



天譽置業(控股)有限公司

SKYFAME REALTY (HOLDINGS) LIMITED

(Incorporated in Bermuda with limited liability)

(Provisional Liquidators Appointed)

(For Restructuring Purposes)

**(Stock Code: 00059 and Bonds Stock Code: 5310, 5311,
5367, 5379, 5567, 5580, 5602, 5626, 5821 and 5855)**

**ENVIRONMENTAL, SOCIAL AND
GOVERNANCE REPORT**

2022

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

INTRODUCTION AND ENVIRONMENTAL, SOCIAL AND GOVERNANCE POLICIES

The Environmental, Social and Governance Report (“the Report”) summarizes the proposals, plans and performance of Skyfame Realty (Holdings) Limited (“the Company”) and its subsidiaries (collectively “the Group” or “we”) in environmental, social and governance (“ESG”), and their commitments to sustainable development.

As a mainland real estate enterprise listed in Hong Kong, the Group adheres to the policy on a sustainable ESG approach, promises to deal with the matters relating to environment, society and governance of the Group effectively and responsibly, and regards the aforesaid missions as part of our business strategy to enable the Group to grow and make contribution not only in economic development, but also in the environment and society.

The ESG Governance Structure

The board of directors of the Company (the “Board”) is principally responsible for overseeing and the accountability of the Group’ ESG strategy and reporting, with the assistance of a ESG working team (“the working team”) which consists of the core members from various departments of the Group and is responsible for collecting relevant materials and data on ESG aspects to prepare the ESG Report. The working team reports to the Board regularly to assist the Group in identifying and assessing the risk in ESG, as well as assessing the effectiveness of the Group’s internal control mechanism for ESG. The working team will also check and assess our different performance in environment, occupational safety and health, labour standards, product responsibilities, and other aspects within the scope of ESG. The Board decides the orientation for the Group’s ESG strategy and guarantees the effectiveness of the mechanism for ESG risk control and internal control.

SCOPE OF REPORTING

The Report mainly focuses on the Group’s core locations in the mainland China, including but not limited to dormitories, offices, show flats, exhibition halls, and property management companies. Data was collected from the Group’s core operating sites, including but not limited to Guangzhou, Nanning, Xuzhou, Zhuhai, Shenzhen, Guilin, Chongqing, Kunming and Hong Kong. As the three co-work places, in Guangzhou, Nanning and Chongqing only have minimal environmental impacts, therefore relating to the co-work places data are only restricted to the social data of Subject Area B. Unless specified otherwise, we obtained the ESG key performance indicators (“KPI(s)”) through the Group’s operation control mechanism. When the Group has a more mature data collection system and has deepened the work in sustainable development, we will continue expanding the scope of disclosure in the future.

REPORTING FRAMEWORK

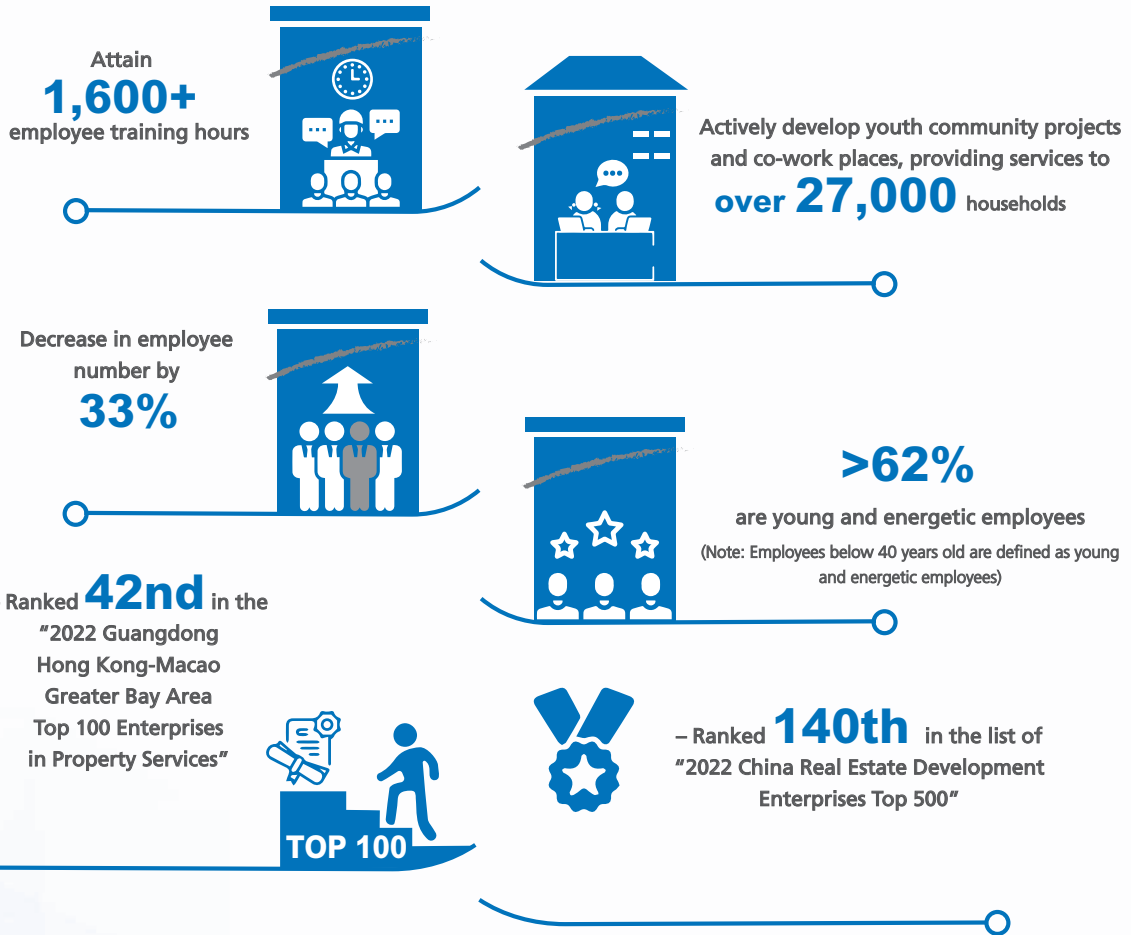
The Report was prepared in accordance with Environmental, Social and Governance Reporting Guide (“ESG Reporting Guide” or “Reporting Guide”) as set out in Appendix 27 to the Main Board Listing Rules of The Stock Exchange of Hong Kong Limited.

REPORTING PERIOD

The Report elaborates on the Group’s ESG events, challenges and measures for the year ended 31 December 2022.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Skyfame Realty (Holdings) Limited's Achievements in Corporate Sustainability



ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

STAKEHOLDER ENGAGEMENT

The stakeholders' participation is an indispensable process for the Group to continue improving its sustainable development performance. Therefore, we value all stakeholders and their opinions on our matters related to ESG. Through the participation of stakeholders and communication channels, the expectations of stakeholders are integrated into our operation and ESG strategies. In order to comprehensively understand, respond to and deal with the major concerns of different stakeholders, we communicate closely with them – including but not limited to shareholders and investors, customers, suppliers, contractors, consultants, employees, government and regulators, peers and peer chambers as well as social groups, non-government institutions and media, committed to improving the Group's ESG performance and creating more values for our country and society in sustainable development.

The stakeholders' participation and communication channels are as follows:

Major Stakeholder	Communication Channel
Shareholders and investors	Shareholders' annual general meetings
	Annual reports and interim reports
	Announcements and circulars
Customers	Customer satisfaction surveys and feedback forms
	Customer service hotline
	Customer service centre
	Relationship managers
Suppliers	Supplier management meetings and events
	Supplier on-site audit management policy
Contractors	Contractor management meetings and events
	Contractor on-site audit management policy
Consultants	Regular consulting meetings
	Field visits
Employees	Employee opinion survey
	Channels for employees to express their opinions (such as forms and suggestion boxes)
	Regular management communication and performance assessment
	Intranet
Government and regulators	Regular reports of performance
	Field visits
Peers and peer chambers	Industrial meetings and lectures
Social groups, non-government institutions and media	Public and community events and partnership plans for different topics
	Environmental, Social and Governance Report

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

STAKEHOLDER ENGAGEMENT (continued)

When developing operation strategies and proposing measures for ESG, the Group will consider the expectations of stakeholders, improve its performance continuously through cooperation, and create more values for society.

MATERIALITY ASSESSMENT

The management and employees that perform major functions in the Group have participated in preparing the Report to assist the Group in reflecting on its operation, identifying matters related to environment, society and governance, and assessing the importance of relevant matters to the Group's business and stakeholders. We prepared a questionnaire based on the key matters related to environment, society and governance that had been assessed and collected data from relevant departments and business institutions of the Group.

The following table is a summary of the Group's material ESG matters in the Report:

Reporting Guide	Material ESG Aspects of the Group
A. Environmental	
A1. Emissions	Exhaust gas emissions
	Greenhouse gas emissions
	Waste treatment
A2. Use of resources	Energy consumption
A3. The environment and natural resources	Green construction
A4. Climate change	Climate change
B. Social	
B1. Employment	Salary and benefits
	Recruitment, promotion and dismissal
B2. Health and safety	Occupational safety and health
	Occupational safety training and employee health management
B3. Development and training	Training management
B4. Labour standards	Preventing engagement of child labour or force labour
B5. Supply chain management	Fair and open procurement
	Commercial ethics

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

MATERIALITY ASSESSMENT (continued)

Reporting Guide	Material ESG Aspects of the Group
B6. Product responsibility	Quality control
	Customer service and privacy
	Intellectual property
	Advertisements and labels
B7. Anti-corruption	Anti-corruption
B8. Community investment	Corporate social responsibility

For the year ended 31 December 2022, the Group confirmed that it had established appropriate and effective management policies and monitoring systems for ESG matters and confirmed that all the contents disclosed complied with the requirements in the Report Guidelines.

QUANTITATIVE

The standards and methodologies used in the calculation of relevant data in the Report, as well as the applicable assumptions were disclosed. The KPIs were supplemented by explanatory notes where appropriate.

CONSISTENCY

The statistical methodologies applied to this Report were substantially consistent with the previous year, and explanations were provided regarding data with changes in the scope of disclosure and calculation methodologies. If there are any changes that may affect comparison with previous reports, supplementary notes will be made on the relevant paragraph.

CONTACT US

Any opinions and suggestions from stakeholders are appreciated by the Group. You are welcome to provide your valuable opinions on the ESG Report or the performance in sustainable development and send by email to cs@sfr59.com.

A. ENVIRONMENTAL

A1. Emissions

General Disclosure and KPIs

The Group attaches great attention to good environmental management and strives to protect the environment in order to fulfil its social responsibility. The Group also pays special attention to the emission of exhaust gas and greenhouse gases, noise management, drainage and sewage produced during the construction process in order to reduce emissions and minimize negative impacts on the environment. We have also established a relevant environmental management system and actively take environmental protection measures for environmental pollution generated in the course of operation.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

A. ENVIRONMENTAL (continued)

A1. Emissions (continued)

General Disclosure and KPIs (continued)

During the reporting period, the Group did not violate relevant local environmental laws and regulations, including, but not limited to, the *Environmental Protection Law of the People's Republic of China* (《中華人民共和國環境保護法》), the *Law of the People's Republic of China on Prevention and Control of Water Pollution* (《中華人民共和國水污染防治法》), the *Law of the People's Republic of China on the Prevention and Control of Atmospheric Pollution* (《中華人民共和國大氣污染防治法》), the *Law of the People's Republic of China on the Prevention and Control of Pollution by Environmental Noise* (《中華人民共和國環境噪聲污染防治法》), the *Law of the People's Republic of China on the Prevention and Control of Environmental Pollution by Solid Waste* (《中華人民共和國固體廢物污染環境防治法》) and the *Waste Disposal Ordinance* (《廢物處置條例》) concerning emissions of exhaust gases and greenhouse gases, and the discharges to water and land, and the generation of hazardous and non-hazardous wastes that have a significant impact on the Group.

The Group has formulated an environmental protection management system to determine the environmental protection objectives and the breakdown, quantified and implementable sub-objectives or phased objectives. The project manager will verify and determine the environmental sensitive points, environmental protection objectives and corresponding environmental regulations and other requirements according to the actual situation on site. In addition, the project manager will identify environmental factors, determine, change and update the major environmental factors, in each construction stage and construction activities, including the renewal of the process and the use of raw materials, so as to identify the major factors affecting the environment and formulate a targeted and feasible environmental protection work plans. During the construction process, if the project content and environmental requirements change, specific measures of environmental protection will be adjusted accordingly, including but not limited to technical management and specific environmental protection, such as noise control, drainage, sewage management, garbage management, resource management, dust control and bulk material transportation, in order to work out feasible and effective environmental protection plans to reduce the impacts on the community and hence the natural ecology.

The Group has set up *Guidelines for Construction Control of Water Supply and Drainage Engineering* (《給排水工程施工管控工作指引》), to let project site engineers be familiar with the construction technology of water supply and drainage engineering, and to master the prevention and treatment methods of common quality problems, so as to improve the quality of water supply and drainage construction. In the guidelines, the construction requirements on relevant materials, preparation before outdoor drainage works, outdoor water supply, outdoor water drainage, indoor water supply, etc. are specified.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

A. ENVIRONMENTAL (continued)

A1. Emissions (continued)

General Disclosure and KPIs (continued)

The Group has made effective controls on pollutants such as waste water, exhaust gas, noise and waste generated in the production and office processes, managed waste in an orderly manner, supervised the implementation of environmental protection measures by various departments, and implemented an effective environmental management system to achieve the environmental objectives and guidelines of the Group.

Exhaust gas emissions

In the course of the Group's business operations, exhaust gas emissions mainly come from automobile exhaust emissions. Although all construction projects are developed by contractors and there are no emissions from construction projects in our business operations, as a responsible real estate developer, we are aware of the potential environmental impact of construction projects. Therefore, we have also set up measures related to construction project emissions in order to achieve win-win cooperation and harmonious coexistence with the community.

During the reporting period, the performance of exhaust emissions is summarized as follows:

Exhaust Gas Type	2022 Total Emissions (kg)	2021 Total Emissions (kg)
NO _x	204.55	216.41
SO _x	1.37	1.24
PM	19.41	20.37

The Group's emissions for the year 2022 is more or less consistent with the year 2021. During the course of operations, we take the following emission reduction measures:

(a) Automobile exhaust

Vehicles owned by the Group mainly serve business needs to provide shuttle services to employees and customers, and assist project managers in construction site inspection. We have formulated the *Guidelines for Vehicle Management Operations* (《車輛管理作業指引》) to strengthen the Company's vehicle management and improve vehicle efficiency. The scope of management includes:

- Full-time drivers check the mileage of the vehicle and registers the detailed information immediately after completing the driving tasks.
- The Integrated Operation Management Center, the Administration and Personnel Department or the General Department of the project companies shall designate special personnel to make statistics and check the petroleum consumption of vehicles together with drivers on a regular basis; and

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

A. ENVIRONMENTAL (continued)

A1. Emissions (continued)

General Disclosure and KPIs (continued)

Exhaust gas emissions (continued)

(a) Automobile exhaust (continued)

- Overhauling the vehicles regularly to effectively reduce fuel consumption, thus reducing carbon emissions and exhaust emissions.

(b) Architectural engineering

The exhaust gases from construction projects are mainly dust generated during civil construction, exhaust gases emitted from various construction machinery and transport vehicles, and organic exhaust gases generated during renovation. The control measures we have taken include, but are not limited to, the following:

- For all dust-prone processes, dust-control, dust-isolation and ventilation measures shall be taken to ensure that the dust content discharged into the atmosphere meets the national industrial hygiene standards, so that residents can have a beautiful, fresh and comfortable environment;
- Construction site hardening and greening and frequent sprinkling and watering to reduce dust pollution;
- It is strictly prohibited to throw garbage out of buildings, all garbage shall be bagged and transported away; and
- There is a car wash platform at the main entrance and exit of the site, transport vehicles must be washed before leaving the site.

Greenhouse gas emissions

The Group's major greenhouse gas emissions come from direct greenhouse gas emissions from gasoline consumed in transportation and diesel consumed in backup generators (Scope I) and indirect greenhouse gas emissions from energy sources purchased from electricity (Scope II). The following table provides an overview of the performance of greenhouse gas emissions:

Indicator ¹	2022		2021	
	Total Emissions ¹ (tonnes CO ₂ equivalent)	Intensity ² (tonnes CO ₂ equivalent/ RMB1 million of revenue)	Total Emissions (tonnes CO ₂ equivalent)	Intensity ² (tonnes CO ₂ equivalent/ RMB1 million of revenue)
Direct greenhouse gas emissions (Scope I)	98.53	0.05	214.86	0.03
Indirect greenhouse gas emissions (Scope II)	3,657.10	1.72	9,785.97	1.28
Total greenhouse gas emissions (Scope I and II)	3,755.62	1.77	10,000.83	1.31

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

A. ENVIRONMENTAL (continued)

A1. Emissions (continued)

General Disclosure and KPIs (continued)

Greenhouse gas emissions (continued)

Notes:

1. Greenhouse gas emission data are presented in terms of carbon dioxide equivalence with the reference to, including but not limited to, the *Greenhouse Gas Protocol: A Corporate Accounting and Reporting Standard* (《溫室氣體盤查議定書：企業會計與報告標準》) published by the World Resources Institute and the World Business Council for Sustainable Development, and *How to Prepare Environmental, Social and Governance Reports? – Appendix II: Guidelines for Reporting Key Environmental Performance Indicators* (《如何準備環境、社會及管治報告？ – 附錄二：環境關鍵績效指標彙報指引》) released by The Stock Exchange of Hong Kong Limited, the newly released baseline emission factors of China's regional power grid and the global warming potential of the *Fifth Assessment Report* (《第五次評估報告》) issued by the Intergovernmental Panel on Climate Change.
2. As of 31 December 2022, the Group's revenue was approximately RMB2,123 million (2021: RMB7,663 million).

Since the outbreak of COVID-19 in year 2020, consumption of gasoline has reduced a lot as certain PRC cities was locked down in certain period of time in year 2022 and cross-broader and city to city vehicle travelling have been suspended or reduced. As a result, direct greenhouse gas emissions (Scope 1) was reduced by reduction of gasoline consumption accordingly.

As the business operations for year 2022 was scaled down, the Group's carbon emissions in electricity consumption decreased accordingly. We have actively adopted electricity-saving and energy-saving measures to reduce greenhouse gas emissions, including:

- Reducing carbon emissions from automobile exhaust, of which the detailed measures have been described in the section "Exhaust gas emissions – Automobile exhaust" above; and
- At the operational level, actively adopting environmental protection and energy saving measures, of which relevant measures will be explained in the section "Energy consumption" in Aspect A2.

Through the above measures, employees' awareness of emission reduction and carbon reduction has been enhanced.

Sewage discharge

Domestic waste water is the Group's main source of sewage. The management of production and sewage discharge on construction sites are taken charge of by the main contractors' contracting coordination management departments which are under the supervision of the management offices of the main contractors. The treatment methods related to sewage discharge on construction sites are as follows:

- Discharge ditches shall be set up in accordance with the standards on construction sites, and sedimentation tanks are set up at the entrance of construction sites, and sewage is discharged into the municipal sewage pipeline system after sedimentation;
- During foundation construction, the project teams select qualified sludge discharging operating units to remove the sludge;

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

A. ENVIRONMENTAL (continued)

A1. Emissions (continued)

General Disclosure and KPIs (continued)

Sewage discharge (continued)

- Sewage from flushing mixers and transport vehicles on project sites are discharged into municipal pipelines after sedimentation; and
- On-site cleaners are responsible for checking and cleaning the sediments in the sedimentation tank on a regular basis.

Domestic sewage

Waste water generated in our daily life is mainly toilet flushing waste water. The Group has set up drainage pipes for domestic washing waste water. Domestic waste water is generally discharged into municipal pipelines and treated centrally by local sewage treatment plants. The sewage treatment methods are as follows:

- Washing tanks are built in the canteens of the project teams, as well as vegetable washing tanks, sedimentation tanks and canteen oil separating tanks according to relevant regulations. Oily sewage shall be separated by oil separating tanks and then discharged into municipal sewage pipelines. Oil separating tanks are cleaned regularly;
- For toilet flushing waste water, we have set up septic tanks. Waste water is fermented and isolated before being discharged to local sewage pipelines. At the same time, septic tanks are regularly cleaned up by the local environmental sanitation department;
- When sewage discharge facilities are damaged, timely remedial measures are taken to replace the damaged drainage facilities to control and reduce the impact on the surrounding and social environment; and
- When receiving relevant complaints, we will immediately identify the reasons, formulate corrective measures, and make corrections as required, and at the same time transmit the information to relevant parties for follow up actions.

Performance of waste water discharge during the reporting period is shown as follows:

Types of Waste Water	2022		2021	
	Total Discharge (cubic metres)	Intensity ¹ (cubic metres/RMB1 million of revenue)	Total Discharge (cubic metres)	Intensity ¹ (cubic metres/RMB1 million of revenue)
Domestic sewage	419,658	197.67	1,224,410	159.78

Note:

1. As of 31 December 2022, the Group's revenue was approximately RMB2,123 million (2021: RMB7,663 million).

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

A. ENVIRONMENTAL (continued)

A1. Emissions (continued)

General Disclosure and KPIs (continued)

Waste treatment

The Group identifies and classifies wastes, designates persons responsible for the management to waste disposal in a timely manner, and maintains environmental sanitation around the collection box. We have relevant measures to regulate wastes generated in the operation process, especially in the construction process. The specific measures are as follows:

- Establish construction waste disposal archives and file the implementation situation of construction waste disposal on construction sites; and
- Set up a safety and civilization inspection team to inspect the waste disposal on the construction project site at the same time of safety and civilization inspection, rectify the non-conformity within a time limit and issue rectification notices.

All kinds of waste disposal are strictly conducted in accordance with the *Law of the People's Republic of China on the Prevention and Control of Environmental Pollution by Solid Waste* (《中華人民共和國固體廢物污染環境防治法》) and the *Administrative Measures for Urban Living Garbage* (《城市生活垃圾管理辦法》).

Non-hazardous waste

For non-hazardous wastes generated in the operation process, the Group adopts the method of waste classification and recycling, classifies and stacks the recyclable wastes, such as steel, timber and so on, in order to facilitate recycling. Construction wastes, domestic wastes and office wastes generated on the construction sites are classified, stacked and disposed according to the regulations, and designated personnel are assigned to clean up. Workers do not directly throw rubbish downstairs when removing construction wastes; but place wastes in corresponding places. For domestic and office wastes, officers of the authority responsible for environmental sanitation will collect and discharge the wastes by vehicles every day, and not stack the wastes everywhere or put the wastes on hold for a long time. Leftovers in canteens are poured into special recycling bins, and not be dumped everywhere, and are handled by designated persons. We educate all personnel to abide by the hygiene system, and impose fines on those after repeated counselling.

In order to further promote waste reduction, we have set up *Regulations on the Management of Office Order* (《辦公秩序管理規定》), in which management departments actively promote paperless office management, and earnestly do a good job in fine management of printing paper, ink cartridges and toner cartridges consumables. To reduce unnecessary waste of resources, double-sided printing or photocopying are encouraged.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

A. ENVIRONMENTAL (continued)

A1. Emissions (continued)

General Disclosure and KPIs (continued)

Non-hazardous waste (continued)

Types of Non-hazardous Waste	2022		2021	
	Total Discharge ¹ (tonnes)	Intensity ² (tonnes/RMB1 million of revenue)	Total Discharge ¹ (tonnes)	Intensity ² (tonnes/RMB1 million of revenue)
General domestic waste	2,728	1.28	3,885	0.51

Notes:

- Volume of waste recycled has been deducted.
- As of 31 December 2022, the Group's revenue was approximately RMB2,123 million (2021: RMB7,663 million).

Through the above measures and policies, employees' awareness of waste reduction has been improved.

Hazardous waste

In the operation process, we try our best to reduce or avoid the use of hazardous substances or construction methods that may produce hazardous wastes. Effective isolation measures shall be taken for corrosive and poisonous wastes produced on construction sites, and the wastes are discharged before being disposed of in order to avoid significant environmental pollution. Under normal operating conditions, our offices will not produce any hazardous wastes, but the Group still has relevant guidelines, such as the storage of hazardous chemicals implemented in accordance with the requirements of the *Hazardous Chemicals Management System* (《化學危險物品管理制度》), and other toxic and hazardous office wastes in the operation process shall also be handled by specialised personnel in case of emergencies.

A2. Use of resources

General Disclosure and KPIs

The Group aims to actively promote the effective use of resources, to monitor the potential impact of business operations on the environment, promote green business environment, and minimize the negative impact of the Group's and its subsidiaries' operations on the environment. The Group adheres to the rational and efficient use of resources, and has formulated *Instructions for Public Energy Consumption Management* (《公共能耗管理作業指導書》) to standardize the energy consumption statistics, ensures the accuracy of energy consumption statistics and rapid information feedbacks, and maintains the monitoring of energy consumption. Through the analysis of the data, relevant effective measures are taken to reduce energy consumption, reduce costs and improve management quality, as well as ensuring the safety, comfortability and convenience in the living environment of project operators.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

A. ENVIRONMENTAL (continued)

A2. Use of resources (continued)

General Disclosure and KPIs (continued)

The Group manages the use of water, electricity, oil, gas and other energy resources, and conducts statistical and comparative analysis. As the Group maintains monthly analysis of energy statistics, when data anomalies occur, the reasons for data anomalies will be found out in time and analysed and corrected. When the abnormal fluctuation of energy consumption data is found to be large, personnel will be immediately organized to investigate the causes, focusing on the inspection of transmission lines, water pipelines, energy-using equipment, in order to find out problems in time, take appropriate measures to deal with the abnormal situation, and report to the project manager and the competent department of the Company.

In addition, the Group has *Regulations on the Management of Office Order* (《辦公秩序管理規定》), requiring employees to shut down their own office equipment in time off work and to check whether there is any abnormal office equipment in their department. When working overtime, the last personnel leave the office area shall be responsible for turning off the Company's public equipment power supply, public lighting, etc., and checking whether the office door is locked before leaving. In order to achieve sustainable environmental development, the Group will also regularly disseminate environmental protection messages and practical suggestions on environmental lifestyle to its employees, so that they can enhance their awareness of environmental protection and practice environmental protection during working hours.

Energy consumption

In daily production and operation, the Group's main energy consumption is production power consumption and domestic power consumption. The Group implements relevant energy use efficiency plans to achieve the goals of saving electricity and effectively using electricity. The specific measures are as follows:

- Lighting, computers, air conditioners, fans and other energy-consuming equipment in office places, dormitories and equipment rooms shall be turned off if not in use to save electricity;
- Energy-saving light sources are generally used in public areas, such as lighting in gardens, fire escape ladders, elevator halls and garages;
- Energy-saving lightings and sound-control switches are used for tower lighting, and the switching time is controlled by timing switches. The switching time is adjusted according to different seasons, and the shortest opening time is set to satisfy the lighting requirements in the public area of the tower;
- The switching time of street lamps and basement lighting in the park is controlled by timing switches. The time-controlled switching time is adjusted according to different seasons, and the shortest switching time is set to satisfy the lighting of the park and basements;

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

A. ENVIRONMENTAL (continued)

A2. Use of resources (continued)

General Disclosure and KPIs (continued)

Energy consumption (continued)

- Fins and filters of coil fans of air conditioners are cleaned regularly, the insulation effect of the refrigeration pipeline is checked regularly, and the cooling tower is cleaned regularly to ensure the cooling effect of the cooling tower is maximised and to keep the energy consumption of the central air conditioner to a minimum; and
- The ventilation system of the basement adopts timing switches to control its opening time. Without approval, the fan of the basement is not allowed to be opened at will, but it is necessary to ensure that the extinguishers can be functioned in the first place under any conditions.

In addition, the Group has also posted energy-saving slogans in prominent positions to permeate the awareness of energy-saving and environmental protection into every employee's work and life, so that employees can always maintain their environmental protection awareness.

During the reporting period, the Group's consumption of electricity and other energies are:

Type of Energy	2022		2021	
	Consumption (kWh)	Intensity ³ (kWh/RMB1 million of revenue)	Consumption (kWh)	Intensity ³ (kWh/RMB1 million of revenue)
Diesel ¹	8,914	4.20	42,992	5.61
Gasoline ²	343,809	161.94	715,411	93.36
Electricity	6,532,188	3,076.87	17,781,700	2,320.50

Notes:

1. The actual consumption of diesel is 830 litres (2021: 4,042 litres)
2. The actual consumption of gasoline is 36,932 litres (2021: 76,819 litres). Since the outbreak of COVID-19 in year 2020 and certain PRC cities was locked down in certain period of time in year 2022, consumption of gasoline has reduced a lot as cross-broader and city to city vehicle travelling has been suspended or reduced.
3. As of 31 December 2022, the Group's revenue was approximately RMB2,123 million (2021: RMB7,663 million).

Water management

The water used by the Group is mainly domestic water consumed in production and living areas. In order to improve the Company's water use efficiency, we have taken the following measures:

- Save water and check the leakage of pipelines and valves in the community regularly;
- Regularly check the faucets, toilets and other water appliances in public places in the community for leakage and conduct timely maintenance and replacement;
- Use water-saving appliances;
- Check faucets and fountains for park greening regularly to eliminate leakage; and
- If any abnormal condition is found, relevant departments are informed for actions taken to prevent waste of water resources.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

A. ENVIRONMENTAL (continued)

A2. Use of resources (continued)

General Disclosure and KPIs (continued)

Water management (continued)

The Group has also been strengthening water-saving publicity and posting water-saving slogans to guide employees to use water rationally. Based on our operation mode and the geographical location of the operational points and offices, the Group has no problem in finding suitable water sources.

Use of packaging materials

Due to the nature of business, the Group does not use packaging materials in the operation process, so it does not use a large number of packaging materials in the daily operation process.

A3. The environment and natural resources

General Disclosure and KPI

The Group focuses on the impact of its business on the environment and natural resources. In addition to conforming to relevant environmental laws and regulations and international standards to properly protect the natural environment, the Group also incorporates the concept of environmental protection into its internal management and daily operation activities to achieve the goal of environmental sustainability.

The Group has formulated the *Operation Guideline on Engineering Quality Control* (《工程質量控制作業指引》) to implement the “Model First” method in projects. Before large-scale construction, the contractor shall, according to the requirements of the Design and Project Management Department or the Engineering Department, first construct small-scale construction models in the existing building and then carry out large-scale construction after confirmation, so as to ensure that the quality meets the design effect and avoid waste of rework.

In addition, the Group has also noted the potential environmental impacts during construction and operation, and has designated relevant guidelines, such as *Special Construction Plan for Noise Pollution Prevention and Control Safety* (《噪聲污染防治安全專項施工方案》), *Operation Guidelines on Indoor Environmental Pollutions Control* (《室內環境污染控制作業指引》), *Environmental Protection Measures for Construction Projects* (《施工項目環保措施》) and so on to reduce the impact on the community, environment and natural resources during operation.

Noise management

The *Special Construction Plan for Noise Pollution Prevention and Control Safety* (《噪聲污染防治—安全專項施工方案》) formulated by the Group includes various project requirements such as noise control objectives and indicators, precautions for noise monitoring, control measures and requirements, humanistic care measures, etc. In addition, a construction noise pollution prevention and control team will be set up during construction of the project to reduce noise pollution in the community and environment in the construction process.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

A. ENVIRONMENTAL (continued)

A3. The environment and natural resources (continued)

General Disclosure and KPI (continued)

Noise management (continued)

In addition, we will set up relevant environmental protection measures for the project, including noise control measures, which includes but is not limited to the following measures:

- Project managers organize operations department personnel to implement noise control management, implement relevant management systems and procedures, provide conditions for ensuring the prevention of noise pollution, and regularly monitor noise;
- Processes that generate noise in construction are included in the *Environmental Management Plan* (《環境管理方案》), and corresponding control methods are formulated;
- Establish noise control files and file the implementation of noise control on construction sites; and
- Take effective enclosure measures to reduce the impact on the surrounding environment for some equipment and processes that produce great noise pollution.

Indoor environmental pollution control

The Group has also formulated the *Operation Guidelines on Indoor Environmental Pollutions Control* (《室內環境污染控制作業指引》) to ensure that the construction materials used comply with the government's regulations and meet environmental indicators. The responsibilities of the responsible department for bidding and purchasing and the Engineering Management Department are specified in the guidelines. The requirements of working procedures such as testing construction and decoration materials, process control (geological survey stage, construction stage, completion and acceptance), sales demonstration units, indoor environmental testing institutions, and testing reports are also listed to reduce indoor environmental pollution.

Green construction

Although the construction of the Group will be entrusted to the contractor, it will also pay attention to the potential environmental impact in the construction process, so it has formulated relevant green construction policies, such as *Environmental Protection Measures for Construction Projects* (《施工項目環保措施》), *Special Plan for Green Construction* (《綠色施工專項方案》), *Operation Guidelines for Abnormal Events Management* (《異常事件管理作業指引》), etc.

Environmental Protection Measures for Construction Projects (《施工項目環保措施》) contains relevant regulations on the construction process of projects, such as adopting site hardening, dust noise detection equipment and other measures to practically measure and control dust, adopting LED lighting to reduce electricity consumption and light pollution and discharging construction sewage and domestic sewage after sewage treatment.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

A. ENVIRONMENTAL (continued)

A3. The environment and natural resources (continued)

General Disclosure and KPI (continued)

Green construction (continued)

The establishment of green construction management in construction enterprises is of great significance in the field of environmental protection. Therefore, each of our projects will have a corresponding *Special Plan for Green Construction* (《綠色施工專項方案》), clearly listing the green construction objectives, organizations and responsibilities of the project's green construction management, construction deployment and specific measures for green construction. The Group regards the realization of harmonious development of nature and society as its responsibility to implement. The Group saves resources and energy, reduces pollution and ensures construction safety to the maximum extent.

The Group has formulated *Operation Guidelines for Abnormal Event Management* (《異常事件管理作業指引》) to identify potential environmental accidents or emergencies of the Group, and to make emergency preparedness measures and responses to prevent or reduce possible accompanying environmental impacts. The working procedures include the formulation of emergency plans, the implementation of preventive measures, the handling of emergencies, corrections, prevention and continuous improvement. Emergency plans will include emergency prevention, response and handling documents related to production accidents, mass incidents, thefts, fires, floods, accidental leakage of hazardous chemicals and other emergencies. When an emergency occurs, the discoverer will report orally to the Human Resources Department, the office of the project company, the responsible department and the supervisor as soon as possible. Within 24 hours after the incident, the *report of Abnormal Event* (《異常事件報告》) will be submitted to the Human Resources Department of the Group or the office of the project company.

A4. Climate Change

General Disclosure and KPI

Climate change-related impacts present both physical and financial risks to our operations. The Group is aware that climate change may have potential impacts on our services and operations, and thus affect financial performance. It is our aim to identify and assess climate change risks in order to enhance our understanding of such impacts on our operations with a view to adapting our operations to climate change.

As a real estate developer, the primary source of acute physical risks associated with significant climate-related issues that may impact our operations are frequent extreme weather conditions such as extreme temperature, flooding and typhoon. As these events may disrupt construction activities, cause damage to the Group's properties and most importantly, threaten the safety of construction workers and construction site. To control these external risks, the Group closely monitors the weather conditions and climate change related issues of the districts where construction sites located, and requires its contractors to develop emergency plans and perform regular examination on construction equipment to ensure they meet the safety standards. Our financial performance and reputation could also be affected by such changes.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

B. SOCIAL

B1. Employment

General Disclosure and KPIs

Employees are an important cornerstone of the success and prosperity of the Group, and at the same time provide the Group with a steady stream of innovative impetus. We uphold the “people-oriented” enterprise operation strategy, respect and protect the legitimate rights and interests of every employee, standardize labour employment management, protect employees’ occupational health and safety, strengthen democratic management, safeguard employees’ vital interests, fully respect and attach importance to stimulating employees’ enthusiasm, initiative and creativity, and are committed to building a harmonious labour relationship.

In order to tie in with the expansion of the Group’s business and meet our demand for talents, we recruit all kinds of suitable talents from time to time to reserve solid talents for our development. We have set up the *Human Resources Management Manual* (《人力資源管理程序》) to standardize the Company’s management procedures for human resources, define responsibilities and rights, and realize scientific human resources management. The procedures set out the responsibilities of the heads of departments, the Human Resources Team of the Integrated Operation Management Center, the personnel department of the project company, the head of the project company, the direct management of projects, the co-management leaders of the Integrated Operation Management Center and the Chief Executive Officer of the Group. The Human Resources Team of the Integrated Operation Management Center will develop an annual work plan for human resources, including developing the plan for salary survey analysis and adjustment; determining the annual staffing, and developing the recruitment plan; developing a training plan; developing the annual work plan for enterprise culture construction.

The Company has formulated relevant personnel management policies such as the *Salary Management Policy* (《薪酬管理制度》), the *Personnel Recruitment Procedure* (《人事招聘流程》), the *Regulations on Employee Entry and Exit Procedures and Transfers* (《關於員工入和離職流程及調動的規定》) and the *Staff Manual* (《員工手冊》) to create a healthy, optimistic and positive working atmosphere for employees and guide employees to actively integrate their personal pursuit into the long-term career development with the Group.

During the reporting period, the Group actively abided the laws and regulations such as the *Labour Law of the People’s Republic of China* (《中華人民共和國勞動法》), the *Labour Contract Law of the People’s Republic of China* (《中華人民共和國勞動合同法》), as well as the *Employment Ordinance* (《僱傭條例》) of Hong Kong, and found no major violation of laws and regulations on human resources.

There are many young and energetic employees in the Group, and employees under 40 account for more than approximately 62% (2021: 70%) of the total employees. The overall number of employees decreased approximately 33% from 2021 due to further streamline of staff structure.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

B. SOCIAL (continued)

B1. Employment (continued)

General Disclosure and KPIs (continued)

The number of employees by function and age group is as follows:

By function \ By age group	By age group				Total number of employee	
	Under 30	31-40 years old	41-50 years old	Above 50 years old	2022	2021
Headquarter/ administrative office	11	47	26	10	94	182
Project operation	19	118	27	4	168	261
Property management	139	183	172	83	577	809
2022 Total	169	348	225	97	839	
	20%	41%	27%	12%	100%	
2021 Total	325	569	253	105		1,252
	26%	46%	20%	8%		100%

The number of employees by gender and geographical region group is as follows:

By Region \ By Gender	By Gender		2022 Total	2021 Total
	Male	Female		
Hong Kong	6	7	13	16
China	522	304	826	1,236
2022 Total	528	311	839	1,752
2021 Total	776	476	1,252	

For industry reasons, there are more male employees than female employees, but the Company is committed to balancing and diversifying the gender of its employees.

Turnover rate by function and age group

	By age group				2022	2021
	Under 30	31-40 years old	41-50 years old	Above 50 years old		
Headquarter/ administrative office	95%	70%	35%	33%	62%	33%
Project operation	68%	48%	47%	25%	51%	27%
Property management	89%	77%	45%	34%	67%	64%
Total	88%	66%	44%	34%	63%	52%

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

B. SOCIAL (continued)

B1. Employment (continued)

General Disclosure and KPIs (continued)

Turnover rate by gender and geographical region

Year	By Gender		By geographical region		Total
	Male	Female	Hong Kong	China	
2022	61%	67%	21%	64%	63%
2021	53%	50%	13%	52%	52%

The increase in turnover rate in 2022 was mainly due to layoffs of staff pursuant to the Company's cost planning arrangement.

Note: Turnover rate = Number of departed employees during the year / ((number of employees at the beginning of the year + number of employees at the end of the year) / 2)

Salary and benefits

The Group has established a relatively fair, reasonable and competitive salary policy, which is based on the principles of fairness, competition, incentives, reasonableness and legality to pay employees. The salary of the Group's employees consists of basic salary, overtime salary, performance related bonus and related subsidies. In addition, the Group will make appropriate salary adjustments every year according to inflation, living standards and market conditions.

The Group signs and performs labour contracts with employees in accordance with the *Labour Contract Law of the People's Republic of China* (《中華人民共和國勞動合同法》), with a signing rate of 100% of labour contracts. In accordance with the law, we pay "five social insurance and one housing fund" for employees, i.e. pension insurance, medical insurance, unemployment insurance, work injury insurance, maternity insurance and housing accumulation fund, to ensure employees enjoy social insurance benefits.

In accordance with national and local laws and regulations such as the *Labour Law of the People's Republic of China* (《中華人民共和國勞動法》), the Group effectively protects the legitimate rights and interests of employees, respects their right to rest and vacation, and regulates their working hours and the various rest and vacation rights they enjoy. All employees of the Group are entitled to holiday benefits such as the annual leave, sick leave, personal leave, marriage leave, maternity leave and nursing leave, condolence leave, work injury leave, study or examination leave, and judicial leave (jury service).

The Group has also set up the *Share Options Scheme* (《購股權計劃》) to grant employees share options which benchmark with employees' performance, promote our long-term goals, and offer rewards or remunerations to employees who have continuing contributions to the Group, so as to attract and retain outstanding talents.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

B. SOCIAL (continued)

B1. Employment (continued)

General Disclosure and KPIs (continued)

Salary and benefits (continued)

In addition, the Group has been committed to providing thoughtful and comprehensive employee benefits and actively organizing rich and colourful activities. For this reason, we have formulated the *Plan for Implementation of Corporate Cultural Activities in Operation Headquarter in 2019* (《2019年營運總部企業文化活動開展方案》), aiming to enhance the cohesion of employees through cultural activities and hence the ability of employees to execute their work. The annual activities include, but are not limited to, employee birthday parties, daily physical exercises, office environment renovation, annual employee outdoor visits, March 8 activities, outreach activities, mid-autumn festival activities, preparations for the annual meeting of spring festival, and other small events. But, due to the outbreak of COVID-19 at the beginning of year 2019, those activities have been trimmed down so as to ensure the health of all employees of the Group.

Recruitment, promotion and dismissal

The Group actively implements the strategy of strengthening enterprises with talents and continuously establishes and improves the talent recruitment and selection policy. In order to meet the requirements of operation management and business development of the Company, rationally allocate human resources and standardize recruitment, the Group has formulated the *Operation Guidelines on Recruitment Management* (《招聘管理作業指引》). Relevant procedures are listed in the Guidelines, including but not limited to recruitment channels such as recruitment application and approval, internal recruitment and external recruitment, selection of job-application materials, interview, employment confirmation, background investigation, employment approval procedures, procedures of new employee joined, and establishment of employee files.

The Group has a clear basis and procedure for the promotion, transfer and demotion management of employees, standardizes the resignation procedure and protects the interests of both employees and the Company. Relevant procedures and detailed rules are listed in documents such as the *Staff Manual* (《員工手冊》), the *Operation Guidelines on Promotion Management* (《晉升管理作業指引》), the *Management Procedures for Employee Comprehensive Evaluation* (《員工綜合評估管理程序》) and the *Operation Guidelines on Appointments and confirmations of Employment* (《入職與轉正管理作業指引》). In principle, the Company carries out promotion evaluation and approval twice a year. We have implemented a fair and open assessment policy. We will fully consider the past performance of employees and their comprehensive qualities, including moral character, work capability and obedience awareness, to provide opportunities for employees to promote and develop so as to explore their potential.

Meanwhile, in order to provide outstanding employees a fair and impartial promotion channel and opportunities to retain talents, the Group will select outstanding young management cadres through internal competition to take up major positions in new development projects. In order to solve the problems of talent gap of the Group's core positions, brain drain in key positions, and difficulties in self-cultivation of talents, we have drawn up and implemented the *Proposal for Formation of Corporate Echelon Talent Pool* (《企業梯隊人才庫建設方案》) to optimize our human resources allocation, improve the talent reserve mechanism, and implement the successor plan for core positions and the talent reserve plan for key positions.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

B. SOCIAL (continued)

B1. Employment (continued)

General Disclosure and KPIs (continued)

Recruitment, promotion and dismissal (continued)

In addition, in order to further strengthen and perfect our resignation management of employees, we not only set out the relevant procedures for resignation in the *Staff Manual* (《員工手冊》), but also formulated the *Operation Guidelines on Termination Management* (《離職管理作業指引》) to maintain a normal order of staff turnover and to combine the actual operation.

Equal opportunities

The Group strictly abides by various laws and regulations of national and local governments, adopts a fair, just and open recruitment procedure, and formulates relevant policy documents to eliminate discrimination in the recruitment process. It does not discriminate against any employee due to factors such as race, sex, skin colour, age, family background, national tradition, religion, physical quality and nationality, and allows employees to enjoy fair treatment at all stages of recruitment, salary, training and promotion, so as to try its best to recruit professional talents from different backgrounds to join the Group.

B2. Health and safety

General Disclosure and KPIs

The Group attaches great importance to the health and safety of its employees and is committed to creating a good working environment and safe production conditions. We strictly implement the relevant laws and regulations such as the *Labour Law of the People's Republic of China* (《中華人民共和國勞動法》), the *Production Safety Law of the People's Republic of China* (《中華人民共和國安全生產法》), the *Prevention and Control of Occupational Diseases Law of the People's Republic of China* (《中華人民共和國職業病防治法》), the *Fire Protection Law of the People's Republic of China* (《中華人民共和國消防法》), as well as the *Occupational Safety and Health Regulations* (《職業安全及健康條例》).

Occupational safety and health

The Group has established occupational health guidelines for enterprises in accordance with the OHSMS standard system of the *Occupational Health and Safety Management System* (《職業健康安全管理體系》). The Group is committed to preventing, controlling and eliminating occupational hazard factors in the working environment, protecting the health of workers, enhancing employees' awareness of safe production, ensuring building safety and meeting the needs of enterprises and employees.

The Group stipulates that the principal personnel in charge of the department shall be fully responsible for the occupational health management of the Company. The Project Management Centre of the Group regularly organizes the Company's safety management team to inspect the security situation of projects under construction, and the inspection results are reported to leaders of the Group. The Group has formulated the *Administrative measures for the reporting, investigating and handling of safety production incidents* (《安全生產事故報告與調查處理管理辦法》), to stipulate the procedures of reporting, investigating and handling of safety incidents, to implement an accountability system on safety production incidents and to prevent and reduce the occurrence of safety production incidents.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

B. SOCIAL (continued)

B2. Health and safety (continued)

General Disclosure and KPIs (continued)

Occupational safety and health (continued)

The Group has compiled the *Operation Guidelines on the Management of Construction Safety and Legitimacy* (《安全文明施工管理作業指引》), and through preventive and monitoring measures, reducing the rate of accident occurrence at project construction process, improving the image and environment of construction sites, monitoring the construction safety process and knowledge in managing safety accidents. Project companies assess the management measures prepared by the contractors in regard to construction safety and legitimacy, and conduct independent patrolling, sample checking and monitoring on every aspects of the construction sites, report to the relevant person-in-charge and the contractors when problems are identified and monitor the relevant rectifications. The Group's Project Management Centre monitors the project companies' execution of safety management policies. We require the contractors to establish trainings on safety education and techniques, which are held regularly and seasonally.

Occupational safety training and employee health management

In order to take preventive measures, the safety officer of the project company is responsible for carrying out safety training and to supervise relevant personnel at occupational-disease-prone positions from time to time, including checking the use of labour protection equipment by employees, and inspecting and handling health risks at workplaces, so as to reduce the spread of common diseases and ensure construction safety. We will also arrange relevant employees who are relatively prone to occupational diseases to undergo occupational disease examination and establish health monitoring files. In addition, we have arranged for all employees to have a comprehensive physical examination every year to monitor their physical condition and detect potential crisis.

During the reporting period, the Group did not record any serious accidents that resulted in death or serious bodily injury, did not pay reimbursement or compensation to the employees of the Group due to such accidents, and did not find any material matters that violated laws and regulations related to employees' health and safety. There was no work-related fatalities occurred during the year and the past two years. During the year, there was in total 288 (2021: 250) lost days due to work injury. Physical examination of employees was suspended in year 2022 in order to save costs (2021: expenditure was approximately RMB389,681).

B3. Development and training

General Disclosure and KPIs

The Group recognises the importance to the establishment of an internal management training and development system of the enterprise. It provides diversified training modes such as induction training for new employees, management trainee training, employee policy training, professional skills training, personnel echelon training, and management personnel training to meet the different requirements of employees of all levels and types, enhance the skills of employees, and help the sustainable development and personal growth and development of employees.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

B. SOCIAL (continued)

B3. Development and training (continued)

General Disclosure and KPIs (continued)

Training management

To enhance the Group's operation management as well as to meet the demand of business development, the Group has established the *Operation Guidelines on Staff Training Management* (《培訓管理作業指引》) and *Operation Guidelines on Staff Internal Transfer* (《員工異動管理作業指引》) to standardize the Group's staff training management. At every year end, the Group devises an annual training program for the coming year, which encompasses both internal and external trainings and is tailor-made to suit the operating environment of every department. All training programs aim to elevate the employees' efficiency in order to cope with changes in their working environments.

We regularly arrange training and study for on-the-job managers on internal policies and procedures and professional skills improvement; meanwhile, on-the-job managers are arranged to attend professional training courses organized by external training institutions from time to time. In addition, an all-staff policy assessment is organized for all staff every six months. The assessment content includes policy examination results and policy training attendance, and the assessment results are incorporated into the annual comprehensive appraisal of employees.

In addition, in order to standardize the selection, assessment, training and enhancement in motivation of internal trainers, and to establish an internal trainer team to promote the business and culture development of the Company, we have formulated the *Management Measures for Internal Trainers* (《內部培訓師管理辦法》). In the management measures, detailed procedures of internal trainers and internal trainer assessment teams, such as the responsibilities, selection procedures, assessment management and training incentives, are listed in details.

Training course

The training categories of the Group are classified into induction training of new employees, management trainee training, employee policy training, professional skills training, echelon personnel training, management personnel training and other professional training. We will regularly conduct induction training for new employees and introduce the Group's development history, corporate culture, organization structure, company rules and regulations, office operation platform, work flow and company projects to help employees adapt to the working environment as soon as possible, better perform their duties and improve their work efficiency. The training of management trainees is continuously carried out every year, and the training of management trainees has been strengthened through the combination of closed centralized training and rotation training.

We have the *Echelon Talent Learning Report* (《梯隊人才學習報告》), which allows employees to evaluate management or professional skills improvement, personal comprehensive quality improvement, organizational management and business improvement suggestions on a quarterly, semi-annual and annual basis. The evaluation scope includes, but is not limited to, management planning, plan control, talent training and supply, team leadership, communication and coordination, execution and self-improvement. In addition, the talent advisor and the Human Resources Team will also complete the part of talent evaluation and give suggestions and opinions to the Human Resources Department.

During the reporting period, the Group organized a total of 790 sessions (2021: 1,775 sessions) of staff training with 1,005 staff attended. Internal training involved 1,617 hours (2021: 2,509 hours internal training and 51 hours external training). Total training expenses amounted to approximately RMB14,396 (2021: RMB100,000).

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

B. SOCIAL (continued)

B3. Development and training (continued)

General Disclosure and KPIs (continued)

Training course (continued)

As high turnover rate for property security guards will lead to high training hours incurred for property management sector, it is better to exclude the training hours for those property security guards in order to avoid distortion to the other analyzed figures. Excluding the training hours for property security guards, percentage of employees trained by gender and employee category are as follows:

	Male	Female	Senior management	Middle management	Other employees	2022 Total	2021 Total
% of the employee trained	33%	37%	10%	76%	28%	35%	33%
Average training hours completed per employee	5.78	5.26	20.24	2.54	6.82	1.93	1.16

The Group also attaches great importance to safety production training to protect employees' personal safety. Relevant policies are described in detail in the "Occupational Safety and Health" section of Aspect B2.

B4. Labour standards

General Disclosure and KPIs

Preventing engagement of child labour or force labour

The Group has complied with the *Convention concerning the Abolition of Forced Labour* (《廢止強迫勞動公約》), the *Employment Ordinance* (《僱傭條例》), the *Labour Law of the People's Republic of China* (《中華人民共和國勞動法》) on the employment of young people under the age of 16 and their legal rights and interests, and the *Provisions on the Prohibition of Using Child Labour* (《禁止使用童工規定》), which have been implemented. During the reporting period, the Group did not find any major violations of laws and regulations related to the prevention of child labour or forced labour.

The Group strictly prohibits the employment of any child labour and forced labour in its mainland business. It will review our employment practices from time to time and inspect the employment status of contractors to prevent potential violations. In addition, the recruitment prospectus makes clearly that only employees over the age of 16 are to be recruited, and requires employees to truthfully complete the entry report form and personal data (including personal resume, education-related certificates, career background investigation files, etc.). The Human Resources Department and the Project Office will review the recruitment before employment to ensure that the entire recruitment process is legal. The Group has established a complete recruitment procedure requiring examination of candidates' backgrounds and a formal reporting procedure for handling any exceptions. In addition, regular reviews and inspections are conducted to prevent any child labour or forced labour in all operations.

In addition, the Group's employees work overtime on a voluntary basis. Employees must apply for overtime in advance and submit it to the personnel supervisor for registration and filing after being approved by the person in charge of the subordinate unit or department. They will be given compensatory leave or overtime allowance during the corresponding holidays. No department member of the Group may detain the employee's identity card, deposit or salary for any reason.

Meanwhile, the Group will not appoint these sellers and contractors who are aware of employing child labour or forced labour in their operations to provide administrative supplies and services.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

B. SOCIAL (continued)

B5. Supply chain management

General Disclosure and KPIs

Most of the Group's project engineering and professional technology provision are mostly built by contractors in the form of bidding, so the selection of suppliers and technology providers is very strict. As the Group attaches great importance to the management of potential environmental and social risks in the supply chain, we have established a strict and standardized bidding system and supplier selection procedure, and have put forward requirements for suppliers in terms of environmental and social risk control.

Environmental and social risk management of the supply chain

In order to maintain a long-term and stable cooperative relationship with suppliers, the Group is extremely strict in selecting suppliers and has a well-managed procurement system and a strict supplier selection procedure. We have formulated the *Supplier Management Program* (《供貨商管理程序》) to standardize supplier selection and cooperative management, improve the integration and effect of the Group's external resources, and promote the achievement of the objectives of various development projects and the Company's strategy.

The Group supports local procurement. Most of the construction materials are purchased locally in the project development. This will not only reduce the supply chain risk of suppliers failing to meet the requirements of the Group, but also support environmental protection and reduce carbon emissions from transporting construction materials.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

B. SOCIAL (continued)

B5. Supply chain management (continued)

General Disclosure and KPIs (continued)

Environmental and social risk management of the supply chain (continued)

We have formulated the *Operation Guideline on Management of Supplier Resources Pool* (《供應商資源庫管理作業指引》), the *Operation Guideline on Supplier Certification* (《供應商認證作業指引》) and the *Operation Guidelines on Supplier Assessment* (《供應商評估作業指引》) to build the information management platform for suppliers. After qualification or on-site review, suppliers will be classified and put into storage. Through the establishment and maintenance of the supplier database, the resource information of suppliers is systematically collected and processed to ensure that the Group can efficiently find the most suitable suppliers. As at the end of the year, the Group has 692 (2021: 671) suppliers and all of which are located in China.

In order to standardize the Group's strategic procurement management (engineering) and improve the procurement efficiency and transparency, the Group has established a strategic procurement supplier receipt/issue review team, which is responsible for approving the receipt/issue of strategic procurement suppliers. We have a *Supplier Inspection Report* (《供方考察報告》) to record the basic situation of suppliers and the opinions of the review team. The report mainly inspects aspects of the supplier such as the size and ability of the company, management standardization, personnel mobility, allocation mode of contract funds and construction site management, and explains the conclusion of the inspection.

At the end of each year, the department of contract bidding management will jointly evaluate and screen suppliers with other management centres and project companies in order to reduce the environmental and social risks brought to the Group's operations by suppliers' non-achievement of the target performance, such as environmental pollution at construction sites or damage to our reputation caused by the employment of illegal workers. After the review report is approved by the leaders of the Group, the supplier level in the cooperative supplier database is updated in line with the review results, and unqualified suppliers are eliminated to ensure that the qualified suppliers remaining on the roster can provide quality assurance.

In addition to environmental risks, we will also take measures to inspect whether its major suppliers and contractors meet relevant laws and regulations and other standards to be met in terms of health, safety, forced labour and child labour, as well as the awareness of suppliers in the above aspects.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

B. SOCIAL (continued)

B5. Supply chain management (continued)

General Disclosure and KPIs (continued)

Fair and open procurement

The Group attaches great importance to anti-corruption in processes such as procurement. We have formulated the *Integrity Agreement* (《廉潔協議書》) to prevent commercial bribery in the field of engineering construction, to define the responsibilities and obligations of the contracting parties, and to prevent all kinds of violations of law and discipline parties who seek illegitimate interests. The procurement procure of the Group is conducted in an open, fair and impartial manner in strict accordance with relevant regulations such as the *Law of the People's Republic of China on Tenders and Bids* (《中華人民共和國招標投標法》). It will not discriminate against any supplier, but employees and other individuals who have interests in relevant suppliers will not be allowed to participate in relevant procurement activities. The Group also pays attention to the integrity of suppliers and partners.

Commercial ethics

The Group also pays attention to the integrity of suppliers and partners. We will only select suppliers and partners who have a good business record in the past and have no serious violations of laws or business ethics. The Group adopts a zero-tolerance strategy against corruption and bribery and prohibits suppliers and partners from obtaining procurement contracts or cooperative relationships through any form of profit transmission. Further, priority will be given to those suppliers who have obtained any environmental assessment certifications and promoted environmental production.

B6. Product responsibility

General Disclosure and KPIs

The Group attaches great importance to product quality and corporate reputation. We actively ensure the quality of products and services through internal controls and actively develop high-quality real estate projects. We have also been maintaining communication with customers to ensure that we understand and meet customers' needs and expectations, and we hope to know customers' satisfaction so as to continuously improve the real estate projects and services of the Company.

During the reporting period, the Group did not find any major violations regarding the health and safety, advertising, labelling and privacy of the products and services provided, and strictly abided by relevant laws and regulations, including but not limited to the *Trade Descriptions Ordinance* (《商品說明條例》) of Hong Kong, the *Law of the People's Republic of China on Product Quality* (《中華人民共和國產品質量法》), the *Law of the People's Republic of China on the Protection of Consumer Rights and Interests* (《中華人民共和國消費者權益保護法》), the *Advertising Law of the People's Republic of China* (《中華人民共和國廣告法》), the *Copyright Law of the People's Republic of China* (《中華人民共和國著作權法》), the *Patent Law of the People's Republic of China* (《中華人民共和國專利法》), as well as the *Trademark Law of the People's Republic of China* (《中華人民共和國商標法》). There was no property sold subject to return for safety and health reasons.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

B. SOCIAL (continued)

B6. Product responsibility (continued)

General Disclosure and KPIs (continued)

The Group has complied with the development needs of cities and customers. From quality to scale, the Group has won praise from the industry and society. We carry out the Company's management policy of honesty and service as well as market and reputation in priority, and have won the recognition of customers in all regions by creating brand with high-quality products. The Group's property management team has won many awards for outstanding performance in 2022, and among which, on 21 November 2022, Guangzhou Tianyu Property Management Company Limited was ranked 42nd in the "2022 Guangdong-Hong Kong-Macao Greater Bay Area Top 100 Enterprises in Property Services."

Quality control

The Group places high value in the importance to quality factors and corporate reputation and thoroughly understands the importance of quality control in production. In order to ensure that the Company's properties for sale complies with the relevant national standards, we have formulated the *Operation Guideline on Engineering Quality Control* (《工程質量控制作業指引》) to supervise the compliance of the projects with the relevant national standards, technical standards and the requirements of engineering and service contracts. The project companies review the construction plans submitted by contractors, quality control and assurance measures, and the enterprise qualifications of subcontractors and suppliers, and conduct on-site inspections and spot checks on the construction quality. The Engineering Management Center of the Group provides technical support to the project companies and reviews quality assurance measures.

In addition, the Group has also devised the *Operation Guidelines on Indoor Environmental Pollutions Control* (《室內環境污染控制作業指引》) to ensure that the construction materials used comply with the government's regulations and meet environmental indicators. Effective indoor environmental pollution controls are carried out at key stages during the course of construction in order to prevent the delivery of unqualified products to customers. The department responsible for procurement and tendering is required to comply with the Group's guidelines and the Government's relevant regulations when setting up procurement and out-source contracts. Project companies are responsible to monitor the radon concentration in soil and examine the delivered materials according to environmental protection indicators. The supervising contractors are responsible to perform tests on indoor environment contamination rates and emission rates of materials that may cause pollution before being put into use, and monitor the concentration of pollutants before acceptance of completed works.

According to the relevant policies or the contractors' *Regulation on the Maintenance of End-Product after Construction* (《建築成品保護規定》) monitored by the Group, the engineering departments of project companies procure the main contractors to set up working teams to maintain the quality of the end-products by coordinating independent sub-contractors in such respects to ensure that the end products are completed according to the requirements in the relevant contracts, so as to discharge all parties' responsibilities and imposing penalties.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

B. SOCIAL (continued)

B6. Product responsibility (continued)

General Disclosure and KPIs (continued)

Processing of Non-conforming Products

The Group has developed the *Procedure Document for Control of Non-conforming Products* (《不合格控制程序文件》) to identify and control the non-conformity arising during the work and service so as to meet the specified requirements and prevent unintended use or delivery. The definitions of non-conformity listed in the document are classified into general non-conformity and severe non-conformity according to their degree of influence and nature. The project company shall check and accept equipment materials and construction according to the specified requirements, immediately correct, identify and record the non-conformity of any items found to fail to meet the requirements, and directly or require the supervision company to issue a *Notification of Remediation* (《整改通知單》) as well as request the supplier to submit a quality report. For the non-conforming products, we will have the following treatment:

- The leader of the department in charge is responsible for identifying, reviewing, approving, correcting and tracking and verifying the general non-conformity;
- Regarding severe non-conformity, the department in charge shall formulate corrective measures, the Integrated Operation Management Center is responsible for reviewing the measures, and the management representatives and the Company leaders should take charge of approval. The Integrated Operation Management Center organizes the correction tracking, verification and recording of the severe non-conformity;
- For non-conforming service, resource allocation, training, punishment and compensation, and other treatment measures can be taken;
- The following four circumstances should be treated and adjusted and their verification records should be kept: the operation process and product are unqualified, and the materials and equipment supplied are unqualified; there is non-conforming products and control procedures appearing during the construction process; quality accidents; unqualified work during inspection and acceptance;
- All severe non-conformity should be handled with corrective and preventive measures in accordance with the *Control Procedures for Corrective and Preventive Measures* (《糾正和預防措施控制程序》); and
- The processing of all non-conformity will be verified and the complete records will be kept. Relevant records will be saved in the relevant departments. All departments and project companies set up non-conformity and corrective measures to tracking accounts and report to the Integrated Operation Management Center monthly. The Integrated Operation Management Center collects data about unqualified and corrective situations and analyses the unqualified information and data each month.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

B. SOCIAL (continued)

B6. Product responsibility (continued)

General Disclosure and KPIs (continued)

Processing of Non-conforming Products (continued)

Besides, we have made *Procedures of Corrective and Preventive Actions Control* (《糾正與預防措施控制程序》) to take corrective and preventive actions against potential or existing unqualified situations, eliminate the causes of potential or existing unqualified situations, and prevent them from occurring or recurring. In the procedures, we will list corresponding handling of certain situations, including the approaches of finding unqualified situations or potential unqualified situations, project approvals of preventive measures, analysis of causes of potential unqualified situations, development and approval of preventive proposals, implementation of preventive measures, review of results of preventive measures, and analysis and documentation of implementing results of preventive measures.

Customer service and privacy

The Group believes that customer satisfaction is one of the key factors for sustainable production and business development. Therefore, we have developed a *Monitoring Procedure for Customer Satisfaction Measurement* (《顧客滿意度測量監控程序》), and established a procedure to investigate and understand customers' satisfaction with the Group's work quality, engineering entity quality and services during the processes of real estate development, sales and after-sales services. We will propose corrective and preventive measures based on the measurement results and continuously make progress to maintain or improve customer satisfaction. Our Marketing Management Department and the District Office's Marketing Management Department develop annual plans of customer satisfaction survey in the department's annual work plan. The starting time of customer satisfaction survey of each building is at least once a year after moving in. Three years after moving in, the survey will be taken up by the property management company for implementation. The survey will be conducted through telephone interviews, home visits, online surveys, questionnaire distributions, etc. The survey includes but is not limited to planning and design, project quality, property management, sales management, and customer service, etc. The Marketing Management Department and the District Office's Marketing Management Department shall organize relevant departments and company executives to review the customer satisfaction surveys and customer opinions and suggestions, come up with advice and determine the projects that need to be corrected and prevented. Besides, the Marketing Management Department and the District Office's Marketing Management Department shall issue Reports on *Corrective and Preventive Measures* (《糾正和預防措施報告》) to the responsible departments with projects that the customers are not satisfied with, and ask them to improve or make progress.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

B. SOCIAL (continued)

B6. Product responsibility (continued)

General Disclosure and KPIs (continued)

Customer service and privacy (continued)

Besides, to elevate the standard of the Company's products, services, and management, to enhance product quality and service, to ensure customers' complaints are resolved in a timely, accurate and reasonable manner and to achieve the Company's target of refining the Company's products and service continuously, we shall set up special customer service hotlines and arrange special personnel to receive the calls in each project's Customer Service Department. The Group has also established *Code for Customers' Complaints Handling* (《顧客投訴處理程序》) to standardize the procedures of handling customer complaints to make them dealt with in time and effectively. We focus on three "roles" while handling customer complaints. Marketing is the first contact of customer services, the solutions to solve customers' problems, and the consultant to customers. Two latitudes include customer latitude, meaning that customer needs and complaints are both legitimate, and customer services latitude, which means all customer needs and complaints are where we should improve. Two tools refer to first-be-inquired responsibility system and highest working level. Careful complaints definition, complaints classification, complaint grading, and handling procedures are clearly documented, such as evidence obtaining and collections of sales information, acceptance of complaints, complaints handling, time limit of handling general complaints, complaints reply, closure of complaints, early warning of complaints upgrading, and statistical feedback of complaints, etc. During the year, the Group has received 541 (2021: 271) customers' needs or complaints relating to home appliance gifts redemption and property delivery related issues during property hand over and their needs or complaints were quickly followed by the appropriate departments.

Moreover, the Group carefully manages the customers' files to avoid disclosure of customer privacy. As part of the Group's resources, customer information and customer data shall not be sold, shared, or revealed for any purpose. Each employee must protect the customer information and data in accordance with the company's regulations to avoid disclosure of customer information.

Intellectual property

We have relevant management procedures to effectively manage the Group's intellectual property. When we find out that someone has infringed the Group's intellectual property, we will protect our rights with the guidance of relevant lawyers and experts. We will file a lawsuit against those having infringed our intellectual property rights based on Article 213 of *Criminal Law of the People's Republic of China* (《中華人民共和國刑法》) to safeguard the legitimate rights and interests of intellectual property held by the Group. Moreover, we also avoid infringement of intellectual property rights of others. When using words, graphics or their combinations similar to or identical to registered trademarks, we will conduct patent novelty searching to avoid infringement of intellectual property rights.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

B. SOCIAL (continued)

B6. Product responsibility (continued)

General Disclosure and KPIs (continued)

Advertisement and labels

The Group has formulated a *Sales Manual on Operation Guide*, which lists the procedures of the *Sales Manual* (《銷售手冊》) and standardizes the sales methods, including but not limited to advertising and labelling issues. The operating procedures are as follows.

1. The Marketing Management Department and the District Office's Marketing Management Department make an outline and consult relevant professional departments' opinions. The opinions of relevant departments shall be replied after being signed and confirmed by the person in charge.
2. The Marketing Management Department and the District Office's Marketing Management Department prepare the sales manual. Direct projects shall be approved by the person in charge of the Marketing Management Department. Projects of the city company shall be submitted to the general manager of design and development and the general manager of marketing for review, and approved by the president of the city company.
3. After being approved, the Marketing Management Department and the District Office's Marketing Management Department will train the sales staff on-site.
4. If there are any changes or supplement to the contents of the sales manual, it shall be updated by the Marketing Management Department and the District Office's Marketing Management Department and used after review and approval according to Step 2.

B7. Anti-corruption

General Disclosure and KPIs

Anti-corruption

The Group believes that corruption-free corporate culture is the key to our continued success, so the Group attaches great importance to anti-corruption policies and systems. The Group has been protecting all its business from any illicit behaviour in its operating environment. In addition, honesty, integrity and fairness are the core values of the Group which all employees are required to fulfil and safeguard. In order to manifest such values, the *Staff Manual* (《員工手冊》) of the Group sets out the measures against any offender of anti-corruption regulations. The provision or recipient of bribery or interests (including commissions, handling charges, rebates, rewards, vouchers, gifts, etc.) in any forms from business-related units are deemed as serious violations of the Group's regulations. The Company shall rescind the employment contract of the offender and may seek relevant economic and legal responsibilities from the offender. The Group also prescribes its contract management procedures, which strictly prohibit business institutions and its staffs from obtaining direct or indirect monetary benefits from contracted parties through illicit means such as bribery and rebate when performing contracts.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

B. SOCIAL (continued)

B7. Anti-corruption (continued)

General Disclosure and KPIs (continued)

Anti-corruption (continued)

During the reporting period, the Group strictly abides by the relevant laws and regulations to prevent bribery, extortion, fraud and money laundering, including but not limited to *Prevention of Bribery Ordinance* (《防止賄賂條例》), *Company Law of the People's Republic of China* (《中華人民共和國公司法》), *Law of the People's Republic of China on Tenders and Bids* (《中華人民共和國招標投標法》), *Criminal Law of the People's Republic of China* (《中華人民共和國刑法》), *Law of the People's Republic of China against Unfair Competition* (《中華人民共和國反不正當競爭法》), *Interim Provisions on Prohibiting Commercial Bribery* (《關於禁止商業賄賂行為的暫行規定》), etc.. Major violations had not been discovered.

The Group is highly concerned about potential bribery and corruption during the purchasing process. Thus, we have formulated rules and regulations to manage the bribery and corruption, which have been described in the section of "Supply Chain Management" in Aspect B5. Seminars or leaflets on anti-corruption topics are provided to the directors and employees from time to time to update their understanding of the latest regulations on anti-corruption.

Reporting System

The Group has established a clear reporting system to build and maintain our corruption-free and transparent culture. If an employee is found to have violated the code of integrity, the customers or business organisations are welcome to report the case voicing the customer complaints and suggestions through email (tousu@tianyudc.com, jiangyi@tianyudc.com), by phone ((86) 400-800-1910) or to the Company's website (www.skyfame.com.cn).

During the year, there was no concluded legal cases regarding corrupt practices brought against the Group or its employee.

B8. Community contribution

General Disclosure and KPIs

Corporate Social Responsibility

The Group believes that the success of an enterprise depends not only on its business development, but also its responsibility to repay the society. Therefore, as the Group is devoted to developing our business and achieving better returns for our shareholders, we also fulfil our corporate social responsibilities through our continued contribution to society.

The Group hopes to cultivate our employees' sense of social responsibility. Thus, we always encourage our staff to take part in public welfare activities during work time and private time to contribute more to the society. We believe that by encouraging the employees to participate in social charity and fundraising activities expressing their concerns for the society, we do not improve only the ideological quality of our employees, but also bring warmth to people in need. We believe that we can raise our employees' civic awareness and help them establish the correct value on repaying society by joining these activities.