



SHANGHAI ZENDAI
上海証大房地產有限公司

SHANGHAI ZENDAI PROPERTY LIMITED

(incorporated in Bermuda with limited liability)

Stock Code : 00755

**ENVIRONMENTAL,
SOCIAL AND
GOVERNANCE
REPORT**

2022



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ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

I. PREAMBLE

The period covered by “The 14th Five-Year Plan” constitutes the first five years in which China will embark on a new journey toward the second centenary goal. During the period, the country will meet tough challenges in its efforts to accelerate green and low-carbon energy transformation and to pursue the nationally determined goal to fight against climate change. As a carrier of the existence and operation of a city, real estate is the focus of the country’s “people-oriented new urbanisation”. Key tasks for the development of green buildings were clearly defined in the “14th Five-Year Plan” for the Development of Energy Savings in Buildings and Green Buildings” (《「十四五」建築節能與綠色建築發展規劃》), including the popularisation of new green construction methods, the facilitation of wide application of green building materials, and the promotion of green city construction, all of which accelerate carbon emission reduction in the real estate industry. In addition, as China fully implements the requirements of “preventing COVID-19, stabilizing the economy, and securing development”, it achieved significant strategic results in the prevention and control of COVID-19 epidemic (the “COVID-19”), and economic activities recovered from COVID-19 and achieved catch-up growth. The public focused their attention on the country’s pursuit of green development and the ambitious dual carbon goals “Carbon Peak and Carbon Neutrality”.

Therefore, Shanghai Zendai Property Limited (the “Company”), as a famous enterprise in the real estate industry in China, actively follows the core meaning of the “14th Five-Year Plan”. The Company, in line with the country’s new development concept of “innovation, coordination, green, openness and sharing”, unswervingly implements the sustainable transformation and development approach of the enterprise business model and master the effective transformation to green and low-carbon, with an aim to drive the rapid, healthy and sustainable corporate development comprehensively and creatively. Meanwhile, it hope to develop a new pattern of dual circulation economy to facilitate mutual development. The Company and its subsidiaries (collectively the “Group”) uphold the “craftsman’s spirit” of “Never forget why you started, and your mission can be accomplished”, and are committed to making the sustainable development an important part of the Company’s corporate culture of the “Three Evidences and Four Greatnesses (三証四大)» through systematic management, controllable improvement and quantifiable presentation in order to develop its long-term competitiveness in the future market.

The Group mainly engages in property development, property investment, provision of property management and operation of hotels in China. After nearly 30 years of rapid development, the Group has developed a nationwide business presence with Shanghai as the centre and the Yangtze River Delta as the core sector by relying on its complete construction, operation, management capabilities and the independent teams responsible for planning and development, investment promotion, operation and property management. With the development and operation for multiple types of properties including residential, office buildings and complexes, the Group has developed a product series with Himalayas Centre, Thumb Plaza and Mandarin Palace as core brand, and has created more than 40 industry classics including Shanghai Himalayas Centre, Shanghai Mandarin Palace, Nanjing Himalayas Centre, Nanjing Thumb Plaza and Nanjing Mandarin Palace.

The “Three Evidences and Four Greatnesses” is not only the specific cultural meaning of the Group’s name, but also the corporate spirit and mission that it adheres to. With the “Proof, Demonstration, Evidence” (証明、實証、親証) and “Natural Law, Great Harmony, Great Beauty and Greater Good” (大道、大同、大美、大我) as the cornerstone and soul of our corporate culture, the Group will always adhere to “building” and “operation” as two major brand strategy pillars, and strive to provide the cities with a beautiful living space and high-quality commercial operation services. By combining the environmental, social and governance (“ESG”) management model with its strategic development and operation, the Group strives to promote the sustainable development of itself, value chain partners and the industry. With the vision of green property enterprise, the Group will constantly optimise its governance system, and enhance product appeal and service capability to integrate quality resources in multiple dimensions to uphold its commitment to environmental protection and social contribution, and to promote the building of complete and healthy communities for a better life.

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II. ABOUT THIS REPORT

The Group complies with the “comply or explain” provisions and disclosure recommendations of Environmental, Social, Governance Reporting Guide mentioned in Appendix 27 to the Rules Governing the Listing of Securities on the Stock Exchange, and is pleased to present the ESG report (the “ESG Report”) for the twelve months ended 31 December 2022 (“FY 2022”) to elaborate the Group’s principles and performance related to ESG management and sustainable development for FY 2022. Information disclosed in the ESG Report is collected and summarised through multiple channels, which includes the Group’s policy documents and data, feedback from the Group’s implementation of ESG practices, the stakeholder survey and relevant information on the Group’s sustainable development practices collected from online questionnaires. At the end of the ESG Report, an index is provided to facilitate readers checking its completeness. The report is prepared in Chinese and English and published electronically. The electronic version is published on and can be downloaded from the websites of HKEXnews (website: www.hkexnews.hk) and the Group (website: <http://www.zendaiproperty.com/>).

Reporting Scope

Based on the principle of materiality, the Group defines the reporting scope of this ESG report using the operation control approach to facilitate stakeholders’ understanding of the impact of operations of the Group on the economy, environment and society. For the purpose of this report, the disclosure covers the main business of the Group, namely the Group’s property development business, property operation business, hotel operations in the PRC and ordinary operations of the office located in Hong Kong.

Reporting Period

This report reflects the facts and circumstances of the Group for the financial year ended 31 December 2022. We are not obligated to consider subsequent events and therefore will not update this report as a result of changes in subsequent events or status.

Reporting Principles

Following the latest guidance of the Stock Exchange, the ESG Report identifies, prepares and presents the information to be disclosed and the disclosure method on the basis of four principles of “materiality”, “quantification”, “balance” and “consistency”.

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Materiality

The Group recognises that the principle of materiality is critical to the effectiveness of ESG management and information disclosure and material issues are factors that are or will be significant enough to affect the Group's vision for sustainable development. Therefore, the Group regularly conducts materiality assessments and communicates with stakeholders to identify sustainability issues that are vital to the Group for more targeted deployment and management in the future. Please refer to the "Materiality Assessment" section for more details.

Quantification

The ESG report applies the principle of "quantification" in various aspects, including the calculation and disclosure of key performance indicators in the environmental and social areas. The corresponding data calculation tools, methods and sources of conversion coefficients have also been marked under each performance table.

Balance

The Group follows the principle of balance and reports its positive and negative performance transparently and comprehensively to ensure that readers can assess the Group's overall ESG performance in a rational and objective manner. In addition, the Group identifies, analyzes and effectively discloses the ESG-related risks and opportunities it faces, and objectively evaluates and analyzes the accomplishment progress of its goals and the implementation effectiveness of ESG policies in order to truly reflect the Group's sustainable development performance in FY 2022 to readers.

Consistency

In order to facilitate long-term comparison and to provide reference value for its stakeholders, the ESG report adopted the same scope setting principles, data collection process, data calculation method and reporting framework as those for the previous disclosures. For policy implementation and disclosure priorities with major changes, the Group has also made a full description and explanation, striving to provide its stakeholders with valuable ESG information.

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III. SUSTAINABILITY MANAGEMENT STRATEGY

As an integrated urban services provider, the Group strives to achieve long-term sustainable development by promoting the implementation of quality projects, while upholding its commitment to society and the environment, and enhancing the management of the Company.

The Group understands that long-term corporate success is based on sound governance, and that a sound governance structure relies on firm governance principles, strategies and policies with clear objectives. Therefore, under the leadership of the Board of Directors (the "Board"), the Group continues to improve its governance level on sustainability matters and clarify its responsibilities and obligations in the areas of corporate development direction setting, policy implementation and ESG management, while facilitating communication between the management and various functional departments.

As the top leadership, the Board is responsible for guiding the overall development direction of the Group, and formulating and implementing sustainable development strategies and policies. Assuming the responsibility of leading and monitoring the Group's strategic development, the Board will also supervise, through establishing appropriate and effective internal control systems, the implementation of the Group's sustainable development strategy, update the Group's sustainable development strategy and road map, review and evaluate the ESG related risks and opportunities faced by the Group and the industrial chain, monitor the performance and progress towards goals of sustainability development, and review the opinions of stakeholders.

In addition, the Group also maintains cooperation with external experts to further support and strengthen its sustainable development work and its sensitivity to the trend of industry best practices.

Board

- Coordinate sustainable development affairs, and participate in the formulation and implementation of sustainable development strategies;
- Review and understand the actual and potential impacts of the Group on the environment and society;
- Monitor the implementation of the Group's ESG management strategies and policies, and make informed decisions on business development based on ESG and climate-related factors;
- Promote barrier-free communication throughout the Group to ensure the integration of ESG concepts and management models into business development and operation.

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Management

- Assist the Board in understanding the Group's material ESG issues;
- Oversee the implementation of ESG policies in the operation of the Group's property, commercial management and hotel businesses at the operational level
- Track and report to the Board the progress of achieving ESG goals and the risk management process through internal meetings of the Group;
- Provide support to front-line employees and operation teams to ensure the effectiveness of policy implementation.

Business Department

- Participate in the execution and implementation of the ESG plan proposed by the management;
- Realise changes and breakthroughs through innovative practices;
- Assess and report ESG-related risks in daily operations;
- Endeavour to fulfil corporate responsibilities and make contributions to the construction of social welfare undertakings.

IV. BOARD STATEMENT

In 2022, the economic environment in China remained challenging due to the recurrence of COVID-19 ("COVID-19") and the sporadic outbreaks at the beginning of the year posed significant challenges to the operating environment. Despite the uncertainty of the year, the Group remained committed to promoting more sustainable operations and seriously implementing the guidance and notices related to the "14th Five-Year Plan" to promote a green, low-carbon and circular development approach, laying a solid foundation for the urban and rural construction sector to reach the carbon peak by 2030.

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Our management policy and strategy

The Group's sustainability governance is primarily based on good and sound corporate governance, and through the adoption of a "top-down" management strategy to take into account economic, social and environmental factors in the business decision-making process at all levels. The Board is actively involved in the formulation and implementation of the Group's sustainable development strategy and is responsible for ensuring the effective implementation of the policy and the proper direction of the Group's future development.

In order to monitor the effective implementation of sustainable development measures, the Group assigned a professional team to manage its daily ESG matters, including coordinating and managing the implementation of ESG policies in various business departments, guiding and supervising the sustainable development practice of the Group, and tracking, collecting and disclosing ESG-related performance information of the Company.

At the same time, the Board also learns about major ESG issues closely related to development of the Group through the annual general meetings, emails, telephones and reports, and discusses and prioritise those issues. In response to the changing market environment and to meet the expectations of stakeholders, the Group also conducts annual stakeholder surveys and materiality assessments to review, discuss, revise and adjust the Group's sustainability policies and guidelines in light of the assessment results.

Our goals and actions

The "14th Five-Year Plan" period is critical for China's climate-related work. In line with the country's key plans for green and low-carbon development and energy transformation, the Group has set a series of environmental targets, taking into account the development trends of domestic and international markets, as well as its business characteristics and industry standards. At the same time, to effectively monitor the progress of target achievement and optimise the management of each business segment, the Group regularly tracks and evaluates the annual performance of key environmental and social indicators, and continues to move towards a resilient corporate development model.

In addition, in response to the climate action proposed in the 27th United Nations Climate Change Conference this year and the Chinese government's call for low carbon transformation, the Group is committed to incorporating climate related strategies into its decision-making process and disclosing material climate related risks and their mitigation measures with reference to the recommendations of the Task Force on Climate-related Financial Disclosures.

Looking ahead, the Group expects that the coming year will continue to be a challenging one. The Group will continue to uphold its vision of providing better living space and quality commercial operation services to the city, encourage its team to work together and continue to focus on the pursuit of sustainable development, and actively accomplish the tasks directed under the national policy to contribute to the beautiful China initiative and build a sustainable future.

Huang Yuhui

Chairman of the Board

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V. STAKEHOLDER ENGAGEMENT

The Group believes that maintaining a steady and continuous communication with its stakeholders is an important part of its daily operations and an indispensable element in achieving its vision of sustainable development. The Group actively engages its stakeholders and regularly communicates with them through various channels described in the table below in order to understand their expectations and concerns regarding the Group's sustainability issues. The Group's stakeholders include internal and external stakeholder groups. The Group considers its employees, investors, shareholders, customers, suppliers and government as its major stakeholders, taking into account the relationship between different parties and the Group, their influence on the Group's business and the impact of the Group's business on them.

The Group also regularly reviews and adjusts its ESG management policy, in particular the policy on communication with stakeholders, in order to respond to and meet the needs of stakeholders as much as possible.

Category of stakeholders	Expectations and Concerns	Communication Channels
Government and regulatory authorities	<ul style="list-style-type: none">– Legal business operation– Anti-corruption policies– Give full play to the role of industry benchmark and lead the sound development of the industry	<ul style="list-style-type: none">– Compliance with local laws and regulations– Regular reports and tax payments– Response to policy documents issued by the government
Shareholders	<ul style="list-style-type: none">– Return on investment– Corporate governance– Business compliance	<ul style="list-style-type: none">– Regular corporate reports and announcements– General Meetings– Official website of the Group

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Category of stakeholders	Expectations and Concerns	Communication Channels
Employees	<ul style="list-style-type: none"> – Promote a diverse, inclusive and fair working environment – Development prospects and training plans – Strengthen safety education and training – Accelerate the creation of a paperless and environmentally friendly office environment – Respond to the impact of intelligence and automation on the market to ensure the stability of positions 	<ul style="list-style-type: none"> – Employee performance appraisal – Regular meetings and trainings – Emails, notice boards, hotline and team building activities between employees and management
Customers	<ul style="list-style-type: none"> – Product safety and risk control – Strengthen the implementation of energy conservation and emission reduction measures – Integrity performance – Privacy protection – High-quality and considerate services 	<ul style="list-style-type: none"> – Customer satisfaction survey – Face-to-face meetings and on-site survey – Customer service hotline and email
Suppliers	<ul style="list-style-type: none"> – Equality, mutual benefit and win-win outcome – Open, fair and transparent procurement and supply system – Supply chain risk management – Continuous innovation and keeping pace with the times 	<ul style="list-style-type: none"> – Open tendering – Supplier satisfaction survey – Telephone discussion – Face-to-face meetings and on-site survey – Industry seminars
The public	<ul style="list-style-type: none"> – Engagement in community welfare activities – Common community governance – Business compliance – Compliance with business ethics – Caring for the environment – Pay attention to social feedback and receive information in a timely manner 	<ul style="list-style-type: none"> – Press conference and inquiry response – Social welfare activities – Face-to-face interview

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Sustainability, as a long-standing pursuit of the Group, will continue to be integrated into the Group's decision-making process, as well as its business planning, development and management processes. In line with global sustainability, the Group is committed to incorporating the United Nations Sustainable Development Goals ("SDGs") into its business and treats them as key elements in achieving long-term sustainability.

In FY 2022, the Group continued to conduct a survey of its internal employees and external stakeholders on the SDGs through questionnaires, with a view to identifying stakeholders' concerns on achieving the SDGs and making solid contributions to the corresponding SDGs.

According to the survey results, Goal 1: No Poverty, Goal 3: Good Health and Well-Being, Goal 4: Quality Education, Goal 6: Clean Water and Sanitation, and Goal 11: Sustainable Cities and Communities continue to be the most important sustainability goals for the Group's stakeholders.

Goal 1

The Group has been actively responding to the national guidelines to consolidate and enhance the achievements of poverty eradication, and has made use of its own resources and advantages to donate to various charitable organisations and individuals in recent years to help the needy to lead a happy and beautiful life. Although we were unable to organise or participate in community activities during the year due to COVID-19, the Group is still concerned about the poor and has pledged to devote resources to help the needy in the community again in the future.

Goal 3

The health and well-being of our employees is always one of the Group's top priorities for sustainable development. Adhering to the core value of "people-oriented", the Group has been improving its management policies and optimizing the office environment to ensure that employees can get along with each other and demonstrate their skills in a safe environment. With China achieving victory in the fight against COVID-19 in late 2022, the Group remains vigilant and insists on the guiding principle of "putting people's lives and health first", and formulates and implements various policies to protect the health and safety of employees and the public.

Goal 4

In line with the national direction of deepening the structural reform on the supply side of human resources, the Group has a complete training system and adheres to its training principle of "encouragement of employees to attend internal and external training related to work content, combination of self-training and imparting training, and combination of on-the-job training and professional training". Through providing different professional vocational training, we provide a strong talent guarantee for the economic and social development while realising employees' aspirations.

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Goal 6

The Group understands that the severe shortage of water resources is the basic water situation in China and an important bottleneck constraint to economic and social development. To this end, the Group is committed to promoting a water-saving production and lifestyle, and is making every effort to promote water conservation in the community through proper treatment, discharge and reuse of wastewater. During the year, the Group further enhanced its wastewater resource utilisation to improve water efficiency and protect the water-related ecosystem.

Goal 11

As one of the leading real estate developers in China, the Group continues to provide sustainable solutions for urban development, combining artistic taste and local culture to enhance the sustainability value of its products and services. Based on the key tasks defined in the “14th Five-Year Plan” for the Development of Energy Savings in Buildings and Green Buildings (《「十四五」建築節能與綠色建築發展規劃》), the Group will continue to assess the impact of its business development and operations on the local culture, natural heritage and ecological environment, and continuously improve its working model and practices with the aim of enhancing the overall health and quality of life of the community.

Materiality Assessment

As a well-known real estate enterprise in China, the Group believes that it is crucial to define and manage sustainability issues that are relevant to its business and stakeholders for its sound and long-term development. Therefore, the Group insists on placing the concept of materiality at the highest level of ESG management strategy, and conducts annual stakeholder surveys to comprehensively consider the internal and external voices of the Group, so as to understand various parties’ concerns, expectations and perceptions of the Group’s ESG issues.

In FY 2022, the Group continued to engage an independent third party to invite main stakeholders to conduct standardised and stakeholder-oriented materiality assessment survey. The Group selected internal and external stakeholders based on the influence of stakeholders to the Group and their dependence on the Group. Main stakeholders who were invited, including internal general employees, middle and senior management, and external suppliers and partners, provided their opinions in respect of ESG management and relevant issues that were identified by the Group in advance through the ESG questionnaires designed by the Group.

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Stakeholder Engagement Materiality Matrix



ESG-related issues in materiality analysis:

1 GHG Emissions	11 Green Procurement	21 Internal Grievance Mechanisms
2 Energy Management	12 Engagement with Suppliers	22 Engagement in Philanthropy
3 Water Resources and Wastewater Management	13 Environmental and Social Risk Management of Supply Chain	23 Cultivation Local Employment
4 Solid Waste Management	14 Supply Chain Adaptation to External Risks	24 Support of Local Economic Development
5 Climate Change Mitigation and Adaptation	15 Product/Service Quality and Safety	25 Business Model Adaptability and Resilience to Environmental, Social, Political And Economic Risks and Opportunities
6 Renewable and Clean Energy	16 Customer Privacy Protection and Data Security	26 Response to and Management Measures for Changes in Legal and Regulatory Environment (Legal Compliance Management)
7 Labour Practices	17 Marketing and Promotion	27 Critical Incident Risk Responsiveness
8 Employee Remuneration and Benefits	18 Intellectual Property Protection	28 Systematic Risk Management (e.g. Financial Crisis)
9 Occupational Health and Safety	19 Labelling Relating to Products/ Services	
10 Employee Development and Training	20 Business Ethics and Anti-Corruption	

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Through this materiality analysis, the Group identified “Business Ethics and Anti-corruption”, “Internal Grievance Mechanisms”, “Adaptability and Resilience of Business Model to Environmental, Social, Political and Economic Risks and Opportunities”, “Response to and Management of Changes in Legal and Regulatory Environment (Legal Compliance Management)” and “Systematic Risk Management (e.g. Financial Crisis)” as ESG issues that are more important to the Group. The results have been reviewed by the Board to ensure that the results can help the Group adjust its operating practises and strategies, and guide the Group to prioritise and devote more resources to the research on relevant sustainability issues.

Stakeholder Feedback

In pursuit of excellence, the Group is open to stakeholders’ feedback and opinions in respect of ESG approach and performance improvement, particularly feedback about ESG issues the Group deems as highest materiality. Readers are also welcome to share their views on ESG issues with the Group through the Group’s Email (info@zhengdaglobal.com).

VI. ENVIRONMENTAL SUSTAINABLE DEVELOPMENT

During the “14th Five-Year Plan” period, China will meet tough challenges in its efforts to accelerate green and low-carbon energy transformation and to pursue the goal of nationally determined contributions to fight against climate change. In line with the implementation of the national plan, the Group is determined to implement the new development concept of innovation, coordination, green, openness and sharing, and is committed to achieving a transition to a low-pollution, zero-carbon, and fully-enclosed sustainable development model.

In order to commit to minimising the environmental impact in terms of material usage, energy and water consumption, as well as emissions and waste throughout the life cycle of its operations, the Group is committed to developing and implementing different management approaches and systems for each of its operations, as well as complying with the environment-related laws and regulations in the PRC in its daily operations, including but not limited to:

Environmental Protection Law of the People’s Republic of China	Law of the People’s Republic of China on Environmental Impact Assessment
Water Pollution Prevention and Control Law of the People’s Republic of China	Law of the People’s Republic of China on the Prevention and Control of Environment Pollution Caused by Solid Wastes
Administrative Measures on Duplicated Form for Hazardous Wastes Movement	Energy Conservation Law of the People’s Republic of China

This section discloses the Group’s policies, practices and quantitative data about emissions, use of resources, the environment and natural resources as well as climate change in FY 2022.

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A.1. Emissions

In FY 2022, the Group observed national and local environmental laws in respect of emissions in the ordinary operation. There was no violation of laws and regulations that had significant impact on the Group, including air and greenhouse gas emission, discharging wastes to water and land, discharging hazardous and non-hazardous wastes, and noise.

In view of its business model and characteristics, the air emission of the Group is mainly produced by the fuel consumption of business-purpose vehicles and the use of boilers in the operation of hotels and properties. In FY 2022, the Group produced 9 kg of sulphur oxide ("SO_x"), 552 kg of nitrogen oxide ("NO_x") and 119 kg of particulate matter ("PM"). In the year under review, the greenhouse gases (GHG) of the Group were mainly from fuel consumption of business-purpose vehicles, energy consumption of operating boilers and electricity consumption in the course of operation. During the year, the total greenhouse gas emission of the Group was 40,761 tonnes CO_{2e}, and the intensity was 68.9 tonnes CO_{2e} per person. In addition, the Group also produces certain solid wastes and wastewater in the course of operation, which mainly include commercial wastes, construction wastes, waste paper and commercial wastewater. During the operation in the year, the Group produced a total of 17,565 tonnes non-hazardous solid wastes and 439,911 m³ non-hazardous wastewater. During the year under review, the Group did not produce any hazardous wastes. Table 1 summarises the emission data of the Group in FY 2022.

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Table 1. Summary of the Group's FY 2022 Emissions Information⁸

Types of emissions	Key Performance Indicators	Unit	Total Amount in FY 2022	Intensity in FY 2022 (Unit/person) ¹	Total Amount in FY 2021	FY 2021 Intensity (Unit/person) ²
Air emissions ³	SO _x	kg	9	0.02	8	0.01
	NO _x	kg	552	0.9	394	0.4
	PM	kg	119	0.2	90	0.1
GHG emission	Scope 1 (direct emission) ⁴	tonne CO ₂ e	2,756	4.7	1,693	1.9
	Scope 2 (indirect emission of energy) ⁵	tonne CO ₂ e	37,801	63.9	38,355	42.1
	Scope 3 (other indirect emission) ⁶	tonne CO ₂ e	204	0.3	305	0.3
	Total emission (Scope 1, 2 and 3)	tonne CO ₂ e	40,761	68.9	40,352	44.3
Non-hazardous waste	Solid waste	tonne	17,565	29.7	17,039	18.7
	Wastewater ⁷	m ³	439,911	743.1	646,243	710.2

1. The emission intensity of FY 2022 is equal to air, GHG and other emission produced by the Group in FY 2022 divided by the total of 592 employees of the Group at the end of FY 2022;
2. The emission data for FY 2021 is extracted from the Group's ESG report for FY 2021, and the intensity data is based on the total number of employees of 910 at the end of FY 2021;
3. The waste gas emission includes air pollutants the Group produced in the course of utilizing business-purpose vehicles and the use of boilers in the operation of hotels and properties;
4. Scope 1 (direct emission) of the Group only includes emission from energy consumption of vehicle operation and boiler use in the operation of hotels and properties;
5. Scope 2 (in direct energy emission) of the Group only includes emissions from electricity consumption and coal burning for heating;
6. The Group's scope 3 (other in direct emission) only includes waste paper disposed of at landfills, and the GHG emissions caused by the use of electricity to treat potable water and wastewater by government departments as well as the emission generated by business travel flights;
7. The amount of wastewater generated by the Group is based on strict wastewater statistics of its subsidiaries. For the operation sites of the Group where part of the wastewater is managed uniformly by the property building, the wastewater volume is calculated based on 100% of the water consumption; and
8. The approach adopted in reporting the greenhouse gas emission stated above is based on the "How to prepare an ESG Report Appendix 2: Reporting Guidance on Environmental KPIs" issued by Hong Kong Exchanges and Clearing Limited and the emission factor database of Intergovernmental Panel on Climate Change (IPCC).

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Property Development Business

Emission of this business mainly includes wastewater, construction wastes, dust and noise. The property development business of the Group does not produce other hazardous emissions.

Air Emissions

The business uses diesel and gasoline as the power source of vehicles, so air emissions produced by this business segment is mainly air pollutants produced in the course of fuel consumption of business-purpose vehicles in daily operation, including SO_x, NO_x and PM. To respond to the country's call of energy conservation and emission reduction, the business segment adopts several targeted policies and measures to reduce and control its air emissions. In addition to encouraging the use of clean energy including liquefied natural gas as the fuel of automobiles, thereby minimising the waste gas emission. In the meantime, the business segment maintains and updates the equipment on a regular basis to improve the operation efficiency.

GHG

In FY 2022, the GHG emission of the business segment was mainly from electricity and fossil fuel consumption. With the introduction of the "14th Five-Year Plan" for Comprehensive Work Plan of Energy Conservation and Emission Reduction (《「十四五」節能減排綜合工作方案》), the business segment continued to actively respond to the requirements of national policies, achieved synergies in energy conservation, carbon reduction and pollution reduction, and continued to adopt more effective control on the use of electricity to maintain the fluctuation of annual electricity consumption under non-exceptional circumstances below 10% in the short term. Further, to continuously consolidate and improve the effectiveness of environmental governance and reduce relevant greenhouse gas emissions from the source, the business further controlled its dependence on fossil fuels. The business segment has developed and implemented internal policies in this regard, which are further disclosed in "Electricity" and "Other Energy and Resources" below.

Wastewater

Wastewater in this business segment mainly includes the domestic sewage produced by employees in daily operation and the wastewater discharged in property development. The domestic sewage produced by employees is typically discharged to the local sewage treatment plant through municipal drainage pipelines, while other oily wastewater will be treated by filter to remove the oil and residue before being discharged. To prevent water from being contaminated with muddy water, the Group employs the muddy water treatment device in the discharge system to reduce the discharge of muddy water. It also stipulates that sewage during the construction process must be discharged after three levels of sedimentation. As the amount of wastewater depends largely on the water consumption, the Group has adopted specific measures to reduce the water consumption in the course of operation, which are further disclosed in "Water" below.

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Solid Wastes

Due to its business characteristics, solid wastes produced by the business mainly include the non-hazardous solid wastes (such as construction waste) generated in the operation. Therefore, the business focuses on the management of construction waste during the development of the project to ensure that the construction unit finds the legal absorption site and transportation unit in advance, obtains the absorption certificate, signs the transportation contract, and applies to the regulatory department for discharge approval. The disposal of building waste can only be conducted after approval.

Dust and Noise

The business generates dust and noise in construction. As the dust is beyond measurement, no specific value is provided in the Report. In order to eliminate dust pollution of the atmosphere, the business has implemented a series of measures during the construction process to make it more environmentally friendly. To be specific, the business established sprinkler car washing system at the exit to construction site to prevent vehicles taking dust and sludge out of the construction site, and installed pressurised atomisation and dust removal devices along the main roads of construction site. In the meanwhile, the business erected enclosure facilities of no less than 1.8m surrounding the construction site during construction, utilised sealed equipment for transportation of dust, and washed or sprinkled water across the ground on daily basis to clean dust and prevent accumulation of sludge.

Further, in order to reduce noise generated in construction, for the business, low-noise machinery and equipment or soundproof or sound muffling equipment are used to replace traditional equipment and it is prevented to conduct operations using high-noise equipment at noon and night.

Hotel Operations

Emissions produced by the business are mainly domestic wastewater, solid wastes as well as air and GHG emissions generated during daily operation. The Group's hotels have established energy saving and emission reduction targets, and the engineering department manages and monitors the achievement of emission targets and guides the team to use reasonable and scientific methods to improve energy efficiency.

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Air and greenhouse gas

The operation's air and greenhouse gas emissions are mainly from the use of hotel boilers and electricity. In order to effectively reduce energy consumption and hence emissions, the business operates in compliance with the local government's energy-saving and environmental protection standards, such as the "Emission Standards for Boiler Atmospheric Pollutants" (DB31/387-2018). The local Environmental Protection Bureau conducts annual gas emission tests on the boilers and other equipment used in the hotel to ensure that the relevant emission levels are in accordance with the national standards and to issue permits for their use.

For effective monitoring, the business assigns staff to inspect the operation of boilers on a daily basis and arranges regular maintenance and repair of boilers and gas appliances by qualified vendors. In addition, to improve energy efficiency, the business strives to improve the heat exchange efficiency of its boilers, and regularly maintains them to ensure that they are in good condition. In order to further reduce the use of natural gas and electricity, the Group has cultivated the awareness of energy saving among its employees through training and education programs, so that all employees of the company can work together to promote energy saving and green operation.

Wastewater and Waste Oil

The domestic wastewater generated by the business is directly discharged into the local sewage treatment plant via the municipal pipelines. For the waste oil generated by kitchen, the Group has taken measures for classified storage and storage with specialised barrels at designated locations and entrusted an outsourcing company specialised in treatment of oily wastes for regular and unified collection and treatment. As wastewater discharge is closely related to water consumption, the business will continue to follow the new water treatment concept of "water conservation first" and formulate relevant policies and implementation standards to encourage employees and guests to reduce overall water consumption.

Solid Wastes

In addition to general domestic waste, the business also generates solid waste such as kitchen waste and waste batteries during operation. Generally, the daily waste of the hotel is mainly sorted by the garbage room and collected and treated by a special garbage treatment company, while the kitchen waste is treated and recycled by onsite professional garbage recycling company designated by the government. Proactive efforts are exerted to recycle and re-use soap, tissues, packaging materials and other consumables, and fewer disposable slippers and disposable bath supplies are provided to customers. For the recycling and disposal of waste batteries, the hotels of the Group adopt special collection methods and specially engage a third party for regular and centralised recycling and disposal.

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Property Management Business and Office

The business has established and implemented Quality, Environment, Occupational Health and Safety Management System, and through implementation of policies and procedures including Environmental Identification and Evaluation Control Procedures, Pollution Source Control Procedures, Energy Saving and Consumption Reduction Control Procedures, the business directs each property operation department to carry out energy saving monitoring, and conducts regular inspections and assessments.

Air and GHG

As emissions of air under this business are mainly related to business-purpose vehicles, this business continued to strengthen the management of business vehicles, encourage employees to reduce unnecessary travel, promote office digitalisation, and make more use of technologies such as online meetings in daily operations. In addition, given that the greenhouse gas emissions of this business are closely related to the use of electricity, the Group has implemented a series of electricity-saving and energy-saving measures. For more details, please refer to the sections headed “Electricity” and “Other Energy Resources”.

Wastewater

Wastewater from this business mainly involves not only the domestic wastewater that is generated by employees, but also the sewage discharge from tenants of restaurants. In order to ensure that the discharged sewage will not pollute the environment or natural water bodies, this business follows the Regulations on Management of Daily Cleaning and the Regulations on the Management of Rainwater Wells, sets up an oil separation tank for tenants engaged in the catering industry, and regularly cleans up the oil. In addition, in terms of sewage disposal, the third-party company conducts sewage disposal inspection and issues written conformity reports for properties of this business every year, and the local city administration bureau also conducts sampling inspection of sewage twice a year and publishes the conformity reports on the website.

In addition, in order to contribute to water-saving society, the Group has adopted water saving measures to reduce the discharge of wastewater. For details, please refer to the section headed “Water”.

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Solid wastes

Solid wastes produced by this business mainly include daily domestic wastes, decoration wastes produced by property owners and other solid wastes including waste lights, waste batteries and electric plates. In order to manage the solid wastes from the property more effectively, and promote minimisation of the generation of wastes from the source, the business has established comprehensive management policies, such as the Standards for Classified Treatment and Implementation of Garbage Houses, Management Regulations for Garbage Removal, Decoration Management Regulations, and Waste Control Procedures, to enhance classification of the solid wastes found in the property management.

Through implementation of on-site control, the business ensures that all stages of operation strictly comply with national and local administration policies for classification and disposal of garbage and sewage discharge. With on-site supervision and control by engineering technicians during the decoration stage, daily inspection inside the houses and stores by the security department during the daily operation stage, weekly inspection and shooting inside stores by the customer service department, and regular monthly training meetings on integrated environmental management for the responsible persons of each store. In addition, the business strictly complies with the garbage classification requirements from each store to the terminal garbage house, and the on-site garbage classification inspection is conducted by the third party every month and the conformity records of the random inspection are published on the website.

As for general solid wastes generated by employees in offices, those unrecyclable office and domestic waste are put into the waste bins placed by local government, which will be collected and treated by the environmental sanitation department of the government.

Performance Analysis

In summary, the Group's air and GHG emissions mainly come from use of natural gas for boiler operation, electricity consumption for hotel operations and the use of vehicles. Compared with FY 2021, the Group's emissions of sulfur oxides, nitrogen oxides and particulate matters in FY 2022 increased by 15%, 40% and 32%, respectively, which was mainly due to a slight increase in the use of electricity and natural gas during the year.

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The Group's GHG emission model in FY 2022 is the same as that in the last year. In particular, scope 2 (indirect energy emission) accounts for the largest proportion (approximately 93%). On the whole, the total greenhouse gas emissions in FY 2022 was flat with that in the last year, a slight increase of 1% as compared with last year, which is mainly due to the significant increase in scope 1 (direct emissions) offsetting the decrease in scope 2 (energy indirect emissions) and scope 3 (other indirect emissions). Due to the pandemic restrictions on the movement of people, the Group's business travel during the year decreased significantly, therefore scope 3 (other indirect emissions) decreased by 33% as compared to last year. On the contrary, scope 1 (direct emissions) was slightly increased by 63% this year, which is mainly due to the increase in the use of natural gas by boilers and tenants of stores.

The Group attaches great importance to the sorting and treatment of solid wastes. In FY 2022, the Group produced 17,565 tonnes of solid wastes, a slight increase of 3% as compared with last year, which was mainly due to the resumption of business of all segments as a result of the slowdown of the pandemic. Nevertheless, the Group still actively manages solid waste effectively and strives to reduce waste at source.

At the same time, as the Group further controlled the treatment of non-hazardous wastewater and strengthened the reuse of wastewater during the Year, the amount of wastewater discharged during the Year decreased by 32% as compared with the same period of last year, and the total amount of wastewater reused was 277,708 cubic metres. The Group will continue to comprehensively improve the utilisation efficiency and effectiveness of water resources, and put more efforts to guide water conservation.

A.2. Use of Resources

In FY 2022, resources consumed by the Group mainly included electricity, gasoline, natural gas, water, paper, raw materials in hotel operation and property development, such as hotel daily necessities, construction materials and packaging materials. The Group consumes a small amount of diesel for its emergency generator of the building and business vehicles. As the diesel consumption was minimal, the Group has not discussed the specific relevant control measures according to the principle of materiality. During this financial year, each business segment of the Group attached great importance to the effective utilisation of raw materials, energy and resources, and established relevant policies and improved the management systems, including but not limited to the "Energy Management System", the "Regulations on Energy Conservation and Consumption Reduction" and the "Regulations on Maintenance of Diesel Generators", to further improve the energy efficiency and to reduce emissions and the reliance on fossil energy. The Group's use of various types of resource in FY 2022 is set out in Table 2 below.

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Table 2. Overview of the Group's Resource Utilisation Information for FY 2022

Use of Resources	Key Performance Indicators	Unit	Total Amount in FY 2022	Intensity in FY 2022 (Unit/person) ¹	Total Amount in FY 2021	Intensity (Unit/person) ² in FY 2021 ²
Energy ³	Electricity	thousand kWh	65,049.4	109.9	61,107	67.2
	Petrol	thousand kWh	220.0	0.4	387	0.4
	Diesel	thousand kWh	29.0	0.05	0.1	0.0001
	Natural Gas	thousand kWh	9,921.9	16.8	7,909	8.7
	Heating	thousand kWh	2,769.4	4.7	3,077	3.4
	Total	thousand kWh	77,989.7	131.7	72,481	79.6
Water	Water	m ³	615,474	1,039.7	671,567	738.0
Raw materials	Paper	tonne	45.8	0.08	61.4	0.1
	Plastic	tonne	0.04	6.4 x 10 ⁻⁵	-	-
	Soil	tonne	0.8	1.3 x 10 ⁻³	1	1.1 x 10 ⁻³
	Metals	tonne	1.3	2.2 x 10 ⁻³	2	2.0 x 10 ⁻³
	Cement	tonne	0.3	4.6 x 10 ⁻⁴	1	5.2 x 10 ⁻⁴
	Others ⁴	tonne	-	-	-	-
Packaging materials	Plastic products	tonne	-	-	0.04	4.2 x 10 ⁻⁵
	Paper products	tonne	1.0	1.7 x 10 ⁻³	0.51	5.5 x 10 ⁻⁴

^{1.} Intensity for FY 2022 is calculated by dividing the amount of resources consumed by the Group in FY 2022 by the number of employees of the Group at the end of FY 2022 of 592;

^{2.} The data for FY 2021 is calculated by dividing the amount of resources consumed by the Group in FY 2021 by the number of employees of the Group in FY 2021 of 910;

^{3.} Energy conversion of resources consumed is based on "How to prepare an ESG Report – Appendix 2: Reporting Guidance on Environmental KPIs" issued by the Stock Exchange; and

^{4.} Other raw materials include lifestyle consumables such as towels and disposable toiletries. In FY 2021 and FY 2022, due to the evolving pandemic prevention policies affecting the normal operation of the hotels, the Group was unable to record accurate consumption of hotel consumables during the year and therefore decided not to make relevant disclosure in this annual report. The Group is committed to continue to optimise its data collection methods and make accurate relevant data disclosure as early as possible in the future.

Electricity

Electricity consumption of the Group is mainly for daily operation of office and each business segment. All business segments of the Group have complied with relevant regulations and the Group's electricity saving policies. To further reduce energy consumption and the associated greenhouse gas emission, the Group implements the ISO 14001 Environmental Management System and ISO 50001 Energy Management System, and continuously improves its environmental performance in a systematic way.

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The Group promotes the core idea of energy conservation within the organisation and allows employees to understand the best practises of improving energy efficiency through strengthening internal education. Apart from implementing general energy-saving measures such as turning off idle electrical appliances and cleaning equipment regularly to maintain high efficiency and strengthening internal education, the Group also focuses on optimising more energy-efficient equipment. To be specific, during FY 2021, the Group's property business carried out energy-saving renovation of large garages in various projects of its properties, and the monthly direct electricity expenditure was reduced by approximately RMB3,500. At the same time, in response to the special situation caused by COVID-19, the hotel business of the Group also closed the floors and rooms when the occupancy rate was low to achieve zero energy consumption. Other electricity-saving measures are as follows:

Adjust the temperature of air conditioning or heating in the office according to the weather	Install voice-activated electric lights in the corridor
Set thermometers at air vents to detect and adjust the indoor temperature more accurately	Improve and replace building automation equipment and reduce refrigeration energy consumption
Monitor the electricity consumption of each project through the electricity meter on a monthly basis, and compare the consumption increase/decrease proportion on a month-on-month basis and the consumption with the same period of previous years. Place the focus of follow-up on projects and operating locations with significant increases, clarify specific reasons and make rectifications in a timely manner to achieve emission reduction targets	Carry out energy-saving renovation of new projects in light of China's vision for green buildings

In FY 2022, the total electricity consumption of the Group slightly increased by 6% as compared with the last financial year. Although the electricity consumption of the Group's subsidiaries varied in different regions, the Group's "Yangzhou Company" and "Nanjing Himalayas Centre" projects recorded business growth, which drove up the overall electricity consumption of the Group during the year.

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Other Energy and Resources

Energy and resources consumed by the Group in daily operation (including the transportation, business-purpose vehicles and hotel operation) include gasoline, diesel and natural gas. The Group has been committed to reducing the consumption of traditional fuels for a long term, vigorously promotes replacing traditional energy with clean energy, and actively responds to the call of the State to effectively improve the internal operation model and the equipment, therefore realising sustainable development.

In FY 2022, gasoline consumption of the Group decreased by 43% as compared with last year, mainly due to the decrease in gasoline consumption of vehicles by various business segments, especially the property management business. In order to better maintain the Group's outstanding performance in fuel saving, the Group continued to advocate and promote green travel among employees to encourage employees to effectively control the use of gasoline by business vehicles. As for the use of diesel, the Group generally uses diesel for the back-up generator of the hotel. During the year, the property development business purchased a new diesel-driven sedan, so the use of diesel during the year increased as compared with last year.

On the other hand, the Group's natural gas consumption increased by approximately 25% during the year, mainly due to the fact that the "Nanjing Himalayan Centre" and the hotel business in Shanghai increased their natural gas consumption. In order to improve the Group's control over the use of natural gas, the Group promises to adjust the boiler temperature more flexibly according to the seasonal temperature, install energy-saving combustion devices, and turn off unsuitable equipment at any time, so as to save energy as much as possible, provided that normal use is ensured.

In response to the "14th Five-Year Plan" for Modern Energy System (《「十四五」現代能源體系規劃》), the Group not only accelerated the electrification and low-carbon development of construction projects, but also cooperated with the government to vigorously develop non-fossil energy and promote the use of renewable energy. For example, the Group's business operation is committed to using solar energy to generate electricity as much as possible for the lighting systems of its projects, while encouraging its tenants of stores to use more new clean energy such as solar energy and gas energy.

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Water

Water resources are indispensable to the society and the Group's operations. Therefore, the Group regularly monitors the use of water and evaluates water-related risks to minimise the Group's impact on water-related issues. In FY 2022, the Group did not experience any problems in sourcing water that is fit for purpose.

The Group has formulated a strict water use policy and assigned dedicated personnel to supervise the water use efficiency. At the same time, the Group encourages employees and tenants to save water and adopt other reasonable methods to reduce water consumption and gradually recycle water. In the hotel business, for example, to reduce water consumption in guest rooms, restaurants and kitchens, hotels of the Group have developed corresponding measures, including optimizing the hot water pipes in guest rooms during the low season, so as to reduce water consumption in guest washrooms and baths. At the same time, water saving devices are installed in the staff locker rooms to effectively control the water used by the staff for bathing, and according to the internal procedures set by the business, the staff are instructed to save water during cleaning and cooking to avoid the phenomenon of "long-time flow of water". A special personnel is assigned to supervise the water used for cleaning around the hotel. Other water conservation measures include:

Repair dripping taps immediately to prevent any leakage in the water supply system	Display labels "Save water resources" at conspicuous positions to encourage employees and customers to cherish water resources
Promote the importance of saving water to employees through internal training and workshops	Set monthly, quarterly and annual water consumption goals, and strictly monitor the implementation of specific water-saving measures
Collect wastewater for reuse in floor and site cleaning as much as possible	Place water saving reminder cards in the guest rooms to encourage guests to save water
Standardise the operating rules for greening and cleaning water, and require relevant employees to implement relevant regulations in a standardised manner	Control the water pressure in the public use area of the property

In FY 2022, the Group's total water consumption decreased by 8% as compared to FY 2021, mainly due to the Group's increased efforts in water saving in its operations. The Group is committed to continue its efforts in promoting water conservation and optimising water usage.

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Raw Materials and Packaging Materials

The Group recognises that its environmental footprint is closely related to the solid waste generated in the course of operation. Therefore, the Group strictly controls the consumption of raw materials and packaging materials, actively promotes the practice of environment-friendly services and the “sustainable development” concept to employees and customers. The Group is committed to continuously improving and innovating construction methods to reduce consumption in property development. Hotels and the property management business of the Group also take actions, and advocate effective utilisation of materials by purchasing recycled materials and renewable materials.

In FY 2022, the Group’s consumption of raw materials and packaging materials was significantly different from that of last year, in which the total consumption of raw materials decreased by 26% as compared to that of last year, mainly due to the fact that the business operations of each business segment during the year were not the same as that of last year, and the recurring impact of the pandemic during the year on the normal operations of each business segment. Specifically, the volume of metals, soil and cement decreased by 35%, 25% and 73% respectively during the year. In addition, as the Group is committed to reducing the impact of its packaging materials on the environment, no plastic packaging materials were used during the year. Therefore, the consumption of paper packaging materials increased accordingly. Nevertheless, the Group still strongly advocates and practises sustainable management methods to reduce the environmental impact of its use of materials year by year.

As for paper, as the Group improved its management mode in paper collection and sorting in FY 2022, the usage of paper raw materials decreased by 25% during the year as compared with last year. the Group also made efforts to recycle office paper, with a total of 186kg of paper recycled during the year. Other measures taken by the Group to effectively control paper usage include:

Advocate paperless office, and adopt double-sided black and white printing when printing is necessary	Arrange the administrative and human resources department to carry out environmental protection education for all members of the Group every year
Encourage employees to use recycled paper for reimbursement vouchers	Use environmentally friendly bamboo products as the main raw materials for hotel rooms in design
Use guests’ digital signatures at the front desk of hotels to reduce paper consumption	Pay attention to the application of the 3R “reduction, reuse and recycling” principle of office supplies

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Goals and actions

In line with the national roadmap of carbon peaking and carbon neutrality and the key tasks specified in the “14th Five-Year Plan” for the Development of Energy Savings in Buildings and Green Buildings” (《「十四五」建築節能與綠色建築發展規劃》), the Group has set and adjusted the corresponding environmental goals in accordance with the policies of each region where it operates, using the national goals as the basic framework to continuously improve its environmental performance.

Area	Goal	Examples of initiative
Waste gas emission	Taking FY 2021 as the baseline, air pollutant emissions of the Group will not increase by more than 10% by FY 2025.	<ul style="list-style-type: none"> – Optimise the fleet of the Company to ensure that emissions comply with the national standards – Educate drivers to keep good driving habits – When changing the fleet and equipment, give priority to the equipment powered by clean energy – Strengthen the control of use of gas for boilers
Greenhouse gas emissions	Taking FY 2021 as the baseline, the total greenhouse gas emission intensity of the Group will decrease by approximately 18% by FY 2025. ¹	<ul style="list-style-type: none"> – Strengthen the education of employees and tenants to enhance their awareness of energy conservation and emission reduction – Strengthen the control of use of electricity, gas and oil
Solid waste	Taking FY 2021 as the baseline, total solid waste emissions of the Group will decrease by 10% by FY 2025.	<ul style="list-style-type: none"> – Strengthen the classification, recovery and division of solid waste – Encourage tenants and residents to reduce the use of unnecessary disposable goods and reduce waste from the source – Introduce intelligent waste reduction technology
Water and wastewater	Taking FY 2021 as the baseline, by FY 2025, the amount of water used and the total amount of wastewater discharged by the Group will decrease by 5% year by year.	<ul style="list-style-type: none"> – Accelerate the business water cycle – Reduce unnecessary water waste in operation by improving staff management and water equipment – Adopt systems for saving water

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Area	Goal	Examples of initiative
Electricity	Taking FY 2021 as the baseline, electricity consumption of the Group will decrease by 10% by FY 2025.	<ul style="list-style-type: none"> – Promote energy-saving buildings of new projects – Optimise the existing property equipment – Conduct energy audits to identify areas where energy efficiency can be enhanced
Other Energy	Taking FY 2021 as the baseline, the total energy consumption intensity of the Group will decrease by approximately 13% by FY 2025. ¹	<ul style="list-style-type: none"> – Strengthen the control of the use of energy-consuming equipment – Replace with new equipment with more energy efficiency – Conduct in-depth analysis of energy supply management and energy saving

¹ According to the National Planning Outline, during the “14th Five-Year Plan” period, China will reduce energy consumption and carbon dioxide emissions per unit of GDP by 13.5% and 18% respectively.

A.3. Environment and Natural Resources

In early 2022, following the general guiding principle of “Green Development and Harmonious Coexistence” outlined in the “14th Five-Year Plan”, the Ministry of Housing and Urban-Rural Development issued the “14th Five-Year Plan” for Development of Energy Saving in Buildings and Green Building (《「十四五」建築節能與綠色建築發展規劃》) to vigorously promote the construction of green buildings. In line with the key task of green and low-carbon city development, the Group will continue to focus on the needs of green development and establish a solid foundation for the formation of a green, low-carbon and circular development model.

The Group is committed to strengthening its policy and management strategy on environmental protection and focusing on the direct impact of its business on the environment and other major environmental issues, including energy management, resource use, water conservation and recycling concepts. To this end, the Group has a number of policies and environmental management systems that clearly articulate its environmental principles and guidelines, and the effectiveness of which is regularly reviewed by a dedicated department. In addition to internal procedures such as “List of Important Environmental Factors”, the “Environmental Factors Identification and Evaluation Control Procedures” and the “Environmental, Occupational Health and Safety Monitoring and Measurement Control Procedures”, the Group is committed to adopting an internationally recognised environmental management system. Most of the Group’s properties have been certified in accordance with ISO 14001 environmental management system, and some of them have been certified in accordance with ISO 50001 energy management system.

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In FY 2022, based on the Group's analysis of its business characteristics, the Group's impact on the natural environment was mainly focused on greenhouse gas emissions caused by electricity consumption and non-hazardous waste emissions generated by internal staff and external personnel such as residents and tenants in the course of operations. In terms of energy efficiency control, the Group has continuously strengthened the monitoring of energy consumption in daily operations by setting targets and assigning dedicated staff to guide and supervise, and strives to regulate the policies and staff behaviour. In the case of the hotel business, the Group not only sets annual energy consumption budgets for it, but also assigns the engineering department to monitor and educate it on a daily basis, focusing on both energy saving and environmental protection. To further manage the environmental and energy performance of the Group's businesses, the Group will improve and enhance the application of intelligent equipment in addition to maintaining the existing energy saving measures, in order to drive the business operations towards net zero carbon.

According to the relevant procedural control documents such as the Waste Control Procedure and Pollution Source Control Procedure, the Group clearly regulates the treatment of domestic waste, kitchen waste and other waste, and abandons the original linear model of "Use-Scrap". The Group is committed to integrating the concept of "circular economy" into its daily operations.

In terms of the hotel business, we encourage guests to participate in the empty plate campaign to eliminate food waste, which not only eliminates the waste of food and beverage, but also reduces the use of packing boxes and bags. In the meanwhile, in order to reduce the consumption of disposable items, for reusable items such as slippers, and shower gel bottles, the Group's hotels collect and disinfect the items after every guest checks out, so that those items can be reused. For articles which can't be reused for hygiene reasons such as toothbrushes and combs, the hotels of the Group give priority to the selection of articles made from environmentally-friendly straw materials so as to reduce the burden on the environment during the subsequent disposal.

In the property operation and management business, the Group encourages tenants to minimise the waste at source by using fewer disposable products, especially chemical plastic products, and use recyclable tableware and packaging products in order to reduce waste at the source. Further, in order to deal with the inevitable domestic garbage, the Group has established an intelligent waste discharge system to effectively manage and reduce waste disposal. In addition, in order to promote the recycling of resources, the Group has set up collection service points outside the properties with staff trained in systematic operation to display the types and prices of recyclables, and to display signs informing residents of the destination of recyclables so that they feel free to hand over their recyclables to the Group's collection points. In addition to offline recycling, the Group also arranges online recycling. Through the existing online platforms of Alipay and WeChat, the Group has developed "Easy Drop-off" (易代扔) and "Recycling Pay" (收呗) to provide residents with convenient door-to-door collection services. Residents can place orders on their cell phones in real time, and the Company's information department platform will assign the nearest recyclers to complete the collection service on a regional basis. The residents can choose cash and energy points individually for settlement.

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A.4. Climate Change

With the increasingly severe global climate change, its negative effects are beginning to spread around the world. In view of this, the world is gradually shifting to a low-carbon economy in order to mitigate the phenomenon and impact of climate change. As the world's largest developing country and the second largest economy, China has set a "30.60" dual-carbon target action plan in 2021, aiming to accelerate the development of a green, low-carbon, and circular economy and promote the full establishment of a clean, low-carbon, safe and efficient energy system.

In line with the green and low-carbon transformation of the national economy and society, the "14th Five-Year Plan" has set a number of binding targets for energy saving, emission reduction and ecological protection, and has explicitly proposed to "promote the clean, low-carbon, safe and efficient use of energy, and further promote the low-carbon transformation of industry, construction and transportation", focusing on the four "hardest hit areas" in the field of carbon emissions in China, namely energy, industry, construction and transportation.

To this end, the Group has developed strategies to strengthen governance and improve climate risk management and performance in line with the country's policy direction. The Group considers climate change as one of the key business risks and is committed to incorporating related issues into its management process. During the year, the Group continued to conduct forward-looking analysis with reference to the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD), and formulated plans to mitigate and adapt to climate change taking into account different physical risks and transition risks and potential impacts.

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Risks	Potential impact
Acute physical risk	<ul style="list-style-type: none"> - Extreme weather events such as severe storms - Affect the engineering and property structure and bring significant safety hazards to construction workers, residents and tenants - Decrease in revenue due to delay in construction projects due to extreme weather - Increased capital expenditure to implement the required mitigation measures
Chronic physical risk	<ul style="list-style-type: none"> - Continuous high temperature and rainfall pattern change - Sea level rise - Continued rainfall may lead to flooding, resulting in an increase in maintenance costs - Ongoing high temperature may affect the daily travel and travel plans of the public and affect the revenue of hotel business - Exposure to ongoing risks resulting in lower asset value
Transition risk	<ul style="list-style-type: none"> - Updates on policies and regulations further tightened environmental requirements for the construction industry and the real estate industry - Increase in stakeholders' expectations - To cope with the stringent regulations, it is expected to increase the operating costs to procure energy efficient equipment - Lack of comprehensive climate risk governance and disclosure may have a negative impact on investors
Opportunity	Potential opportunity
Green building	<p>With the "14th Five-Year Plan" proposing to optimise energy consumption in urban and rural construction and promote green building, the Group continues to enhance the environmental performance of its existing properties and carry out energy-saving construction for new projects, which is expected to reduce subsequent operating costs and open up new business opportunities.</p>

In terms of management and development, the Group's management assume that the current climate risk will not have a serious impact on its operation immediately, however, the Group will not relax and will step up the establishment of preventive measures and emergency response plans for extreme weather, such as the Management of Rainwater and Sewage Pumps, the Regulations on the Management of Flood Control, and the Management System for Emergency Response Plans, in order to mitigate the impact of climate crisis. They also provides procedures for the entire Group to follow in extreme weather.

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At the same time, the Group's contingency plan will also follow the different conditions and geographical locations of the properties as climate impacts may vary from region to region. Specifically, the Group has added thermal insulation measures to the design of public lanes in the northern part of China vulnerable to cold current, while in the southeastern part of China, which is susceptible to typhoons and rainstorms, the Group has enhanced the design of waterproofing, windproofing and drainage to reduce damage caused by extreme weather.

VII. SUSTAINABLE SOCIAL DEVELOPMENT

Employment and Labour Practices

B.1. Employment

The Group regards its employees as its most valuable asset and therefore strives to create a working environment where employees can work more healthily, happily and efficiently. In accordance with the Employment Management Norms, the Group continues to invest resources in fostering a culture of continuous learning among its employees in order to build a diverse and united workforce.

As of 31 December 2022, the Group had a total of 592 employees. Please refer to Table 3 below for the breakdown of employees.

Table 3 Number of Employees of the Group by Age Group, Gender, Employment Type, Position Type and Geographical Location in FY 2022¹

Unit: number of employees	Age				Total
	30 years old or below	31-40 years old	41-50 years old	51 years old or above	
Gender					
Male	27	100	94	137	358
Female	44	98	80	12	234
Total	71	198	174	149	592

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Unit: number of employees	Position			Total
	General staff	Middle management	Senior management and directors	
	Gender			
Male	325	22	11	358
Female	221	11	2	234
Total	546	33	13	592

Employment type		
Full-time	Part-time	Total
592	0	592

Location	
Location	Number of employees
PRC	591
Hong Kong	1
Total:	592

- ¹ The employment data in headcount was obtained from the Group's Human Resources Department based on the employment contracts entered into between the Group and its employees. The data covered employees engaged in a direct employment relationship with the Group according to relevant local laws. The methodology adopted for reporting on employment data set out above was based on "How to Prepare an ESG Report-Appendix III: Reporting Guidance on Social KPIs" issued by the Stock Exchange.

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Compliance with the laws

Since its establishment, the Group's employment policy has been continuously updated and revised to cater for social changes and comply with relevant laws and regulations. In FY 2022, the Group has complied with relevant laws and regulations on employment management, including the following:

Employment Ordinance (Cap. 57 of the laws of Hong Kong)	Employees' Compensation Ordinance (Cap. 282 of the laws of Hong Kong)
Minimum Wage Ordinance (Cap. 608 of the laws of Hong Kong)	Mandatory Provident Fund Schemes Ordinance (Cap. 485 of the laws of Hong Kong)
Disability Discrimination Ordinance (Cap. 487 of the laws of Hong Kong)	Race Discrimination Ordinance (Cap. 602 of the laws of Hong Kong)
Sex Discrimination Ordinance (Cap. 480 of the laws of Hong Kong)	Labour Law of the People's Republic of China
Employment Promotion Law of the People's Republic of China	Labour Contract Law of the People's Republic of China
Social Insurance Law of the People's Republic of China; and	Provision on Minimum Wage

The human resources department of the Group regularly reviews and updates relevant policies within the Company in accordance with the latest laws and regulations. The Group purchases five national statutory social insurances including basic endowment insurance, basic medical insurance, employment injury insurance, maternity insurance and unemployment insurance as well as housing fund for the employees in Mainland China and makes contributions to the mandatory provident fund for its employees in Hong Kong.

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Recruitment and Promotion

In order to attract talents, the Group has been regulating the recruitment process and practices in accordance with the “Staff Recruitment and Employment Management Regulations” and has adopted various recruitment channels to recruit the best talents. Following the principles of comprehensive assessment, selection and meritocracy, the Group places equal emphasis on integrity and professionalism, professional ability and development potential in the selection process.

In order to retain talents, the Group offers promotion opportunities to employees with outstanding performance and positive attitude based on personal preference and comprehensive consideration in accordance with the principle of fairness and transparency. At the same time, the Group is committed to ensuring that every employee is assessed in an objective and fair manner on a regular basis and rewarded on a discretionary basis according to their work performance. Any recruitment and promotion decisions of the Group are strictly implemented in accordance with internal policies.

Compensation and Dismissal

The Group constantly reviews its remuneration packages and conducts regular remuneration reviews in accordance with the Group’s profitability, employee performance and market trends to help establish a remuneration philosophy and ensure that the remuneration packages of its employees are in line with the principle of fairness while maintaining competitiveness in the industry. The Group reports the annual remuneration status to the Remuneration Committee annually, and makes reasonable adjustments to the corporate remuneration plan in accordance with the industry’s remuneration standards. The Group’s practices on entry salary, salary distribution and salary adjustment are strictly implemented in accordance with internal policies.

The Group prohibits any unfair or unreasonable dismissal and requires that all termination of labour contracts must be based on reasonable grounds and strictly implemented in accordance with internal policies. The Group has formulated the Employment Management Norms to clearly regulate the dismissal procedures. Employees wishing to quit need to apply in advance and fill out the Resignation Application Form, specifying the reason for leaving. After the application is approved by the management, relevant employees shall timely submit the same to the human resources department and obtain the approval from the human resources department before going through the resignation procedures. For employees who violate the Group’s employment policies, the Group will give a verbal warning to them before issuing a warning letter. For employees who repeatedly make the same mistakes after receiving any warning, the Group will terminate their employment contracts in accordance with relevant national laws and regulations.

In FY 2022, the Group’s employee turnover rate was 52%. For more details on employee turnover, please refer to Table 4 below.

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Table 4 Employee turnover rate by age group, gender and geographical location in FY 2022¹

Unit: number of employees	Age group				Total
	30 years old or below	31-40 years old	41-50 years old	51 years old or above	
Gender					
Male	38	66	39	36	179
Employee turnover rate (percentage)	141%	66%	41%	26%	50%
Female	28	65	25	10	128
Employee turnover rate (percentage)	64%	66%	31%	83%	55%
Total	66	131	64	46	307
Total employee turnover rate (percentage)	93%	66%	37%	31%	52%

Geographical Location	Employee turnover	Employee turnover rate
PRC	305	52%
Hong Kong	2	200%

¹ The turnover data was obtained from the Group's Human Resources Department based on the employment contracts entered into between the Group and its employees. Turnover rate was calculated by dividing the number of employee turnover in FY 2022 by the number of employees in FY 2022. The methodology adopted for turnover data set out above was based on "How to Prepare an ESG Report-Appendix III: Reporting Guidance on Social KPIs" issued by the Stock Exchange.

Working hours and holidays

The Group has formulated corresponding policies in its employee manual in accordance with local employment laws, including the State Council Regulations on Working Hours of Employees《(國務院關於職工工作時間的規定)》.The Group exercises strict control over the attendance time of employees and has put in place incentive and punishment rules relating to attendance. In addition to the basic paid annual leave and statutory holidays under employment laws promulgated by central and local governments, employees are also entitled to marriage leave, maternity leave, funeral leave and other additional vacations. When asking for leave, an employee is required to complete the Employee Leave Application Form stating the reason and time for leave, which will take effect after being signed and approved by his/her superiors.

Equal Opportunity and Anti-Discrimination

The Group actively promotes diversity in the workplace and is committed to creating an inclusive and supportive workplace for all employees. To this end, the Group regulates its day-to-day human resources and employment decision-making practices by treating all business units' training and promotion opportunities, termination and retirement decisions regardless of age, gender, marital status, pregnancy status, family status, disability, race, colour, descent, minority or ethnicity, nationality, religion or any other non-work-related factors, aiming to view everyone equally.

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The Group seeks to ensure that all employees are treated with dignity and respect and that others are treated in the same manner. Therefore, The Group encourages employees to report any suspected incidents of discrimination to the human resources department. The human resources department will evaluate and record the relevant factual events and take any necessary disciplinary actions against the relevant responsible persons.

Other Entitlements and Benefits

The Group believes in a caring culture and is committed to helping employees to achieve work-life balance, and to improving employee satisfaction and retaining talents by giving proper care and rewards. During the year, the Group strengthened performance management, and distributed performance bonuses to employees based on their performance management levels. In addition to providing insurance and provident fund for employees in accordance with relevant national laws and regulations, the Group also keeps good communication between management and employees through social media, e-mail, telephone, collaborative management software system. Besides those, the Group also carries out team building activities from time to time and provides other company benefits, including annual dinners, annual physical examination, travel and development activities, holiday cash gifts, birthday gifts and other benefits to enhance employee interaction and team cohesiveness.

In FY 2022, the Group has strictly complied with relevant laws and regulations regarding remuneration and dismissal, recruitment and promotion, working hours, vacations, equal opportunities, diversification, anti-discrimination, other entitlements and benefits and other laws and regulations that have a significant impact on the Group.

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B.2. Health and Safety

The Group places a high priority on the health and safety of its employees and takes pride in its safety-first work culture. In FY 2022, the Group implemented strict safety and health policies and strictly complied with relevant PRC laws and regulations, including but not limited to:

Occupational Safety and Health Ordinance (Chapter 509 of the Laws of Hong Kong)	Law of the People's Republic of China on Occupational Disease Prevention
Work Injury Insurance Ordinance	Law of the People's Republic of China on Production Safety
Labour Law of the People's Republic of China	Law of the People's Republic of China on Fire Prevention
Standardisation Law of the People's Republic of China	

The Group has established and continuously improved its safety management system, including "Control Procedures for Environmental and Occupational Health and Safety Management Program", the "Fire Safety Management System", the "Hot Work Management Regulations", the "Safety Operation Rules", and the "Safety Management Regulations for High-altitude Operations", etc., in order to maintain a healthy and safe working environment, to thoroughly implement the laws, regulations, policies and standards on prevention and treatment of occupational diseases of the PRC, and to improve the management of the prevention and control of occupational diseases. In addition, the Group has also developed, implemented and monitored its "Occupational Health and Safety System" in accordance with the ISO 45001:2018, and has been certified since 2017.

In order to ensure the safety of employees, the Group incorporates health and safety factors into every aspect of its business, and supervises and urges the management and employees to carry out safety production and safety and civilisation inspection in accordance with the Notice on the Control of Safe and Civilised Construction of Each Project, so as to create a clean and tidy construction environment and eliminate production safety accidents. Once any hazardous accident or condition is found in the workplace, the Group requires all employees to immediately report to their superiors and the local production safety supervision and management authority, to organise all departments to promptly take effective measures to reduce or eliminate the hazardous factors of occupational diseases, and to take follow-up actions to prevent accidents and ensure the safe operation of all sites and facilities.

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In order to demonstrate the Group's determination to pursue excellence in health and safety, the Group not only provides employees with occupational disease protection facilities and personal protective equipment that meet the requirements of occupational disease prevention and control, but also adopts a rotation working system. The behaviour in violation of laws and regulations on prevention and treatment of occupational diseases and endangering life and health are subject to serious treatment. At the same time, the Group requires all employees working at construction sites to receive emergency management and occupational health and safety training to enhance employees' safety awareness and avoid occupational injuries. The Group also requires all employees engaged in special types of work to accept special training and are only allowed to work with a permit.

In addition, the Group's Administration and Human Resources Department is responsible for organizing annual health examination and occupational disease diagnosis and treatment services, and conducting emergency management training and occupational health training for employees in relevant positions in a targeted manner. In order to monitor the effective implementation and coverage of occupational safety measures, the Group's Quality Assurance Department is responsible for monitoring and measuring the achievement of environmental and occupational health and safety objectives, targets and management plans, and organizing all relevant departments to carry out supervision and inspection activities on the operation and performance of environmental and occupational health and safety systems, as well as monitoring and inspecting the safety awareness and training of employees and related parties.

Benefiting from the Group's unremitting efforts, the Group has not recorded any work-related fatalities in the past three years (including this reporting year). During the year under review, the Group recorded four work-related injury accidents, thus the number of working days lost during the year was 84. The Group conducts accident investigations to identify the causes of accidents so that measures can be taken to prevent the recurrence of similar incidents. The Group is committed to preventing work-related accidents and strives to achieve zero harm.

In FY 2022, the Group complied with relevant laws and regulations on providing a safe working environment and protecting employees from occupational hazards that have a significant impact on the Group in providing a safe working environment and protecting employees from occupational hazards.

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Fight against COVID-19

Since the outbreak of COVID-19 more than three years ago, the Group has been actively responding to the instructions of the state and local governments, and has been doing its utmost to contain COVID-19 with the corporate responsibility of shouldering responsibilities in face of the epidemic". At the end of 2022, as there was a gradual recovery from the epidemic across China, and a decisive victory in the prevention and control of COVID-19 was achieved, the Group continued to follow the national direction of "protecting health, preventing serious illnesses" and fulfilling the "four-party responsibility" to further enhance its normalised prevention and control and emergency response capabilities to ensure the normal operation of its daily business while protecting the safety of its employees and the public. Specifically, it includes

Make risk assessment to ensure that all epidemic prevention loopholes and key points are blocked	Strengthen staff health examination to strive to achieve "early detection, early reporting, early isolation, early diagnosis and early treatment"
Strengthen prevention and control knowledge training to improve employees' self-protection awareness and ability	Establish personnel access management system to reduce unnecessary personnel exchanges, and carry out health QR code examination, temperature detection and registration for visitors

Amid the resurgence of COVID-19 during the year, in order to protect the safety of the public and employees, the Group's hotel business has been opened in a limited way according to the government's requirements and its own operating conditions. For example, only basic external services were reserved, and other entertainment facilities were completely shut down. At the same time, the Group's operation and property business also actively cooperated with other stakeholders, and complied with the government's preventive measures, such as strengthening the interrogation of people coming and going in the commercial street, closed-off management of the square, and reserving two special passages (one being entrance and the other being exit), so as to strictly check temperature, health QR codes and itinerary QR codes of each guest.

With the "decisive victory" in the fight against COVID-19, the Group will continue to align with the country to consolidate the significant achievements in epidemic prevention and control and explore a healthy and safe way of consumption in the post-epidemic period. Specifically, the Group is considering to increase its promotion towards the areas and communities around the hotels, and introduce the suburban light holiday model to encourage urbanites to embrace nature, so as to seize more opportunities.

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B.3. Development and Training

The Group has been actively promoting talent training and believes that providing employees with opportunities for continuous education and personal development is an indispensable element for the long-term development of the Group. To this end, the Group is committed to organizing various internal training programs, and through a combination of external professional lecturers and in-house professionals to provide training on various aspects such as vocational skills, business, systems, and the use of hardware/software to promote the technical capabilities of our employees and to fully meet the career development needs of different employees.

The Group has established the Staff Training System, under which the Administration and Human Resources Department is responsible for coordinating and organising the training plans of various departments in accordance with the regulations, following up on the statistics of training, and verifying the training materials and training records. To facilitate self-learning by employees at their own pace, the Group makes use of online platforms and mobile applications such as Tencent and Huatong Cloud Classroom to arrange various kinds of online learning for employees.

At the same time, the Group also encourages employees to take external training and professional examinations to improve their competitiveness and professional competence. With the consent of his/her superiors, an employee may apply for reimbursement for the costs incurred by the relevant training and examinations. If employees need to take up working time for examinations, they can apply for leave according to the Company's leave system with the admission ticket. The leave required is calculated as normal attendance. In doing so, the Group hopes to encourage employees to learn on their own and cultivate their motivation, so as to achieve mutual progress with the Group.

In FY 2022, the Group provided a total of 19,921 hours of training courses to 98% of our employees. For details, please refer to Table 5 and 6 as below. During the year, the Group organised a wide variety of training programs, including corporate culture and induction training for new employees. For current staff, the Group organised functional training to enhance professionalism, management system training to familiarise with business processes, emergency management and fire safety training to enhance occupational health and safety awareness, as well as leadership training for management staff.

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Table 5 Number and percentage of employees trained of the Group by gender and position type in FY 2022¹

				Total
Total number of trained employees				582
Total number of employees at the end of the year				592
Percentage of trained employees				98%

	Unit: number of trainees			Position	Total number of trained employees
	General staff	Middle management	Senior management and directors		
Gender					
Male	319	22	9		350
Percentage of trained employees	55%	4%	2%		60%
Female	221	9	2		232
Percentage of trained employees	38%	2%	0%		40%

	General staff	Middle management	Senior management and directors
Total number of trained employees	540	31	11
Percentage of trained employees	93%	5%	2%

¹ The number of trained employees is obtained from the Human Resources Department of the Group. It refers to the number of employees participated in the vocational training during FY 2022. The method used to report the number and percentage of trained employees above is based on the "How to Prepare an ESG Report-Appendix III: Reporting Guidance on Social KPIs" issued by the Stock Exchange.

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Table 6 Training hours of employees of the Group by gender and position type in FY 2022¹

Unit: hour	Position			Total
	General staff	Middle management	Senior management and directors	
Male	11,681	424	108	12,213
Average training hours	35.9	19.3	9.8	34.1
Female	7,578	106	24	7,708
Average training hours	34.3	9.6	12.0	32.9
Total	19,259	530	132	19,921
Average training hours	35.3	16.1	10.2	33.7

- ¹ The number of trained employees is obtained from the Human Resources Department of the Group. The method used to report the number and percentage of trained employees above is based on the "How to Prepare An ESG Report-Appendix III: Reporting Guidance on Social KPIs" issued by the Stock Exchange.

B.4. Labour Standards

The Group respects the rights and interests of workers and prohibits any employment of child labour or forced labour. In FY 2022, the Group complied with the Law of the People's Republic of China on the Protection of Minors, the Labour Law of the People's Republic of China, the Regulations on the Prohibition of Child Labour in the People's Republic of China and other relevant labour laws and regulations in China.

In order to strictly prevent any form of forced labour, coerced labour, bonded labour or illegal employment of workers under the legal working age, the Group's Human Resources Department is responsible for strictly controlling the recruitment and interview process and requiring all applicants to provide valid identification document and other relevant documents to ensure applicants can be legally hired. In addition, the Group also has a legal department, which regularly checks whether there is child labour or forced labour through annual audit. Once the Group discovers any violation of labour standards, it will not only terminate the relevant employment immediately, but also initiate relevant punishment measures to punish the persons involved, and once again emphasise the importance of legal and reasonable employment throughout the Group.

In FY 2022, the Group did not violate any relevant laws and regulations that have a significant impact on the Group in preventing child labour or forced labour.

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Operating Practices

B.5. Supply Chain Management

In order to ensure that the suppliers used by the Group are in compliance with regulations, act in good faith and meet the Group's philosophy of sustainable development, the Group is committed to maintaining good and smooth two-way communication with its suppliers to facilitate creation of a sustainable supply chain. At the same time, each of the Group's business segments has put in place stringent supplier selection and evaluation criteria so as to early identify and control potential environmental and social risks in each link of the supply chain.

In FY 2022, the Group worked with 575 suppliers, of which 560 were located in the PRC and 15 in Hong Kong. The supply chain management policy described below applies to key suppliers of key businesses, accounting for approximately 30% of the total number of suppliers.

Property development and management business

This business works closely with suppliers in the areas of life services, equipment maintenance and repair, engineering, and office supplies. The business operation department is responsible for maintaining effective and continuous communication with key suppliers through on-site interview, telephone communication and WeChat communication.

In order to identify and reduce potential environmental and social risks in the supply chain, and to reduce the possibility of monopoly or conflict of interest, the business generally adopts an open and transparent approach to partner selection in procurement. After submitting an application to the administration and human resources department, the asset management department will conduct a bidding process in accordance with the Tender Management Measures. In strict accordance with the "Management Procedures for Selection and Evaluation of Supplier", the business explicitly requires all suppliers to meet the internal product/service standards of the Group and comply with the relevant national and local market regulations. Suppliers must comply with and pass the procedures of enterprise information inquiry, supplier qualification pre-examination, business license examination, original qualification certificate examination, account information examination and supervision and evaluation of qualified suppliers before they can be included into the list of qualified suppliers. After reviewing the basic information of each supplier, the operation department will also conduct on-the-spot inspection, and evaluate whether the bidder's quality management system, equipment and facilities, after-sales service quality, social and environmental responsibilities, and its technical and construction capabilities meet the standards and specifications required by various development projects of the Group. In order to ensure that the process of engaging suppliers is compliant and complete, the legal department is involved in each process, including the preliminary background checking and contract signing, so as to avoid possible risks.

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The business continuously monitors the performance and compliance status of suppliers on the approved list and conducts annual evaluation by each functional department. All suppliers that do not meet the requirements will be blacklisted and no longer engaged by the Group. If non-conforming products or services are found, and they may pose potential material risks, the business will take measures to shut down and make emergency maintenance of the related equipment, and will turn on the equipment after the manufacturer and professional organisation assess that the products or services are conforming.

In order to promote sustainable procurement and to facilitate the procurement of more environmentally-friendly products and services, the business gives priority to enterprises with green environmental protection certificates recognised by the state and local supplier when selecting suppliers and products to be supplied. During the year under review, the business's green procurement principle coverage rate was nearly 70%.

Hotel operations

The supply chain of this business mainly includes food suppliers, beverage suppliers and suppliers of daily necessities to provide related supplies for its hotels, including daily food ingredients, condiments, beverages, washing supplies, engineering maintenance items and accessories, lamps, guest room linen, office supplies and computer consumables.

The business establishes supplier qualifications and evaluation indicators based on the service standards of the hotel management group and national product standards. To eliminate supply chain risks, the business, in accordance with "Supplier Qualification Assessment and Audit Procedures", also requests suppliers to present the business license, tax registration certificate, organisation code, product's production license and other business certificates for internal assessment to select suppliers. The suppliers of special industries shall also provide industry-related operating permits, such as product's test report, chemical medicine's production license, hygienic license, food safety quarantine certificate, and alcohol wholesale license.

To facilitate the supplier compliance monitoring, the Group requires that the suppliers should comply with the corresponding national regulations. For example, chemical suppliers shall meet the production conditions which fulfil the requirements of environmental protection, and food suppliers' premises shall be subject to the relevant food safety requirements of the governmental authorities. During the outbreak of COVID-19, the Group also required suppliers to issue various testing certificates. In addition to considering the suppliers' product quality, production capacity, reputation, qualification and performance of their environmental responsibilities, the business conducted on-site inspection regarding the main suppliers' operating premises, and the result of inspection is one of the bases for selecting suppliers.

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All procurements involved in this business must be carried out by the procurement department in accordance with the Procurement Procedures. Procurement should be conducted in such way that partners are selected in a transparent, fair and effective manner through supervision such as price comparison. At the same time, the procurement department of this business also maintains stable communication with suppliers through the hotel's PICC supply chain management system, email, telephone, WeChat and interview. The use department, cost department and the procurement department of the business jointly conduct an annual evaluation of their suppliers, and conduct daily supervision on them through on-site inspection and communication. Once a supplier is found not to rectify those failures identified in such inspection and evaluation, the supplier will be blacklisted and become not eligible for providing any products or services for this business.

In view of the large number of disposable products for hotel guests involved in the operation of the business, the business is committed to promoting green procurement by giving priority to suppliers using environment-friendly raw materials in selecting partners and giving priority to local suppliers who have obtained environmental protection credentials to support local economy and reduce carbon emission from transportation through centralised procurement. For example, the straws and coffee stirrers currently purchased by the business are made of biodegradable materials, reducing the burden of disposable consumables on the environment. During the year under review, the green supplier policy coverage of this business was close to 40%. Further, given that 100% of the business's major hotel suppliers are already local ones, the business has set a short-term target of having 60% of all suppliers in this segment to be local suppliers within the next 5 years.

B.6. Product Responsibility

Based on the concept of "pragmatism, integrity, innovation and development", with regard to the health and safety, advertising, labelling and privacy matters of the Group's products and services, the Group complied with relevant PRC laws, regulations and standards during FY 2022, including but not limited to:

Law of the People's Republic of China on Product Quality	Law of the People's Republic of China on Fire Prevention
Law of the People's Republic of China on Construction	Law of the People's Republic of China on Production Safety
Law of the People's Republic of China on the Protection of Consumer's Rights and Interests	Law of the People's Republic of China on Intellectual Property Rights
Law of the People's Republic of China on Advertising	Administrative Regulations on Production Safety of Construction Works
Property Management Regulations	Price Law of the People's Republic of China

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Property development and management business

Dedicated to providing excellent services and products to our customers, the business has a strict management system, including ISO 9001 - Quality Management System, ISO 14001 - Environmental Management System, OHSAS 18001 - Occupational Health and Safety Management System Certification and ISO 27001 - Information Security Management System, etc. It focuses on protecting customer privacy, carries out marketing in a responsible manner, and thoroughly implements the service concept of “people-oriented, customer first”.

Quality and Safety

In accordance with the principle of “Building a Better Future with Considerate Services”, the Group always puts the health and well-being of our customers first, and works together with our contractors in the development of properties to develop and create buildings and environments that promote the health of our residents or visitors.

The Group adopts a cycle management approach to effectively manage each stage of the project from project planning and management, evaluation and procurement of raw material, progress of construction works to sales and management of property. Monitoring at each stage is carried out by qualified person to ensure compliance with the standards and requirements set by the Group. The engineering management centre and project engineering supervision department of the Group’s operating subsidiaries are responsible for supervising construction projects and monitoring project progress to ensure that every link from design and construction to final delivery of one project is in line with the project’s planning and construction agreements. To make sure that the materials used for construction meet safety standards, the Group closely monitors the acceptance tests of materials through quality monitoring and process acceptance procedures. As the project supervisor, the chief supervisory engineer of each project must obtain relevant work experience and certificates (such as certificates held by registered supervisory engineers across the country) according to the scale and complexity of the project, the project environment and other factors.

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In terms of follow-up property operation management, the Group has created a set of standardised management models and mechanisms with Zendai's characteristics, and strictly complied with the Property Management Regulations. In addition to purchasing commercial public liability insurance, the Group also installs all-round monitoring equipment, arranges 24-hour security patrol, and ensures that the fire control room is on duty 24 hours so as to protect the safety of all property owners and tenants.

The business has a quality, environmental, and occupational health and safety management system, and has set specific targets and quantitative indicators for the environment, quality, and occupational health and safety in accordance with the relevant Management Manuals, including customer satisfaction, timely maintenance, hazardous waste recovery rate, and emergency incident rate. The quality assurance department monitors the performance of these areas in accordance with the Management System of the Quality Management Department to strengthen the professionalism of property management. In addition, the quality assurance department conducts annual owner satisfaction surveys to identify the items that need to be rectified by understanding the opinions of owners, and issues rectification letters to monitor the implementation of the relevant rectification.

Handling of Customer Comments and Complaints

In order to better understand customer expectations, identify areas for improvement and improve service quality, the business has established a comprehensive complaint management system to handle complaints related to each property under management and the construction process. Once any complaint is received, the business will immediately initiate a follow-up mechanism and ensure that the verified complaint can be effectively resolved. In response to complaints from owners, the quality assurance department and business operation department will follow up complaints to confirm on-site matters, deal with them in a timely manner, and provide solutions to customers as soon as possible.

In FY 2022, the business did not receive any substantive complaints. All complaints received in the past involving property management were resolved within three days after learning about the situation and communicating effectively with the owners on the same day.

Advertising and Promotion

The business complies with relevant regulations and industry guidelines, and any false or exaggerated advertising is strictly prohibited. Through the establishment of relevant advertising management policies and the effective involvement of the internal legal department, the business strives to provide transparent and accurate information to ensure the truthfulness and reliability of advertisements.

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Customer Privacy

This business attaches great importance to the information security and privacy of customers, and establishes an information security management system to effectively handle and protect all sensitive information, including the information of tenants and owners. This business sets information user permissions, and implements the management mode of one file for one customer for all customer information, under which any person or unit other than designated department in charge of custody must submit the relevant authority application for borrowing and inquiring. The management team of the Group inspects the implementation of various systems every quarter. In FY 2022, there was no information leakage in this business, and no substantive complaints related to the privacy of guests were received.

Hotel operations

The business is committed to providing customers with high-quality check-in and dining experience. Through the implementation of departmental responsibility system, the business has established a systematic management model, and has put the service concept of “being proactive and caring for people” in mind and firmly practised the concept in daily operations.

Quality and Safety

In order to ensure the quality of service, the business has established and implemented various operational disciplines and policies, including Room Cleaning, Food Cooking, and Hotel Courtesy Language Specification. In order to ensure the dining safety of our customers, the business, acting in strict accordance with national laws, regulations and policies, is also committed to ensuring the quality of food by regularly checking the ingredients and food samples in the warehouse and strictly controlling the cooking environment and equipment such as refrigerator temperature. This business gives priority to local but non-imported ingredients, and strictly controls the quality of ingredients according to the Supplier Qualification Evaluation and Audit Procedure to ensure that all supplies meet the quality requirements of the hotel.

In addition, in order to ensure the security of customers during their stay at the hotel, the Group regularly conducts third-party inspections on all safety equipment in the hotel, and establishes policies such as Fire Hazard Rectification System, the Management and Maintenance Mechanism of Fire Hydrant System, the Management System of Safe Evacuation Facility, Procedures Concerning the Disposal of Suspected Explosives Items/ Intimidated Phone Calls to ensure effective and rapid emergency treatment.

The quality control department is responsible for the quality tracking, supervision and inspection of all operations and services of this business. If it is found that the quality of operation or service fails to meet the standard, the quality control department will immediately take measures to adjust the relevant operation plan. At the same time, the quality of goods from suppliers is subject to joint appraisal by the user department and the receiving department. If any substandard products are found, they will be returned immediately to maintain the service quality of the hotel.

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In 2021, the business won the “Popular Business Hotel” recommended by Hoteln and the “Grade A Unit” for public hygiene reputation of Qingdao Municipal Health Commission, which demonstrates its high-quality service.

Advertising and Promotion

This business mainly publicises hotel information by sharing them on WeChat, mobile phone applications and other platforms, and forwards hotel related products. This business complies with the Advertising Law of the People’s Republic of China, and has established internal policies to supervise the marketing information it publishes, including the description and standards of advertisements, the design and standards of printed matter, the standards of news release, and the application of hotel names and logos in publicity.

Handling of Guest Comments and Complaints

As guest feedback is of utmost importance to our business, hotels of the Group actively interact with our guests to listen to their requests and opinions on our services, and to promote the spirit of “showing excellence and striving for the best ” in our business. When a complaint is received from a guest, the lobby manager will deal with it immediately. If the complaint is beyond the authority of the lobby manager, it will be immediately escalated to the general manager. The complaint will be then handed over to the relevant department for timely follow-up, and the relevant person in charge shall promptly report the progress of complaint handling to the guest.

Each hotel of the Group calculates the customer satisfaction on the basis of the aggregated customer survey data, analyses the satisfaction carefully with a view to further enhancing the guest experience and continuously improving the operation and management mode of the business, as well as strengthening the relevant training for hotel staff in order to strive for continuous improvement. During the year under review, the business did not receive any substantive complaints related to service quality. In the past, there were complaints about room facilities and catering styles. The business actively responded to the questions raised by guests, and solved them by making use of off-season rectification of rooms and changing seasonal ingredients from time to time, and provided more surprise services for guests.

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Guest Privacy

The business is committed to protecting the privacy of its customers by establishing and fully implementing strict internal management policies and installing supporting software to ensure that it complies with the laws and regulations governing the privacy of personal information in the regions in which it operates and that it does its best to ensure that information regarding its guests is never disclosed. The business has established different levels of access rights, and only authorised staff can access personal information of guests. Personal information is collected for membership maintenance purposes only and is used only with the guest's consent. All the information related to the stay of hotel guests must be kept in the computer system. All information is kept strictly confidential except for disclosure based on the legal certification provided by the relevant governmental authority.

The Group's internal policy clearly governs the management of computers and files and the relevant employees are required by the Group to sign and execute the confidentiality agreement for implementing the confidentiality of daily work. The internal policies of the Group clearly stipulate the management of computers and files, and all employees must strictly abide by the same, and it is strictly forbidden to disclose any confidential information (such as name, company, account, and payment information) to outside parties without the authorisation of the customer. The Group's hotels strictly implement the policy that visitors must obtain their consent before they can be referred. During the year under review, the Group did not receive any complaints about customer data leakage.

In FY 2022, the Group neither violated any relevant laws and regulations concerning the health and safety, advertising, labelling and privacy matters of its products and services that have a significant impact on the Group, nor did it have any recall incidents for safety and health reasons. In view of the nature of the Group's business, issues such as product recycling procedures, intellectual property rights and patents are considered irrelevant to the Group's operations. Therefore, based on the principle of materiality, related matters will not be disclosed in this report.

B.7. Anti-corruption

The Group adheres to business ethics and has zero tolerance for any form of corruption and other misconduct. In FY 2022, the Group complied with the local laws and regulations relating to anti-corruption and bribery where it operates, including but not limited to:

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Anti-Corruption Law of the People's Republic of China	Anti-Money Laundering Law of the People's Republic of China
Article 274 of the Criminal Law of the People's Republic of China on extortion	Article 387 of the Criminal Law of the People's Republic of China on illegally accepting properties of other persons
Interim Provisions on Prohibition of Commercial Bribery	Law of the People's Republic of China on Unfair Competition
Anti-Money Laundering and Counter-Terrorist Financing Ordinance (Chapter 615 of the Laws of Hong Kong)	Prevention of Bribery Ordinance (Chapter 201 of the Laws of Hong Kong)

The Group requires all employees in all positions to uphold the values of high ethical standards and ensure that their conduct is in line with business ethics. To this end, the Group has formulated and strictly enforced its anti-corruption policy, requiring employees to sign sunshine agreements and integrity pledges, etc., in order to regulate the professional conduct of employees, clarify their duties and responsibilities in business activities, use of resources and confidentiality obligations, follow internal and external communication guidelines, and comply with the requirements of personal interests and corporate interests, so as to eliminate any fraud.

The Group adopts a comprehensive and thorough management model by establishing dedicated departments, including the Audit and Legal Department and the Human Resources Department, to prevent and monitor all forms of bribery and corruption, and any such department is responsible for the developing, improving and implementing the Group's internal whistleblowing system. The Group has an internal whistleblowing management system that defines the methods of reporting, the responsibilities of each department, the measures to investigate and deal with reports received, and the protection and reward and punishment mechanisms, and actively encourages employees to report any suspicious behaviour by telephone, e-mail or in person, or to entrust others to report such behaviour on their behalf.

The report shall be handled by the audit and legal department of the headquarters of the Company, and the department shall be directly responsible to the executive director. After accepting the violation reported by employees, the audit and legal department of the headquarters organises the investigation and confirm the nature of the case, and then studies and demonstrates the remedial and rectification measures for various operational defects or irregularities, and reports the same to the executive director in time. With the approval of the executive director, the opinions on the handling of persons responsible for operational defects or irregularities will be issued.

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In order to enhance the ethical awareness and behaviour of the Group's employees in all functional departments, the Group regularly arranges relevant training for its employees. In FY 2022, the Group arranged 5 sessions of 10 hours in total of relevant training for 107 general staff and 32 management staff to enhance their sensitivity to non-compliance with the law and to strengthen their awareness of compliance with the law.

In FY 2022, the Group did not violate any relevant laws and regulations that have a significant impact on the prevention of bribery, extortion, fraud and money laundering, nor did it record any litigation cases against the Group or its employees that were related to corruption and were closed.

Community

B.8. Investment in Community Activities

As a responsible corporate citizen, the Group is aware of the extensive and profound impact it has on the communities in which it operates. Therefore, the Group is committed to working closely with local governments and non-governmental organisations, paying attention to the needs of the community, and solidly promoting the construction of socialist culture with Chinese characteristics, thus contributing to the efforts to build harmonious socialist society.

In the past, the Group focused on "enhancing community civilisation", "improving community inclusion", "caring for vulnerable groups" and "financially contributing community development" to inject vitality into economic development and social progress, while enhancing humanistic care and actively responding to the needs of the community.

In 2022, due to the recurrence of COVID-19 and the corresponding anti-pandemic restrictions, the Group was unable to organise or participate in any community charity activities. Nevertheless, the Group is still concerned about the development of local communities. With the major victory in the fight against COVID-19 in China at the end of 2022, the Group undertakes to continue to fulfil its corporate social responsibility by paying attention to the needs of the grassroots in the coming year, providing active cooperation for people to create a new life after the epidemic, and promoting economic development and local community improvement.

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VIII. REPORT DISCLOSURE INDEX

Index of ESG Reporting Guidelines of the Stock Exchange

HKEx ESG Reporting Guide Index

Aspects	ESG Indicators	Description	Page
A. Environmental			
A1: Emissions	General Disclosure	<p>Information on:</p> <p>(a) the policies; and</p> <p>(b) compliance with relevant laws and regulations that have a significant impact on the issuer</p> <p>relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and nonhazardous waste.</p> <p><i>Note: Air emissions include NO_x, SO_x, and other pollutants regulated under national laws and regulations.</i></p> <p><i>Greenhouse gases include carbon dioxide, methane, nitrous oxide, hydrofluorocarbons, perfluorocarbons and sulphur hexafluoride.</i></p> <p><i>Hazardous wastes are those defined by national regulations.</i></p>	13
	KPI A1.1	The types of emissions and respective emissions data.	14
	KPI A1.2	Direct (Scope 1) and energy indirect (Scope 2) greenhouse gas emissions (in tonnes) and, where appropriate, intensity (e.g., per unit of production volume, per facility).	15

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Aspects	ESG Indicators	Description	Page
	KPI A1.3	Total hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g., per unit of production volume, per facility).	14
	KPI A1.4	Total non-hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g., per unit of production volume, per facility).	15
	KPI A1.5	Description of emissions target(s) set and steps taken to achieve them.	16-20, 27
	KPI A1.6	Description of how hazardous and non-hazardous wastes are handled, and a description of reduction target(s) set and steps taken to achieve them.	16-20, 27
A2: Use of Resources	General Disclosure	<p>Policies on the efficient use of resources, including energy, water and other raw materials.</p> <p><i>Note: Resources may be used in production, in storage, transportation, in buildings, electronic equipment, etc.</i></p>	21
	KPI A2.1	Direct and/or indirect energy consumption by type (e.g., electricity, gas or oil) in total (kWh in '000s) and intensity (e.g., per unit of production volume, per facility).	22
	KPI A2.2	Water consumption in total and intensity (e.g., per unit of production volume, per facility).	22
	KPI A2.3	Description of energy use efficiency target(s) set and steps taken to achieve them.	22-24, 28
	KPI A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency target(s) set and steps taken to achieve them.	25, 27
	KPI A2.5	Total packaging material used for finished products (in tonnes) and, if applicable, with reference to per unit produced.	22

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Aspects	ESG Indicators	Description	Page
A3: The Environment and Natural Resources	General Disclosure	Policies on minimising the issuer's significant impact on the environment and natural resources.	28
	KPI A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	28
A4: Climate Change	General Disclosure	Policies on identification and mitigation of significant climate-related issues which have impacted, and those which may impact, the issuer.	30
	KPI A4.1	Description of the significant climate-related issues which have impacted, and those which may impact, the issuer, and the actions taken to manage them.	31
B. Social			
Employment & Labor Practices			
B1: Employment	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 compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare.	34
	KPI B1.1	Total workforce by gender, employment type (such as full-time or part-time), age group and geographical region.	32
	KPI B1.2	Employee turnover rate by gender, age group and geographical region.	36

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Aspects	ESG Indicators	Description	Page
B2: Health and Safety	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.	38
	KPI B2.1	Number and rate of work-related fatalities occurred in each of the past three years including the reporting year.	39
	KPI B2.2	Lost days due to work injury.	39
	KPI B2.3	Description of occupational health and safety measures adopted, how they are implemented and monitored.	38
B3: Development and Training	General Disclosure	Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities. <i>Note: Training refers to vocational training. It may include internal and external courses paid by the employer.</i>	41
	KPI B3.1	The percentage of employees trained by gender and employee category (e.g., senior management, middle management).	42
	KPI B3.2	The average training hours completed per employee by gender and employee category.	43

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B4: Labour Standards	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 or forced labour.	43
	KPI B4.1	Description of measures to review employment practices to avoid child and forced labour.	43
	KPI B4.2	Description of steps taken to eliminate such practices when discovered.	43
Operating Practices			
B5: Supply Chain Management	General Disclosure	Policies on managing environmental and social risks of the supply chain.	44-46
	KPI B5.1	Number of suppliers by geographical region.	44
	KPI B5.2	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, how they are implemented and monitored.	44-46
	KPI B5.3	Description of practices used to identify environmental and social risks along the supply chain, and how they are implemented and monitored.	44-46
	KPI B5.4	Description of practices used to promote environmentally preferable products and services when selecting suppliers, and how they are implemented and monitored.	44-46

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Aspects	ESG Indicators	Description	Page
B6: Product Responsibility	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.	46
	KPI B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons.	51
	KPI B6.2	Number of products and service related complaints received and how they are dealt with.	48, 50
	KPI B6.3	Description of practices relating to observing and protecting intellectual property rights.	51
	KPI B6.4	Description of quality assurance process and recall procedures.	47, 49
	KPI B6.5	Description of consumer data protection and privacy policies, and how they are implemented and monitored.	49, 51

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Aspects	ESG Indicators	Description	Page
B7: Anti-corruption	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.	51
	KPI B7.1	Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the reporting period and the outcomes of the cases.	53
	KPI B7.2	Description of preventive measures and whistle-blowing procedures, and how they are implemented and monitored.	51
	KPI B7.3	Description of anti-corruption training provided to directors and staff.	53
Community			
B8: Community Investment	General Disclosure	Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests.	53
	KPI B8.1	Focus areas of contribution (e.g., education, environmental concerns, labour needs, health, culture, sport).	53
	KPI B8.2	Resources contributed (e.g., money or time) to the focus area.	53