



瑞港建設控股有限公司
PROSPER CONSTRUCTION HOLDINGS LIMITED
(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 6816)

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT
YEAR 2023

Contents

1.	Scope of Report	1
2.	Reporting Principles	2
3.	Board’s Leadership on ESG Topics.	3
4.	Communication with Stakeholders	4
5.	Materiality Assessment	6
6.	Contact the Group	8
7.	ESG Performance.	8
	7.1 Environment.	8
	7.2 Society	16

Environmental, Social and Governance Report Year 2023

1. Scope of Report

This environmental, social and governance report (the “Report” or the “ESG Report”) describes the annual information of Prosper Construction Holdings Limited (the “Group” or “We”) in the aspects of environmental, social and governance (“ESG”), as well as the compliance status associated with the operating regions in the year 2023.

The Report is published annually for each financial year. The Report covers the period from 1 January 2023 to 31 December 2023 (the “Year”, the “Reporting Period” or the “Year 2023”), which is the same as the reporting period of the latest annual report of the Group.

The Report covers the businesses contributing the majority of the Group’s revenues, i.e. marine construction works and general construction contracting services. Accordingly, the Report’s content, in addition to the operation of headquarters office in the Hong Kong Special Administrative Region (“Hong Kong”), also covers the disclosure of the construction projects in operation this Year (excluding projects that are suspended or pending commencement). In the Year 2023, the focus of the Group’s disclosure of its environmental data will be the operating places that are of significant impacts to the environment¹, and the disclosure of its social data will include all employees under the management of the Group, which is consistent with the data contained in the annual report of this Year.

The Report is prepared in accordance with the framework in the “Environmental, Social and Governance Reporting Guide” (the “Reporting Guide”) as set out in Appendix C2 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) as well as the actual situation of the Group.

-
1. In the Year 2023, as the progress of the respective construction projects is different from that of 2022, and as the major sources of income for the Macau Special Administrative Region (“Macau”) and overseas regions are from the final installment of construction projects and vessel chartering in the absence of construction site projects currently in operation; accordingly, the scope of disclosure of the environmental data this Year is mainly focused on:
- (1) Hong Kong - headquarters and its office;
 - (2) Qingdao City (“Qingdao”), the People’s Republic of China (the “PRC”) - administrative office;
 - (3) Construction project sector in Mainland China (including but not limited to the construction projects in Qingdao); and
 - (4) Construction project sector in other regions (including but not limited to the construction projects in Hong Kong).

Environmental, Social and Governance Report Year 2023 (continued)

2. Reporting Principles

Materiality: The Group regularly makes reference to the industry sustainability standards at the local and international level and strives to integrate with them. At the same time, regular communication with stakeholders of various aspects is used to identify the most concerned and important sustainability topics for the Group. Those sustainability topics will also be incorporated into the Group's development policies under the overall strategy of the Group's operations. During the Year, the Group continued its stakeholder surveys to identify their expectations on the Group, and developed appropriate strategies to respond to their views and needs. Please refer to the sections "4. Communication with Stakeholders" and "5. Materiality Assessment" for further details.

Quantitative: The Group is committed to quantifying and disclosing the key performance indicators (the "KPIs") and data of the environmental and social categories, and, whenever feasible, explaining the methods of data collection and calculation to enhance data transparency. The standards, methods and applicable assumptions used to calculate the KPIs and data have been supplemented in the notes hereof.

Balance: In order to maintain the balance of reporting content, the Report includes fair disclosure of sustainability performance and challenges with which the Group and its stakeholders are concerned to provide impartial information to the public.

Consistency: The Group adheres to the Reporting Guide of the Stock Exchange for disclosure, which allows the Group to make meaningful annual comparisons of past performance under the same framework, and to disclose updated calculation methods of relevant data when necessary. In the Reporting Period, as stated in the section "1. Scope of Report", the Report's reporting scope has been modified, and such modifications are set out in the sections affected with explanations as appropriate.

Environmental, Social and Governance Report Year 2023 (continued)

3. Board's Leadership on ESG Topics

Under the current framework of business strategy, the Board of Directors of the Group oversees the relevant ESG matters to ensure that operation is in continued compliance with the laws and regulations of the local regions of project sites, and that the interests of stakeholders are protected, particularly in the assurance of a safe and healthy working environment for employees and mitigation of environmental impacts incurred by the construction projects.

The Group collects ESG information on a regular basis through different functional departments and working groups, and then consolidates, analyses and discloses its performance in the ESG Report. At the annual meeting of the Board of Directors, the board members will review such performance disclosed in the ESG Report, evaluate the suitability and status of compliance of the Group's business strategy, and identify the sustainability topics that are significant to the Group and its stakeholders, so as to make appropriate decisions and adjust the relevant strategies as necessary.

ESG Governance Structure



Strategies for Sustainable Development

Through regular reports from committees/working groups and the annual ESG reporting information, the Board of Directors assesses the potential risks revealed by the ESG information, prioritizes the management of material ESG topics and formulates effective preventive measures. The Board of Directors of the Group has adopted a prudential management strategy with the strict implementation of comprehensive risk management and an extensive internal control system. The Group has managed projects in different regions with risk control as a prerequisite.

Environmental, Social and Governance Report Year 2023 (continued)

Despite the challenges encountered by the real estate industry at present, the Board of Directors remains committed to making contributions to sustainable development. In terms of project and equipment management, efforts are made to reduce emissions and save resources, and feasible development strategies are considered from multiple perspectives, including but not limited to the following:

- Studying and investing in the improvement of the environmental characteristics of the construction works equipment;
- Collaborating with clients and contractors to explore and apply green building technologies; and
- Developing solutions to comply with local government regulations and respond to environmental and other compliance requirements for addressing climate change impacts on the business.

As regards the economic condition in the coming year, the Board of Directors expects that, despite the economic downturn in overseas countries and geopolitical tensions, the tight energy supply and surge in logistical costs of raw materials caused by the Russo-Ukrainian conflict will pose no impact on the Group as our suppliers and contractors are all located in Hong Kong and Mainland China.

Outside of construction sites, the Group continues to develop and implement relevant measures in the management of office operations and equipment for reduction of greenhouse gas (“GHG”) emissions and electricity conservation.

Looking forward, considering that addressing climate change has become a global consensus to achieve sustainable development, the Board of Directors will continue to improve its policies, follow up the targets established, regularly review performance and implementation progress, explore and expand opportunities for green building, and manage green and low-carbon projects and related compliance risks.

4. Communication with Stakeholders

According to the environmental and social categories of this Report, the stakeholders associated with the Group include directors, employees, investors, business partners, the government, and the general public. The Group acknowledges the importance of effective communication with stakeholders and collects the opinions of each of its stakeholders through internal meetings and external communication channels, amongst which include without limitation to meetings with clients, joint site inspection with clients and consultants, provision of suggestion boxes and client satisfaction survey, as well as evaluation of suppliers and contractors.

Environmental, Social and Governance Report Year 2023 (continued)

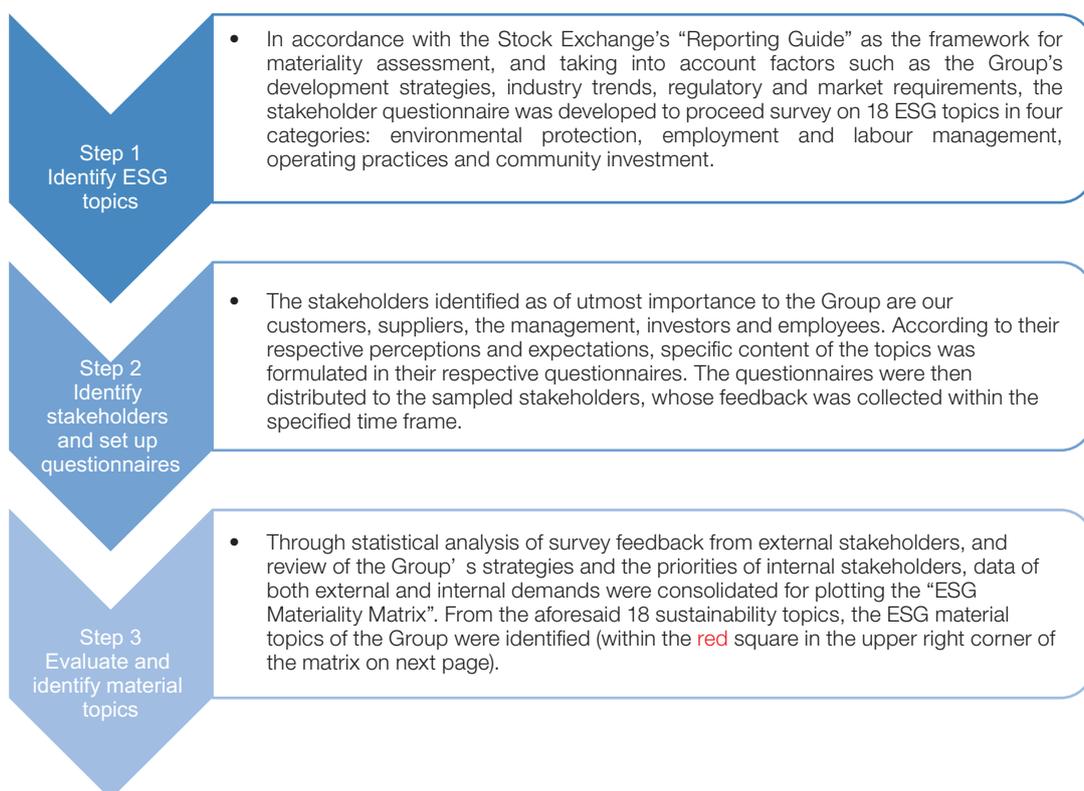
The Group will incorporate stakeholders' expectations into our operation and ESG strategies by engaging and communicating with them. Listed below are our communication channels with our major stakeholders, whose expectations and concerns about the Group are given full consideration:

Stakeholders	Expectations and Concerns	Communication Channels
Senior Management and Board of Directors	<ul style="list-style-type: none"> • Operation in compliance with laws • Anti-corruption and integrity building • Economic performance 	<ul style="list-style-type: none"> • Symposiums and seminars • Board meetings • Direct communication
Employees	<ul style="list-style-type: none"> • Development and training • Remuneration and benefits • Occupational health and safety • Communication with employees 	<ul style="list-style-type: none"> • Performance appraisals • Notice boards • Internal systems • Employee training courses
Investors and Shareholders	<ul style="list-style-type: none"> • Information transparency • Investment returns • Enhancement of product and service quality • Corporate governance 	<ul style="list-style-type: none"> • Annual general meetings and other shareholder meetings • Financial reports and announcements • Mass media • Official websites
Customers	<ul style="list-style-type: none"> • Quality of customer service • Protection of customers' privacy • Business ethics and integrity • Health and safety 	<ul style="list-style-type: none"> • Hotlines • Meetings • Suggestion boxes • Satisfaction surveys
Suppliers	<ul style="list-style-type: none"> • Long-term collaboration relationship • Fair and open tender • Business ethics and reputation 	<ul style="list-style-type: none"> • Evaluation on suppliers/contractors • Online communication • Site visits
Government and Regulatory Bodies	<ul style="list-style-type: none"> • Operation in compliance with laws • Business ethics and anti-corruption • Alignment with national strategies 	<ul style="list-style-type: none"> • Meetings • Qualification assessment • Direct communication
Community Groups, Non-governmental Organizations and the Media	<ul style="list-style-type: none"> • Corporate social responsibilities • Health and safety 	<ul style="list-style-type: none"> • Official websites • ESG reports • Mass media • Visiting activities

Environmental, Social and Governance Report Year 2023 (continued)

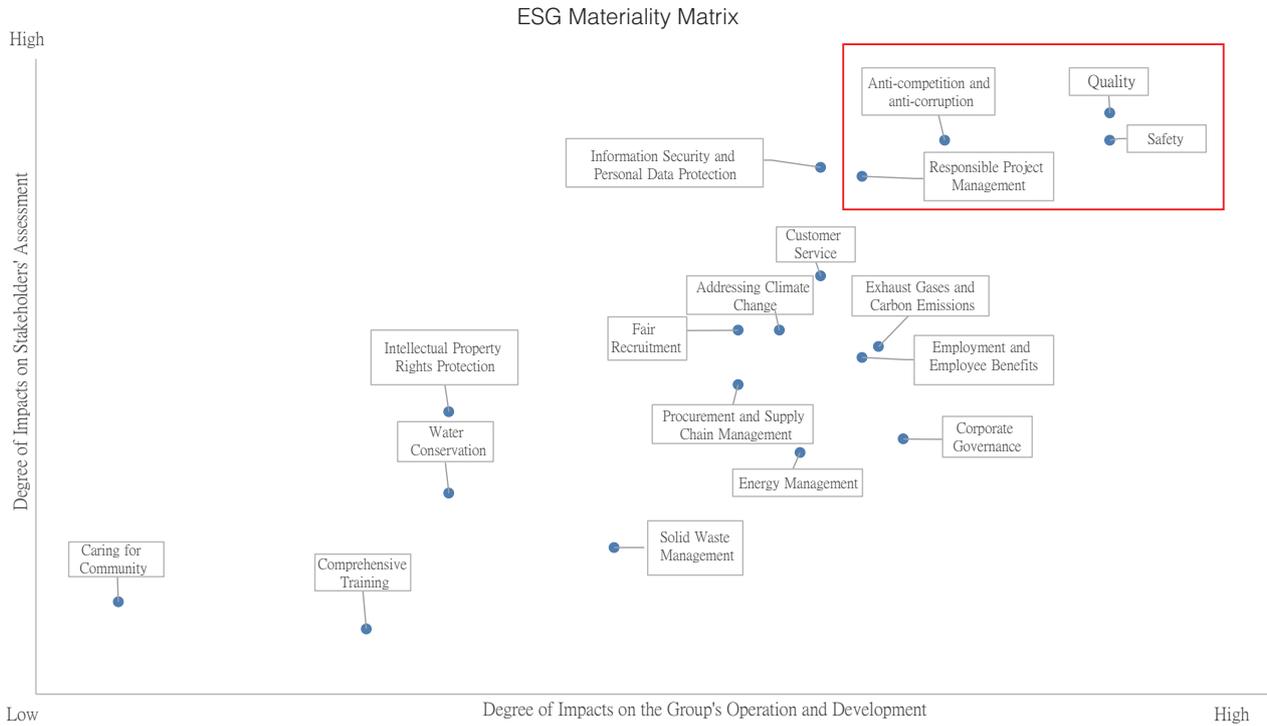
5. Materiality Assessment

In order to better understand the ESG awareness and expectations of our stakeholders, the Group conducted a stakeholder survey in the Year in addition to the above-mentioned stakeholder communication channels, and proceeded the following three steps to prepare and conduct the materiality assessment:



Environmental, Social and Governance Report Year 2023 (continued)

ESG Materiality Matrix



In the materiality assessment of the Year, the top four material topics identified were quality, safety, anti-competition and anti-corruption, and responsible project management, which were partially different from the results of the Previous Year, indicating that stakeholders were having increased concerns over anti-competition and anti-corruption, and responsible project management and that the Group also strengthened its monitoring and control over the relevant policies and measures of these topics in the Year.

Environmental, Social and Governance Report Year 2023 (continued)

6. Contact the Group

The Group sincerely welcomes comments and suggestions from our stakeholders. You are welcome to provide your valuable comments on this Report or on the Group's performance on sustainable development. Please contact the Group via the following channels:

Tel: (852)31508330

Email: enquiry@prosperch.com

Address: Rooms 2403-08, 24/F, Shui On Centre, 6-8 Harbour Road, Wanchai, Hong Kong

7. ESG Performance

7.1 Environment

The Group adheres to the international standard ISO 14001 to practice its environmental management. Since certification, the Group has continuously implemented the standard requirements in arranging internal and external audits to ensure that its environmental measures comply with the laws and customers' requirements. The senior management of the Group is committed to maintaining the system, and will scrutinize the system during management's review meetings. The significant environmental aspects have been identified and the relevant control measures have been put in place.

7.1.1 Emissions

7.1.1.1 Control of Exhaust Gases and GHG Emissions

On the construction site, the Group manages the site and operation of equipment in accordance with the general environmental practices and the main contractor's procedures in order to mitigate the emission of pollutants:

- Vehicles entering or leaving the construction site have to pass through the wheel washing facility to ensure that no soil or sand is taken on to outside roads;
- Dusty work activities such as drilling must be completely covered or shielded to prevent dust from escaping;
- Regular checks on machine exhausts (dark smoke identification) are performed to identify repair or maintenance needs; and
- All machinery and car engines are switched off when not in use.

Environmental, Social and Governance Report Year 2023 (continued)

Apart from the emission of exhaust gases and dust, the fuels consumed for transportation and electricity are the sources of GHG emissions from the Group's operations. Therefore, the Group has adopted the following measures to minimize its emission:

- Reduction in unnecessary trips of vehicles and hence fuel consumption;
- Prioritization of the purchase and use of electric or low emission vehicles in place of the old petrol vehicles under the procurement policy;
- Minimization of the frequency or headcount of business trips by holding telephone or video conferences instead;
- Monitoring of the lighting to avoid switching on at the areas that are not in operation;
- Enhancement of maintenance for air-conditioning system as well as control of its operating temperature and frequency; and
- Promotion of employees' awareness for shutting down equipment when not in use.

This Report newly includes the disclosure of exhaust gases emission data as the Group has updated its data collection system during the Reporting Period. During the Year 2023, the Group's exhaust gases emission consisted of 108.39 kg of nitrogen oxides (NOx), 0.57 kg of sulfur oxides (SOx), and 9.27 kg of particulate matter (PM). The calculation of exhaust gases emission was based on "How to prepare an ESG Report Appendix 2: Reporting Guidance on Environmental KPIs" issued by the Stock Exchange. No data for the Year 2022 were available for disclosure as the Group began to collect the relevant data from the Year 2023 onwards.

Environmental, Social and Governance Report Year 2023 (continued)

The following table sets out the volume and intensity of the Group's GHG emissions:

GHG Emissions	Unit	Year 2023	Year 2022
Direct GHG emissions (Scope 1) ²	tonne carbon dioxide equivalent ("tCO ₂ e")	217.01	3,597
Energy indirect GHG emissions (Scope 2) ³	tCO ₂ e	2,654.91	1,303
Total GHG emissions⁴	tCO₂e	2,871.92	4,900
GHG emissions intensity⁵	tCO₂e/person	6.41	53.26

The Group formulated targets for GHG emissions reduction during the Year 2022, which included reducing the use of equipment that emits exhaust gases or GHG, reducing dust scattering around the construction sites, and procuring equipment with less emission. These are ongoing targets, and the total GHG emissions intensity reduced by approximately 87.96% from approximately 53.26 tCO₂e/person in the Year 2022 to approximately 6.41 tCO₂e/person in the Year 2023, which was mainly attributable to the change of reporting scope and different project progress. After due and careful consideration, the Group planned to continue to implement the above targets during the Year 2023. We have taken a series of measures to achieve these targets, the details of which are set out in the section "7.1.1.1 Control of Exhaust Gases and GHG Emissions" above.

7.1.1.2 Waste Management at Office

The Group's office has made good use of electronic operation system, through which documents are saved in electronic form and external communication was readily proceeded via e-mails. Use of paper is mainly for record purpose and consequently no significant amount of paper-based waste was generated during operation. Moreover, the Group has adopted administrative measures for the minimization of waste, which included double-sided printing and recycling garbage such as printer cartridge.

² Direct GHG emissions were mainly originated from fuel combustion by vehicles, and consumption of diesel oil/gasoline, petroleum gas and acetylene by operating facilities. The method of calculation was based on but not limited to the Greenhouse Gas Protocol Corporate Accounting and Reporting Standard published by the World Resources Institute and the World Business Council for Sustainable Development, the How to Prepare an ESG Report - Appendix 2: Reporting Guidance on Environmental KPIs published by the Stock Exchange, and the Carbon Dioxide EPA Emission Factors 2023 published by the Environmental Protection Agency of Ireland.

³ Energy indirect GHG emissions were originated mainly from consumption of electricity purchased from external source. Regional grid emission factors used in the calculation were referenced to the values issued by the HK Electric Investments Sustainability Report 2022 published by HK Electric, the CLP's 2022 Sustainability Report published by CLP, and the Notice on the Management of Greenhouse Gas Emissions Reporting for Power Generation Enterprises from 2023 to 2025 published by The Ministry of Environment Protection and Natural Resources of the PRC.

⁴ Global Warming Potential (GWP) adopted in this GHG calculation was based on the values disclosed in the Fifth Assessment Report (AR5) of Intergovernmental Panel on Climate Change (IPCC).

⁵ The calculation of intensity was based on the monthly average number of persons under direct employment, which did not include those employees who were recruited to work at the Group's operating regions in the form of labour subcontracting. During the Year 2023, the average number of persons under direct employment of the Group was 448 (Year 2022: 92). Such data were also used to calculate other intensity data.

Environmental, Social and Governance Report Year 2023 (continued)

The Group formulated a target to reduce paper-based waste in the office during the Year 2022. This is an ongoing target. After due and careful consideration, the Group planned to continue to implement this target during the Year 2023. We have taken the following measures to achieve such target:

- Reinforcement of digitalization in operation and file management to reduce paper consumption in the office;
- Use of papers on both sides wherever possible; and
- Arrangement for recycling paper-based garbage in accordance with regulations.

7.1.1.3 Waste Management at Site

During the Year 2023, the general construction contracting projects located in Qingdao produced hazardous waste which were waste toners and waste toner cartridges, and non-hazardous waste including but not limited to general domestic waste and general construction waste, such as broken stones, glass, scrap metal parts, and discarded packagings for raw materials, etc. During the Reporting Period, the Group produced hazardous waste of 127 waste toners and 323 waste toner cartridges; the non-hazardous waste produced amounted to 125.56 tonnes in total with an intensity of 0.28 tonnes/person.

For the sites where the Group is responsible for waste management, in general, unless specified by other project requirements, the following practices are in place to handle hazardous and non-hazardous waste:

Processes	Hazardous Waste	Non-Hazardous Waste
Assessing the operational procedures, identifying the sources of waste, and formulating waste reduction plans	✓	✓
Optimizing the working modes or processes for minimizing waste generation	✓	✓
Classifying and labeling waste	✓	✓
Sending hazardous waste to licensed recycling companies	✓	–
Sending non-hazardous waste to designated cleaning companies or contractors, or periodically transporting non-hazardous waste to large waste deposit locations	–	✓

7.1.1.4 Sewage Management

The Group strictly adheres to national and local standards to ensure that the discharge of sewage from buildings and residences complies with the requirements. Site office areas, construction areas and living areas are all reasonably equipped with drainage open ditches and drainpipes; roads and sites are appropriately sloped to ensure no outflow of sewage and no accumulation of water on site. We also carry out sedimentation treatment of sewage before discharging sewage into the municipal sewage network.

During the Reporting Period, the Group did not identify any significant cases of non-compliance with the laws and regulations related to environmental protection, including but not limited to the Environmental Protection Law of the People's Republic of China, the Water Pollution Prevention and Control Law of the People's Republic of China, and the Prevention and Control of Atmospheric Pollution Law of the People's Republic of China.

Environmental, Social and Governance Report Year 2023 (continued)

7.1.2 Use of Resources

The Group has formulated relevant policies and taken relevant measures to reduce resource consumption.

7.1.2.1 Office Resource Management

To reduce overall energy consumption, the Group's offices have adopted the following measures:

- Prioritizing the use of products of higher energy efficiency, including electrical appliances with Grade 1 or 2 energy label, to reduce energy consumption;
- Switching to energy-saving mode for equipment that could be set in sleep mode, such as computer and photocopier, after a specified idle period;
- Turning off energy-consuming devices, such as air-conditioners and lightings, when they are not in use; and
- Requesting the last employee to leave the office/workplace to ensure that all energy-consuming devices are switched off before going off duty.

7.1.2.2 Site Resource Management

The Group encounters no difficulties in sourcing water due to the Group's business nature. The Group formulated a target to enhance water efficiency during the Year 2022 by the adoption of water recycling equipment. This is an ongoing target. After due and careful consideration, the Group planned to continue to implement this target during the Year 2023. To achieve such target, the Group was committed to reducing water usage in the daily operation of construction sites, for instance by recycling and reusing water consumed in the wheel-cleaning facilities installed at the entrances and exits of construction sites.

In addition, to conserve energy, the Group used energy-saving lights/LED lighting at the construction sites and required employees to turn off all machines and car engines when they were not in use.

During the Reporting Period, the construction projects covered in this Report were mainly related to construction works, which did not involve the packaging of any finished goods, and therefore the business operation did not consume any packaging materials. Instead, the projects used construction materials which mainly included aggregates of sands and stones, mortar and concrete, plastic pipes, wood used for formwork, metal building materials such as steel reinforcement and pipes, as well as papers for office operations.

Environmental, Social and Governance Report Year 2023 (continued)

7.1.2.3 Resource Consumption Figures

The main resources consumed by the Group during its operation are as follows:

Resources	Unit	Amount of Consumption		Unit	Average Resource Consumption Intensity per Employee	
		Year 2023	Year 2022		Year 2023	Year 2022
Energy Consumption						
Direct energy consumption ⁶	MWh	894.53	14,624.33	MWh/person	2.00	158.96
Indirect energy consumption	MWh	4,652.27	2,214.81	MWh/person	10.38	24.07
Total	MWh	5,546.80	16,839.14	MWh/person	12.38	183.03
Water						
Water consumption ⁷	m ³	359,845.00	77,917	m ³ /person	803.23	846.92
Construction Materials						
Aggregates of sands and stones	tonne	13,534.22	64,034	tonne/person	30.21	696.02
Concrete and mortar	tonne	561,456.37	2,900	tonne/person	1,253.25	31.52
Metallic materials	tonne	25,446.00	4,849	tonne/person	56.80	52.71
Plastics	kg	739,000.00	3,897	kg/person	1,649.55	42.36
Wood	tonne	537.60	1,321	tonne/person	1.20	14.36
Office Materials						
Paper	kg	7,845.90	2,329	kg/person	17.51	25.31

⁶ Direct energy consumption was mainly originated from gasoline consumption (33,786 liters in Year 2023; 50,784 liters in Year 2022), diesel oil consumption (2,294 liters in Year 2023; 1,318,421 liters in Year 2022), petroleum gas consumption (1,953,120 megajoules in Year 2023; 4,671 megajoules in Year 2022) and acetylene (1.22 kg in Year 2023; 1,462 kg in Year 2022). The unit conversion of direct energy consumption was calculated with reference to the Energy Statistics Manual published by the International Energy Agency. The method of unit conversion of acetylene consumption was based on the Carbon Dioxide EPA Emission Factors 2023 published by the Environmental Protection Agency of Ireland.

⁷ Since water consuming devices at Hong Kong office of the Group belonged to and were managed by the property management agency of the building where the office was located, the total water consumption figure did not cover that consumed by the Hong Kong office during the Reporting Period.

Environmental, Social and Governance Report Year 2023 (continued)

The Group formulated a target to increase energy consumption efficiency during the Year 2022, which included the use of substitutes to reduce the frequency of vehicle use by the Group to realize the target of gas consumption reduction. To achieve such target, the Group utilized video conference software to convene internal meetings, which reduced the frequency of business trips for intra-group meetings and thus reduced vehicle use. In addition, the Group also established a target to use more energy-saving equipment. As a complementary measure, the Group prioritized the consideration and purchase of equipment that can save electricity or other energy sources under its procurement policy. These are ongoing targets, and the total energy consumption intensity reduced from approximately 183.03 MWh/person in the Year 2022 to approximately 12.38 MWh/person in the Year 2023, which was mainly attributable to the change of reporting scope and different project progress. After due and careful consideration, the Group planned to continue to implement the above targets during the Year 2023.

7.1.3 Environment and Natural Resources

The Group recognizes the environmental concerns of the community and customers, and is committed to implementing a green business model internally.

7.1.3.1 Environmental Management and Monitoring System

The Group has conducted regular assessments pursuant to the applicable regulations on external environment, including boundary noise level and the discharge of wastewater, exhaust gases, dust, and other designated pollutants, etc. Such assessments can monitor the impact of operations on the environment and enable the Group to take corrective actions in a timely manner whenever necessary.

The Group's construction sites located in Qingdao have established a Project Environmental Management System whereby the responsible departments will perform environmental monitoring on a monthly basis to ensure compliance with the requirements of the relevant environmental protection laws. The Group will also avoid night-time construction as much as possible, and, if necessary, will complete the application for night-time construction permits in advance in accordance with the legal requirements before the commencement of such construction. In addition, we endeavor to ensure that all water discharged from the project sites in Qingdao meets the national discharge standards. The Group has put in place measures or equipment to control the impact of noise and dust on the environment. The project management department is responsible for implementing and monitoring the environmental management plans, and the Group will implement immediate mitigate measures should cases of irregularities be found.

Environmental, Social and Governance Report Year 2023 (continued)

7.1.3.2 Management of Natural Resources

Paper is one of the natural resources that is consumed in relatively large quantities in the Group's business operations. Therefore, the Group seeks to recycle and reuse paper in its operation whenever feasible, and requests employees to use double-sided printing and reuse paper printed on one side if circumstances allow. Further, the Group encourages the digitalization of documents and records during the operating process of its headquarters' office and construction site offices, and also increases the use of computerized filing instead of printed documents. We strive to create a paperless office and a practice of file sharing to reduce consumption of paper-based resources.

7.1.3.3 Employee Training on Environmental Protection

For the effective implementation of the stipulated environmental measures by employees, the Group or the main contractors of the projects participated by the Group has provided relevant employees with trainings related to environmental protection, which facilitated their familiarization with the environmental system requirements as well as the environmental issues arising from construction projects. Moreover, the Group has promoted knowledge on energy saving and emission reduction, cultivating employees' formation of environmentally-friendly working practices for the effective implementation of the Group's measures on energy saving and emission reduction.

Furthermore, in accordance with the Group's policy, emergency drills for chemical leakage shall be carried out regularly in operating construction sites. The drills include action checklists and procedures for handling chemical crisis and leakages. The drills have given employees opportunities to exercise the emergency handling procedures.

7.1.4 Climate Change

In recent years, the frequency and severity of extreme weather conditions caused by climate change has been increasing, and the Group has identified significant impacts on its construction projects. Extreme weather events may delay project delivery date, bring about physical damage to the Group's properties and increase maintenance costs and disaster relief expenses. Further, this could pose a serious threat to the personal safety of building management personnel and users, and adversely affect the Group's reputation.

In addition, regulatory bodies such as the Stock Exchange may also require additional disclosure on emissions and climate change. If the Group fails to fully comply with the new legal and regulatory requirements, our existing compliance procedures and business operation may incur additional compliance costs, and the Group's reputation may be damaged.

Environmental, Social and Governance Report Year 2023 (continued)

The Group has formulated the Policies for Climate Change, and adopted the relevant measures to address the impacts of typhoons and rainstorm weather for the prevention of danger and damage. These measures include but are not limited to the following:

1. Giving full consideration to disaster preparing conditions at project planning and design stages;
2. Formulating contingency plans and clear guidelines for employees for the arrangement of work and other operations when typhoon and rainstorm weather warnings are hoisted;
3. At construction sites, using rope or other tools to secure outdoor devices or machinery for prevention of blowing down by strong wind before typhoons;
4. In offices, ensuring all windows are closed before typhoons, and conducting regular window inspection for timely repair and maintenance; and
5. The management keeping a close eye on existing and emerging climate-related trends, policies and regulations, and seeking consultancy services on compliance to reduce legal risks.

Also, the Group acknowledges that GHG emissions are the key contributor of climate change, and has adopted the energy saving and emission reduction measures mentioned in the previous sections of this Report. We are committed to reducing the emissions of GHG in an attempt to mitigate the trend of climate change.

7.2 Society

7.2.1 Employment

The Group strives to protect each employee's rights and interests, and has formulated a series of employment policies, including the Staff Recruitment Management System, Labour Use Management System, and Executives Selection and Appointment Management Method, to ensure that employees receive fair and equal treatment. During the Reporting Period, the Group did not identify any significant cases of non-compliance with the laws and regulations related to employment or discrimination, including but not limited to the Labour Law of the People's Republic of China, the Labour Contract Law of the People's Republic of China, and the Social Insurance Law of the People's Republic of China.

7.2.1.1 Fair Employment and Anti-Discrimination

The Group promotes a fair employment environment and does not discriminate potential or existing employees on the basis of gender, age, race, marital status and religious belief, etc. Promotion opportunities inside the Group are provided based on the results of evaluations on the relevant employees' performance, experiences and abilities. Other factors such as gender, marital status and disabilities will not be considered in this regard.

Environmental, Social and Governance Report Year 2023 (continued)

7.2.1.2 Working Hours Arrangement

The Group implements a 5-day working week. The Group also provides its employees with a wide range of leaves including annual leave, study leave, marriage leave, paternity leave, bereavement leave, work injury leave, maternity leave and sick leave. The Group never forces its employees to work overtime. If any employee is to voluntarily work overtime to catch up the project progress, such employee is entitled to taking compensation leave or receiving monetary compensation.

7.2.1.3 Employee Indemnity

The Group has put in place insurance policies to cover injuries and deaths resulting from incidents during work. The Group's policies related to working hours, holidays and overtime compensations are implemented in accordance with the local laws and rules of the operating regions.

7.2.1.4 Employment Termination Procedure

In case of employment termination, the Group will make such arrangement in accordance with the local employment regulations of the operating regions or relevant contract terms, and will provide a notice period to the employee in an appropriate and compliant manner.

Environmental, Social and Governance Report Year 2023 (continued)

7.2.1.5 Statistical Figures of Employment

For the Group's employees in the operating regions covered by this Report, they were located in Hong Kong, Macau and Mainland China. Those working at the Macau sites for the Group were recruited by labour subcontracting and were not directly employed by the Group. The statistics on the number and distribution of direct employees in the Group are set forth below:

Number of Employees ⁸	Year 2023	Year 2022
By Gender		
Male	362	73
Female	86	19
By Employment Type		
Full time	448	92
Contract	0	0
Apprentices and Interns	0	0
Part time	0	0
By Age		
18 – 24	30	13
25 – 34	137	34
35 – 44	159	27
45 – 54	66	10
55 – 64	45	8
65 or above	11	0
By Working Region		
Hong Kong, China	90	18
Macau, China	0	0
Mainland China	358	74
Total	448	92

⁸ The statistics on total number of employees in the Group was based on the monthly average number of persons under direct employment, which did not include those employees who were recruited to work at the Group's operating regions in the form of labour subcontracting.

Environmental, Social and Governance Report Year 2023 (continued)

The table below sets out the statistics on the monthly average staff turnover rates by gender, working regions, and age groups:

Monthly Average Staff Turnover Rate ⁹	Year 2023	Year 2022
By Gender		
Male	0.28	0.28
Female	0.14	0.56
By Age		
18 – 24	0.27	0.00
25 – 34	0.22	1.00
35 – 44	0.25	0.56
45 – 54	0.32	0.00
55 – 64	0.16	0.00
65 or above	0.55	0.00
By Region		
Hong Kong, China	0.40	0.19
Mainland China	0.21	0.20

7.2.2 Occupational Health and Safety

The Group has formulated the Occupational Safety and Health Management System in accordance with the Prevention and Control of Occupational Diseases Law of the People's Republic of China, and has adopted a number of measures for the timely inspection of safety hazard to prevent cases of injury or death arising from industrial accidents.

7.2.2.1 Health and Safety Management at Site

As the main contractor for construction projects, the Group assumes the safety management responsibilities of the main contractor. At the commencement of the project, the Group establishes the target of creating a standardised model site for safety, and adopts a multi-layered safety grid management system that ranges from the company to the project department, the labour subcontracting unit, and finally the construction team. In order to enhance on-site management, the Group also establishes a three-level inspection system to strengthen its management on pre-shift morning safety meetings, safety briefings, safety education, certification for job positions and operation of lifting machinery. The Group establishes relevant safety information documentation files for each labour subcontracting unit, and closely cooperates and collaborates with the owner and supervisor of the project sites to ensure safety production. The Group strictly implements the tasks assigned by the competent supervisory authorities and ensures the proper communication and circulation of safety notices.

⁹ The monthly average staff turnover rate of a specified category = the number of staff left of that specified category/the monthly average number of staff of that specified category for the Reporting Period. The calculation of staff turnover rate only included persons under direct employment by the Group and did not include those employees who were recruited to work at the Group's operating regions in the form of labour subcontracting.

Environmental, Social and Governance Report Year 2023 (continued)

As the subcontractor of construction projects, the Group collaborates on the construction sites with the main contractor to identify jobs at high risk and provide control measures to address different occupational safety risks. In particular, the main contractor arranges the occupational health and safety officer to conduct regular site inspections to ensure that safety conditions are met and that safety trainings are provided to site employees. The Group also requires the main contractor to provide the necessary safety equipment to ensure the safety of the employees engaged by the Group. Meanwhile, the Group also provides medical supplies for emergency use and arranges health examination for its employees to ensure the prevention of occupational diseases. The Group's site employees will also assist the main contractor in building a safe working platform and shelter.

7.2.2.2 Health and Safety Management at Office

In the office, the Group provides employees with appropriate equipment, such as chairs with arms and adjustable height feature, as well as a healthy working environment including the engagement of external agency for regular pest control. In addition, training on office-related safety issues is provided to new employees to prevent the occurrence of accidents.

During the Reporting Period, the Group did not identify any significant non-compliance with the occupational health and safety regulations of the local operating regions, including but not limited to the laws and regulations related to health and safety such as the Labour Law of the People's Republic of China. During the same period, there was no working day lost as a result of work-related injuries of employees. In the past three years (including this Year), there was no fatal work-related incident and, accordingly, the work-related fatality rate was 0%.

7.2.3 Human Resource Development and Training

The Group has formulated the Employee Training Management System to better promote its employee training work for the improvement of the employees' all-rounded quality and their business acumen, with a view to enhancing manpower competitiveness. At the same time, in order to ensure the quick adaptation to a new working environment for junior members and newly recruited employees, the Group arranged senior members to act as mentors to guide them through their development of working skills and interpersonal skills. Besides, our on-the-job trainings for employees generally cover the following areas:

- Special construction requirements of clients' projects;
- New technology and knowledge related to construction;
- Management skills, such as leadership skills and communication skills;
- Environmental protection measures of the Group; and
- Trainings related to anti-corruption and integrity.

Environmental, Social and Governance Report Year 2023 (continued)

7.2.3.1 Site Work Training

On the construction sites, the main contractor provides safety supervisor training for the Group's employees to participate. If the Group is the main contractor, safety introduction trainings will be provided to site employees according to the requirements of the developer.

7.2.3.2 Statistics of Training Performance¹⁰

Excluding the training courses for the employees who were not directly managed by the Group, e.g., those engaged by the main contractors and labour subcontracting agencies, there was a total of 358 participants in the trainings arranged by the Group, which amounted to 27,632 hours during the Year.

Average Proportion of Trained Employees over Total Workforce ¹¹ (%)	Year 2023	Year 2022
By Gender		
Male	78.18	82.19
Female	87.21	73.68
By Employee Category		
Senior Management	66.67	22.22
Supervisor	71.67	64.00
General Staff	81.77	96.55
Average Training Hours per Employee ¹² (Hours)	Year 2023	Year 2022
By Gender		
Male	60.31	1.51
Female	67.44	1.58
By Employee Category		
Senior Management	32.00	0.33
Supervisor	45.87	1.24
General Staff	65.42	1.83

¹⁰ This part did not include the figures of trainings participated by the Directors on anti-corruption.

¹¹ The percentage of trained employees of a specified category = the number of trained employees of that specified category/ the monthly average number of employees of that specific class x 100%. The calculation of the percentage of trained employee only included persons under direct employment by the Group and did not include those employees who were recruited to work at the Group's operating regions in the form of labour subcontracting.

¹² The average training hours per employee = the total training hours received by the employees of that specified category/the monthly average number of employees of that specified category.

Environmental, Social and Governance Report Year 2023 (continued)

7.2.4 Labour Standards

To comply with the related laws and regulation, the Group prohibits the employment of child labour or use of any forced labour.

During the recruitment process, the Group checks strictly on the identity documents of the job applicants, or requests the appointed labour service agency to conduct review to ensure that the job applicants have reached the legal minimum age. For safety consideration of the site work, job applicants for site work be 18 years old or above.

The Group respects the rights of employees in the aspects of recruitment, resignation, overtime work and personal freedom, as such, our human resource policies have been established to ensure that employees carry out their work on a voluntary basis. The Group prohibits all forms of forced labour, including bonded labour, and never forces employees to work overtime. All employees have the right to resign at the reasonable notice period as defined in the employment contract and other relevant agreements.

During the Reporting Period, the Group did not identify any cases of non-compliance with the laws and regulations related to the employment of child labour or forced labour, including but not limited to the Labour Law of the People's Republic of China, the Labour Contract Law of the People's Republic of China, and the Provisions on the Prohibition of Using Child Labour. Should there be any occurrence of child labour or forced labour during operation, the Group shall handle and eliminate the related non-compliant situation in accordance with laws.

7.2.5 Supply Chain Management

7.2.5.1 *Supplier Selection Criteria*

The Group monitors the supplier selection criteria in a systematic way. All subcontractors/suppliers are required to complete an application form, and the Quantity Survey department will review and approve the information provided. In determining the inclusion of supplier/subcontractor in the approval list, the Group will generally consider the following criteria:

1. Company reputation and background;
2. Quality of products and/or service provided; and
3. Project experience and past performance.

Environmental, Social and Governance Report Year 2023 (continued)

7.2.5.2 Supplier Performance Assessment

A subcontractor/supplier assessment is required to be completed once every six months for construction sites, and the project manager reviews the performance of the subcontractor/supplier in respect of safety, quality, and environmental and security management. The Group will provide suggestions on the basis of the assessment results.

The Quantity Survey department will include the assessment results in the annual performance assessment of the subcontractor/supplier. If the subcontractor/supplier demonstrates sub-optimal performance, or fails to fulfil the contractual requirements, the subcontractor/supplier may be removed from the list with the approval of senior management. Being delisted, the relevant subcontractors/suppliers are not allowed to reapply for approval within one year.

7.2.5.3 Management of Environmental and Social Risks in Supply Chain

The Group undertakes to refuse the engagement of any suppliers and subcontractors who will incur significant harm on the environment. Prior to engagement, they will be evaluated on their emissions, pollutions or other adverse impacts imposed on the external environment, which include the extent of environmental damage caused by their methods of waste handling. Therefore, priority will be given to those suppliers and subcontractors who have obtained environmental related certification, such as ISO 14001 environmental management system, or other certification related to green building. Moreover, where applicable, consideration will also be given to the environmental-friendly characteristics of their products or materials, and evaluation will be conducted on the product's relevant certification of conformance, for mitigation of adverse impacts on the environment.

At the same time, the Group will review the operational compliance of business partners in the supply chain, for evaluation of the social risks associated with them, which include compliance with staff employment, compliance with occupational health and safety, product and project compliance, as well as integrity compliance, among others.

7.2.5.4 Green Procurement

Top priority in the procurement of materials and service is given to the fulfillment of low carbon characteristics and high energy effectiveness. In addition, the Group will also consider and engage local suppliers to reduce GHG emissions during transportation.

7.2.5.4.1 Environmental-friendly Equipment and Materials

Premised on compliance with operational requirements, the Group prioritizes the use of equipment and materials with environmental-friendly characteristics. In selecting energy-consuming equipment, priority will be given to those products with energy management certification or energy label for high efficiency. In addition, under appropriate conditions, the Group is dedicated to exploring with customers on the feasibility of the application of environmental-friendly materials. Wherever feasible in the operation, preference will be given to pilot run and enhancement in use of equipment powered by renewable energy (e.g. solar energy).

Environmental, Social and Governance Report Year 2023 (continued)

7.2.5.4.2 Supplier Distribution and Local Procurement

Projects covered by this Report has engaged no less than 841 suppliers, which were all situated in Hong Kong China and Mainland China. Prior to engagement, they have all undergone a primary evaluation process, which includes reviews of their reputation, experience, and quality records. Before engaging new suppliers, all of them have passed the relevant evaluation process of the Group, including review of their market reputation, qualification, material quality and level of technology, etc.

The Group has formulated a localized procurement policy as one of the measures for green procurement. Under the same quality conditions, priority is given to products and services provided by suppliers (including material suppliers and subcontractors) in the local area (within the region of Mainland China and Hong Kong), in order to reduce the distance of transportation and hence the associated emission of exhaust gases and GHG. During the Reporting Period, those projects in Qingdao within the scope of this Report engaged local suppliers only.

7.2.6 Product Responsibility

7.2.6.1 Project Quality and Safety Assurance

The Group adheres to the international standard ISO 9001 to manage construction quality in each project stage. Since certification, the Group continually arranges internal and external audits in accordance with the aforesaid standard requirements, and the management team also scrutinizes the system during review meetings to ensure that the control measures are in compliance with the related regulations and other quality requirements. Also, there are mechanism in place to ensure that the description, claims or explanation as set out in the external promotion materials are true to the facts. Through this quality management system, the effectiveness and the monitoring capability have been raised to support product and service quality assurance. In addition, the policies of the Group also stipulate that the project team must carry out regular site visits and inspections to ensure that the quality of the construction works is up to the relevant requirements. Customers or consultants could also review the relevant results and perform site visits and inspections themselves to verify the level of project safety and service quality.

To guarantee the safety of construction works, on the construction sites, the project manager and his or her team have to ensure that the safety standards of the construction works meet the contractual requirements. Customers or consultants could also review the relevant safety supervision results to verify the level of project safety and compliance status.

As the Group is principally engaged in the development and sales of large-scale and multi-phase real estate projects, there were no sales of consumer goods during the Reporting Period. Accordingly, the disclosure related to the recall of sold or delivered goods due to general product safety and health reasons is not applicable to the Group. If customers require after-sales services, during the maintenance period, our project managers will be responsible for following up on all problems and maintenance works related to the project.

Environmental, Social and Governance Report Year 2023 (continued)

7.2.6.2 Protection of Customer Information and Intellectual Property

For the protection of customers' confidential information, the Group requires all its employee to strictly follow the following measures. All information and documents related to customers' intellectual properties (for example: drawings, technical specifications and other confidential documents) shall be strictly managed and stored by the designated departments. The Group has established file server for storing all internal information of the Group. Employee access is restricted, and only authorized person could review the customer information as pursuant to the defined access rights.

During the Reporting Period, the Group did not identify any significant cases of non-compliance in relation to construction project responsibility, and did not violate the laws and regulations related to the health and safety of products and services, advertisements, labelling and privacy matters including but not limited to the Patent Law of the People's Republic of China, and the Trademark Law of the People's Republic of China. Also, amongst the construction projects, no customer complaint was received concerning safety and health issues.

7.2.7 Anti-corruption

7.2.7.1 Governance Policy

Members of the Board jointly oversee the functioning of the corporate governance mechanism. They have also set up subsidiary committees, namely the audit committee, the remuneration committee, the nomination committee and the risk management committee, each of which has been delegated to oversee different aspects of corporate governance in the Group.

7.2.7.2 Anti-corruption Policy

The Group requires employees to abide by the laws and regulations, and prohibits all forms of fraudulent or corrupt behaviour. The Group has established a code of conduct for the employees, which has listed out the related business ethics that must be respected by employees, including prohibition of accepting improper benefits, and prohibition of employees requesting or accepting from any parties in business relationship with the Group for commission, rebate, bonus, loan, gift or benefit, unless it is approved by the Board and in compliance with laws. The policies related to business ethics have also been communicated to business partners of the Group for their understanding and adherence.

During the Reporting Period, the Group did not identify any cases of non-compliance with the laws and regulations related to corruption or fraud activities, including but not limited to the Anti-Money Laundering Law of the People's Republic of China.

7.2.7.3 Whistle-blowing Mechanism

The Group has established a formal whistle-blowing mechanism, through which both internal and external stakeholders could report incident. The audit committee is responsible for handling the whistle-blowing issues, case evaluation, and determination of the necessity of full investigation. All information will be kept confidential by the committee.

Environmental, Social and Governance Report Year 2023 (continued)

In case of any suspected extortion, fraud or money laundering discovered by employees, the relevant employee could report to the audit committee through email. The Group has explained the policy to employees and the procedure for reporting frauds or other suspected immoral activities.

7.2.7.4 Trainings related to Anti-Corruption and Corporate Governance

To ensure that the above policies in relation to anti-corruption are understood and practiced by employees at all levels, the Group arranges trainings from time to time to those employees who are responsible for policy implementation, including both Board members and the general staff.

The Group provides regular trainings to members of the Board of Directors, and arranges relevant training courses to the Directors at least on an annual basis in accordance with the corporate governance code, the contents of such courses include but are not limited to watching educational videos and visiting integrity education centers. In the Year, the training topics for Directors focused on internal control and consultation conclusions, as well as those updates in the corporate governance requirements. A total of 7 Directors participated in those trainings, which amounted to 21 hours in total, with each Director being trained on the related topic of no less than 3 hours.

In addition to the aforesaid trainings for Directors, our general staff also participated in such trainings related to anti-corruption. Special training arrangement was provided to those employees whose work duties were exposed to relevant risks when working with external stakeholders. The scope of trainings generally covered the employee's code of conduct and company's policies in relation to integrity, covering prohibition of corruption, bribery, fraud, illegal practices, extortion, and other misconduct. In the Year, there was a total of 34 non-director staff participated in such trainings, amounting to 68 hours in total.

7.2.7.5 Third Party Financial Audit Policy

The Group has engaged a third-party independent accountant for financial audit. The Group will review the opinions provided by the accountant.

7.2.7.6 Conflict of Interest Reporting Policy

The Group requires employees to disclose any situation that might reasonably be expected to give rise to conflict of interest, and report any suspected case to the responsible senior management. During the Reporting Period, the Group did not identify any cases of non-compliance with conflict of interest declaration.

7.2.7.7 Bidding Procedure

For high-value or long-term procurement or service contracts, employees shall provide at least 3 quotes to CEO/project manager for review and approval. The senior management would assess the subcontractors/suppliers based on their evaluation forms every year or the selection of partners in the coming year.

Environmental, Social and Governance Report Year 2023 (continued)

7.2.8 Community Investment

The Group has been upholding its corporate social responsibility by reaching out to stakeholders in the community through various channels, and is dedicated to understanding their needs and providing them with assistance to help them grow and overcome difficulties. Over the past few years, the scope of community contributions by the Group included a wide range of aspects such as poverty alleviation, caring visits to the elderly and the underprivileged, education assistance, and industry obligations. This Year, the Group continued to uphold this responsibility and make contributions in the fields of agriculture and community visits, which included a donation of RMB50,000 to the Qingdao Economic and Technological Development Zone Charity Association, and the provision of consumer assistance of RMB100,000 to the Wudu District in Longnan City to help out its agricultural development.