

Zhongtian Construction (Hunan) Group Limited

中天建設(湖南)集團有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 2433

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

2022



ABOUT THE ESG REPORT

Zhongtian Construction (Hunan) Group Limited (the “**Company**”, together with its subsidiaries, collectively as the “**Group**” or “**we**”) is delighted to present its environmental, social and governance report (the “**ESG Report**”) for the financial year ended 31 December 2022. This ESG Report herein focuses on providing an overview of the environmental and social aspects of our Group, and outlines how we seek to continually improve our operational strategy in regard to our environment and society in order to cope with the global standards of sustainability.

The Group believes that prudent management of environmental and social issues is one of the key factors in long-term success in this rapidly changing world. To better understand the risks and opportunities for environmental protection, the Group closely follows the requirements and expectations of regulatory authorities through efficient operation management, well-established policies and procedures as well as a higher standard of energy-efficient measures and waste treatment. The Group believes that its expertise, capabilities and ownership patterns can be part of the solution to some of the challenges the Group is facing.

In order to carry out the Group’s sustainability strategy from top to bottom, the Board of Directors (the “**Board**”) of the Company has ultimate responsibility for ensuring the effectiveness of the Group’s environmental, social and governance policies. The Board has established certain dedicated teams to manage the environmental, social and governance issues within each business division of the Group. The designated staff has been assigned to enforce and supervise the implementation of the relevant policies.

The Group is committed to the implementation of sustainable development and social corporate responsibility. While the Group is actively developing and expanding its business, the Group also takes environmental, social and moral needs into serious consideration so as to strike a balance and unity between the profitability, environmental and social impacts. The Group also pays great attention to stakeholders including but not limited to customers, investors, environment, suppliers, employees and government to establish a good relationship through better understanding and responding to their expectations. As a result, the Group will continue to maintain close contact with the stakeholders to meet the expectations and needs of the stakeholders with an aim to continuously improve its environmental, social and governance strategies to create an efficient and diversified business.

During the process of the preparation of this ESG Report, the Group has conducted a thorough review and evaluation of the existing Group’s policies and practices with the aim of achieving better performance results in the future. Unless otherwise stated, this ESG Report covers the data and information from the construction business located in the People’s Republic of China (the “**PRC**”).

Report Scope and Boundary

This ESG Report is prepared in compliance with the Environmental, Social and Governance Reporting Guide (“**ESG Reporting Guide**”) as set out in Appendix 27 of the Rules Governing the Listing of Securities (the “**Listing Rules**”) on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”). Information disclosed and presented in this ESG Report follows the four Reporting Principles required by the ESG Reporting Guide, i.e., materiality, quantitative, balance and consistency. In preparing the ESG Report, the Group has adopted the international standards and emission factors specified in the guidance materials on ESG issued by the Stock Exchange for computing the relevant key performance indicators (“**KPIs**”). For details on the application of the materiality reporting principle, please refer to the section headed “Materiality Assessment” in this ESG Report. The ESG Report provides an unbiased picture of the Group’s performance within the Reporting Period, avoiding selections, omissions, or presentation formats that may inappropriately influence a decision or judgement by the reader. The Group will maintain the consistency of the methodologies and key performance indicators of the Reporting Period and that of the future reporting period, to allow for meaningful comparisons over time.



About the ESG Report

In order to comply with the disclosure obligations of “comply or explain” provisions, this ESG Report has outlined the overall Group’s performance in environmental protection, human resources, operating practice and community involvement for the financial year, from 1 January 2022 to 31 December 2022 (“**Reporting Year**”).

This ESG Report was approved by the board of directors (the “**Board**”) on 28 April 2023. For details on the Group’s corporate governance, please refer to “Corporate Governance Report” on pages 17 to 27 of the Group’s Annual Report.

Information and Feedback

For details in relation to our financial performance and corporate governance, please visit our website on www.ztcon.com and/or see our Annual Report for the year ended 31 December 2022. We also treasure your feedback and comments on our sustainability performance, please send your feedback and other sustainability enquiries in writing to our principal place of business in Hong Kong at Unit E, 17th Floor, 8 Hart Avenue, Tsim Sha Tsui, Kowloon, Hong Kong.

ESG MANAGEMENT

The Group looks at issues that may have a reputational impact on, or that may pose a risk to, the Group in the short-, medium- or long-term. Issues that are important to the stakeholders, including but not limited to, customers and employees, as well as non-governmental organizations, are also crucial to the Group. All potential issues are covered and evaluated in the annual risk assessment. The Group is positive in developing opportunities with a focus on work ethics to ensure that success in business development is sustainable with the benefits to be passed on to the employees, the customers and the environment.

Integration of sustainability into the business strategies as well as daily operations of the Company is a must to pursue the business model. To deal with ESG issues effectively, understanding, and interacting with, the employees, customers and other stakeholders are of the highest priority. The Group believes that effective management of ESG issues is important to long-term success in the rapidly changing world. With a thorough understanding of the ESG risks and opportunities, the Group will be better positioned in allocating resources to reduce and recycle different kinds of waste, and responding to the increasing demand for higher standards of waste treatment by the regulators.

The Group is confident that as part of the business decision-making process, by involving all relevant stakeholders in the ESG management process, the ESG issues will be monitored closely, and the long-term success of the Group will be assured.

The sustainability strategy of the Group in the following aspects applies to all the work streams:

- to promote environmental sustainability;
- to attract, retain and support employees;
- to engage with stakeholders;
- to promote sustainability of local communities;
- to strengthen community relations; and
- to grow suppliers' commitment.

ESG Governance Structure

To facilitate effective management of ESG issues, the Group has established a governance structure. The Board has overall responsibility for overseeing the Group's ESG-related risks and opportunities, establishing and adopting the ESG-related strategies and targets of the Group including setting KPIs for environmental-related issues and setting higher standards of energy efficient measures and waste treatment, reviewing the Group's performance annually against the ESG-related targets, and revising the ESG-related strategies as appropriate if significant variance from the ESG-related target is identified. Our Board has established an ESG Team that comprises five staff from middle to senior management, which include the department heads of the technological, work safety and financial departments, the human resources manager and the production safety and procurement manager. The ESG Team serves a supportive role to our Board in implementing the agreed ESG policy, targets and strategies, conducting materiality assessments of environmental-related, and social-related risks and assessing how the Group adapts its business in light of changes, collecting ESG data from the relevant interested parties while preparing for the ESG Report, and continuous monitoring of the implementation of measures to address our Group's ESG-related risks and responsibilities. The ESG Team is also responsible for the investigation of deviations from targets and liaises with the functional department to take prompt rectification actions.



ESG Management

Based on the set goals and targets, the Board will continue to review the Group's progress in relation to ESG issues in order to build a more sustainable business and bring greater benefits to society as a whole.

Governance structure

Board

- The Board is responsible for the overall decision-making, oversees the formulation, administration, and assessment of the ESG system.

ESG Team

- The ESG Team is responsible for assisting the Board in managing and monitoring the ESG matters on a daily basis.

Functional Department

- Functional department is responsible for the execution of implemented measures to achieve the set strategies and targets.

OUR STAKEHOLDERS

The Group strongly believes that our stakeholders play a crucial role in sustaining the success of our business. The Group is actively searching for every opportunity to understand and engage our stakeholders to ensure that improvement can be implemented to our products and services.

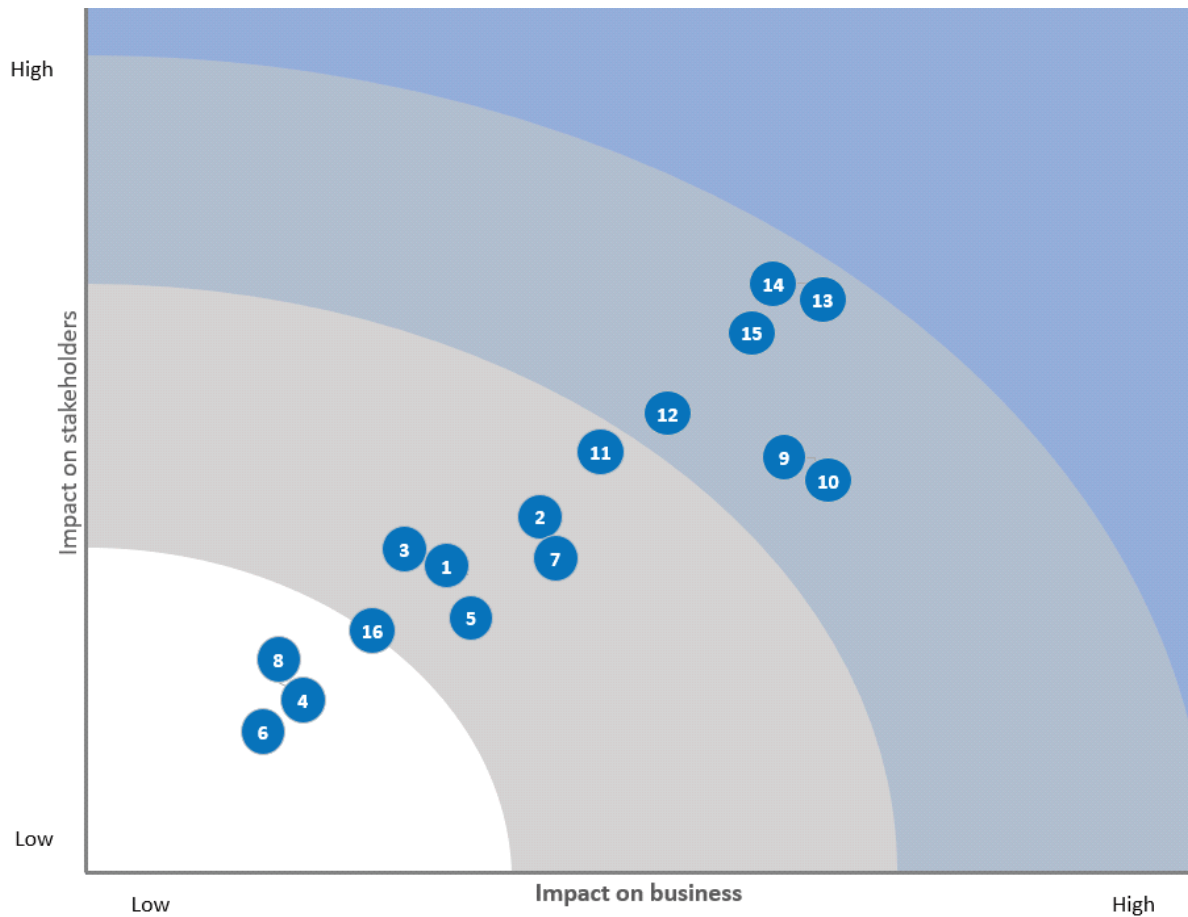
Stakeholders	Probable Points of Concern	Communication and Responses
Government	Compliance with laws and regulations, preventing tax evasion, and social welfare.	Interaction and visits, government inspections, tax returns and other information.
Investors	Corporate governance, business strategies and performance, and investment returns.	Organizing briefing sessions and seminars, interviews, shareholders' meetings, issue of financial reports or operation reports for investors, media and analysis.
Media & Public	Corporate governance, environmental protection, and human rights.	Issue of press release or company announcements.
Customers	Service quality, service delivery schedule, reasonable prices, service value, and personal data protection.	Providing high quality products and services and established a comprehensive customer service system and customer feedback and complaint mechanism.
Employees	Rights and benefits of employees, compensation, training and development, work hours, and working environment.	Conducting training, interviews with employees, internal memos, and employee suggestion boxes.
Community	Community environment, employment opportunities, community development, and social welfare.	Developing community activities, employee voluntary activities, and community welfare subsidies and donations.

Materiality Assessment

MATERIALITY ASSESSMENT

The Group has identified ESG issues that have potential or actual impact on its sustainable development from various sources, such as issues identified in internal policies, industry trends and the Sustainability Accounting Standards Board’s Materiality Mapⁱ. The ESG issues have been analyzed with reference to an array of factors, including the Group’s overall strategy, development, and goals and targets. The Group has conducted a materiality assessment to rate the identified ESG issues that are pertinent to its business and stakeholders, and their respective levels of impact.

The Group has conducted a materiality assessment to rate the identified ESG issues that are pertinent to its business and stakeholders, and their respective levels of impact. The assessment results are shown below:



ESG Issues

1	Emissions	9	Employment
2	Greenhouse Gas Emissions	10	Health and Safety
3	Hazardous Waste	11	Development and Training
4	Non-Hazardous Waste	12	Labor Standards
5	Energy Consumption	13	Supply Chain Management
6	Water Consumption	14	Product and Service Responsibility
7	Natural Resources	15	Anti-corruption
8	Climate Change	16	Community Investment

ⁱ Sustainability Accounting Standards Board’s Materiality Map, <https://materiality.sasb.org/6>

ENVIRONMENTAL

Overview

A sustainable environment is a foundation for long-term economic and social prosperity. The Group believes that sustainability represents not just an ethical obligation, but also a gateway to business success. Therefore, the Group prioritizes environmental protection, strives to mitigate any undesirable impact on the environment and continues to contribute to sustainable development.

The Group has formulated an ESG policy that sets forth its corporate social responsibility objectives and provides guidance on practising corporate social responsibility in its daily operations. The ESG policy also sets out the respective responsibility and authority of different parties in facilitating an effective management of the ESG matters.

During the Reporting Year, the Group has complied with all applicable requirements as set up by the laws and regulations regarding air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non hazardous waste, including but not limited to the “Law of the PRC on Environmental Protection (中華人民共和國環境保護法)”, “Law of the PRC on the Pollution Prevention and Control on Water Pollution (中華人民共和國水污染防治法)”, “Law of the PRC on the Prevention and Control of Atmospheric Pollution (中華人民共和國大氣污染防治法)” and “Law of the PRC on the Prevention and Control of Solid Waste Pollution (中華人民共和國固體廢物污染環境防治法)” in all material respects. During the Reporting Year, there were no non-compliance incidents or grievances noted by the Group in relation to environmental issues.

Emissions

During the Group’s daily operations, the Group owned a fleet of 6 vehicles for its business operations, as well as transporting our management team members, guests and clients. Vehicle usage is the major activity of the Group that generate air pollutant, which includes nitrogen oxides (“**NO_x**”), sulphur oxides (“**SO_x**”) and Particulate Matter (“**PM**”). During the Reporting Year, the air pollutants emissions data is as follows:

Year ended 31 December	2022
NO _x emission (g)	8,790
SO _x emission (g)	164
PM emission (g)	647

During the Reporting Year, the Group generated 8,790 g of NO_x, 164 g of SO_x and 647 g of PM. To uphold the principles of sustainable development, the Group is committed to maintaining the air pollutants emissions at the same level of the baseline year ended 31 December 2022 in the next reporting year. For fleet management, regular maintenance checks are performed for all the vehicles to enhance fuel consumption efficiency, ensure road safety and keep emissions at their minimum.



Environmental

Greenhouse Gas Emissions

Greenhouse gases generated from human activities is one of the significant drivers of global warming which affect the lives of the present and future generation. Therefore, the Group is highly concerned about the importance of monitoring and mitigating the greenhouse gas emission in its operations. As mentioned, vehicle fuel combustion and stationary combustion are the major activities that generate direct emissions from operations. In addition, indirect greenhouse gases emission mainly results from the purchase of electricity and paper consumption within the Group. The greenhouse gases emissions generated by the Group are shown as follows:

Year ended 31 December	2022
Greenhouse Gas (“GHG”) Emissions (tonnes CO₂-e)	
Scope 1 – Direct Emissions (Mobile combustion & Stationary combustion)	165.11
Scope 2 – Energy Indirect Emissions (Electricity consumption)	1,394.29
Scope 3 – Other Indirect Emissions (Paper consumption & Business air travel)	3.47
Total Amount of GHG Produced during the Reporting Year (tonnes CO₂-e):	1,562.87
The intensity of GHG Produced during the Reporting Year (tonnes CO₂-e/RMB10 million of revenue):	8.36

During the Reporting Year, the GHG emissions intensity of the Group is 8.36 tonnes CO₂-e/RMB10 million of revenue. To uphold the principles of sustainable development, the Group is committed to reducing or maintaining the total GHG emissions intensity of less than 20.0 tonnes CO₂-e per RMB10 million of revenue in the next reporting year.

Our Group has implemented an array of measures in mitigating GHG emissions, including but not limited to the following:

- Encouraging the use of prefabricated construction method in our construction projects, under which components are processed in factories and installed on site, which reduces wet work and relevant pollutants on site and reduces the use of cement (a kind of high carbon construction material);
- Engaging in R&D continuously and researching on green building technology topics that may reduce the use of fuel and/or material;
- Performing periodic maintenance of our vehicles to reduce pollution and emission;
- Replacing old retired vehicles with low-emission vehicles where applicable;
- Prohibiting combustion of wastes;
- Switching off all electronic equipment/mobile machinery when it is not in operation;
- Using more energy-efficient lighting products, such as LED lighting;
- Conducting proper and regular maintenance of equipment to keep their efficiency and reduce energy consumption; and
- Turning off lighting facilities during lunch time, and the last employee who leaves the office/site must ensure that all lights are switched off.

Waste Management

During the Reporting Year, the Group has complied with all applicable requirements as set up by the laws and regulations regarding the generation of hazardous waste and non-hazardous waste in all material respects including but not limited to the “Law of the PRC on Environmental Protection (中華人民共和國環境保護法)” and the “Law of the PRC on Prevention and Control of Environmental Pollution by Solid Waste (中國固體廢物污染環境防治法)”. During the Reporting Year, the Group did not have any material non-compliance incidents or grievances in relation to waste management.

The Group does not produce any hazardous waste during the course of its daily operations. For non-hazardous wastes, paper consumption in operation and mouldboard are the major sources of it during the Reporting Year. The following shows the statistics of non-hazardous waste generated and recorded during the Reporting Year:

Year ended 31 December	2022
Total Non-Hazardous Waste Generated (in tonnes)	10.17
Intensity of Non-Hazardous Waste Generated (tonnes/RMB10 million of revenue)	0.05

During the Reporting Year, the intensity of the non-hazardous waste generated by the Group is 0.05 tonnes per RMB10 million of revenue. To uphold the principles of sustainable development, the Group is committed to reducing or maintaining the intensity of non-hazardous waste generated between 90% to 120% of the level of the baseline year ended 31 December 2022 in the next reporting year.

Our Group has implemented measure in reducing the wastage, including but not limited to the following:

- Schemes for waste reduction in construction projects are applied, in which construction wastes are categorised to identify reuse and recycle materials, so they can be recycled or reused where appropriate. For example, waste concretes are reused to pave temporary roads, and waste rebars are reused as horse stool reinforcement.

Packaging

As the Group’s core business activities do not involve the use of packaging materials, and thus, no relevant data and measures in this respect are available.

Energy Efficiency

The Group treasures the use of energy. As mentioned, the Group has implemented an array of measures in reducing energy consumption. For details of the energy consumption reduction measures, please refer to the section headed “Greenhouse Gas Emissions” in this ESG Report.

During the Reporting Year, the energy consumption of the Group is shown as follows:

Year ended 31 December	2022 (kWh in '000s)
Petrol (Mobile combustion)	108
Petrol (Stationary combustion)	576
Electricity Consumption	2,445
Total Energy Consumption	3,129
Energy Consumption Intensity (kWh in '000s/RMB10 million of revenue)	17



Environmental

During the Reporting Year, the energy consumption intensity of the Group is 17 kWh in '000s per RMB10 million of revenue. To uphold the principles of sustainable development, the Group is committed to reducing or maintaining the energy consumption intensity between 90% to 120% of the level of the baseline year ended 31 December 2022 in the next reporting year.

Water Management

The Group has complied with the “Prevention and Control of Water Pollution Law (水污染防治法)” with an aim to prevent and control water pollution, protect and improve the environment and make sure the safety of drinking water. During the Reporting Year, we have no issue in sourcing water that is fit for purpose.

The Group treasures the preciousness of water resources. Through the implementation of a variety of measures, the Group are committed to achieving water conservation and adopted various measures to lessen the use of water under the principle of saving and recycling:

- Prohibit any wastage of water;
- Inspect and identify any water leakage, breakage or other potential damage of water pipes regularly;
- Check meter reading constantly to prevent any hidden leakage;
- Post promotional posters and cards in prominent areas of the workplace to remind employees of saving water; and
- Promote water-saving education and ideas continuously among our employees.

The Group believes that carrying out the measures stated above, will be effective in raising the awareness of employees' water conservation initiatives and reduce water consumption in the long run.

During the Reporting Year, the water consumption of the Group is shown as follows:

Year ended 31 December	2022
Water Consumption (in m ³)	2,140
Water Consumption Intensity (m ³ /RMB10 million of revenue)	11

During the Reporting Year, the water consumption intensity of the Group is 11 m³ per RMB10 million of revenue. To uphold the principles of sustainable development, the Group is committed to maintaining or reducing total water consumption intensity between 90% to 120% of the level of the baseline year ended 31 December 2022 in the next reporting year.

Environmental Protection

As a construction service provider, there is no significant consumption of natural resources and therefore the Group's activities do not have any significant impact on the environment. However, the Group is concerned about the natural resources consumed along the supply chain and it endeavours to select vendors that are environmentally and socially conscious. Details of vendor selection criteria are set out in the section headed “Supply Chain Management” below.

Climate Change

The Group has considered the potential climate-related risks and opportunities in respect of the recommendations of the Task Force on Climate-related Financial Disclosures, in which potential physical risks and transition risks from climate change may pose adverse financial impacts on the Group's businesses. Acute physical risk can arise from extreme weather conditions such as flooding and storms and chronic physical risk can arise from sustained elevated temperature, while transition risk may result from a change in climate-related regulations, emerging technology or shift in customer preferences.

The potential climate-related risks in respect of the recommendations of the Task Force on Climate-related Financial Disclosures are summarized below:

Risk Type	Risks	Potential Financial Impact	Short (current Reporting Year)	Medium (one to three years)	Long (four to ten years)	Mitigation Strategy
Physical Risks	<ul style="list-style-type: none"> Extreme weather conditions such as flooding and storms 	<ul style="list-style-type: none"> Reduced revenue from business and supply chain disruptions 	✓		✓	<ul style="list-style-type: none"> Established contingency plan in the employee handbook to guide all employees to work safely under extreme weather condition Included risks associated with extreme weather conditions in the risk management planning
	<ul style="list-style-type: none"> Sustained elevated temperature or winter storms 	<ul style="list-style-type: none"> Increased in operating expenses or costs related to the rising need for cooling or replacing damaged assets 		✓	✓	<ul style="list-style-type: none"> Adopted measures to mitigate emissions and conserve energy



Environmental

Risk Type	Risks	Potential Financial Impact	Short (current Reporting Year)	Medium (one to three years)	Long (four to ten years)	Mitigation Strategy
Transition Risks	• Changes in climate-related regulations	• Operating costs increased due to new or changing regulations		✓	✓	<ul style="list-style-type: none"> Adopted measures to mitigate emissions and conserve energy Continue to closely monitor the regulatory environment and industry trends, adopts practices that meet market and customer expectations
	• Emerging technologies	• Increased cost in adopting new technologies, devices, or practices		✓	✓	
	• Shift in consumer preference to products and services incorporating more environmentally-friendly concept	• Reduced revenue from reduced demand in products and services		✓	✓	

SOCIAL

Employment

The Group has complied with a series of labor laws relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare in the PRC in all material respects including but not limited to “Labor Contract Law of the PRC (中華人民共和國勞動合同法)” and “Labor Law of the PRC (中華人民共和國勞動法)”. To ensure that the Group’s key policies are clearly and consistently communicated to the employees, the Group has established an “Employees’ Handbook”, which details the rights of the employees, such as working hours, leave entitlements and other benefits and welfare. “Employees’ Handbook” is available to all employees upon request.

The Group believes that employees are the key asset and important component to business success, so the Group pay attention to the personal growth of every employee and has set up various channels of communication with employees to enhance employees’ sense of belonging to the Group. The Group is also committed to promoting the diversity of its employees to enhance the effectiveness of its corporate governance. The Group strive to achieve diversity not only in terms of gender, but also age, cultural and educational background, professional qualifications, skills, knowledge, and industry experience in the recruitment of its employees. Our Group supports diversity, equity, and inclusion in the workplace and believes that by providing all individuals with equal opportunities, we can make the most of their capabilities as part of our social responsibility.

Our Group have established a set of rules in our “Employees’ Handbook” to ensure that no employee is mistreated, harassed, discriminated against, or deprived of any opportunities including but not limited to recruitment, promotion, training, and company welfare because of their nationality, religion, beliefs, disability, gender, age, birthplace, sexual orientation, values, workstyles and family status. These important values within the Group are well communicated to all of our employees. The Group strive to provide equal opportunities to disabled individuals by recruiting employees strictly based on their abilities through an impartial and transparent recruitment system. Our Group acknowledge the value of diversity and will ensure gender equality in our board composition by having at least one female board member. The Group are committed to improving human resources policies and workplace facilities so as to guarantee employees’ health and safety at all time.

The Team

The Group believes that a diversified and cohesive team is indispensable to the success of the business. The Group strives to ensure that the recruitment process is fair and without any discrimination.

As at 31 December 2022, the Group had a total of 338 employees.



Social

The breakdowns of the Group's workforce by gender, age group and geographical region are as follows:

As at 31 December	2022
Total workforce	338
Breakdowns by gender	
Male	279
Female	59
Breakdowns by age group	
30 or below	68
31–40	117
41–50	112
51 or above	41
Breakdowns by geographical region	
The PRC	338
Hong Kong	—
Breakdowns by employment type	
Full time	338
Part time	—

During the Reporting Year, the employee turnover across the Group was 6%ⁱⁱ, the details are as follows:

KPI B1.2	
Employee Turnover Rates	
Overall Turnover Rate	6%
By gender	
Male	5%
Female	10%
By age group	
30 or below	15%
31–40	5%
41–50	2%
51 or above	2%
By geographical region	
The PRC	6%
Hong Kong	—%

ⁱⁱ The overall turnover rate is disclosed in accordance "Appendix 3: Reporting Guidance on Social KPIs" published by HKEX, which is the total employees leaving employment divided by the number of total employees as at 31 December 2022

Health and Safety

During the Reporting Year, the Group has complied with the “Labor Law of the PRC (中華人民共和國勞動法)”, the “Labor Contract Law of the PRC (中華人民共和國勞動合同法)”, the “Work Safety Law of the PRC (中華人民共和國安全生產法)”, the “Regulation on the Administration of Work Safety of Construction Projects (建設工程安全生產管理條例)”, the “Regulation on the Work Safety Licenses (安全生產許可證條例)”, the “Provisions on the Administration Regulation on Work Safety License of Construction Enterprise (建築施工企業安全生產許可證管理規定)” and other relevant laws and regulations which stipulate requirements to maintain safe working conditions and to protect the occupational health of employees in all material respects. The Group has been educating employees on occupational safety and sanitation, preventing accidents at work and reducing occupational hazards.

We strive to offer a healthy and safe work environment for our employees, we have in place stringent internal safety policies to ensure our safe operations and ensure our compliance with relevant PRC laws and regulations., which primarily include the following measures:

- All personnel are required to wear safety helmets within construction sites;
- Workers working at height are required to wear safety belts in addition to safety helmets;
- Workers carrying out electrical work are required to wear protective footwear and gloves; and
- Workers carrying out welding work must be equipped with fire extinguishing equipment. There must be on-site designated person(s) responsible for watching the fire.

Pursuant to the “Labor Law of the PRC (中華人民共和國勞動法)”, an employer must establish a sound labor safety and hygiene system and shall strictly implement state rules and standards of labor safety and hygiene, conduct labor safety and hygiene education among its employees to prevent accidents and reduce occupational hazards. An employee must strictly observe operational safety procedures.

Pursuant to the Interim Measures of Construction Workers Using Personal Protective Equipment (建築施工人員個人勞動保護用品使用管理暫行規定), all construction workers must receive regular safety training and adhere to the principle of training first, before carrying out their work. In addition, the use and management of safety equipment in the construction site and the personal safety equipment for construction workers are also strictly regulated.

Our work safety, procurement and subcontracting department is responsible for overseeing our compliance with relevant PRC laws and regulations. Our internal safety measures and policies include implementing prevention measures, keeping records for safety incidents, identifying and assessing occupational hazards, conducting regular reviews and inspections of our safety performance, conducting on-site assessments in accordance with the JGJ59–2011 Standard of Construction Safety Inspection (建築施工安全檢查標準) and conducting review of any material accidents. During the Reporting Year, we maintained the ISO45001:2018 occupational health and safety management system certification. Our work safety, procurement and subcontracting department also organises work safety education and training sessions for our employees each year in accordance with national regulations and on an as-needed basis when new technologies, new equipment, new machineries or new resources are involved. To enhance our safety management system, we also evaluate the suitability and effectiveness of our safety management system each year, and identify areas for improvement. The Group also required to fulfil and adopted the requirements under the Administration Regulation on Work Safety License of Construction Enterprise.

To ensure construction safety and prevent accidents, the “Provisions on the Falling Substance Accident Prevention of the Construction Projects (建築工程預防高處墜落事故若干規定)” sets out strict rules on staff and equipment requirements for height operation under a strict liability regime. Pursuant to the “Provisions on Collapse Prevention of Construction Projects (建築工程預防坍塌事故若干規定)”, in order to prevent accidents and ensure construction safety, the Group is required to formulate the construction plan, which should be strictly based on the geological conditions, construction technologies, working conditions and the surrounding environment.

Our occupational health and safety management system includes a reporting and record system for safety accidents on our construction sites. The project manager must report the safety accidents to our work safety, procurement and subcontracting department immediately. We will report the accident to the relevant government authority as required by PRC laws and regulations and cooperate with local government authorities to investigate such safety accident.

During the Reporting Year, we did not have any material workplace accidents and fatalities, and we have not been subject to any material fines, public criticism or warnings in relation to any safety incidents. No work-related fatalities were recorded by the Group in the past three years including the Reporting Year. We were not subject to any accident which required reporting to the relevant government authorities and caused material claims. The Group continues to reflect on its existing safety policies and is committed to continuously adapt and improve its occupational safety measures as would be necessary.

Our work-related injuries and fatalities data for the Reporting Year are listed as below:

Year ended 31 December	2022	2021	2020
Number of work-related fatalities	—	—	—
Rate of work-related fatalities (%)	—	—	—
Number of work injuries	3	5	4
Lost days due to work injury	70	12	8

In the midst of the outbreak of the Coronavirus disease 2019 (“**COVID-19**”), the Group has implemented all practicable preventive and protective measures to minimize occupational risk, including but not limited to daily temperature checks, wearing of surgical mask, social distancing requirements and provision of sanitizers. The Group will continue to assess the development of the COVID-19 outbreak, and regularly reviews the relevant countermeasures in accordance with the local government regulations to ensure the effectiveness of the measures.

Development and Training

The Group regards employees as its most valuable asset. Thus, the Group places emphasis on the personal development of the employees. The Group believes that investing in employees through training will help promote job satisfaction and staff loyalty. Different types of training were provided to the employees to enhance their knowledge and capabilities.

Upon joining our Group, we provide induction training for staff to help them familiarize themselves with our service standards, policies and procedures. The Group conducted an array of training, including induction training to newly-joined employees, on-the-board training, and education opportunities depending on the job function of the employees. Our Group will hold seminars and events occasionally for our employees, in order for them to catch up with market trend. Education allowance would be given to employees if such application is approved by their department managers and further approved by the human resources department.

The Group will continue to invest more resources into its employees' training and development, so that its staff can be equipped with the necessary knowledge and skills to keep abreast of market trends and provide quality services, as well as achieve personal career development. By these means, all employees can grow together with the Group.

During the Reporting Year, the employees of the Group received 1,408 hours of training in total. The training details of the Group during the Reporting Year are as follows:

KPI B3.1

Development and Training Indicators

Total 14%

By Gender

Male 73%

Female 27%

By Employee Category

Entry level 55%

Middle level 25%

Management level 20%

KPI B3.2

Development and Training Indicators

Average hours of training that employees participated in 4.2

Average hours of training per employee by gender

Male 3.6

Female 6.8

Average hours of training per employee by employment category

Entry level 2.7

Middle level 24.5

Management level 10.0

Labor Standards

During the Reporting Year, the Group has complied with a series of labor laws in the PRC in all material respects including but not limited to the "Labor Contract Law of the PRC (中華人民共和國勞動合同法)" and "Labor Law of the PRC (中華人民共和國勞動法)" relating to preventing child and forced labor.

With the aim to protect the children of their childhood, prevent inappropriate physical and manual work for children and protect the free labor rights and employees' rights and interests, the Group have strict requirements for the recruitment process. During the job interview, the Group carefully examine and verify the applicant's original identity card and make detailed inquiries to applicants to ensure that the Group does not employ child labor and forced labor.

The Group strictly prohibit the use of forced labor and child labor. If management discovers irregular employment of child labor or forced labor, the Group will immediately terminate the contract, ascertain the causes of such irregular employment and accountabilities of relevant recruitment staff to eliminate such practices. During the Reporting Year, the Group did not employ child labor or forced labor.

Supply Chain Management

The Group places emphasis on its supply chain management. In addition to improving cost competitiveness, the Group also values the sustainability of its supply chain. The Group supports the purchase of environmentally-friendly products to minimize the environmental impact caused by its business operations. Also, the Group would consider the awareness of occupational health and safety during the supplier selection. In the selection of suppliers, we perform rigorous assessments based on several criteria, including environmental and social risks, quality and source of products, reputation in the industry, price and delivery time. Our suppliers are required to possess relevant licenses and permits necessary to conduct their operations. Suppliers with more environmentally friendly practices and high-quality standards would be more favorable. The Group also closely cooperates with the suppliers to maintain the quality of products and services provided to the customers.

The Group closely monitors the performance of the existing suppliers and selects new vendors based on defined criteria, such as qualification, company scales, and reputation, etc. Approved suppliers are evaluated on a regular basis by the respective purchasing departments to ensure that the quality of products and services that the Group purchases are up to standard. Suppliers who are not up to standard for a prolonged period of time will be disqualified.

There was a total of 88 approved suppliers and all of them are located in the PRC during the Reporting Year. The Group has performed the annual evaluation of the suppliers in order to assess whether the suppliers have complied with the standards of the Group.

Product Quality Assurance

The Group endeavours to achieve high standard quality control and management to maintain our quality, safe and effective performance. During the Reporting Year, we maintained the GB/T19001-2016 idt ISO9001:2015 and GB/T 50430-2017 quality management system certification. Our directors believe that provision of timely and quality construction works are crucial to build up trust with customers and our reputation and success. We have adopted quality control procedures to implement stringent measures during construction process, from procurement of raw materials and equipment to completion and inspection of construction works. Our technical quality department is responsible for quality management and inspection of the construction projects.

To ensure the safety and quality of our services, we have set an array of quality control measures. Our project management team is required to keep the relevant reports and records during construction process to document construction progress, inspection results, quality and issues. It is required to issue a project quality report to our technical quality department every ten days. Also, before our acceptance of raw materials procured, inspections are conducted by samplers, quality controllers and supervising engineers in accordance with the relevant regulations. The Group only use raw materials after obtaining their approval and passing our inspection. Moreover, our quality controllers are responsible for setting up key points of control throughout the process of our construction. Such points of control allow for close supervision towards the construction work and hence a better prevention of the occurrence of quality issue. Testing of our construction works may be carried out by independent inspection institutions or our project testing laboratory established for such purpose. The Group would quarterly conduct review project quality management and control system by the technical quality department. We collect feedbacks from our customers periodically of their satisfactory level on the quality of our construction works and subsequent warranty services. For subcontractors, the Group requires the construction subcontractors to abide by our quality control measures and meet our quality standards during the course of their performance in our construction projects. There was no completed works subject to recalls for safety or health reasons during the Reporting Year.

Our Works and Services

The Group values customer relations as they are integral to the success of its business. We pledge to offer quality after-sales service to our customers and take customer complaints seriously manner. Customers are welcome to provide feedback and express concerns. All of the feedback and complaints are recorded in our customer complaint register, detailing information such as the cause of the complaint, the product concerned, follow-up actions, and results etc. By keeping track of all the complaints, we can ensure that our customers' concerns have been attended to accordingly, while implementing the rectifications in a timely manner.

The Group works to create a good client experience by providing quality products and services that suit customers' needs. We welcome feedback from our customers and provide them with various ways of solving their issues. During the Reporting Year, no material case of works or service-related complaint was received.

Data Privacy

In order to build customer trust and loyalty, the Group has established measures to reduce the risk of employees leaking confidential information to outsiders.

Our confidentiality policy is to comply with Mainland China's "Personal Information Protection Law". We have issued internal codes of practice and guidelines to employees to ensure that customers' information is collected for specific purposes and only designated staff has access to it. If any employee is found to be misappropriating customers' private data, the Group will take disciplinary action against the employee concerned and reserve its right to legal action. Moreover, our employees are given limited access to the company database depending on their job positions. Authorization is managed by the Information Technology ("IT") Department of the Group, which will regularly review the internal IT system to ensure the safety of the Group's computer systems. Employees are strictly prohibited from modifying their computers without formal approval from the management. Furthermore, non-disclosure agreements are signed by the employees of the Group to ensure that they are aware of their legally binding obligations of protecting the confidential information of the Group.

Intellectual Property Rights

We have registered trademarks, patents and domain name which are important to our business. We regularly monitor whether our trademarks are being infringed. We are committed to protecting intellectual property rights which we handle with great care during our daily operations.

During the Reporting Year, the Group complied with all laws and regulations related to intellectual property rights in Hong Kong and the PRC that have a significant impact on it, including but not limited to the Copyright Ordinance (Cap. 528 of the Laws of Hong Kong), "Trademark Law of the PRC (中華人民共和國商標法)" and "Copyright Law of the PRC (中華人民共和國著作權法)".

During the Reporting Year, no confirmed non-compliance incidents or grievances in relation to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress were noted by the Group.



Social

Anti-corruption

During the Reporting Year, the Group complied with the laws and regulations relating to bribery, extortion, fraud and money laundering, including the “Criminal Law of the PRC (中華人民共和國刑法)” and “Anti-Money Laundering Law of the PRC (中華人民共和國反洗錢法)”. Employees are strictly prohibited from engaging in illegal activities, including but not limited to bribery, fraud and misappropriation.

Moreover, “anti-corruption management policy” clearly sets out the procedures and channels for reporting corruption, bribery and fraud cases. As stipulated in the policies, all employees should immediately report any suspected fraud cases. Our human resources department performs background check to the management or key position staff during hiring or promotion process, in order to check their background and possible criminal record. In order to promote anti-corruption and anti-bribery in business, the policies strengthen the Group’s internal control mechanism and supervision in related to anti-corruption issues.

The Group has established “anti-bribery and whistleblowing policy” to encourage employees to report any suspicious fraudulent activities. The Group intends to protect the whistle-blower from common concerns such as confidentiality and potential retaliation. Therefore, the employee(s) reporting in good faith under this procedure shall be assured of the protection against unfair termination or victimization, even if the reports are subsequently proved to be unsubstantiated. A full investigation will then be conducted by the Board or senior management in a confidential manner, disciplinary action will be applied to the employee involved upon confirmation of the occurrence, and further legal action may be taken depending on the nature and particular circumstances of each case.

The Group will actively combat any money laundering using public or private accounts and ensure that there are no corruption and bribery within the Group. If employees want to report any suspicious corruption cases, they can report to the relevant management by telephone, e-mail or letter.

During the Reporting Year, no legal cases regarding corruption or money laundering was brought against the Group or its employees, and no continuing aforesaid legal cases were noted or reported. The Group offers new employee induction training which includes training in relation to basic employee ethics, such as anti-corruption. The Group will closely monitor the regulatory development and will arrange relevant anti-corruption training for its employees and directors, where necessary.

Community Investment

The Group understands that the development of the enterprise depends on the support from the communities. Meanwhile, the Group has also shown the spirit of serving the communities where the Group operates and has been actively involved in community investment. The Group encourages our employees to participate and contribute to society as a sustainable business is dependent on the stability and well-being of our community.

During the Reporting Year, the Group made donations of a total of RMB130,000 to education foundations in Xiamen and a charity foundation in Hunan, for supporting the welfare, social and educational services of the local community. Moreover, as part of our efforts to fulfil our social responsibility, we actively provide voluntary services to the local community such as tree planting and provide material support to the individuals on the frontline of epidemic prevention and control. During the Reporting Year, there was a total of 56 employees of the Group provided 232 hours of volunteer services. The Group will continue to explore more community activities and contribute to the prosperity of the community.

HKEX ESG Reporting Guide Content Index

HKEX ESG REPORTING GUIDE CONTENT INDEX

Part A: Environmental

ESG Aspects

A1. Emissions

Information on the policies and compliance with relevant laws and regulations that have a significant impact on the issuer relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste.

Related Section(s)

Remarks

Overview, Emissions, Greenhouse Gas Emissions, Waste Management

KPI A1.1 The types of emissions and respective emission data.

Emissions

KPI A1.2 Greenhouse gas emission in total (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).

Greenhouse Gas Emissions

KPI A1.3 Total hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).

Waste Management

KPI A1.4 Total non-hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).

Waste Management

KPI A1.5 Description of measures to mitigate emissions and results achieved.

Emissions, Greenhouse Gas Emissions

KPI A1.6 Description of how hazardous and non-hazardous wastes are handled, reduction initiatives and results achieved.

Waste Management

A2. Use of Resources

Policies on the efficient use of resources, including energy, water and other raw materials.

Energy Efficiency, Water Management, Supply Chain Management

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).

Energy Efficiency

KPI A2.2 Water consumption in total and intensity (e.g. per unit of production volume, per facility).

Water Management

KPI A2.3 Description of energy use efficiency initiatives and results achieved.

Energy Efficiency

KPI A2.4 Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency initiatives and results achieved.

Water Management

KPI A2.5 Total packaging material used for finished products (in tonnes) and, if applicable, with reference to per unit produced.

Packaging

A3. The Environmental and Natural Resources

Policies on minimizing the issuer's significant impact on the environment and natural resources.

Energy Efficiency, Water Management, Environmental Protection

KPI A3.1 Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.

Environmental Protection

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Part A: Environmental

ESG Aspects

A4. Climate Change

Policies on identification and mitigation of significant climate-related issues which have impacted, and those which may impact, the issuer.

Related Section(s)

Climate Change

Remarks

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.

Climate Change

Part B. Social

ESG Aspects

B1. Employment

Information on the policies and compliance with 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.

Related Section(s)

Employment

Remarks

KPI B1.1 Total workforce by gender, employment type, age group and geographical region.

The Team

KPI B1.2 Employment turnover rate by gender, age group and geographical region.

The Team

B2. Health and Safety

Information on the policies and compliance with laws and regulations that have a significant impact on the issuer relating to providing a safe working environment and protecting employees from occupational hazards.

Health and Safety

KPI B2.1 Number and rate of work-related fatalities.

Health and Safety

KPI B2.2 Lost days due to work injury.

Health and Safety

KPI B2.3 Description of occupational health and safety measures adopted, how they are implemented and monitored.

Health and Safety

B3. Development and Training

Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.

Development and Training

KPI B3.1 The percentage of employees trained by gender and employee category (e.g. senior management, middle management).

Development and Training

KPI B3.2 The average training hours completed per employee by gender and employee category.

Development and Training

B4. Labor Standards

Information on the policies and compliance with laws and regulations that have a significant impact on the issuer relating to preventing child and forced labor.

Labor Standards

KPI B4.1 Description of measures to review employment practices to avoid child and forced labor.

Labor Standards

KPI B4.2 Description of steps taken to eliminate such practices when discovered.

Labor Standards

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Part B. Social

ESG Aspects

B5. Supply Chain Management

Policies on managing environmental and social risks of the supply chain.

KPI B5.1 Number of suppliers by geographical region.

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.

KPI B5.3 Description of practices used to identify environmental and social risks along the supply chain, and how they are implemented and monitored.

KPI B5.4 Description of practices used to promote environmentally preferable products and services when selecting suppliers, and how they are implemented and monitored.

B6. Product and Service Responsibility

Information on the policies and compliance with 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 method of redress.

KPI B6.1 Percentage of total products sold or shipped subject to recalls for safety and health reasons.

KPI B6.2 Number of products and service-related complaints received and how they are dealt with.

KPI B6.3 Description of practices relating to observing and protecting intellectual property rights.

KPI B6.4 Description of quality assurance process and recall procedures.

KPI B6.5 Description of consumer data protection and privacy policies, how they are implemented and monitored.

B7. Anti-corruption

Information on the policies and compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering.

KPI B7.1 Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the Reporting Year and the outcomes of the cases.

KPI B7.2 Description of preventive measures and whistle-blowing procedures, how they are implemented and monitored.

KPI B7.3 Description of anti-corruption training provided to directors and staff.

B8. Community investment

Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure that its activities take into consideration the communities' interests.

KPI B8.1 Focus areas of contribution (e.g. education, environmental concerns, labor needs, health, culture, sport).

KPI B8.2 Resources contributed (e.g. money or time) to the focus area.

Related Section(s)

Remarks

Supply Chain Management

Supply Chain Management

Supply Chain Management

Supply Chain Management

Supply Chain Management

Product Quality Assurance, Our Works and Services, Data Privacy, Intellectual Property Rights

Product Quality Assurance

Our Works and Services

Intellectual Property Rights

Product Quality Assurance

Data Privacy

Anti-corruption

Anti-corruption

Anti-corruption

Anti-corruption

Community Investment

Community Investment

Community Investment