



上海實業控股有限公司

SHANGHAI INDUSTRIAL HOLDINGS LIMITED

(Stock Code : 363)

2023

Environmental,
Social and Governance Report



ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

ABOUT THIS REPORT

This environmental, social and governance report (the “**Report**”) focuses on the disclosure of the performance of Shanghai Industrial Holdings Limited (“**SIHL**” or “**we**” or “**our**”) and its subsidiaries (the “**Group**”) on environmental, social and governance aspects for the period commencing 1 January 2023 to 31 December 2023 (“**the Year**” or the “**Reporting Year**”).

The Group’s environmental, social and governance performance as stated in this Report covers its principal businesses, including infrastructure facilities (water-related businesses), real estate and consumer products (tobacco business and printing business), which are conducted in Mainland China and Hong Kong. The Group continues to optimise the Report disclosure, in which consumer products (printing business) was firstly included in the scope of report. In addition, Shanghai Industrial Development Co., Ltd. (“**SI Development**”), a real estate enterprise under the Group, has added new developed parcel of land into the scope. On the basis of expansion of the reporting scope, the Report has restated the data of 2022 reporting year in order to maintain the comparability of such.

This Report, which is prepared in accordance with the mandatory disclosure requirements and “comply or explain” provisions contained in the Environmental, Social and Governance Reporting Guide set out in the latest Appendix C2 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (“**HKEx**”) (the “**Listing Rules**”), is based on industry background and highlights the characteristics of the enterprise. This Report shall be read in conjunction with the Corporate Governance Report set out in the 2023 Annual Report of the Company for a comprehensive understanding of SIHL’s environmental, social and governance performance.

The Environmental, Social and Governance Management Philosophy of SIHL

The Group well acknowledges that, as a responsible enterprise for sustainable development and social development, SIHL has always maintained a balance between business development and social responsibility by integrating the concept of sustainable development into its day-to-day business operations and major commercial decisions. As a listed company in Hong Kong, we not only assume responsibility for the social and economic development of the community, but also strives to improve the community’s environmental sustainability and prosperity. The Board of Directors of the Company (the “**Board**”) has always attached great importance to sustainable development and is committed to creating long-term values and a sustainable future for the society by taking into account and balancing the interests of major stakeholders. To further integrate our sustainability commitment into the daily operations, the Board has approved the new “Environmental, Social and Governance Policy” to articulate our approach to sustainable development in the aspects of environmental protection, labour practices, as well as operating practices such as supply chain management and anti-corruption.



ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Board Statement

The Board is committed to monitoring and formulating the Group's sustainable development management policies and strategies, managing the Group's environmental, social and governance performance, and ensuring that sustainability principles and values are effectively integrated into the Group's decision-making process. The Board delegates a social environmental and corporate governance steering committee to direct and promote environmental, social, and governance strategies to each operating unit for effective implementation. In order to ensure the effective implementation of the management system and measures, the Board and the management pay regular attention to environmental, social and governance-related matters and formulate appropriate management approaches and risk management mechanisms. The Board annually reviews and approves related disclosures and internal policies, reviews and approves the environmental, social and governance reports, including progress towards related targets, to ensure that the business can manage corresponding risks and opportunities.

Governance Structure for Environmental, Social and Governance Issues

The Board leads the development of strategies and systems for SIHL's environmental, social and governance issues as well as managing their performance and reporting. The social, environmental and corporate governance steering committee comprising the Group's senior management directs the environmental, social and governance issues, and is responsible for formulating strategies and policies for sustainable development and identifying effectively and managing properly risk management matters that are related to sustainable development in a timely manner. In addition, a social, environmental and corporate governance planning and information disclosure working team comprising the heads of various business units facilitates and monitors and reports the progress of sustainable development issues regularly to the management of the Group. We believe our governance structure has incorporated the expertise and experience of our business units, enabling them to facilitate the development of the Group's sustainable development.

Stakeholder Engagement and Materiality Assessment

SIHL has always emphasized on the importance of regular communication with various stakeholders, including employees, customers, shareholders, business partners, suppliers, media and the community, and has all the way expressed our determination in listening to the needs and expectations of different stakeholders with an open mind, formulating counter measures in response to the concerns of stakeholders and adhering to information disclosure. A number of communication channels, such as regular meetings, interviews and surveys, have been established to gather stakeholders' ideas, opinions and suggestions on how we can create long-term value for the society and attain sustainable future development.

Our communication channels with respective stakeholders are as follows:

Major Stakeholders	Our Communication Channels
Employees	<ul style="list-style-type: none"> regular meetings and gatherings training, seminars and workshops performance and development discussions volunteer activities
Customers	<ul style="list-style-type: none"> daily operations and interaction customers' satisfaction surveys company website
Shareholders	<ul style="list-style-type: none"> annual general meetings and other meetings corporate communications, including circulars, notices, results announcements, annual reports and interim reports
Business partners	<ul style="list-style-type: none"> meetings and seminars on-site inspections
Suppliers	<ul style="list-style-type: none"> assessment and performance reviews on-site inspections and meetings
Media	<ul style="list-style-type: none"> management interviews and meetings results reports
Community	<ul style="list-style-type: none"> volunteer activities sponsor and donation community outreach

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

To meet the principles of consistency, materiality and balance for this Report, we have solicited the opinions of our stakeholders to further understand their expectation and recommendations in respect of the Group's performance on environmental, social and governance areas, and have identified the latest environmental, social and governance important issues. After reviewing the opinions of the stakeholders of our various businesses and the results of materiality assessment, we noted that the stakeholders have expressed greater concerns in the areas of the Group's performance in employee management, product and service quality, staff development and training, occupational safety and health as well as green construction, the relevant content of which has been disclosed in the corresponding sections in this Report in details.

We discussed the feedback with the members of the social, environmental and corporate governance steering committee and the social, environmental and corporate governance planning and information disclosure working team internally, which are then formed as the basis of our key environmental, social and governance agenda for incorporation into this Report. Therefore, this Report has focused on the concerns and expectations of our stakeholders, highlighted issues that are representative of them, and reported on important matters that are in line with the development strategies of the Company.

ENVIRONMENT PROTECTION

The Group gives high priority to environmental protection, and continuously explores opportunities and applies advanced technologies to minimise consumption of energy and natural resources, reduce emission and contribute to the society green development. The Group strictly complies with the laws and regulations in which it operates related to the generation of air and greenhouse gas emissions, discharges into water and soil, and hazardous and non-hazardous wastes, namely the Environmental Protection Law of the People's Republic of China, the Atmospheric Pollution Prevention and Control Law of the People's Republic of China, the Water Pollution Prevention and Control Law of the People's Republic of China, the Soil Pollution Prevention and Control Law of the People's Republic of China, the Solid Waste Pollution Prevention and Control Law of the People's Republic of China, the Energy Conservation Law of the People's Republic of China, the Law on Prevention and Control of Environmental Noise Pollution of the People's Republic of China, Air Pollution Control Ordinance, Water Pollution Control Ordinance and Waste Disposal Ordinance which have a significant impact on the Group. During the Reporting Year, the Group did not violate the above-mentioned laws and regulations that had a significant impact on the Group.

The Group will also actively align with Hong Kong in achieving "carbon neutrality" and targeting "capping carbon emissions and achieving carbon neutrality" in Mainland China, and seize the market opportunities brought by China's promotion of energy conservation and emission reduction. We will continue to expand our business development, and continuously improve environmental protection technology, strengthen technology research and development and improve project efficiency.

Air Emissions and Greenhouse Gas Emissions

We highly regard green development as an integral part of our operation concept, and the real estate business of the Group adopts the green construction management concept of environmental protection and energy saving as our primary goal. Green construction involves not only construction of temporary drainage systems, temporary roads, and temporary construction facilities on site, but also construction of building structures and the production, processing and installation of building structural raw materials, components and parts. It covers different stages including construction planning, material procurement, on-site construction, and project inspection and completion. We hope to reduce waste and air pollutants and greenhouse gas emissions by improving operational efficiency.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT



Air pollution caused by the real estate business of the Group mainly originates from the foundation construction, structural construction and decoration construction stages. It is requested that all construction units participating in the construction projects to formulate various management systems and related guarantee measures for environmental protection and energy conservation. By identifying the sources of pollution, such as emissions from vehicle transportation, emissions from civil engineering machinery operations, dust from roads connecting the construction sites and dust from earthworks, the Group has actively formulated corresponding prevention and control measures. We have installed sprinklers to control dust emission from civil engineering operations and used water mist cannons and water sprayers to clean the roads regularly during the construction stage to control dust pollution from construction areas and access roads. We arrange for cement, fugitive and fine particulate bulk materials to be stored in storage or tightly covered to avoid spillage and fly-away during transportation. All access roads and stackyard in construction sites are paved with concrete and mud and sand used in construction will be covered. To prevent spillage from transport vehicles, all transport vehicles are requested to install movable baffle at unloading chute to prevent spillage as well as clear the concrete before leaving the site. Meanwhile, we have set up a vehicle washing machine at the entrance and exit where vehicles can leave the site only after being washed, preventing the vehicles carrying mud and sand out of the construction sites and cause environmental pollution.

In respect of reducing the emission of air pollutants and greenhouse gas, the Group has adopted cleaner ultralow sulphur diesel fuel for the three boilers used for tobacco business, which has reduced emission of smoke, respirable suspended particles, sulphur dioxide and other air pollutants. In addition, the air emissions generated by processing equipment and workshops pass through dust collectors first, enabling them to remove dust before removing odour through eight deodorising machines. The deodorising machines are subject to our regular cleaning and potion refill to ensure their effective operation. Closed-circuit televisions are installed in exhaust chimneys to monitor the systems round-the-clock to ensure that gas discharged meets the required standards and avoid generating black smoke due to poor combustion. Furthermore, piped gas has been used as fuel at incinerator installed in recent years, helping to clear the odour and dust generated during production process under high temperature so as to reduce environmental pollution. The Group's printing business also converts old burners to new low nitrogen oxides burners on its production equipment to reduce nitrogen oxides emissions, with a view to reducing nitrogen oxides to below 50 milligrams per cubic meter of air.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

The major emissions from the operation of the Group's water-related businesses are sulphur oxides, nitrogen oxides, dioxins, carbon monoxide and flue gas from the solid waste incineration business, as well as hydrogen sulphide, ammonia and other odours from the sewage and sludge treatment business. In respect of the various types of emissions from solid waste incineration, the Group strictly complies with the relevant national emission standards and adopts treatment processes such as semi-dry desulphurisation, activated carbon adsorption for the removal of heavy metals and organic substances, bag filtering and selective non-catalytic reduction for nitrogen removal, etc. to ensure that the emissions meet the standards. For emissions and odours from the sewage and sludge treatment operations, we use negative pressure collection and closed covers for specific treatment facilities to prevent the release of odorous gases, while using various biological, chemical and physical methods to treat the odours, including biological filtration, plasma deodorisation and activated carbon adsorption technologies. In addition, we have grown air-purifying plants around the plant area to further reduce the impact of odour on the surrounding environment and community.

In addition, the Group is proactively transforming into a low-carbon economy by phasing out fossil fuels and switching to cleaner energy sources in order to reduce greenhouse gas emissions as a vital part for the Group to carry out sustainable development. In order to fulfill our commitment, we aim to gradually reduce air pollution and greenhouse gas emissions every year by using diesel fuel with lower sulphur content, purchasing models with less environmental impact when replacing production facilities and conducting regular training on environmental protection for employees. Taking the printing business of the Group as an example, in order to realize low-carbon production, it was planned to gradually replace its natural gas and thermal conductive oil heating units with electric heating units and to use clean energy across the board. As at the end of the Reporting Year, 11 of the original 22 natural gas heating units had been phased out, and the replacement of six thermal conductive oil heating units had been completed.

Meanwhile, we will continue to monitor Scope 1 and Scope 2 greenhouse gas emissions to further set quantitative targets in order to achieve "carbon neutrality" in Hong Kong and China's goals of "capping carbon emissions and achieving carbon neutrality", while identify opportunities to reduce emissions in our businesses and contribute to the mitigation of climate change. During the Reporting Year, various businesses of the Group have gradually set short-term quantitative targets to provide clear directions for each division to reduce emissions step by step. In particular, the Dongguan division of the printing business aims to reduce carbon dioxide emissions by 15% within five years, while the Jiangsu division aims to reduce carbon dioxide emissions by 10% per annum.

The air emission and greenhouse gas emission data from the principal businesses of the Group under the scope of reporting in 2022 and 2023 are as follows¹:

Environmental KPIs	Unit	2023	2022
Nitrogen oxides emissions	tonne	394.60 ²	216.95
Sulphur oxides emissions	tonne	20.09	30.05
Particulate matter emissions	tonne	0.96	0.89
Total greenhouse gas emissions ³	tonne CO ₂ e	1,039,439.09	775,230.82
Total greenhouse gas emission intensity	tonne CO ₂ e/ HK\$'000 of revenue	0.03	0.02
Scope 1 – Greenhouse gas emissions and removal ⁴	tonne CO ₂ e	428,883.14 ⁵	238,468.21
Scope 2 – Energy indirect greenhouse gas emissions ⁶	tonne CO ₂ e	610,555.94 ⁷	536,762.61

1 During the Reporting Year, the scope of environmental data has included new developed parcel of land of SI Development, the Group's real estate enterprise, as well as The Wing Fat Printing Co., Ltd. ("**Wing Fat Printing**"), the Group's printing enterprise. As the reporting scope for this Reporting Year has changed, the figures of 2022 have been restated.

2 Nitrogen oxides emissions came from the Shanghai Baoshan Renewable Energy Utilization Center ("**Baoshan Center**"), a new solid waste power generation key project of the water related business. As the Baoshan Center only commenced operation in the second half of 2022, while in 2023 it operated on a full year basis, the nitrogen oxides emissions in 2023, therefore, increased as compared with 2022.

3 The greenhouse gases emitted by the Group include carbon dioxide, methane and nitrous oxide, and greenhouse gas emissions and are presented in carbon dioxide equivalent.

4 Scope 1 – greenhouse gas emissions and removal refer to greenhouse gas emissions from vehicle fuel combustion, fuel combustion with fixed sources, and refrigerant consumption in air conditioning systems, and reductions related to tree planting. This data is calculated in accordance with "Appendix II: Reporting Guidance on Environmental KPIs" issued by HKE.

5 Scope 1 – greenhouse gas emissions increased compared to 2022 as a result of additional equipment being installed at some of the Group's projects during the Reporting Year, increased frequency of vehicle trips following the end of the pandemic and the full operation of Baoshan Center, solid waste power generation key project of the water related business, in the Reporting Year.

6 Scope 2 – Energy indirect greenhouse gas emissions refer to greenhouse gas emissions from the purchased electricity. This data is calculated in accordance with "Appendix II: Reporting Guidance on Environmental KPIs" issued by HKE.

7 Due to the pandemic, the business of the Group was conducted partly by means of work from home during 2022, while it resumed normal in 2023. Therefore, the energy consumption during the Year increased and causing the increase in Scope 2 Energy indirect greenhouse gas emissions.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Climate Change

In recent years, active response to climate change has become a global consensus. The Group has identified the climate change related risk exposure, including extreme weather caused by climate change, such as strong typhoons, floodings, snowstorms and other physical risks. The changes in policies, laws, technologies and markets due to the transformation to a low-carbon economy also pose transitional risks to the Group. We will regularly review and identify risk exposure related to climate change, and plan to formulate relevant management measures in the future to mitigate and adapt to climate change. To minimize the potential impact of these climate-related risk exposure on our day-to-day operations, the Group has adopted the following corresponding precautionary measures:

- formulated crisis management plans and corresponding environmental emergency plans, such as the “Emergency Response Plan for Winter Ice and Snow Weather” formulated by the Group’s Xi’an Jinjiang International Hotel and the “Emergency Response Plan for Flooding Prevention” formulated by our water companies;
- engaged third-party experts to review the environmental emergency plans and make suggestions for improvement;
- regular maintenance and inspection of essential equipment such as backup generators, battery packs, basic lighting and backup switchboards;
- incorporated green elements in the process of designing and developing projects, and adhered to enhancing green construction awareness;
- periodic testing of electrical systems, telecommunication systems and access systems; and
- carried out relevant safety training, such as emergency drills and other activities, standardized relevant response measures and actions, allocated resources to deal with emergencies, and prepared to tackle severe weather with defensive preparation and due diligence.

The Group will continue to improve the climate risk identification, assessment and management system and continue to explore the opportunities brought about by climate change. In which, the water-related businesses of the Group have already initiated to identify and assess climate risks and opportunities, and have formulated corresponding risk management measures. In future, we will take a more active role in responding to climate change-related initiatives, and speed up low-carbon transition in response to the national policies and measures proposed.

Use of Resources

We have adopted national codes for energy conservation of public buildings and local energy conservation rules in the design of our property projects. Some large complex projects and certain residential projects of the Group are designed in accordance with national Green Building Rating Standards, the WELL health and well-being building standard or LEED green building standards in order to reduce environmental pollution and the loss of resources in the whole life-cycle of the building through a series of design and measures to save land, energy, water and materials, creating high-standard green buildings and provide customers with healthy, practical and efficient use of space. Meanwhile, we will continue to monitor the Group’s resource utilisation to gradually reduce energy and water consumption every year.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

The Group attaches great importance to green operation through scientific management and rational use of energy and the utilization rate of energy is improved. In terms of energy saving, the Group's real estate business implements a series of measures in its daily operations, including setting up energy-saving office electrical equipment, LED lights and presetting energy-saving modes for printers and computers. The employees of all departments are required to turn off lights and computers during non-office hours. We advocate and publicize reducing usage of air conditioners and avoiding large temperature difference between air conditioners and outdoor temperatures. We encourage employees to work paperless to reduce paper usage and ink cartridges as well as generation of wastepaper. The Group will give priority to new energy vehicles and commercial vehicles when purchasing new vehicles to reduce energy consumption and air pollutant emissions. For the use of company vehicles, a car dispatch system is implemented, and employees need to apply to the administrative human resources center and fill in the car usage application forms. Regarding property operation, we gradually upgrade existing commercial projects, improve the energy efficiency of the properties by improving the energy efficiency of the electromechanical system, improving the thermal insulation performance of the original building, and upgrading the environmental protection treatment facilities. The Group also regularly monitors the energy consumption of commercial properties, summarizes and analyses the energy consumption, and makes appropriate adjustments to the energy consumption budget. In order to enhance employees' awareness of environmental protection and conservation, we continue to carry out environmental protection training and publicity education for employees through various channels. For examples, we have added relevant links such as environmental protection training to the induction training, and plan to hold more energy-saving and environmental protection-themed activities in the future. The tobacco business under the Group has used T5 fluorescent lamps, LED lamps, air compressors and deodorizing fans with higher energy efficiency on a large scale in its production plants. We have upgraded the dust tanks to eliminate the old dust tank with high energy consumption, further improve the efficiency of resource usage and reduce energy consumption. The Group's printing business is also gradually phasing out high energy consuming equipment, such as incandescent lamps and vacuum equipment, with new energy-saving models, as well as automating the management of gas-fired equipment to optimize the use of natural gas. The printing business has set energy reduction intensity targets in terms of tonne of product or RMB10,000 of output value, with a view to improving energy efficiency on a yearly basis.

In terms of water conservation, the Group's real estate business has strictly complied with water consumption standard, whereby water conservation equipment and water conservation measures are deployed in the construction sites to improve water consumption efficiency. We have set up reclaimed water reuse facilities, and the collected rainwater will be used for greening and road cleaning after treatment. The business also uses other water conservation equipment, such as sanitary appliances with high water consumption efficiency, water metering devices and sensor faucets. We have installed water consumption meter to regularly measure and review the water consumption volume of the construction site of each project. The Group adopted centralized water supply in commercial properties and offices, and prepared and set budgets for water consumption to improve water consumption efficiency. The Tianjin Hedong University of Technology project incorporated the design of the sponge city during the project design process by constructing water seepage pavements to improve the efficiency of water resource utilization, and to further enhance the buildings' ability to adapt to climate change. The tobacco business of the Group collects rainwater for cooling air-conditioners in plants and the air-conditioning water towers of other air-conditioners have regular cleaning systems and water quality checks to reduce water consumption. On the other hand, the printing business also carried out water reuse system improvement works to further increase the reuse rate, with the Jiangsu division increasing its recycling rate from 68% in 2020 to 82% in 2023. The Group aims to gradually reduce water consumption every year through the above water conservation measures. We will also continue to monitor water consumption of our business to further set quantitative targets.

In terms of packaging materials, the production of the Group's tobacco and printing businesses require different types of packaging materials, including plastic and paper. We will continue to closely monitor the amount of packaging materials used and look for opportunities to reduce the related consumption of resources in order to minimize the impact on the environment.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

The resources usage data in the principal businesses of the Group under the scope of reporting in 2022 and 2023 are as follows⁸:

Environmental KPIs	Unit	2023 ⁹	2022
Total energy consumption	kWh	2,017,816,674.13	1,634,006,448.26
Direct energy consumption ¹⁰			
Diesel	kWh	21,665,129.13	22,296,710.47
Gasoline	kWh	2,878,935.67	2,749,383.32
Liquefied petroleum gas	kWh	68,309.02	67,613.41
Natural gas	kWh	818,983,632.01	618,152,089.89
Ethanol gasoline	kWh	26,496.97	15,929.53
Renewable energy (biogas) ¹¹	kWh	50,960,483.12	12,722,273.96
Renewable energy (solar energy) ¹¹	kWh	9,905,262.60	1,755,280.00
Total direct energy consumption intensity	kWh/HK\$'000 of revenue	27.66	21.00
Total indirect energy consumption			
Electricity purchased	kWh	1,096,683,535.13	969,412,831.20
Towngas company gas	kWh	16,644,890.46	6,293,966.55
Total indirect energy consumption intensity	kWh/HK\$'000 of revenue	34.05	31.12
Total water consumption	m ³	476,473,736.30	465,224,480.08
Water consumption intensity	m ³ /HK\$'000 of revenue	14.57	14.84
Total packaging materials used for finished products	tonne	12,392.43	10,591.97
Intensity of packaging materials used ¹²	kg/HK\$'000 of revenue	0.38	0.34

Environment and Natural Resources

The Group continues to promote the application of renewable energy. As a benchmark project for solid waste in the Yangtze River Delta, the Baoshan Center, a key project in the water-related business for waste-to-energy, completed two sets of wet waste biogas power generation this year, with a view to realizing the resource utilization of domestic waste in addition to the production of electricity. For example, a portion of the electricity generated from waste incineration supplements the daily energy supply of the solid waste projects, while the remaining portion is transferred to the power grid. The project is expected to process 3,800 tonnes of waste per day and generate 800 million kWh of green electricity per year. The project adopting international top processing technology, equipment and facilities is designed to be “neighbour-friendly” and eco-friendly, with planned environmental education and cultural and sports activities and will open to the public in the future.

Other businesses of the Group have also proactively utilise clean energy, such as installation of photovoltaic panels on the warehouses to generate recyclable energy in our printing business. In addition, in water-related business, solar energy lighting equipment were installed in a number of projects and the business started to explore the use of green electricity through outsourcing.

⁸ In the Reporting Year, the new developed parcel of land of SI Development, the real estate enterprise of the Group, and Wing Fat Printing, the Group's printing enterprise have been added into the reporting scope of environmental data, such that the data of 2022 has been restated due to the change in reporting scope in this Reporting Year.

⁹ Energy consumption, water consumption and packaging materials increased as compared to 2022 due to the increase in business activities as the Group's businesses recovered after the end of the pandemic.

¹⁰ Fuel consumption of vehicles is calculated with reference to the conversion factors in “Appendix II: Reporting Guidance on Environmental KPIs” issued by HKEx.

¹¹ In order to reduce greenhouse gas emissions, the Group's businesses have increased the use of renewable energy. Among them, the renewable energy mainly used in water-related businesses includes electricity generated from solar energy and biogas.

¹² As the scope of report changed in this Reporting Year, the unit for measuring the density of packaging material has been adjusted to kg/HK\$'000 of revenue to reflect the consolidated performance of different businesses.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

In terms of green building, the real estate business is actively engaged in research and application of green building technologies. The Group's development projects across Mainland China have all complied with relevant national and local design standards to meet the specification requirements. All new development projects were designed based on national and local green construction assessment standards and regulations in meeting the specifications on building thermal performance, energy efficiency of building facilities, water conserving performance of appliances and renewable energy utilization. On this basis, we strive to attain higher standard in energy saving and environmental protection design, adopt a series of design measures to conserve land resources, energy, water resources and building materials, encourage employees to engage in activities like technological transformation, process optimization, energy saving, consumption reduction, management innovation and waste recycling as well as focus on the use of recyclable materials and prefabricated construction methods to alleviate the impact on the environment throughout the full life cycle of the building.

All projects of the Group have strictly implemented power saving standards and systematically applied green environment friendly construction technique. The Group's new development project located at Originally Lot A3 (A3-4 and A3-7) in Xi'an have incorporated a solar hot water system in their design to provide approximately 15% domestic hot water. In addition, we have used water-saving sanitary ware and set up domestic refuse collection points to separate hazardous waste, food waste, recyclable waste and other waste, and recycle recyclable waste. During the Year, the project of Lingang New Area PDC1-0401 Unit J11-01 parcel has implemented three-star green building standard and three-star healthy building standard, which are in line with the requirements of the guidelines on ultra-low energy building techniques in Shanghai, and has carried out sponge city-related design. In addition, the Group's green building concepts are in line with international standards. The T18 tower of TODTOWN has obtained LEED Gold certification and WELL Healthy Building Pre-accreditation certificate in 2023, actively creating a safe, healthy and efficient green building.

We also keep on introducing cutting-edge construction technique, promote the application of Building Information Modeling (BIM) technology to accurately manage factors such as schedule, cost and quality, and to reduce waste of resources. During the Year, BIM technology was applied to the design, construction, operation and maintenance of the land parcel No. 89, North Bund, Phase III of Qingdao Beer City, and the land parcels Gucun No. 0421-01 and Gucun No. 0423-01, and a BIM collaborative management platform was established. In order to improve the functions of the BIM collaborative management platform, we have communicated and discussed with professional consultants to propose improvements in the functions of the platform, its expansion and usage management, to ensure that the platform effectively manages relevant construction information.

Discharges into Water and Soil

The Group advocates recycling of water resources to avoid or minimise sewage discharge and treats sewage in a cost-effective manner to ensure protection of the environment and community.

The drainage facilities of the Group's real estate business must meet relevant regulatory requirements and apply for discharge permits in accordance with the requirements of relevant local authorities. For sewage treatment in the construction area, we have set up catchment ditches onsite and sewage will pass through the sedimentation tank before flowing into the municipal rainwater pipeline. We have set up grease traps in the onsite canteen and sewage is filtered by the grille and then connected to the sewage pipeline. We impose stringent measures in segregating rainwater and sewage and strictly prohibit the discharge of other types of liquid into the municipal rainwater pipe network. Sedimentation tanks are installed at onsite toilets such that sewage and toilet water will be discharged into the municipal sewage pipeline after sedimentation. Construction sewage is strictly prohibited from being directly discharged into municipal sewage pipeline or out of the construction site to pollute the environment. The Group's tobacco business discharges sewage after being treated by the sewage treatment system, with the aim to minimise the pollution to water resources. The water-related business of the Group has adopted relevant measures to ensure the stable and efficient operation of the sewage treatment process and the discharge of wastewater complies with

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

national standards. We conduct routine laboratory tests to collect and test pollutants in wastewater on a regular basis, and some business segments have developed pollutant discharge monitoring system to improve the accuracy and efficiency of monitoring. Meanwhile, in response to the national policy on river ecological protection, the Group aims to gradually reduce the rate of sewage discharge every year, and inspect our sewage treatment system as when appropriate to identify effective improvement proposals.

In an effort to reduce environmental noise and pollution, the Group's real estate business carefully plan for the facilities used in the construction sites during the project construction process. Noisy equipment is kept away from residential areas wherever possible, sound insulation measures are adopted, and low noise construction equipment and technology are used to reduce the impact of noise in construction sites to residents in the neighbourhood.

The water-related business has adopted high technology to reduce wastewater discharge. The business utilizes "laboratory robots" to carry out water quality monitoring work, which improves the efficiency of water quality monitoring while reducing the discharge of laboratory wastewater. In addition, the related business also explored the use of intelligent technology for the fine management of wastewater treatment, and independently developed the "Carbon Source" dosing system and the "Chemical Phosphorus Removal" dosing system, which can accurately control the consumption of drugs and electricity while ensuring the stability and safety of the water quality of the wastewater discharge.

Waste Management

The Group adheres to waste management policies that are based on the 3Rs (reduce, reuse, recycle) and encourages the reduction of consumption and reusing and recycling of resources. Being a large-scale producer, we actively implement waste reduction strategies and avoid waste from the source. The Group actively and strictly implements classifications and separate storage of waste. For the aspect of non-hazardous waste, we have set up recycling bins in the office for collecting wastepaper, aluminium cans, metal scraps, plastics and food waste and employees are encouraged to actively participate in recycling, and then entrusted qualified recycled operators approved by the government for proper recovery and treatment. In addition, during our business process small amount of hazardous waste will be produced which will be strictly handled in accordance with local environmental regulations. The aim is to reduce the amount of waste generated in the production process and to meet the relevant government standards.

Real estate projects of the Group adopt the architectural design which takes into account environmental impact at various stages of the lifecycle of a project including site selection, design, construction, operation, maintenance, renovation and demolition, as well as automation and standardisation factors to minimise wastage of building materials by effectively control waste generated. To reduce hazardous and non-hazardous waste generated from the real estate business, we ensure the proper collection of domestic waste, construction waste and hazardous waste generated through construction and transfer them to qualified organizations for disposal. Construction waste is cleaned and transferred from the building structures by setting up temporary enclosed waste hauling lanes, container lifting or bagging. At the same time, we set up different collection points for different types of waste to separate them at source. The sites are equipped with sufficient garbage ponds and bins, and construction waste is centrally stacked and cleaned and transferred in a timely manner to maintain environmental hygiene. We have set up sanitary rooms at construction sites equipped with septic tanks, which are covered and sprayed regularly, and are cleaned by dedicated personnel on a daily basis. Electronic waste were collected in the real estate business separately, and all electronic waste are transferred to professional recycling organization for disposal after its collection in order to improve the recycling rate of electronic waste.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Due to the nature of its business, the water-related business of the Group produce a wide range of hazardous and non-hazardous wastes in the course of their operations. Through strict adherence to standardized processes and the use of advanced technology to enhance process efficiency, the water-related businesses strive to reduce waste at source and treat all types of waste in accordance with the relevant regulations. Main hazardous waste generated from the operation of water-related business of the Group includes fly ash and activated carbon generated from waste incineration business and a small amount of hazardous sludge, liquid waste from laboratories and waste motor oil generated from other businesses. We strictly implement relevant national regulations and properly dispose of all hazardous wastes generated. Fly ash generated from domestic waste incineration is solidified with cement and sequestrant and is sent to landfills for burial and disposal. Activated carbon generated from flue gas treatment is collected and disposed of by the compliant waste disposal unit or sent to the waste incinerator for incineration according to local environmental regulations. Hazardous sludge, liquid waste from laboratories and waste mineral oil are separately collected and stored in designated areas and sent to professional organizations for centralized disposal. In addition, non-hazardous waste from water-related businesses includes non-hazardous sludge from sewage treatment, water supply and sludge treatment business, as well as slag from solid waste incineration. Some of the harmless sludge is transferred to local landfills for centralized treatment, while some are recycled for greening of project sites or collected by qualified third-party organizations for use in the production of fertilizers and construction materials.

At last, used oil and kerosene generated in the production process of tobacco business are recycled and disposed of by qualified contractors recognized by the government; while soot and other wastes are compressed in garbage compactor before being sent to landfills for burial. For the office domestic waste, it is sent to the building property management companies for centralised disposal. In addition, recycled building materials are used as much as possible to minimise wastage.

The Group aims to continuously improve the waste management system to reduce the amount of waste generated every year. Meanwhile, in response to the national “Waste-Free City” plan, the Group also aims to gradually improve the treatment capacity of municipal solid waste incineration every year to increase the treatment capacity of municipal solid waste. In addition, we are actively researching on the recycling of hazardous waste, such as recycling of used motor oil. We will also review waste generation and treatment to further set quantitative targets for reducing hazardous and non-hazardous waste.

The waste discharge data in the principal businesses of the Group under the scope of reporting in 2022 and 2023¹³:

Environmental KPIs	Unit	2023	2022
Total hazardous waste produced	tonne	28,640.78 ¹⁴	12,353.70
Total hazardous waste produced intensity	kg/revenue in HK\$'000	0.88	0.39
Total non-hazardous waste produced	tonne	2,207,090.07	2,063,763.29
Total non-hazardous waste produced intensity	kg/revenue in HK\$'000	67.50	65.83

13 In the Reporting Year, the new developed parcel of land of SI Development, the real estate enterprise of the Group, and Wing Fat Printing, the Group's printing enterprise have been added into the reporting scope of environmental data. As the scope of reporting for this Reporting Year has changed, the figures of 2022 have been restated.

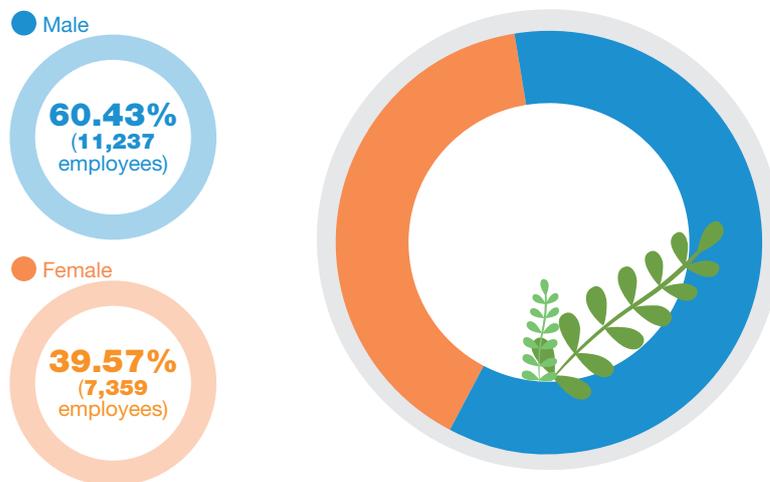
14 Hazardous waste was mainly came from the ashes from incineration of waste in Baoshan Center. As the Baoshan Center has fully operational during the Reporting Year, the amount of hazardous waste increased as compared with previous year.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

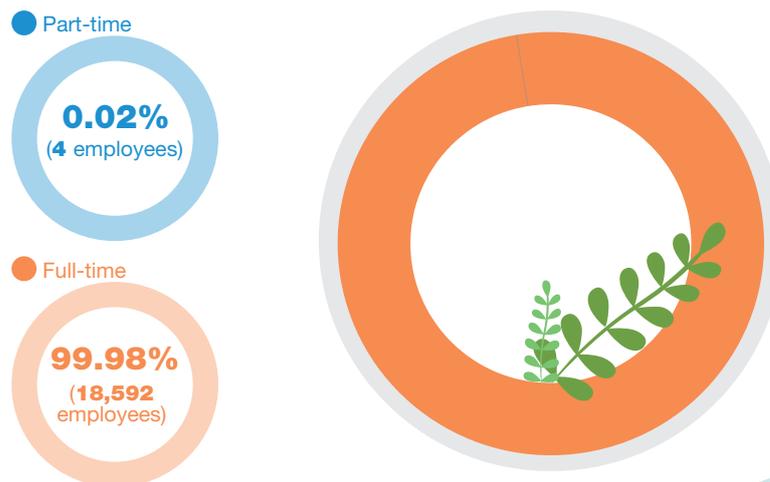
EMPLOYMENT AND LABOUR PRACTICES

Employees are essential for the sustainable development of the Group and we regard them as our most valuable assets. The total number of employees of the Group was 18,596 as of the end of 2023. The Group strives to improve its talent recruitment, retention and development training, developing a regulated, open, robust and efficient management style to ensure employees realize that their values are properly recognized. The Employment and Labour Practices, Operating Practices and Social Responsibility sections cover the Group's infrastructure and environmental protection (toll roads and water-related businesses), real estate and consumer products (tobacco business and printing business) segments.

Number and percentage of workforce by gender

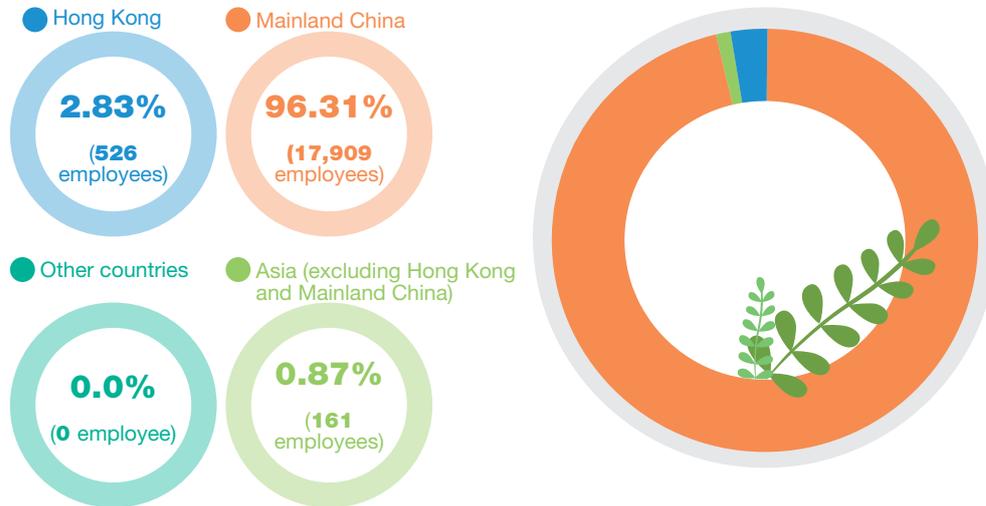


Number and percentage of workforce by employment type

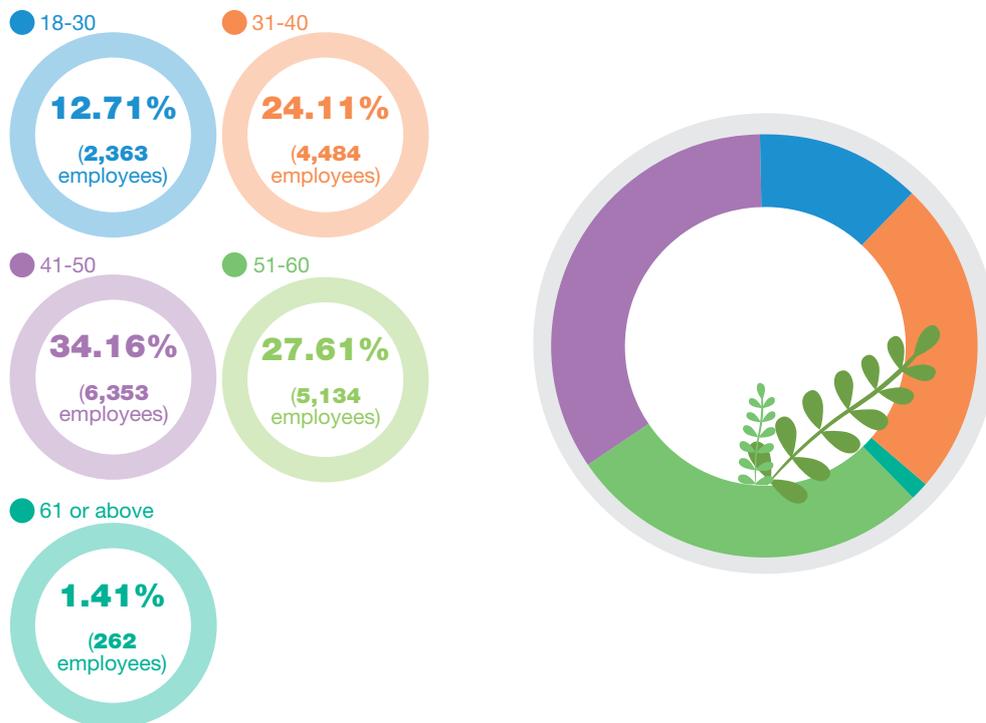


ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Number and percentage of workforce by geographical region



Number and percentage of workforce by age group



ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Employment

The Group is committed to talent management and adheres to a “people-oriented” spirit. We have adopted a fair and equal recruitment strategy to attract talented people. By establishing a performance appraisal mechanism through assessing individual contributions, corporate results and market salary trends, we further optimized our human resources policy. Enterprises within the Group have produced staff manuals in accordance with the nature of their business and needs, setting out policies including office procedures, reporting duty, employment termination, attendance, abnormality management, performance appraisals, rewards and penalties, compensations and benefits as well as training and employee rights, with modification as required for strict implementation and review and optimization at appropriate time.

By adopting the principle of “remuneration based on position”, our enterprises provide employees with competitive remunerations in accordance with economic growth and business operations, integrating a remuneration that is based both on a fixed salary and performance appraisal and taking into account job responsibility and individual capability as well as our operating results. The Group pays salaries and bonuses in accordance with relevant national and local regulations and makes contribution for employees to various social insurance funds and provident funds. Employees are entitled to statutory holidays, marriage and bereavement leave, annual leave, compensatory leave, sick leave, maternity leave and personal leave. In addition to statutory benefits and holidays, the Group also provides employees with various benefits and allowances, such as lunch allowance, birthday benefits and holiday allowance. During the Reporting Year, the Group strictly complied with relevant national and local laws and regulations and there was no cases of violating employment laws and regulations.

Moreover, the Group is committed to building a diversified team. As such, a series of internal human resources policies such as employee handbooks, employee welfare standards and implementation rules have been formulated, which specify the Group’s recruitment and dismissal, remuneration and promotion, working hours, leave application, equal opportunities, diversity, anti-discrimination as well as any other treatments and benefits to protect the rights and interests of both employees and employers. The Group demonstrated its care for its female staff by offering festive greetings and gifts on Women’s Day in March. In addition, the Group’s printing business amended the Attendance Management System and Working Hours Management Procedures during the Reporting Year to provide clearer guidelines to employees on working hours to protect their labour rights.

By adhering to the principle of fairness and equality in the recruitment process, the Group focuses on the professional ethics, expertise, experience and development potential of the candidates to ensure that they enjoy equal opportunities and will not be discriminated by their nationality, ethnicity, race, gender, age, marital status, social status or religious beliefs. The Group implements a probation system for newly hired employees. During the probation period, the head of the department where the employee works for will make assessment of the employee. Upon passing the assessment, the employee will be formally hired as permanent staff. Furthermore, the Group regards standardized performance management as the basis of decision-making for talent recruitment and remuneration management. In order to streamline the assessment process while ensuring consistency in the overall assessment, our enterprises follow an objective, fair, standardized and transparent performance management system to assess, promote and reward outstanding talents. During the Reporting Year, the printing business of the Group has held a training in relation to Anti-discrimination Control Procedures, insisted on the principle of “Fairness, justice and equality” towards the staff in recruitment, job allocation, appraisal and other activities, and made rectification when discrimination occurs to further promote the corporate culture of fairness and equality.

The Group emphasizes improving employees’ cohesion and sense of belonging through good employee relationship management, encourages employees to communicate with the management through Company intranet and other channels, and actively carries out staff activities to create a harmonious working atmosphere.

The Group also stipulates the conditions and arrangements for cancelling and terminating employment contracts in the employee handbook pursuant to relevant laws and regulations to protect the rights and interests of both parties. The conditions applicable to cancellation of employment contract include failure of employees to observe the attendance system repeatedly during their tenure, provision of false personal information, gross negligence of duties, malpractice, fraud or material violation of any laws and regulations. The Group will arrange employees to properly handover their work and implement departure procedures before the date they leave the job.

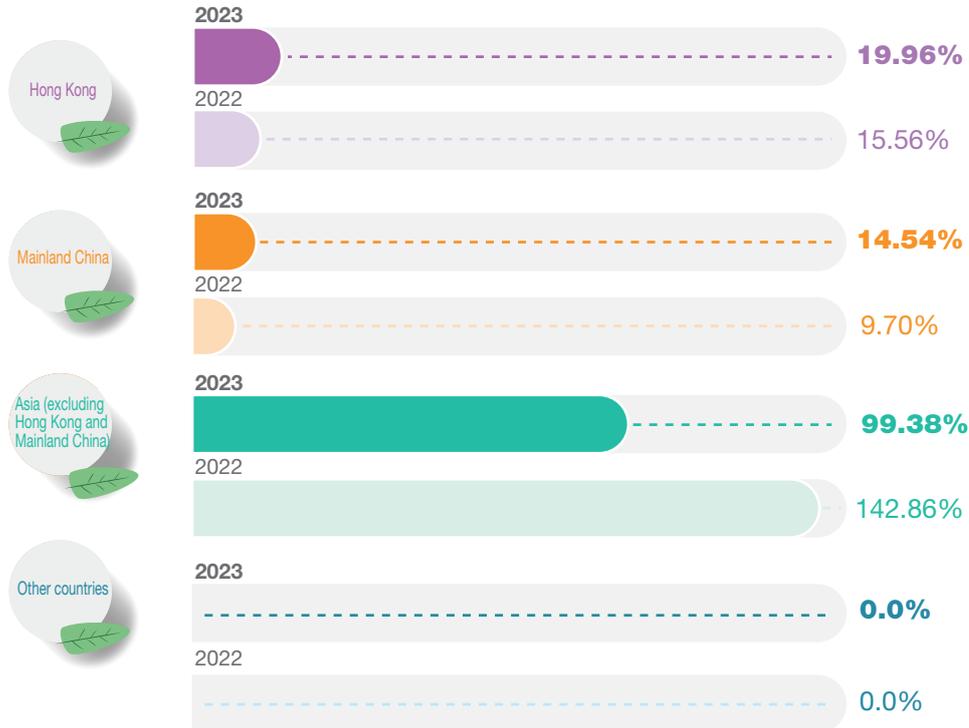
ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

The principal activities of the member companies of the Group are located in China and Hong Kong. In accordance with respective local regulations and corporate cultures, we have formulated relevant codes of conduct for employment and we adhere to the policy of diversification and anti-discrimination to provide employees with equal opportunities. The relevant codes of conduct are included in the staff manual for implementation.

Employee turnover rate by gender¹⁵



Employee turnover rate by geographical region^{16,17}



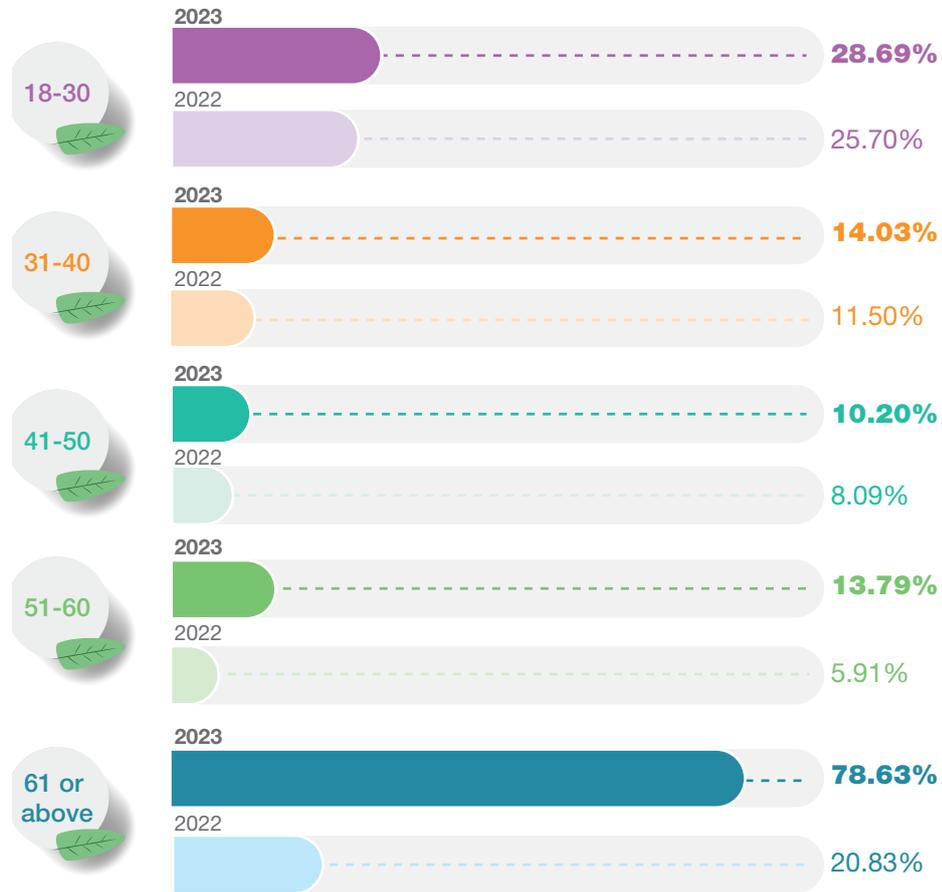
15 Staff turnover increased significantly during the Reporting Year as compared to last year due to new projects undertaken in the real estate business in China.

16 Staff turnover increased significantly during the Reporting Year as compared to last year due to new projects undertaken in the real estate business in China.

17 The Group's employees in Asia (excluding Hong Kong, China and China) are mainly from Wing Fat Printing, the printing enterprise of the Group. As the Vietnam division of the company is in its early stage of development, the number of employees fluctuates considerably.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Employee turnover rate by age group¹⁸



Health and Safety

Ensuring the health and safety of our employees is crucial to the Group’s long-term development and compliance with its commitment to sustainable development. We are committed to providing a safe and comfortable working environment for our staff. The Group adheres to the corporate philosophy of “healthy lifestyle, joyous working” and constantly improves and enhances production safety mechanisms of all units, refines and implements rules and regulations required for production safety as well as identifying and controlling workplace hazards. Striving to establish a corporate safety culture, ensure occupational health and safety of its employees and establish a working environment with zero accident, the Group has made considerable efforts in the following three areas: strengthening the development, supervision and control of its safety systems, providing employees with safety education and training, and enhancing their awareness of safety and emergency response capabilities.

¹⁸ Staff turnover increased significantly during the Reporting Year as compared to last year due to new projects undertaken in the real estate business.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

To mitigate the risk of occupational health and safety, the Group strictly adheres to local relevant health and safety laws and regulations of where the Group operates, such as the Production Safety Law of the People's Republic of China, the Fire Prevention Law of the People's Republic of China, the Law of the People's Republic of China on Prevention and Control of Occupational Diseases, the Social Insurance Law of the People's Republic of China, the Regulations on Work-Related Injury Insurance, the Measures for the Determination of Work-Related Injuries and Occupational Safety and Health Ordinance and so on that have a significant impact on the Group. Pursuant to which the Group has formulated all kinds of policies and guidelines for better identification, evaluation and management of substantial hazards in different businesses so as to reduce safety risk. For example, the real estate business of the Group actively works with construction units for the implementation of safety standard guidelines during the construction process to ensure proper management of construction safety. The real estate business has also established an occupational safety and hygiene committee which shoulders the important responsibility of leading and supervising the occupational health and safety work of the Group and is committed to enhancing safety production and continuously improving the level of safety management. The occupational safety and hygiene committee formulated annual safe production plan and goals and performed daily supervision and regular identification of potential hazards, the status of achievement of the targets and the investigation and management of potential hazards. The committee has conveyed the safe production work requirements to all internal responsible units and reviewed the implementation of work safety. Various business segments of the Group has accredited by occupational health and safety management system, including the water-related businesses and printing business, in order to assure the systematic management on the occupational health and safety issue. During the Reporting Year, the Group did not violate any laws and regulations relating to health and safety which have a significant impact on the Group.

In September 2023, the Fudan division of the Group's water-related businesses in Shanghai carried out the updating of the "Hazardous Sources Database" in accordance with the requirements of the national standards Classification for Casualty Accidents of Enterprise Staff and Workers (《企業職工傷亡事故分類》) and Classification and Coding of Hazardous and Harmful Factors in the Production Process (《生產過程危險與有害因素分類與代碼》), prepared the "Hazardous Sources Database" and designed management measures through survey and consolidate information from different enterprises. A team consisted of the management also conducted production safety inspections at project companies in Suizhou, Nanyang, Xiping, Luohe, Suiping and Wulian. The Company has organized and carried out a total of 59 safety inspections, including "comprehensive safety inspections", "seasonal and pre- and post-holiday safety inspections", "safety inspections during material political events" and "interactive inspections of projects with material accident hazards".

The Group provides employees with various health and safety trainings. Based on actual situations, we proactively organized trainings and drills such as flood control and typhoon control, emergency repair of equipment, firefighting, evacuation, drowning rescue, first aid dressing and cardiopulmonary resuscitation to ensure emergency situations can be dealt with by all employees in time and reduce the extent of accidental injuries. To further enhance the overall standard of safety management, the Group organizes safety workshop, trainings and drills from time to time for promoting occupational health and safety information and actively creating a safety culture atmosphere to ensure operational safety. The real estate business held a total of four meetings featuring safe production during the Year, conveyed the work requirements of production safety to internal units, reviewed the implementation of work safety, and at the same time adopted a variety of measures to enhance safety education and training during the Year. For example, Xi'an company held safety inspections, safety training and signing of performance and responsibility certificates, safety knowledge competitions, safety production month education and fire safety emergency drills during the Year to raise safety awareness, The tobacco business organized a safety month quiz during the Reporting Year to enhance the safety awareness of its staff; while the real estate business also held practical training activities on production safety to strengthen the safety awareness of its staff. In addition to the Group's staff, the Group also actively invites the staff of construction units, leasing units, commercial tenants and other related parties to participate in relevant activities to enhance their emergency response capabilities, thereby reducing the risk of safety incidents.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

We are committed to safeguarding the health of our employees by equipping them with personal protective equipment in compliance with legal requirements to provide the necessary protection. In addition, the Group provides regular check-ups for employees and monitors and manages safety risks in the workplace to prevent occupational diseases, taking into account the industry-specific nature of each business. For example, the Group's printing business regularly conducts occupational health check-ups for its employees and conducts workplace occupational hazards inspections for workplaces with occupational hazards to ensure a safe and healthy working environment. The water-related businesses also provide annual occupational health check-ups and other occupational disease-related examinations for their employees, and conduct specialized occupational disease examinations for special positions. For example, dedicated lung examinations are conducted for employees who are exposed to production dust to ensure their health conditions. At the same time, the water-related businesses have also set up "Occupational Health Care Files" to keep and manage the data of employees' medical check-ups in a standardized manner, so as to facilitate the timely tracking and management of their occupational health conditions.

Following the relief of COVID-19 pandemic, the society is recovered in a stable pace to return to ordinary stage. We emphasize the importance of employee personal hygiene habit, and conduct regular disinfection for workplace to maintain high occupational health and safety standard and safeguard staff health. During the Reporting Year, the Group had 1,386 days of paid leave for work-related injuries, a slight reduction of 37 days as compared to 2022, and our work-related fatalities and fatality rate in the past three years are as follows:

Health and Safety Indicators	2023	2022	2021
Work-related fatalities	0	0	1
Work-related fatality rate (%)	0.00	0.00	0.01

Development and Training

The Group attaches great importance to talent nurturing and professional development and training for its employees. We are devoted to broadening their horizon for growth and helping them to unleash their talent and potential to realize their own value. We also provide employees with a wide range of training and development opportunities and have established a good learning mechanism for them to keep abreast of the latest trends and technical knowledge in the industry and improve their business competence and skills.

To improve the job-related capabilities of its staff, the Group organizes a wide spectrum of internal and external training programmes, covering induction training, performance management, management skills, occupational skills, quality control, occupational health and safety as well as financial and tax management for discovering, reserving and training talents, to meet overall planning and development needs of each business. The Group formulates annual training programmes for employees at different levels and arranges appropriate training content. For example, seminars are arranged for senior management to enhance their leadership and management capabilities; training courses are provided to middle management and young talents to enhance corporate cohesion and strengthen internal communication and learning to assist new middle managers master their management skills. New employees will receive induction training to introduce our corporate culture and development status, corporate organizational structure and rules and regulations, for helping them integrate into the working environment, enhance mutual understanding between employees and team spirit. Each business of the Group also conducts business-specific training for their staff. During the Reporting Year, real estate business's enterprises arranged the management to attend the training for directors and supervisors organised by the State-owned Assets Supervision and Administration Commission to enhance their management skills. It also organised staff reading club(s), courses on mental health and topical training courses to create a learning atmosphere, provided professional training on real estate market, risk management, green building, safety culture and other topics to their employees; companies from water-related businesses provide innovative thinking, contingency planning, facility maintenance trainings for heads of production and equipment engineers to improve the emergency response capability and work skills of production staff; the printing business also arranges suitable training for staff in different positions. For example, the corporate management department conducts training related to production and material control to help them master the production and material control processes and performance indicators, while the staff participate in qualification enhancement training to improve their overall competence.

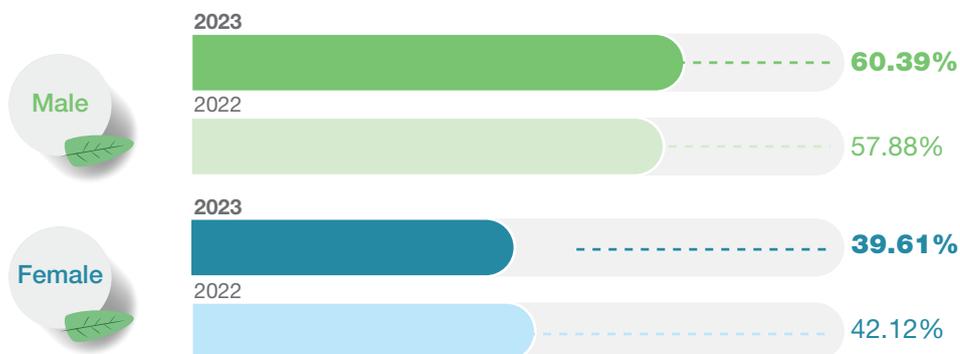
ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Apart from regular training, the Group also regularly organizes other activities to help staff develop their potential and to recognize outstanding performance and encourage continuous improvement. Printing business organizes annual awards to recognize outstanding staff and teams, including the Best Creativity and Progress Awards, to encourage staff to continue to improve and apply creativity in their daily work to enhance productivity. During the Reporting Year, printing business also introduced a new “Management System for Specialized Staff Improvement Rewards”, which aims to enhance the creativity and skill level of staff through the provision of rewards to all staff for their participation in improvement.

During the Reporting Year, the average training hours completed per employee by gender and average training hours completed per employee by category were as follows. The impact of the pandemic has encouraged the Group to organise online training during the Reporting Year, to provide a more convenient channel to increase the number of trainees and training hours.

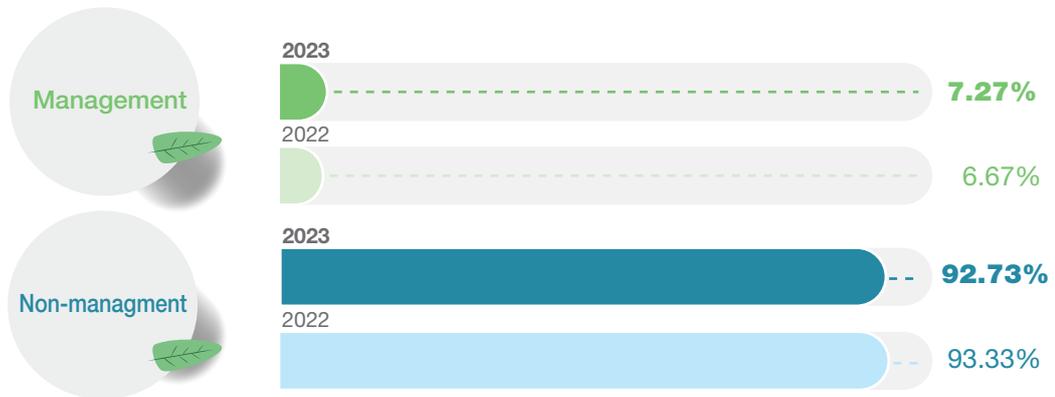
	2023 Average training hours	2022 Average training hours
<i>Average training hours completed per employee by gender</i>		
Male	39.53	28.00
Female	45.12	32.53
<i>Average training hours completed per employee by category</i>		
Management	24.45	36.76
Non-management	43.20	29.36

The percentage of employees trained by gender



ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

The percentage of employees trained by employee category



Labour Standards

The Group strictly complies with the laws and regulations in which it operates including the Labour Law of the People’s Republic of China, the Labour Contract Law of the People’s Republic of China, the Law of the People’s Republic of China on the Protection of Rights and Interests of Women, the Law of the People’s Republic of China on the Protection of Minors, the Provisions on the Prohibition of Using Child Labour and Employment Ordinance, and prohibits any child labour and forced labour under all circumstances and adheres to the employment principles of equality, fairness and compliance. To prevent the use of child labour and forced labour, the Group has established the Child Labour Prevention and Remedial Procedures, the Underage Worker Protection Procedures, the Student Worker Control Procedures and the Forced Labour Prohibition Procedures for internal reference in its daily operations. Meanwhile, the printing business of the Group during the Reporting Year held trainings for relating procedures to strengthen the concept of the staff. Candidates would be asked to provide valid identification documents for verification of his/her identity and age during recruitment to ensure that he/she applies for the job voluntarily and meets the legal requirements for entering labour contracts. Persons under 18 will be rejected for job application. The Group also implements a standard working hour system in its daily operations to ensure the work shift system and attendance system are in place. The Group strictly implements compensatory leave and compensation for overtime work with strict enforcement in accordance with relevant national and regional regulations. We also stipulate that employees enjoy statutory holidays, marriage leave, bereavement leave, annual leave, compensatory leave, family visit leave, sick leave, maternity leave, breastfeeding leave, paternity leave and personal leave to protect employees’ reasonable working hours and rights. During the Reporting Year, the Group did not find any violations related to child labour and forced labour. If the above situations are identified, the Group will strictly follow our internal guidelines to deal with violations.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

OPERATIONAL PRACTICES

Supply Chain Management

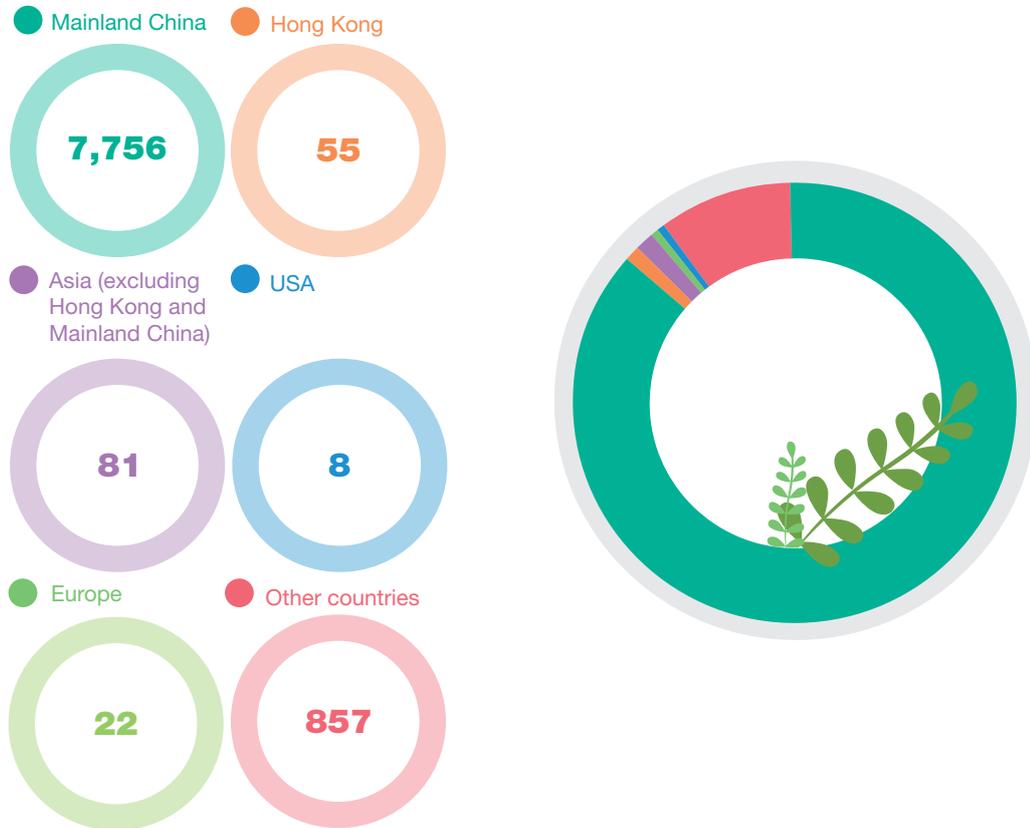
In view of the diversity of its business, the Group has to interact with a wide range of suppliers in our daily operation. For this reason, we are committed to establishing a close partnership with them to seek mutual interest and to arrive at a common goal for growth. To select suppliers with excellent environmental and social performance, the Group will conduct environmental and social risk assessments on potential suppliers' business scope, service area, quality and reputation, corporate qualifications and collaborative spirit before issuing tender invitations. We regulate tendering and bidding activities through relevant systems in the tendering and bidding process to ensure the quality and efficiency of procurement work; we also implement a fair and transparent tender evaluation system to create a fair, open and equitable tendering and bidding process for enhancing procurement efficiency. When we receive a bidding plan from a potential supplier, we will review the bidding proposals and will consider its feasibility and rationality, supply schedule and guarantee measures, equipment employed and performance, quality, safe and civilized construction and environmental protection measures, maintenance measures, profiles of project managers and the main technical management personnel, relevant projects undertaken and performance, etc. for assessment. We also carry out qualification checks on potential suppliers through data collection and site visits to identify qualified suppliers in terms of their scope of operations, service areas, qualifications, key achievements and accreditations, etc. and discuss with them on suitable cooperation plans. Finally, the winning bidder is determined according to the evaluation results, and contract is signed with the winning bidder in accordance with the Group's procedures.

Enterprises within the Group have established their respective Supplier Management Policy to establish a systematic supplier management, qualification assessment and approval system to ensure suppliers meet all assessment criteria. For example, the water-related business segment arranges its procurement work in strict compliance with the Company's rules and regulations such as the "Procurement Management System", "Management Rules of Tender Evaluators in Procurement" and "Contract Management Rules" during tendering, bidding, consultation and negotiation of tenders, and the segment also conducts audits of procurement-related work in accordance with the "Internal Audit System" on a regular or ad hoc basis, so as to ensure that the risks associated with the supply chain are kept under control. Besides, the Group has maintained a long-term, stable and reliable supplier database. The Group's subsidiaries would perform an annual assessment on their own suppliers and update the supplier list to ensure that the collaborative suppliers have certain strengths and can fulfil the requirements of the Group, so as to improve the design quality of the company's projects, as well as to assess the environmental and social factors of the suppliers with higher efficiency and objectively. In addition, to reduce the environmental risks of the suppliers, the enterprises of the Group has thoroughly considered the environmentally friendly and energy saving factors when selecting suppliers. The water-related business segment has replaced the original hazardous chemical methanol with an environmentally friendly product, Composite Carbon Source, in the selection of pharmaceuticals. The printing business segment has further expanded the scope of suppliers who have signed the "Agreement on Ban on Hazardous Substances and Guarantee of Environmentally Friendly Materials" to ensure that incoming goods meet the environmental requirements. In the future, we will continue to actively carry out environmental procurement work, give priority to environmentally certified products in order to reduce the negative impact of procurement activities on the environment. The Group will review green development from a broader perspective, and advocate a green environmental protection and sustainable business model.

To effectively prevent and control the potential risk of its supply chain, we usually avoid using one single supplier. The ongoing international political events in recent years have led to an increase in the global price of natural gas, resulting in a shortfall in the supply of filaments used in the production of tobacco and an increase in surcharges on raw materials. The tobacco business immediately initiated internal discussions to anticipate the price trend and supply and demand situation, and made arrangements with suppliers to maintain supply. During 2023, the total purchase amount from our top five suppliers accounted for no more than 30% of our total purchases. During the Reporting Year, the Group had engaged 8,779 suppliers, of which 7,811 were from Mainland China and Hong Kong, 22 from Europe, and 946 from the USA and other countries.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

No. of suppliers by geographical region



Anti-corruption

Business ethics and integrity are key elements for the survival of an enterprise. With a strong emphasis on corporate integrity and honesty, the Group strictly adheres to laws and regulations relating to bribery, extortion, fraud and money laundering in which it operates, namely the Criminal Law of the People’s Republic of China, the Anti-Unfair Competition Law of the People’s Republic of China, the Anti-Money Laundering Law of the People’s Republic of China and the Prevention of Bribery Ordinance, and compliance to requirements of the Listing Rules. Corruption of any kind will not be tolerated. The Group has established a whistle-blowing policy to provide a channel to encourage reporting relevant misconducts by staffs and people who conduct businesses with the Group such as customers and suppliers. Our supervision and examination department(s) will review any reported malpractices in detail as the Group has zero tolerance for any misbehaviours. The Group launched anti-corruption training activities in different forms such as thematic counselling seminars, forums, and visits to integrity education bases to enhance the professionalism of directors and employees in practicing integrity, which established and monitored the responsibility system and accountability system as well as developed an excellent corporate integrity culture. For example, the real estate business of the Group organized an “Integrity Education Campaign” in an effort to raise their awareness of integrity. The Group’s tobacco business provided occupational ethics training and education to its staff to enhance their awareness of the relevant rules and regulations.

Furthermore, in adherence to good corporate governance principles, the Group has tightened internal control management and warning education and enhanced sound discipline inspection work. The headquarters of the Group conducts special audits of its subsidiaries on a regular basis, covering finance, procurement, operation and production. If employees are found to have violated the Group’s anti-corruption policy or engaged in illegal activities, the Group will, subject to the severity of the incidents, either seek compensation from such employees or report them to the judiciary.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

We convey expressly our determination and undertaking for integrity and honesty to our employees through staff manuals and internal training and emphasize the Group's requirements for professional ethics and declaration of interests. All directors and senior executives of the Group display their integrity through leading as a role model, and the general managers of functional departments and subsidiaries are also held accountable in the building of the Group's ethical system. The six water divisions of the Group participated in the "Anti-Corruption and ESG Activation Training" organized by SIIC Environment Holdings Ltd. on 14 December 2023 to train all staff on key corruption cases and amendments to national anti-corruption laws and regulations, which enhanced the anti-corruption awareness of all staff; in addition, the divisions also organized the legal training on "Key Points of Environmental Legal Policies on Urban and Township Wastewater Treatment Facilities and Recommendations on Handling Enforcement and Inspection", which enhanced the awareness of water-related laws; printing enterprise of the Group also provided training on "Integrity Agreement" and "Business Ethics Policies and Procedures" to their staff. During the Reporting Year, the Group did not involve in any related legal proceedings, claims or disputes which have a significant impact on the Group.

Product Responsibility

In order to realize our commitment to customers and provide excellent quality of products and services, the Group is committed to continuous innovation to improve the quality, health and safety standard of its products and services. The Group creates more opportunities and channels of communication for customers, and strives to understand the needs of our customers, enabling them to have a more pleasant experience.

At the 10th GBE Real Estate Summit initiated by GBE, the world's leading provider of building information services, the Group's properties won three major awards, including the Best Architectural Design Award, the Best Planning Design Award and the Best Real Estate Design Award, for their outstanding product concepts and innovative designs, out of thousands of entries.

The Group is well aware that product quality is the core competitiveness of the enterprise and the fundamental requirement of product responsibility. In order to assure the quality of projects, water-related businesses of the Group encouraged each business segment to formulate quality management system on the basis of ISO 9001, and multiple segments including Huadong segment has obtained the certification of ISO 9001 Quality Management Systems, in order to strengthen the measures on internal policies and management. In addition, the Group has established a comprehensive "Progress Management Policy". It regularly tracks and evaluates the progress and quality of each project, safety and difficulties encountered during the research period, and develops and implements solutions in a timely manner. In respect of the high level demand on product quality and the use of materials and equipment, the companies will supervise the construction units based on the requirements of the Construction Quality Management Policy to ensure that qualified and safe materials, components and equipment are used. The companies will also hire qualified supervision agencies to monitor and inspect projects during construction, undergo sample testing or repeat testing of materials on the site to ensure project quality and safety. General contractors, subcontractors and other construction units are required to develop overall construction plans and use BIM technology to adjust and optimise project designs. The enterprises have set up a system on acceptance inspection and delivery management in accordance with the Acceptance Inspection Assessment Criteria for the Quality of Construction and Installation Projects and the relevant standards. Comprehensive inspections would be performed on the projects together with the supervision agent, professional engineers and construction units before the completion and delivery of project. If necessary, the construction units would be urged to repair any defects in quality. Relevant units would also share and exchange their experiences and ideas regularly on managing project construction quality for the purpose of improving the project quality of each property project company.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Our commitment to quality is also reflected in the reliability of our products and services. In respect of the hotel operation of our real estate business, we emphasize safety management, proactively implement risk accountability policy and keep carrying out risk assessment, drill, training and inspection on safety matters while regularly cooperating with professional organizations to repair and maintain the access control system, security system and fire alarm system of the hotels. Water-related companies under the Group have established various policies, namely the Production and Operation Process Management Policy, the Operation Project Water Quality Management Policy and the Production Scheduling Management Policy, to manage daily production and ensure that the water supply quality of each project company is up to standard. The Group will strictly adhere to the requirements set out in the Emergency Plan for Unexpected Environmental Incidents to handle the occurrence of any abnormal conditions, such as water supply quality failing to meet the standard, in a reasonable and legal manner. The Group's tobacco business has established a quality management system to strictly implement annual internal and external audit in order to assure the production is in line with related quality requirements, and any production issues identified will be traced and blocked instantly. There were no sold or delivered products of the Group's tobacco business that had to be recalled for safety and health reasons in 2023.

The Group adheres to the customer-oriented service principle, strictly controls product quality, actively communicate with customers, continuously improves customer service system to enhance customer experience and satisfaction. The real estate business of the Group have actively engaged in two-way communications and exchanges with tenants, such as organizing tenant seminars to discuss with tenant representatives on issues such as management services, hardware and software facilities, ancillary services, and responding to various enquiries from tenants in a timely manner. Complaints lodged by tenants will be fed back to relevant departments such as engineering and technical departments in a timely manner after self-inspection by the property and commercial management departments to ensure that the complaints are properly handled. The division of water-related businesses operates a 24-hour customer service hotline for water services to receive complaints, repair reports and requests for assistance from tenants, which are handled to ensure that the quality of customer service is enhanced. In addition, during the Reporting Year, the Group's tobacco business duly handled complaints regarding quality of products and has duly traced back to find out the origin of the problem and offered a satisfactory solution.

The Group highly values the importance of protecting customer information and privacy and strictly complies with the laws and regulations in which it operates, including Law of the People's Republic of China on the Protection of Consumer Rights and Interests and Personal Data (Privacy) Ordinance, strictly prohibiting the disclosure of customer privacy without permission. The Group's subsidiaries keep customer data and privacy information in our management system and put them into different categories for administration purpose. Such data and information can only be accessed by authorized personnel. The Group requires employees to keep customer information confidential and strictly prohibits any form of divulgence by means of establishing rules and regulations, staff manual, internal communication and training. When it is discovered that customer information has been or may be divulged, the Group will immediately handle, report and rectify the case and hold relevant personnel accountable in accordance with its relevant policy.

In respect of the protection of intellectual property rights, water-related businesses of the Group proactively research innovative processes based on their operations. In which, the northeast segment of water-related businesses constructed a research and development centre with 52 researchers with a dedicated laboratory equipped with bacteriophage development, process trial experiment, comprehensive testing and other functions, which was graded as a hi-tech enterprise of Heilongjiang. Currently, the research and development centre has successfully accepted four invention patents and authorized four utility model patents, and was awarded the title of "20th Heilongjiang Provincial Youth Civilization Ship" in last year. In addition, the Group's tobacco business are committed to protecting the Group's intellectual property through proper collection and management of product packages and designs and photos of retail outlets. The Group's real estate business properly manages its construction design patents and trademark registrations. Specific clauses on intellectual property protection are written in the relevant contracts to explicitly set out the copyright and right of use of the relevant design patents and registered trademarks to ensure non-infringement of third-party intellectual property rights or trade secrets.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

SOCIAL RESPONSIBILITY

As an established red chip company with a strong presence in the society, SIHL is committed to building a rapport with the local communities and fulfil our community responsibilities. In 2023, we promoted our social responsibility work mainly through supporting education, helping the poor, promoting knowledge on the use of water and social health. The Group combines corporate brand development with proper use of corporate resources and innovates the pattern of charity and public welfare activities. By voluntarily initiating various public welfare activities, the Group gains experience in concerning about and giving back to the society. Social responsibility activities organised or participated by the Group during the Reporting Year are as follows:

Through close communication with local residents, the Group is eager to understand their living needs, listen to the voices of the people, and pay attention to the people's livelihood. For the second consecutive year, the Group's real estate business carried out poverty alleviation work in Tangzi Village, Meidu County, Yunnan Province, donated to local organizations, constructed infrastructure and public services, consolidated village revitalization industries and supported education and poverty alleviation projects. During the Reporting Year, the real estate business made donations totaling nearly RMB420,000 and accumulated donations of over RMB900,000 in total. In addition, real estate enterprises also actively participated in public welfare and charitable activities, including donations to the Shanghai Flame Blue Fire and Rescue Fund, the SIUD Supporting Military and Families Fund, the Lantianxia Charity Fund and the Village Rural Revitalization Project for Chengguangcun, Chongming. For 27 consecutive years, the real estate enterprise has supported the Chengkai Xiwang Primary School in Lu'an, Anhui Province, and made donations to the Municipal Charitable Foundation and the Xuhui District Supporting Military and Families Foundation, with the accumulative amount of donations for the Year reaching RMB520,000.

Different divisions of the Group's water-related businesses provide community support and voluntary services to benefit citizens in different provinces. The four water-related companies of the Shandong division continued to carry out "Citizen Services in the Community" activities, providing on-site publicity on water consumption knowledge and answers to questions on water-related businesses, as well as enquiries on water bills and business operations, with a view to enhancing citizen services, improving efficiency and building up a good corporate image. Among them, Weifang "Water for All" Volunteer Service Team won the "Best Volunteer Service Organization" Award of National Learning Lei Feng Volunteer Service. In addition, the Wuhan segment holds open-day activities regularly, which are free of charge for specific members of the public, so that the public can understand the process of sewage treatment, develop the habit of water conservation, and establish a good sense of environmental protection. Shanghai Qingpu factory helped revitalize Qingyun Village, Meidu County, Dali Prefecture, Yunnan Province by donating RMB160,000 to help consolidate the poverty relief works in the village, and to improve local infrastructure, education and medical conditions, in order to demonstrate our corporate social responsibility.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

During COVID-19 pandemic, the Group actively participated in community anti-pandemic operations by purchasing pandemic prevention materials and donating them to the projects belonging communities. As the pandemic relief, the Group shifted the focus of community support from anti-pandemic to healthcare, assisting the community to build up healthy living habits and providing medical services to residents in need to maintain the overall health of the community. During the Reporting Year, the Group's tobacco business deployed volunteers to assist the medical staff of partner organizations in various districts of Hong Kong in providing community healthcare services, including free clinics and health talks, to more than 2,000 people in the districts.

We believe in giving back to the society. In the future, the Group will keep engaging in activities such as optimizing business environment, facilitating community water supply in summer, collaborating in community development, alleviating poverty in villages and towns, actively participating in volunteer services and external corporate communications, enhancing corporate image and demonstrating corporate brand influence.

Compliance

The Group is committed to ensuring that its business operation complies with relevant laws, rules and regulations. Close attention is paid to relevant regulatory changes from time to time. The Group also conducts extensive compliance review to strengthen the effectiveness of its internal control and regulatory compliance and has formulated and renewed its internal control policies and procedures, and provide guidance for our operation. Furthermore, the Group holds work seminars or trainings regularly to enhance employees' awareness and understanding of its internal control and compliance procedures.

During the Reporting Year, we were not aware of any violation by the Group of any laws and regulations relating to environmental protection, employment and labour practices, operational practices and social responsibilities which might have a material adverse effect on its operation. Nor the Group has in any form violated the laws and regulations relating to bribery, extortion, fraud and money laundering.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

CONTENT INDEX OF THE ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORTING GUIDE

Our 2023 Environmental, Social and Governance Report has been prepared in accordance with the latest version of the Environmental, Social and Governance Reporting Guide as set out in Appendix C2 of the Listing Rules.

Environmental	Descriptions	Relevant Section
Aspect A1: Emissions		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste, etc	Environmental Protection, Air Emissions and Greenhouse Gas Emissions, Discharges into Water and Soil, and Waste Management
KPI A1.1	The types of emissions and respective emissions data	Air Emissions and Greenhouse Gas Emissions, Discharges into Water and Soil, and Waste Management
KPI A1.2	Direct (Scope 1) and energy indirect (Scope 2) greenhouse gas emissions and intensity	Air Emissions and Greenhouse Gas Emissions
KPI A1.3	Total hazardous waste produced and intensity	Waste Management
KPI A1.4	Total non-hazardous waste produced and intensity	Waste Management
KPI A1.5	Description of emission target(s) set and steps taken to achieve them	Air Emissions and Greenhouse Gas Emissions, and Discharges into Water and Soil
KPI A1.6	Description of how hazardous and non-hazardous wastes are handled, and a description of reduction target(s) set and steps taken to achieve them	Waste Management
Aspect A2: Use of Resources		
General Disclosure	Policies on the efficient use of resources, including energy, water and other raw material	Use of Resources
KPI A2.1	Direct and/or indirect energy consumption by type (e.g. electricity, gas or oil) in total and intensity	Use of Resources
KPI A2.2	Water consumption in total and intensity	Use of Resources
KPI A2.3	Description of energy use efficiency target(s) set and steps taken to achieve them	Use of Resources
KPI A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency target(s) set and steps taken to achieve them	Use of Resources
KPI A2.5	Total packaging materials used for finished products and with reference to per unit produced	The water-related business and real estate business of SIHL do not require packaging for delivery to clients, and the total amount of packaging materials used in tobacco and printing business is set out in the section of Use of Resources.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Environmental	Descriptions	Relevant Section
Aspect A3: The Environment and Natural Resources		
General Disclosure	Policies on minimising the issuer's significant impact on the environment and natural resources	Environment and Natural Resources
KPI A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them	Environment and Natural Resources
Aspect A4: Climate Change		
General Disclosure	Policies on identification of and response to significant climate-related issues which have impacted, and those which may impact, the issuer	Climate Change
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
Social	Descriptions	Relevant Section
Aspect B1: Employment		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, holidays, equal opportunity, diversity, anti-discrimination, and other benefits and welfare	Employment and Labour Practices, and Employment
KPI B1.1	Total workforce by gender, employment type (e.g. full- or part-time), age group and geographical region	Employment and Labour Practices
KPI B1.2	Employee turnover rate by gender, age group and geographical region	Employment
Aspect B2: Health and Safety		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to providing a safe working environment and protecting employees from occupational hazards	Health and Safety
KPI B2.1	Number and rate of work-related fatalities occurred in each of the past three years including the Reporting Year	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, and how they are implemented and monitored	Health and Safety

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Social	Descriptions	Relevant Section
Aspect B3: Development and Training		
General Disclosure	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
Aspect B4: Labour Standards		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child and forced labour	Labour Standards
KPI B4.1	Description of measures to review employment practices to avoid child and forced labour	Labour Standards
KPI B4.2	Description of steps taken to eliminate such practices when non-compliance is discovered	Labour Standards
Aspect B5: Supply Chain Management		
General Disclosure	Policies on managing environmental and social risks of the supply chain	Supply Chain Management
KPI B5.1	Number of suppliers by geographical region	Supply Chain Management
KPI B5.2	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, and how they are implemented and monitored	Supply Chain Management
KPI B5.3	Description of practices used to identify environmental and social risks along the supply chain, and how they are implemented and monitored	Supply Chain Management
KPI B5.4	Description of practices used to promote environmentally preferable products and services when selecting suppliers, and how they are implemented and monitored	Supply Chain Management
Aspect B6: Product Responsibility		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress	Product Responsibility

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Social	Descriptions	Relevant Section
KPI B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons	Product Responsibility
KPI B6.2	Number of products and service related complaints received and how they are dealt with	Product Responsibility
KPI B6.3	Description of practices relating to observing and protecting intellectual property rights	Product Responsibility
KPI B6.4	Description of quality assurance process and recall procedures	Product Responsibility
KPI B6.5	Description of consumer data protection and privacy policies, and how they are implemented and monitored	Product Responsibility
Aspect B7: Anti-corruption		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering	Anti-corruption
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	Anti-corruption
KPI B7.2	Description of preventive measures and whistleblowing procedures, and how they are implemented and monitored	Anti-corruption
KPI B7.3	Description of anti-corruption training provided to directors and staff	Anti-corruption
Aspect B8: Community Investment		
General Disclosure	Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests	Social Responsibility
KPI B8.1	Focus areas of contribution (e.g. education, environmental concerns, labour needs, health, culture, sport)	Social Responsibility
KPI B8.2	Resources contributed (e.g. money or time) to the focus area	Social Responsibility