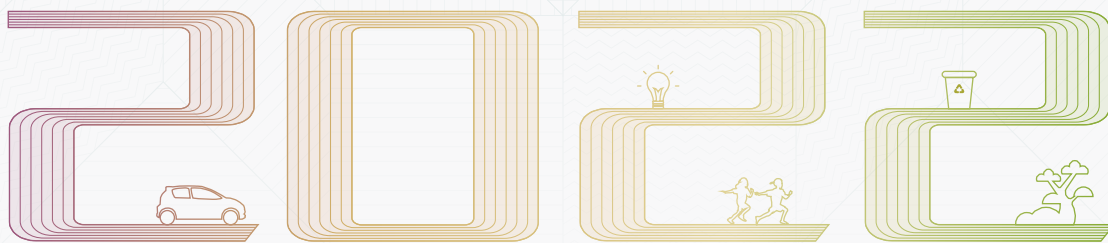
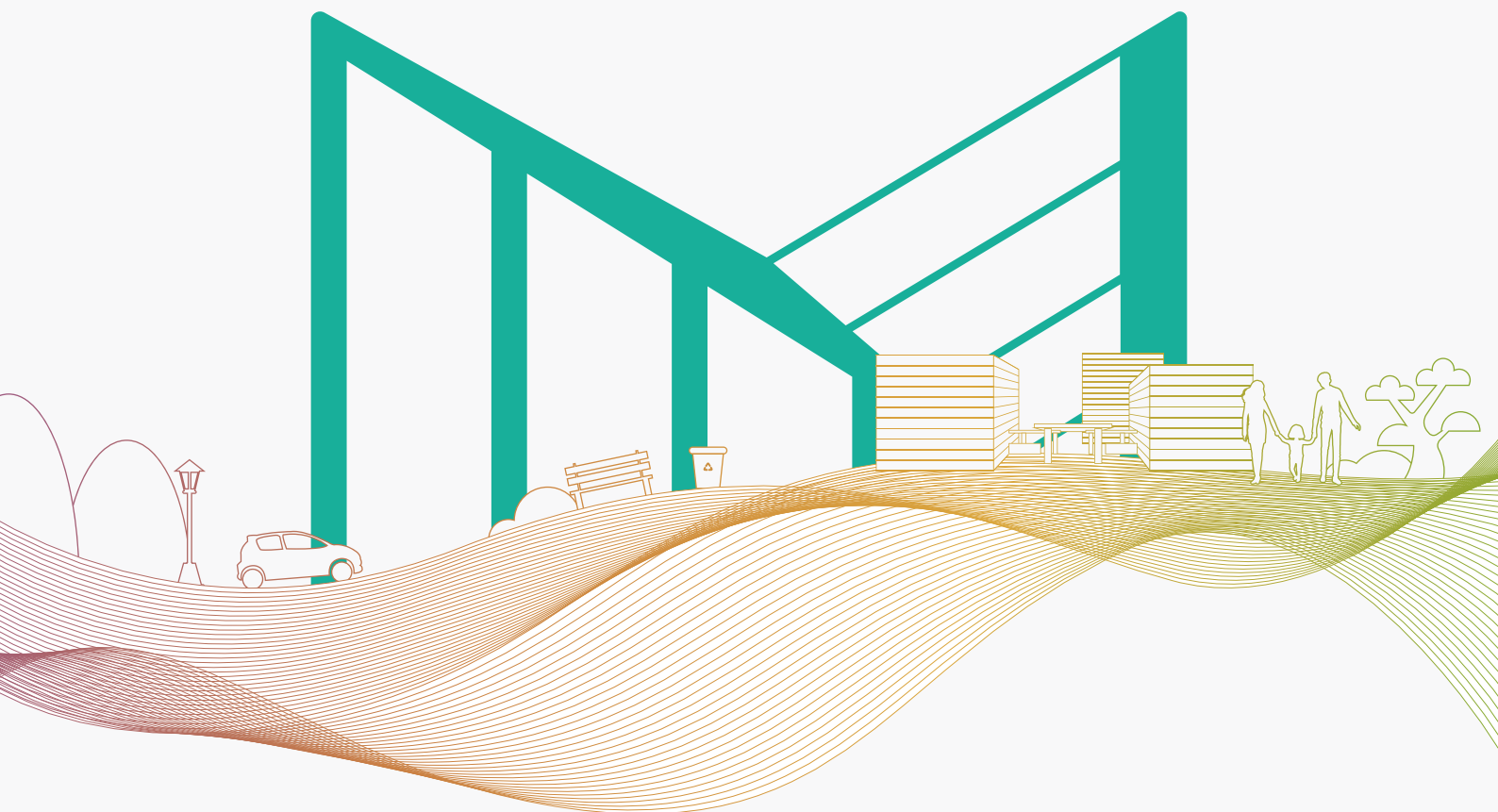


GREENTOWN MANAGEMENT HOLDINGS LIMITED



# ENVIRONMENT SOCIAL AND GOVERNANCE



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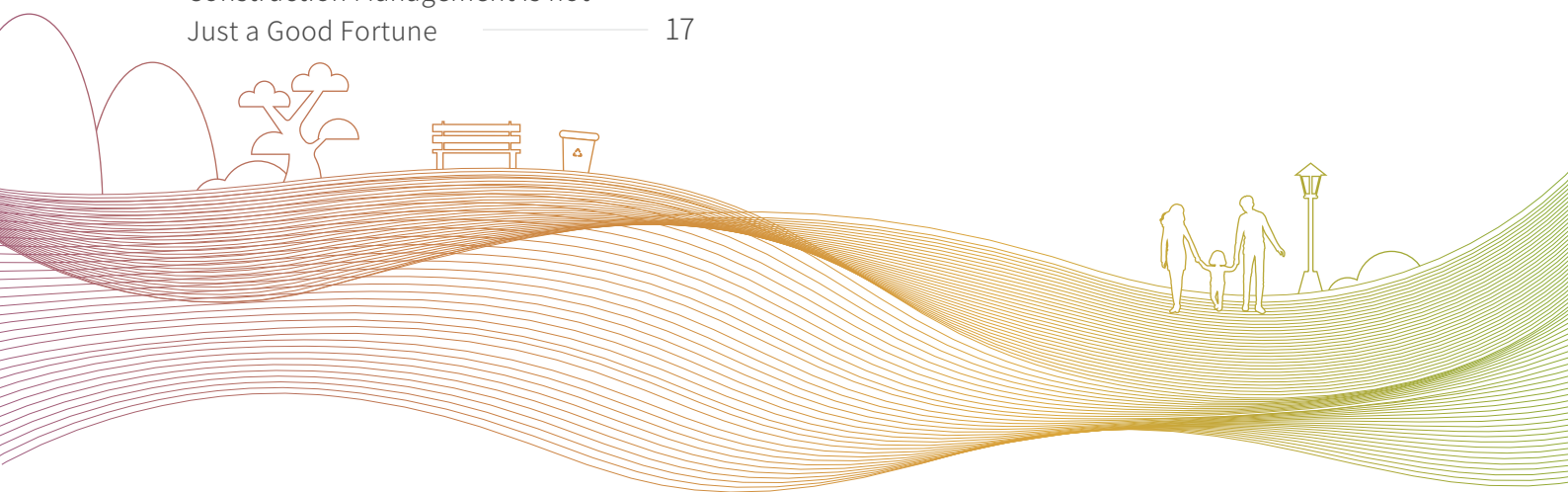
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# | About The Report

## Reporting Period

This Environmental, Social and Governance Report (hereinafter referred to as the "Report") covers our environmental, social, and governance ("ESG") activities, performance and approach from January 1, 2022 to December 31, 2022, with some of the contents extending forward and backward moderately.

## Coverage

The scope of the report is consistent with the Annual Report and includes Greentown Management Holdings Limited and its subsidiaries<sup>1</sup>.

## Preparation Standard

This report mainly considers the materiality, quantitative, balance and consistency of the key issues performance indicators ("KPIs") relating to ESG.

**Materiality:** Identify issues that are important to stakeholders through the Stakeholder-Company Materiality Model.

**Quantitative:** The disclosed KPIs can be measured. **Balance:** An objectively presentation of the Company's work on environmental, social and governance in this report.

**Consistency:** This year's ESG Report adopts the consistent data disclosure method with the previous years, and compares the data of different years, showing the changes in statistical methods and KPIs.

## Source

The qualitative and quantitative information used herein comes from the public information, internal documents, and relevant statistics of Greentown Management Holdings Company Limited and its subsidiaries.

## Reference

For convenience of presentation and reading, "Greentown Management Holdings Company Limited and its subsidiaries" is also referred to as "Greentown Management", "the Company", or "we", "Greentown China Holdings Limited" is also referred to as "Greentown China" in this report.

## Release

The online version of this report is available for viewing and downloading from the websites of the Stock Exchange of Hong Kong Limited ([www.hkex.com.hk](http://www.hkex.com.hk)) and Greentown Management (<https://www.lcgljt.com/>). This Report is prepared in Chinese and English, and the Chinese version shall prevail in case of any discrepancy between the two versions.

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<sup>(1)</sup> Given that the company's main business is to provide project management services, the project company and related ESG data are not included in the scope of this report.

# | Message

Coexisting with the environment and resonating with the times are the inevitable laws and missions that enterprises must follow for their survival and development.

The year 2022 is destined to be an extraordinary year, with severe external economic situation and recurring domestic epidemic situation. However, challenges are also accompanied by opportunities. As a pioneer and leader in China's real estate asset-light development, Greentown Management has always engraved the corporate values of "Quality, Reliance, Value and Share" and the "Stakeholders Culture". While maintaining stability, strengthening capabilities, upgrading business model, and optimizing customer structure, we are working together with the five-dimensional group of clients, owners, employees, suppliers and investors to go through the industry cycle and embrace the "Fortune Era" together.

In 2022, we continued to lead the industry with our asset-light, anti-cyclical and low-debt performance characteristics. We exceeded our annual operating targets, with net profit attributable to the parent company increasing by over 30%, creating good value returns for all parties. The annual contracted sale has exceeded 87.5 billion, the contracted gross floor area has exceeded 100 million square meters, and the contracted area under construction has exceeded 47 million square meters. We maintain the first position in the industry with a market share of over 22% for seven consecutive years and rise against the trend with remarkable achievements.

While creating economic benefits, we actively fulfill our corporate social responsibility, respond to the call for "Common Prosperity" policy, consolidate our position as the business base for government construction management, and provide more diversified urban services. Nowadays, the resettlement houses, shared property rights houses, public rental houses, talent apartments, military reform houses, industrial parks, comprehensive bases, schools, hospitals, museums, and municipal squares built by Greentown Management have rooted and blossomed in many provinces across China. We are committed to making greater contributions to empowering new city interfaces and improving the quality of urban life.

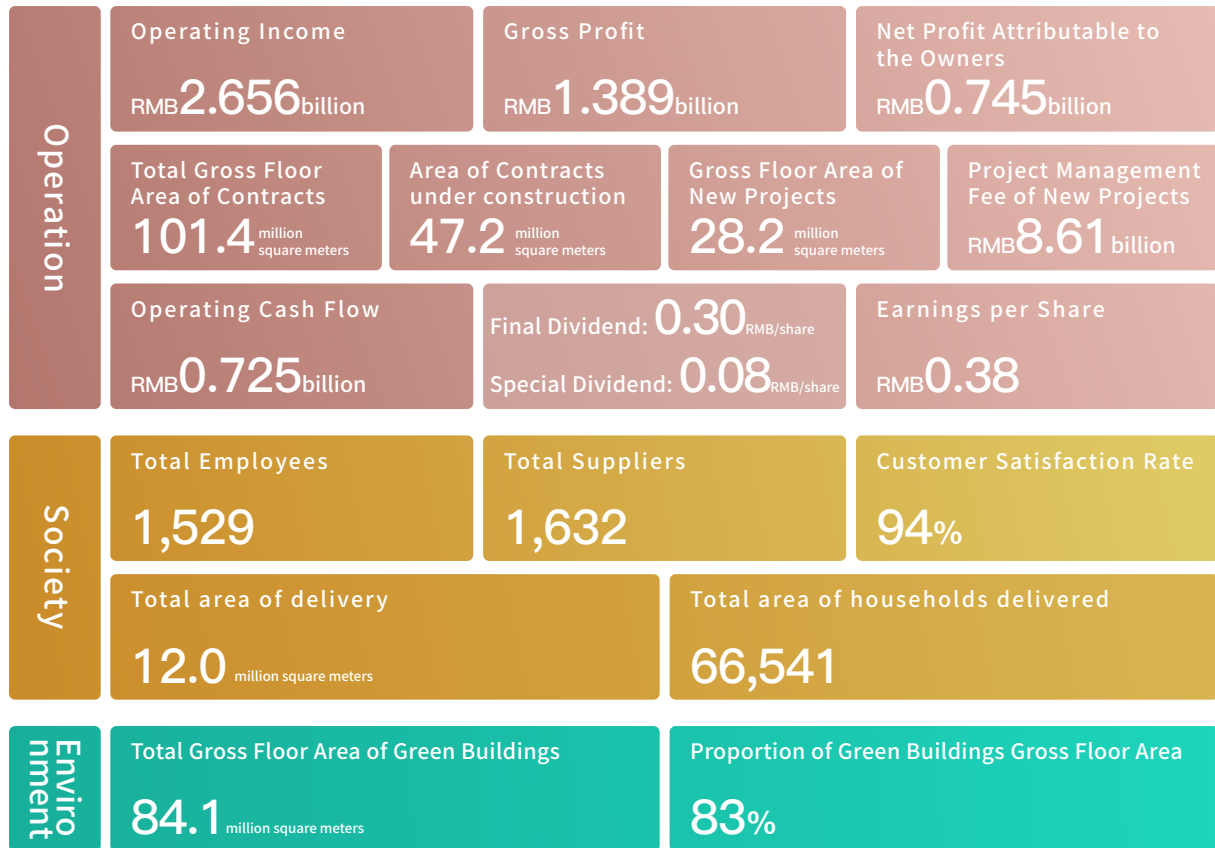
Under the general environment of "ensuring the delivery of buildings and stabilizing people's livelihood", in 2022, Greentown Management has delivered 101 projects with 12.01 million square meters and provided ideal homes for more than 66,000 families. With the increase in the number of bailout projects, Greentown Management has also actively expanded its capital construction projects, providing pre-investment risk control and post-investment management services for AMCs and financial institutions, helping projects turn risks into successes, run smoothly and preserve and increase value, empowering multiple parties, and achieving win-win cooperation.

In 2023, Greentown Management will continue to maintain its leadership in scales with the outstanding proposition of "building core competitiveness, strengthening competitive barriers, and consolidating leading advantages". We will firmly establish the strategic direction, actively research and judge the industry trend, and seize the window phase to increase the incremental volume. Through multi-dimensional light and heavy synergy and vigorously develop the new model of construction management, we are aimed to increase the business volume through industry chain cooperation and business model innovation. We will also improve service satisfaction by implementing the Mountaineering Model and strengthening To B capacity. Moreover, we will further focus on operation targets and management improvement by strengthening team capacity and optimizing organizational performance assessment policy.

We bid farewell to the past and start a new journey again. In the future, Greentown Management will continue to take the industry's first position, the first brand and the first market value as its vision, strive to become an important force in leading the change of China's real estate development model, and work together with multiple parties to create exciting quality of life.

# About Greentown Management

## I. Figures of 2022



## II. Company Overview

### 1 Company Profile

Greentown Management is the pioneer and leader in China's real estate asset-light development model. Founded in 2010, Greentown Management is a subsidiary of Greentown China (3900. HK) and the main body for exporting the "Greentown" brand and the project management model. In July 2020, Greentown Management was listed on the Main Board of the Hong Kong Stock Exchange (9979. HK), becoming the First Listed Project Management Company in China.

Greentown Management adheres to the core values of "Quality, Reliance, Value and Share" and the service concept of "Management Creates Value". Through project management, the Company integrates resources, exports the brand and standards, and creates value for clients with customized solutions and high-quality services. The core business models are included three main businesses (government project management, commercial project management, capital owner project management) plus three supporting services (financial services, industrial and urban services, industrial chain services).

By the end of 2021, our business had been covered 120 main cities across 28 provinces, municipalities, and autonomous regions in China. The total gross floor area of contracts had been 101.4 million square meters with an increase of 19.8% year-on-year. The area

under construction had been 47.2 million square meters with an increase of 7.1% year-on-year.

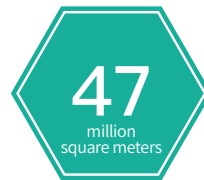
Against the overall pressure in the domestic real estate industry, our new construction projects maintained a counter-trend growth. The total gross floor area of new projects had been 28.2 million square feet with an increase of 23.9% year-on-year, of which government business, state-owned enterprise clients, and financial institutions accounted for 76.5%. The total fee of new projects had been 8.61 billion with an increase of 21.1% year-on-year, of which government business, state-owned enterprise clients, and financial institutions accounted for 70.3%.



Cities covered



Total floor area of contracts



Area under construction



Market share exceeded 22% for 7 consecutive years, ranking the first in the construction industry.

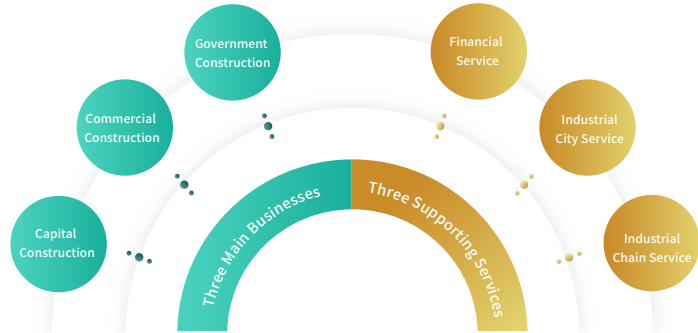


Image: Greentown Management Project Layout of 2022

## 2 Strategy Refresh

### (1) "3+3" Business Model

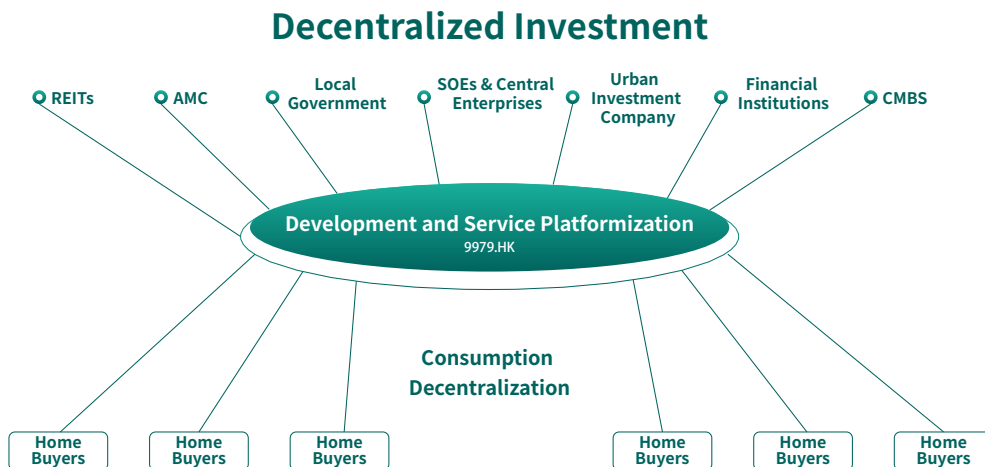
Under the background of "Common Prosperity" policy and industry changes, we actively grasp the new business opportunities of government, national and central enterprises, local urban investment companies, and financial institutions, and further improve the three main businesses of government construction, commercial construction, and capital construction and the three supporting services of financial service, industrial city service, and industrial chain service.



### (2) Decentralized Research and Judge on the Investment Side

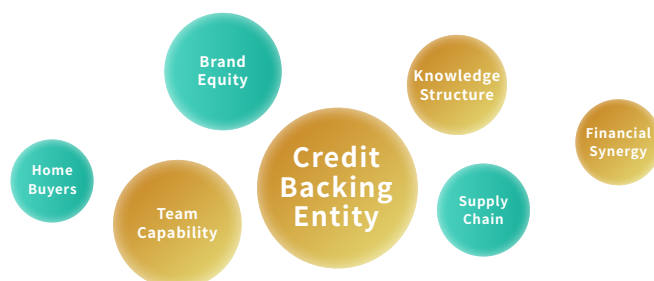
On July 10th, 2022, Li Jun, the Executive Director and CEO of Greentown Management, gave a speech entitled "The Light Starts the Future" and delivered an important judgment on the real estate industry. He mentioned that since the second half of 2021, the previous pattern of the real estate investment end dominated by the head real estate enterprises has gradually been broken, with local governments, urban investment companies, state-owned central enterprises, financial institutions, and other multiple parties showing the decentralized trend of the real estate investment end. At the same time, due to the original decentralized characteristics in the real estate consumption side, a centralized platform is needed to undertake the management and service of the development side between the decentralized investment and consumption, which is the future of construction management.

In his speech, Li Jun also proposed that the strategic goal of Greentown Management is to become an Internet platform in the real estate industry to build an ecological system, aggregate resources and capabilities, undertake the demand for agency construction from multiple parties, provide better products and services, and link customers at both the To B and To C ends.



### (3) Refine Seven Core Competencies

As a service industry, the underlying logic of construction management is completely different from traditional real estate. In the future, the construction company will move towards the direction of asset manager, and realize the progression from product presentation, operation cashing, to credit creation. In this process, Greentown Management will refine its core competencies from the dimension of "Seven Dragon Balls".



**Brand Equity:** Represent the client's perceived reputation and contractual responsibility. Take Greentown Management as an example, as a leader in the construction industry and inherited Greentown brand accumulation for 28 years, we develop brand reputation and credibility and can provide high premium brand value for our clients.

**Credit Backing Entity:** In the current real estate market environment, credit backing become an important factor for homebuyers when considering a company. Through the group structure, Greentown Management's parent company has the credit backing of central enterprises. Meanwhile, Greentown Management has won high market reputation by years of sound operation performance, which help us to gain competitive advantage from the government, state-owned enterprises, and financial structure business.

**Client Resources:** For a construction management company, it not only owns client resource from the customer side, but also needs to maintain and develop resource from the business side. Greentown Management has served thousands of B-side clients with diversified business backgrounds. Combined with the accumulation of high-quality C-side clients in more than 200 cities nationwide under the Greentown brand, a solid foundation has been laid for the national development of Greentown Management's construction business.

**Team Capability:** As a service industry, construction management company needs to standardize its services while meeting the customized demand of clients. The core team of Greentown Management has years of experience in Greentown China and the construction industry. The team has excellent professionalism and expertise, adhere to the underlying service logics, and create value for clients with their management skills.

**Knowledge Structure:** With years of industry experience, Greentown Management has formed a comprehensive working standard and comprehensive knowledge system in the construction industry, which can further improve the development quality and operation efficiency. Greentown Management also has the discursive power to speak in terms of standardized industry output and future industry development.

**Supply Chain:** Supply chain represents the strategic cooperation resources, industrial chain, and ecological chain of a company. At present, Greentown Management has over 1,200 qualified suppliers, covering product, service, industry, and financial partners. By building development and service platforms, parties can channel and empower each other and promote value creation capabilities.

**Financial Synergy:** Construction management has the attribute of light asset and de-leveraging, while the real estate industry needs strong capital support. Matching financial institutions and capital forces for clients and projects in need and providing financial aggregation and infusion will become a major competitiveness of construction management companies in the future.



## 2 Corporate Honors in 2022

In 2022, we have won more than 20 TOP 1 industrial awards.

### Corporate Honors



Name of Award	Awarding Institution
<b>Company Management</b>	
TOP1 China real estate construction operation leading enterprise	China Index Academy
TOP1 Leading brand of real estate construction in China	
TOP1 Outstanding Enterprise of China Real Estate Listed Companies in Agency Construction Operation	
TOP1 Real Estate Development Enterprises in China	China Real Estate Association
TOP1 Comprehensive Strength of China's Real Estate Enterprises in Agency Construction Business	China Real Estate News
TOP1 Leading Brand of China Real Estate Construction Agency	
TOP1 China's Real Estate Construction Agency Management Excellence Performance list	Viewpoint Index Research Institute
TOP1 Leading Brand of China Real Estate Construction Agency	Phoenix.com
TOP1 Comprehensive Strength of China's Construction Service Providers	Yihan Intelligence
Top1 China Real Estate Agency Construction Comprehensive Ability	Kerry Property Research Institute
Leading Enterprise of Excellence in Agency Construction	Economic Observer
Influential Construction Management Operator in China	Leju Finance
Real Estate Construction Management Benchmark Enterprise	
<b>Investment value</b>	
2022 Annual Investment Value Award	GuruClub
2022 Most Valuable Investment Listed Company in Hong Kong and US Stocks	Sina Finance
2022 Best Hong Kong Stock Exchange Listed Company	Zhitong Finance
<b>Social Responsibility</b>	
Outstanding Contribution to Social Responsibility	Economic Observer
2022 Annual Humanistic Promotion Practitioner	

Name of Award	Awarding Institution
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Product category (partial)

The 19th China Civil Engineering Zhan Tianyou Award	China Civil Engineering Society
2022 Gold Engineering Award of the Science and Technology Award of the Chinese Society of Landscape Architecture	Chinese Society of Landscape Architecture
2022 AMP American Master Builder Award	Architecture MasterPrize Team
2022 Gold Award of TITAN Real Estate Awards, USA	International Association of Awards (IAA)
2021-2022 GHDA Global Habitat Design Award Gold Award	Global Habitat Design Awards Organizing Committee
2022 Gold Award of NDA Design Competition, France	Novum Design Award, France
2022 London Design Awards	London Design Awards
2022 MUSE Design Gold Award, USA	International Association of Awards (IAA)
The 2nd AHLA Asia Habitat Landscape Award	AHLA Asia Habitat Landscape Awards Committee

Human Resources

Hrflag OneFLAG Awards - 2022 Human Resource Management Team of the Year	Hrflag
Hrflag OneFLAG Awards - 2023 Human Resource Management Project of the Year	
2022 Gold Award of National Enterprise Learning Design Competition	CSTD
2022 Extraordinary Employer of the Year in Zhejiang Province	TongdaoLiepinGroup
2022 Human Resource Management Excellence Award	JOBS
2022 Treasure Star Employer Live Awards Multicultural Award	Zhaopin Limited
2022 China Talent Management Practice Award Talent Driven Best Practice Award	SHL
AI Quality Workplace 2022 Digital Workplace Shaping Award	Shanghai Development and Research Foundation of Modern Service
AI Quality Workplace 2022 Excellence Award	
AI Quality Workplace 2022 Repeat Certification Award Excellence Growth Win-Win Award	

# Analysis of Material ESG Issues

## Identifying, Evaluating and Prioritizing Material Issues

To fully understand the expectations of all stakeholders of Greentown Management, the Company sorts out and identifies material sustainability issues with a significant impact on Greentown Management and its stakeholders, following HKEX's ESG Reporting Guide and combining internal and external communications and discussions, and includes all material issues in this ESG Report. These issues help to develop risk management strategy at the Company level and ensure that the Company effectively addresses the major concerns of stakeholders. The Company prioritizes the identified material issues following the principle of materiality. The identified material issues are ranked based on Stakeholder-Corporate Materiality Model and approved by the management. The results are as followed:



## Stakeholder Communication

We attach great importance to listening to the voices of stakeholders, and actively incorporate their requirements and expectations into corporate strategy and planning to optimize corporate decision-making. Based on the Company's business characteristics and operational features, Greentown Management has identified the Company's key stakeholders, including owners, employees, shareholders, partners, government and regulators, communities and the public. The Company has set up different communication channels for stakeholders to maintain regular close communication, so as to ensure that substantive issues of concern to stakeholders are fully concerned and considered. Through the regular participation of various stakeholders, the views of various stakeholders are fully taken into account when the Company makes decisions and reviews the Company's management priorities and performance. We also disclose key data to respond to the concerns of stakeholders.

Stakeholders	Concerns	Response of Greentown Management	Main Communication Channels
Owners	<ul style="list-style-type: none"> <li>• Quality management</li> <li>• Customer service quality</li> </ul>	<ul style="list-style-type: none"> <li>✓ Product power</li> <li>✓ Service capability</li> </ul>	<ul style="list-style-type: none"> <li>✓ Owner service</li> <li>✓ Daily operation/communication</li> <li>✓ Company website</li> <li>✓ Customer service</li> </ul>
Employees	<ul style="list-style-type: none"> <li>• Occupational health and safety</li> <li>• Training and development</li> <li>• Employment standards</li> <li>• Compensation and incentives</li> <li>• Employee care</li> </ul>	<ul style="list-style-type: none"> <li>✓ Employment and labor policy</li> <li>✓ Employee rights and benefits</li> <li>✓ Employ Health and Safety</li> <li>✓ Employee care</li> <li>✓ Professional talent development</li> <li>✓ Promote talent employment</li> </ul>	<ul style="list-style-type: none"> <li>✓ Team building activities</li> <li>✓ Staff training</li> <li>✓ Performance evaluation</li> <li>✓ Employee complaint mailbox</li> <li>✓ Exit interview</li> <li>✓ Other regular communication channels</li> </ul>
Shareholders	<ul style="list-style-type: none"> <li>• Operational compliance</li> <li>• Quality management</li> <li>• R&amp;D and innovation</li> <li>• Customer service quality</li> <li>• Sustainable development</li> </ul>	<ul style="list-style-type: none"> <li>✓ Compliance operation</li> <li>✓ Product power</li> <li>✓ Service capability</li> <li>✓ Sustainable development management</li> </ul>	<ul style="list-style-type: none"> <li>✓ General meeting with Shareholders</li> <li>✓ Investor roadshow</li> <li>✓ Interim and annual results conference</li> <li>✓ Business progress telephone conference</li> <li>✓ Brokerage strategy conference or forum</li> <li>✓ Company website</li> <li>✓ Results announcement</li> <li>✓ Interim and annual financial reports</li> <li>✓ Other information disclosure</li> </ul>
Partners	<ul style="list-style-type: none"> <li>• Supply chain management</li> <li>• Win-win industry</li> </ul>	<ul style="list-style-type: none"> <li>✓ Supplier management</li> <li>✓ Asset-light alliance</li> <li>✓ Promoting industry development</li> </ul>	<ul style="list-style-type: none"> <li>✓ Daily operation</li> <li>✓ Supplier access and evaluation</li> <li>✓ Conference</li> </ul>
Government and Regulators	<ul style="list-style-type: none"> <li>• Operational compliance</li> <li>• Promoting "Common Prosperity"</li> <li>• Emissions management</li> </ul>	<ul style="list-style-type: none"> <li>✓ Compliance operation</li> <li>✓ Social responsibility</li> <li>✓ Green buildings</li> </ul>	<ul style="list-style-type: none"> <li>✓ Regulatory communication</li> <li>✓ Professional forum</li> <li>✓ Compliance report</li> <li>✓ Conference and visit</li> </ul>
Communities and The Public	<ul style="list-style-type: none"> <li>• Emissions management</li> <li>• Energy saving and environmental protection</li> <li>• Public welfare</li> </ul>	<ul style="list-style-type: none"> <li>✓ Green offices</li> <li>✓ Public welfare</li> <li>✓ Pull together to Walk through the Pandemic</li> </ul>	<ul style="list-style-type: none"> <li>✓ Community activities</li> <li>✓ Public welfare activities</li> </ul>

# Stakeholder Culture (Five-dimensional Groups)

We place great emphasis on building and nurturing a stakeholder culture. We are committed to creating an ecological platform of "co-creating value and sharing benefits" for clients, owners, suppliers, employees and investors ("Five-dimensional Groups") who make up our business community. The Five-dimensional Groups coordinate and cooperate in order to achieve their respective goals, mutual benefit and win-win results.

Our goals are as following:

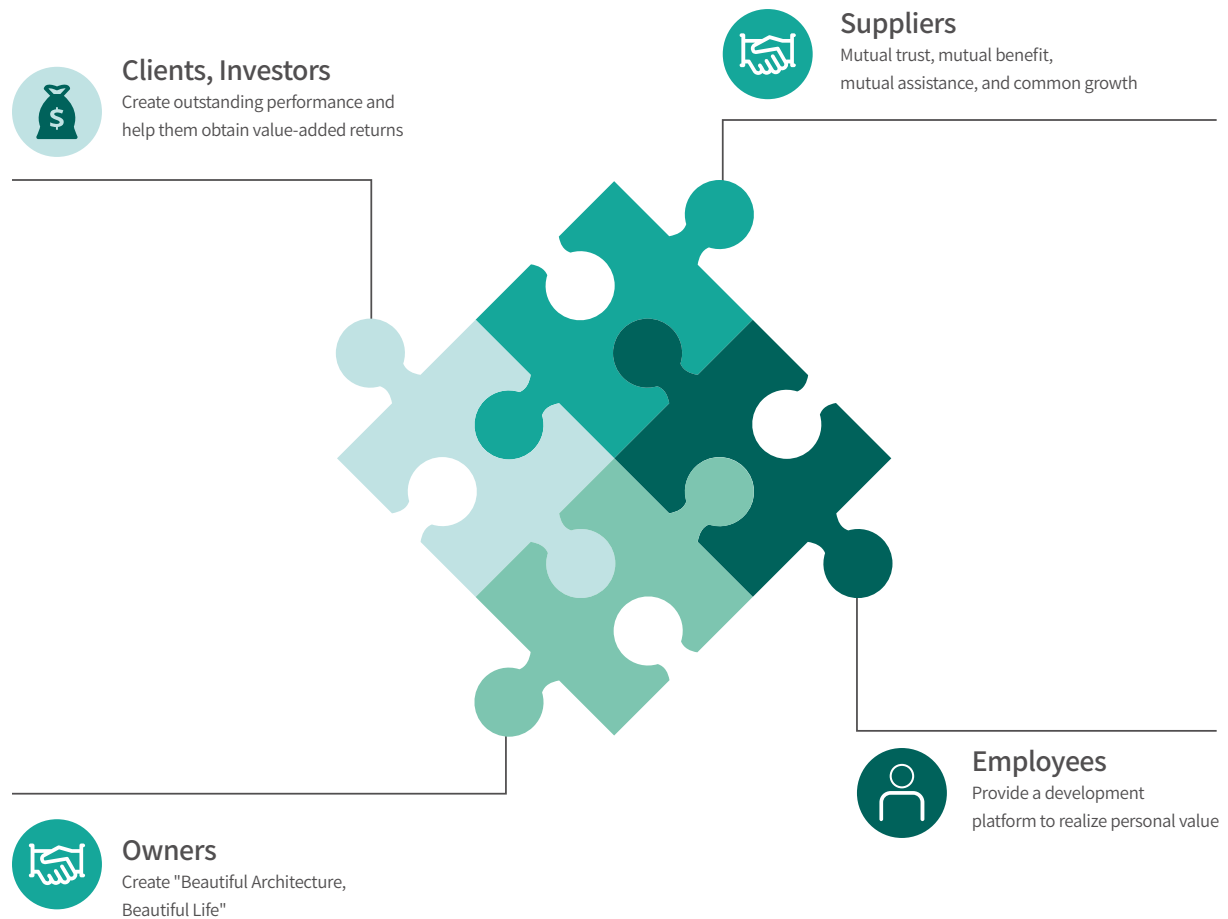


Image: The Goal of Building the Five-dimensional Groups

# Special Reports

## Special Report 1: Actively Carry Out the Mission of "Guaranteeing the Delivery of Buildings"

In 2022, real estate continued to fluctuate. As some branded real estate enterprises have been thundering, "guaranteeing the delivery of buildings" has become an important grasp to maintain the stability of the industry and society. On July 28, at the meeting of the Central Politburo, the "guaranteeing the delivery of buildings" was written in the Politburo document for the first time, which has become the top priority of the real estate industry at the moment.

On the one hand, to play a due role in "guaranteeing the delivery of buildings" is the right thing for enterprises to practice their social mission; on the other hand, the incremental market space brought by "guaranteeing the delivery of buildings" can fully promote the development of capital construction management business. According to the research report of CITIC Investment, the scale of non-performing projects will reach 932.5 billion yuan in 2022 and based on the 4% construction management fee charged for each construction management project, the market expansion brought by capital construction management is expected to be about 37.3 billion yuan.

Based on the above background, Greentown Management proposed "capital construction management" as an important part of the "3+3" business model at the beginning of 2022 and took an active role in "guaranteed building delivery", striving to achieve a win-win situation for all participants.

### 1 Diversified Model

In the context of many real estate enterprises suffering from broken capital chains, credit collapse and late delivery, financial institutions are increasingly involved in the disposal of non-performing assets, therefore relief projects require multi-dimensional services such as asset restructuring, brand renewal, team optimization and supply chain restructuring.

With its strong credit and brand endorsement, professional development team and supply chain resources, Greentown Management serves various financial institutions and capitalists, helping them explore front-end investment opportunities, realize mid-range value realization and integrate back-end operation capabilities. At present, it has landed dozens of different types of capital construction management projects.



**In the pre-distressed stage of the project,** COFCO Trust, the former financing institution of Evergrande Jiangyin project, chose Greentown Management to carry out the subsequent development and management of the project after obtaining the actual controlling right. Greentown Management systematically sorted out the project, reorganized and planned the operation ideas, assisted the entrusted party to conduct a detailed inventory of the project assets and liabilities, actively responded to government requirements and owners' demands, completed the system construction management, and realized the design and display surface replacement. These efforts provided a reliable basis for the principal to further acquire the remaining equity. At the same time, the management team of Greentown actively communicated with various supplier units, then collaborated with the commissioning party to communicate with the government, and finally allocated funds of about 50 million before the Spring Festival to solve the problems of migrant workers' wages and some suppliers' arrears, laying the foundation for timely resumption of work and production, at last effectively resolving social conflicts. At present, the renewal work of the project is steadily progressing.

**In the midst of the project's delinquency,** Greentown Management was entrusted by the relevant capitalists to provide construction management services for the Aoyuan Guangzhou Yunhe Mansion project, promoting the smooth operation and delivery of the project in terms of brand renewal, product upgrade and supply chain restructuring, in order to achieve a win-win situation for the principal financial institution, the original developer Aoyuan Group, the owner, the supply chain enterprises and the government.

**In the late stage of the project,** Greentown Management was commissioned by a state-owned enterprise in Tangshan, Hebei Province, to provide follow-up construction management services for the local bankruptcy reorganization project Tangmen Yipin. This state-owned enterprise has participated in local bankruptcy restructuring for many times and has rich experience and successful cases, but the overall management ability is not enough, so Greentown Management was introduced to complete the construction management of the project mainly by leveraging its professional development management ability. In Liuzhou, Guangxi, Greentown Management responded to the recruitment of Liuzhou Intermediate People's Court and actively docked with the bankruptcy administrator to participate in the reorganization plan after the bankruptcy of Guangxi Kantang Investment Development Co.

## 2 Multi-party Empowerment

After Greentown Management intervenes in the non-performing relief projects, it actively plays pre-investment risk control and post-investment management functions, accelerates the release of project liquidity, resolves social conflicts by promoting the resumption of work and production, secures project delivery, boosts market confidence, and realizes non-performing assets, which plays a multi-win role.



**For financial institutions**—through brand renewal and restarting sales, Greentown Management can activate the endogenous cash flow of projects and accelerate sales recovery to recover investment; at the same time, it can take this opportunity to create a sample of the treatment of out-of-risk claims and better develop the disposal business of housing and land-related non-performing assets.

**To the real estate enterprises in danger**—Greentown Management can reconstruct credit for them and smoothly promote the resumption of projects; at the same time, Greentown Management's brand image and market reputation can help Aoyuan establish a positive image of actively promoting projects to get out of trouble and reduce negative public opinion.

**For home buyers**—Greentown Management can, on the one hand, promote the restart of the project, facilitate the resumption of construction management and production, strive for timely delivery, and relieve home buyers of the risk of asset loss; on the other hand, it can also realize the future value-added of the property through the support of Greentown brand and product quality.

**To supply chain enterprises**—With strong strategic cooperation resources, Greentown Management can fully understand the needs of supply chain enterprises in the process of construction management services, coordinate timely payment for construction management projects, and help general contractors and subcontractors improve their quality control capabilities and promote their growth.

**To the local government**—Greentown Management participates in the construction management and development of troubled enterprises and relief projects, which can effectively avoid various conflicts brought about by the failure to deliver the property, activate social and economic production, and maintain social harmony and stability.

## Innovation Model

As the decentralization of the real estate investment side becomes more and more obvious, financial institutions' projects involving real estate and land are gradually extending from non-performing relief to self-investment and financing. Greentown Management fully grasps the market opportunities and actively engages with capitalists in more business areas.

**In terms of undertaking active investment by financial institutions**, Greentown Management has docked with financial institutions at the project hook-up and financing stages, front-locking the construction management business, and has now landed two major projects with North Valley Assets in Wenzhou and Yiwu, Zhejiang.

**In terms of setting up a financial service platform**, Greentown Management actively provides financial aggregation services for projects with financing needs. To this end, Greentown Management has also explored the establishment of joint ventures with various types of capitalists to land projects in bulk and has now completed the signing of cooperation with Xishen Capital, North Valley Finance, Qianhai Runhe and other institutions.

In October 2022, Greentown Management was the first to form a consortium with Jiangyin City Investment Company and COFCO Trust to pick a land plot in Wuxi in the form of shareholding, further broadening the construction management track and improving the business development model in response to the market situation. In November, Greentown Management and Wuxi local urban investment company again acquired the land in the form of a consortium and equity proxy, and Greentown Management will be responsible for the whole process of the project management services and charge the construction management fee.

For the construction management agent, the initiative to participate in the local urban investment and capital-led investment in market-oriented commercial housing construction management will help broaden the construction management track and innovate a new model of real estate development; for local urban investment companies, the model not only undertakes the mission of local finance and urban construction management, but also introduces professional construction management compa-



nies to improve the quality of local living and help renew the urban interface; for financial institutions, through professional construction management companies to find high-quality targets, combined with the government credit of urban investment companies, can obtain stable investment returns, while accumulating more experience in the disposal of non-performing projects involving housing and land.

Under this cooperation model, Greentown Management, financial institutions and urban investment companies each have their own roles and complementary advantages. This multi-win development model, which provides high-quality housing for owners, creates economic benefits for each entity, and contributes to social stability and sound development of the industry, may become a mainstream development direction for real estate in China in the future.

## Special Report 2: Facilitate the Change of Real Estate Development Model

At the Central Economic Work Conference at the end of 2022, "promoting a smooth transition to a new development model for the real estate industry" was reiterated. Under the combined effect of the common prosperity policy agenda and the general trend of real estate de-financialization, a new development model is growing. Many media predicted that in the future, real estate will be in recovery to a new model of smooth transition.

### Key Findings

With its asset-light, anti-cyclical and low debt attributes, construction management enterprises have become an important strategic layout direction in the current real estate adjustment cycle. As a pioneer and leader in the industry, Greentown Management has provided important exploration and valuable experience for the healthy and prosperous development of the construction management industry.

Referring to the high division of labor among the four segments of real estate development: investor, developer, contractor and operator under the European and American business models, Greentown Management has concluded that the previous pattern of real estate investment in China dominated by head enterprises will be broken and gradually transformed to be completed by the government, state-owned enterprises, central enterprises, urban investment companies, financial institutions and equity investment funds. Coupled with the distributed structure of the real estate consumption side, the construction management model will become an important ecological platform linking the investment side and the consumption side in the future as a development and service platform business model, relying on professional development and management capabilities.

Based on this, Greentown Management has upgraded its business model and optimized its client structure on the basis of its asset-light strategic layout, forming a "3+3" business model with three complementary services (financial services, industrial city services and industrial chain services) overlaid on top of three main businesses (government construction management, commercial construction management and capital construction management).

## 2 Model Innovation

In recent years, the government has been emphasizing the policy keynote of "no speculation in housing" and "rent-to-own", and Greentown Management has responded to the policy and seized the opportunity by managing government construction management, intervening in the construction management of various new businesses such as public rental housing, shared ownership housing and talent apartments on the basis of traditional resettlement housing, as well as plowing into the construction management of industrial parks, industrial-city integration and municipal support services.

In terms of commercial construction management, as the proportion of land acquisition by state-owned central enterprises and local urban investment platforms has increased drastically and has been transferred to the substantive development stage, Greentown Management has actively optimized its client structure and become the main contractor of real estate business for many state-owned central enterprises and urban investment platforms by virtue of its professional development capability.

In terms of capital construction management, under the main theme of "guaranteeing the delivery of buildings", Greentown Management has not only intervened in various stages of non-performing relief projects, but also actively explored the direction of active investment by financial institutions and provided financial collocation services. Up to now, Greentown Management has taken the lead in the industry to land a number of capital construction management projects such as Jiangyin Evergrande Mansion and Aoyuan Guangzhou Yunhe Mansion and has opened strategic cooperation with a number of AMCs and financial institutions.

In addition, in October and November 2022, Greentown Management formed a consortium with Jiangyin Urban Development Group and Wuxi Local Urban Investment Company respectively to acquire land for development in the form of shareholding, actively exploring a new model for future real estate development.

## 3 Industry Co-Prosperity

With its asset-light, anti-cyclical and low debt qualities, the construction management agency has attracted many branded real estate enterprises to strategically lay out during the current round of industry fluctuations, and according to incomplete statistics, more than 40 top 100 real estate enterprises have announced their entry into the construction management agency. With the "blowout" development of the industry, as the leader of the industry and the initiator of the asset-light alliance, Greentown Management is deeply obliged and responsible for organizing industry exchanges and mutual assistance, maintaining healthy competition order and contributing to the healthy development of the industry.

On November 11, 2022, the "Light Era - Light Asset Alliance Seminar" led by Greentown Management was successfully held in Hangzhou, with over 20 construction management companies, commissioners, financial institutions and industry experts attending. The seminar focused on the market environment, industry opportunities, corporate competition, development pain points and other issues of concern to discuss the development of the industry and the future of the alliance.

Li Jun, CEO of Greentown Management, said that in the future, the Alliance will continue to play the role of a platform to promote the value of the industry and enhance the influence and attention of the industry by organizing internal learning and communication, orderly publicity and voice; and the Alliance will rely on the comparative advantages of the members to complement each other's capabilities and form synergies and build an ecological platform to promote the industry's "common construction management, sharing and common prosperity" development.

# Special Report 3: Conversation with Leaders: Greentown Construction Management is not just a Good Fortune

(This article is the full text of an interview with Li Jun, Executive Director and CEO of Greentown Management, by Chen Yueqin of The Economic Observer in December 2022)

Before the Spring Festival, when most real estate companies are busy with project payments, year-end summaries and financial report stocktaking, Li Jun, CEO of Greentown Management, has a much lighter pace of work - busy with bonus payments.

In 2022, Greentown Management's performance hit a historical peak. Without constituting a capital market disclosure guideline, Li Jun revealed the approximate growth of several key indicators: financial data to meet the guidance to investors, and the scale of orders on hand for the construction management business exceeded 100 million square meters - the first Chinese construction management company to reach "100 million square meters" in total contracted floor area.

During the two-and-a-half-hour conversation, Li Jun tried to clarify some misconceptions about the construction management industry - there is no inevitable causal relationship between a good product and a good construction management; having project development experience does not necessarily mean you can do construction management. There is no greater misunderstanding than that people attribute the prosperous performance of the construction management to the "good fortune" of the company and stepping on the wind.

Li Jun and Greentown Management, have the absolute qualification to say to the new entrant players: we have experienced more difficulties in the generation track than the stories you have heard.

In 2010, Li Jun was in charge of Greentown's first commercial construction management project. Starting from this project, Li Jun figured out the different management ideas of construction management and heavy asset investment, so he led the establishment of Greentown Management Group, which was listed in July 2020 and became the "first construction management stock".

Putting Greentown Management into a larger axis, perhaps

we can better see its contradictory points: it has a leading position in the construction management industry, but it is still a service company, with many "in-laws" to serve and respecting the right to speak of the commissioning party; it is a part of the property development chain, but the corporate culture is very different from that of traditional real estate companies - real estate companies need to centralize their power and authority because of the scarcity of resources, while Li Jun prefers to run Greentown Management as an Internet company, deploying its capabilities in the front line through distributed management and welcoming employees to shoot bricks at leisure by holding trolling conferences.

At the same time, Li Jun always takes bringing returns to the principal as the primary goal and guideline of the construction management, and clearly positions Greentown Management as a GP (general partner), responsible for management and operation, and never adds financial leverage. He said that Greentown Management insists on being a purely asset-light service provider, relying on its ability to make money, to make longer-term money, to make more valuable money.

## 01 Good Fortune of Construction Management in 2022

**Economic Observer: Compared with real estate companies, what indicators are more important within Greentown Management? For example, revenue, profit margin, ROE, operating cash flow, generation fee, area under construction management, etc.**

**Li Jun:** There are several core data, the first is the service area, that is, the size of the order in hand. This is a bit like a property company, all the services need a scene, the more scenes, the larger the area, the higher the possibility of charging. Orders in hand is a very important indicator.

The second is profit growth, because asset-light companies do not need investment and we are all service revenue, so profit growth cannot explode all of a sudden. However, in the past three years since listing, our net profit has maintained a compound growth rate of more than 30%, which is a reflection of the company's internal management

and team capabilities.

For a construction management company, ROE is meaningless. Because we are not capital driven, the business has net cash flow every day and can do just one thing to make ROE infinite, which is to pay out all the cash on the books to pay out dividends.

The third indicator is operating cash flow. We have achieved close to 100% conversion of operating cash flow and net profit in the past few years, which shows that the business model of Diebold has huge operational advantages compared with the original asset-heavy model, which is a descending blow to traditional real estate enterprises.

**Economic Observer: Greentown Management has fluctuated up since its listing in July 2020, especially in January-February and August-September 2022 when it rose significantly, reaching a peak of HK\$7.2 per share and a P/E ratio of over 20 times. The stock price has come out of a very different curve from that of real estate companies. What is the connection between construction management and property development in terms of capital market performance, reflected by the same frequency of policy influence or the opposite?**

**Li Jun:** The construction management does exhibit counter-cyclical properties, especially in these two years, the real estate companies' performance burst, the capital market performance is poor, but the light asset model ushered in the rise.

There are a lot of market data to prove that, for example, when real estate investment contracts, the number of orders received for the construction management business will rise instead. Because the original market is very good when the landowners are doing their own work, they can sell even have to do housing lottery. But when real estate is down there is pressure to find a professional team to help develop it, preferably with brand advantages and financing facilities.

In the past few years, under macro-control, there is a windfall effect in the real estate asset-light construction management model. Greentown Management also has two major growth poles, one is the construction management business after the land acquisition by urban investment companies, and the other is the guaranteed delivery of buildings and delivery of some relief projects.

Therefore, in 2022, when the investment side of real estate

and the market side are down, the share price of Greentown Management rises instead, with very obvious counter-cyclical properties.

However, construction management is still affected by the general real estate environment, mainly on the sales side. So in 2022 we also made some trade-offs and transformations in our business, increasing the expansion and undertaking of government-type business because it does not have to be sold.

We don't particularly care about market value. In fact, many people have not yet understood the business model of Greentown Management, the construction management business model is still in the stage of enlightenment, it does not make much sense to talk about valuation now, it is more important to see how long the track is and how thick the snow is.

**Economic Observer: The same real estate diversification business, the capital market performance of 2022 Era Construction management and property companies are also quite different.**

**Li Jun:** Many investors will compare construction management and property companies, in fact, the internal logic is not the same. With the common prosperity and income growth requirements, the property companies' gross profit level will instead decline, because the rise in labor costs is rigid, but the property rate growth is very difficult. Agency companies are able to resist inflation because agency fee income goes with asset prices at the same time. Our fee collection model is a few points of project sales, and agency income grows with economic development and housing price growth, so the underlying logic of the two is different.

Another important reason is related transactions. Most property companies are subordinate companies of property companies, and most of their business sources also come from the parent company, so they are greatly affected by the performance fluctuations of the parent company. But we are different, all the sources of our construction management business are independent third parties, and we have even completed a national business layout, and the structure of our principals is also diversified, so that we can ensure that we can reduce the impact in the fluctuation and structural differentiation of the real estate market, and we can transfer our capacity to government protection type construction management projects when the market sales are down, and

we can increase the undertaking of non-performing projects when traditional real estate companies are in trouble.

**Economic Observer: Wei Jie, a professor at Tsinghua University, mentioned that in the future, real estate will include three sub-sectors: construction management real estate, which builds houses; management real estate, such as property; and financial real estate, which helps owners operate their assets. Construction management agency should belong to a sub-sector of construction management real estate. What do you think about this track of agency construction management?**

**Li Jun:** We judge that China's real estate will have a downward cycle, and the scale will stabilize at about 10 trillion yuan in the medium term, and there will be structural changes in this process, and three types of business opportunities will be formed.

The first category is the government-led protection of rental properties, to solve the housing problems of low-income people, new citizens, to take the Singapore model, this type of new supply will account for more than 30%. At the same time, more local urban investment companies down to take land, these projects later need professional development capacity to undertake.

The second category is the current relief type of business, as well as the future active real estate investment by some financial institutions. But the current return on REITs is too low, far below the cost of financing for real estate companies, also requires policies on taxation and other aspects to support. Once the policy is favorable and then increased, some equity-based investment funds from inside and outside the country will flood in, such as the allocation of real estate insurance capital, which must do some active asset allocation to fight inflation. This kind of investors will need professional construction management services. This piece, we think the future will account for 20%.

The third category, the remaining 50% of the market size will be dominated by the traditional development model of state-owned central enterprises, such as China Shipping, Poly, etc., the head of the central state-owned enterprises to form a clustering effect, private real estate enterprises will also face the process of shrinking the table.

Based on the above three types of business, 30%-50% of

China's real estate development projects will need professional construction management service providers in the future, which means that the industry penetration rate of construction management will reach 30%-50%.

**Economic Observer: There is a boom in the industry to enter the construction management segment in 2022. Many new entrants may reduce their management rates, and early on may enter strategically without regard to profit. Does this have an impact on you?**

**Li Jun:** In the past three years since listing, our construction management rate has remained basically stable. Looking at our operating results, both gross and net profit levels are rising, indicating that price competition from new entrant players is not affecting us much.

On the contrary, because of our leading position in the industry, we can select quality customers, such as these years we can also receive Hangzhou, Shanghai better construction management projects, we focus on higher-end customers, rather than lowering prices like Pinduoduo.

Now there are indeed some new players in the market to compete with low rates, perhaps because their parent company's credit is damaged or the team is overstretched and eager to find a construction management project, or perhaps because some investors are particularly sensitive to construction management fees because of their meager profits. In response to these situations, we will take the initiative to give up, because let the construction management company of different levels can survive, is the basis of the prosperity of this industry.

To this end, we have also taken the lead in forming the Generation Light Assets Alliance, where we exchange experiences, speak out together, discuss industry standards and maintain industry stability. In short, we are not worried about competition, we welcome it.

## 02 Not just Good Fortune

**Economic Observer: Over the past year, the central government has introduced multiple countermeasures in real estate, such as increasing the construction management of subsidized housing and low-cost housing; solving the problem of relieving enterprises that have liquidity problems; and ensuring the delivery**

**of buildings and solving the problem of rotten buildings. All these countermeasures precisely fit the three main businesses managed by Greentown Management: government construction management, commercial construction management and capital construction management.**

**Li Jun:** It's not that these countermeasures hit us, but that we have made some business restructuring in advance of the real estate industry changes.

During the roadshow of 2021 interim report, investors asked why the growth rate of Xintuo's construction management fee in the first half of the year was flat compared to the previous year, instead of faster growth.

I replied at that time that it was because we controlled the commercial construction management business undertaken by small and medium-sized developers and gave special incentives to the government for the construction management of housing business. Soon, in the second half of 2021, the real estate market entered a period of regulation, and sales of commercial construction management projects began to have problems, thus affecting construction management's income. However, unlike Greentown Management, because of the early restructuring, the government-type construction management projects undertaken in 2021 increased by 500% year-on-year, so in the first half of 2022, the revenue of our government construction management business increased by 70%, making up for the decline gap in revenue from commercial construction management.

Therefore, it is not the case that a company takes on a certain type of business only when a certain policy is favorable, but the result of a proactive adjustment strategy.

**Economic Observer: Why was it possible to predict in advance that government construction management and distressed project relief would be released and choose to shed the business of small and medium-sized developers?**

**Li Jun:** From the results, we adjusted our business layout about a year earlier than our peers, and from the first half of 2021, we foresaw the imminent release of government construction management business, while raising a very high threshold for small and medium-sized developers.

The reason behind this is that we start from the health of the companies and capitalists behind all principals, rather than

looking at lagging market sales data. The main body of the commissioning business is a piece of land, but the capitalists behind it may be individuals or companies engaged in the real economy, not necessarily in real estate, but perhaps in trade, the Internet, or the manufacturing industry. When we talk to the principal, we will care about how their business is doing. In fact, the first half of 2021, the economic downturn has already had its first signs.

What we feel is not the coldness of the real estate market, but the fundamentals of the economy.

Currently, Greentown Management serves 460 groups of clients, and has historically served close to 1,000 groups. Our clients come from all interfaces of the social economy, which is somewhat different from the real estate logic. Because the rebound of real estate is a little slower than the rebound of the economy, and the fall will be a little later, the rhythm is different.

As an example, we very strictly controlled the new expansion of small and medium-sized developer business at the beginning of 2021, when many real estate companies were still buying in the land market and the M&A market.

It's hard for me to illustrate this change with a few certain data items, because the service industry is close to the service, so it will be a bit more sensitive. For example, sometimes it's a little difficult to collect construction management fees, and there must be a reason behind it. If the collections are very good and people are very quick to pay for construction management, it means the economy is starting to turn around.

**Economic Observer: Is the initiative to reduce the proportion of commercial construction management business expansion for small and medium-sized developers related to the double concentration of land supply in the first half of 2021 and the fact that it is mainly large developers who take up land in the land market?**

**Li Jun:** No, we seldom provide services for the entrusted party of the auction. Because during the auction process, land prices and profits have been very high. Especially in 2020 and 2021, everyone's profit is already very low, so if you ask me to do the construction management, you have to add another cost item, and you can't calculate it.

We mainly serve two types of clients, one is the projects with larger land dividends taken in the early stage, and we

maximize the value; the second type is the land taken by state-owned urban investment companies and relief type projects, which is to solve the cash problem, not the profit problem.

Therefore, we are on two different routes from the auction market, and both of them add up to a more complete market. In the past year or so, the urban investment business is special, we understand it also as a non-performing project, it has no way to develop the stock of land in its hands and needs to be relieved, also needs us to realize the project.

**Economic Observer: After earlier realizing that there might be a blowout from government and urban investment projects and distressed relief projects, how did you adjust the incentive mechanism?**

**Li Jun:** We have a clear internal expansion assessment and incentive methods, for all the expansion system, including development centers, regional companies and cooperation platform companies, if the expansion of state-owned enterprises projects, I will give you extra points; expansion of relief projects will give you incentives.

In fact, we have adopted the relevant policies in 2021, and all the achievements we achieve today are the result of proactive choices.

Among the three main businesses, the fastest growing is capital construction management, with the fastest growth in non-performing relief projects rising rapidly from single digits in 2022; the commercial construction management business is not growing as fast, but still contributes the largest revenue in absolute terms because historically it has been much larger in volume.

In addition, the government construction management business is also increasing its revenue share, accounting for 30% in the 2022 half-year, compared to 25% in the same period in 2021.

**Economic Observer: What is the difference between a government-built project and a capital-built project?**

**Li Jun:** These are two different types of business, government business expansion cycle will be slower, but the difficulty will be lower. Government business requires more compliance and procedural, and the implementation process after entering the field is relatively easy; capital construction management and distressed relief business is

very difficult, especially the early negotiations are extremely difficult, and the overall ability of the construction management company is highly demanding, and the original development logic is completely different.

As an example, the original government housing business is the simplest development management, the agency is actually the project manager (GP), to do a good job of site control. But to do capital business, we have to stand in the perspective of asset manager, to have financial resources, but also to be able to judge the debt relationship behind the debt, project delivery risk, etc..

### 03 State-owned Urban Investment Business

**Economic Observer: Since when is it obvious that there is a lot of government construction management and commercial construction management of state-owned enterprises and urban investment?**

**Li Jun:** Starting from June and July 2022, the city investment construction management projects began to release. City investment actually began to take land in the second half of 2021, but after the city investment land, it takes a long time to enter the development phase, including finding investment, choosing the construction management company, etc., all need to competitive negotiations or public bidding, there is a set of complex processes.

It takes at least six months for a city investment company to acquire land and enter the construction management cycle of the company. Unlike the original real estate companies can do the land acquisition in the morning, the afternoon into the site to start construction management.

In addition to the long process, there is another reason, the city investment company is also short of money, and underwritten land prices are generally high, so they have a relatively large pressure in the process of accounting and asset disposal.

**Economic Observer: What are the changes in the cooperation model among the construction management enterprise, the government and the state-owned enterprise city investment?**

**Li Jun:** We now help the city investment company to do the

construction management, will advance to the city investment company to get land. For example, in Jiangsu, we recently signed several projects are basically when urban investment companies ready to take land, we told him that if you want to take this piece of land, you need know how to do the front feasibility study, and we help him to make the development framework, investment plans, etc.

We will even help the CIC to convince the land department to optimize the conditions of the land offer so that the land can really make money. City investment company is also a business, it can't bear the loss without limit.

We also help CIC to do one more thing, which is to introduce investors. Because after we do the calculation, a piece of land can be profitable. At this time, financial institutions and strategic partners with whom we have a close relationship are willing to invest and provide financial support.

In this way, we form a "city investment company + construction management company + financial institutions" model, the three of us planned the entire profit chain of the development before we acquired the land. City investment is very easy, it is just a land acquisition subject, all the development is done by the construction management company, and the funds have financial institutions to match. We join hands to do the project up.

This is perhaps more in line with the topic mentioned earlier - the new development model of real estate in the future. No windfall profits for everyone, smooth operation, if there are excess profits left to the city investment company, left to the local government, the construction management enterprises in which only collect management fees.

#### **Economic Observer: Which cities have more government construction management and urban investment cooperation projects in 2022?**

**Li Jun:** At present, we have more government-type construction management business and urban investment cooperation in Zhejiang, Jiangsu, Guangdong, etc. There are reasons behind this. The first reason is that the local government's fiscal revenue is still good, otherwise there is no money no way; the second reason is that the government is more market-oriented, which is related to the awareness of government officials in power.

There is even an interesting phenomenon that in some cities we have not yet laid out, but the local government will take

the initiative to invite us to visit the construction management project. Later, he learned that the local government's chief official was an exchange of Zhejiang cadres in the past, and he knew very well that Greentown had many advantages in doing government protection business in Zhejiang.

We come to build protected housing and rental housing, in the end, the cost capability and completion of the settlement will save more than if they do it themselves. The product is well made, more cost effective, delivered on time and with our compliance process, we can help the government circumvent integrity issues in project development.

Finally, it is very important that after asking Greentown Management to do some protected housing and government-type properties, it can improve the quality of urban living and urban construction management, and it can improve the land value around the project, which is the brand effect brought by Greentown.

This is the logic of running a city, if only let to the relationship unit to develop, or let the government to set up an infrastructure office internal digestion, which may cause uncontrollable in time, cost and corruption may be more serious. The government-led development of property construction and the involvement of professional construction companies, which is benign for the whole society and industry.

#### **Economic Observer: How do you make a choice as the number of urban investment type customers and potential orders increase?**

**Li Jun:** The precondition for us to undertake the project is to create value for the commissioning party, and we must do premium overlay empowerment and finally go to the market to make money.

We will do due diligence on the practice of urban investment type principals, including some compliance processes, and even in turn will give some urban investment, state-owned enterprises compliance advice. Because when the final project settled, state-owned enterprises and audit process, which is to help them comply and to avoid our own business risks.

In addition, we also attach great importance to the financial situation of the city investment company. Because once the urban investment type of project is opened for sale, that is the local government is doing the endorsement, absolutely can not be delivered, otherwise the people to petition.



So, in the process of cooperation, if we encounter a city investment company without money, we are also trying to find out how to help them get liquidity support.

## 04 Non-performing Relief Projects

### **Economic Observer: What is the growth of the relief projects in 2022?**

**Li Jun:** This year's relief projects have grown significantly, with about 10% of the 8 billion yuan of construction management fees coming from relief projects. We judge that in the next two years, this business may also grow faster.

Industry analysts predict that the size of the project in distress at the moment is estimated at 300 million square meters, these projects ensure the delivery of the building. Some of these projects can save themselves, and some projects will be led by local governments or financial institutions due to the explosion of the original developer, the subsequent development and construction management of the project may require the presence of professional construction management companies.

### **Economic Observer: What are the threshold requirements for relief type projects?**

**Li Jun:** Relief projects are difficult to do, so the threshold is also higher.

First, the project's debts and liabilities should be clear. We prefer to talk with financial institutions because relief companies lack money, but we do not pay; financial institutions are not short of money but lack of development capacity, which is a natural match for us.

Second, the remaining saleable value of the project can cover the completion demand and the government has to release the regulatory account and the corresponding funds to be able to cover various construction management costs.

Third, the design and engineering quality of the product should meet the bottom-line requirements of Greentown. Because the subsequent customers are rushing to buy houses built by Greentown, if there is a problem with the quality after delivery, it will damage the brand of Greentown, which is a business that is not worth the loss.

Fourth, the relief project also needs to solve all kinds of

suppliers of money combing, there is a large economic dispute shall pay attention to its legal risks, the most difficult is to replace the construction management general contractor, subcontracting units, this time is not controllable.

Finally, if the relief project may have late delivery, we have to find the previous homeowners to sign the memorandum of understanding. But this part is relatively easy, many owners heard that Greentown came to do construction management project, to ensure delivery, will actively come to sign the agreement, and there are even project owners spontaneously pulling banners to welcome us into the field.

### **Economic Observer: You just mentioned that there are many prerequisites for taking on a relief project, so how long is the relief cycle for a project with a long pre-expansion or feasibility study phase?**

**Li Jun:** relief projects are different, some negotiation process lasts half a year, a year, at least 3 months or more. This requires meeting the five conditions mentioned earlier, but also includes specific negotiations of the construction management contract, and the legal aspects of various due diligence, and communication with local government departments, etc..

We must wait until we have a definite conclusion before we enter the market, otherwise the risk factor is high when we enter.

However, if all the risk items in the early stage are sorted out and effectively isolated, the action of Greentown Management is fast, we can select a team for the project characteristics and take over the project quickly, and the regular development management work is not difficult for us.

Among the relief projects that have partially completed development work, the real project management cycle is instead shortened, so delivery is faster, and the turnaround of our managers is more efficient.

## 05 The Low-profile Service Provider

### **Economic Observer: What are the differences in the demands made by the governments of eastern coastal cities, central and western cities and state-owned urban investment companies to the construction management companies?**

**Li Jun:** Let's discuss this topic in another way. Construction management is actually a service industry, we have an internal concept – Greentown Management is a climbing club, the purpose of the climbing club is to help customers climb, so that he can climb happily and come down alive. There are many coaches in this club, some of them are so competent that he climbs very fast on his own, and there are even coaches who can climb Everest without carrying oxygen bottles.

But we told him, you can't do that, you are going to accompany the client to the top of Mount Everest.

This process, at each different resupply point, to remind the customer to change equipment, carry oxygen bottles and other relief supplies, and then give him direction guidance.

Most importantly, we have to stay with our clients to come down safely. It's a completely different thing from being your own athlete before, just as it's a completely different thing from doing a construction management build and doing a heavy asset investment project.

Back to your question. For us, there is no distinction between thinking that customers in the east are better served and those in the west are harder to serve. The characteristics of the service industry dictate that: all who come are customers. So, our goal is to create a system that can meet the different needs of customers.

**Economic Observer: Talking about this, the more I appreciate the difference between construction management companies and traditional real estate companies, can you tell us specifically the difference between them?**

**Li Jun:** Let me give you an example of authority and anti-authority.

How do you become an authority? Behind authority is that you hold scarce resources or knowledge that others do not have. For traditional real estate companies, limited capital is scarce resources, how to invest properly requires professional knowledge and the latest information, so good real estate companies must centralize their power in investment, concentrate on resources, and need to build authority.

But Greentown Management as an anti-authority organization, we do not allow a particular person to hold special resources, but also to refine the knowledge of experts to

become the knowledge of the organization.

What way do we use? The company stipulates that executive have to give internal lectures every year, and every business division leader and expert on every functional line has to form your knowledge into courseware, and then into the company's standard system; then through standardization and information distribution, let front-line employees to become experts.

In Asian culture, it is easy to establish authority in a company, but difficult to counter it. I have no assistant, no secretary, no driver; I have served in the real estate industry for more than 20 years and still rent a house, eat cafeteria and order take-out like all the employees; every year, I hold a grievance meeting, all the front-line employees of the company can fire at me, and everyone can reach me first, without intermediate hierarchy.

I want to tell you that I am an ordinary employee in this company, only the position is different. By these means all team members and center heads also have no need to build authority.

Therefore, the whole organizational culture and authorization system as well as the standard of behavior of Greentown Management are anti-authority, which is what makes the service industry special.

Greentown Management to be more like an Internet company. Instead of having its servers in its headquarters, it makes many mirrors and lays them out close to its customers, all with the goal of speeding up service response, sometimes saving milliseconds to beat the competition.

Now many peers come in to do construction management, which still retaining the organizational culture and behavior of traditional real estate companies, and have not even understood this underlying logic, so they are not in the same competitive dimension as us.

**Economic Observer: As a first-generation construction management company, you already have a leading pool of advantageous resources, why do you still have to put your posture so low?**

**Li Jun:** We are the first because of the low posture. Each customer is different, some people love seafood, some people love Sichuan cuisine, I cannot say we only have noodles here, you love to eat or not.

Many people, including media interviews, will say that because Greentown's products are doing well, it is also doing well in construction management. I said, if you understand it this way, you are a little bit far from the real situation of construction management.

Construction management is really not because your product does well, nor because you fast turnaround, the key is to understand the needs of the commissioning party. In the past year or so, 80% of the plots taken by the city investment has not yet entered development, indicating that fast is not the first demand, but to comply with the requirements of the subject credit reciprocity, that credit bursting companies transformed to do construction management may have bottlenecks in this regard.

We have some principals, who are under financial pressure, and after bringing in Greentown Management to do the construction management, they can open up financing channels or get liquidity support through our aggregation. What he wants is our credit endorsement.

Even some commissioners are small and medium-sized developers, who are still doing multiple projects themselves, and only take out one project to ask us to build construction management, and then send 20 to 30 people to follow us to learn together. After this project is done, they will do the rest of the project by themselves. This construction management fee is equivalent to the training fee, so do we do it or not? Of course, we do.

It doesn't matter if our experience is learned and copied away. For Greentown Management, China's real estate development scene is big enough and there are enough opportunities for agency business. The more fundamental reason is that the main credit, team culture, knowledge system and supply chain resources we have accumulated for more than ten years cannot be learned away.

## 06 No Financial Leverage

**Economic Observer: You must have received many requests for co-financing from principals and financial institutions, how do you respond? Now there are a lot of real estate projects that require investment or small share manipulation, how does Greentown Management stick to the light asset model?**

**Li Jun:** It is the strategic choice of Greentown Management not to do equity investment in real estate projects.

First of all, the first principle of the spin-off of Greentown Management from Greentown China is the prohibition of interbanking, which means that after the spin-off, Greentown Management cannot do real estate investment business and Greentown China cannot do construction management business.

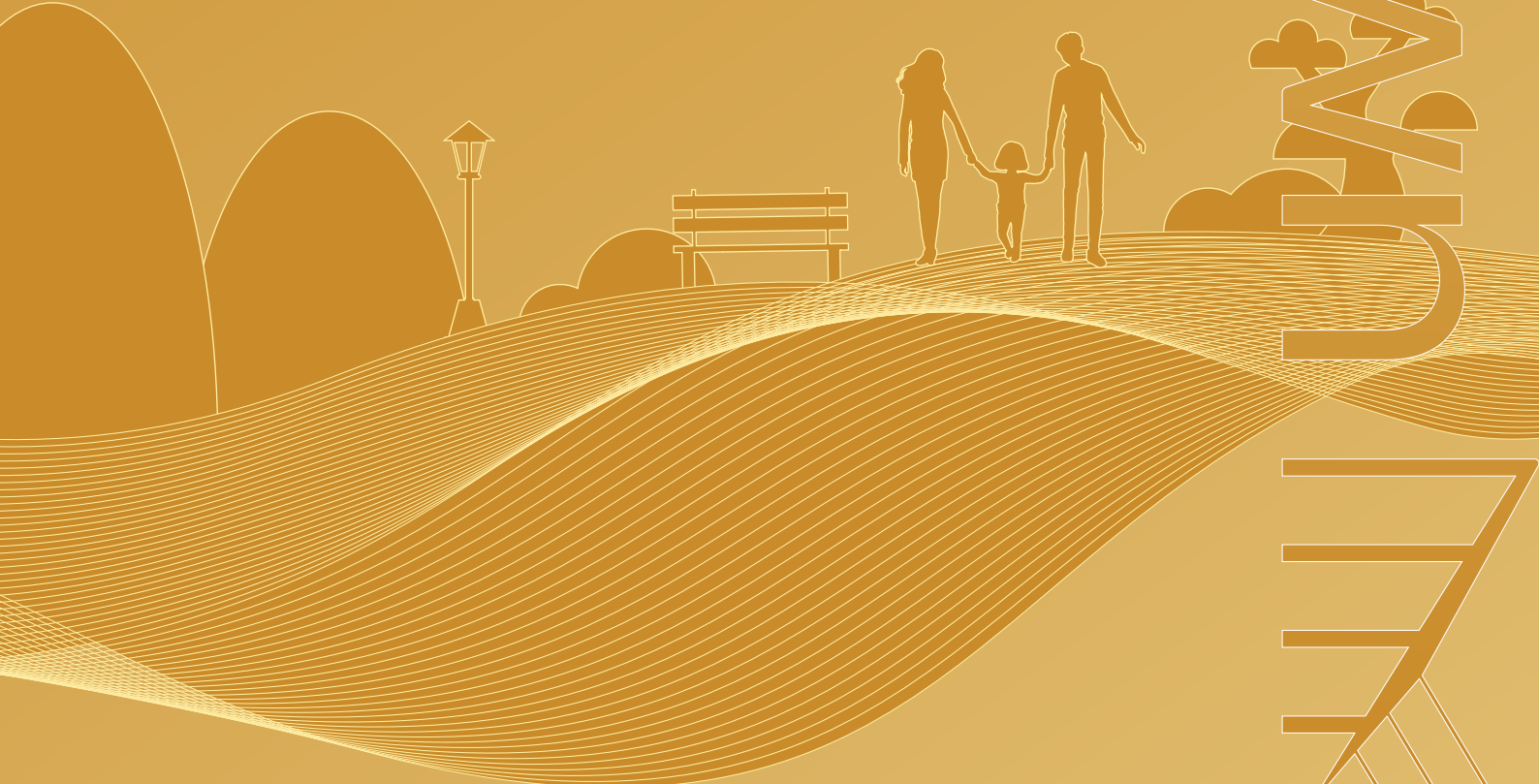
In 2010, Greentown was under regulatory pressure, just like many private real estate companies today, with shrinking investment scale and excess developed capacity. I took the initiative to go to my hometown in Wenzhou to do construction management project, that is, to work for people who had money and land. At that time, it was not because I saw the future of construction management, but because I was deeply aware that the business model of continuous leveraging in real estate had no future.

But the asset-light model has its advantages. In a country like China, with a large population and a residential stock of over 35 billion square meters, development services related to urban renewal and real estate are almost perpetual. A construction management company like Greentown Management is just a matter of doing more or less business. If there is more business, I will recruit people; if there is less business, I will reduce the number of staff. As long as you don't add leverage and eat on your ability, you can keep a long-term living.

There is one last reason: the capital market is more bullish on the asset-light model. Although the net profit of Greentown Management is not yet high, our valuation is not bad, with PE well above the average of real estate companies, so it is a company that is worth a lot of money.

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# I. Social Responsibility

Greentown Management has been deeply involved in the government construction sector for 18 years. Since Greentown Management joined in the reconstruction of urban villages in Jianggan District, Hangzhou in 2005, the Company has started exploring the construction of subsidized housing and diversified urban services and become the largest government construction service provider in China.

In recent years, under the "Common Prosperity" policy, both the national 14th Five-Year Plan and local policies have included the construction of subsidized housing as an important development goal. On the other hand, referring to the model of Hong Kong and Singapore, construction management is becoming an important contractor of government-led subsidized housing and urban services.



Under this background, Greentown Management has further consolidated its position as a government construction agent, accelerated its business expansion at nationwide-level. At the same time, we also respond to market demand and innovate and implement more business models of government construction. From the residence-improving traditional affordable housing, innovative affordable housing, such as military housing, public rental housing, houses with joint property rights, and talent rental housing, to public construction projects, such as schools, museums, municipal plazas, and industrial parks, Greentown Management has constantly updated the government project management pattern. Greentown Management also upholds the original intention of "building more quality houses for more people" and is persistently responsible for the cities, the people, and the history to create warm buildings, more prosperous cities, and a better society.



Image: Regional Layout of Greentown Management's Government Project Management Business in 2022

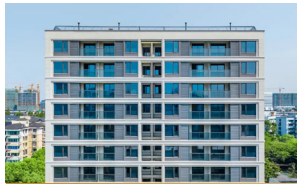
## 1 High-quality Resettlement Housing

Resettlement housing construction concerns people's vital interests and is essential for maintaining social stability. As the largest resettlement housing construction service provider in China, Greentown Management has been committed to building houses with higher quality, shorter construction periods and lower cost for the government, providing a solid guarantee for the government to smooth housing demolition and resettlement, and contributing to resolving problems concerning people's livelihood.

Greentown Management completed the following resettlement housing projects in 2022:



Hangzhou Kongjia Daihe House



Hangzhou Renxinya New Residence



Hangzhou Heanju



Dinghai Xinyuan Community



Jinhua Danjingyuan



Wenzhou Xiaou Jingyuan



Wenzhou Ouhai Lou Dong Jin Yuan



Wenzhou Hoyu Jiayuan

### (1) Quality First

Quality management has always been the "DNA" of Greentown Management. The Company integrates high-quality management into the whole process of engineering construction to ensure refined quality management. Greentown Management is committed to "ensuring delivery and building quality housing" for people and upholds the spirit of ingenuity to create a model of high-quality resettlement housing, leading the standards for building government-subsidized housing and overturning people's understanding of resettlement housing. The government and the public highly praise Greentown Management.

Greentown Management strictly follows the principle of "sample first." We build in advance "process samples," "physical samples," and "delivery samples" in 1/1 scale models and invite the government and indigenous people to conduct on-site inspection and evaluation of project quality. We ensure quality through visual construction. Then, the project personnel will conduct a detailed review, inspection, and acceptance of the physical, process, and delivery samples. The Company also regularly organizes national "Site Open Day" activities and invites third-party institutions to conduct unannounced inspections to ensure the execution of quality details. We implement "fine management" and create "intelligent sites." We make elaborate plans, inspect during implementation, and make a summary for improvement afterward to control construction quality throughout all links.

#### Case: Hangzhou Chen Wen Yuan

The project built 1,572 high-quality houses and combined modern facades, humanized landscapes, rational house layout designs with refined quality control to create a new ideal home for indigenous people. The project implemented systematic fine management standards and sound engineering quality control processes starting from technical clarification to quality inspection and

evaluation, sample guide, on-site measurement, fine formwork, and details, winning wide acclaim for its high quality and innovative design.



Image: Hangzhou Chen Wen Yuan

With unremitting efforts, Greentown Management has built numerous government-subsidized resettlement housing models. We have won public praise and many national, provincial, and municipal awards, including Tien-yow Jeme Civil Engineering Prize, Guangxia Cup, Qianjiang Cup, West Lake Cup, and Comfortable Housing Demonstration Project, and rewritten several records in government-subsidized resettlement housing construction.

## (2) Customization

Demand-based design is a focus of Greentown Management's resettlement housing projects. Greentown Management values the integration of different groups, effective community management, and resettlement satisfaction. In the initial stage of the projects, we conduct exhaustive research on the historical footprint, regional development, traditional culture, customs, and other aspects to generate a targeted research report to guide the construction planning and design. During the design process, we fully consider the residents' living scenarios, habits, traffic lines, and other actual needs to customize practical houses with sound supporting facilities. During construction, we actively listen to the feedback of the government and indigenous people. The delivery of high-quality resettlement housing estates demonstrates Greentown Management's sufficient response to the requirements of government customers and full respect for the needs of the indigenous people.

### Case: Qianjiang Century City

The project has built 5861 resettlement houses in total. In the early stage of the project, Greentown Management learned that the surrounding resettlement residents had a demand for a west-high and east-low building layout and a setup of group activity places within the district. Meanwhile, the government hoped that the district could not only achieve high quality and high reputation, but also limit cost to be within RMB3500 per square meters. Thanks to Greentown Management's the lean management standards and years of experience, the project was finally delivered with high quality and met the expectations of all parties. Due to its superior location, the project was given the meaning of "City Frontage" and become part of the city landmark, representing new masterpieces of modern architecture managed by Greentown Management.



Image: Qianjiang Century City

### (3) Renewing The City

While delivering high-quality housing to the government and aborigines, the beautiful designs of Greentown Management's products has also renewed the old urban interface. Over the years, many resettlement communities have been delivered by Greentown Management to local governments. All the communities have been hailed as "the most beautiful resettlement housing" by the local media. Some second-hand houses have even sold for RMB100,000 per square meters, which is no less than surrounding commercial houses of some real estate brands.

#### **Case: Yuhang West Railway Station Hub**

Hangzhou West Railway Station hub is a supporting project for the 2022 Asian Games in Hangzhou. It started first among the house-building projects in the West Railway Station area. The project covers a total building area of 139,000 square meters in 14 plots of resettlement houses. Greentown Management thoroughly investigated the local culture and customs to design the project, and frequently sought the villagers' opinions on the design scheme, striving to fit the living habits of the moving-back residents to the fullest extent through reasonable indoor and outdoor space design. Regarding housing shape and façade design, as the project is located in the high-speed railway area of the Hangzhou Future Sci-tech City, Greentown Management fully considered regional coordination, and perfectly integrated the building into the environment of the West Railway Station and Hangzhou Future Sci-tech City through the modern design of five façades, highlighting the "sense of future and technology." In addition, the project abandoned the traditional design of shops along streets and provided separate supporting public buildings, effectively avoiding disorder of urban interfaces and representing the new trend of future resettlement housing design.



Image: Deign Sketch of Hangzhou (Yuhang District) West Railway Station Project



## 2 Contributing to Common Prosperity

Under the policy of "accelerating the establishment of a housing system with multi-subject supply, multi-channel guarantee, and simultaneous promotion of rental and purchase", Greentown Management has repeatedly emphasized the vital role of government project management as the "lower hold" in maintaining social and people's livelihood stability. Despite the continuous hindrances of the pandemic, Greentown Management delivered all government projects on time with guaranteed quality, which facilitated the full implementation of the joint-property right house, public rental housing, military housing, and talent apartment projects. Greentown Management practiced the mission of "happiness for residents, reassurance for the government, for the beauty of cities, and social harmony" with concrete actions.

In recent years, Greentown Management's government project management business has actively responded to the policies and the changing situations and started to be involved in public rental housing, talent apartment, the joint-property right house, and other new business forms. With several projects delivered, we have gained innovative, affordable housing construction experience to explore the road of common prosperity more effectively.



Shared Ownership Housing:  
Hangzhou Lin'an Linglong Block



Talented Housing:  
Hangzhou Lin'an Jinan New Town



Talent Apartment:  
Shangyu Youth Apartment



Guaranteed Rental Housing:  
Wuxi Huishan Yuqi Huixi Avenue Project



Future Community:  
Lin'an Qijiaqiao Project



Public Rental Housing:  
Xiaoshan Beigan Project

### Case: Houses with Joint Property Rights—Hangzhou Qin Xiang Apartment

Hangzhou Qin Xiang Apartment is the first affordable joint-property right housing project for talent in Zhejiang. It is near the sea and enjoys sound surrounding facilities and convenient transportation. Unlike conventional commercial apartments, Hangzhou Qin Xiang Apartment includes preferential policies for the young house buyers' settling down and children's enrollment. High-quality joint-property right housing for talents will effectively boost the confidence of talents to settle down and purchase a house in the local area and have a positive effect on promoting the local talent introduction policy.



Image: Deign Sketch of Hangzhou Qin Xiang Apartment

## Case: Chongqing Liangjiang Shuitu New City International Talent Community

In recent years, Chongqing Liangjiang New Area has vigorously implemented talent housing projects and intensified the construction of international talent communities. The project will create a comfortable living environment through fine operation and management and humanized community services to meet the house-renting needs of various talent and provide a high-quality living experience for high-end talent. Moreover, it will build a highly recognizable international talent community with integrated green, cultural, and fitness landscape. Upon completion, the project will be a representative high-end talent community, providing strong support for local development.

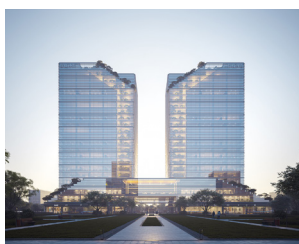


Image: Design Sketch of Chongqing Liangjiang Shuitu New City International Talent Community Project

### **3 Diversified Urban Services**

With the implementation of regulators' policies for old town/factory/village renovation and urban renewal, as an emerging "main force" of future urban renewal, Greentown Management capitalizes on its strong resource integration and quality control capabilities to refine the traditional project management business; in the meantime, we give play to our advantages in old city reconstruction, industrial park, municipal supporting facility, future community, and other urban services to actively drive the organic integration of the "new" and "old" and promote urban renewal. Greentown Management pursues new design and quality to explore new urban scenarios through lean management, the spirit of ingenuity, and professional management ability. With rich project management experience, Greentown Management retains and protects local historical and cultural deposits.

#### **Diversified urban service projects by Greentown Management:**



Industrial Park: Tuofeng Industrial Park.



Industrial synthesis: Xi'er Headquarters.



Comprehensive base: North Valley Ouhai Live Base.



Neighborhood Center: Zhoushan Newport Project.

## Case: Renovation of Old Residential Communities in Hangzhou Ningwei

The project involved the renovation of the Yingxing Apartment, He Xie Nong, Shengxing Road Community, Ning Tai Jia Yuan, and Ning Du Garden to improve the community space, environment, and function. It covered 65 residential buildings with a total construction area of 213,000 square meters. The project adopted the "three-izations and nine scenarios" (three-izations: humanization, ecologicalization, and digitalization; nine scenarios: neighborhood, health, education, entrepreneurship, building, transportation, low-carbon, service, and governance) concept of future community, prioritizing the scenarios of neighborhood, health, and service and combining the "Ning Ju Lan" smart governance platform to create a harmonious smart community. It focused on two particular groups—the elderly and children, and comprehensively considered safe mobility, healthcare, sports, care & help, convenient services, and education to renovate the community entrance, external walls, landscape, and other facilities. Greentown Management constantly explored new community service models and restored a harmonious and happy community for residents.



Entrance Renovation



Landscape Renovation



Sports Field Renovation



Apartment Slow Walk



Xishi Supermarket



Cultural Wall Preservation

Image: Community Renovation in Ningwei

## Case: Hangzhou Silicon Valley Primary School

The campus design of Hangzhou Silicon Valley Primary School started with basic teaching and humanistic cultivation environment, integrated the two concepts of "school culture" and "exploration space," and connected ordinary and interest classrooms to facilitate children's enlightenment. In addition, it designed a school underground drive transfer area and an off-campus walking transfer area for parents, and a school underground courtyard and a waiting area for students. During weekends and holidays, people outside can go to the school gymnasium through the secondary entrance to share the school's facilities.



Image: Hangzhou Silicon Valley Primary School

## 4 Public Benefit

We are deeply aware of our social responsibility as a responsible company, actively initiate and participate in various social welfare activities, encourage employees to actively sign up for volunteer teams, mobilize employees to donate money and materials, then jointly contribute to social harmony and progress.

### (1) Public Benefit—Pass on Care and Love

Greentown Management has permanently prioritized public benefit while pursuing high-quality products. We encourage employees to actively participate in public-interest programs and give full play to their advantages to support good causes. We have continuously contributed to education, science, culture, and public construction.

#### Case: Yu He Shang Yuan in Shijiazhuang

Greentown · Yu He Shang Yuan continues to carry out poverty alleviation, public service, and donation activities through the Charity Foundation and Entrepreneurs' Public-Interest Alliance to pass on the love and fulfill its social responsibility. We hope our public-interest actions will move and inspire more enterprises to join in good causes and bring more love to society.



### (2) Pull together to Walk through the Pandemic

In 2022, the Covid-19 impact continued. Facing the ongoing challenges, the Company actively enhanced epidemic prevention and control. The Party groups of all projects launched epidemic prevention and control emergency plans and set up the epidemic prevention and control vanguard. Party members and cadres actively joined the vanguard and implemented all epidemic prevention and control requirements to build a model construction site of epidemic prevention and control. During

epidemic prevention and control, we ensure the progress of all projects and the economic benefits of our clients. For instance, the marketing center of the Chun Jiang Ming Yue project in Taixing worked day and night to ensure delivery on schedule; the regular working mechanism of the Huai Bei Sincere Garden construction site set a benchmark, winning the title of Construction Safety Production Standardization Demonstration Site in Anhui Province.

### **Case: Shangyu Youth Apartment**

As confirmed COVID-19 cases increased, the local government asked the Company to provide the in-progress Youth Apartment project as a temporary quarantine site. The project management team immediately organized the construction unit to work around the clock to prepare several quarantine buildings. The team raced against time to ensure smooth construction progress and effective on-site epidemic prevention, from house-by-house repair to water and electricity commissioning, furniture installation, cleaning, and transporting materials to the quarantine site. The team has overcome the difficulties of human and material resources, and ensure the effective implementation of on-site anti-epidemic work.



Image: Work through the Night at Shangyu Youth Apartment

## **II. People First**

Service is the core attribute of an asset-light company. Service spirit reflects the outlook of workers. As a leading asset-light company in the real estate industry, Greentown Management advocates the bee spirit of "simplicity and altruism" and the "stakeholders" culture, and wins customers' praise through ingenuity, service, and sharing. Being empathetic, caring for customers' needs, being responsible, and pursuing the "perfect state" of work are the common traits of Greentown Management people.

People are the core assets of Greentown Management, and the knowledge and value they create are the foundation of the Company's development. Over the past years, the Company has been practicing the "People First" concept, and firmly safeguarded employees' rights, interests, health, and safety, providing them with a comfortable working environment. We also provide employees with a development platform to realize personal value, and actively organize professional training and education to facilitate employees' growth and continuously cultivate talent for society.

# 1 Employment and Labor Policy

Greentown Management strictly abides by the Company Law of the People's Republic of China, the Labour Law of the People's Republic of China, and the internationally recognized human rights norms such as the Convention of the International Labor Organization. In addition, we released the Personnel Operation Management Standards, Recruitment Management Standards, Training Management Standards, and other systems based on our actual situation to regulate employees' compensation, dismissal, recruitment, leave, health, training, and promotion.



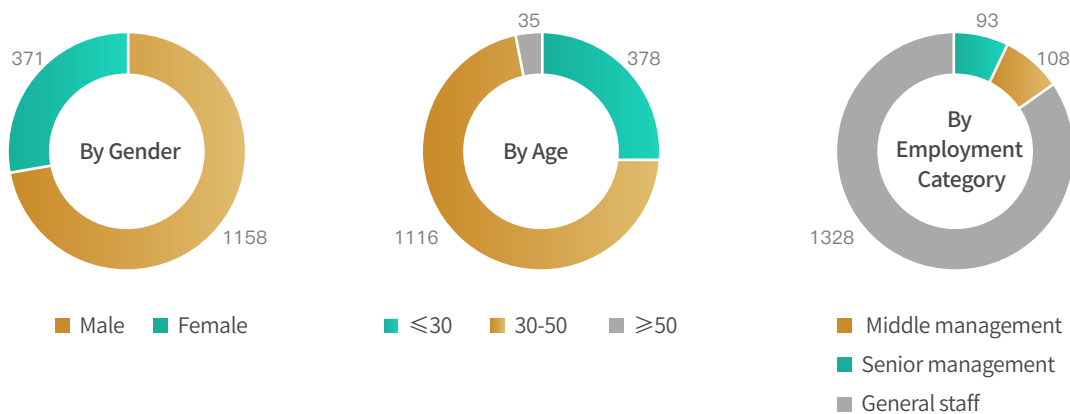
Total number of employees

We adhere to equal treatment and non-discrimination during recruitment and employment. While providing equal employment and development opportunities for every employee, the Company considers the employees' professional background, cultural differences, and work experience to offer them suitable positions and growth paths, thus developing a diversified team and enhancing the Company's competitiveness.

We conduct exit interviews to determine employees' reasons for resignation and make an internal evaluation to improve the Company's employee management system and HR policies.

The Company implements "zero tolerance" measures on the employment of child labor and forced labor. The Company regularly checks whether there is child labor or forced labor. If there is, we will immediately report the case to the management and the relevant department to deal with it. The Company did not have a child or forced labor during the Reporting Period.

In 2022, the number of employees by gender, age, and rank is shown in the figure below. The number of employees by employment type and region is detailed in Appendix 1 (ESG Key Performance Indicators B1.1). The information on employee turnover rates by gender, age, and region is provided in Appendix 2 (ESG Key Performance Indicators B1.2).



## 2 Professional Talent Development

We attach importance to employees' growth. Greentown Management is a learning organization and a systematic university, which is the fundamental consensus of the Greentown people. Cultivating excellent employees during operation is the primary goal of the Company. Greentown Management established a hierarchical training and development system, and employees receive comprehensive matrix training throughout their employment at the Company.

### (1) Greentown Management School

Greentown Management always regards employees as the only "noumenon." The Greentown Management School is the carrier of the Company's talent cultivation. Combining the Group's strategy and business development, the Company has established a growth system covering the whole life cycle of employees' career development. In addition, we have designed differentiated training and growth systems to suit different growth stages of employees. In 2022, the Company upgraded the Greentown Management School, striving to align the management of project management talent with the strategic and business needs and create a comprehensive talent training system.

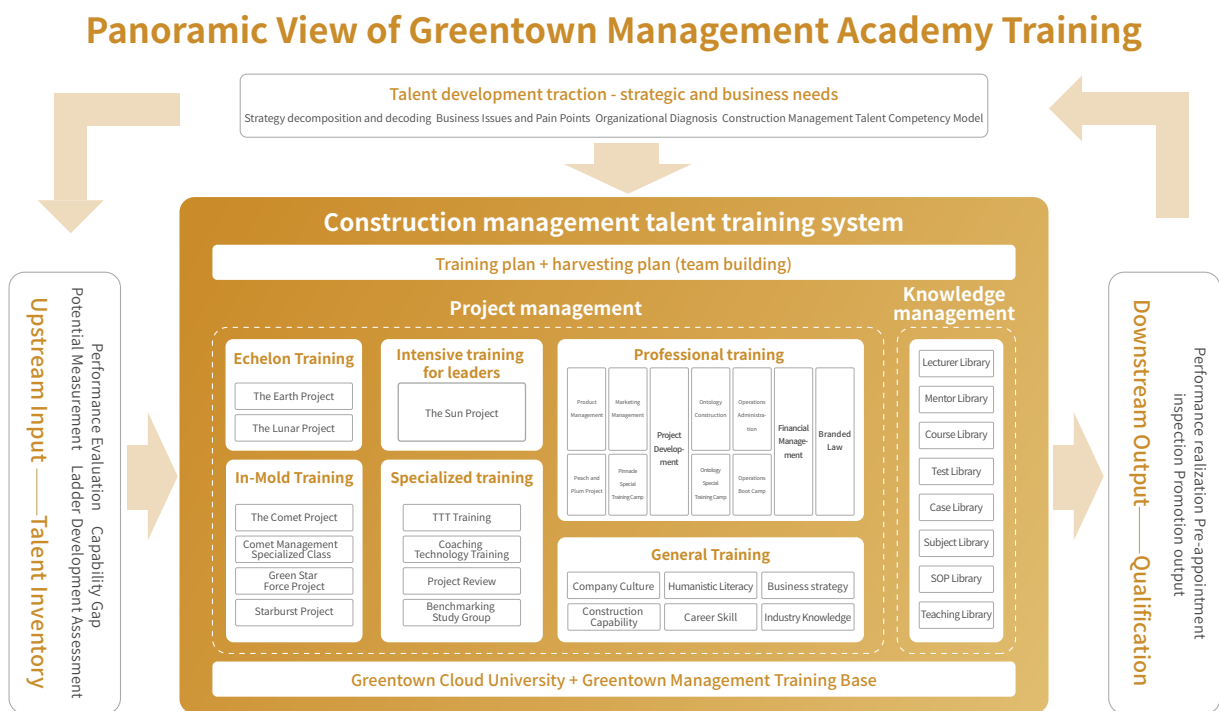
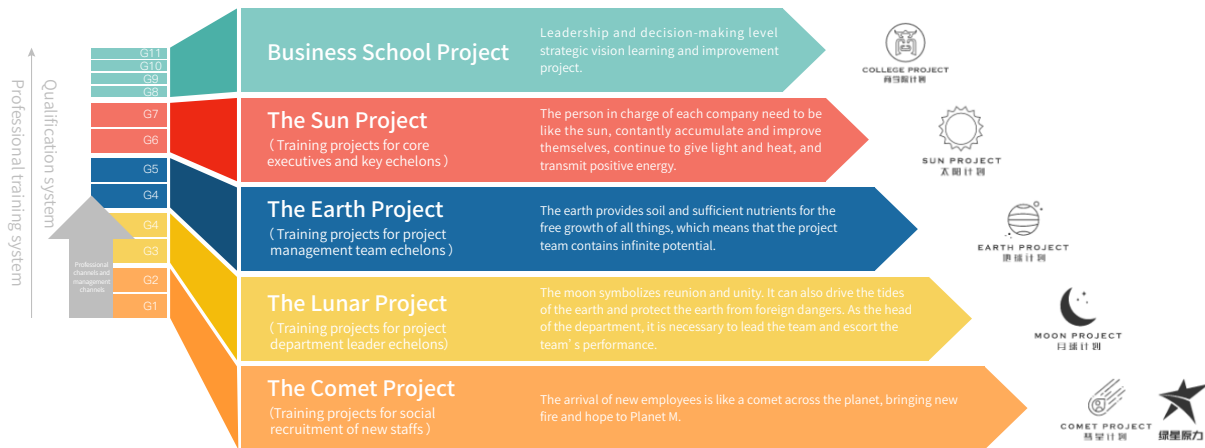


Image: Panoramic View of Greentown Management Academy Training

Greentown Management adheres to people-oriented and competency-based talent cultivation. While fully considering the project management business models and scenarios, we pay attention to the learning and growth needs of employees at different levels and roles, combine learning and practice, and guide employees to effectively improve performance, thus practically addressing business issues. We have designed the "Star-Moon-Earth-Sun" series of training programs and provide comprehensive online learning and growth platforms to facilitate employees' career development.

## Growth and Development System



### The Sun Project

The "Sun Project" of Greentown Management further focuses on the strategic needs of the Group, with "3+3 business strategy implementation and B-side service transformation" as the design focus, and practices the "double-class parallel" teaching method through benchmark project visits, in-depth case review and thematic seminar workshops, etc. The gradient learning tasks and learning forms are customized for each class according to different business models, so as to maximize the effectiveness of learning resources.



### The Earth project

The "Earth Project" is a leadership training and development project set up to build an echelon of management teams and rapidly develop the Company's reserve middle-level cadres. In 2022, the content of the course is arranged around four dimensions of team management ability, management awareness, client communication, and professional improvement, and set up the "Project Demonstration Area Efficiency Exercise" to match the growth and development needs of the target participants from "professional management" to "business management".



### The Lunar Project

The "Lunar Project" is a "warfare-oriented" training program designed by Greentown Management based on the standard program of Greentown China's "Youth Class" and the characteristics of its own business model, setting up courses such as "Management Trial Workshop" and "Practical Project Planning Program" to simulate management scenarios and enhance the effectiveness of the training contents.



### The Comet Project

The "Comet Project" is a customized program based on the "Lemon Project" of Greentown China to help new employees better adapt to the construction model and integrate into Greentown management. In 2022, the "Comet Project" will offer a special class for management cadres for new employees in the management category, introducing special courses such as requirements for construction managers, management of client relationships, key points of performance risk control and customer service, and management of construction teams.

### The Greentown Star Force Project

"Greentown Star Force" is based on the strategic planning of Greentown Management, which selects the new generation force that matches the asset-light business from outstanding colleges and universities, aiming at effectively supporting the high-quality development of business through systematic personnel training and output of middle and senior management personnel or expert talent echelon. It is the first centralized training for Greentown Star Force after enter Greentown M. Through this training, Greentown Star Force "knows Greentown M, perceives Greentown M, and integrates into Greentown M".





The Company regularly tests and evaluates employees of various professional systems to strengthen their cognition of standards, systems, and requirements. To check how the standards and systems are communicated and implemented among the front-line employees, the Company conducts on-site "Required Knowledge and Skills" tests on employees during routine project inspections and formulates future training plans accordingly. In addition, we have built a certification system with project management talent competency standards as the core of evaluation. We regularly organize talent evaluation and certification to reinforce the Company's professional talent reserve and build a solid moat of project management talent. In 2022, the campus has achieved a satisfaction score of 4.86 in school operation.



Image: Training of Greentown Management School in 2022



Image: Talent Assessment and Certification of Greentown Management School in 2022

In terms of knowledge precipitation, by December 2022, Greentown Management School had 185 certification courses (including 81 university-level certification courses), over 242 business cases, and 98 new research projects.



Image: System Construction of Greentown Management School in 2022

In addition to offline training, Greentown Management actively operates Greentown Cloud College and integrates various resources online. Greentown Cloud College focuses on content construction and learning reward mechanism. It holds case competitions and encourages employees to develop courses to boost their learning passion and mold learning stars.

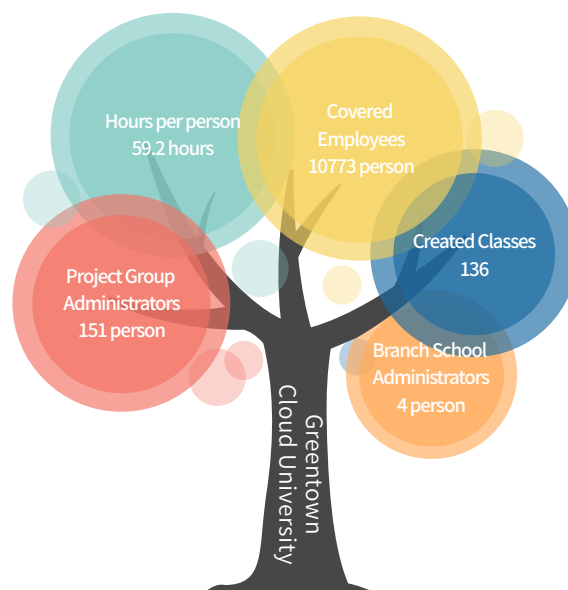


Image: Greentown Cloud College Promotion and Application in 2022

To enhance employees' professional ability, tighten employees' professional title and qualification certificate requirements, and improve the Company's human resource quality and comprehensive competitiveness, Greentown Management issued the "Professional Title and Qualification Management Standards" in May, checked employees' certificates in June to grant a subsidy, and issued the Incentive Policies for Employees' Professional Title and Qualification Certificates in November, specifying certificate requirements and rewards. The proportion of trainees by gender and rank is shown in Appendix 2 (ESG Key Performance Indicators B3.1); The average training hours per employee by gender and rank is detailed in Appendix 2 (ESG Key Performance Indicator B3.2).

## (2) Promotion System

Based on the project management talent ability model, Greentown Management sticks to the principle of fairness and openness. It has established a scientific and transparent employee promotion system to provide employees with fair and just career development opportunities and platforms to fully exploit their talents. Greentown Management provides two development paths for employees, i.e., the management channel and the professional channel. Employees can apply for promotion when meeting the job qualifications of the new position. Employees must pass the corresponding job certification to be promoted to a manager or above position.

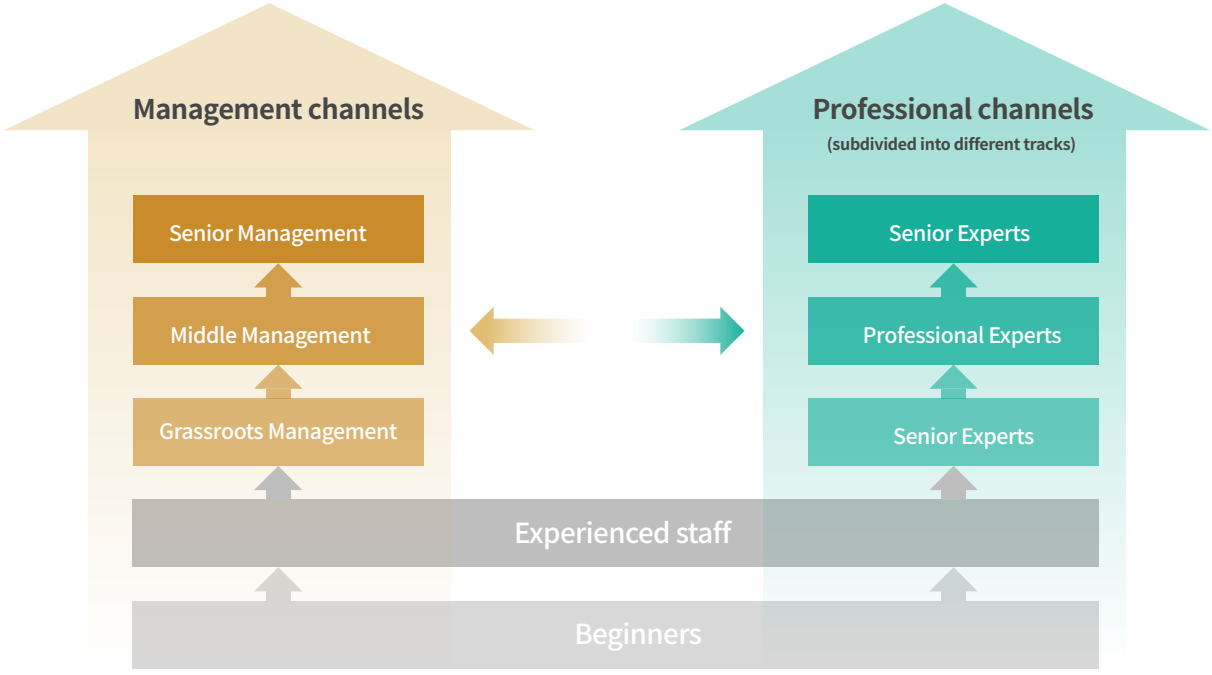


Image: Promotion Channel

## 3 Employee Rights and Benefits

Greentown Management attaches great importance to safeguarding employees' rights and benefits. In addition to the basic rights and interests guaranteed by laws and regulations, the Company fosters good corporate culture, builds development platforms, strengthens employee incentives, listens to employees, and safeguards employees' rights and interests to create an open, dynamic, and inclusive working environment, thus enhancing employees' sense of belonging and identity and generating a positive organizational atmosphere.

## (1) Build Corporate Culture

We believe corporate culture is an essential and effective management tool. The Company regularly organizes the cultural benchmark, the "Green Star Ambassadors" selection campaign. We mobilize all affiliates and projects to discover and set more good examples. The Company promoted the "Bee Spirit" code of conduct and launched the "100 Small Acts of Greentown People" campaign and compiled the acts into a book to spread the altruistic and service spirit of Greentown Management. The Company also organizes cultural lecturer certification and training to strengthen corporate culture construction, enhance culture dissemination and practices of all units, and facilitate the corporate consensus within Greentown Management.

### Case: Bee Spirit - Strengthen Employees' Recognition of Cultural Identity

In 2022, Greentown Management established the "Bee Spirit" cultural code of conduct to guide employees' behavior from seven aspects and carry forward the virtue of people engaged in project management services. Through online cultural stories, offline scenario presentations, cultural lectures, discussions, and competitions, the Company thoroughly implements the "Bee Spirit." It spreads the project management spirit of "adhering to the synergy of six businesses and altruism" to create a project management team with higher quality and better synergy.

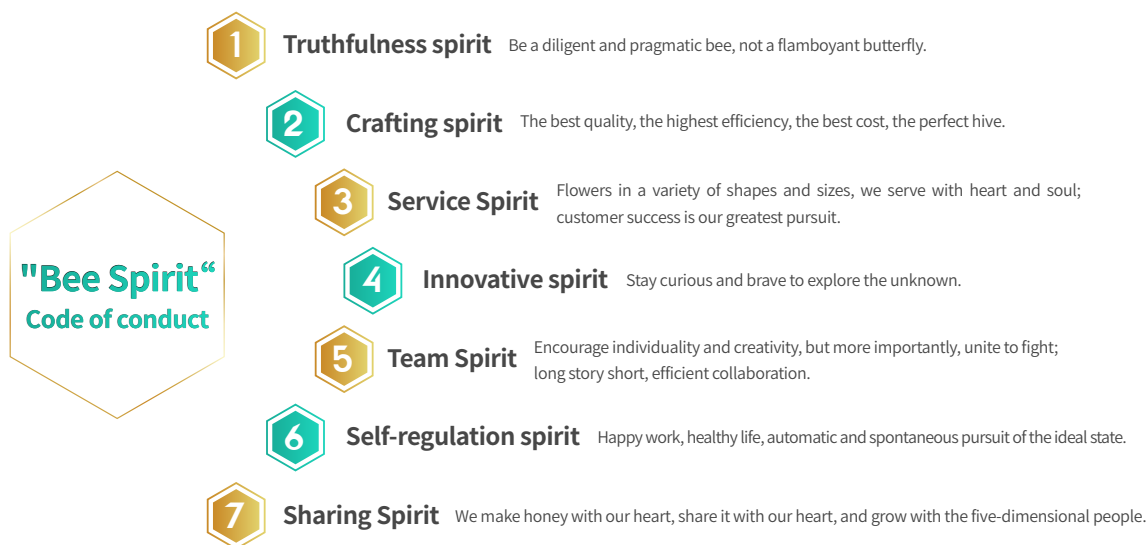


Image: "Bee Spirit" Corporate Culture

### Case: 100 Small Acts of Greentown People

We pay attention to discovering and recording employees' growth and good deeds. The "100 Small Acts of Greentown People" recorded employees' touching stories and showed the moral excellence of Greentown people. The stories are recorded in columns, remaining in the long development history of Greentown Management. In 2022, the "100 Small Acts of Greentown People" published nine stories, with average reads exceeding 1,200 times. This year, we made a brochure of the "100 Small Acts of Greentown People" stories to stimulate more Greentown people to learn from the role models.



Image: "100 Small Acts of Greentown People" Story Collection Poster and Brochure

## (2) Build a Development Platform

We are committed to implementing the "People First" concept throughout the development of Greentown Management, enhancing the brand influence and social recognition of Greentown Management, and creating an employer platform with solid competitiveness and development ability. In 2022, the Company won the HRflag's Flag Award, the Gold Award of the 2022 CSTD Enterprise Learning Design Competition, the 2022 Work Different of Zhejiang Province of Liepin.com, the 2022 Top Human Resources Management Award of www.51Job.com, and the SHL2022 Talent Management Practice Award-Talent-driven Best Practice Award.



Image: Greentown Management's Employer Awards in 2022

### (3) Strengthen Employee Incentives

To boost employees' initiative and continuously enhance Greentown Management's endogenous power, in the first half of 2022, the Company approved the implementation of a new share award scheme—the accrued bonus will be used as reward shares which will be paid in three years. Thus, the management's bonuses will be paid in shares in the next three years. This is to consolidate the long-term stability of the core team. A total of 52.024 million shares were provided as a bonus under this scheme, accounting for approximately 2.66% of the issued capital on the announcement day. Through stock incentives, we hope to link the Company, shareholders, teams, and individuals to become a community of shared interests and common development, mobilize the enthusiasm and creativity of the management, reinforce the Company's market competitiveness, and stride forward robustly for a sustainable future.



Image: Share Incentive Plan of Greentown Management

### (4) Heed to the Voices of Employees

We encourage employees to actively express their aspirations. We have established a regular communication mechanism to collect and follow employees' opinions. In addition, we hold Greentown Management Roast and May Day Symposium to perceive the aspirations of front-line employees to effectively address their needs and create an open and inclusive era of blessings.

#### Case: The "Greentown Management Roast"

The "Greentown Management Roast" is a cultural publicity activity of Greentown Management and is held in April every year at the Group Headquarters. Focusing on hot topics such as team building, compensation and benefits, and employee care, it invites employees to point out the practical problems of the Company and offer constructive suggestions. The management will reply to

their questions on the spot to promote the common progress of the Company and its employees. The Company ensures comprehensive collection, timely tracking, and effective implementation of employees' feedback through effective whole-process management.

In addition, with the implementation of "Greentown Management Roast", the Company set up an anonymous employee opinion mailbox. In 2022, through the conference and the mailbox, 351 opinions and suggestions were collected from employee and the feedback and implementation of the proposals have exceeded 97.5%.



Image: Greentown Management Roast

Greentown Management invited a third-party authority to conduct an engagement survey to understand the communication with employees and identify the strengths of organizational management. It reflected employee engagement and the level of various internal drivers of the Company. Data showed that 93.5% of the employees were highly dedicated, far exceeding the industry level, and employees' satisfaction with the Company's compensation, training & development, leadership effectiveness, and cultural & vision exceeded 90%, representing the "excellent" level of the industry.

## (5) Protect Employees' Rights and Interests

The Company has set up multiple channels to collect employee feedback to safeguard employees' rights and interests.

### "May Day" Staff Seminar

In April and May every year, each unit and center holds a "May Day" staff forum to collect proposals from staff representatives, discuss them at the meeting, give replies, and supervise the implementation of "practical matters for staff". In 2022, more than 70 General Assembly discussions were held and 351 valid proposals were collected.

### Staff Congress

For regulations and major matters concerning employees' interests such as labor compensation, mid- and long-term incentives, working hours, leave, safety and health, insurance and welfare, labor discipline, labor quota management, etc., the opinions of employees should be collected beforehand and implemented after consideration and approval by the Staff Council.

## Employee Communication Channels

Publicize the information of the company's trade union members to ensure a smooth pipeline for reflecting employees' opinions.

## Collective Contracts

Unions and companies are required to negotiate and sign collective contracts and wage agreements.

## Legal Assistance

The legal affairs line (including Greentown China and its subsidiaries) assigns staff to be on duty online (every Wednesday afternoon from 15:00 to 18:00) to provide legal consultation and carry out legal assistance for the company's employees.

## 4 Employee Care

Greentown Management insists on building an "all-around," "full-cycle," "interesting," and "warm" employee care system to create a warm atmosphere and enhance the cohesion and sense of belonging of employees. The Company has established the Greentown Management labor union as the centralized management unit for employee care. It is responsible for establishing and improving the Group's employee care system, organizing the Group headquarters' everyday employee care work, and inspecting the system implementation of the affiliates. The affiliates' labor unions and administrative departments will ensure various employee care timely delivered in accordance with the unified requirements of the Group.

### (1) Everyday Life Care

The Company provides employees with full-cycle care and benefits to create a warm organizational atmosphere.

#### Newlywed Congratulation

Employees will receive a congratulatory cash gift if they get married during the employment.

#### Congratulation on Having a Baby

If an employee or his/her spouse gives birth to a baby, he/she will receive congratulation presents and cash gift.

#### Congratulation on Birthday

Employees will receive birthday greetings including congratulation messages, cards, gifts, having a group birthday party etc.

#### Congratulation on Holidays

In the Chinese New Year, Mid-Autumn Festival and other festivals, the Employees will receive festival gifts.



### Front-line Employee Care

The Company will provide appropriate benefits and subsidies to front-line employees and employees with difficulties, such as such as sending cool in summer and warmth in winter.

### Charity Fund

In case of the Employee (or his/her family members) suffering serious accidents or major illnesses, the employee may apply for assistance to the Charity Fund Committee in accordance with the Employee Charity Fund Management Regulations of Greentown China.

### Working Environment

The Company provides necessary fitness and entertainment facilities such as reading rooms, fitness rooms and baby care rooms according to the actual needs of each subsidiary.

### Energy Supplements

According to the site conditions and the actual needs of each subsidiary, the Company provides necessary afternoon tea and overtime snacks as appropriate.

## (2) Care for Employees' Families

The Company also offers a series of benefits to employees' families.

### Medical Insurance for Family Members

The Company provides supplementary commercial medical insurances for employees' children under the age of 18.

### Physical Examination for Family Members

Family members of employees will be arranged for physical examination in autumn every year. There are two places for employees who have worked for three years in the Company and four places for employees who have worked for six years in the Company. Through the health 360 ° platform designated by the company, they can choose a physical examination institution and enjoy the health 360 ° service.

### Visit to Family Members with Serious Illness

The Company will visit the employees' family members who have suffered a serious disease and undergone an operation.

### Condolence for Loosing a Family Member

The Company will arrange condolences and assist in the funeral arrangements as appropriate when employees lose family member.

### Interactive Activities

In conjunction with the festival, we will carry out activities such as employee family day activities and condolences to expatriate family members; we will organize parent-child activities on June 1, in which employees' children under 14 years old will participate and give holiday gifts.

### Discounts for Family Members

The Company shares the Greentown 's supplier resources with employees' family members, such as preferential prices for cars, insurances, plane tickets, and hotels.

### (3) Fun Activities

All departments organize various activities each quarter, such as marathons, cross-country cycling, and plank competition. Employees participate with great interest and enthusiasm and enjoy those activities.



Image: Departmental Activities

### Case: Club Activities

The Company has swimming, rock climbing, basketball, badminton, and yoga clubs; all those clubs are provided with a specialized field and equipment. The Company also organizes joint events from time to time. We encourage employees to participate in those competitions to strengthen physical exercise and communication with others, thus enhancing the cohesion of the Company.



Image: Club Competitions

### (4) Care amid the Pandemic

Greentown Management constantly helped employees overcome difficulties during the pandemic. We sent goods and materials and held online activities to ensure employees' physical and mental health.

### Case: Fight during Lockdown

In March 2022, the increasing Covid-19 outbreaks in Shanghai brought the city to a standstill. To meet the basic needs of employees

in Shanghai, we quickly mobilized goods and materials, looked for logistics channels, and sent the supplies to the employees after multiple disinfection times and four transporter shifts within 24 hours. We provided online aerobics activities and psychological counseling hotlines to help employees relieve stress and maintain physical and mental health. We also held a special photography activity, encouraging employees to take pictures of the spring scenery and share the small blessings in their life.



Image: Care for Employees in Closed-off Management Areas

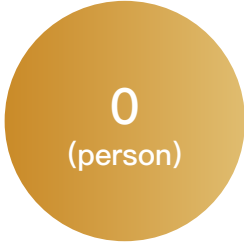
### (5) Employee Care

Greentown Management gives top priority to employee health and safety during corporate management. We strictly abide by the Work Safety Law of the People's Republic of China and other laws and regulations, continue improving corporate rules and regulations relating to employee safety, and integrate employee safety into daily management. The Company actively organizes training to enhance employees' safety awareness. Over the past three years, no work-related injury or death has occurred.

In 2022, Greentown Management passed the certification of ISO45001 Occupational Health and Safety Management System by the Shanghai Audit Center of Quality System. The Company strictly abides by the national regulations related to occupational health and safety management, pays close attention to the changes in laws and regulations, makes timely adjustments to its system, and strictly implements the relevant standards to prevent major production safety accidents and epidemic prevention problems.



Work injury loss working days



Number of work-related deaths

## Employee Health Management

We care about the health of our employees and their family and provide a series of health management benefits.

### Medical Insurance

The Company provides supplementary medical insurances for employees.

### Physical Examination

The Company organizes physical examination annually. Employees can choose a medical institution for the examination through the 360° Health Service Platform designated by the Company, organizes and carries out the health service activities such as employee physical examination and report interpretation.

### Health Service

The Company uniformly chooses a health service institution to provide many kinds of services for employees, such as health consulting, traditional Chinese medicine health preservation, VIP registration, hospitalization arrangement, and medicine delivery, etc.

### Injury and Sick Care

In the event of hospitalization, surgery, serious illness, serious injury or death of the employee, the relative departments shall report to the Administration Department of Group timely, the Administrative Department and the labor union will arrange related condolences.

### Psychological Hotline

The company has opened a 24h psychological care hotline for systematic psychological counseling services by a third-party authority, and employees can make self-help appointments according to the actual situation.

## Safety Training

To consolidate and strengthen employees' awareness of safety, in 2022, the Company carried out several fire drills to familiarize employees with emergency treatment, escape routes, and emergency evacuation. We also organized several emergency rescue training and autumn/winter cardiovascular and cerebrovascular disease prevention lectures.

### Case: Fire Drill

The Company organizes fire drills to test employees' and the fire brigade's fire response-ability, improve fire-fighting, evacuation, and self-saving knowledge, and strengthen fire safety awareness. The Company implements the safety policy of "prevention first while combining prevention and elimination."



Image: Fire Drill in 2022

### **Case: First Aid Training**

The Company invited professionals from the Red Cross Society of the West Lake District of Hangzhou to train employees on CPR, AED, fire response, and epidemic prevention skills.

### **Case: Lecture on Prevention of Cardiovascular and Cerebrovascular Diseases**

Considering the high risk of cardiovascular and cerebrovascular diseases in autumn and winter, the Company invited medical experts from CVIC Cardiovascular Imaging Clinic to give a lecture on the prevention of cardiovascular and cerebrovascular diseases, instructing employees on how to prevent sudden cardiac death, myocardial infarction, and other cardiovascular and cerebrovascular diseases, as well as on first-aid essentials.

## **5 Professional Talent Development**

In 2022, the real estate industry fluctuated drastically. Greentown Management bucked the business cycle and enthusiastically absorbed the talent to ease the pressure of social employment. At the end of the year, according to the statistics of a recruitment website, Greentown Management was recruiting 742 positions in the same period, exceeding the number of positions recruited by most branded real estate companies.

### **Case: "Green Star Force" Recruitment**

In September 2022, the Company opened a recruitment channel with the theme of "Blooming the Star, Being Extraordinary". Through the Green Star Screening Room, "Green Star Force" little assistant and other public channels, the Company systematically introduce the "Green Star Force" training program and welfare and sent invitation to outstanding young job seekers over the country. Greentown Management is eager to work with the new generation to promote the revolution of China's real estate development model.



Image: "Green Star Force" Recruitment

# III. Partner

## 1 Suppliers

### (1) Supplier Management

Quality is the foundation of the Company. Suppliers are a critical factor determining quality, so supplier management is the company's top priority.

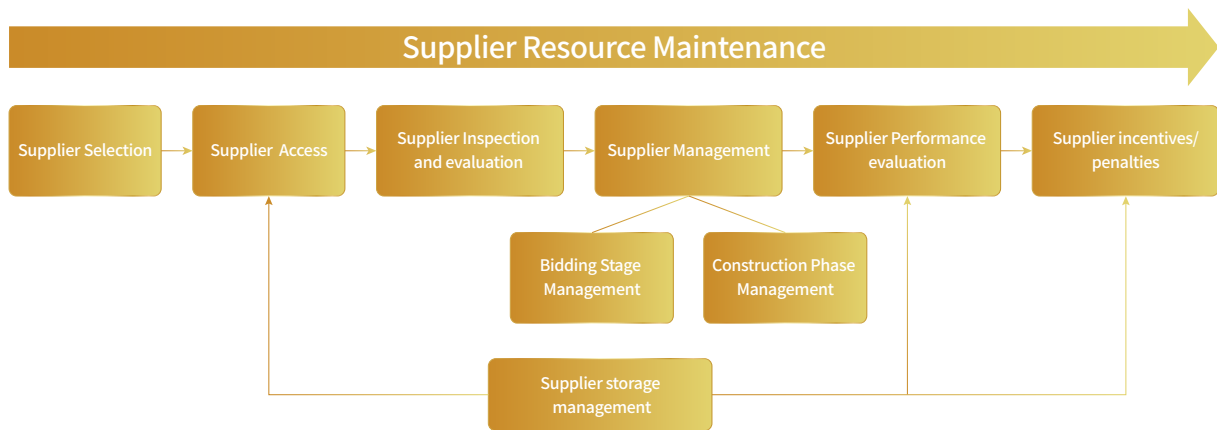


Image: Supplier Lifecycle Management Process

### Management Rules

We have established the Supplier Access Standards and Procedures, Construction Supplier Management Standards, Supplier Library Management Standards, Early-stage Project Management Measures for Whole-process Project Management, and Regional Supplier Library Management Standards (for Trial Implementation) to implement standardized procurement procedures and manage the whole life cycle of suppliers in a standardized and centralized way. Those systems specified requirements for all suppliers' life cycle links, and detailed provisions for supplier access conditions, pre-qualification, investigation & evaluation, management and evaluation at the bidding stage, and database management.

### Supplier Evaluation

The Company conducts supplier performance evaluations every year from the aspects of quality management, progress management, safety, and civilization management (including environmental protection, social responsibility, etc.), cost management, and management cooperation in accordance with the Key Supplier Performance Evaluation Form. The Company manages the suppliers in a hierarchical manner, and each year they are ranked up or down based on their performance evaluation scores and annual ranking.

In 2022, the Company conducted a performance evaluation of 619 suppliers.

## (2) Assisting Suppliers

### Supplier Training

The Company shares the group's knowledge training system with the assessed high-quality suppliers. The core management personnel and technical professions of the suppliers can participate in the training and certification of relevant knowledge and skills organized by the company to achieve common progress and growth.

At the project level, the management team of Greentown Management will conduct handover training to each supplier of the project. By creating a centralized handover model and supplementing it with explanations from engineering staff, the company's quality requirements, workmanship, and management details are passed on to each construction unit. At the same time, the project uses several forms such as conducting safety morning meeting to promote the concept of safe and civilized construction, remind the key points of safe construction, and ensure the safety of every staff from the supplier.



Image: Safety Morning Meeting in Tongxiang Puyuan Project

### Supplier Incentives

In every year, the company will evaluate and commend the excellent suppliers and project managers, and issue certificates and appointment letters. Excellent suppliers and excellent project managers can be upgraded to A-level or strategic suppliers.

A-level or strategic suppliers enjoy preferential access and the right to high quality and highly competitive price in the bidding process (specific terms refer to the bidding documents). With the permission of the client and the communication agreement, the A-level and B-level suppliers can be given differential preferences in terms of progress payment and performance guarantee.

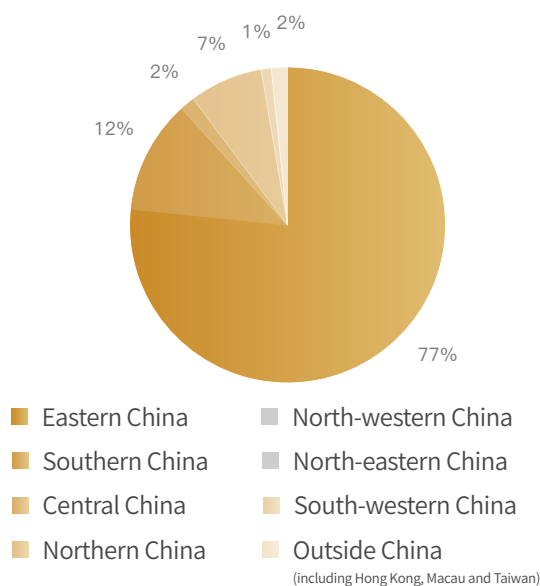


Image: The Company Presented the Quality Supplier Award

## Regional Distribution of Suppliers

In 2022, we cooperated with more than 1600 qualified suppliers, including product, service, industry, and financial suppliers. The suppliers were concentrated in the eastern part of China, and the specific distribution is as follows (See Appendix II ESG Key Performance Indicator B5 for the number of suppliers by region):

## Distribution of Suppliers by Region



## Green Suppliers

When selecting suppliers, Greentown Management comprehensively considers the suppliers' social responsibility and environmental management initiatives, for instance, whether they use environmentally friendly materials and obtain the corresponding certification. The Company will veto any suppliers with major defects, hoping to urge the suppliers to strengthen efforts in social responsibility and environmental governance. The Company also attaches great importance to using office supplies to discharge its environmental and social responsibility; for example, we try to purchase environmentally, user-friendly, and highly cost-effective products.

### (3) Advantages of Centralized Procurement

The company promotes strategic centralized procurement of materials and equipment as a key task. The purpose of providing centralized procurement services is to offer high-quality and inexpensive products to clients and owners and to help projects improve operational efficiency. Since the second half of 2021, the company has further accelerated the accumulation of centralized procurement brands and has so far covered 20 categories and signed centralized procurement agreements with 53 suppliers (7 of which are paint construction suppliers). The purchase price of materials including entry doors/patio doors, waterproofing materials, elevators, air conditioners, cabinets is 5% to 10% lower than conventional bidding procurement. The cost of materials involving exterior wall paint, switch panels, tiles, bathroom hardware and other procurement costs can be saved by 20 to 30%. On the one hand, centralized procurement saves cost for clients. On the other hand, it brings scale orders to the suppliers to achieve a win-win situation.

To answer the questions of clients and subsidiaries about centralized procurement, in 2022, the Company researched 116 operation-caliber commercial projects covering 437 people and verified the significant positive effect of centralized procurement on cost control and efficiency improvement. The company hopes to actively promote the application of centralized procurement in various projects to bring more value to clients and suppliers.



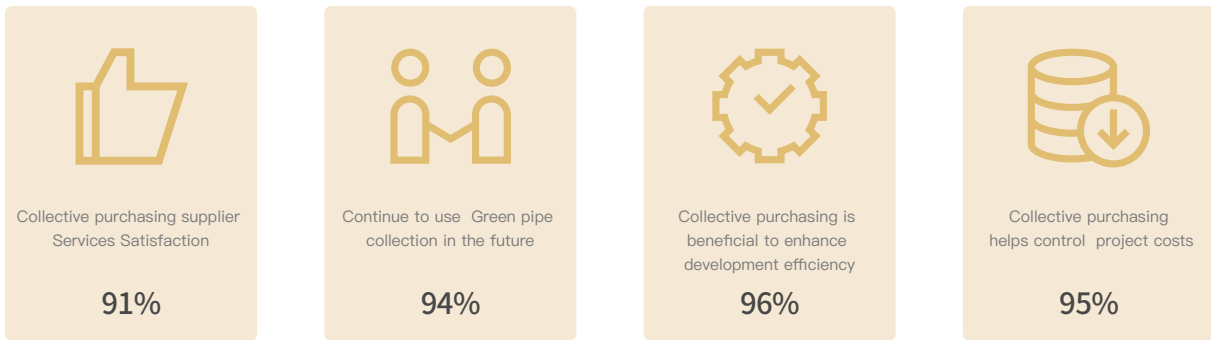


Image: Customer Investigation on Centralized Procurement

## 2 Asset Light Alliance

Greentown Management acknowledges that the prosperity of the Company is inseparable from the development of the industry. The Company has long insisted on maintaining the order of industry competition, promoting the development of the industry in a health direction. We are committed to leading the construction industry to a high-growth track of "building, sharing and prospering together".

Since May 2021, Greentown Management and five industry partners have jointly initiated the establishment of "The Light Assets Alliance". As the first rotating chairman of the alliance, the Company has been actively organizing exchanges and visits, promoting resource exchange and advantage complementation among construction management companies. On May 27th, 2022, under the call of the Greentown Management, "The Light Assets Alliance" officially launched the recruitment of new employees. By the end of the year, more than 30 construction management enterprises, financial institutions, and upstream and downstream enterprises in the industry chain had signed up.

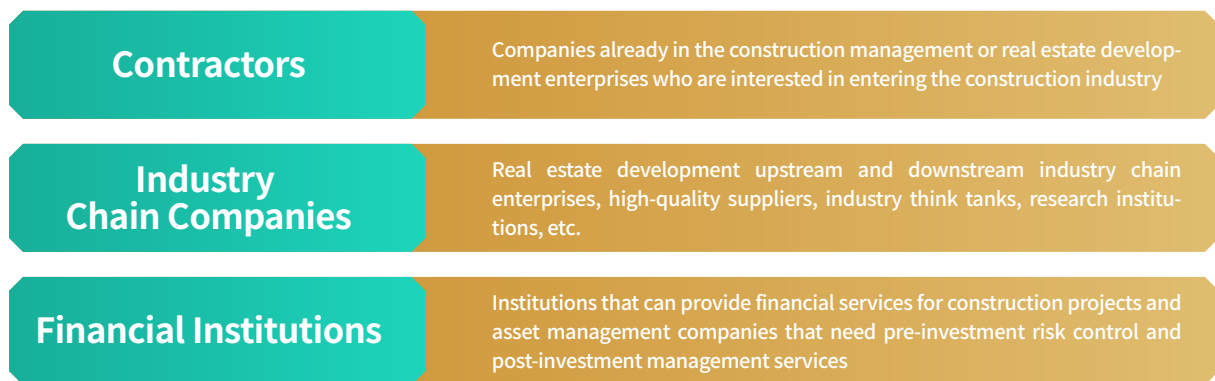


Image: the Scope of the Light Asset Alliance Induction

On November 11, 2022, the "Light Era—Asset Light Alliance Seminar" spearheaded by Greentown Management was successfully held in Hangzhou. The Alliance members, representatives of project management enterprises and industrial chain enterprises,

economists, and industry experts were invited to the seminar. At the seminar, guests expressed their opinions and fully communicated with each other about the market environment, industry opportunities, competition, pain points, and other vital issues to drive the development of the alliance and the industry.



Image: 2022 Asset Light Alliance Seminar

In the future, Greentown Management will continue to empower as a sharer, collaborate as a co-builder, and change as an innovator to help the Light Assets Alliance play the role of a platform. The alliance will promote industry values and enhance industry influence and attention by organizing internal learning and communication as well as orderly publicity and voice. The alliance will build an ecological platform by relying on the comparative advantages of each member, complementing capabilities, and forming synergies to become an important force in exploring and promoting changes in China's real estate development model.



Image: Future Duties of Asset Light Alliance

# DEVELOPMENT STRENGTH

Green  
Town  
Center



# I. Sustainable Development Management

Greentown Management has been actively implementing the concept of sustainable development. The Company continuously promotes and optimizes ESG management, reviews ESG performance, formulates ESG strategies and policies, and gradually explores specific ESG issues to improve ESG management and practice. In the future, we will incorporate the sustainable development concept into the company-wide development planning and implement the concept throughout the business value chain.

## 1 ESG Structure

Greentown Management values corporate sustainability. We have established a three-tier governance structure comprising the Board of Directors, the ESG committee, and the ESG team.

### Board of Directors

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The Board of Directors is responsible for formulating and managing sustainable development strategies and goals, as well as monitoring the implementation of the strategies to fulfill the Company's responsibilities to the shareholders and society. In addition, the Board supervises corporate governance practices and procedures, maintains an appropriate and effective corporate risk management and internal monitoring system to ensure compliance with applicable rules and regulations, and reviews the Company's ESG reports.

### ESG Committee

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The ESG committee is responsible for formulating and reviewing the Company's ESG responsibilities, vision, goals, strategies, framework, principles, and policies and strengthening oversight of the materiality evaluation process to ensure continuous implementation of the ESG policies adopted by the Board.

### ESG Team

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The ESG team is set up to attain the Company's ESG goals. The team consists of critical ESG-related functional departments and units. It takes the lead in making ESG action plans and regularly discusses and reports to the management practical ESG problems. The management will report significant issues to the ESG committee and the Board.

## 2 ESG Responsibility of the Board

The Board is responsible for ESG risk management and information disclosure and establishes the Group's overall sustainable

development governance and supervision policies. The ESG committee organizes meetings to advance the Group's sustainable development work, promotes collaboration of the ESG team, and proposes improvement suggestions for the team's work, to generate sustainable benefits for the Company and stakeholders. In addition, we have established a regular communication and information disclosure mechanism for sustainable development to timely release information in response to the regulatory requirements and stakeholders' expectations. The efficient and solid governance structure also benefits the Board to comprehensively oversee the Company's sustainable development management.

The Board actively promotes the integration of sustainability into business operations. While cementing the existing risk management system, the Company has stepped up efforts to identify and assess risks related to sustainable development. The management discusses and studies various situations to identify new challenges and opportunities for the Company. The Board will continue to lead the governance to supervise the Company establishing and implementing risk response measures, and timely assess the correlation between various risks and the businesses to ensure sustainable development and business development reinforcing each other.

### Board Diversity

Greentown Management maintains a diversified Board of Directors. We consider several factors such as gender, age, education, professional experience, skills and knowledge, industry experience, ethnicity, and cultural background to diversify the Board composition. We believe this will bring viewpoint, experience variety, and balance to the Board, thus enhancing the Company's ability to cope with the complex environment and achieve balanced and sustainable development.

As of the end of 2022, Greentown Management's Board of Directors was composed of 7 members, including 2 executive directors, 2 non-executive directors, and 3 independent non-executive directors.

There was 1 independent non-executive director with financial management experience.

## II. Operation Compliance

Greentown Management adheres to compliant operation and regards it as the cornerstone of sustainable development. The Company strictly complies with national and regional operation compliance, environment protection, occupational health, and other relevant laws and regulations, abides by business ethics, and upholds the principle of "honesty, professionalism, law-abiding, and fair competition." The Company continuously improves compliance management, and has established the Compliance Management System, specifying the ethical standards and compliance requirements during the various business processes. We integrate compliance consciousness and concept into all aspects and links of the business and management activities to proactively identify and manage compliance risks.

## 1 Anti-corruption and Integrity

We strictly comply with laws and regulations such as the Anti-Unfair Competition Law of the People's Republic of China and the Interim Regulations on Prohibition of Commercial Bribery. We resolutely oppose all bribery and fraud. We set up the Employees Integrity and Self-discipline Management System and Anti-corruption Reporting and Reward System, implemented the internal audit portal system, and launched the multi-channel whistle-blowing and response mechanism. We accept the supervision and report of employees, customers, and other parties through the whistle-blowing mailbox, telephone, and other channels, and reward the whistleblowers for providing valuable clues. Upon receiving the whistle-blowing, the Company will immediately investigate and deal with the case. In 2022, the Company had no corruption cases.

### Case: Whistle-blowing Publicity

To ensure effective communication of the integrity principle and policies, the Company has designed whistle-blowing posters themed "Combating Corruption and Promoting Integrity", which can be seen in all offices and the OA system, to publicize the whistle-blowing channels and raise employees' anti-corruption and integrity awareness.



Image: Anti-corruption Whistle-blowing Posters

In 2022, the Company and its affiliates held a month-long integrity education activity, during which XXX employees received education and training. In addition, the Company attached great importance to anti-corruption training for board members and organized relevant training for all directors at the end of the year.

## 2 Intellectual Property Management

As of 2022, Greentown Management owned 89 trademarks, 106 patents, 12 copyrights, as well as 15 pending trademarks and 27 pending patents.



In accordance with the Patent Law of the People's Republic of China, the Trademark Law of the People's Republic of China, the Guidance for Patent Examination, and other relevant laws, regulations, and normative documents, the Company combined its actual situation to formulate the Measures for Administration of Intellectual Property. It standardized intellectual property and patent management, and established the mechanism for maintaining and protecting patents, trademarks, and other intangible assets, thus safeguarding the Company's core rights and interests in patents, trademarks, copyrights, and trade secrets.

Greentown Management has continuously strengthened its intellectual property protection. The Company actively promotes and popularizes intellectual property basic knowledge and legal and regulatory requirements to improve the employees' awareness of intellectual property protection. We established relevant ledgers and files to better manage and protect intellectual property. The Company actively deals with disputes related to intellectual property rights. In case of infringement of the Company's patents, trademarks, copyrights, trade secrets, and other intellectual property rights, we will issue a letter, file a complaint, file a lawsuit, or adopt other legal means to safeguard our rights.

We pay attention to our intellectual property protection; in the meantime, we respect others' intellectual property. Any infringement of others' intellectual property rights is prohibited. If there is any infringement, we will send a work contact notice to the relevant department to require it to make rectifications, and engage an external consulting company to conduct an external inspection and internal control. In 2022, the Company did not have any litigation or dispute due to infringement of others' intellectual property rights.

## 3 Audit and Supervision

Greentown Management abides by the Codes of Corporate Governance and the Corporate Governance Report. We have set up an audit and supervision line under the Board of Directors Office to carry out the annual audit plan and internal control supervision. In 2022, Greentown Management further refined and standardized the comprehensive internal control supervision procedures, optimized the Internal Audit Management Standards, the Standard Working Procedures for Comprehensive Internal Audit Supervision, the Measures for Management of Internal Audit Files, and the Management Standards for Compliance Audit Consulting Service Unit. We audited three subsidiaries and ten professional companies and followed up on their rectification. In terms of

internal control supervision, Greentown Management regularly assesses the regional companies' internal control construction and operation, including companies in East China, South China, North China, Zhejiang and Fujian, and Central China.

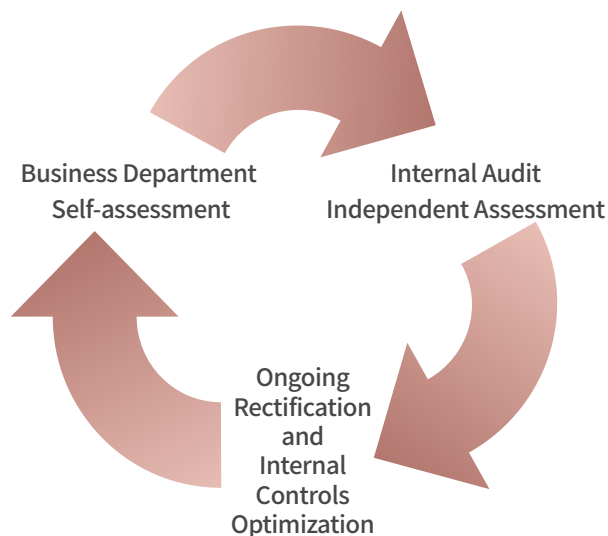


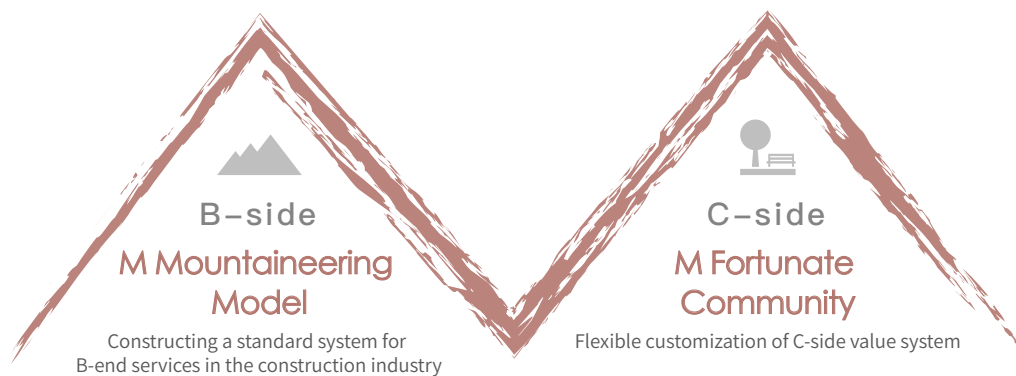
Image: Workflow of Internal Control

### III. Service Capability

Commercial project management is the business that exports brand and management services to customers under a contract to gain business income. The priority of the project management service is to focus on the customers' requirements, empower them and create greater value for them. Commercial project management is more of a service than a development. Therefore, Greentown Management adheres to the service concept of "customers first," enhances customer service management capabilities, and continuously improves customer service standards to improve individual and business customer service quality.

## Make Sure

We are convinced by beliefs together





# 1 Business Customer Service

Greentown Management has set up a project management standardization system for business customers to enhance development efficiency and create a steady sense of certainty of operational value.

## (1) Mountaineering Model

In 2022, the Company compiled the Greentown Mountaineering Service Manual to standardize the client service. The manual likens the whole process of serving clients to a mountain climbing trip. It also clarifies the nodes, targets and positions of each service stage, emphasizes "sharing the storms and achievements" with clients, and aims to provide high-quality customized services.

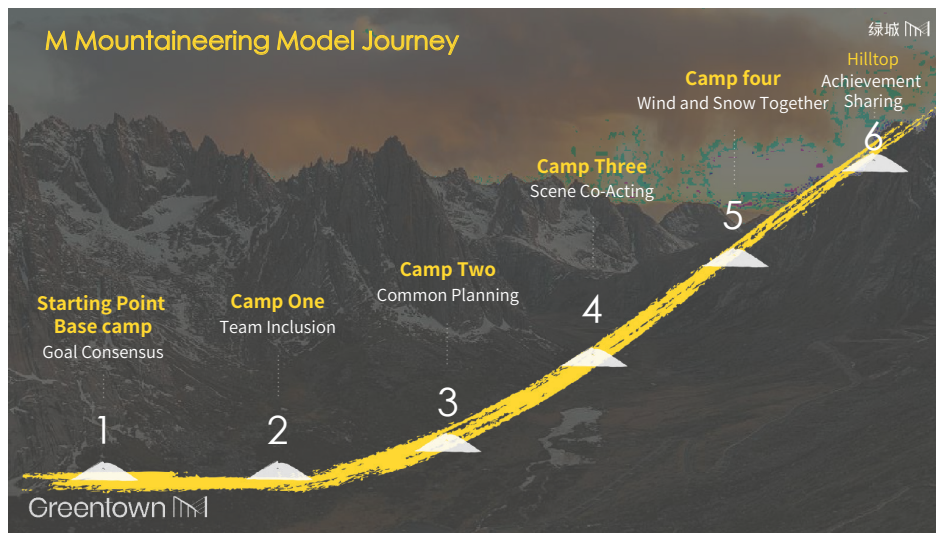


Image: Greentown Management Mountaineering Model

In the Mountaineering Model, the base camp corresponds to the contract signing stage, generating a goal consensus and clear processes through communication, analysis, comprehensive evaluation and presentation.



- Arrange mutual visit programs
- Understand the nature and culture
- Discuss target expectations

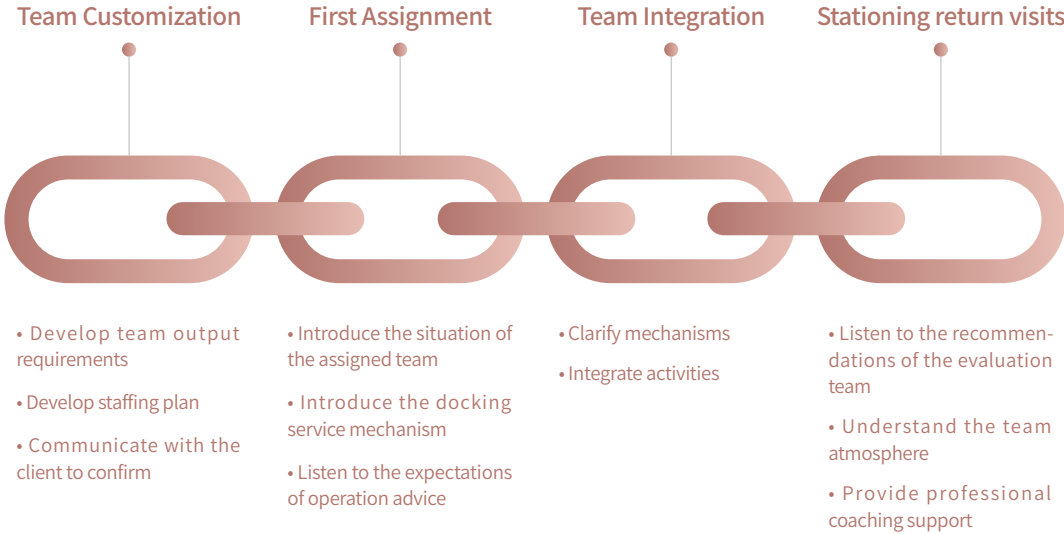


- Analyze project status
- Show analysis results
- Send project proposal



- Integration into the signing ceremony
- Leverage the mountaineering service manual
- Introduce the service content and show the resource system

The No. 1 camp corresponds to the "team deployment and integration" stage, during which the teams of two parties understand and integrate for a common goal.



In 2022, we dismantled the whole service process of commercial construction, identified the key nodes in the service journey of mountain climbing, helped the client and Greentown Management reach the common goal through the optimal path, and completed the building of the "Standardized Service Chassis". In the future, according to the company's strategy and changes in the market competition, we will flexibly adapt more "Service Plus Points" to the different organizational characteristics of state-owned enterprises and private enterprises based on the "Service Chassis".

## (2) Customer Portal

Through the client portal and various professional boards, Greentown Management provides professional online data services for the client, allowing the client to understand the project situation in real time through online, gradually achieving the effect of instant transmission of key information, transparent and visible progress information, knowable and controllable operation information, and preventive and early warning of risk information, and improving the quality of construction services.

By the end of 2022, the following professional billboards had been launched:

Billboard Type	Billboard Content
Operation Portal	Business dynamics, value analysis, sales analysis, demolition analysis, return analysis, project progress, capital status, information on two fees, information on construction fees.
Marketing billboards	Last day's arrival, subscription, transaction and return data, as well as the above trend chart for the past 7 days.
Design billboards	Nodal plan, track plan, project gallery, house style gallery.
Project Billboard	Third party assessment information, site video.

In 2022, we continued to implement the "Digital Hive" plan. We provided data services for five-dimensional people through the service portal to improve collaboration efficiency and mutual trust, utilized the front-line operation system to provide various digital tools for projects to enhance work efficiency, and leveraged the professional empowerment platform to improve project quality and efficiency and exploit the scale advantages, thus generating a simplified and gamified asset-light digital platform to facilitate the future productivity growth and scale-up of the Company.

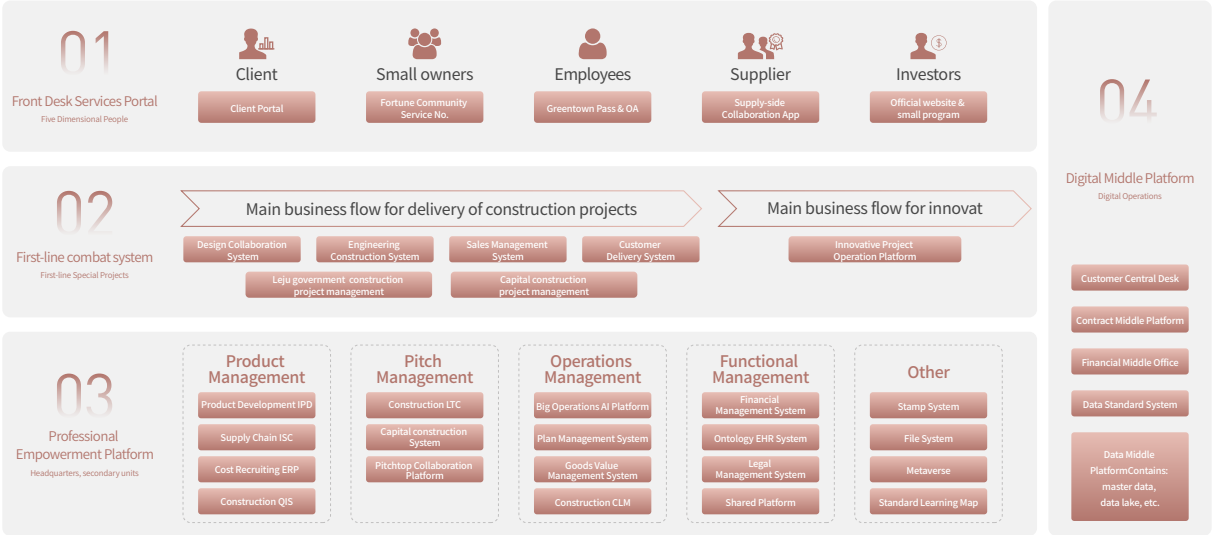


Image: "Digital Hive" Plan

### (3) Customer Satisfaction Feedback

Customer satisfaction surveys aim to understand to what degree the customer expectations are met after their experience. We conduct continuous quantitative research to obtain indicators such as customer service satisfaction, product/service defects, further cooperation willingness, and recommendation rate to find the internal and external customers' core problems and a quick and effective solution. In 2022, Greentown Management's overall customer satisfaction score improved steadily—extremely satisfied (5 points) and satisfied (4 points), accounting for XXX% and XXX%, respectively; the overall project implementation satisfaction was 73% and 21%, respectively.

#### Case: Client Team Development

Regarding the customers' requirements for team cultivation, integration, and support, Greentown Management took practical actions to enhance the professional competence of the customers' team and empower their team management, strengthened team communication and integration, and implemented the "1+3+1" key talent reserve scheme.

## Professional capacity enhancement of the client team

- ◆ "Inspection with courses": in response to the problems of different projects, the group/regional inspection will bring relevant courses to teach the team of the client on site, so as to improve the project team's ability and the client's recognition of Greentown.
- ◆ Online fragmented learning: all client accounts holding Greentown OA can log in to Cloud University in real time, and Cloud University courses and micro-classroom resources are fully open, with online resources to consolidate professional foundation.
- ◆ Open project training: the training conducted at the project level, under the premise of ensuring that the training content is free of sensitive information, the client team is invited to participate in the training and improve together.



## "1+3+1" key position personnel reserve

- ◆ According to the development objectives of each region, 3 sets of "1+3+1" key positions are reserved for projects with high willingness to develop strategically or to be deployed geographically. One set of on-the-job reserve, in cooperation with regional development, intervenes in new project positioning, design and other work in advance, and exercises the project management team's ability to overcome difficulties; two sets of supernumerary non-on-the-job reserve, to maintain long-term relationship maintenance, to ensure that the on-the-job reserve can be assigned as soon as possible, and to enhance the timeliness of project team allocation in the whole process.

## Empowerment of delegated team management

- ◆ Organization of "Sun Plan": In 2022, we continued to organize the "Sun Plan" to continuously improve the management awareness and ability of project management through systematic training and practice of management courses.
- ◆ Secondary unit empowerment training: In 2022, the entity will collaborate with the Development Center, Product Development Center and Marketing Service Center to organize secondary unit meta-marketing empowerment acceleration warehouse training to help build the management capacity of secondary units and strengthen the support of secondary unit product and marketing personnel to project teams.

## Enhance inspection and communication for integration

- ◆ Project inspection and communication: increase the frequency of inspection from the group/region to the project, fully understand the requirements of the delegate's representatives, give guidance and support from the group/region level, help solve the problems related to the project body, and support business development.
- ◆ Development and application of general communication courses: The ontology construction center intends to develop 1-2 general communication courses (how to communicate efficiently, etc.) for the whole team of Greentown and the client, and teach the courses through classroom, inspection with classes or special training, so as to effectively improve the team integration.

## 2 Individual Customer Service

### (1) Community of Blessing

In 2022, Greentown Management summarized the experience from previous projects and services and continued promoting the "Community of Blessing" concept. The Community of Blessing is Greentown's unique service system for a better life. It is based on the "Life, Living, and Growth" service system, centering around customer value to provide them with animate buildings, quality life, and valuable growth through flexible customization and differentiated services, thus creating a unique community system of Greentown Management.



### Life

It integrates thinking about life in the planning process of the community, and builds a more comprehensive all-scene life service system through the three dimensions of "fortune creation experience", "fortune life courtesy" and "fortune friend and neighbor time" to bring more imagination for a better life.

### Living

Deeply combined with the product creation concept of Greentown Management, it creates high-quality products with customized, specialized and differentiated flexible services from three perspectives of presenting exemplary quality, wholehearted housing guarding and renewing future human living.

### Grow

Taking the community as the starting point, we connect education, recreation, investment, finance, industry and other quality resources to form an ecological system from the community to the society, so that more people can experience the beauty and abundance of life in the common construction and sharing of the community.

Image: Definition of the "Life-Living-Growth" System

As of the end of the Reporting Period, the Community of Blessing product and service content of "life," "living," and "growth" all expanded to form 9 second-level and 29 third-level content.

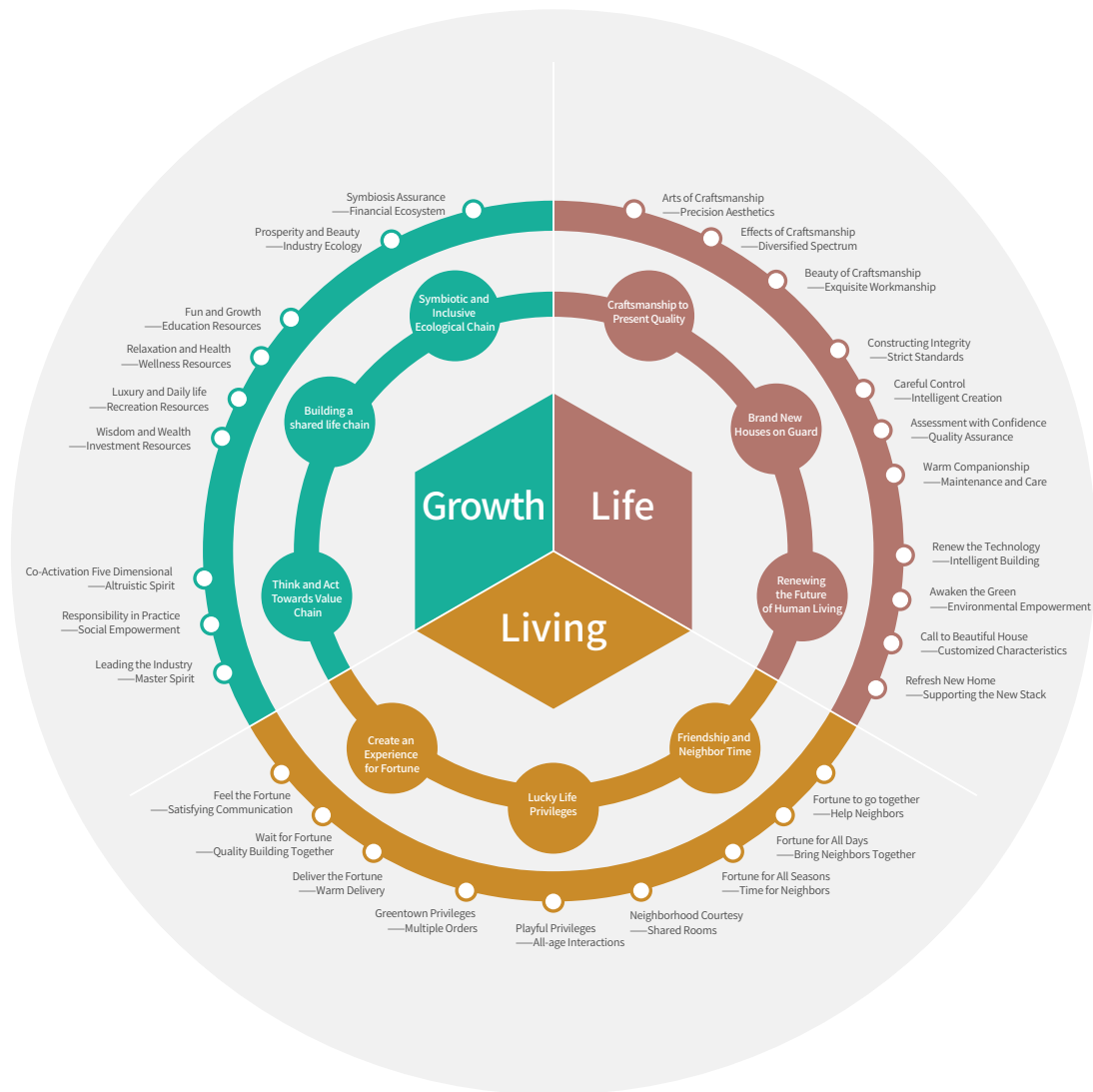


Image: Value Map of Community of Blessing

### Case: Community of Blessing for the Elderly

For the elderly owners, the Community of Blessing satisfies their demand for warm companionship in lifestyle and spiritual pursuit. The community provides appropriate exercise fields and social space for the elderly and customizes health and care services to enable them to find a sense of belonging and happiness.

#### ► Mild Exercise

The elderly tend to do mild exercise to improve their bodily functions. The Community of Blessing provides outdoor mild exercise fields, equipment exercise areas, and rehabilitation exercise areas to meet the elderly's different needs. Pedaling machines, biking

machines, waist twisters, spacewalk machines, and single pull-up rings can be customized to help the elderly enjoy exercise and gain vitality.



Image: Diagram of Equipment Exercise and Rehabilitation Exercise Areas for the Elderly

► Rest under the Woods

At the rest area under the woods in the Community of Blessing, the elderly can enjoy plant fragrance, color, sunshine, dew, morning fog, and background music. They can rest, appreciate beautiful scenery, read, and chat with friends, integrating into the community's relaxing "pan-social" atmosphere.



Image: Diagram of the Rest Area under the Woods

► Square Foot Gardening

Mel Bartholomew from North America invented "Square Foot Gardening." It is almost unreachable for the elderly living in the city to own a garden due to the high housing prices, while the Community of Blessing develops a "square foot gardening" for the residents. It links the elderly with the land and brings fresh vegetables to their table.



Image: Diagram of Square Foot Gardening

It is an eternal topic to care for and support the elderly. From the community framework to the necessary services and care, Greentown Management carefully builds the Community of Blessing to make the elderly comfortable. Every life stage comes with highlights in Greentown Management's Community of Blessing.

## (2) Customer Service

Greentown Management strictly complies with the internal systems such as the Standard Requirements for Pre-sale Risk Screening and the Standards for Complaint Handling and Major Risk Notification and Handling. In 2022, the customer service line organized 27 internal training sessions (excluding repeated training), including 21 organizational training sessions and six collaborative training sessions, covering 2,609 people, to continuously improve the customer service management ability and provide more considerate services.

### Property Owner Satisfaction

In 2022, the Group surveyed 4,842 property owners of 66 projects, with a sampling ratio of 24.29%. The owners mainly rated the products, services, and sense of value. In 2022, Greentown Management got 91 points in customer satisfaction, a steady improvement in five consecutive years, far exceeding the industry level.



## **Complaint Handling**

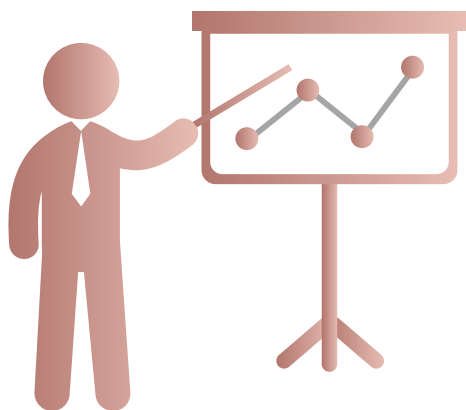
Greentown Management has established online and offline complaint channels for customers to give product and service comments and feedback. Customers can make offline complaints at the project sales center and the property service center; complaints can also be submitted through the project service hotline, the property service hotline, the Group's service hotline (95059), the Group's complaint mailbox, and the Group's Official Microblog. According to the problem severity, the amount of loss, and the time needed to solve the problems, the Group's relevant departments and the secondary project control units will handle the complaints reasonably and legitimately.

## **(3) Responsible Marketing**

Greentown Management adheres to "responsible marketing" and continuously enhances the Company's brand value. We have developed internal marketing systems, including the Supplier Management Standards of Marketing Service System, Project Operation Manual—Service, Project Operation Manual—Marketing, and Compensation and Performance Management Standards for the Project Marketing Team to guide the Company to gain competitive advantages and achieve stable and healthy marketing development.

## **Marketing Compliance Training**

Marketing compliance is the internal requirement for the Company's continuous and stable marketing activities, which also helps enhance the Company's core competitiveness. We regularly hold marketing compliance training for employees to strengthen the team's comprehensive abilities. The training involves compliance management principles, compliance management systems, and eliminating non-compliant marketing activities.



- ✓ The Project Marketing Team Compensation and Performance Management Standard
- ✓ Sales Champion Skill Competition
- ✓ Knowledge Sharing Conference
- ✓ Star Shine Plan
- ✓ Accelerated Warehouse
- ✓ Hundred Days Sprint
- ✓ Marketing string promotion

**Image: 2022 Marketing Compliance Training Checklist**

## **Case: Marketing Academy's "Marketing Acceleration Silo" Training**

From February 26 to 27, 2022, to facilitate the key marketing personnel to quickly understand the responsibilities, management standards, and management tools of their position, the Company organized the "Marketing Acceleration Silo" training. The training aimed to help employees grasp marketing management's key points, change their thinking, and enhance their job competence.





Image: 2022 "Marketing Acceleration Silo" Training by Greentown Management Marketing Academy

## **Customer Privacy Protection**

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Our service has been focusing on improving consumer satisfaction, and we unwaveringly protect customers' rights and interests. We comply with the Law of the People's Republic of China on the Protection of Consumer Rights and Interests, the Personal Information Protection Law of the People's Republic of China, the Information Security Technology-Personal Information Security Specification, and other domestic laws and regulations on consumer data and privacy protection. To strengthen information security management, the Company abides by the local laws and regulations on Internet data security. It has established relevant internal systems such as the Computer Information Security Management Standards and Informatization Management Standards to strengthen network security and effectively protect consumers' data and privacy.

## **Featured Marketing Activities**

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In 2022, Greentown Management combined online and offline channels to fully interpret the themes of various marketing activities, connecting the macro and the micro, the ideal and the reality, significantly enhancing the marketing effect and the Company's brand awareness.

### **► Humanistic Marketing**

#### **Case: The First Cup of Coffee in Winter**

In November 2022, Greentown Management launched the "First Cup of Coffee in Early Winter" public benefit activity to share the "time of blessing" with police, doctors, teachers, and sanitation workers and thank them for their contributions. During the activity, we set up care stations at urban centers, schools, and hospitals to supply hot drinks, paid marketing visits to schools, hospitals, enterprises, and customized outdoor and indoor pop-up coffee shops to distrib-

ute a limited amount of coffee in a limited time. This improved the Company's brand publicity effect and demonstrated Greentown Management's devotion to public benefits.



Image: Warm Coffee in Winter Activity

## ► Online Marketing

In 2022, online marketing continued to be an important way to promote the Greentown brand. We organized several online activities, including the Double 11 House Purchase Festival, the 100-people Live Streaming Program, and the Summer Blessing Trends Competition.

### Case: The 100-people Live Streaming Program

On November 8, 2022, the Company launched the "100-people Live Streaming Program". It called on all projects to establish an online new media matrix, implemented the 100-host recruitment plan to enlarge the fan base, and engaged third-party live streaming to attract more viewers and promote the projects. At the same time, the Company organized the Life of Blessing Festival and Service of Blessing Chassis Activity. The projects attracted many visitors through online and offline promotion and maintained the heat of a good sale.



Image: The 100-people Live Streaming Program

# IV. Product Power

Products are the foundation of the Company's development, determine the Company's reputation among individual customers, and help win customers' trust. The Company is committed to improving and transforming its advantages in serving individual customers into value-creation capabilities for business customers to satisfy both types of customers. We always put safety and product quality first when facing new challenges and opportunities in the industry. We make scientific progress plans to steadily advance all projects while ensuring safety and quality.

In 2022, Greentown Management combined the cutting-edge construction technologies and characteristics of project management to establish a tiered, exquisite technology and practice-based product system. Two hundred sixty-four product management standards have been established to provide scientific management methods and technical support for various projects.

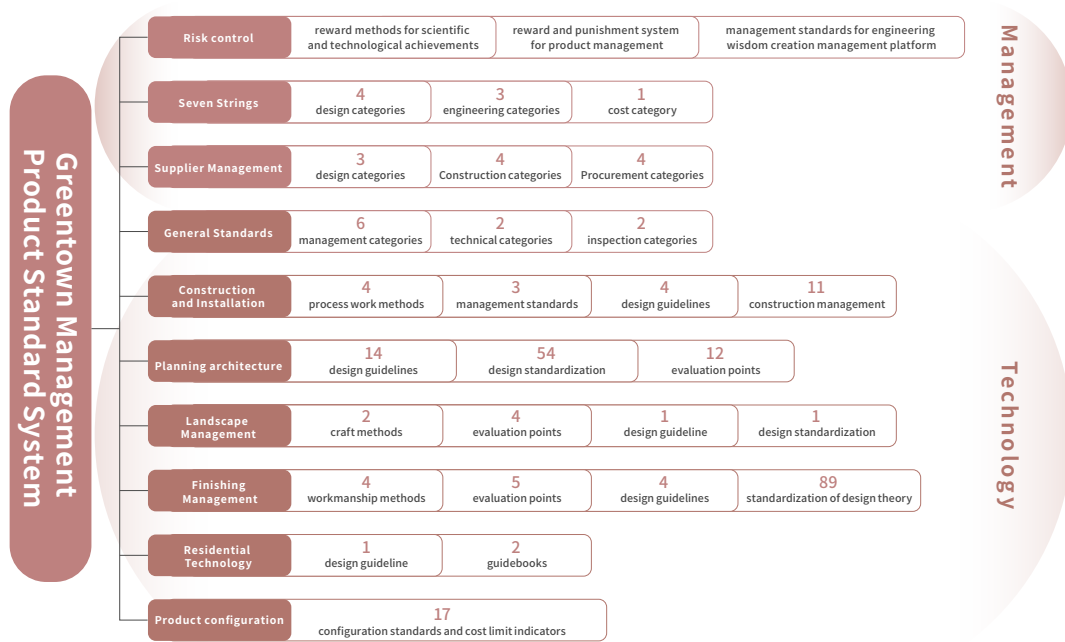


Image: Greentown Management Product Standard System

## 1 Quality Assurance

### (1) Quality Management System

Relying on the mature lean management and risk control system, Greentown Management has successfully passed the ISO9001 Certification of the Shanghai Audit Centre of Quality System, covering the whole industrial chain of the real estate development project management, including but not limited to design, engineering, cost, marketing, service, and operation.

In October 2022, Greentown Management passed the certification of ISO14001 Environmental Management System and ISO45001 Occupational Health and Safety Management System. In addition, the Company strictly abides by the relevant national environmental and occupational health and safety management regulations.

Under the guidance of the environmental and occupational health and safety systems, Greentown Management firmly

practices the "Quality, Trust, Efficiency and Sharing" concept, continuously improving customer satisfaction and employee motivation to accomplish its goals.



Image: Environment Management System and Occupational Health and Safety Management System Certification

## (2) Five-dimensional Lean Engineering Management System

Regardless of the property type and city level, Greentown Management strives to make its project management products the quality benchmark. We always believe that only high-quality products can help us stand out from the competition and create value for customers, property owners, and suppliers in the changing market.

During the whole process of project construction, Greentown Management built a strong quality assurance fortress through systematic safety management, standard civilized construction, fine quality management, visible progress management, and intelligent construction to consolidate its product power constantly.

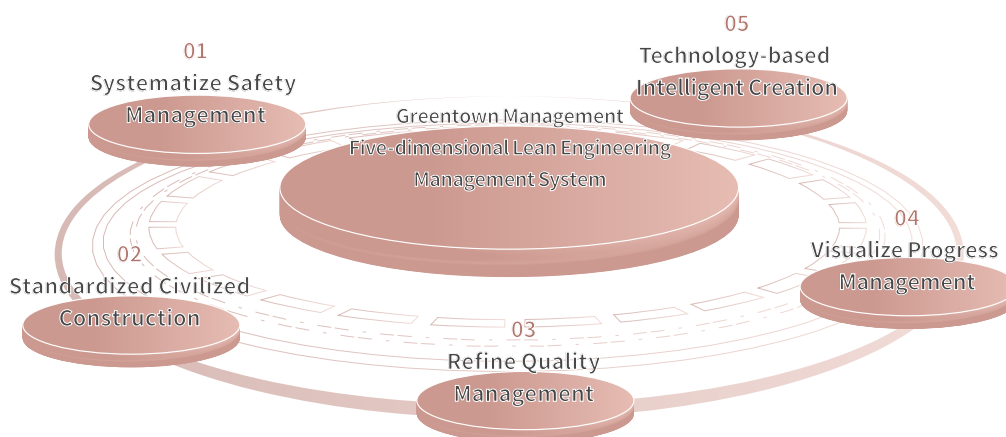


Image: Five-dimensional Lean Engineering Management System

## **01. Systematic Safety Management**

We have developed a regular, dynamic, tiered, and full-cycle safety management system by adopting measures such as safety morning meeting, safety billboard, safety education, safety protection, and safety risk classification, forming a solid fortress to ensure engineering safety. Visitors can learn about our safety management system at the on-site safety and civilization display area.

## **02. Standard Civilized Construction**

The face recognition system at the entrance of construction sites can show workers' names, temperature, and health codes; all construction units wear their uniform work clothes; facilities, equipment, construction materials, and tools are arranged neatly; fixed protection facilities are soundly installed. As a result, standardized and civilized construction sites are present before visitors.

## **03. Refined Quality Management**

High process standards as well as refined, visible, image recording-applied control measures, facilitate project quality, which is the key concern of customers and property owners. There are 195 hold points throughout the life cycle of project construction, which all have clear control and acceptance requirements. Control measures such as image recording for covert acceptance, and visible measured data drive the quality awareness of on-site construction units and ensure implementation of our quality control standards in every work on the construction sites.

## **04. Visible Progress Management**

Greentown Management develops panoramic, individual, and special plans to properly control the project progress to guarantee the construction progress, deliver the houses to the owners in time, and help the customers achieve operational benefits faster. Managers can quickly track detailed construction progress through visual charts to ensure each process advances orderly.

## **05. Intelligent Construction**

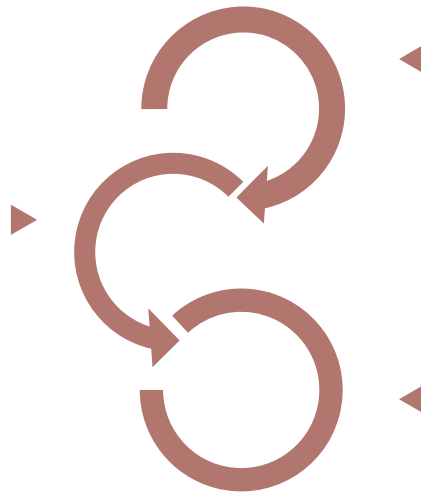
Relying on advanced technologies such as big data, the Internet of Things, and BIM, Greentown Management has realized online and intelligent concrete rebound test, process acceptance, material acceptance, and evaluation management. Through the "Intelligent Construction System," we have improved project management efficiency, lowered cost, and enhanced project quality.

### **(3) Sample System**

The sample system of Greentown Management includes three categories: sales sample, process sample, and delivery sample. At the major venues on the Site Open Day, visitors can learn how our quality requirements are communicated to each on-site construction unit in the centralized sample areas. Visitors can see our perfect process and refined details in the process sample area; the sales and delivery sample areas display the future life elements and scenarios to visitors, reassuring potential customers that what they see is what they'll get.

## Open Sample Space

Our model showcase is not only steel and concrete, but also allows home buyers to feel the future park life in advance. In the sales model area, we select the core landscape area to present early, the landscape display area with birdsong and green grass, the unit lobby with rich and dignified atmosphere, and the overhead floor with various functions and rich scenes, which are presented in real life; in the delivery model area, home buyers can immerse themselves in the rooms, underground garage and other areas to truly understand the details presented when the future houses are delivered, and what they see is what they get.



## Fine Sample Display

In each sample, Greentown Management clearly marked out the material used in each process and the construction details required. Take the roofing sample as an example, there are more than 20 standard practices displayed in a small scope, and a total of 8 procedures for roofing surface from base cleaning to slope finding, waterproofing and insulation are clearly displayed, with every detail clearly in place, so that everyone at the construction site can clearly understand the details of the practices and quality requirements.

## Leading-edge Craftsmanship

In order to guarantee the quality of finishing work and from the demand of actual living details, Greentown management has proposed industry-leading design and technology in many architectural details. For example, the use of socketed steel-plastic waterproof casing in the bathroom to improve the overall tightness between the drainage pipe and the casing; the requirement that the doorway and the counter-threshold around the wall be poured and formed at one time to avoid the formation of cold joints; the extension of the bathroom doorway to the outside of the wall 300mm and other measures to effectively enhance the bathroom leak-proof function and solve the actual living pain points.

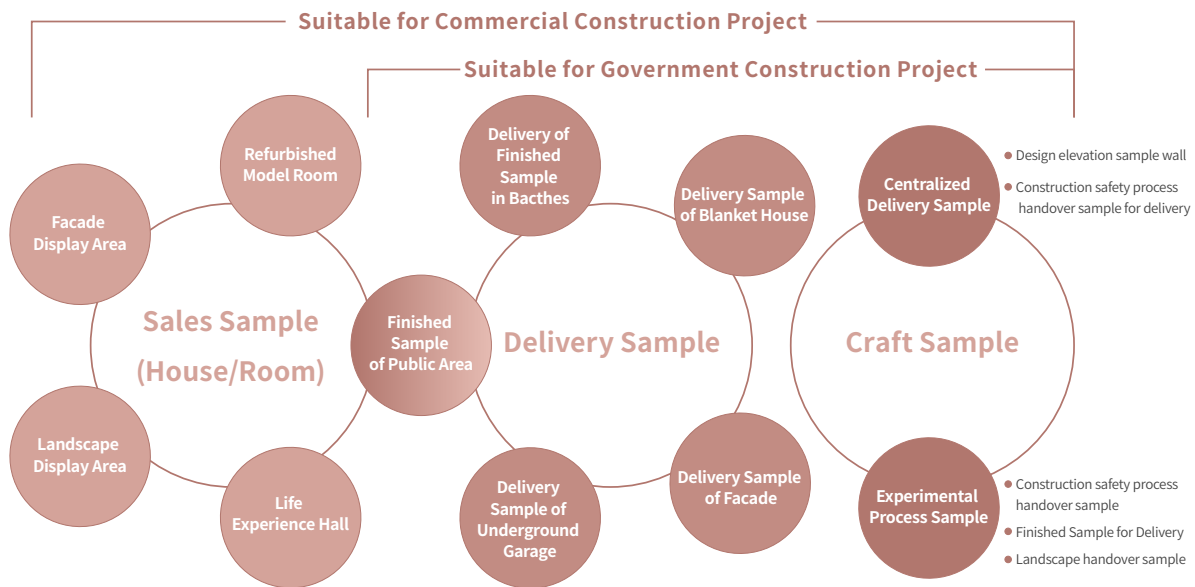
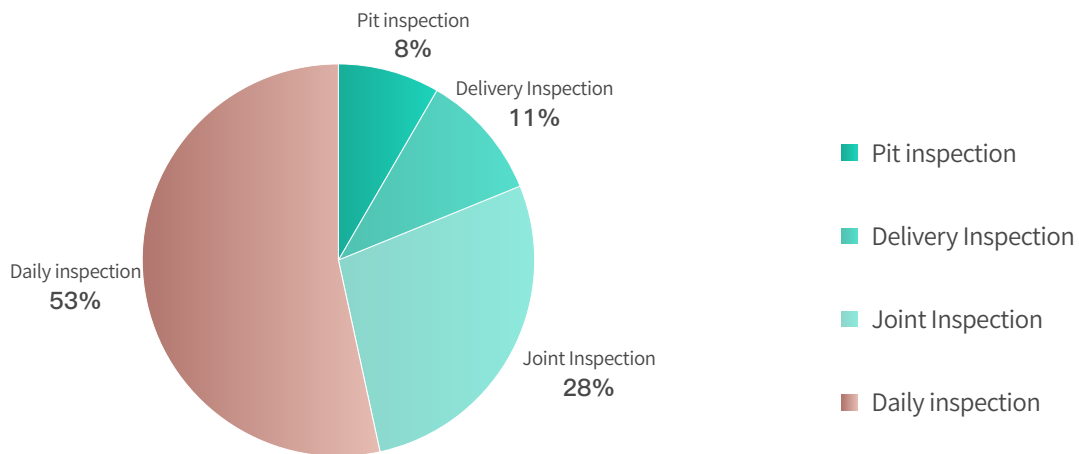


Image: Greentown Management Sample System

## (4) Routine Project Inspection

In 2022, Greentown Management conducted 191 project inspections, averaging 21 inspections every month, including 16 foundation pit inspections, 20 delivery inspections, 53 joint inspections, and 102 daily inspections. Compared with FY2021, the total number of inspections and the number of inspections per capita were up 30% and 77%, respectively.



Through regular inspections, the Group strengthens corrective actions during the construction process, posing an ongoing deterrent to all construction in the process to ensure proper supervision and control of all projects.

## (5) National Site Open Day

The "National Site Open Day," a featured quality management measure launched by Greentown Management, has become a fine tradition of the Company to promote the establishment of an industry trust system. In 2022, "ensuring delivery" became the industry's focus, and consumers increasingly required higher product quality. Despite the market slump, Greentown Management continued to hold the National Site Open Day to demonstrate our high-quality products, spread a positive signal in the industry, and fulfill the product and operation commitment to the buyers and customers.

### Case: The Eleventh Greentown Management National Site Open Day

On September 28, 2022, the Eleventh Greentown Management National Site Open Day kicked off. Within a month, dozens of Greentown Management's projects across the country were opened to the public to show the most authentic situations of the construction sites and undergo the inspection and review of the customers, buyers, the media, and the public. This Site Open Day, themed "Trust and Blessing," aimed to show that despite the constantly turbulent real estate industry, Greentown Management was willing to trust and connect all parties to deliver beautiful homes for owners, create business value for customers, bring stable returns for suppliers, and strengthen confidence to promote industry development. Greentown Management has unveiled the new look of project management in the "Time of Blessing" through the Site Open Day and other activities.

At Tongxiang Pu Yuan and other venues, the audience experienced the happy life brought by Greentown Management's "Community of Blessing" through the landscape, open floor, indoor public area, and other product modules. They had an immersive perception of the services Greentown Management provides for future homeowners.



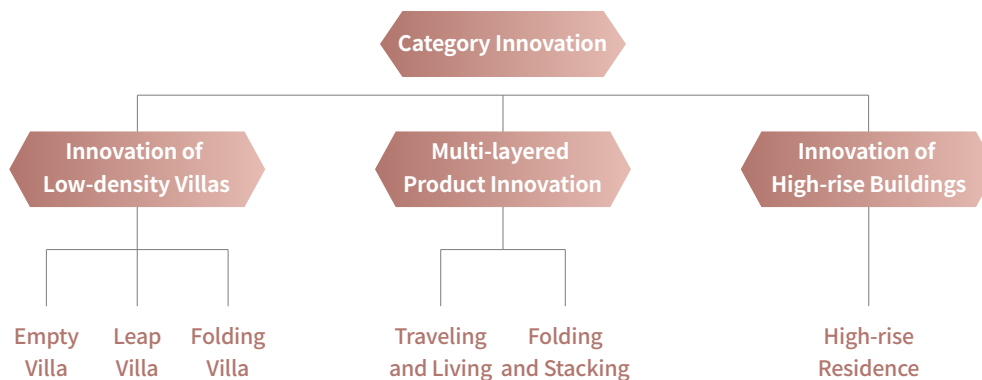
Image: "Community of Blessing" Product Module Examples

## 2 Design Adaptation

As the industry environment and house buyers' demand change, China's real estate industry has entered a transformation period of management dividends. Facing more diversified market choices, higher land use demand, and customers' higher requirements for lean management and operation, project management enterprises must transform their thinking and upgrade their capabilities. Product power is a key competitiveness for project management enterprises. Empowering project quality and efficiency and creating benefits are core to achieving win-win results for project management enterprises, customers, and house buyers. In the design stage, Greentown Management adheres to the humanistic spirit, and relies on its brand strength, professional ability, and over 20 years of experience. It combines the customers' common needs and project characteristics to create value.

### (1) Product Innovation

Greentown Management has innovated low-density, multi-story, and high-rise residential buildings to meet different needs.



For example, as China limited the building of villas, low-density products must have at least four floors with a high floor area ratio. The biggest design challenge is achieving a maximum balance between product comfort and value. Greentown Management focused on vertical development, air courtyard, and independent transportation. It made a breakthrough in row houses, duplexes, and penthouses, creating phenomenal innovative works such as Yan Yu Tao Yuan in Zhangjiakou, Xi Shan Yan Lu in Shijiazhuang, and Tao Li Chun Feng in Haikou.

To improve the relationship between buildings and nature and cater to the house owners' ultimate pursuit of living in high-rise buildings, Greentown Management has embedded the "air courtyard living" concept in high-rise products and launched innovative products such as Zhuo River Town "Guan Yun Li" in Weifang by introducing urban balconies and public landscape floating design, gaining popularity in the local market.

With the nationwide layout of the project management business and projects expanding to the third- and fourth-tier cities, Greentown Management's innovation of product style focuses on low cost, modern trends, and stylized design and systematically manages the style innovations to facilitate rapid replication and broader application.

We believe that the new era will give rise to new housing demands. With the change in people's lifestyles and concepts, they have more diversified requirements for the living environment. Therefore, continuously innovating more reasonable and comfortable houses is critical to improving people's living experience and happiness index.



## Case: "Blessing·Home" House Type Innovative Design Competition

In May 2022, Greentown Management held the public "Blessing·Home" House Type Innovative Design Competition, aiming to promote design innovation, jointly explore value improvement schemes for the current house types, and provide more solutions for the market through brainstorming. The competition attracted wide attention, and received more than 100 entries, generating 12 shortlisted entries after strict review and selection. On June 21, the organizing unit held a meeting to discuss and decide on the competition awards, finalizing it with awards for the top six and the best popularity award online.



Image: Assessment Meeting

Finally, selected innovative house designs will be recommended to be used in building local standard house type libraries, integrating the key value of different house types in different regions to optimize the design.

## (2) Customization

Customers sometimes have special design demands, such as the special space needs in resettlement housing, customization for the customers' employee residence, and locally specified product style and configuration. Greentown Management can customize solutions for those individualized needs.

## Case: Customized Upgrade for Taiyuan Sincere Garden Project

Before Greentown Management was engaged in the Sincere Garden Project in Taiyuan, the underground structure had been established, and some surface aluminum formwork had been set up. Therefore, the main building structure could not be changed. The customers did not want to make significant adjustments to the project's existing planning but to optimize the facade, landscape, and some functional areas and apply Greentown Management's quality control methods in the subsequent construction to improve product quality.

Greentown Management introduced the second-generation high-rise product, the "Sincere Garden Series," to the project to optimize the facade, the entrance hall, multi-functional building, and built gardens and sample rooms. Customized upgrading of the project changed its poor sales. It has achieved sales of over RMB200 million, ranking among the top ten projects in the regional market.



Image: Before and after Greentown Management's Optimization

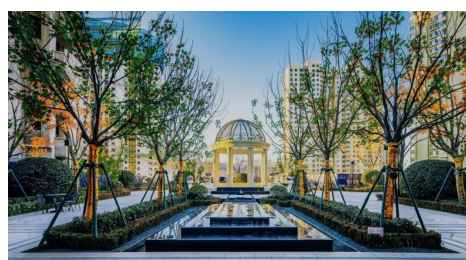


Image: Scenery of Sincere Garden

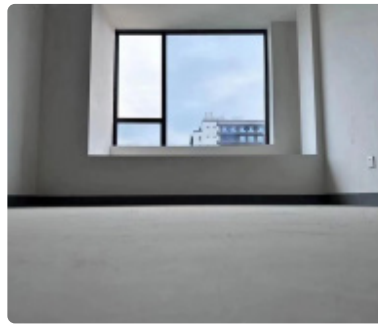
### (3) New Material Application

In 2022, the Company continued to invest a great number of resources in new material research to reduce costs while ensuring product quality. For example, the shell powder coating, made of seashell waste materials, is technically processed as a cheap and quality green coating, effectively mitigating marine and decoration pollution. It is in line with the "circular economy" advocated by the country and contributes significantly to China's carbon peak and carbon neutrality" goal.



#### Lightweight Green Roofing System

The system integrates waterproofing, drainage, water filtration, water retention and storage, growing media, green planting, automatic irrigation, and rainwater recycling into a whole, in order to meet the functional needs of lightweight, green planting, carbon neutral, energy saving, and eco-friendly buildings.



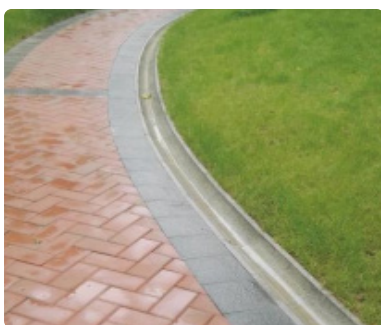
#### Inorganic microcrystalline insulation flooring

The material is a construction layer to enhance the adhesion of inorganic microcrystalline insulation layer and self-leveling protective layer, which has the characteristics of high construction efficiency, high leveling, lifting net high, stable quality and green environment protection.



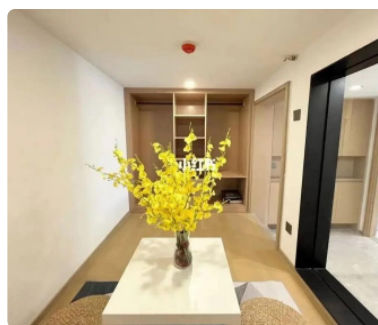
#### Epoxy polished stone flooring

As a common building material, epoxy millstone has a green, highly functional and decorative role. Designers can start designing from form, texture, texture and color to present the unique charm of floor design and add color to the space.



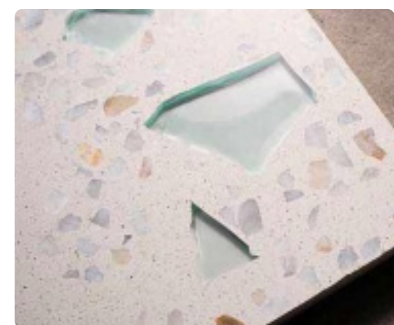
#### PC shaped curbstone

Concrete panel-like or block products, the top surface texture of the product has a natural stone decorative effect, with high wear resistance strength and durability, can be applied to the inflow channel, car block, etc.



#### Shellac paint

Shellac makes use of sea shell waste materials and forms inexpensive green ecological coatings through technical means, perfectly solving the pollution problems of marine ecology and decoration environment, with the effects of native aldehyde-free, moisture-absorbing and moisture-proof, antibacterial and anti-mildew, fire retardant.



#### Landscape hemming strips

In addition to dividing the area, the landscape edging strip can also block the roots, so that the roots of plants do not grow outside the boundary, effectively stopping the chaotic growth of plants and plants growing into the road. It can facilitate the architecture from the shape and function and play the charm of combining culture and architecture.

Image: Examples of New Materials

### 3 Operation Efficiency Improvement

Thanks to Greentown Management's large product spectrum, excellent craftsmanship and quality, good brand image, and market reputation accumulated over the past years, we can bring out lower-cost, quick-seller, and high-benefit products, realizing cost and value empowerment for the customers.

#### Case: Chun Jiang Ming Yue Project in Linyi

The project faced problems such as high cost and an adverse market environment, but Greentown Management rose to the challenge, striving to achieve "optimal configuration at the lowest cost." We conducted in-depth research on the land, local market, and policies to achieve accurate investment. At the planning stage, we conducted repeated cost estimations to optimize the cost structure and identified the key points for enhancing the product value. We adjusted the main entrance and roadway scheme to increase the aboveground area by about 2,500 square meters and the project value by about RMB50 million. During construction, the project adopted standardized design results and indicators, introduced high-quality suppliers, and implemented regular inspections to avoid significant deviations. Through the team's unremitting efforts, we attained the project goal and helped the customer achieve economic and social benefits.



Image: Greentown · Linyi Chun Jiang Ming Yue Project

### 4 Cost Optimization

Our clients include the government, state-owned and central enterprises, financial institutions, and private developers. Based on the competitiveness of Greentown Management's products, we carry out cost control of the whole process, elements, and systems of the project based on the perspective of the client, break the cost control barriers, create greater benefits for the client with a better understanding of cost management, and work together with the client to tide over the difficult times during the industry fluctuations.

## Cross-professional linkage of cost, design, marketing and engineering

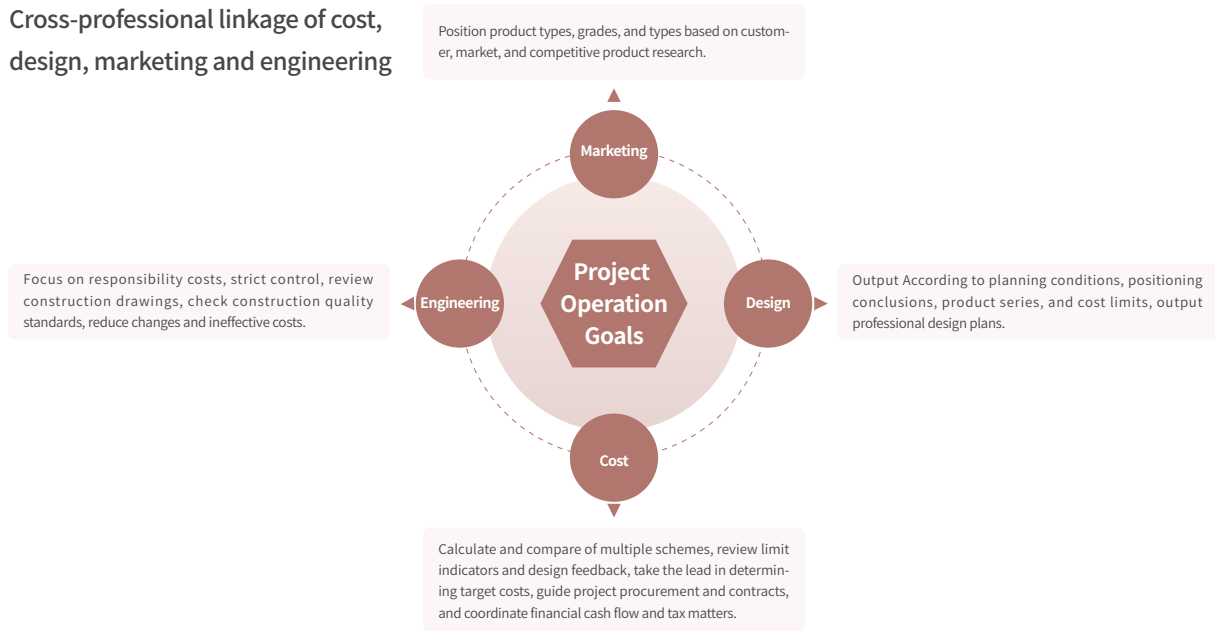


Image: The Whole Process, the Whole Element, the Whole System of Cost Control

In terms of cost control, Greentown Management strictly adhere to the requirement of "Cost String" in the "Seven Strings" management. Before the project starts, we analyze and study four aspects of cost, design, marketing, and engineering, and utilize marketing to achieve sales profitability and project operation effectiveness to ensure that the project target is reached. During the construction stage, we carry out dynamic tracking based on target costs, timely measurement of changes, and preparing dynamic tracking reports to ensure that the cost is accurate and controllable. Based on Greentown Management's years of control experience and huge cost data, we have formed a menu-type cost database, which facilitates quick cost matching to satisfy the requirements of the client's cost and quality expectations.

### Case: Taiyuan Guanshan Garden Project

Taiyuan Guanshan Garden Project is a low-density product in the mountainous area. Facing the test of high cost of earthwork and difficult management of construction volume, Greentown Management made multiple efforts to carry out accurate cost management and optimization control in few aspects including the earthwork, general contracting, facade, landscape, and small municipalities, and achieved excellent results. For the earthwork, with the help of BIM modelling, the Company optimized the elevation of the terrace from the scheme stage, reasonably controlled the amount of earthwork and reduced the amount of external transportation, saving around RMB 10.96 million. In terms of the facade, the project optimized the craft of aluminium



Image: Greentown-Taiyuan Guanshan Garden

line and adjusted the non-sensitive parts and the thickness of aluminium plate, saving cost around RMB 2.1 million. Meanwhile, the project adopted the design of broken bridge aluminium windows, saving cost about RMB 1.9 million. In terms of the landscape, the project adjusted the layout of finishes in public parts from the client's perspective, saving cost around RMB 770,000. Based on the above results, the project won the first prize of excellent case of Greentown China.

# ENVIRONMENTAL POWER

Green to over

the



As a leading real estate project management enterprise, the Company understands its social responsibilities. It strictly abides by the Environmental Protection Law of the People's Republic of China, the Energy Conservation Law of the People's Republic of China, the Law of the People's Republic of China on the Prevention and Control of Environmental Pollution by Solid Waste, and other applicable laws and regulations. While ensuring project quality and improving people's living standards, the Company takes various measures to reduce the environmental burden during construction management. Taking green sustainable development as an important part of its development strategy, the Company is creating the brand value of "Building a Green Town." In 2022, Greentown Management passed the ISO14001 Environmental Management System Certification. The Company strictly complies with the relevant national regulations on environmental management to avoid environmental disturbance, pollution, and other incidents.

# I. Green Building

We continue to promote and lead green buildings, and closely follow the Assessment Standard for Green Building, the Regulations of Zhejiang Province on Green Building, and other national and local standards for green building to implement and advance the green design and operation of buildings.

## 1 Green Design

As a leader in the project management industry, Greentown Management values green and modern design. We customize the design according to the geological characteristics, climate conditions, vegetation coverage, and composition of the construction sites. We use natural ventilation, lighting, and natural terrain best to retain primitive nature. We also exploit the favorable conditions and circumvent unfavorable ones to make up for the inherent deficiencies of the sites in a scientific way to restore a comfortable green, modern living experience for residents.

### Case: The "Sponge City"—Jiangsu Jurong

The original vision of the Jurong project was to create an ideal residence where people could go hiking, appreciate beautiful scenery, and enjoy the fun of nature. The project used innovative facade design to integrate the natural, architectural, and cultural landscape, creating a poetic courtyard life. In addition, the project adopted green technologies and energy conservation measures, such as energy-saving public area lighting, proper movement route layout, rainwater utilization, and use of environmentally friendly materials, to preserve the beauty of nature and achieve harmonious integration of human and nature.



Image: Design of Jiangsu Jurong Hupan Yunlu Project

## 2 Green Construction

To create green homes, Greentown Management focuses on "Blessing +Green +Health" and follows the Product Configuration Standards of the Green Intelligent System to build a green and healthy product system. The Company attaches importance to green buildings and environmental protection, actively applies green materials, and reduces resource waste to create green space and discharge its sustainable development responsibilities. During construction, we adopt measures suiting local conditions and look for green, energy-saving, and high-efficiency building materials to minimize the impact of construction and buildings on the local natural environment, interpreting the architectural aesthetics of harmonious coexistence with nature. Some projects adopted a thermal bridge-free design, high-efficiency heat recovery device, Low-E three-glass two-cavity aluminum doors and windows, and high-efficiency external insulation system to construct passive ultra-low energy buildings.

### Case: Near Zero Energy Buildings in Hutun, Dalian

The project was designed, built, and operated in strict accordance with China's Technical Standards for Near Zero Energy Buildings (GB/T51350-2019). We thoroughly studied the building scheme, refined various energy consumption indicators, thoroughly implemented technical measures, accurately simulated energy consumption, and comprehensively implemented the technical standards for high-quality near-zero energy buildings, green star buildings, precast concrete buildings, sponge cities, and healthy buildings. The project represents the highest standard in China's green and energy-efficient building field. It is the first residential project to pass near zero energy certification in Liaoning Province, the first large-scale residential project of "near zero energy building" in China, and a typical case of massively promoting ultra-low near zero energy building systems in China's construction industry.



Image: Hutun Near Zero Energy Building Design Sketch

Since our foundation, we have held on to the corporate culture, engraving the craftsmanship spirit into Greentown Management's DNA. We inherit and evolve from former experience and skills and implement the "Teach, Help and Guide" mentoring system. The "making every process and every detail perfect" concept is implemented throughout every project.




 <p><b>New type of Patent Declaration</b></p> <p><b>3 items</b></p> <p>(including new integrated waterlogging manhole cover facilities, Chinese PC throwing place hanging structure, etc.)</p>	 <p><b>Innovative Technology</b></p> <p><b>7 items</b></p> <p>( Including the application of aluminum film climbing frame full exterior concrete wall interpenetration construction process, etc. )</p>	 <p><b>Project Research</b></p> <p><b>5 items</b></p> <p>( Including courtyard landscape water system water treatment system research, PC assembly construction control, etc. )</p>
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Image: 2022 Greentown Management Craftsmanship Spirit and Value Creation

## Case: Precast Concrete (PC) Structure Project

The PC building system, which reduces construction waste and dust pollution, can significantly improve project quality. China vigorously promotes PC buildings in the "Fourteenth Five-Year Plan" for the Development of the Construction Industry, and many relevant local policies have been introduced. Combining our project experience and the relevant national specifications and technical standards, we identify the corresponding control points in the design, component production, and construction stages to manage the PC structure projects, driving the green transformation of the construction industry.

# II. Green Office

## 1 Emission Management

Greentown Management manages the disposal and discharge of greenhouse gas, exhaust gas, wastewater, and solid waste in strict accordance with the Environmental Protection Law of the People's Republic of China and other relevant laws and regulations to meet the local regulatory requirements. The Company advocates energy conservation and responds actively to the government's call to control the discharge of waste gas, wastewater, and solid waste, to minimize the impact of various pollutants on the ecological environment.

### Greenhouse Gas

In response to the "carbon peak" and "carbon neutrality" goals, the Company has shifted project management online and keeps electronic design data to reduce paper use. We have set up slogans in the office to advocate energy conservation and environmental protection actions, such as setting a proper air conditioning temperature and using double-sided printing.

Greenhouse Gases	
Scope 1 Greenhouse Gases	Scope 2 Greenhouse Gases
Emissions: 86.75 tonnes	Emissions: 230,768.78 tonnes
Emission intensity: 0.0327 tonnes/million RMB in Revenue	Emission intensity: 86.8862 tonnes/million RMB in Revenue
Decrease Compared to Last Year: 29.00%	Decrease Compared to Last Year: 4.04%

### Exhaust Gas and Wastewater

The exhaust gas of the Company primarily comes from the administrative use of vehicles<sup>(2)</sup>. In 2022, the Company continued to advocate green travel and increased the use of new energy vehicles. The wastewater generated by the Company is mainly domestic sewage, which flows into the municipal sewer system for centralized urban sewage treatment. The Company actively implements various water-saving measures to reduce water use and, thus, wastewater discharge.

(2) Note: Refer to EMFAC-HK vehicle emission calculation model of Hong Kong Environmental Protection Department ("EPD") for the statistical methods of NOx, SOx and PM generated by vehicles ([http://www.cleanair.hk/eng/guidebook/guidebook\\_eng\\_r.pdf](http://www.cleanair.hk/eng/guidebook/guidebook_eng_r.pdf)).



## Waste Gas and Waste Water

Waste Gas (NOX, SOX, PM)

Emissions: 0.028 tonnes

Emission intensity: 1.05E-05 tonnes/million RMB in Revenue

Decrease Compared to Last Year: 21.33%

Waste Water

Emissions: 9,550 tonnes

Emission intensity: 3.60 tonnes/million RMB in Revenue

Decrease Compared to Last Year: 34.98%

## Solid Waste

The solid waste generated by the Company is mainly office consumables such as paper, office appliances, and lamps. According to the Law of the People's Republic of China on the Prevention and Control of Solid Waste Pollution and the Measures for Administration of Prevention and Control of Environmental Pollution from Electronic Wastes, the Company set up a centralized station to collect hazardous waste, such as ink cartridges, waste light bulbs and used batteries, and arranges qualified cooperative manufacturers to deal with the solid waste.

## Solid Waste

Fluorescent Lamp 13.0kg

Waste Batteries 23.3 kg

Waste Paper 2.4 tonnes

Waste Toner Cartridges 80.2 kg

Solid Waste

Emissions: 2.53 tonnes

Emission intensity: 9.53E-04 tonnes/million RMB in Revenue

Increase Compared to Last Year: 3.78%

## 2 Resource Utilization<sup>(3)</sup>

The Company's primary energy consumption is mainly gasoline, while its secondary energy is mainly electricity. Water consumption concentrates primarily in administrative offices. The Company's products do not need packaging materials. We abide by the Energy Conservation Law of the People's Republic of China, try to improve employees' awareness of energy conservation, and enhance energy conservation management in the workplace to reduce energy and water consumption as much as possible.

We further optimized energy utilization in 2022 with an expanded operation scale and increased operating revenue. In 2022, the Company consumed: 330.80KWh of electricity; 28.17 tonnes of gasoline, equivalent to 350.62 KWh of energy consumption. Thus, the total energy consumption was 681.42 KWh, with a consumption density of 0.26 KWh/million yuan (operating revenue), down 17.24% from 2021. The Company consumed 11,937 tonnes of water with a consumption density of 4.49 tonnes/million yuan, down 18.73% from 2021.

(3) Note: 1. The direct energy consumed by the company mainly consists of gasoline; 2. The indirect energy consumed by the company mainly includes purchased electricity; 3. The low-level calorific value selected when calculating energy consumption refers to the Guidelines for Accounting Methods and Reporting of Greenhouse Gas Emissions of Public Building Operators (Trial), which were proposed by the National Development and Reform Commission and was responsible for interpretation and revision. Corporate Greenhouse Gas Emissions Accounting Methods and Reporting Guidelines (for Trial Implementation)" (<https://www.ndrc.gov.cn/xxgk/zcfb/tz/201511/W020190905506437983335.pdf>), the low-level calorific value for gasoline is 44.8 GJ/t.

## Resource Consumption

Energy Consumption Intensity  
0.26 '000kWh/million RMB in Revenue  
Decrease Compared to Last Year: 17.24%

Water Consumption Intensity  
4.49 tonnes/million RMB in Revenue  
Decrease Compared to Last Year: 18.73%

In 2022, the Company attached great importance to energy conservation and emission reduction and took the following practical actions:

### Water Saving



- ◆ Install water-saving devices on taps and toilet water tanks, strengthen daily inspection, maintain and manage water equipment, and repair damaged and leaking equipment in a timely manner to reduce waste of water resources;
- ◆ Post water-saving signs and prompts in toilets, pantries, etc. to remind employees to consciously develop a good habit of saving water and turning off taps;
- ◆ Take measures to advocate multiple use and recycling of water.

### Energy Saving



- ◆ Properly set up the opening /closing time and temperature of air conditions and the time of turning on/off the lights in office area ;
- ◆ Remind employees to properly open/ close and use computers, printers and other power-using equipment, and timely turn off monitors and other unnecessary power-consuming equipment.
- ◆ Replace and use energy-efficient lamps and lanterns batch by batch and eliminate ordinary incandescent bulbs.

### Green Office



- ◆ Encourage employees to work paperless, use electronic documents, emails and other online media to replace traditional paper documents and faxes, and promote the use of electronic signatures;
- ◆ Except for official documents, confidential materials and materials involving customer information that have strict and formal requirements, do not print if it is not necessary, and selected double-sided for printing;
- ◆ Establish a policy for daily office consumables, which are managed by designated personnel in case of waste.

### 3 Energy Saving and Environmental Protection Goal

The Company attaches great importance to sustainable development, actively responds to the national strategy on accelerating high-quality economic development and green and low-carbon transformation, and builds a clean, low-carbon, safe, and efficient modern energy system to help build a beautiful China. Thus, we set energy saving and emission reduction goals in the following five areas and formulated relevant measures to ensure the achievement of these goals.

<b>Emission Target</b>	<ul style="list-style-type: none"><li>◆ Establish scientific and perfect carbon emission historical data management, and carry out analysis work to enhance carbon emission data management capabilities.</li><li>◆ In terms of carbon emission management in its own operations, increase the application of low-carbon technologies and expand the proportion of product design with low-carbon concepts.</li><li>◆ Reduce own and industrial chain carbon emissions through various carbon emission measures.</li></ul>
<b>Waste Reduction Target</b>	<ul style="list-style-type: none"><li>◆ Intensify various waste reduction measures and continue to reduce waste discharge intensity.</li><li>◆ Continue to explore and actively implement waste reduction measures in its own operations, while strengthening the management of contractors' waste.</li></ul>
<b>Energy Use Efficiency Targets</b>	<ul style="list-style-type: none"><li>◆ Intensify various waste reduction measures and continue to reduce waste discharge intensity. Continue to explore and actively implement waste reduction measures in its own operations, while strengthening the management of contractors' waste.</li><li>◆ In terms of product design, continue to explore low energy consumption product design and increase the proportion of low energy consumption design products.</li></ul>
<b>Water Use Efficiency Targets</b>	<ul style="list-style-type: none"><li>◆ Gradually increase investment in water-saving processes and technologies, improve water efficiency and reduce water consumption intensity.</li><li>◆ In terms of its own operation, actively explore the introduction of water-saving facilities and water treatment technologies.</li><li>◆ In terms of product design, increase the proportion of water-saving design products.</li></ul>
<b>Green Building Commitments and Targets</b>	<ul style="list-style-type: none"><li>◆ Strengthen green building management capabilities, continue to invest in green building technology and green building construction, and increase the proportion of green building products.</li><li>◆ Improve green building life cycle management capabilities, continuously explore new green building technologies, and strengthen the research and development of green building technologies.</li></ul>

### 4 Climate Change and Response

In 2022, the climate change problem has intensified with the frequent occurrence of extreme weather and climate events. Successive high temperatures, heavy rains, floods, and droughts have occurred around the world and extreme heat waves, droughts and severe floods have affected millions of people around the world. In China, there have been continuous and extreme high temperature weather and 709 forest fires. The Yangtze River basin has experienced a historically rare summer-autumn-winter drought, causing different degrees of impact across the country. In addition, earthquakes, lightning strikes, and floods and other natural disasters have occurred frequently and repeatedly, causing different degrees of casualties and economic losses.

As a pioneer enterprise in green development, Greentown Management has always concerned about climate change, actively explored the economic opportunities and challenges that climate change may bring to us, responded to Chinese 2060 Carbon Neutrality Commitment. The Company always integrates measures to address climate change into the whole life cycle of product design, material procurement, project construction and operation, and seeks its own economic model to deal with climate change risks.

In terms of initiatives, our EHS Department always pays attention to climate change, and promptly identifies the risk factors such as project shutdown, asset damage, casualties and other factors that may be caused by climate change or extreme weather. At the same time, the EHS Department released the most updated version of EHS Management Policy in November 2021, which regulated management measures related to emergency preparedness and response in order to minimize the negative impact of extreme weather on the Company. In addition, all departments regularly conduct safety inspections to comprehensively identify risk points that may be caused by climate change and actively eliminate various safety hazards.

# Appendix

## Appendix I – Index of the Environmental, Social and Governance Reporting Guide

Aspect	Description	Location
<b>A. Environment</b>		
<b>Aspect A1: Discharge</b>		
General disclosure	Information relating to waste gas and greenhouse gas discharge, sewage to water and land, hazardous and non-hazardous waste generation, etc.:  (a) Policies; and  (b) Comply with laws and regulations that have a significant impact on issuers	Environmental Power
A1.1	Types of emissions and respective emissions data.	Data Statistics
A1.2	Total GHG emissions (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	Data Statistics
A1.3	Total hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	Data Statistics
A1.4	Total non-hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	Data Statistics
A1.5	Description of emission targets devised and steps taken to achieve the targets.	Environmental Power
A1.6	Description of how hazardous and non-hazardous wastes are handled, targets devised for wastes reduction and steps taken to achieve the targets.	Environmental Power
<b>Aspect A2: Resource Use</b>		
General disclosure	Policies on the effective use of resources including energy, water and other raw materials.	Environmental Power
A2.1	Direct and/or indirect energy consumption (e.g. electricity, gas and oil) by type in total (kWh in '000s) and intensity (e.g. per unit of production volume, per facility).	Data Statistics
A2.2	Total water consumption and intensity (e.g. per unit of production volume, per facility).	Data Statistics

Aspect	Description	Location
A2.3	Description of targets devised for energy use efficiency initiatives and steps taken to achieve the targets.	Environmental Power
A2.4	Description of whether there is any issue in sourcing water, targets devised for water use efficiency initiatives and steps taken to achieve the targets.	Environmental Power
A2.5	Total packaging material used for finished products (in tonnes) and, where appropriate, with reference to per unit produced.	Data Statistics
<b>Aspect A3: Environment and Natural Resources</b>		
General disclosure	Policies on minimizing the issuer's significant impact on the environment and natural resources.	Environmental Power
A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	Environmental Power
<b>Aspect A4: Climate Change</b>		
General disclosure	Policies on identification and mitigation of significant climate related issues which have impacted, and those which may impact, the issuer.	Environmental Power
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.	Environmental Power
<b>B. Society</b>		
<b>Aspect B1: Employment</b>		
General disclosure	Information relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, antidiscrimination, and other benefits and welfare on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer.	Unity
B1.1	Total workforce by gender, employment type, age group and geographical region.	Data Statistics
B1.2	Employee turnover rate by gender, age group and geographical region.	Data Statistics
<b>Aspect B2: Health and Safety</b>		
General disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to providing a safe working environment and protecting employees from occupational hazards.	Unity
B2.1	Number and rate of work-related fatalities in the past 3 years (including the reporting year).	Data Statistics
B2.2	Lost days due to work injury.	Data Statistics
B2.3	Description of occupational health and safety measures adopted, and how they are implemented and monitored.	Unity

Aspect	Description	Location
<b>Aspect B3: Development and Training</b>		
General disclosure	Policies on improving employee's knowledge and skills for discharging duties at work. Description of training activities.	Unity
B3.1	The percentage of employees trained by gender and employee category (e.g. senior and intermediate management).	Data Statistics
B3.2	The average training hours completed per employee by gender and employee category.	Data Statistics
<b>Aspect B4: Labor Code</b>		
General disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child and forced labor	Unity
B4.1	Description of measures to review employment practices to avoid child and forced labor.	Unity
B4.2	Description of steps taken to eliminate the situation when discovered.	Unity
<b>Aspect B5: Supply chain management</b>		
General disclosure	Policies on managing environmental and social risks of the supply chain.	Unity
B5.1	Number of suppliers by geographical region.	Data Statistics
B5.2	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, how they are implemented and monitored.	Unity
B5.3	Description of practices used to identify environmental and social risks along the supply chain, and how they are implemented and monitored.	Unity
B5.4	Description of practices used to promote environmental preferable products and services when selecting suppliers, and how they are implemented and monitored.	Unity
<b>Aspect B6: Product responsibility</b>		
General disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress	Development Strength
B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons.	Data Statistics
B6.2	Number of products and service related complaints received and how they are dealt with.	Development Strength Data Statistics
B6.3	Description of practices relating to observing and protecting intellectual property rights.	Development Strength

Aspect	Description	Location
B6.4	Description of quality assurance process and recall procedures.	Development Strength
B6.5	Description of consumer data protection and privacy policies, how they are implemented and monitored.	Development Strength
<b>Aspect B7: Anti-corruption</b>		
General disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering.	Development Strength
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.	Development Strength
B7.2	Description of preventive measures and whistleblowing procedures, how they are implemented and monitored.	Development Strength
B7.3	Description of anti-corruption training provided to directors and staff.	Development Strength Data Statistics
<b>Aspect B8: Community investment</b>		
General disclosure	Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities takes into consideration communities' interests.	Development Strength
B8.1	Focus areas of contribution (e.g. education, environment, labor needs, health, culture and sports).	Development Strength
B8.2	Resources contributed (e.g. money or time) to the focus area.	Development Strength Data Statistics

## Appendix II – ESG Key Performance Indicators

<b>Environment</b>			
Category	Unit	2021	2022
<b>A1 Emission</b>			
<b>A1.1 Types of emissions and related emission data</b>			
Total exhaust gas emissions	tonnes	0.03	0.03
NOX emissions	tonnes	0.03	0.03
PM emissions	tonnes	0.00	0.00
SOX emissions	tonnes	0.00	0.00

Category	Unit	2021	2022
<b>A1.2 Total greenhouse gas emissions and intensities</b>			
Direct greenhouse gas emissions (Scope 1)	tonnes	103.25	86.75
Direct greenhouse gas emissions per million RMB of revenue	tonnes / million RMB revenue	0.0460	0.0327
Indirect greenhouse gas emissions (Scope 2)	tonnes	203,094.88 <sup>4</sup>	230,768.78
Indirect greenhouse gas emissions per million RMB of revenue	tonnes / million RMB revenue	90.5397 <sup>5</sup>	86.8862
Total greenhouse gas emissions (Scope 1 & Scope 2)	tonnes	203,198.13 <sup>6</sup>	230,855.53
Total greenhouse gas emissions per million RMB of revenue	tonnes / million RMB revenue	90.5857 <sup>7</sup>	86.9188
<b>A1.3 Total hazardous waste emissions and intensities</b>			
Total hazardous waste emissions	tonnes	0.00	0.12
Total hazardous waste emissions per million RMB of revenue	tonnes / million RMB revenue	0.00	0.00
<b>A1.4 Total non-hazardous waste emissions and intensities</b>			
Total non-hazardous waste emissions	tonnes	2.22	2.41
Total non-hazardous waste emissions per million RMB of revenue	tonnes / million RMB revenue	0.00	0.00
<b>A2 Resource consumption</b>			
<b>A2.1 Energy usage and density</b>			
Electricity	'000kWh	288.89	330.80
Natural gas	m <sup>3</sup>	0.00	0.00
Gasoline	tonnes	33.51	28.17
Gasoline (Electricity Equivalent)	'000kWh	417.02	350.62
Total energy consumption	'000kWh	705.91	681.42
Energy consumption per million RMB of revenue	'000 / million RMB revenue	0.31	0.26
<b>A2.2 Water consumption</b>			
Office water	tonnes	12,395.00	11,937.00
Water consumption per million RMB of revenue	tonnes / million RMB revenue	5.53	4.49

(4) The indirect greenhouse gas emissions (Scope 2) in 2021 is corrected to be 203,094.88 tonnes.

(5) The indirect greenhouse gas emissions per million RMB of revenue in 2021 is corrected to be 90.5397 tonnes / million RMB revenue.

(6) The total greenhouse gas emissions (Scope 1 & Scope 2) in 2021 is corrected to be 203,198.13 tonnes.

(7) The total greenhouse gas emissions per million RMB of revenue in 2021 is corrected to be 90.5857 tonnes / million RMB revenue.



Category	Unit	2021	2022
<b>A2.5 Packaging Materials</b>			
Inner packaging material	tonnes	0.00	0.00
Outer packaging material	tonnes	0.00	0.00

<b>Society</b>			
Data	Category	2021	2022
<b>B1 Employment</b>			
<b>B1.1 Number of employees: by gender, employment type, age group and region</b>			
Headcount <sup>8</sup>	Headcount	1,462	1,529
Gender	Male	1,073	1,158
	Female	389	371
Age	Under 30	442	378
	30-50	998	1,116
	Above 50	22	35
Region	Zhejiang Province	1,182	1,071
	Non-Zhejiang Province	280	458
Employee category	Senior management	76	93
	Middle management	104	108
	General staff	1,282	1,328
Employment category	Full-time	1,462	1,529
	Part-time	169	146
	Contract employee	0	0

(8) Only full-time employees included.

Data	Category	2021	2022
<b>B1.2 Employee turnover rate by gender, age group and region</b>			
Employee turnover rate		2.74%	3.53%
Gender	Male	2.98%	3.97%
	Female	2.06%	2.16%
Age	Under 30	2.94%	0.26%
	30-50	2.71%	4.66%
	Above 50	0.00%	0.00%
Region	Zhejiang Province	1.35%	1.21%
	Non-Zhejiang Province	8.57%	8.95%
<b>B2 Health and Safety</b>			
<b>B2.1 The number and rate of work-related fatalities in each of the past three years (including the reporting year)</b>			
Work injury	Number of work-related fatalities	0	0
	Rate of work-related fatalities	0	0
<b>B2.2 Lost days due to work injury</b>			
Work injury	Lost days due to work injury	0	0
<b>B3 Development and training</b>			
<b>B3.1 Percentage of employees trained by gender and employee category</b>			
Gender	Male	97.76%	99.64%
	Female	97.30%	98.57%
Employee category	Senior management	100.00%	100.00%
	Middle management	100.00%	100.00%
	General staff	97.53%	99.36%
<b>B3.2 Average number of hours of training completed by each employee by gender and employee category</b>			
Gender	Male	77.10	75.82

Data	Category	2021	2022
Gender	Female	63.68	56.15
Employee category	Senior management	78.27	43.08
	Middle management	79.87	81.88
	General staff	73.07	78.72

## B5 Supply chain management

### B5.1 Number of suppliers by region

Region	Eastern China	943	1,248
	Southern China	110	193
	Central China	22	25
	Northern China	59	111
	North-western China	8	6
	North-eastern China	2	4
	South-western China	14	19
	Outside China (including Hong Kong, Macau and Taiwan)	21	26

## B6 Product Responsibility

### B6.1 Percentage of total product sold or shipped subject to recall for safety and health reasons

Percentage of total products sold or shipped subject to recalls for safety and health reasons		0	0
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### B6.2 Number of complaints received about products and services

Product and Service Complaints	Number	88	103
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## B7 Anti-corruption

### B7.1 The number and outcome of corruption lawsuits brought against the issuer or its employees and concluded during the reporting period

Corruption Litigation Cases	Number	0	0
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### B7.3 Anti-corruption training provided to Directors and employees

Anti-corruption training provided to the Company's Directors (hour)	Hour	3	3
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Data	Category	2021	2022
Number of Directors enrolled in training	Person	7	7
Anti-corruption training provided to the Company's employees (hour)	Hour	180	180
Number of employees enrolled in training	Person	360	360

## B8 Community Investment

### B8.2 Resources (e.g. money or time) expended in the area of focus

Resources (time) expended in the area of dedicated contribution	Hour	3	3
Resources (time) expended in the area of dedicated contribution	Million	1	1

