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Environmental, Social and Governance

BOARD STATEMENT

Dear Stakeholders,

We are pleased to present our first ESG Report of the financial year 2020.

Our company is committed with ESG concerns as we understand that all of us and our next generation could be affected by sustainability and ESG issues. Therefore, as an influential listing company, the Board has responsibility for evaluating and determining the Group's ESG-related risks, and ensuring that appropriate and effective ESG risk management and internal control systems are in place. It makes sense, therefore, that a strong ESG motion can create value.

Under ESG, the **E**, environmental criteria, includes the energy efficiency our company takes in and the waste we discharges, the resource we needs, and also encompasses carbon emissions and climate change. The **S**, social criteria, addresses the relationships of our company has, gender diversity, labor relations, discrimination, health and safety. The **G**, governance, is how we control, implement and review our related internal systems, policies, action plans and related measures. It is vitally important on how our company adopts in order to govern itself and make effective decisions in order to comply with the relevant laws and regulations, and meet the needs of external stakeholders. We believe that our engagement in ESG will be highly beneficial to the strategic development on ESG and sustainability policies and make a better future.

Depends on our business nature, in order to deliver key performance in areas such as environmental, health and safety, these are accredited and constantly reviewed by various management systems with International Standards: ISO 9001:2015, ISO 14001:2015 and OHSAS 18001:2007.

The Board will continue to review and monitor the Group's ESG performance, and provide consistent, comparable and reliable ESG information annually.

Yours faithfully,

For and on behalf of the Board

Lai Wai

Chairman of the Board

Environmental, Social and Governance

ABOUT THIS REPORT

Sang Hing Holdings (International) Limited (the “**Company**” together with its subsidiaries, hereinafter referred to as the “**Group**”, “**Sang Hing**”, “**We**” or “**Us**”) is delighted to publish the first Environmental, Social and Governance Report (the “**Report**”) to summarise the Group’s policies, measures and performance on the key environmental, social and governance (“**ESG**”) issues.

Reporting Period

The Report illustrates the overall performance of the Group regarding the environmental and social aspects from 1 April 2019 to 31 March 2020 (the “**Reporting Period**”, “**2020**”).

Reporting Scope and Boundary

The Report discloses related policies and initiatives for the core and material businesses namely provision of (i) site formation; (ii) road and bridge construction; (iii) drainage and sewage construction; (iv) watermain installation and slope works in Hong Kong.

The Report discloses key performance indicators (“**KPIs**”) of the corporate office (“**office**”) and the representative project(s) (“**project(s)**”). While the Report does not cover all the Group’s operations and the Joint Ventures (“**JVs**”) unless specified, the Group aims to improve its internal data collection mechanism and gradually expand the scope of the disclosure.

Reporting Basis and Principles

The Report is prepared in accordance with the ESG Reporting Guide (the “**ESG Guide**”) as set out in Appendix 27 to the Rules Governing the Listing of Securities (the “**Main Board Listing Rules**”) on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) and based on the four reporting principles – materiality, quantitative, balance and consistency:

- “Materiality” Principle:

The Group determines material ESG issues by stakeholder engagement and materiality assessment. Details are explained in the section headed “Materiality Assessment”.

- “Quantitative” Principle:

Information is presented with quantitative measure, whenever feasible, including information on the standards, methodologies, assumptions used and provision of comparative data.

- “Balance” Principle:

The Report identifies the achievements and challenges faced by the Group.

- “Consistency” Principle:

The Report is the first ESG report of the Group. The Report will use consistent methodologies for meaningful comparisons in the following years unless improvements in methodology are identified.



Environmental, Social and Governance

The Report has complied with all “comply or explain” provisions and reported on selected recommended disclosures outlined in the ESG Guide.

The information contained herein is sourced from internal documents and statistics of the Group, as well as the combined control, management and operations information provided by the subsidiaries in accordance with the Group’s internal management systems. A complete content index is appended to the last section hereof for quick reference. The Report is prepared and published in both Chinese and English at the Stock Exchange’s website (www.hkexnews.hk) and the Company’s website (<http://www.sang-hing.com.hk>). In the event of contradiction or inconsistency between the Chinese version and the English version, the English version shall prevail.

Review and Approval

The Board of Directors acknowledges its responsibility for ensuring the integrity of the ESG report and to the best of their knowledge, this report addresses all relevant material issues and fairly presents the ESG performance of the Group. The Board of Directors confirms that it has reviewed and approved the Report. The Report was reviewed and approved by the board (the “**Board**”) of directors (the “**Directors**”) of the Company on 27 October 2020.

Feedback

The Group respects your view on the Report. Should you have any opinions or suggestions, you are welcome to share with the Group at:

Address: 215A-B, Central Services Building, Nan Fung Industrial City, No. 18 Tin Hau Road, Tuen Mun, New Territories, Hong Kong

Telephone: (852) 2403 1118

Email: info@sang-hing.com.hk

Environmental, Social and Governance

GOVERNANCE STRUCTURE

The Board supports the Group's commitment to fulfilling its environmental and social responsibility and has overall responsibility for the Group's ESG strategy and reporting.



Sustainable Development Committee, established by the Board of Directors

- Oversees the ESG strategies, policies, objectives and targets
- Allocates Sustainable Development Committee to identify material environmental, social and governance matters through review and assessment of internal operations.



Senior Management

- Advises and supports the Board on ESG matters, strategies, policies
- Overall management and monitoring of ESG performance and targets



Department Heads and Employees

- Take record and monitor ESG KPIs
- Implement ESG policies and related initiatives

The Sustainable Development Committee regularly reviews the Group's ESG performance and examines and approves the Group's annual ESG report.



Environmental, Social and Governance

STAKEHOLDER ENGAGEMENT

Stakeholders' opinions are the solid foundation for the Group's sustainable development and success. The stakeholder engagement helps the Group to develop a business strategy that meets the needs and expectations of stakeholders, enhances the ability to identify risk and strengthens important relationships. The Group communicates with its stakeholders through various channels, shown as below.

Stakeholder	Communication Channel
Government and regulatory agency	<ul style="list-style-type: none">• Annual reports, interim reports, ESG reports and other public information
Shareholder and investor	<ul style="list-style-type: none">• Supervision and inspection• Annual general meetings and other general meetings of shareholders• Company website• Press releases/announcements• Annual reports, interim reports, ESG reports and other public information
Employee	<ul style="list-style-type: none">• Training• Meetings• Performance evaluation• Survey
Customer	<ul style="list-style-type: none">• Fax, email and telephone• Meetings
Supplier/Subcontractor/Business Partner	<ul style="list-style-type: none">• Meetings• Site visit• Survey• Training
Community or Non-governmental Organisations (NGOs)	<ul style="list-style-type: none">• Sponsorship and Donation• ESG Reports
Media	<ul style="list-style-type: none">• Enquiry mailbox

Environmental, Social and Governance

MATERIALITY ASSESSMENT

In preparing our ESG report, we directly engaged with the following stakeholder groups as part of the materiality assessment process to identify and prioritise the issues to be covered in this report that have a significant impact to the Group's business and stakeholders.

Process



Stage 1 - Identification

A selection of ESG issues that may reasonably be considered important for the Group and its stakeholders from various sources, including listing rules requirement, industry trends and internal policies. 21 issues were identified and grouped into 4 categories: Environment, Employment and Labour Practices, Operating Practices and Community.



Stage 2 - Prioritisation

Conducted online surveys to rate the importance of each issue from the perspective of a stakeholder and the Group using a scale of 1 to 5. Developed the materiality matrix based on the scores of the surveys, set the threshold for materiality (i.e. at a score of average) and prioritised a list of sustainability issues.



Stage 3 - Validation

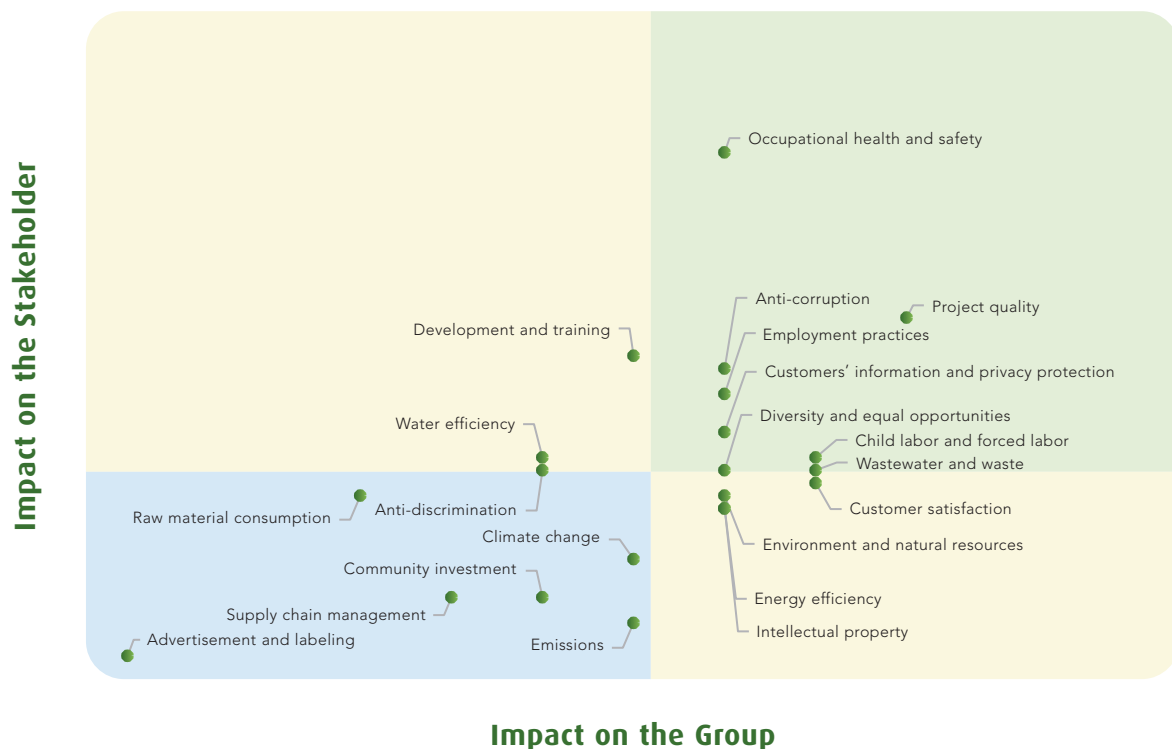
Management reviewed the materiality matrix and the threshold for materiality. ESG issues, with a score of average or above from the perspective of a stakeholder and the Group, were prioritised as the most important sustainability issues for the Group to address and report on.



Environmental, Social and Governance

Materiality Matrix

Based on the materiality matrix, we believe the most pertinent sustainability issues which are material to both the Group and stakeholders include the following:



OUR ENVIRONMENT

The Group notices construction projects could create huge impacts on the environment and large-scale landscape changes in the surrounding area. When the impact and pollution are estimated to be significant, proper protective and mitigation measures must be adopted. The Group highly values the environmental responsibility, not only for meeting our customers' demands for environmental protection, but also for the community's expectation for a healthy living and working environment.

Therefore, we do our utmost to minimise the environmental impact through enacting various policies, internal regulations, guidelines, and strictly monitoring whether all the environmental control ordinances are in compliance. We look forward to enhancing the promotion of green awareness among the Group and between workers, and striving for balance between developments and the environment for achieving sustainable development.

Policies

- Environmental Policy and Related Management Systems

Our Environmental Policy sets out our commitment to strengthening the awareness of environmental management and the relevant laws and regulations of our employees, subcontractors and suppliers through training and guidance. Our goal is to support environmental protection and to minimise pollution during construction.

Our environmental management system has been certified against ISO 14001:2015. We regularly review for continuous improvement of the existing measures.

- Waste Management Policy

Our Waste Management Policy sets out our commitment to reducing our impact on the environment by managing waste efficiently and sustainably.

- Energy Management Policy

Our Energy Management Policy illustrates our ideas to improve the performance by creating a detailed energy-saving guideline in our daily operation through the adoption and implementation of an Energy Management System.



Environmental, Social and Governance

Environmental Compliance

Our projects are subject to certain environmental requirements pursuant to the laws and regulations in Hong Kong, including but not limited to:

- Public Health and Municipal Services Ordinance (Cap. 132)
- Air Pollution Control Ordinance (Cap. 311)
- Waste Disposal Ordinance (Cap. 354)
- Water Pollution Control Ordinance (Cap. 358)
- Noise Control Ordinance (Cap. 400)
- Environmental Impact Assessment Ordinance (Cap. 499)

During the Reporting Period, to the best of our Directors' knowledge, the Group was not aware of significant non-compliance issues in this regard. However, under our JVs, there were 2 confirmed cases of non-compliance with the regulations under Air Pollution Control Ordinance (Cap. 311) and Environmental Impact Assessment Ordinance (Cap. 499). To avoid reoccurrences, we will continue to uphold the environmental awareness and monitor our subcontractors.

Environmental Impacts from our Operations and Mitigation Measures

Site inspection and environmental audit are vital works for monitoring the compliance on environmental standards and assessing on-site environmental impacts from our operations. We appoint our environmental teams with external engineering consultants in every project to oversee if the environmental measures are correctly implemented weekly. During site audit, we observe the environmental quality and assess the executed mitigation measures in various aspects, including but not limited to, water quality, air emissions, noise control, waste and chemical management, landscape, and visual impact. Moreover, we review our inspection works monthly by holding meetings with relevant managerial officers, worker representatives and external engineering consultants, in pursuit of continuous improvement and enhancing communication during implementation of the measures.

We strictly comply with Environmental Impact Assessment Ordinance to avoid, minimise and control the adverse environmental impacts from designated projects. By going through the application of environmental permit and process of environmental impact assessment, pollution and impacts are controlled in both construction and operation phases of the project. During the Reporting Period, our Group attempted no material non-compliance or violations of any laws and regulations in relation to environmental protection. We have not been prosecuted under the relevant applicable environmental laws and regulations.

Environmental, Social and Governance

Air Emissions

Air pollutants are generated from construction activities and material transportation. We introduce mitigation measures in our construction process. For example, we have used equipment that is properly maintained or less polluting to avoid black smoke or fume emitted from construction equipment. Also, we avoid leaving vehicle engine running while waiting to minimise avoidable emissions.

In our first year's report, emission data of Nitrogen oxides (NO_x) and Particulate matter (PM) are not available since no vehicle mileage numbers were recorded. We will improve our internal data collection mechanism for a complete disclosure in the coming years. During the Reporting Period, a total amount of 5.75¹ kg Sulphur oxides (SO_x) was emitted from our business operation.

Climate Change and Greenhouse Gas (GHG) Emissions

In response to the community's gradual concern on greenhouse gas ("GHG") emissions, climate changes and other related issues, the Group is committed to implementing and maintaining a high standard of greenhouse gas management. The GHG emissions² are as follows:

	Unit	2020
Scope 1 ³	tonnes CO ₂ -equivalent	528.13
Scope 2 ⁴	tonnes CO ₂ -equivalent	48.22
Scope 3 ⁵	tonnes CO ₂ -equivalent	1.84
Total	tonnes CO₂-equivalent	578.19
Intensity	tonnes CO₂-equivalent per office & project⁶	115.64

Scope 1 emission from fossil fuel consumption in our projects contributed to around 91.3% of our total emissions, including diesel and petroleum consumption for our generators and mobile vehicles. The Group will continue to assess, record and disclose its GHG emissions annually. The Group will refine the data collection system and develop reduction strategies if appropriate based on the projection of data in the coming years.

¹ The data covers emissions from petrol and diesel mobile consumption only. It is estimated based on "How to prepare an ESG Report? Appendix 2: Reporting Guidance on Environmental KPIs" published by the Stock Exchange.

² The calculation of greenhouse gas emissions is made with reference to the Guidelines to Account for and Report on Greenhouse Gas Emissions and Removals for Buildings (Commercial, Residential or Institutional Purposes) in Hong Kong published by the Environmental Protection Department, and the Electrical and Mechanical Services Department, the latest sustainability report published by the CLP Power Hong Kong Limited.

³ Scope 1: Direct emissions from the business operations owned or controlled by the Group, such as emissions from diesel and petroleum burnt on site.

⁴ Scope 2: The "indirect energy" emissions from the internal purchased electricity consumption by the Group.

⁵ Scope 3: All other indirect emissions that occur outside the Group, including both upstream and downstream emissions, the emissions due to electricity used for freshwater processing by the Water Services Department and Methane Generation at Landfill in Hong Kong due to Disposal of Paper Waste.

⁶ The Group has 5 active offices & projects during the Reporting Period excluding the JVs.



Environmental, Social and Governance

Waste and Wastewater Management

The Group acknowledges possible environmental impacts of waste generated during its operations such as site clearance, excavation works, and construction and fitting out works. The Group is committed to reducing its impact on the environment by managing its waste in an efficient and sustainable manner as stated in the Waste Management Policy. Each member of the Group, as well as subcontractors, should take reasonable steps to avoid the generation of waste by well planning of the works. The following handling methods should be considered on waste management:

- Construction waste
 - We carry out waste segregation processes to facilitate further waste management processes.
 - We reuse materials that are still in good statuses, such as bricks, wood packing in formwork, and plastic scaffolding ties.
 - We ensure proper disposal complying with statutory and regulatory regulations.
- Chemical waste
 - We register chemical waste licences before producing chemical waste under Waste Disposal (Chemical Waste) (General) Regulations.

Wastes generation from our operations are as follows:

Wastes	Handling Method	Unit	2020
General refuse	Landfill	tonnes	128.49
Inert construction wastes	Reuse	tonnes	135.53
	Landfill	tonnes	43,881.88
Non-inert construction wastes	Recycle	tonnes	1.49
Total		tonnes	44,147.39
Intensity		tonnes per office & project	8,829.48

To the best of our Directors' knowledge, the Group was not aware of any significant amount of wastewater and hazardous wastes generated in our projects and offices. Going forward, the Group will continue refining its wastes reduction measures and disclose relevant results where appropriate. The Group will perform sample testing regularly to ensure the parameters following the wastewater discharge license if needed. We will also seek continuous improvement in waste and wastewater management performance by setting appropriate goals and objectives in future after further assessment.

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Noise Control

Noise is emanated from various construction activities, including but not limited to formwork erection, concreting, steel handling works, breaking works and operation of construction plant and equipment. Mitigating noise nuisance is also an important part of pollution mitigation. For example, we select to use quiet equipment. Moreover, unless receiving approval from Environmental Protection Department, we adhere to the regular construction working period between 7:00 a.m. and 7:00 p.m. and no any operation at night-time and any time on general holidays (including Sunday). Mechanical equipment, for instance, hand-held percussive breakers and air compressors, must comply with noise emissions standards and be issued with a noise emission label from the director of the Environmental Protection Department.

Energy Efficiency

As stated in our Energy Management Policy, we aim to improve energy efficiency as a continuous improvement process. We strive for achieving the target through the following measures in our office:

- We avoid frequent start/stop of the equipment that would draw excessive energy
- We keep the door closed to prevent cool air from leaking out from the indoor office with air-conditioning
- We avoid excessive lighting and utilise natural day-light as much as possible
- We prioritise the use of energy-saving facilities, equipment or any items (E.g. Energy-saving lamp bulb)
- We regularly clean the lamp bulbs and diffusers in pursuit of a higher efficiency of luminaries

In the Reporting Period, the energy consumption is as follows:

	Unit	2020
Diesel	MWh	1,260.02
Petroleum	MWh	322.70
Electricity	MWh	77.78
Total	MWh	1,660.49
Intensity	MWh per office & project	332.10



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Water Efficiency

Freshwater is also an important resource on earth. To reduce the use of freshwater, the Group requires workers to ensure no leaking of all faucets and pipes and immediately report for repair if problems are found. Water is supplied by the Water Suppliers Department, therefore, there is no issue in sourcing water.

	Unit	2020
Offices	m ³	3,635.00
Sites	m ³	693.00
Total	m ³	4,328.00
Intensity	m ³ per office & project	865.60

Moving forward, the Group will keep reviewing and evaluating the existing usage for further planning of water-saving measures.

Material Consumption

In view of the business nature of the Group, there is no packaging material consumption by us. Reinforcement bars, concrete and formwork are the major types of raw materials for our site operations. We also consume papers in our office for our clerical work. To mitigate the environmental impacts of material consumptions, we implement the following practices in office and site projects:

- We purchase reusable products such as refillable pens and rechargeable batteries
- We promote digitalization on clerical works by avoid faxes and unnecessary printing and photocopying to reduce the paper consumption
- We avoid the use of materials that may lead to severe pollution or harmful impact on the environment, such as insulation materials containing CFCs/HCFs and asbestos

During the Reporting Period, the raw material purchased is as follows:

	Unit	2020
Reinforcement Bar	tonnes	27,524.00
Concrete	m ³	2,428.30
Formwork	m ³	18.58

Environmental, Social and Governance

Vegetation and Landscape

During our construction process, vegetation nearby may be damaged. We develop practices for vegetation protection as follows:

- Protecting the tree and shrub surrounded by temporary fencing, avoiding the encroachment of equipment or materials and soil contamination
- Verifying and recording all trees and shrubs with reference numbers for better management
- Cutting trees with diameters exceeding 95mm is prohibited unless prior approval is obtained
- Carrying out continuous environmental monitoring on the landscape and vegetation surrounding the project site assisted by professional engineering and environmental consultants

OUR PEOPLE

Staffs are one of the critical success factors in our vision and ambition to hold a leading and reputable position in the industry and society, and this holds true for both technical and support staff of all levels.

We consider human resource is the most important asset and we put staff development on the top of the list while fulfilling our Group's sustainability journey. To meet the needs of our sustainable growth and business development, we regularly assess our colleague's developmental needs to ensure everyone, including the top management, have the support to achieve their top potential and performance.

Policies

Human resource department is established for the management of employment policies. Our Employee Handbook sets out the terms, guidelines and arrangements on remuneration, dismissal, recruitment, promotion, working hours, rest periods, diversity, equal opportunities and anti-discrimination.

Employment Management

Recruitment and Dismissal

The Group generally recruits employees from the open market through placing advertisements. We intend to use our best effort to attract and retain appropriate and suitable personnel to serve us. We assess the available human resources continuously and will determine whether additional personnel are required to cope with our business development. The dismissal or voluntary termination of employee's contracts shall be enforced in accordance with the employment laws and regulations in Hong Kong. Either party may terminate the employment by giving a written notification or payment in lieu of notice to the other party as specified in the employment contract. To retain the talented staff, we will have an exit interview for receiving opinion and persuasion before the official leaving date.

Promotion

The Group recognises the importance of the development of employees. The promotion of employees is based on their performance. Performance appraisal is conducted annually to evaluate employees' performance regarding safety, work attitude, technical skills, interpersonal skills, etc. For details, please refer to the section headed "Staff Education and Development".



Environmental, Social and Governance

Equal Opportunity, Diversity and Anti-discrimination

The Group is committed to promoting equality in working environment for all employees, ensuring that employees are treated equally in every aspect of their jobs and work under a discrimination-free working atmosphere. We select the right person in accordance of talent, and will never tolerate any form of discrimination, such as family, sex, marital status, pregnancy, race, colour, disability, sexual orientation, age, religion, belief, ethnicity and national origin.

The Group recognises and embraces the benefits of having a diversified Board and workforce to enhance the quality of its performance. We establish the Board Diversity Policy, and believe that the different backgrounds and abilities of our Directors could enhance board diversity and to achieve effective leadership with multi-perspective ideas during business decision making.

Our vision on equality applies to all aspects in employment, including but not limited to recruitment, promotion, transfer, job assignment, rewards and benefits, training and development, suspension, etc.

Employment Profile

Workforce	2020
As at 31 March 2020⁷	No. of Staff
By Gender	
Male	42
Female	17
By Age Group	
Below 30	6
30 – 50	24
50 or over	29
By Employment Type	
Full time	58
Part time	1
By Geographical Region	
Hong Kong	59
Total	59

The Group strictly abides by related laws and regulations, including but not limited to:

- Employment Ordinance (Cap. 57)
- Employees' Compensation Ordinance (Cap. 282)
- Mandatory Provident Fund Schemes Ordinance (Cap. 485)
- Construction Workers Registration Ordinance (Cap. 583)
- Minimum Wage Ordinance (Cap. 608)

⁷ It includes the employees of the Group only. Workers of the subcontractors and the JVs are not included.

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During the Reporting Period, 4 employees' compensation claims were involved and 1 case is under legal proceedings respectively against our Group, our subcontractors and/or our JVs. 1 employee's compensation claim has been fully settled. All the claims mentioned above will be covered by the insurance taken out by the Group and/or the JVs. To the best of our Directors' knowledge, the Group was not aware of any significant non-compliance case in this regard.

Employee Retention

Remuneration and Compensation

To attract and retain talents, the Group offers a competitive remuneration package with a variety of benefits, including discretionary bonus, Mandatory Provident Fund Schemes, injury compensation and insurance, overtime allowance, etc.

Rest Period and Working Hours

The Group provides reasonable working hours and rest periods to employees. All employees are entitled to public or statutory holidays as announced by The Government of Hong Kong Special Administrative Region each year. In addition to those holidays, employees are entitled to annual leave, maternity leave, sick leave, compensation leave, examination leave, etc.

Employee Turnover

During the Reporting Period, as two projects were completed, the Group has an overall turnover rate of 84.0%. The detailed turnover numbers and percentage are as follow:

Turnover	No. of Staff	2020 Turnover Rate
By Gender		
Male	36	67.3%
Female	35	112.9%
By Age Group		
Below 30	6	92.3%
30 – 50	22	64.7%
50 or over	43	97.7%
By Geographical Region		
Hong Kong	71	84.0%
Overall	71	84.0%

Health and Safety

Health care of employees is of primary importance and is one of the core values of the Group. We hold a series of training and promotional activities on health and safety issues. Keen participation in these activities from our staff creates an encouraging environment to inspire top management from our business partners to constantly review safety measures and to improve job site safety.

In addition, we value comprehensive wellness and establish policies to safeguard our employees from workplace violence to promote and maintain both physical and mental health. We have zero-tolerance for employees who commit physical assault, threatening behaviour, unwelcome photo-taking and harassment in the workplace.

Environmental, Social and Governance

Policies

1. Safety and Health Policy

- Safety Manual
 - We require our workers to strictly comply with the safety manual for understanding the safety precautions for each type of works, such as the instruction of using basic protective equipment.
- Safety Training
 - We offer sponsorship to external training and on-site safety training for workers. For details, please refer to "Our Attempt" in the following context.
- The Safety Department
 - Our safety manager evaluates the safety policies and programmes for each project with our customers; and
 - We design suitable safety policies to ensure compliance with legal requirements, implemented by safety officers and reported to our executive director directly.

2. Occupational Health and Safety Management System

- OHSAS 18001:2007 Occupational health and safety management system standard applicable to construction of civil engineering works (site formation, roads and drainage)

Occupational Measures

To ensure occupational safety, the Group publishes the unique Safety Plan based on each specific project, reviewed and overseen by the safety officers. Apart from emphasising all statutory and contractual requirements, it also provides instructions on ways to coordinate, manage and control the works safeguarding the safety, health and welfare of all personnel and the public engaged on the project or affected by the site operations.

Our Attempt

1. Complying General In-house Safety Rules

We set up rules applying to all persons entering the construction site, such as safe use guide on ladders, hand tools, portable electric tools, electricity, and chemicals and proper storage.

2. Strengthening On-site Inspections

We hold weekly safety walks on the construction site to monitor the condition of the general site, works area, and site office. Remedial actions are instantly suggested for improvement, recorded and approved by the site agent and safety officer.

Environmental, Social and Governance

3. Fire Drills

According to the Group's fire arrangements stated on Work Instruction, fire drill shall be conducted at least once every 6 months. After any drill, a meeting comprising of all responsible parties shall be held to review every aspect.

4. Safety Training and Education

Valid Mandatory basic safety training (Green Card) is ensured for all the site workers. We also provide site health and safety training including safety induction training, toolbox talks, and specific health and safety training designed by the safety officer.

5. Emergency Preparedness

We appointed an emergency response team to ensure a proper response on different types of hazards. Emergency case procedure plans are constructed in responding issues such as adverse weather, landslide or flooding, infectious disease, and heat stress.

Safety Performance and Target

The Group understands that our employees and workers are key participants in our project. We demand the best on upholding safety performance during operation. Our safety performance target is not more than 0.6 times per 100,000 man-hours and we commit to providing all necessary resources for effective implementation and continuous improvement for the accident frequency rate. Our projects are subject to certain safety and health requirements pursuant to the laws in Hong Kong, including but not limited to:

- The Factories and Industrial Undertakings Ordinance (Cap. 59)
- The Occupational Safety and Health Ordinance (Cap. 509)

For Sang Hing, we successfully achieved zero reportable accidents and lost days due to injuries during the Reporting Period. However, although we received zero reported fatality cases in the reporting period, our JVs recorded 2 confirmed cases of non-compliance with the regulations under the Factories and Industrial Undertakings Ordinance (Cap. 59). To avoid recurrences, we will continue to uphold safety awareness, review our safety measures and provide instructions to our JVs and subcontractors to ensure that we learn from these events.



Environmental, Social and Governance

Staff Education and Development

Employees are our valuable assets. The Group simultaneously pursues on the business development and investment on our staff. We regularly assess our colleagues' needs for development ensure the support for them to achieve their top potential and self-actualisation. We organise in-house training programs such as seminars, workshops, visits and demonstration which are related to their job duties. For the long-term professional development for our staff, we provide external training opportunities and encourage the staff to join the professional institutions for obtaining technical and managerial skills through implementing the following to various levels and disciplines of staff:

- Training and Education Sponsorship Policy
 - Continuous development is encouraged by monetary sponsorships, depending on the nature and duration of learning.
 - Employees may be required to continue employment for a certain period of time after completion of such courses.
- Professional Membership Fee Sponsorship
 - Monthly-paid employees are entitled to reimbursement of Fellow/Full grade membership fees of any one of the professional institutions in full (including HKIE, ICE, IStructE, HKIA, RIBA, HKIS, RICS, HKICPA, HKICS) once per year.

Career Development

We enter into separate labour contracts with each of our employees in accordance with the applicable labour laws. The remuneration package which we offer to employees includes salary, bonus and other allowance.

The performance of our employees is reviewed every six months or a year for numerous purposes such as promotion appraisals, salary review and determination of annual bonus. We believe that the current appraisal and bonus system provides effective communication between our employees and managing staff, which help achieve the Group's expectations, evaluate individual performance, indicate the talented labour and also retain existing staff members.

Learning and Development

We generally recruit our employees from the open market and by referrals. We intend to use our best effort to attract and retain appropriate and suitable personnel to serve us. We assess the available human resources continuously and will determine whether additional personnel are required to cope with our business development.

To keep our employees abreast of new knowledge and skills, we provide or sponsor training programmes to our employees such as workshops and seminars on health and safety-related to our works. We believe that the provision of opportunities to continuing education and advanced training can both increase our staff member's competence and work efficiency and enhance safety and loyalty.

Environmental, Social and Governance

For our new employees to become familiar with the culture and work practices, our new employees are subject to a probation period of three months. Upon expiry of the probation period, the relevant supervisors will decide if permanent employment status will be granted to the new employees based on their performance.

Overall, the Group had a total of 98 out of 130 total number of employees⁸ received training and offered a total of 600 training hours. The details are as follows:

Percentage of Employee Receiving Training⁹	2020
By Gender	
Male	80.8%
Female	67.3%
By Employment Category	
Senior Management	100.0%
Middle Management	100.0%
General Staff	73.5%
Part-time Staff	0.0%
Overall	75.4%

Average Training Hours¹⁰	2020 Hours per Employee
By Gender	
Male	7.24
Female	0.67
By Employment Category	
Senior Management	2.83
Middle Management	2.67
General Staff	4.85
Part-time Staff	0.00
Overall	4.62

⁸ Included the number of turnover staff since they also attended training during the Reporting Period

⁹ Percentage of trained employee = Total number of employees received training during the Reporting Period/ Total number of employees

¹⁰ Average training hours = Total training hours during the Reporting Period/Total number of employees



Environmental, Social and Governance

Prohibition of Child and Forced Labour

The Group prohibits any form of child and forced labour as stated in our internal policy and Employee Handbook. Human resources and administrative officers inspect and take a copy of the original of his/her Hong Kong identity card and/or other documentary evidence showing that he/she is lawfully employable in Hong Kong. Our on-site staff is responsible for inspecting the personal identification document of each worker. For government projects, a labour officer is assigned for strict inspection of personal identification.

The Group strictly abides the Employment Ordinance. During the Reporting Period, to the best of Directors' knowledge, the Group was not aware of any significant non-compliance case relating to child labour and forced labour.

OUR SUPPLY CHAIN

Supply Chain Management

The Group is committed to building lasting and constructive relationships with partners in its supply chain. The Group's Procurement in Company Policy Manual specifies our dedication to a fair, transparent and competitive procurement process. The document is applicable to the Group's all departments, cooperate and subsidiary on their subcontractor bidding process at project commencements, which requires all employees to observe the highest standards of business integrity and to comply with relevant laws and regulations.

Supplier and Subcontractor Engagement

- **Supplier**

The suppliers of goods and services to the Group mainly include (i) construction materials; and (ii) pipes. The construction materials we purchased mainly included concrete, aggregates, steel and asphalt. We conduct supplier evaluation for new suppliers. Both potential and approved suppliers are shortlisted and reviewed from time to time with reference to criteria including (i) legal business license; (ii) certified quality system; (iii) pre-sales and after-sales service; (iv) production capacity; and (v) price. Our suppliers are all local firms located in Hong Kong.

- **Subcontractor**

We subcontract our on-site works to nominated subcontractors to help complete our civil engineering works projects, and are responsible for the site supervision, management of subcontractors and overall project management to promote and monitor their performance. For details on subcontractors' role, we engage subcontractors in contract basis, according to types of work in the projects. We approved and shortlisted subcontractors from time to time with reference to factors such as (i) technical capability; (ii) reputation, previous performance and experience; (iii) labour resources; (iv) sufficiency of equipment; and (v) safety performance. It is our practice to select subcontractors from our list based on their experience for the type of the project and service fee quotations.

Environmental, Social and Governance

Supplier and Subcontractor Profile

As at 31 March 2020, we have a total of 267 suppliers and 31 subcontractors, with 11 and 2 newly approved suppliers and subcontractors during the Reporting Period. All of them are from Hong Kong.

Supplier and Subcontractor Control and Monitoring

In order to achieve better project performance, we annually rate the quality of subcontractors based on factors such as (i) sufficiency of plant; (ii) sufficiency of manpower; (iii) progress; (iv) workmanship; (v) response to instructions; (vi) financial status; and (viii) planning and management. Comments and remarks are given if any improper practises and unsatisfied performance is observed for further improvement on the project performance.

Moreover, we understand that our project such as site formation may lead to changing of the landscape, the surrounding environment or safety issues of the subcontractors, and production wastes and emissions by suppliers. We monitor the performance and identify the environmental or social risk of suppliers and subcontractors on our approved list on an annual basis through site visits, inspections, and risk assessments. Our subcontractors may be exposed to charges in relation to violations of safety, environmental or employment laws and regulations which may affect their renewal of relevant licences or may even lead to revocation of their licences.

OUR CUSTOMER

Project and Service Quality

Quality Policy

The Group established Quality Manual and Project Quality Plan to set out our commitment to improving the performance by creating a customer focus and continual improvement in corporate culture.

Quality Management System

To maintain consistent product quality and ensure our ability to meet our customers' requirements in all respects, the Group has established a formal quality management system which is certified to be in compliance with the requirements of ISO 9001:2015.

In the quality control process, we have employed quality control staff for identification and providing solutions to problems relating to the quality system, initiating actions to prevent the occurrence of non-conformity. Our site agent monitors the quality of works done by our direct labour and subcontractors on-site. In order to ensure the project progress according to the schedule, our project manager is responsible for monitoring the overall works quality and engineering working plan. We aimed to develop a sustainable performance-oriented culture with an emphasis on pursuing continuous improvement and long-term development.

Complaint Handling

We have complaints handling procedures in place to provide guidelines for our employees on complaint handling. In the Reporting Period, there was no complaint received.



Environmental, Social and Governance

Intellectual Property, Marketing and Labelling

The Group respects intellectual properties and obtained Certificate of Registration of Trademark since 2018 from the Trade Marks Registry of Intellectual Property Department as the owner of our unique trademark. We also registered as the owner of our domain name.

The Group does not rely heavily on marketing and advertising. To the best of Directors' knowledge, the Group was not aware of any significant impact relating to intellectual property, advertising and labelling on its operations. We will closely monitor the business environment to identify any significant risks in this area.

Customer Privacy and Corporate Information Protection

The Group strives to protect the privacy of its customers and staff in the collection, processing and use of their business or personal data, and prevent improper use or leakage of information.

- Employees
 - The Employee Handbook has outlined the details of data collection and the uses of the personal record. The Human Resources Department strictly complies with the Personal Data (Privacy) Ordinance. The personal data files of our staff are only available to limited personnel such as top management members, particular supervisors, handlers who are responsible for assessing qualification and financial claims, and other authorised employees with special tasks.
- The Group, Customers and Business Partners
 - Security is a large topic under "code of conduct" in the employee handbook. The Group requires all employees to maintain the confidentiality of company and client information. For all documents and information belonging to the Group and clients, the handling employee shall not discuss it with anyone except the supervisor. Employees should ask the supervisor for guidance when they have doubts about the information.

All employees are required to abide by the guidelines and rule related to privacy regardless of work location and time. Failure by any employee to comply with the confidentiality obligation may lead to disciplinary action, and in serious cases will be treated as gross misconduct. During the Reporting Period, to the best of our Directors' knowledge, the Group was not aware of any significant non-compliance case in this regard.

Business Ethics

The Group is committed to conducting its business with honesty and integrity and applying the highest standards on the establishment of transparent and open corporate governance frameworks. We adopt zero tolerance on any unethical acts.

Environmental, Social and Governance

Policies and Preventive Measures

Our commitments and values are guided by these policies and measures. We regularly review and update to ensure appropriate ethical business practices and behaviour, including but not limited to:

- Employee Handbook

Our Employee Handbook sets out principles for acting responsibly in the daily operation, including issues related to business ethics, conflicts of advantages, bribery and corrupt practices, offering advantages, environment, health and safety, and respect in the workplace.

- Whistle-blowing Policy

It is established to encourage our employees to report promptly on any suspected business malpractices and unethical acts, such as internal improprieties, corruptions, fraudulent acts, and severe dangers to the environment and public. We hope to, by this mean, deter inappropriate activities and maintain a good professional image and professional ethics.

- Fraud Risk Management

Our Risk Management Policy states a series of fraud risk factors and establishes the fraud risk management to ensure early detection and proper responses to the potential fraudulent activities.

As a leading civil engineering company in the region, we understand the importance of fairness and transparency during the process of project bidding and outsourcing. The Group strictly adheres to the laws and regulations relating to business honesty, bribery and money laundering in Hong Kong, such as the Competition Ordinance (Cap. 619). During the Reporting Period, to the best of our Directors' knowledge, the Group was not aware of any warning or notice on non-compliance cases such as bid-rigging and corruption litigation in this regard.

OUR SOCIETY

Community Investment

The Group is committed to making contributions to the society and support of initiatives that benefit the communities we work in pursuit of a better tomorrow. The Group has been developing in recent years but has not forgotten social responsibility to contribute to society.

Our Contribution

We have given support to the teenagers' academic and art activities organised by the non-governmental organisations. As a leading civil engineering company, we supported carnivals in construction themes, aiming to improve the image of the construction industry and deliver knowledge in engineering area to the children and teenagers. Moreover, during the Reporting Period, we provided financial sponsorship or material support on Musical Concert 2019 organised by Tung Chung Children Choir in April 2019. We believe the aid could provide more opportunities to children and teenagers to perform their talents which is beneficial to the development of their artistic potential.

However, because of the pandemic of COVID-19 and its related impacts, we engage in limited community participation and volunteering events during the Reporting Period. In order to respond and prevent community transmission of the virus, we donated 20,000 surgical masks to high-risk groups such as "Homes for the Aged" in March 2020. We look forward to participating more activities in our community after overcoming the pandemic.



Environmental, Social and Governance

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORTING GUIDE INDEX

Subject Areas, Aspects, General Disclosures and Key Performance Indicators (KPIs) (Note 1)

Section/Statement

A. Environmental

Aspect A1 Emissions

General Disclosure	Information on: the policies; and compliance with relevant laws and regulations that have a significant impact on the issuer relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste	Our Environment – Policies and Environmental Compliance
KPI A1.1	The types of emissions and respective emissions data	Our Environment – Environmental Impacts from our Operations and Mitigation Measures – Air Emissions
KPI A1.2	Greenhouse gas emissions in total (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility)	Our Environment – Environmental Impacts from our Operations and Mitigation Measures – Climate Change and Greenhouse Gas (GHG) Emissions
KPI A1.3	Total hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility)	No significant hazardous waste was produced.
KPI A1.4	Total non-hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility)	Our Environment – Environmental Impacts from our Operations and Mitigation Measures – Waste and Wastewater Management
KPI A1.5	Description of measures to mitigate emissions and results achieved	Our Environment – Environmental Impacts from our Operations and Mitigation Measures
KPI A1.6	Description of how hazardous and non-hazardous wastes are handled, reduction initiatives and results achieved	Our Environment – Environmental Impacts from our Operations and Mitigation Measures – Waste and Wastewater Management

Environmental, Social and Governance

Subject Areas, Aspects, General Disclosures and Key Performance Indicators (KPIs) (Note 1)

Section/Statement

Aspect A2 Uses of Resources

General Disclosure	Policies on efficient use of resources, including energy, water and other raw materials	Our Environment – Policies
KPI A2.1	Direct and/or indirect energy consumption by type (e.g. electricity, gas or oil) in total (kWh in '000s) and intensity (e.g. per unit of production volume, per facility)	Our Environment – Environmental Impacts from our Operations and Mitigation Measures – Energy Efficiency
KPI A2.2	Water consumption in total and intensity (e.g. per unit of production volume, per facility)	Our Environment – Environmental Impacts from our Operations and Mitigation Measures – Water Efficiency
KPI A2.3	Description of energy use efficiency initiatives and results achieved	Our Environment – Environmental Impacts from our Operations and Mitigation Measures – Energy Efficiency
KPI A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency initiatives and results achieved	Our Environment – Environmental Impacts from our Operations and Mitigation Measures – Water Efficiency
KPI A2.5	Total packaging material used for finished products (in tonnes) and, if applicable, with reference to per unit produced	It is not relevant to the Group's business.

Aspect A3 The Environment and Natural Resources

General Disclosure	Policies on minimising the issuer's significant impact on the environment and natural resources	Our Environment – Policies
KPI A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them	Our Environment – Environmental Impacts from our Operations and Mitigation Measures



Environmental, Social and Governance

Subject Areas, Aspects, General Disclosures and Key Performance Indicators (KPIs) (Note 1)

Section/Statement

B. Social

Employment and Labour Practices

Aspect B1 Employment

General Disclosure	Information on: the policies; and compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, antidiscrimination, and other benefits and welfare.	Our People – Policies, Employment Management, Employee Retention
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KPI B1.1	Total workforce by gender, employment type, age group and geographical region	Our People – Employment Management
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KPI B1.2	Employee turnover rate by gender, age group and geographical region	Our People – Employee Retention
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Aspect B2 Health and Safety

General Disclosure	Information on: the policies; and 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.	Our People – Health and Safety
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KPI B2.1	Number and rate of work-related fatalities	Our People – Health and Safety
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KPI B2.2	Lost days due to work injury	Our People – Health and Safety
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KPI B2.3	Description of occupational health and safety measures adopted, how they are implemented and monitored	Our People – Health and Safety
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Environmental, Social and Governance

Subject Areas, Aspects, General Disclosures and Key Performance Indicators (KPIs) (Note 1)

Section/Statement

Aspect B3 Development and Training

General Disclosure	Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.	Our People – Staff Education and Development
KPI B3.1	The percentage of employees trained by gender and employee category	Our People – Staff Education and Development
KPI B3.2	The average training hours completed per employee by gender and employee category	Our People – Staff Education and Development

Aspect B4 Labour Standards

General Disclosure	Information on: the policies; and compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child or forced labour	Our People – Prohibition of Child and Forced Labour
KPI B4.1	Description of measures to review employment practices to avoid child and forced labour	Our People – Prohibition of Child and Forced Labour
KPI B4.2	Description of steps taken to eliminate such practices when discovered	No case was discovered.

Operating Practices

Aspect B5 Supply Chain Management

General Disclosure	Policies on managing environmental and social risks of supply chain	Our Supply Chain – Supply Chain Management
KPI B5.1	Number of suppliers by geographical region	Our Supply Chain – Supply Chain Management
KPI B5.2	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, how they are implemented and monitored	Our Supply Chain – Supply Chain Management



Environmental, Social and Governance

Subject Areas, Aspects, General Disclosures and Key Performance Indicators (KPIs) (Note 1)

Section/Statement

Aspect B6 Product Responsibility

General Disclosure	Information on: the policies; and 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	Our Customer – Project and Service Quality
KPI B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons	Not relevant to the Group's business
KPI B6.2	Number of products and service related complaints received and how they are dealt with	Our Customer – Project and Service Quality
KPI B6.3	Description of practices relating to observing and protecting intellectual property rights	Our Customer – Intellectual Property, Marketing and Labelling
KPI B6.4	Description of quality assurance process and recall procedures	Our Customer – Project and Service Quality
KPI B6.5	Description of consumer data protection and privacy policies, how they are implemented and monitored	Our Customer – Customer Privacy and Corporate Information Protection

Environmental, Social and Governance

Subject Areas, Aspects, General Disclosures and Key Performance Indicators (KPIs) (Note 1)

Section/Statement

Aspect B7 Anti-corruption

General Disclosure	Information on the policies; and compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering	Business Ethics – Policies and Preventive Measures
KPI B7.1	Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the reporting period and the outcomes of the cases	No concluded case.
KPI B7.2	Description of preventive measures and whistle-blowing procedures, how they are implemented and monitored	Business Ethics – Policies and Preventive Measures

Community

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	Our Society – Community Investment and Our Contribution
KPI B8.1	Focus areas of contribution (e.g. education, environmental concerns, labour needs, health, culture, sport)	Our Society – Community Investment and Our Contribution
KPI B8.2	Resources contributed (e.g. money or time) to the focus area	Our Society – Community Investment and Our Contribution

Note 1: All general disclosures and KPIs under "Subject Area A. Environmental" are "comply or explain" provisions while others are recommended disclosures set out in the ESG Guide.

