide compliance training, focusing on the up-to-date Hong Kong IPO financial requirements, regulatory focuses and sponsors' compliance updates relevant to our business. The training provided professional and clear guidance for our business specialists, and helped employees check for gaps through a question-and-answer session in training, preparing them for better future performance.

On employee performance assessment and promotion, under our improving performance assessment system and promotion system, we are committed to creating a fair and impartial career development platform and standard promotion paths for employees to motivate them to grow steadily. Promotion of professional ranks is based on a combination of considerations across work needs, moral integrity and professionalism, duties, work performance, experience and qualifications, reflecting a right approach to human resources.

In addition to regular performance assessments, we formulated rules on assessment participants, scope, procedures and use of assessment results, so as to evaluate performance of all employees on an objective and fair basis.

To attract and retain talented people, we provided employees with market-competitive remuneration packages. We also continued to improve the employee compensation system, taking employee growth, individual performance, institutional performance and other factors into consideration when determining employee compensation to provide a –quality development platform for employees.

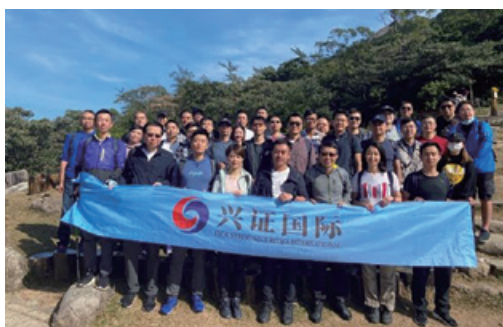
ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

7.3 Promoting Work-Life Balance

We established and continued to improve our people-oriented benefits system pursuant to the Benefits Management Measures of China Industrial Securities International Financial Group Limited. We provided benefits to all employees including mandatory provident fund scheme, medical insurance, critical illness and casualty insurance, work-related injury compensation, holiday benefits, comfort allowances and gift money.

We are committed to providing employees with a workplace catered for human needs where rest, coffee break and informal meeting areas are provided so that employees can take a short break during their work to ensure higher efficiency.

Meanwhile, we continued to cement our corporate culture, extending care for employees' work and life to enhance their cohesion and happiness. In 2021, the Group carried out recreational and sports activities such as team building and mountaineering activities to help employees balance their work and life.



Group photo of a mountaineering activity



A team building activity

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8. COMMUNITY INVESTMENT

8.1 Keen on Charity Undertakings

As a Hong Kong based Chinese-funded financial institution, we took active part in various charity undertakings alongside our marketing efforts, and worked with Hong Kong charitable organisations to earnestly undertake our social responsibility as a corporate citizen. We were named as a “Caring Company” by The Hong Kong Council of Social Service in recognition of our efforts in caring for the community, employees and environment.



In May 2021, the “CISI – Classics Music Charity Concert 2021” hosted by Hong Kong Youth Symphonic Orchestra Charity and title-sponsored by us was grandly held in the Concert Hall of Tsim Sha Tsui Cultural Centre, Hong Kong, to present memorable classics to our guests and citizens.

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Founded in 2012 as an affiliate to Hong Kong Youth Symphonic Orchestra Charity, Hong Kong Youth Symphonic Orchestra is known as a non-profit youth orchestra providing free-of-charge, continuous orchestral and singing training for young people in Hong Kong. In addition to sponsoring the concert, we also donated HK\$200,000 to Hong Kong Youth Symphonic Orchestra Charity to support young people participating in music training and pursue their music dreams on the platform.



"CISI – Classics Music Charity Concert 2021" was held successfully



Group photo of our officers and planners of Hong Kong Youth Symphonic Orchestra Charity



Title sponsorship to "CISI – Classics Music Charity Concert 2021"

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8.2 Putting Environmental Undertakings into Practice

We keep a watchful eye on environmental impact of our operations. Besides various means such as green office and environmental undertakings for environmental resource conservation, we encourage employees to strengthen their environmental awareness in daily life and work, living up to green operations through concrete actions to promote environmental sustainability.

In our 2021 Environment-focused Green Hiking in December 2021, more than 50 volunteers set out from Pak Kung Au, Tung Chung, passed through the South Lantau Country Trail and finally arrived at Mui Wo Beach. At Silver Mine Bay of Mui Wo Beach, our volunteers worked in different roles to collect garbage along the 850-metre coast with hand-held professional cleaning tools, guarding the blue sea and sky of Hong Kong with our own actions and contributing to the green ecological environment.



At our 2021 Environment-focused Green Hiking

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8.3 Caring for Disadvantaged Groups

We give special care to the living conditions of disadvantaged groups such as children and the elderly. From early 2017, we took part in a series of events including “House Sponsorship” (a child sponsorship programme of Hong Kong Po Leung Kuk), volunteer visits to the elderly living alone and accompanying the elderly at trade fairs, and was named as “Sunny Corporation Ambassador” by Po Leung Kuk.

While ensuring adequate protection to ourselves amid the stern anti-pandemic situation, we donated HK\$10,000 and anti-pandemic supplies worth HK\$10,000 to Hong Kong Po Leung Kuk in August 2021, as an aid to ensure health and safety of disadvantaged groups and a support to the campaign against the pandemic.



Donation of anti-pandemic supplies by our volunteer team at a sheltered workshop administered by Hong Kong Po Leung Kuk

9. ENVIRONMENTAL PROTECTION

9.1 Addressing Climate Change

- **Climate Change Management System**

With the aggravation of global climate change, CISI, as a financial enterprise, is aware that climate change and other environmental risks will not only affect the operations of the Group itself but also transmit from the real economy to the company through investment and financing business. The Group actively identifies, conducts analysis on and addresses climate-related risks, and gradually integrates climate change mitigation and adaptation strategies into its corporate operations and ESG management.

In 2021, based on the proposal framework from the Task Force on Climate-related Financial Disclosures (TCFD) under the Financial Stability Board (FSB), the Group identified climate risks and opportunities related to the Group's operations, and took countermeasures step by step according to the identification results to effectively manage the impact of climate change on the Group.

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Climate Change Management System of CISI

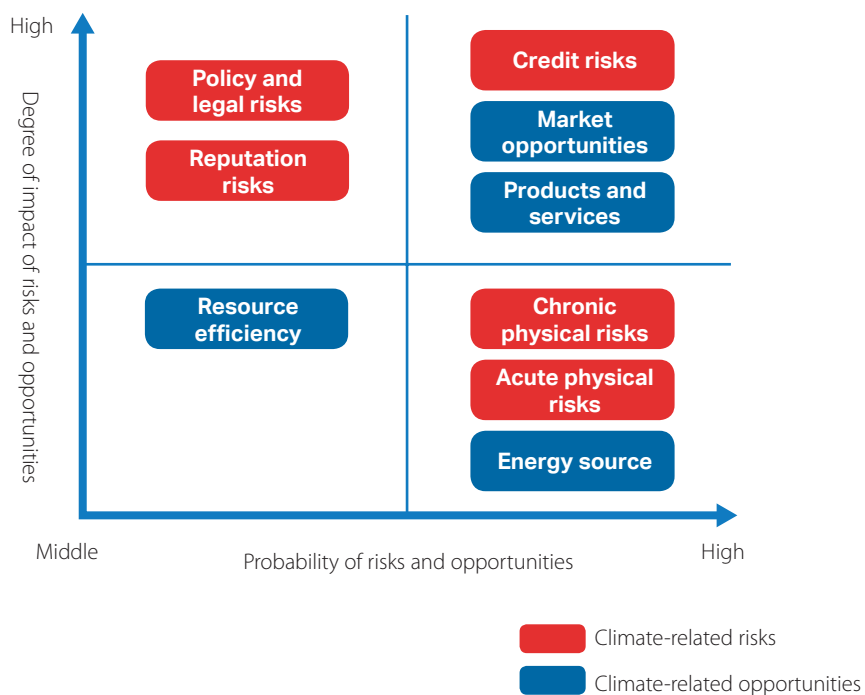
| Aspect | Specific Action |
|----------------------|---|
| Governance | The Board is responsible for overseeing ESG-related issues, including addressing climate change, and identifying and assessing ESG-related risks (including climate risks) and opportunities; relevant functional and business departments gradually incorporate climate change management into their daily work. |
| Strategy | The Group is aware that climate change may have a significant impact on its operations, and assesses the potential financial impact of climate change risks and opportunities, reduces risks and seizes opportunities through low-carbon operations and facilitating the development of green industries. |
| Risk Management | Based on the TCFD framework, the Group identifies climate change risks and opportunities related to itself, and plans to gradually integrate climate change risk management into the existing risk management process of the Group in the future. |
| Indicators and Goals | <p>The Group collates statistics and conducts analysis on greenhouse gas emission data every year to evaluate its management standards in climate change issues, and formulates improvement plans to promote energy conservation and emission reduction.</p> <p>The Group sets greenhouse gas emission and energy management goals, specifying that greenhouse gas emission per unit area and electricity consumption per unit area of the Group in 2025 will show a downward trend compared with that in 2021. The Group will regularly disclose the progress of achieving its goals in the annual ESG report.</p> |

- **Analysis of Climate-related Risks and Opportunities**

To better address the risks brought by climate change and seize the opportunities brought by climate change, the Group comprehensively considers macro policies, carries out peer benchmarking analysis, takes into consideration department interviews and opinions of external experts, actively identifies climate risks and opportunities related to the Company's operation, investment and financing business, and assesses the potential financial impact.

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Climate-related Risks and Opportunities Matrix of CISI



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Major Climate-related Risks of CISI

| Major risk of climate change | | Potential financial impact | Countermeasure |
|------------------------------|---|--|---|
| Transformation risks | Policy and legal risks With the tightening of national environment protection policies, the Group and its customers may face breaches, penalties and lawsuits due to failure to meet policy and regulatory requirements. | Decrease in operating revenue Increase in operating costs | <ul style="list-style-type: none"> Relevant functional departments and business departments take climate change as one of their key areas of work Focus on ESG risks including environmental and climate-related risks when conducting due diligence on customers |
| | Credit risks The introduction of low-carbon policies will affect the supply and demand structure of the market, which may affect the business of the Group or lead to the decline in debt servicing ability and increase in credit risks of customers. | Decrease in operating revenue | <ul style="list-style-type: none"> Further identify climate risks and opportunities associated with the Group's operations based on the framework recommended by TCFD |
| | Reputation risks The Group's failure to respond properly in addressing climate change will cause certain risks to the Group's reputation; damage to customers' reputation will also bring additional costs resulting in reduced solvency and increased credit risk. | Decrease in operating revenue Increase in operating costs | <ul style="list-style-type: none"> Release of the Typhoon and Rainstorm Emergency Plan of CISI to properly respond to typhoon and rainstorm weather |
| Physical risks | Acute physical risks The Group or its customers may face property loss or operation interruption caused by extreme climate disasters such as typhoons, floods and storms. | Decrease in operating revenue Increase in operating costs Depreciation in fixed assets | |
| | Chronic physical risks The Group or its customers may face risks that will affect normal production and operation caused by chronic climate disasters such as rising temperature and sea level. | Decrease in operating revenue Increase in operating costs Depreciation in fixed assets | |

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Major Climate-related Opportunities of CISI

| Major opportunity of climate change | Potential financial impact | Countermeasure |
|---|-------------------------------|--|
| Products and services If the Group provides investment and financing services for climate-friendly enterprises focusing on the development and innovation of low-carbon products and technologies, the growth of such customers can bring gains to the Company. | Increase in operating revenue | <ul style="list-style-type: none"> Offer financial services to green industries such as energy conservation, environmental protection and new energy |
| Market opportunities In the context of low-carbon economy, the market prefers climate-friendly enterprises, and innovatively developing climate-friendly products and services is conducive to future revenue growth. | Increase in operating revenue | <ul style="list-style-type: none"> Reduce energy consumption and greenhouse gas emissions through replacement by LED lamps and energy-saving transformation |
| Resource efficiency Improving efficiency in the use of energy, water resources and other resources in the operation of the Group is conducive to reducing the Company's resource expenditure. | Decrease in operating costs | <ul style="list-style-type: none"> Reduce the frequency of business trips and reduce the greenhouse gas emissions generated by business trips through rational use of video conferencing system |
| Energy sources Using low-carbon energy in the Group's operations will help reduce the Company's energy costs in the medium and long term. | Decrease in operating costs | |

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9.2 Green and Low-carbon Operation

The Group advocates a green and low-carbon office, observes laws and regulations such as the Air Pollution Control Ordinance, the Water Pollution Control Ordinance and the Waste Disposal Ordinance in Hong Kong, and calls on all staff of the Group to incorporate the concept of energy conservation and environmental protection into their work and life. In 2021, the Group found no confirmed violations of environmental protection matters.

- **Energy Conservation and Carbon Emission Reduction**

The main types of energy involved in the Group's operations include purchased electricity and gasoline consumed by its own vehicles, etc. The Group takes measures to reduce energy consumption and improve efficiency in the use of energy to reduce greenhouse gas emissions and reduce the impact of the Group's operations on the environment.

Main Energy Conservation and Emission Reduction Measures of CISI

- Energy-saving computers, energy-saving refrigerators, energy-saving lighting systems and other energy-saving equipment are used in office areas
- Conduct regular inspection during working hours, turn off unnecessary lights; strictly check the power supply in the office area after work, turn off lights, computers and other electrical equipment in time to avoid idle operation of electrical equipment
- Central air conditioning system is used to strictly control the temperature of air conditioning in summer and winter through intelligent adjustment
- Video and teleconferencing systems support daily activities such as remote training, job interviews, interviews and meetings, reducing greenhouse gas emissions generated from transportation

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

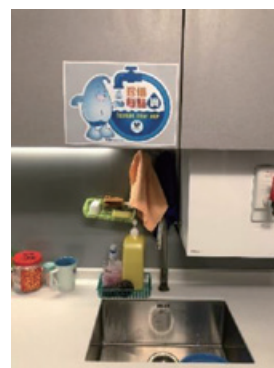
- **Use and Management of Water Resources**

The Group is a financial enterprise whose main source of water resources is municipal water, and has no problem in obtaining water resources.

In terms of water resource conservation, the Group's offices are equipped with water-saving appliances, which are inspected at any time to avoid waste such as running and leaking. At the same time, the Group encourages employees to use water efficiently and guides them to form a good habit of saving water by posting water-saving slogans.

In terms of wastewater treatment, the Group strictly abides by the Water Pollution Control Ordinance (Chapter 358 of the Laws of Hong Kong). Domestic wastewater is discharged into the municipal pipe network and sent to the municipal sewage treatment plant for treatment.

In addition, as the Group's workplace is a rental office, water fee is incorporated into the property management fee and cannot be separately calculated, so no total water consumption and intensity data can be calculated for the time being. However, the Group assures that it will gradually improve the economical use and management of water resources, conduct regular monitoring, collate statistics and conduct analysis on water consumption as soon as possible, control the water consumption per unit area at a low level, and disclose the data on water consumption and intensity in the annual ESG report.



Posting water-saving slogans in the office

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9.3 Strengthening Waste Management

In daily office work, the Group adopts and uses office supplies with a responsible concept and strives to reduce the total amount of waste generated by daily operations. In the process of purchasing office supplies and equipment, the Group gives priority to purchasing products with high environmental protection standards and energy efficiency labels, as well as materials that can be recycled and conform to the principle of packaging reduction. In daily office work, the Group reduces unnecessary paper consumption through online meetings and office systems.

The waste generated during the Group's office operation is mainly non-hazardous waste such as waste paper and cartons, as well as hazardous waste such as toner cartridges and old computers. The Group enforces the relevant requirements in strict accordance with the Waste Disposal Ordinance (Chapter 354 of Laws of Hong Kong) in Hong Kong to manage and dispose of waste in a reasonable manner. Non-hazardous waste such as cartons and waste paper will be recycled for use; electronic waste such as toner cartridges and old computers will be transferred to qualified suppliers for professional treatment.

In order to further strengthen waste management, the Group undertakes to gradually improve the source identification and statistics of non-hazardous waste and hazardous waste and control the production of non-hazardous waste and hazardous waste at a low level.



Posting paper-saving slogans above the printer



Providing employees with ceramic cups to reduce the use of single-use plastic cups

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KEY QUANTITATIVE PERFORMANCE TABLES

• Customer Service Performance Indicators Table

| Indicator | Unit | 2020 | 2021 |
|---|------|--------|--------|
| Number of customer enquiries (Note 1) | Case | 14,599 | 25,681 |
| Of which, number of complaints | Case | 9 | 8 |
| Percentage of complaints resolved (Note 1) | % | 100 | 100 |
| Number of confirmed complaints about invasion of customer privacy rights and loss of customer data (Note 1) | Case | 0 | 0 |

Note 1: The Group established the Customer Service Department in 2020, so the data of customer enquiries and complaints in 2019 have not been systematically counted.

• Employee Employment Performance Indicators Table

| Indicator | Unit | 2019 | 2020 | 2021 |
|---|--------|-------|-------|-------|
| Total number of employees | Person | 219 | 206 | 210 |
| By gender | | | | |
| Male | Person | 125 | 113 | 125 |
| Female | Person | 94 | 93 | 85 |
| By employment type | | | | |
| Number of full-time labour contract employees | Person | 204 | 186 | 193 |
| Number of full-time labour dispatch employees | Person | 10 | 17 | 15 |
| Number of employees of other employment types | Person | 5 | 3 | 2 |
| By age group | | | | |
| >50 | Person | 18 | 14 | 15 |
| 30 – 50 | Person | 144 | 135 | 152 |
| <30 | Person | 57 | 57 | 43 |
| By region | | | | |
| Chinese Mainland | Person | 70 | 88 | 77 |
| Overseas and Hong Kong, Macao and Taiwan | Person | 149 | 118 | 133 |
| Employee turnover rate (Note 1) | % | 14.32 | 33.41 | 37.02 |

Note 1: [Calculation method] Employee turnover rate = number of employees lost during the year/number of employees at the end of the year.

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Employee Health and Safety Performance Indicators Table

| Indicator | Unit | 2019 | 2020 | 2021 |
|--|------|------|------|------|
| Number of work-related injuries | Case | 0 | 0 | 0 |
| Work days lost due to work-related injury | Day | 0 | 0 | 0 |
| Percentage of work-related fatalities of employees | % | 0 | 0 | 0 |
| Incidence rate of occupational diseases among employees (Note 1) | % | 0 | 0 | 0 |

Note 1: The Group is a financial enterprise and does not involve dust, noise, radioactive substances and other hazard factors of occupational diseases.

Environmental Performance Indicators Table

| Indicator | Unit | 2019 | 2020 | 2021 |
|---|--|------------|------------|------------|
| Total greenhouse gas emissions (scope 1 and scope 2) (Note 1) | tonne of CO ₂ equivalent | 346.80 | 320.93 | 240.45 |
| Scope 1 total greenhouse gas emissions | tonne of CO ₂ equivalent | 23.75 | 15.08 | 23.63 |
| Scope 2 total greenhouse gas emissions | tonne of CO ₂ equivalent | 323.05 | 305.85 | 216.82 |
| Greenhouse gas emissions per capita (scope 1 and scope 2) | tonne of CO ₂ equivalent/person | 1.37 | 1.36 | 1.00 |
| Greenhouse gas emissions per unit area (scope 1 and scope 2) | tonne of CO ₂ equivalent/m ² | 0.12 | 0.10 | 0.07 |
| Scope 3 total greenhouse gas emissions (Note 1) | tonne of CO ₂ equivalent | 24.19 | 25.82 | 10.94 |
| Gasoline consumption of self-owned vehicles | L | 8,772.00 | 5,570.00 | 8,726.67 |
| Total electricity consumption (Note 2) | kWh | 455,000.00 | 437,000.00 | 314,000.00 |
| Electricity consumption per capita | kWh/person | 1,791.34 | 1,851.69 | 1,302.90 |
| Electricity consumption per unit area | kWh/m ² | 159.09 | 130.84 | 94.01 |
| Hazardous waste: toner cartridge | Unit | 69 | 65 | 63 |
| Non-hazardous waste: paper consumption (Note 3) | Tonne | 5.04 | 5.38 | 2.28 |

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Note 1: [Calculation method] Direct energy used by the Group includes gasoline and indirect energy includes electricity. Greenhouse gas (GHG) emissions in scope 1 includes direct GHG emissions from gasoline consumption of the Group's owned vehicles; GHG emissions in scope 2 includes indirect GHG emissions from purchased electricity; GHG emissions in scope 3 includes GHG emissions from waste paper recycling and the subsequent transportation to landfills. The calculation method is with reference to How to Prepare an ESG Report — Appendix 2: Reporting Guidance on Environmental KPIs issued by the Stock Exchange.

Note 2: Since April 2021, the Group has reduced the number of offices from 3 to 2, so the total electricity consumption in 2021 is lower than that in 2020.

Note 3: In 2021, the Group reduced paper document printing and printing paper through OA system approval, electronic statement, electronic scanning and intelligent printing, so paper consumption in 2021 is lower than that in 2020.

Note 4: The workplaces of the Group are rental offices, and water fee is incorporated into the property management fee and cannot be separately calculated, so no total water consumption and intensity data can be calculated for the time being.

• Community Investment Performance Indicators Table

| Indicator | Unit | 2019 | 2020 | 2021 |
|---|--------|-----------|-----------|-------------------|
| Community investment amount | HK\$ | 15,000.00 | 47,845.66 | 369,625.00 |
| Number of times of employees providing volunteer service (Note 1) | Number | 50 | 0 | 61 |
| Total hours of volunteer service provided by employees (Note 1) | Hour | 6 | 0 | 6 |

Note 1: Due to the pandemic, the Group did not conduct any offline philanthropy and charity activities or volunteer service activities in 2020, so no data related to volunteer service are available.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

REPORT INDEX

- **Environmental, Social and Governance Reporting Guide of Hong Kong Stock Exchange (effective from 1 January 2022)**

Aspect, general disclosure and key performance indicators

Description

Disclosure section

Main Scope A. Environmental

Aspect A1. Emissions

| | | |
|-----------------------|---|---|
| General Disclosure A1 | 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. | 9.2 Green and Low-carbon Operation 9.3 Strengthening Waste Management KEY QUANTITATIVE PERFORMANCE TABLES |
| KPI A1.1 | The types of emissions and respective emissions data. | 9.2 Green and Low-carbon Operation 9.3 Strengthening Waste Management KEY QUANTITATIVE PERFORMANCE TABLES |
| KPI A1.2 | Direct (Scope 1) and energy indirect (Scope 2) greenhouse gas emissions in total (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility). | KEY QUANTITATIVE PERFORMANCE TABLES |
| KPI A1.3 | Total hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility). | KEY QUANTITATIVE PERFORMANCE TABLES |
| KPI A1.4 | Total non-hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility). | KEY QUANTITATIVE PERFORMANCE TABLES |
| KPI A1.5 | Description of emissions target(s) set and steps taken to achieve them. | 9.2 Green and Low-carbon Operation |
| KPI A1.6 | Description of how hazardous and non-hazardous wastes are handled, and a description of reduction target(s) set and steps taken to achieve them. | 9.3 Strengthening Waste Management |

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Aspect, general disclosure and key performance indicators

Aspect A2. Use of Resources

| | Description | Disclosure section |
|-----------------------|--|--|
| General Disclosure A2 | Policies on the efficient use of resources, including energy, water and other raw materials. | 9.2 Green and Low-carbon Operation |
| KPI A2.1 | Direct and/or indirect energy consumption by type (e.g. electricity, gas or oil) in total (kWh in '000s) and intensity (e.g. per unit of production volume, per facility). | KEY QUANTITATIVE PERFORMANCE TABLES |
| KPI A2.2 | Water consumption in total and intensity (e.g. per unit of production volume, per facility). | KEY QUANTITATIVE PERFORMANCE TABLES |
| KPI A2.3 | Description of energy use efficiency target(s) set and steps taken to achieve them. | 9.2 Green and Low-carbon Operation |
| KPI A2.4 | Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency target(s) set and steps taken to achieve them. | 9.2 Green and Low-carbon Operation |
| KPI A2.5 | Total packaging material used for finished products (in tonnes) and, if applicable, with reference to per unit produced. | The Group's products are financial products only and the indicator is not applicable |

Aspect A3. The Environment and Natural Resources

| | | |
|-----------------------|---|-----------------------------|
| General Disclosure A3 | Policies on minimising the issuer's significant impacts on the environment and natural resources. | 9. ENVIRONMENTAL PROTECTION |
| KPI A3.1 | Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them. | 9. ENVIRONMENTAL PROTECTION |

Aspect A4: Climate Change

| | | |
|-----------------------|--|-------------------------------|
| General Disclosure A4 | Policies on identification and handling of significant climate-related issues which have impacted, and those which may impact, the issuer. | 9.1 Addressing Climate Change |
| KPI A4.1 | Description of the significant climate-related issues which have impacted, and those which may impact, the issuer, and the actions taken to manage them. | 9.1 Addressing Climate Change |

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Aspect, general disclosure and key performance indicators

Main Scope B. Social

Employment and Labour Practices

Aspect B1. Employment

| | Description | Disclosure section |
|-----------------------|---|--|
| General Disclosure B1 | 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. | 7.1 Safeguarding Employees' Rights and Interests |
| KPI B1.1 | Total workforce by gender, employment type (for example, full- or part-time), age group and geographical region. | KEY QUANTITATIVE PERFORMANCE TABLES |
| KPI B1.2 | Employee turnover rate by gender, age group and geographical region. | KEY QUANTITATIVE PERFORMANCE TABLES |

Aspect B2. Health and Safety

| | | |
|-----------------------|---|--|
| General Disclosure B2 | 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. | 7.1 Safeguarding Employees' Rights and Interests |
| KPI B2.1 | Number and rate of work-related fatalities occurred in each of the past three years including the reporting year. | 7.1 Safeguarding Employees' Rights and Interests |
| KPI B2.2 | Lost days due to work injury. | KEY QUANTITATIVE PERFORMANCE TABLES |
| KPI B2.3 | Description of occupational health and safety measures adopted, and how they are implemented and monitored. | 7.1 Safeguarding Employees' Rights and Interests |

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Aspect, general disclosure and key performance indicators

Aspect B3. Development and Training

| | Description | Disclosure section |
|-----------------------|---|----------------------------------|
| General Disclosure B3 | Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities. | 7.2 Supporting Employees to Grow |
| KPI B3.1 | The percentage of employees trained by gender and employee category (e.g. senior management, middle management). | 7.2 Supporting Employees to Grow |
| KPI B3.2 | The average training hours completed per employee by gender and employee category. | 7.2 Supporting Employees to Grow |

Aspect B4. Labour Standards

| | | |
|-----------------------|--|--|
| General Disclosure B4 | 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 labour. | 7.1 Safeguarding Employees' Rights and Interests |
| KPI B4.1 | Description of measures to review employment practices to avoid child and forced labour. | 7.1 Safeguarding Employees' Rights and Interests |
| KPI B4.2 | Description of steps taken to eliminate such practices when discovered. | 7.1 Safeguarding Employees' Rights and Interests |

Main Scope B. Social Operating Practices

Aspect B5. Supply Chain Management

| | | |
|-----------------------|---|--|
| General Disclosure B5 | Policies on managing environmental and social risks of the supply chain. | 5.2 Supplier Management |
| KPI B5.1 | Number of suppliers by geographical region. | The Group will continue to strengthen the management of suppliers and gradually push forward the collation of statistics on the number of suppliers. |
| 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. | 5.2 Supplier Management |
| KPI B5.3 | Description of practices used to identify environmental and social risks along the supply chain, and how they are implemented and monitored. | 5.2 Supplier Management |
| KPI B5.4 | Description of practices used to promote environmentally preferable products and services when selecting suppliers, and how they are implemented and monitored. | 5.2 Supplier Management |

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Aspect, general disclosure and key performance indicators

Aspect B6. Product Responsibility

| General Disclosure B6 | Description | Disclosure section |
|-----------------------|---|---|
| | 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. | 5.1 Compliance with Business Ethics 6.1 Responsible Marketing 6.2 Customer Communication and Complaint Management |
| KPI B6.1 | Percentage of total products sold or shipped subject to recalls for safety and health reasons. | The Group's products are financial products only and do not involve product recycling |
| KPI B6.2 | Number of products and service related complaints received and how they are dealt with. | 6.2 Customer Communication and Complaint Management KEY QUANTITATIVE PERFORMANCE TABLES |
| KPI B6.3 | Description of practices relating to observing and protecting intellectual property rights. | 5.1 Compliance with Business Ethics |
| KPI B6.4 | Description of quality assurance process and recall procedures. | The Group's products are financial products only and do not involve product recycling |
| KPI B6.5 | Description of consumer data protection and privacy policies, and how they are implemented and monitored. | 6.2 Customer Communication and Complaint Management |

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Aspect, general disclosure and key performance indicators

Aspect B7. Anti-corruption

| General Disclosure B7 | Description | Disclosure section |
|-----------------------|--|--|
| | 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. | 5.1 Compliance with Business Ethics KEY QUANTITATIVE PERFORMANCE TABLES |
| 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. | KEY QUANTITATIVE PERFORMANCE TABLES |
| KPI B7.2 | Description of preventive measures and whistle-blowing procedures, and how they are implemented and monitored. | 5.1 Compliance with Business Ethics |
| KPI B7.3 | Description of anti-corruption training provided to directors and staff. | 5.1 Compliance with Business Ethics KEY QUANTITATIVE PERFORMANCE TABLES |

Aspect B8. Community Investment

| | | |
|-----------------------|--|--|
| General Disclosure B8 | 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. | 8. COMMUNITY INVESTMENT |
| KPI B8.1 | Focus areas of contribution (e.g. education, environmental concerns, labour needs, health, culture, sport). | 8. COMMUNITY INVESTMENT |
| KPI B8.2 | Resources contributed (e.g. money or time) to the focus area. | 8. COMMUNITY INVESTMENT KEY QUANTITATIVE PERFORMANCE TABLES |

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

DESCRIPTION OF REPORT PREPARATION

This is the fourth environmental, social and governance report (the “ESG Report” or the “Report”) issued by China Industrial Securities International Financial Group Limited (the “Company”, or “CISI”) and its subsidiaries (collectively the “Group”), aiming to inform stakeholders of the Group’s environmental, social and governance strategies, actions and results in order to meet their expectations.

- **Report Scope**

Institutions within the scope: the Report covers China Industrial Securities International Financial Group Limited and its subsidiaries and is consistent with the scope of the consolidated financial statements in the annual report.

Time scope: 1 January 2021 to 31 December 2021 (the “Reporting Period”).

Publishing frequency: The Report is an annual report and the previous report was released in 2020.

| Full Name of Subsidiary | Abbreviation of Subsidiary |
|---|-----------------------------------|
| China Industrial Securities International Brokerage Limited | CISI Brokerage |
| China Industrial Securities International Futures Limited | CISI Futures |
| China Industrial Securities International Capital Limited | CISI Capital |
| China Industrial Securities International Asset Management Limited | CISI Asset Management |
| China Industrial Securities International Wealth Management Limited | CISI Wealth Management |
| China Industrial Securities International Investment Limited | CISI Investment |

- **Preparation Basis**

The Report is prepared in accordance with the Environmental, Social and Governance Reporting Guide of the Hong Kong Stock Exchange (effective from 1 January 2022).



ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

- **Reporting Principles**

The Report follows the reporting principles of the Environmental, Social and Governance Reporting Guide of the Hong Kong Stock Exchange, including:

Materiality principle: the Report identifies issues requiring priority responses through materiality analysis, and highlights issues related to environmental, social and governance matters that may have a significant impact on stakeholders and other interested parties.

Quantitative principle: the Report discloses the key quantitative performance indicators and explains their meanings and the basis for calculation and assumptions to assess the effectiveness of environmental, social and governance policies and management systems.

Balance principle: the Report reflects objective facts; both positive and negative information and performance are disclosed.

Consistency principle: the Report clearly explains the statistical methods and criteria of the key ESG quantitative performance indicators disclosed, and tries to ensure that the indicators and calculation methods in different reporting periods are consistent to reflect the trend in performance standards.

- **Data Explanation**

The data and cases in the Report are from the original records or annual reports of the actual operation of the Group. Unless otherwise stated, the financial data in the Report are recorded in Hong Kong dollars. In case of any discrepancy with the annual report, the annual report prevails. Unless otherwise specified, the statistical criteria of key quantitative performance data in the Report is consistent with the scope of consolidated financial statements in the annual report of the Group.

- **Reliability Assurance**

The Board guarantees that the contents of the Report are free from misrepresentations, misleading statements or material omissions.

This Report has been prepared in both English and Chinese. In the case of any discrepancy, the Chinese language text of this Report shall prevail.