



中国优通控股
China UT Holding

China U-Ton Future Space Industrial Group Holdings Ltd.
中國優通未來空間產業集團控股有限公司

(formerly known as China U-Ton Holdings Limited 中國優通控股有限公司)

(Incorporated in the Cayman Islands with limited liability)

Stock Code : 6168

**Environmental, Social and
Governance Report**

2021

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A. ABOUT THE ESG REPORT

The board of directors (the “**Board**”) of China U-Ton Future Space Industrial Group Holdings Ltd. (*In Liquidation*) (the “**Company**”) is pleased to present its 2021 Environment, Social and Governance Report (the “**ESG Report**”). The ESG Report elaborates the Group’s corporate social responsibility, principles and work in the course of business operations in the year of 2021. As for the information on corporate governance, please refer to the Corporate Governance Report in the Company’s 2021 Annual Report.

A.1 Scope of the report

The ESG Report covers the performance of the principal business of the Company and its subsidiaries (collectively, the “**Group**” or “**we**”) in the People’s Republic of China (the “**PRC**”) and the Hong Kong Special Administrative Region (“**Hong Kong**”) in respect of environmental management and social responsibility from 1 January 2021 to 31 December 2021 (the “**current year**”). During the current year, there is no substantive material change on the principal business of the Group. The Group is principally engaged in the provision of design, deployment and maintenance of optical fibers services, other communication networks services, environmentally intelligent technical products and services and money lending services. This ESG Report covers the companies engaging in the provision of design, deployment and maintenance of optical fibers services and the provision of environmentally intelligent technical products and services, which had contributed the major revenue stream to the Group during the year. The key performance indicators (“**KPIs**”) disclosed in the ESG Report focused on the Group’s major subsidiaries, namely, Hebei Changtong Communication Engineering Co., Ltd. (“**Hebei Changtong**”), Beijing U-Ton Teda Electrical New Technology Development Co., Ltd. (“**Beijing U-Ton Teda**”) and Beijing Yourui Jiahe Electronic Technology Co., Ltd. (“**Yourui**”).

A.2 Reporting framework

The ESG Report was prepared in accordance with the “Environmental, Social and Governance Reporting Guide” (the “**ESG Reporting Guide**”) under Appendix 27 of the Rules Governing the Listing of Securities of The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”) issued by The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”).

A.3 Governance on ESG aspects

The Board has overall responsibility for the Group’s ESG strategy and reporting. The Board is responsible for evaluating and determining the Group’s ESG-related risks, and ensuring that appropriate and effective ESG risk management and internal control systems are in place. Our management has delegated the responsibility of coordinating the implementation of the Group’s environment, employment and service quality assurance policies.

The Board leads and provides direction to management by instituting ESG policies and initiatives, supervising their implementation and monitoring ESG performance. The Board continues to explore ways to further strengthen the ESG governance of the Group. The Board reviews ESG affairs regularly, including environmental protection, employment and labour practices, operating practices, and community investment, and implements appropriate measures to enhance the ESG performance of the Group. ESG-related goals and targets and all identified sustainability risks and opportunities which may impact the Group are reported to the Board at least on an annual basis.

A.4 Reporting principles

The ESG Report is based on the following four reporting principles:

- **Materiality:** Stakeholder engagement and materiality assessment are conducted to identify material ESG issues, and to ensure that these issues are addressed in the report.
- **Quantitative:** The relevant standards, methodologies and assumptions used to prepare the quantitative information are disclosed, as appropriate. Quantitative information is provided with narrative and comparative figures, where possible.
- **Balance:** The information is presented without the inappropriate use of selections, omissions or other forms of manipulation that would influence a decision or judgment by the reader.
- **Consistency:** Consistent methodologies are used to prepare and present ESG data in the Report, unless otherwise specified, to allow for meaningful comparisons.

A.5 Stakeholder engagement

The Group understands that stakeholders and the business development of the Group are interrelated. In view of this, the Group communicates with its key stakeholders through various channels to understand their expectations and requirements for our sustainable development strategies and to make active corresponding response with a view to consolidating and ensuring a long-term sustainable development.

Stakeholders	Expectations and requirements	Means of communication and response
Government and regulators	<ul style="list-style-type: none"> • Compliance with national policies, laws and regulations • Support for local economic growth • Contribution in local employment • Tax payment in full and on time 	<ul style="list-style-type: none"> • Examination and inspection
Shareholders	<ul style="list-style-type: none"> • Returns • Compliant operation • Growth in corporate value • Transparent information and efficient communication 	<ul style="list-style-type: none"> • General meetings • Email, telephone communication and company website
Business partners	<ul style="list-style-type: none"> • Operation with integrity • Equal rivalry • Performance of contracts • Mutual benefit and win-win cooperation 	<ul style="list-style-type: none"> • Review and evaluation meeting • Business communication • Exchange and discussion • Engagement and cooperation
Customers	<ul style="list-style-type: none"> • Quality products and services • Health and safety • Performance of contracts • Operation with integrity 	<ul style="list-style-type: none"> • Customer communication meetings • Social media platform

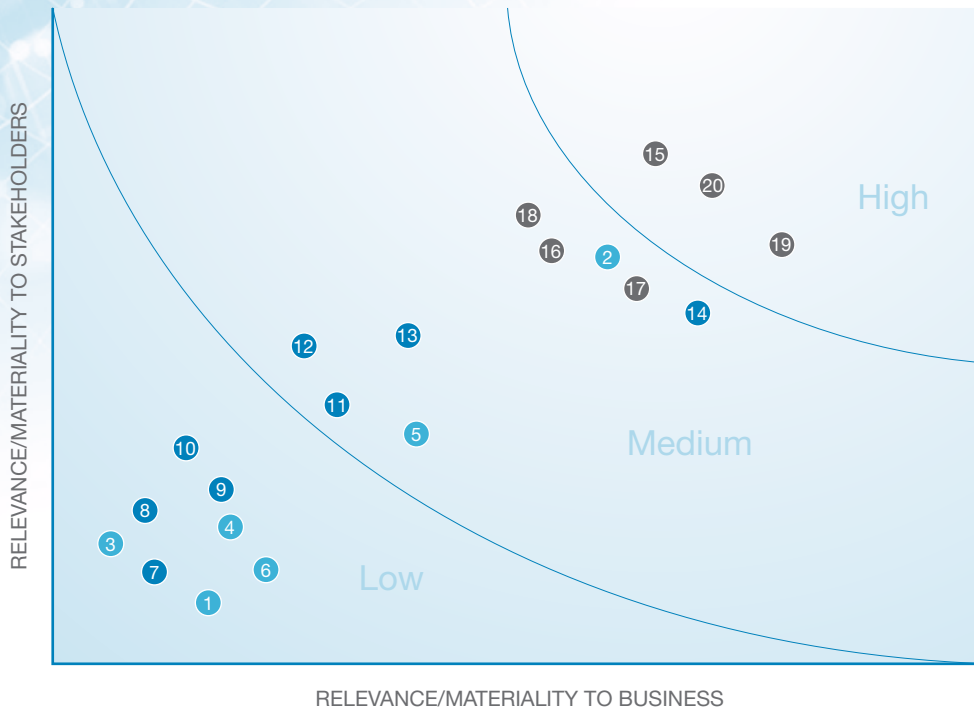
Stakeholders	Expectations and requirements	Means of communication and response
Environment	<ul style="list-style-type: none"> • Compliance with emission regulations • Energy saving and emission reduction • Conservation of ecosystem 	<ul style="list-style-type: none"> • Communication with local environmental department
Industry	<ul style="list-style-type: none"> • Establishment of industrial standards • Enhancement of industrial development 	<ul style="list-style-type: none"> • Participation in industry forums • Field visits
Employees	<ul style="list-style-type: none"> • Protection of rights • Occupational health • Remunerations and benefits • Career development • Humanity cares 	<ul style="list-style-type: none"> • Employee meetings • Employee mailbox • Training and workshop • Employee activities
Community and the public	<ul style="list-style-type: none"> • Improvement in the community environment • Participation in charity 	<ul style="list-style-type: none"> • Company announcement

A.6 Materiality assessment

The Group conducted a comprehensive materiality assessment in 2021. It involved group discussions, interviews or questionnaire surveys with internal and external stakeholders, to identify the environmental, social and operational issues which have the most significant impacts on the Group's business and the relevant issues concerned by stakeholders.

With reference to the scope of disclosure as required under the ESG Reporting Guide, as well as taking into consideration its business features, the Group identified and determined 20 issues covering greenhouse gas emission, energy consumption, employee welfare, occupational health and safety, training and development, supply chain management, customer privacy, anti-corruption, community investment and other aspects with respect to our business operation.

Materiality of ESG Issues



Environmental Aspect

1. Green house gas emission
2. Energy consumption
3. Waste
4. Environmental impact of business Operation
5. Customer engagement in environmental issues
6. Use of chemicals

Social Aspect

7. Engagement of local community
8. Community investment
9. Occupational health and safety
10. Labour standards in supply chain
11. Training and development
12. Employee welfare
13. Inclusion and equal opportunities
14. Talent attraction and retention

Operational Aspect

15. Economic value generated
16. Corporate governance
17. Anti-corruption
18. Supply chain management
19. Customer satisfaction
20. Customer privacy

A.7 Information and feedbacks

This ESG Report is prepared in both English and Chinese languages. In case of any inconsistency, the Chinese text of this report shall prevail over the English text.

The electronic version of this report is available at the following websites:

www.hkexnews.hk

Your opinions will be highly valued by the Group. If you have any advice or suggestions, please send email to us at china.uton.liq@gmail.com.

B. ENVIRONMENT AND RESOURCES

During the current year, we continued to adhere to the concept of sustainable development and follow environmental laws and regulations such as the Environmental Protection Law of the People's Republic of China* 《中華人民共和國環境保護法》 and Law of the People's Republic of China on Environmental Impact Assessment* 《中華人民共和國環境影響評價法》 and strictly monitor all aspects of our business operations. We strive to reduce the impacts of our business operations on the environment through effective energy-saving and emission-reduction measures, and actively promote protection of ecological environment and construction of ecological civilization.

B.1 Emission management

The office premises of the Group produce a small amount of effluent which is discharged into municipal sewage treatment plants through the municipal pipe network. In addition, greenhouse gases, other exhaust gases and solid waste are the major emissions of the Group during its operation.

Greenhouse gases and other exhaust gases

During the daily operation, the Group's main sources of greenhouse gas emissions include direct emissions from vehicle use and indirect emissions from municipal electricity and heating, business trips, fresh water and wastewater treatment, and wastepaper disposed of at landfills. In addition, the Group's vehicle use also emits air pollutants, including nitrogen oxides, sulfur oxides and particulate matter. The total greenhouse gas emissions and air pollutant emissions from Hebei Changtong, Beijing U-Ton Teda and Yourui during the current year are shown in the table below.

Indicators	Target	Emissions	
		2021	2020
Greenhouse gas emissions (tons of CO ₂ equivalent)	130	140	160
Intensity of greenhouse gas emissions (tons of CO ₂ equivalent/employee)	1.30	1.26	1.54
Nitrogen oxides (kg)	230	260	280
Sulfur oxides (kg)	0.55	0.65	0.80
Particulate matter (kg)	20	21	24

Since we did not use pipe jacking machine for excavation and reduced the use of some vehicles during the current year, the greenhouse gas emissions and exhaust gas emissions of the current year were reduced. To improve the efficiency of vehicles utilization and reduce the environmental pollution caused by exhaust emissions, on one hand, the Group constantly optimizes the maintenance and management of vehicles, checks the tire inflation situation regularly, provides maintenance for the fleet, provides driving training for the drivers and optimizes transportation routes; on the other hand, we encourage our employees to travel by public transports, bikes, on foot or other green alternatives.

Solid wastes

The Group did not carry out pipe jacking and pipeline projects during the current year, so no waste soils were generated. Non-hazardous wastes from office premises mainly include wastepaper and general daily garbage, while hazardous wastes mainly include waste light tubes, waste batteries and waste toner cartridges. The amounts of wastes produced from Hebei Changtong, Beijing U-Ton Teda and Yourui and their intensity during the current year are shown in the table below.

Indicators	Target	Emissions	
		2021	2020
Non-hazardous wastes (tons)	0.65	0.75	0.75
Intensity of non-hazardous wastes (kg/employee)	6.50	6.76	7.21
Hazardous wastes (tons)	0.02	0.02	0.02
Intensity of hazardous wastes (kg/employee)	0.20	0.18	0.19

In order to reduce the damages of wastes brought to the environment, the Group continued to store and dispose of all types of wastes strictly in accordance with relevant standards and regulations. To facilitate the management of wastes, we have installed a refuse sorting device in our workplace. Except for documents involving confidential information, all wastepaper is handled by wastepaper recycling companies. General daily garbage, waste light tubes and a small amount of waste batteries are transferred to municipal sanitation departments for central collection and handling, and waste toner cartridges are collected and treated by toner cartridges suppliers.

B.2 Resource consumption

The Group's energy consumption is mainly derived from the fuel used for vehicles, municipal electricity and heating. The Group's production and operation do not consume much water, of which most of the water is consumed during employees' daily office activities. There is no issue in sourcing or using water that is fit for purpose. Since the business operation of Hebei Changtong, Beijing U-Ton Teda and Yourui do not involve production and packaging of products, the total amount and intensity of packaging materials used in finished products are not disclosed. The resource consumption of Hebei Changtong, Beijing U-Ton Teda and Yourui during the current year is shown in the table below.

Indicators	Target	2021	2020
Total energy consumption (MWh)	400	450	480
Intensity of energy consumption (MWh/employee)	4.00	4.05	4.62
Total water consumption (m ³)	387	430	500
Intensity of water consumption (m ³ /employee)	3.87	3.87	4.81

B.3 Resource saving and environment protection

To reduce carbon emissions and improve efficiency of resources utilization, the Group continued to implement various measures to reduce emissions and save energy, water and paper, as well as recycle office supplies, which include the followings:

- Use energy-efficient luminaries in office premises, divide office premises into different lighting zones with independent lighting control, and encourage employees to use natural light for illumination and turn off lighting facilities when not in use;
- Use central air-conditioning with energy labels, strengthen the maintenance and management of air-conditioning systems, set the air-conditioning temperature at no lower than 25.5 degrees Celsius, and allow employees to dress in casual wear during hot weather;
- Remind employees to turn off unused electrical and electronic appliances during non-working hours, and set an automatic standby or hibernation mode when not using the computer to improve server utilization;
- Record electricity consumption statistics monthly in office premises to monitor electricity usage;

- Put up water-saving slogans in the restrooms, recycle grey water for cleaning and irrigation, check water meter readings and water leakage regularly, and install faucets and urinals with water-saving labels;
- Use digitalized office platform to further promote OA System;
- Promote the use of environmentally friendly paper, double-sided printing, reuse of paper, encourage employees to give priority to the use of electronic communication technology to circulate internal documents, post notices on printing machine to remind employees to save papers, check documents before printing, promote presentation in meeting by way of multimedia, install electronic hand dryers to reduce the amount of paper towels used, and regularly count paper usage; and
- Purchase recyclable toner cartridges and rechargeable batteries, call on employees to reuse office supplies, and reduce the use of disposable products and over-packaged products.

In addition, the Group has also taken diversified measures to enhance employees' awareness of environmental protection and improve employees' participation. For example, we encourage employees to use stairs instead of taking escalator unless necessary. We also convey the message of energy saving, emission reduction and environmental protection to employees by e-mail, posters, internal network and other means, and encourage employees to participate in activities organized by green organizations.

Based on the Group's business nature, we do not pose significant impact on the environment or natural resources during our operation. During the current year, the Group did not incur any issues which have violated the laws and regulations relating to environmental protection.

B.4 Climate change

Awareness over climate change continues to grow and is one of the most discussed topics among companies. The Group is no exception, having increasing concerns over the potential impact from climate change on the Group's business and operation.

In accordance with the reporting framework developed by the Task Force on Climate-related Financial Disclosures, there are two major categories of climate-related risks, physical and transition risks which may impact businesses. Physical risks are risks related to physical impacts of climate change which can be driven by events such as floods and typhoons (acute risks) or longer-term shifts in climate patterns such as sustained high temperatures and sea level rise (chronic risks). Transition risks are risks related to the transition to a lower-carbon economy, which may entail policy, legal, technology, and market changes to address mitigation and adaptation requirements related to climate change.

The Group regularly reviews global and local government policies, regulatory updates and market trends to identify potential climate-related risks which may have impact on the Group's business operation. The Group will immediately develop a response plan when necessary such as changing the business strategy and modifying the development plan in order to reduce the negative impacts of such climate-related risks. The Group will continuously incorporate sustainable practices in its business operations and prepare and maintain sufficient resources for managing identified climate-related risks and studying the potential remediation measures.

During the current year, there is no climate-related risk, including physical and transitional risks, which have significant impact to the Group.

C. EMPLOYEES' RIGHTS

Employees is the core driving force to maintain the survival and development of enterprises. To respect and treat every employee equally, the Group not only safeguards their legitimate rights and interests, but also focuses on their development needs by providing diversified development channels for employees to help them realize their personal values while promoting the development of the Group.

C.1 Employment policy

The Group has a diverse workforce in terms of gender and age, providing a variety of ideas and levels of competencies that contribute to the Group's success. The Group employs workers in strict compliance with the Group's human resources policies and the requirements of the relevant local laws and regulations of employment, such as the Labour Law of the People's Republic of China (《中華人民共和國勞動法》), Labour Contract Law of the People's Republic of China* 《中華人民共和國勞動合同法》 and Employment Ordinance of Hong Kong, including the following:

1. Working hours, holidays and statutory paid leaves are compliant with the requirements of the relevant local jurisdiction;
2. Salaries and related benefits are made in accordance with the local minimum wage (or above);
3. Contributions to social insurance funds are made for regular employees; and
4. Establishment of anti-discrimination policy and compliance with the requirements of relevant laws.

There has been no occurrence of discrimination in the Group against race, region, nationality, age, pregnancy or disability in respect to employee recruitment, training, salary and promotion for the Year.

As at 31 December 2021, the Group had a total of 162 full time employees (2020: 150). The table below shows of the Group's workforce as at 31 December 2021.

		Staff distribution	Staff turnover rate (%)
Gender	Male	107	11.5%
	Female	55	1.9%
Age group	18-30	9	25.0%
	31-50	98	15.3%
	51 or above	55	3.8%
Rank	Senior management	20	16.7%
	Middle management	26	4.0%
	General staff	116	14.9%

We adhere to the concept of fair competition and merit-based employment. The recruitment process is solely based on the assessment of candidates' personal capabilities, qualifications and experience. Candidates and employees are entitled to equal opportunities regardless of their gender, age, religion, or ethnic. We also continue to advocate the diversification of workforce to enhance our competitiveness and creativity. In order to avoid hiring child labour, we strictly verify the age of candidates during the employment and filing procedures in accordance with the Provisions on the Prohibition of Using Child Labour* 《禁止使用童工規定》. Candidates who do not meet the legal working age will not be employed. We shall be entitled to terminate the employment provided that the employee is in serious violation of the Group's disciplinary code or committed a criminal offence.

The remunerations management of the Group continued to follow the principle of prioritizing efficiency and fairness. Employee's salary comprises of structural salary, performance commission and equity incentive which are determined by job responsibilities, working abilities, job tasks and work results. The overall remuneration package depends on the social and economic development level, profitability and payment ability of the Group. We formulate remunerations for employees at different work types and positions pursuant to the pay scale set forth in "Wage Management of Functional Level Policy". According to general practices, we also carry out annual appraisals of our employees, which then become a key indicator for their future position transfers and salary adjustment.

In accordance with the relevant regulations, the Group continues to implement flexible working schedules to meet the needs of different departments and positions. We have adopted a five-day work week system for office management employee with working hours not exceeding eight hours a day. The adjustment for flexible working hours of the project department and the engineering team are subject to the approval of the local labour security administration department to ensure that their leave application would not pose any impacts on the normal business operation. Meanwhile, we prohibit any forms of forced labour. Any necessary arrangement of overtime working of employees will be provided with overtime subsidies according to applicable provisions. Employees also enjoy statutory holidays, marriage leave, funeral leave, maternity leave, sick leave, casual leave and annual leave according to applicable laws.

In respect of benefits and welfare, the Group continues to pay social insurance and housing provident fund to employees in the PRC and bear 50% premium of accident insurance for frontline employees in accordance with the provisions of the national and local governments. The Group also pays Mandatory Provident Fund for Hong Kong employees under the Mandatory Provident Fund Schemes Ordinance. In addition, we also provide all kinds of allowances (including seniority allowance, academic allowance and professional and technical examination allowance) and subsidies (including communication subsidy and subsidy for business trips) for employees, and provide rental subsidies and transportation subsidies for management personnel working abroad. At the same time, we also organize a series of team building activities and games on a regular basis to enhance mutual understanding among employees and release work pressure.

C.2 Talent development

Talent development improves our employees' learning ability and knowledge, stimulates their career planning capability and creates a favorable environment and condition for the growth and prosperity for employees and the Group. As a usual practice, our human resources department prepares training plans and arranges training courses annually. New employees are required to self-study the "Employee Manual" for at least 4 hours, and participate in pre-job training, which includes the introduction of our corporate culture and system training, position-specific training, case study and practice. Only qualified candidates are allowed to commence their work officially. For current employees, we provide complimentary on-the-job training, transfer training, promotion training and professional training. Training programs are mainly conducted by internal departments within the Group, while some of which are provided by external trainers for ancillary purpose. We select trainers from department heads, outstanding employees, veterans with professional skills, and hire professional and technical experts from external units or engage professional training institutions to provide or organize training. The examination results will be recorded in our employees' personal files and used as an important indicator for formal employment, promotion, demotion and transfer.

During the current year, the Group continued to organize a number of training courses based on its business operations and the development needs of different employees. For example, we organized several trainings for all employees such as professional skills and team building training, safety production knowledge and awareness training, specification of safety production operation for communication construction works. We also provided project managers with training such as the study of “Code for Quality Management of Engineering Construction Enterprises (GB/T 50430-2007) and report guidelines for construction work completion and provided leaders of construction teams with training such as the use and maintenance of optical fiber fusion splicer.

The training details of the staff for the current year are stated as follows:

	No. of staff attended training	Percentage of staff attended training	Average training hours completed
By gender			
Male	101	66.9%	15
Female	50	33.1%	15
By rank			
Senior management	12	8.0%	15
Middle management	26	17.2%	15
General staff	113	74.8%	15

C.3 Health and safety

Work safety is essential in the Group’s day-to-day operations which involve civil construction, aerial work and operation of electrical equipment. We continue to strictly abide by the Work Safety Law of the People’s Republic of China* 《中華人民共和國安全生產法》, Measures for the Supervision and Administration of Power Work Safety* 《電力安全生產監督管理辦法》, Law of the People’s Republic of China on the Prevention and Control of Occupational Diseases* 《中華人民共和國職業病防治法》, Special Rules on the Labour Protection of Female Employees* 《女職工勞動保護特別規定》 and Regulations on Work-Related Injury Insurances* 《工傷保險條例》 and other relevant laws and regulations. To ensure the health and safety of our employees and avoid accidents which may cause casualties and economic losses, we continue to implement the “Compilation of Occupational Health and Safety Systems” and other rules and systems which clarify the division of responsibilities for employees’ safety supervisory work and stipulate the relevant personnel to update records in accordance with the requirements of the management system.

In view of the characteristics of the Group’s operation, dust, noise and radiation are the main potential risk factors to the health and safety of our employees. To prevent occupational diseases, in one hand, we require the special operators equipped with certificates before conducting operation, provide employees with protective equipment that meet relevant standards, provide guidelines about the proper use of equipment and conduct regularly checks to ensure its effectiveness. On the other hand, we have installed dust and noise monitoring devices for the construction department to ensure that the environmental conditions of the site meet the relevant standards before starting construction. In addition, as a usual practice, we arrange occupational health check for employees who are exposed to occupational hazards at least once a year. In the event employees are diagnosed of any occupational diseases, transfer of post will be arranged immediately together with appropriate medical treatment, and insurance will also be offered in accordance with relevant regulations.

In order to effectively prevent safety incidents, we have formulated the Safety Inspection and Hidden Danger Investigation System* 《安全檢查及隱患排查制度》 and the Hazard Source Supervision System* 《危險源監管制度》 to identify and assess potential safety hazards and source of danger, properly control safety risks, and specify the procedures for handling major accidents and the division of labor between departments. At the same time, we hold regular emergency drills, such as fire prevention and flood emergency drills, to enable employees to master the handling procedures of accidents and ensure that employees have a quick emergency response capability. In addition, we regularly carry out equipment safety inspections and tests to ensure that no equipment is of abnormal functioning or overloading. The construction equipment must be shut down immediately and repaired once safety hazards are identified and will be resumed operation only after the completion of maintenance work.

To ensure the smooth implementation of projects, the Group enters into the Construction Safety Production Agreement* 《施工安全生產協議書》 when signing construction contracts with customers, in which the standards and safety production operation specifications are stipulated for the construction party to comply with. During the current year, the Group had no report on material safety incidents, injury or fatality of employees due to work.

Occupational health and safety statistics	2021	2020	2019
Number of lost days due to work injury	Nil	Nil	Nil
Number of work-related fatalities	Nil	Nil	Nil
Number of work injuries	Nil	Nil	Nil

In view of the global spread of the COVID-19 pandemic, the Group has adopted a series of measures to protect the health of employees, including the establishment of pandemic prevention and control team (“疫情防務小組”), and the release of the “Guidelines for Returning to Work Protection after Holidays” (“節後返崗防護指南”) to employees, which requires all employees to pay high attention to personal hygiene, wear masks and conduct temperature checks every day when they go to work, and clean construction sites and offices every day.

D. PRODUCT LIABILITY

We believe that good reputation and sound operation management are the integral parts for the long-term sustainable development of a company. The Group has always been committed to serving the communications industry in a responsible manner and contributing to the customers and society.

D.1 Supply chain management

Purchase of construction materials such as PVC pipe, fittings and mini cables are requisite for construction work. The Group continues to implement regulations of the “Procurement Management System”, under which it stipulates that before inputting the information of a supplier to the database, the purchasing department must conduct a comprehensive evaluation on aspects such as the supplier’s quality and qualification of environmental management, personnel composition, equipment conditions, product characteristics, production capacity, quality assurance, price and payment terms, and after-sales service.

All employees of the Group have the right to recommend excellent suppliers, which will be incorporated into the material procurement information database upon approval. We select suppliers from the supplier database and carry out procurement by the means of inviting tender, negotiating tender, quotation request and signing procurement contract directly (with long-term strategic partners). We may resort to open tender, if necessary. For typical regional materials or special substances, we may choose suppliers who are exclusive from the database. Part of the project might be subcontracted to a third party when necessary.

In relation to the evaluation and selection of the third-party suppliers, we will take into account of three main criteria including a valid business license, a healthy financial condition and capital adequacy, and a reasonable subcontracting quotation. To reduce the risk and ensure that the supplied products meet the requirements, we also regularly designate our technical and management personnel to factories or construction sites for inspection, and our procurement employees also regularly assess or update the information of the suppliers.

The ordinary cables, poles, woods and other materials required for the construction are generally provided by customers, and the Group will strictly inspect the materials provided by the customers in accordance with the requirements and technical specifications set forth in the contract. If the contract stated that such kind of the materials are to be provided by the Group, we will carry out procurement and acceptance in accordance with the relevant requirements and obtain the product certification from the supplier. In addition to the above materials, for the procurement of office supplies and protective equipment, we also continue to integrate the sustainable development concept into procurement strategies, processes and supplier management, and adhere to the principle of proximity procurement to reduce carbon emission during transportation and enhance the sustainability of the supply chain.

D.2 Products and services

The Group obtains construction projects mainly through tendering or direct negotiation. In the bidding process, we continue to strictly abide by the laws and regulations such as the Bidding Law of the People's Republic of China* 《中華人民共和國招標投標法》 and Regulation on the Implementation of the Bidding Law of the People's Republic of China* 《中華人民共和國招標投標法實施條例》 to provide certificates related to safety production and accept commercial and technical assessments on qualification level; results of similar projects; local coordination capacity; financial conditions of the past two years; comprehensive integrity evaluation; localization service capability; project leaders and managers; quality and safety management measures; construction organization scheme; vehicle and mechanical configuration; instrument and tool configuration and quality of tender documents.

The quality of projects undertaken by the Group shall meet the prevailing national and regional standards of the project where it operates and the communications industry as well as the requirements of the customers. During the construction process, we communicate directly with customers to understand their needs and carry out construction in strict compliance with the standards, regulations and design requirements set forth in the contract. We provide customers with construction design plan and progress reports in time. We also welcome inspection from customers and their representatives to ensure that projects are completed on time with satisfactory quality. If the project contract allows third party sub-contraction, we will designate supervisory officer to the subcontractor's site to ensure proper performance of the subcontractor and assume joint liability for default or negligence by the subcontractor.

During the project completion acceptance phase, the project department and the engineering team with reference to applicable standards and regulations, will inspect sequentially whether each item listed on the specification sheet meets the acceptance standard and record the acceptance status in the quality management system in detail. Construction party will be subject to the deduction of settlement once non-compliance is found and required to conduct improvement work until construction work is in full standard compliance. In addition, we also provide a certain period of warranty and maintenance for completed project.

During the current year, the Group had not received report on substandard project quality or customer complaints.

D.3 Intellectual property

The development of an enterprise relies on innovation. The Group attaches importance to cultivate employees' innovation skills and encourages employees to conduct innovative research and development ("R&D"). We not only provide publicity and education on patent law and patent knowledge to our employees on a regular basis, but also standardize the management and maintenance of intellectual property, encourage employees' active participation in invention and creation, and facilitate the promotion and application of scientific and technological achievements in compliance with the Intellectual Property Law of the People's Republic of China* 《中華人民共和國知識產權法》, Patent Law of the People's Republic of China* 《中華人民共和國專利法》 and other laws and regulations.

For employees who have made outstanding achievements in the application, protection, management and transformation of scientific and technological achievements, or have effectively eradicated the infringement and protected the rights of the Group's intellectual property, we not only offer them bonus and promotion; title assessment and other forms of material and spiritual rewards, but also present the annual "Invention Award" for the authorised patent with high creativity and good practical value, as well as the "Excellent Patent Workers" to motivate outstanding employees.

To avoid repeated research and infringement of others' intellectual property, the Group always carries out retrieval and analysis of patent documents before setting up projects of product and technical development. The Group also conducts follow-up and tracking during and after R&D processes. To avoid infringement disputes, we require that terms of intellectual property protection should be clearly set out in the employment contracts of R&D staff.

D.4 Advertising and promotion

In respect of advertising and promotion, the Group continues to strictly abide by the laws and regulations on advertisements and trademarks such as the Advertising Law of the People's Republic of China* 《中華人民共和國廣告法》 and Trademark Law of the People's Republic of China* 《中華人民共和國商標法》. The Group promises that all the information relating to products and technologies are subject to strict examination before publication to avoid adoption of false advertisements or misleading information.

D.5 Privacy protection

The Group respects and values the privacy of its customers, and strictly abides by the laws and regulations on privacy protection and the confidentiality agreements signed with customers. Employees are prohibited from disclosing customers' information to third party without permission. We strive to ensure that customer information will not be stolen, distorted or destroyed.

The Group also emphasizes the protection of internal privacy and enters into agreements with former employees to prohibit their engagement in any business which constitutes a competitive relationship during the competition restriction period. Management and circulation of important documents should be timely, accurate, safely and confidential. Confidential documents can only be borrowed when getting official approval, and employees shall not take out or copy privately. In regard to skills and information acquired and accumulated during training, employees shall keep them confidential and shall not copy, impart or transfer to other companies or people.

The Group has also managed archives through centralized management and classified custody based on the "Company Archives Management System", and laws and regulations such as the Archives Law of the People's Republic of China* 《中華人民共和國檔案法》, Measures for the Implementation of the Archives Laws of the People's Republic of China* 《中華人民共和國檔案法實施辦法》 to ensure proper maintenance of important information and data.

D.6 Anti-corruption

The Group has always adhered to the attitude of zero tolerance against corruption and sticks to the principle of operating with integrity. We continue to implement various codes of conduct and anti-corruption mechanisms, and regularly organize anti-corruption education activities to enhance the legal awareness of all employees. We also sign the anti-corruption agreement with customers to prevent any behavioral misconduct.

The Group has strictly complied with the Anti-Money Laundering Law of the People's Republic of China* 《中華人民共和國反洗錢法》 and other laws and regulations as well as the "Anti-Money Laundering Training and Publicity System"* 《反洗錢培訓和宣傳制度》. To enhance employees' awareness of anti-money laundering and effectively prevent and fight crimes, we continue to follow the practice of organizing anti-money laundering training at least once a quarter for all employees and providing basic knowledge of anti-money laundering training for new recruits. In addition, we also provide annual training for all financial department colleagues to enhance their professional competence and integrity.

To prevent the abuse of authority and bribery, the Group continues to implement the "Anti-Corruption and Anti-Bribery Procedures"* 《反腐敗反賄賂程序》 to conduct investigation, handle and timely prevent any possible bribery behaviors. Meanwhile, management and procurement department colleagues are required to consciously abide by relevant laws and regulations, as well as internal rules and regulations, and cannot seek personal benefits by taking advantage of their positions.

During the current year, the Group had strictly abided by the relevant regulations, and there were no irregularities noted.

E. COMMUNITY CONTRIBUTIONS

During the current year, the Group continues to uphold the mission of serving the society and giving back to society by actively promoting and encouraging employees to participate in public welfare activities, and create environmental and social values while building high-quality projects and serving the public.

* For identification only

Hong Kong, 28 October 2022