



上海實業控股有限公司

SHANGHAI INDUSTRIAL HOLDINGS LIMITED

(Stock Code : 363)

2021

Environmental, Social
and Governance Report



2 ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT



ABOUT THIS REPORT

This environmental, social and governance report focuses on the disclosure of the performance of Shanghai Industrial Holdings Limited (“**SIHL**” or the “**Company**” or “**we**” or “**our**”) and its subsidiaries (the “**Group**”) on environmental, social and governance aspects for the period commencing 1 January to 31 December 2021 (“the **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), which are conducted in mainland China and Hong Kong.

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 27 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.

The Environmental, Social and Governance Management Philosophy of SIHL

The Group well acknowledges that, as a responsible enterprise for 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, the Group not only assumes 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 Group (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.

Board Statement

The Board is committed to participating in the formulation and implementation of the Group’s sustainable development management policies and strategies, monitoring the Group’s environmental, social and governance performance, and ensuring that environmental, social and governance 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 environmental, social and governance management system and measures, the Board and the management pay regular attention to environmental, social and governance-related matters to formulate appropriate management approaches and risk management mechanisms. The Board annually reviews and approves all environmental, social and governance related disclosures and internal policies, and reviews and approves the sustainability reports, including progress towards environmental, social and governance related targets, to ensure that the business can manage corresponding risks and opportunities.

Regulatory 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 and members of the Board directs the sustainable development of the above 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 Company. We believe our regulatory structure has incorporated the expertise and experience of our business units, enabling them to facilitate the coordinated development of the Group’s environmental, social and governance issues and its business growth strategies.

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

To meet the principles of relevance, materiality and balance for this report, we have solicited the opinions of our stakeholders for the Group to further understand their expectation and recommendations in respect of our performance on environmental, social and governance areas, and have identified the latest environmental, social and governance tasks that should be prioritised. 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, environmental protection and energy saving as well as work safety and health, 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.

ENVIRONMENTAL 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 related to the generation of hazardous and non-hazardous wastes, namely the Environmental Protection Law of the People's Republic of China, the Energy Conservation Law of the People's Republic of China and the Prevention and Control of Environmental Noise Pollution of the People's Republic of China, which have a significant impact on the Group. During the reporting period, 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 China in achieving the goals of “capping carbon emissions, achieving carbon neutrality” and pollution prevention, and seize the market opportunities brought by China's promotion of energy conservation and emission reduction. We will continue to expand the water-related business development and the solid waste treatment business, and continuously improve environmental protection technology, strengthen technology research and development and improve project efficiency.

Emissions

Air emissions and greenhouse gas emissions

We highly regard green development as an integral part of our operation concept, and adopt 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 aim to reduce air pollutants and greenhouse gas emissions by improving operational efficiency and reducing wastage. The real estate enterprises under the Group request all construction units participating in the construction projects to formulate various management systems and related guarantee measures for environmental protection and energy conservation.

In order to reduce generation of hazardous and non-hazardous waste, we ensure that domestic waste, construction waste and hazardous waste generated during construction are properly collected and handed over to qualified institutions for disposal. We also set up different collection points based on waste category and sorted by source. Toilets equipped with flushing water facilities and discharge septic tanks are set up on the construction sites, which are covered and sprayed with disinfectants regularly, and cleaners are assigned for cleaning them every day. The construction sites are equipped with sufficient garbage pools and trash cans, and construction waste is centrally stacked and transported in a timely manner. Workers regularly clear the garbage to maintain environmental hygiene and site cleanliness upon work completion.





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 and 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 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. Environmentally friendly refrigerants are also used on over half of the existing air conditioners, and we will gradually replace all the remaining units with models using environmentally friendly refrigerants during equipment maintenance and replacement in the future.

The air pollution caused by the Group's property development business mainly occurs during the foundation, structural and decorative construction phases. We have identified various sources of pollution pertaining to these phases, such as the flow of dust from construction road tracks, vehicle transport, earthwork and construction machines. The Group has proactively implemented corresponding preventive measures on these sources. We have installed sprinkler devices to control the dust from civil construction machinery operations, and used fog cannons and mobile sprinklers to regularly sprinkle water to reduce dust on the road to control dust pollution in construction sites and roads during the construction phase. We use a closed temporary built waste conveyor or a hoisting container or bags to remove construction waste from the building structure. It is strictly forbidden to dump waste at will. Construction waste must be duly cleared and an appropriate amount of water shall be sprinkled to reduce dust pollution to the air. Cement, other dusty objects and particulate materials are either stored or tightly covered in the warehouse. It should be ensured that no spilling and flying of these materials are found during transportation. Also, these materials shall be unloaded and stacked at a designated area to reduce pollution. All access roads and stackyard onsite are paved with concrete to reduce pollution and mud and sand used in construction will be covered. To prevent spillage from transport vehicles, we demand all transport vehicles 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 exit where vehicles can leave the site only after being washed. Vehicles are not allowed to carry mud and sand out of the site to cause environmental pollution.

The Group has always been committed to reducing air pollution and greenhouse gas emissions from its operations. 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 sulfur content, purchasing models with less environmental impact when replacing production facilities and conducting regular training on environmental protection for employees. We will continue to monitor Scope 1 and Scope 2 greenhouse gas emissions to further set quantitative targets in order to achieve China's goals of "capping carbon emissions by 2030 and achieving carbon neutrality by 2060".

The air emission and greenhouse gas emission data from the principal businesses of the Group under the scope of reporting in 2020 and 2021 are as follows:

Environmental KPIs	Unit	2021	2020
Nitrogen oxides emissions	tonne	1,524	1,763
Sulphur oxides emissions	tonne	0.003	0.003
Particulate matter emissions	tonne	0.148	0.134
Total greenhouse gas emissions ¹	tonne CO ₂ e	231,928	232,311
Total greenhouse gas emission intensity ²	tonne CO ₂ e/ HK\$'000 of revenue	0.006	0.009
Scope 1 – Greenhouse gas emissions and removal ³	tonne CO ₂ e	14,789	11,409
Scope 2 – Energy indirect greenhouse gas emissions ⁴	tonne CO ₂ e	217,139	220,902

Emission 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 help protect the environment and communities. The drainage facilities of the Group's property development projects must meet relevant regulatory requirements and apply for discharge permits in accordance with the requirements of relevant local authorities. We impose stringent measures in segregating rainwater and sewage and strictly prohibit the discharge of other types of water into the municipal rainwater pipe network. We install standardised drainage ditches at access roads and material stackyards onsite to control the flow of sewage and allow them to run through the sedimentation tank before converging with municipal rainwater pipes. 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. 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.

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, energy conservation and consumption reduction management, and avoid waste from the source as the first step. Many of our property developments adopt the U.S. Leadership in Energy and Environmental Design (LEED) standards for designs. Architectural design takes into account environmental impact at various stages of the life-cycle of a project including site selection, design, construction, operation, maintenance, renovation and demolition, as well as automation and standardisation factors to minimize wastage of building materials by effectively control waste of building materials generated.

- 1 The Group's greenhouse gases include carbon dioxide, methane and nitrous oxide, and greenhouse gas emissions are presented in carbon dioxide equivalent. During the year, the Group re-examined and calculated the energy indirect greenhouse gas emissions in accordance with the latest reporting guide of HKEx, and therefore restated the relevant figures for 2020.
- 2 In order to provide a more accurate representation of total GHG emission intensity data, the Group has updated the decimal figures of the relevant data for 2020.
- 3 Scope 1 - greenhouse gas emissions and removal refer to greenhouse gas emissions from vehicle fuel combustion, 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 HKEx.
- 4 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 HKEx. During the year, the Group re-examined and calculated the indirect greenhouse gas emissions from energy in accordance with the latest reporting guide of HKEx, and therefore restated the relevant figures for 2020.

The operations of the Group do not generate large quantities of hazardous waste which eventually requires treatment. Used oil and kerosene generated in the tobacco production process are recycled and disposed of by qualified contractors recognised by the government. During the waste disposal process, the Group actively implements strict classifications and separate storage of waste to ensure that waste is properly recovered and treated by qualified recycling operators. Soot and other wastes are compressed in garbage compactor before being sent to landfills for burial, with the aim to actively reduce the generation of waste, sewage and exhaust gas during the production process and meet relevant government standards. We have set up waste recycling bins in the office for collecting wastepaper, aluminum cans, metal scraps, plastics and food waste and employees are encouraged to actively participate in recycling to allow recovery and treatment by qualified recycling operators. All electronic wastes generated by the Group’s real estate business will not be mixed with day-to-day office waste and are treated separately.

The Group aims to continuously improve the waste management system to gradually reduce the amount of waste generated every year. Meanwhile, in response to the national “Waste-Free City” plan to increase the treatment capacity of municipal solid waste, the Group also aims to gradually improve the treatment capacity of municipal solid waste incineration every year. In view of this, we implemented waste sorting and collection during the year. For example, after collecting all electronic wastes, we regularly hand them over to professional recycling institutions for disposal, so as to improve the waste recycling rate. Office domestic waste is disposed of by the building property management companies. In addition, recycled building materials are used as much as possible to minimise wastage. 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 2020 and 2021:

Environmental KPIs	Unit	2021	2020
Total non-hazardous waste produced ⁵	tonne	3,921	960
Total non-hazardous waste produced intensity	kg/revenue in HK\$’000	0.10	0.04

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 star-rated building, the U.S. 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 life-cycle of the building through a series of design and measures to save land, energy, water and materials. Our long-term goal is to create 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.

The Group attaches great importance to green operation and management and strives for the rational use of energy. Through scientific management and rational use of energy consumption, the utilization rate of energy is improved, and the operation and use needs are matched with the least energy consumption. In terms of energy saving, the Group’s real estate development 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 promote 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 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 maintenance structure, and upgrading the environmental protection treatment facilities. The Group also

5 As the COVID-19 epidemic eased slightly in 2021, the Group resumed most of its operations compared with last year, so the amount of non-hazardous waste generated showed an upward trend.



monitors the energy consumption of commercial properties and regularly records the readings of the energy consumption meter, summarizes and analyzes 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 implement green office, and carry out environmental protection training and publicity education for employees through various channels. 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 of the Group continues to renovate all production workshops. The factory has installed energy-saving T5 fluorescent lamps on a large scale. The halogen spotlights in the factory have been replaced by LED lamps. The air compressors and deodorizing fans are all replaced by equipment with higher energy efficiency or frequency conversion control. 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.

In terms of water conservation, the Group's property development business has implemented new water consumption standard, whereby water conservation equipment and water conservation measures are deployed in the construction sites to improve water consumption efficiency as well as conserve water and reduce emissions. We have established reclaimed water reuse facilities to collect rainwater and after treatment use it for green watering and road cleaning. 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 the water consumption volume of the construction site of each project to control the use of water resources. 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 installed grease traps in the onsite canteen and septic tanks in the toilets. Sewage is filtered by the grille and then connected to the sewage pipeline. The Group's tobacco business collects rainwater for cooling air-conditioners in the factory. For the air-conditioning water towers of other air-conditioners, we have a regular cleaning system to check water quality regularly and reduce water consumption. For property operation, the Group renovated faucets in public areas, adopted water-saving measures such as sensor faucets and centralized water supply in offices, and prepared and set budgets for water consumption in commercial properties and offices to improve water consumption efficiency. Regarding real estate development business of the Group, 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 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.

The resources usage data in the principal businesses of the Group under the scope of reporting in 2020 and 2021 are as follows:

Environmental KPIs	Unit	2021	2020
Total energy consumption	kWh	419,323,657	415,295,464
Total direct energy consumption ⁶	kWh	27,989,856	24,142,131
Diesel	kWh	8,527,321	6,459,542
Gasoline	kWh	2,499,557	1,645,636
Liquefied petroleum gas	kWh	65,805	67,154
Natural gas	kWh	16,864,819	15,969,798
Ethanol gasoline	kWh	32,354	-
Total direct energy consumption intensity	kWh/HK\$'000 of revenue	0.72	0.89
Total indirect energy consumption	kWh	391,333,801	391,153,333
Electricity purchased	kWh	365,293,498	370,099,898
Towngas	kWh	26,040,303	21,053,435
Total indirect energy consumption intensity	kWh/HK\$'000 of revenue	10.10	14.41
Total water consumption ⁷	m ³	219,846	565,568
Water consumption intensity	m ³ /HK\$'000 of revenue	0.0057	0.0208
Total packaging materials used for finished products	tonne	5,181	3,794
Packaging materials used for finished products per unit produced	kg/unit of finished product	3.76	3.79

Environment and natural resources

In terms of green building, the Group's property development projects across 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 on building thermal performance, energy efficiency of building services, 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.

The Group's West Diaoyutai•Emperor Seal Phase 3 in Beijing, a residential development project located in Haidian District, Beijing, have incorporated a number of energy-saving elements into the project design, such as installation of inverter multi-connected air conditioning (heat pump) system and renewable energy facilities which can provide 100% domestic hot water. The carbon monoxide concentration monitoring devices connected to exhaust equipment in the underground parking lot was installed to proactively create a safe, healthy and efficient green environment. In addition, we use objective criteria to evaluate the environmental protection performance of the development projects. All new development projects will meet the requirements of national and local green building evaluation standards, and adopt green environmental protection measures according to local conditions. During the reporting period, the Group's development projects, namely the commercial and office project building nos. 1, 2 and 9 at Lot A of Urban Cradle, commercial and office project at Lot 188N-K-2 of Xuhui Binjiang, commercial and office project at Lot 188N-M-1 of Xuhui Binjiang, commercial and office project at Lot 188N-O-1 of Xuhui Binjiang and Lot 02-10-0B of Unit MHPO-0304, Meilong Town, Minhang District ("Urban Village" reconstruction project-Xingnan Village) have all successfully obtained the Two-star Green Building Design Label Certificates.

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

7 As some of the Group's projects were completed during the reporting period, construction water consumption was reduced compared to 2020.

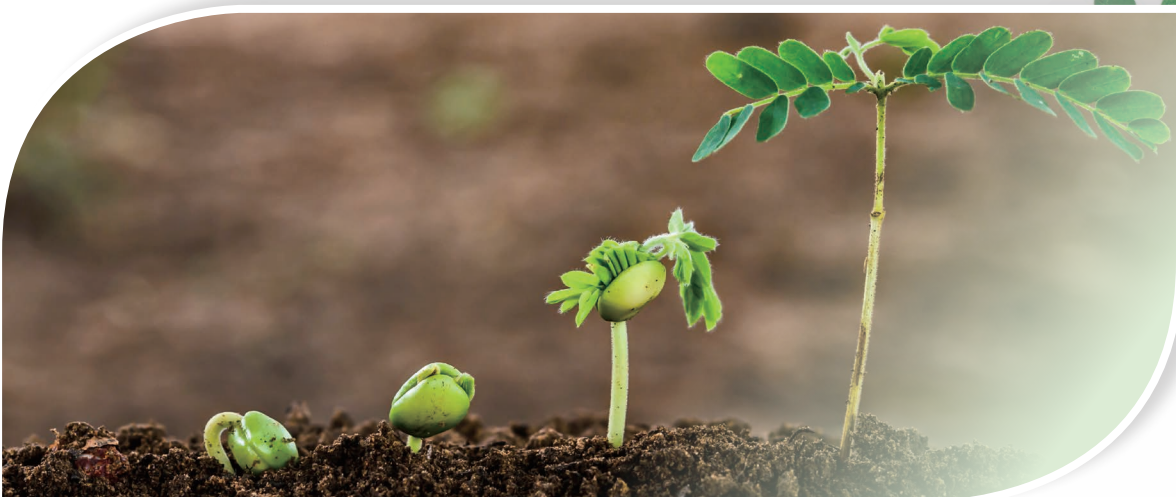
In an effort to reduce environmental pollution, the Group's real estate enterprises carefully plan for the facilities used in the construction sites during the project construction process. Noisy equipment is kept away from residential areas wherever possible, sound insulation measures are adopted, and low noise construction equipment and technology is used to reduce the impact of noise in construction sites to residents in the neighbourhood. Moreover, the Group's tobacco business emits odourous gases during the production process and any direct emissions will impact the nearby environment to a certain extent. Therefore, we filter the gas emitted during the manufacturing process through the deodorizing system before it is discharged, with the aim to minimize the impact of odour and harmful substances on the environment.

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, snowstorms and other physical risks. The changes in policies, laws, technologies and markets due to the transformation to a low-carbon economy also pose variable degrees of 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;
- 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.

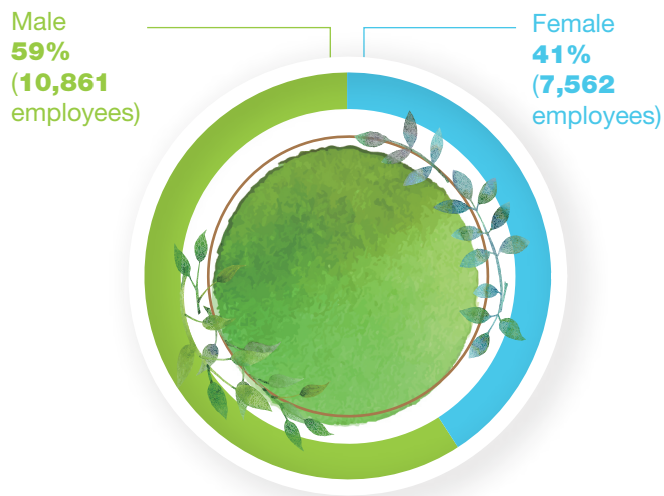
The Group will continue to explore the opportunities brought about by climate change, actively respond to climate change-related initiatives, and speed up the carbon reduction transition in response to the policies and measures proposed by China.



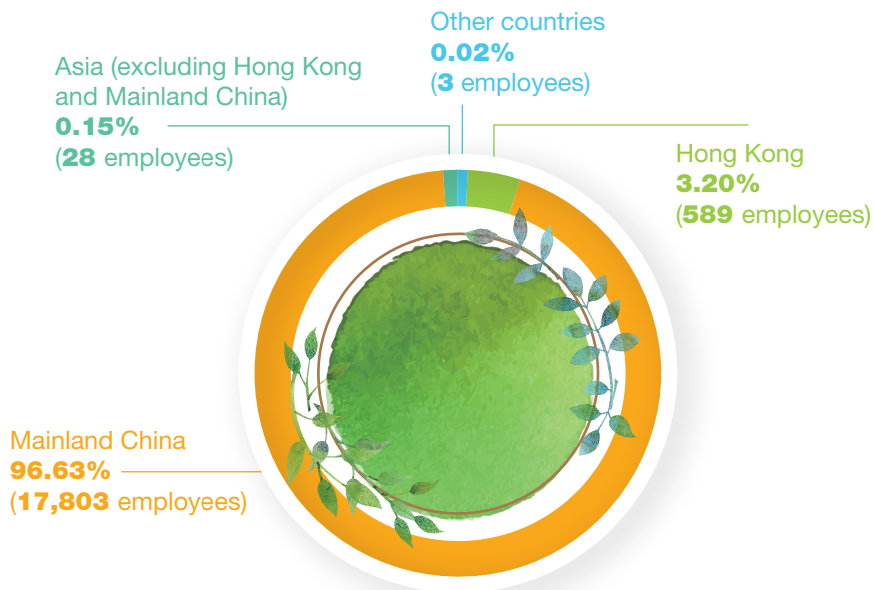
EMPLOYMENT AND LABOUR PRACTICES

Employees are essential for the sustainable development of the Group and we regard them as our most valuable assets. With a total number of employees of about 18,423 as of the end of 2021, all of them are full-time employees. 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 figures in the charts in this section cover all full-time employees of the Group.

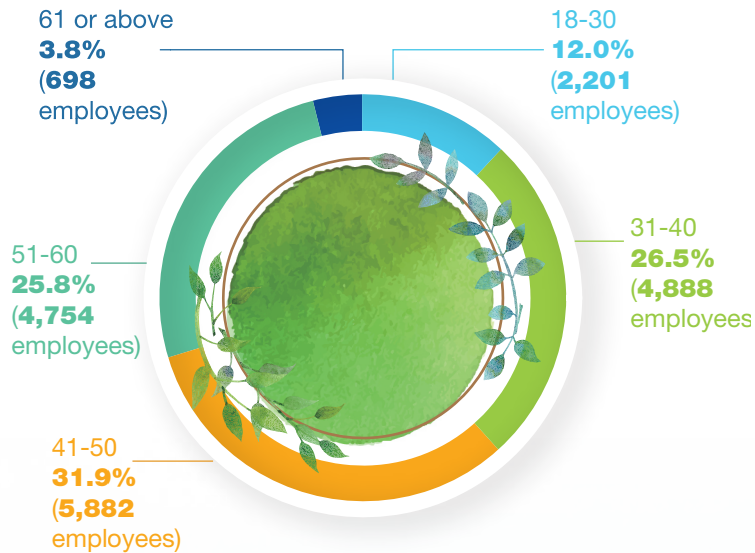
Total workforce by gender



Total workforce by geographical region



Total workforce by age group



Employment

The Group is committed to talent management and adheres to a “people-oriented” spirit. We have adopted an equal opportunity recruitment strategy to attract talented people. By establishing a performance appraisal mechanism to determine competitive remuneration and benefits through assessing individual contributions, corporate results and market trends, we ensure that employees are fairly compensated. Enterprises within the Group have produced staff manuals in accordance with the nature of their business, 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.

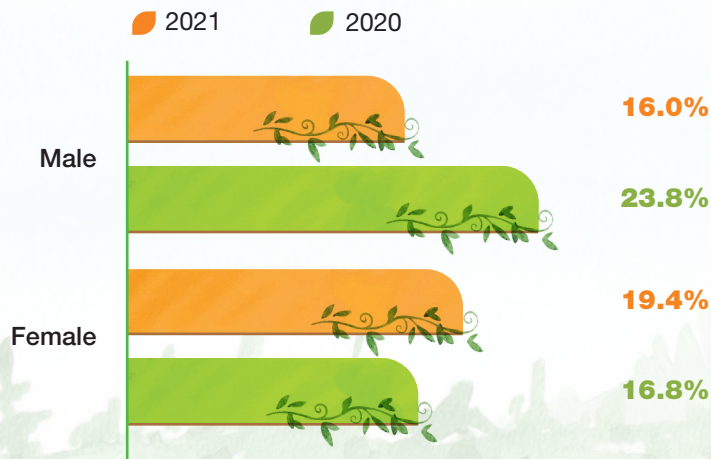
By adopting the principle of “remuneration based on position”, our enterprises provide employees with competitive remunerations in accordance with economic growth and business operations, integrating a remuneration that is based both on a fixed salary and performance appraisal and taking into account 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 allowances, such as lunch allowance and holiday allowance. During the reporting period, 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. 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. Our enterprises follow an objective, fair, standardized and transparent performance management system to assess, promote and reward outstanding talents.

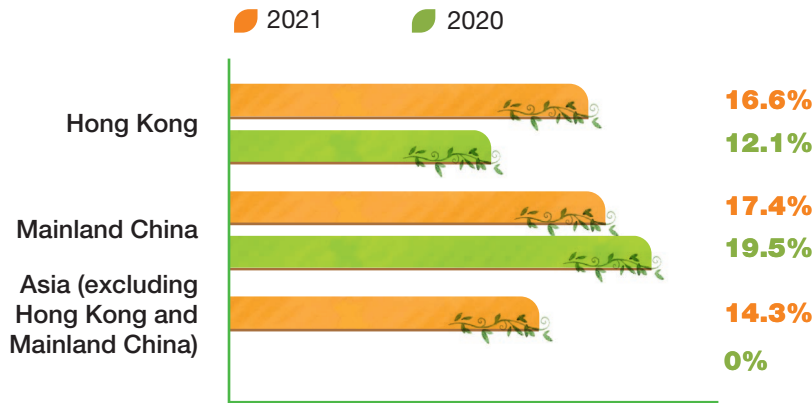
The Group also stipulates the conditions and arrangements for cancelling and terminating employment contracts in the employee handbook pursuant to relevant laws and regulations to protect the rights and interests of both parties. The conditions applicable to cancellation of employment contract include 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.

The principal activities of 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 also included in the staff manual for implementation.

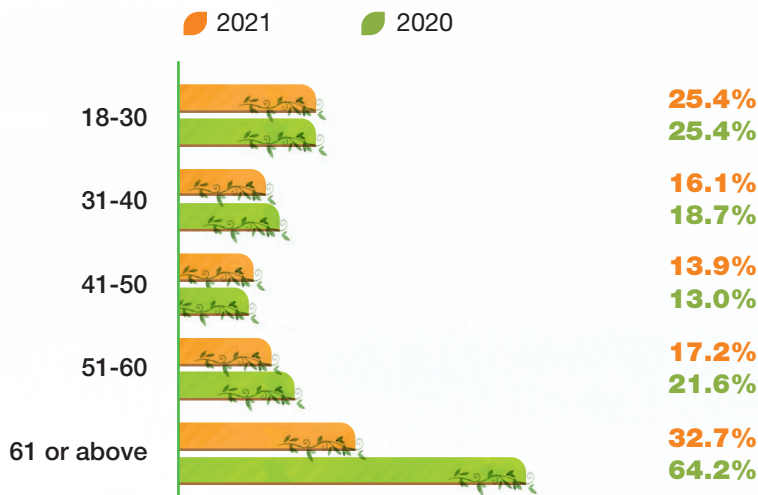
Employee turnover rate by gender



Employee turnover rate by geographical region



Employee turnover rate by age group



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.

To mitigate the risk of occupational health and safety, the Group strictly adheres to relevant health and safety laws and regulations 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 and the Measures for the Determination of Work-Related Injuries 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 enterprise 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 committee formulated annual safe production plan and goals and performed daily supervision and regular identification of potential hazards. The committee has convened five meetings featuring safe production to convey the safe production work requirements to all internal responsible units and review the implementation of work safety. During the reporting period, the Group did not violate any laws and regulations relating to health and safety which have a significant impact on the Group.

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, equipment repair, 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. We also invite relevant staff from construction units, leasing units and tenants to participate so as to strengthen their safety awareness and emergency response capabilities, thereby reducing the risk of safety incidents.

As the COVID-19 pandemic continues to rage, the Group has always kept abreast of the development of the pandemic and the health conditions of employees, and actively provides employees with multiple health protections. The Group actively follows the government's infection control guidelines and requirements to formulate pandemic prevention and control contingency plans and implement various infection control measures, such as providing employees with face masks and hand sanitizers, recording employees' body temperature on a daily basis, implementing staggered working hours, encouraging employees to hold meetings via video conferencing and arranging employees to report duty on alternate days or work from home, etc. At the same time, the Group also attaches great importance to the health of other personnel in its operating premises by enhancing the cleaning and disinfection work on public facilities, organizing annual physical examinations for employees, and signing production safety undertakings to fulfil the requirements of relevant occupational safety and health regulations. During the reporting period, the Group had 2,314 days of paid leave for work-related injuries, and our work-related fatalities and fatality rate in the past three years are as follows:

Health and Safety Indicators	2021	2020	2019
Work-related fatalities	1	2	0
Work-related fatality rate (%)	0.01	0.01	0

Development and training

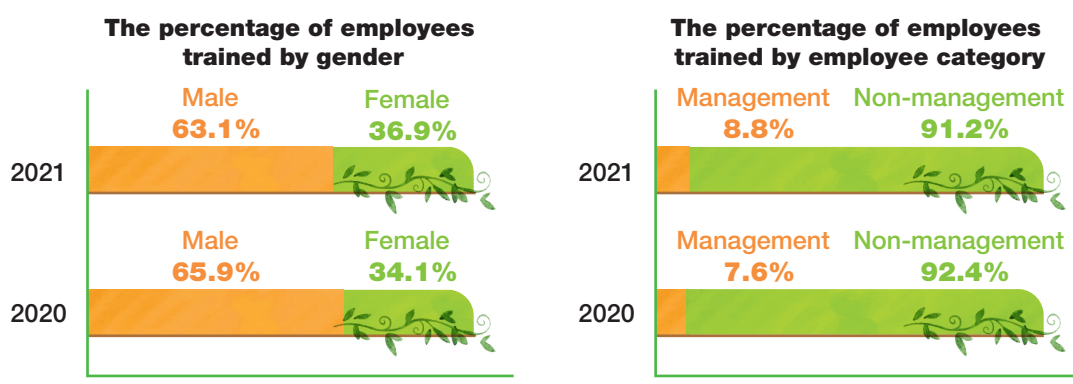
The Group attaches great importance to talent nurturing and professional development and training for its employees. We are devoted to broadening their horizon for growth and helping them to unleash their talent and potential to realize their own value. We also provide employees with a wide range of 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; and the “City Forum” is held for all employees to broaden their professional knowledge, create a learning atmosphere, and provide a platform for mutual communication, understanding and collaboration. 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. For example, real estate enterprises provide professional training on real estate market, green building, safety culture and other topics to their employees; water companies provide trainings for heads of production and equipment engineers to improve the work skills of production staff.

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. For example, the Group’s real estate companies have held training activities on ‘Uniting You and Me to Achieve Future Success’, designed team orientation activities and team building activities for employees; organized team development activities and celebrated Christmas with employees to cultivate team spirit and connection between individual and the team. The Group’s water companies held the “Craftsmanship Cup” job skill competition, with participation of nearly 180 employees. Some of the winning employees were awarded the title of “Group Craftsman” and their salaries were also adjusted.

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:

Employee Category	2021 Average training hours	2020 Average training hours
<i>Average training hours completed per employee by gender</i>		
Male	16.1	11.6
Female	16.1	12.2
<i>Average training hours completed per employee by category</i>		
Management	38.7	30.7
Non-management	14.6	10.6



Labour standards

The Group strictly complies with 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 and the Provisions on the Prohibition of Using Child Labour, 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, at the recruitment stage, the Group would ask the candidate to provide valid identification documents for verification of his/her identity and age 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 in accordance with relevant national 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. In 2021, 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.

OPERATIONAL PRACTICES

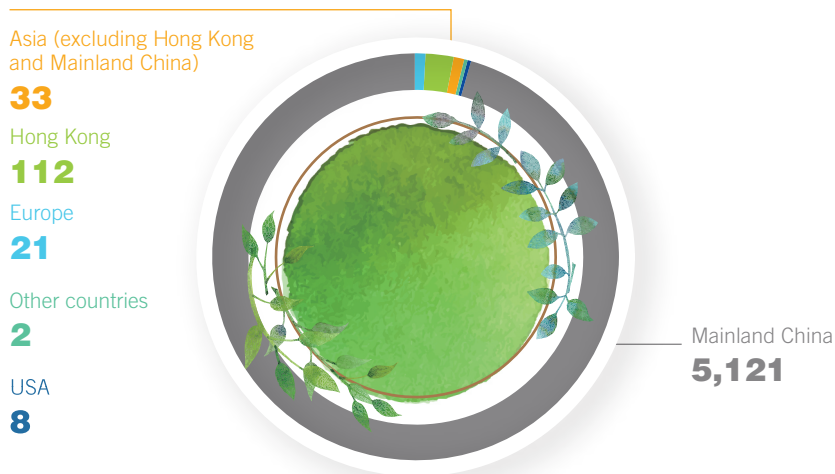
Supply chain management

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 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 according to the bidding documents and methods, 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. 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, qualification assessment and approval system to ensure suppliers and materials procured meet their assessment standards and minimize potential risks in the supply chain. We conduct a qualification review on the scope of operation, service area, qualifications, main performance and eligibility assessment of a potential supplier by collecting relevant information and conducting site visits for the selection of qualified suppliers and approval of appropriate cooperation plans. Besides, the Group has maintained a long-term, stable and reliable supplier database. To strengthen the management of the 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. We also optimized the classification of, and the assessment approach and criteria for, suppliers in order to reflect their performance on environmental and social aspects in a focused and objective manner. 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. We will review green development from a broader perspective, and advocate a green and sustainable business model.

To effectively control the risk of its supply chain, we usually avoid using one single supplier. In 2021, 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 5,297 suppliers, of which 5,233 were from mainland China and Hong Kong, 21 from Europe, and 43 from USA and other countries.

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 national laws and regulations relating to bribery, extortion, fraud and money laundering, 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 requirements of the Listing Rules. Corruption of any kind will not be tolerated. The Group has established internal rules to provide guidance and basis for governing employee behaviours. We have also provided channels for reporting misbehaviours through setting up whistleblowing hotlines. The supervision and examination department will review any reported malpractices in detail as the Group has zero tolerance for any misbehaviours.

During the reporting period, the Group launched anti-corruption training activities 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.

Furthermore, in adherence to good corporate governance principles, the Group has tightened internal control management and enhanced warning education and discipline inspection work. The headquarters of the Group conducts special audits of its project companies on a regular basis, covering finance, procurement, operation and production. If employees are found to have violated the Group's anti-corruption system 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.

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. In addition, we also require our suppliers to be honest and abide by the law. 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 Group conducts anti-corruption education for the directors and employees via different means. For example, the Group's real estate enterprises have carried out educational activities on integrity alert, visits Minhang anti-corruption educational center to improve the integrity awareness of the employees. The Group's tobacco business in Hong Kong provided employees with a occupational ethics training programme to reinforce their knowledge of relevant rules and regulations. During the reporting year of 2021, 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, healthy and safety standard of its products and services. The Group also strives to strengthen communications with our customers and create a more pleasant experience for its customers.

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 improve the quality of projects, the real estate companies under the Group have established a comprehensive work reporting system. It regularly tracks and evaluates the progress and quality of each project, safety, difficulties and problems encountered during the research period according to the requirements of the "Progress Management System", and develops and implements solutions in a timely manner. In respect of the use of materials and equipment, the companies would supervise the construction units based on the requirements of the Construction Quality Management System to ensure that qualified and safe materials, components and equipment are used. The Group would also conduct sample tests or repeated tests on the materials together with the supervision agent on-site. During the construction stage of the projects, the companies use the Building Information Modeling (BIM) technology to adjust and optimize the project design, and require the main contractors, subcontractors and other construction units to formulate overall construction plans. The companies will also hire qualified supervision agencies to monitor and inspect projects during construction to ensure project quality and safety. Upon completion and delivery of projects, the enterprises have set up a system on acceptance inspection and delivery management in accordance with the Acceptance, Inspection and 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 to complete the acceptance inspection process. Relevant units would also share and exchange their experiences and ideas on managing project construction quality for the purpose of improving the project quality of each property project company. As such, product quality and customer interests can be assured.



Our commitment to quality is also reflected in the reliability of our products and services. In respect of our hotel operation, 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. Regarding epidemic prevention and control, the Group has continuously strengthened epidemic prevention propaganda, dynamically grasped the physical conditions of employees, regularly enquired and updated employees' travel trajectories, and followed up and implemented employee vaccinations. In addition, in strict accordance with the requirements, the Group performed well in epidemic prevention and control in customer areas, disinfected public areas, measured temperature and checked health codes, and archived relevant information. The Group has strengthened its effort in cleaning and sterilising hotel facilities amid the outbreak of the COVID-19 pandemic to protect the health of guests to the greatest extent possible. The Group's water supply business has established various systems, namely the Production and Operation Process Management System, the Operation Project Water Quality Management System and the Production Scheduling Management System, 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 in Hong Kong conducts stringent inspection of incoming materials to ensure the raw materials meet the requirements for use. Any production issues identified will be traced instantly while any products with defects will be blocked immediately. The percentage of sold or delivered products of the Group's tobacco business that had to be recalled for safety and health reasons was 0.07% in 2021.

The Group adheres to the customer-oriented service principle, strictly controls product quality, actively handles customer complaints, continuously improves customer service system to enhance customer experience and satisfaction. In the course of our commercial and residential operations, the Group's real estate companies actively conduct two-way communication and exchange with tenants to continuously optimize products. They hold tenant seminars to discuss management services, software and hardware facilities, supporting services and other topics with tenant representatives, and respond to tenants' inquiries in a timely manner. Complaints raised by tenants will be promptly fed back to relevant departments such as engineering and technology after self-inspection by the property and business management departments to ensure that complaints are properly handled. In addition, during the reporting period, the Group's tobacco business in Hong Kong duly handled 2 complaints concerning China duty-paid market and 1 complaint concerning Cambodia duty free market. The enterprise has duly traced back to find out the origin of the problem and offered a solution satisfactory to the external parties.



The Group highly values the importance of protecting customer information and privacy and strictly complies with the Law of the People's Republic of China on the Protection of Consumer Rights and Interests, strictly prohibiting the disclosure of customer privacy without permission. The Group's project companies 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 authorised personnel. The Group requires employees to keep customer information confidential and prohibit 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 report, handle and rectify the case and hold relevant personnel accountable in accordance with its relevant system. For instance, the Group's tobacco business in Hong Kong puts wholesalers and distributors information under licensing management and stipulates that they are for internal use only to ensure customer information are effectively protected.

In respect of the protection of intellectual property rights, all departments under the Group's tobacco business in Hong Kong are committed to protecting the Group's intellectual property through proper collection and management of product packages and designs, production orders, sales invoices and photos of retail outlets. The Group's real estate business 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 copyrights and rights to use of the relevant design patents and registered trademarks to ensure non-infringement of third-party intellectual property rights or trade secrets. During the reporting period, the real estate business also organised talks on corporate trademark, copyright protection and risk prevention to strengthen the knowledge and capability of its staff members in protecting and managing intellectual property rights.

SOCIAL RESPONSIBILITY

As an established red chip company with a strong presence in the society, SIHL is committed to build a rapport with the local communities and fulfill our social responsibilities. In 2021, we promoted our social responsibility work mainly through supporting art education, helping the poor, promoting knowledge on the use of water and fighting the COVID-19 pandemic. 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 first-hand experience in consistently paying attention to support art education, helping the poor, promoting knowledge on the use of water and fighting the COVID-19 pandemic to fulfil its mission of giving back to the society. Major social responsibility activities carried out during the year are as follows:

We believe that art education is beneficial to the intellectual development of kids in their personal growth. Therefore, in line with the principle of "continuously exploring the way of art for public welfare and creating opportunities for children to embrace art", the Group's real estate companies and Shanghai Xiao Ying Guang Xing Group continued to promote the Arts for Kids charity branding campaign during the reporting period, to cultivate children's interest in art in a diversified, joyful and interactive manner, and bring a positive impact on children's growth and development.



In terms of poverty alleviation, the Group fully participates in targeted poverty alleviation and helps to win the battle against poverty. For instance, the Group's real estate companies donated about RMB1,000,000 to Ning County, Qingyang City, Gansu Province and Diebu County, Gannan Tibetan Autonomous Prefecture to improve people's livelihood in the two counties, preventing poverty, improving education and health, and strengthening rural infrastructure construction. In order to first set up the fund pool of the Xuhui Branch of the Military Supporting Dependents Foundation, organize activities to support the military and the family in Xuhui District, improve the regional contribution of state-owned assets and state-owned enterprises and promote the effective development of the regional support for the military and the family, our real estate company donated RMB100,000 to the Xuhui District Working Committee of the Shanghai Supporting Military Foundation. The water supply business subsidiary of the Group helped the construction of beautiful villages, actively participated in the village-enterprise collaborative activities of Qingyun Village Committee of Kiedu County, Yunnan Province, and contributed a special fund of RMB100,000 for condolences to families in need, rural infrastructure construction, party building leadership, etc. In addition, the Company also participated in the 832 platform government procurement service center organized by Yiyang Municipal Bureau of Housing and Urban-rural Development to support Anhua County's consumption for poverty alleviation activities, and purchased rice produced in poverty-stricken villages in Anhua County on the designated platform, with a total amount of RMB12,000.

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. During the reporting period, the Group's real estate companies joined hands with community centers to visit the elderly living alone or lacking care to understand their needs and provide benefits, so that the elderly living alone can live independently in their familiar communities. In addition, in order to improve residents' knowledge of water use, the water supply business subsidiary of the Group invited more than 30 Weibo influencers and Internet celebrities from all over the country to visit the company to introduce our advanced sewage treatment technology and practical achievements and successes in building an environmentally friendly Weifang. The activity fully reflected the success of the business as a national water investment operator in terms of scale, technology, concept and operation, and its theme concept of "high-quality operation, quality and efficiency improvement".

As a responsible and committed enterprise, during the period that COVID-19 pandemic ravage, the Group continued to put in effort in the fight against the pandemic. During the pandemic, the supply of anti-epidemic materials was tight. In order to stabilize the supply of anti-epidemic materials and protect the safety of the community, the Group's real estate companies actively searched for anti-epidemic materials such as face masks, alcohol, and disinfectant, and donated them to the communities where the projects are located. During the reporting period, the companies successfully completed the construction of makeshift COVID-19 vaccination stations within 72 hours, serving about 50,000 residents in the community, providing support to the community to overcome the epidemic hardship.

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, participating in volunteer services and external corporate communications while actively involving in social welfare, assuming social responsibility, enhancing corporate image and demonstrating corporate brand influence. As the COVID-19 pandemic is still raging, the Group will continue to strictly comply with the anti-epidemic measures laid down by the government and community, conduct employee health and epidemic prevention education, strengthen our cleaning and disinfection effort and distribute anti-epidemic supplies to employees, with the aim to protect the health of employees and maintain our normal production and operation.

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, which are aimed to effectively monitor environmental and regulatory compliance, and provide guidance for our operation. Furthermore, the Group holds work seminars or trainings where necessary to enhance employees' awareness and understanding of its internal control and compliance procedures.

During the reporting period, 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 an 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.