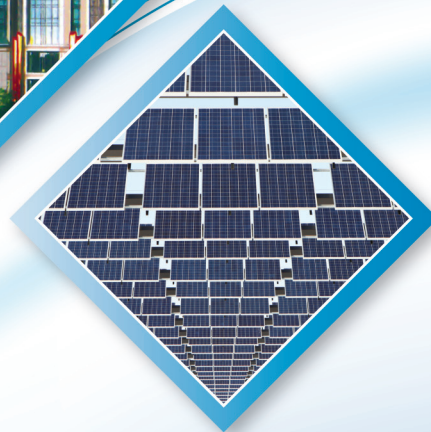




SILVER GRANT INTERNATIONAL INDUSTRIES LIMITED

銀建國際實業有限公司

股份代號 Stock code: 171



Environment, Social and Governance Report 2016

ESG REPORT

I. Preamble

The Group is committed to sustainable development and devoted to fulfil its social responsibilities. The Group strongly believes that environmental protection is a paramount issue in the modern society. With an objective to make every possible contribution in mitigating the climate change phenomena, the Group is determined to set a role model by incorporating the concept of environmental protection in every single business cycle. This year, the Group published its Environment, Social and Governance report ("ESG report"), with the aim of providing truthful disclosure about the Group's engagement in environmental protection and social responsibilities related tasks. The Group will integrate environmental protection and social issues into its business and daily operations regardless of hierarchical levels, and will expect to see gradual improvements annually in reducing emissions and fulfilling social responsibilities.

II. Reporting Period and Scope of the Report

This ESG report covers the operational boundaries including the related operating subsidiaries in Hong Kong SAR, Beijing and Taizhou City, Jiangsu Province. The reporting period of this ESG report is for the financial year 2016, from 1 January 2016 to 31 December 2016 ("FY2016").

III. Stakeholder Engagement

The engagement of our stakeholders, including employees, customers, suppliers, shareholders, investors, regulatory authority, media and government departments can help us to identify and understand the main concerns and material interests to stakeholders in our ESG report. We believe that stakeholders engagement have significant level of influence in developing sustainable development strategies and fulfilling social responsibilities which is the basis for the Group's strategy formulation and decision-making.

The Group has engaged stakeholder to participate in the surveys during the financial year 2016 through various channels, including paper and online versions of questionnaire, telephone interviews and face-to-face interviews. We have randomly selected a number of respondents which have significant influence and reliability to the Group to collect their suggestions and views on the Group's environmental, social and governance aspects. In 2016, the stakeholders have a relatively high concerns in environmental protection policy, energy consumption, pollutant control, supply chain management and operational management compliance. This ESG report will cover all the critical topics and describe the work and progress made by the Group in these areas. The Group will focus on all aspects of these topics in its long-term operations to formulate corresponding strategies, improve policies and set long-term objectives.

IV. Environmental Sustainability

The Group has been attaching great attention on the side effects and hidden risks brought by its production operations to the environment and ecosystem. The group endorses environmentally-responsible measures in all its business operations by strictly adhering to environmental rules and regulations set by local authorities, including the Law of Environmental Protection of the People's Republic of China 《中華人民共和國環境保護法》, Law of the People's Republic of China on the Prevention and Control of Atmospheric Pollution 《中華人民共和國大氣污染防治法》, Law of the People's Republic of China on the Prevention and Control of Pollution from Environmental Noise 《中華人民共和國環境噪聲污染防治法》, Law of the People's Republic of China on the Prevention and Control of Water Pollution 《中華人民共和國水污染防治法》, Law of the People's Republic of China on the Prevention and Control of Environmental Pollution by Solid Waste 《中華人民共和國固體廢物污染環境防治法》, The Law of the People's Republic of China on Conserving Energy 《中華人民共和國節約能源法》 and The Law of the People's Republic of China on Appraising Environmental Impacts. 《中華人民共和國環境影響評價法》. The Group implements energy saving measures in its office premises and commercial properties to scale down energy consumption and greenhouse gas emissions. The Group also adopts policies to encourage recycling habits and the use of environmentally-friendly stationery, as well as other effective procedures to save paper and energy in order to maximize the utility of materials and reduce waste. As for the Group's petrochemical business, strict preventive measures are implemented to minimize and mitigate negative environmental effects induced by the operations, such as gas emissions, sewage disposal, waste handling and energy consumption.

The Group is currently involved in six business operations, including distressed assets business, investments (investments held for trading, investments available for sale, structured financial securities, loans receivable with embedded derivatives and loans receivable performance), property sales, property leasing, property management as well as petrochemical products manufacturing and sales. To facilitate better understanding about the impacts brought by different business operations to the environment, all six business operations are categorized into two groups according to their business nature, namely petrochemical business and investments business.

A.1. Emissions

Petrochemical Business

No excessive emissions were recorded from the Group's petrochemical business as the production of the related subsidiary was halted from January to November. Yet, the Group remains committed to minimize the operation's impact to the environment through strict monitoring process.

ESG REPORT

IV. Environmental Sustainability *(Continued)*

A.1. Emissions *(Continued)*

Sewage Handling

In terms of sewage handling, the Group strictly adheres to the Law of the People's Republic of China on the Prevention and Control of Water Pollution 《中華人民共和國水污染防治法》, Regulations on Management of Economical Use of Urban Water 《城市節約用水管理規定》 and internal policies Petrochemical Industrial Water Management System 內部章程 《東聯化工工業水管理制度》 and Petrochemical Sewage Management 《東聯化工三水管理規定》. The types of sewage included sewage produced from petrochemical business and through daily employee consumption.

To ensure sewage discharged by the Group meets the emission requirements, several measures are implemented. Sewage treatment plants are built in factory areas to handle sewage produced by each tank field or equipment during the manufacturing process. Treated sewage that meets the third level requirement (GB8978-1996) of the Integrated Sewage Discharge Standards 《污水綜合排放標準》 is delivered to the industrial park's sewage pipe network and then to the sewage management company for central processing.

Sour water handling equipment is built in the factory area for treating sulphur-contaminated water from the manufacturing process. Acidic gases produced from the treatment process are transmitted to the sulphur recovery unit, part of the purified water is reused and the remaining is transferred to sewage treatment plant.

The Group has implemented the following measures to reduce sewage emission:

- Apply sewage diversion principle, control and reduce sewage emission level;
- Treated and purified sour water is transferred to production plants for reuse to scale down the amount of sewage discharged;
- Rainwater harvesting system and drainage system are installed in the factory areas to collect rainwater. Processed rainwater is stored in a water tank for circulation;
- Condensate harvesting system is installed in plant areas for recycling water vapour produced from production devices.

IV. Environmental Sustainability *(Continued)*

A.1. Emissions *(Continued)*

Exhaust Gas Treatment

The Group strictly follows “Atmospheric Pollution Prevention and Control Law of the People’s Republic of China” 《中華人民共和國大氣污染防治法》 on the treatment of exhaust gas. Exhaust gas generated by the petrochemical business are mainly from the production process.

By combining closed production method with advanced technologies and equipments, the Group’s petrochemical business production process is in line with the clean production principle as well as the circular economy concept. The technical conditions of the Group’s petrochemical business conform to the current national standards. Special equipments and safety accessories have been tested and qualified. Pumps and other equipments are properly sealed and with regular maintenance to avoid leakages. The Group’s sewage treatment plant uses self-containing facilities to collect exhaust gases. Collected gases will be released through the exhaust funnel after going through water sealing, alkaline cleaning and active carbon absorption process. Vapour on the top of the sour water storage tank is collected through closed system. Hydrogen sulphide and sulphur are recovered from the vapour through the solvent absorption tower and sulphur recovery device respectively. These are done to avoid emissions through the breather valve.

The Group carried out the construction of catalytic flue gas desulphurization facility, online monitoring facilities and adopted sodium washing for desulfurization and de-dusting, to achieving the special emission limit stipulated in the new national standard (GB31570-2015) after reformation.

Solid Waste Handling

The Group abides by the Law of the People’s Republic of China on the Prevention and Control of Environmental Pollution by Solid Waste 《中華人民共和國固體廢物污染環境防治法》 in handling the disposal of solid wastes. The Group’s petrochemical business produced only 1.8 tonnes of nickel containing catalyst during the financial year ended 2016 from the device cleaning process. As nickel containing catalysts which are hazardous waste, they are stored in the hazardous waste storage and delivered to professional hazardous waste management companies regularly for proper treatment.

Noise Pollution Handling

The Group strictly follows the Law of the People’s Republic of China on the Prevention and Control of Pollution from Environmental Noise 《中華人民共和國環境噪聲污染防治法》. To mitigate noise pollution, the Group installed soundproof wall at the east side of the factory as well as mufflers on loud factory equipments like water pumps and air compressors.

ESG REPORT

IV. Environmental Sustainability *(Continued)*

A.1. Emissions *(Continued)*

Properties and Investments Business

Sewage Treatment

In terms of sewage treatment, the Group adheres to the Law of the People's Republic of China on the Prevention 《中華人民共和國水污染防治法》 and Control of Water Pollution and Regulations on Management of Economical Use of Urban Water 《城市節約用水管理規定》. Sewage discharged by the Group's properties and investments business is mainly from office staffs' daily water consumption, such as cleaning and toilet flushing.

The Group's Beijing subsidiary strictly enforces the internal policy Energy Saving Procedures 《節能降耗控制程序》 and managed to reduce 1.33 tonnes of surface active agent emission through the implementation of strong alkaline water electrolysis in the Group's 15 projects. Sewage produced from this business operation does not contain hazardous substances. To reduce sewage emission, the Group attaches great attention to the condition of taps and equipments in the pantry. To prevent leakage and unnecessary water wastage, daily inspections are performed and any identified issues are solved promptly.

Solid Waste Handling

The Group adheres to the Law of the People's Republic of China on the Prevention and Control of Environmental Pollution by Solid Waste 《中華人民共和國固體廢物污染環境防治法》. Solid wastes produced by properties and investments business are mainly household garbage.

The Group's Beijing subsidiaries strictly enforce internal policies such as pollution prevention procedures 《污染防治程序》 and solid waste disposal control procedures 《固體廢棄物的控制程序》. Solid wastes are collected and categorized into recyclables, batteries and other wastes. Recyclable trash are sent to recycling companies for treatments to produce renewable resources; other solid wastes (including non-recyclable trash) are sent to waste disposal sites specified by the municipal recycling department.

IV. Environmental Sustainability *(Continued)*

A.2. Resources Utilization

Petrochemical Business

Electricity Consumption

The Group strictly abides by regulations relating to energy consumption, including The Law of the People's Republic of China on Conserving Energy 《中華人民共和國節約能源法》 and internal policy Petrochemical Limited Energy Resources Management System 內部章程 《東聯化工能源管理制度》. The operations of machineries in production plant areas and the usage of electricity appliances during office hours are the main sources of electricity consumption of the petrochemical business.

The Group understands that greenhouse gases ("GHG") emission is indirectly affected by electricity consumption. In other words, the Group will have to scale down electricity consumption in order to reduce GHG emissions. To instil electricity saving awareness among employees, the Group promoted energy saving habits from switching of unused lights and controlling air-conditioning temperature through departmental or group meetings. The Group also hopes to reduce direct energy consumption by replacing motor turbine with steam turbine in the production plant areas to enable electricity generation from surplus steam.

Water Consumption

The group drafted and strictly abided by the water consumption internal policies Petrochemical Industrial Water Management System 《東聯化工工業水管理制度》 and Petrochemical Sewage Management 《東聯化工三水管理規定》. The main sources of water consumed by the petrochemical business are running water and desalinated water from plant operations, as well as drinking water and cleaning water from pantry or washrooms during office hours.

The Group highly emphasizes on maximizing water resources utilization rate by requiring water consumed during the production process to be recycled and reused. The Group also implemented several measures in the production plant areas to increase the water resources utilization rate, including treating and transforming cooled and condensate water vapour into circulating cooling water or make-up water for boilers, as well as re-circulating and reusing sour water.

ESG REPORT

IV. Environmental Sustainability *(Continued)*

A.2. Resources Utilization *(Continued)*

Petrochemical Business *(Continued)*

Petroleum Consumption

The main source of petroleum consumption comes from the Group's production process. To boost employees' awareness about preserving resources and cut down on resources consumption, the Group carried out relevant promotions during morning conferences and handover meetings. At the same time, the Group also performs regular inspection on machineries to spot and fix leakages and wastage. The Group also carried out alteration work for aerostatic pressure machine and turbine blades to improve their operating efficiency.

Property and Investment Business

Use of electricity

The use of electricity of the Group is mainly from normal consumption of office appliances. To reduce the consumption of electricity, the Group adopts LED lighting system, maintains the temperature of the air conditioning system at around 26 degrees during summer, shuts down office equipments which are not often in use, switches frequently used equipment to standby mode after use and turns them off after work.

The Group is dedicated in saving energy and achieved the following remarkable results through continuous improvements:

- Perform energy saving alteration on 12 escalators in the business zone of East Gate Plaza (lower ground 1 to lower ground 3). 7.72 kilowatt consumption is saved with the installation of variable speed drive system and the sleep function;
- Perform energy saving alteration on the lighting system of East Gate Plaza and Fuzhuo Garden Square. Relamp the buildings' lighting with 7,700 energy saving LED lights, expert reviewed that the actual energy saving is 281.2 tons of standard coal;
- Reform and upgrade the central air conditioning cooling water transmission and distribution system and the direct fired machine of Xin Ji Yuan Da Xia to achieve annual savings of about 90,000 cubic meters of natural gas, 185,500 kilowatt and about 142.49 tons of standard coal;
- Energy saving transformation of garage lighting system for Zijin Chang'an project, replace old lighting with 1,000 LED green lighting and achieve annual saving of 217,000 kwh.

IV. Environmental Sustainability *(Continued)*

A.2. Resources Utilization *(Continued)*

Property and Investment Business *(Continued)*

Use of electricity (Continued)

- Replace the old water pump with the new energy efficient pumps and motors of the heating and hot water system for Xin Ji Yuan Da Xia, Inter Apartment, Yonghe Garden, Yuan Jia Apartment and East Gate Plaza, managed to achieve energy saving of 870,000 kilowatt after the implementation of the project;
- Replace the old water pump with the new energy efficient pump motors of the central air conditioning system for Xin Ji Yuan Da Xia, Inter Apartment, East Gate Plaza and Yuan Jia Apartment, approximately 705,500 kilowatt of electricity is saved after the implementation of the project;
- Energy saving alteration on central air conditioning system of East Gate Plaza for 36 air conditioning units with the addition of frequency conversion of the motor and auto control function. To achieve energy saving of 1,500,000 kilowatt and 495.9 tons of standard coal.

Water consumption

In order to increase tap water utilization and reduce the water consumption, Beijing subsidiaries of the group adapt the following measures:

- Replace the old water pump with the new energy efficient pumps and motors of the heating and hot water system for Xin Ji Yuan Da Xia, Inter Apartment, Yonghe Garden, Yuan Jia Apartment and East Gate Plaza;
- Reduce 1.33 tonnes of surface active agent emission through the implementation of strong alkaline water electrolysis in the Group's 15 projects;
- Implemented intelligent monitoring platform, add and upgrade to intelligent water meter for East Gate Plaza, Fuzhuo Garden, Zijin Chang'an, Yuan Jia Apartment, China Science Cloud Valley Park and Zhongshe Xin Ji Yuan Da Xia in order to enhance the monitoring ability of the energy consumption measure equipments.

Hong Kong Headquarter of the Group posts notice to encourage employees to save energy and water usage. Moreover, it also performs routine functional examination of facilities and equipments to avoid wasting of resources.

ESG REPORT

IV. Environmental Sustainability *(Continued)*

A.3. Environment and Natural Resources

The Group pays great attention to environmental issues and natural resources utilization. The Group's paper consumption mainly comes from office operations. The Group places high priority on environmental protection ideas like resources utilization, encourages emission reduction and economical use of natural resources. The Group established and strictly enforced internal policy Paper Consumption Plan and Paper Saving Measures 《用紙計劃及節紙措施》, taking several measures as follows:

- Establish paper consumption plan, submit the plan in the beginning of the year, perform quarterly paper consumption statistics, and perform analysis on planned and actual paper usage;
- Establish paper saving measures. Except for documents that require physical printing, all other documents such as notices, reports, meeting minutes, job plans will be stored as electronic copies and circulated through network;
- Except for documents that require formal documentation or will be presented to customers, all other documents printed using the Group's printer or photocopier machine will be in double-sided;
- Set up a dedicated recycle box for paper, and regularly liaise with the paper recycling company regarding recycling matters.

The Group places great emphasize on the greening of its operation surroundings, with 23% of the total production plant areas already covered in green. The Group does not only instil its employees with energy saving awareness, it also encourages them to actively engage in tree planting programs organized by trade unions of foreign investment companies. In April, the Group organized an annual suburban tree planting event with customers and employees as participants. As of today, 14 similar tree planting activities had been completed with accumulated more than 3,000 trees planted.

V. Social Sustainability

The Group is committed to maintain a high level of corporate social governance as it is important for the group in constructing a safe and healthy work environment as well as establishing product quality and social credibility. In the meantime, the Group devotes itself to preserve the sustainable development of its business and community. To promote this business model, the group exhibits prudence in managing its operations, and is cautious in executing decisions made by the management team.

ESG REPORT

EMPLOYMENT AND LABOUR PRACTICES

B.1. Employment

The Group strongly believes that employees are the most important asset of a business. As the business grows, sustainable human capital becomes crucial, especially in attracting and retaining talented employees. The Group's human resources policies abides by laws imposed by regulatory authorities, including the local labour law, promotion of employment law, employment contract law, social insurance, Employment Ordinance, Sex Discrimination Ordinance, Race Discrimination Ordinance and other relevant laws, to ensure employees are provided with reasonable remuneration and benefits, as well as effectively prevent the hiring of underage and forced labours. The Group is committed to create a fair, respectful and diverse working environment by promoting anti-discrimination and equal opportunity in terms of all human resources and employment decisions, for instance, training and promotion opportunities, as well as hiring, performance evaluation and payroll calculation processes irrespective of their race, religion beliefs, skin colour, nationality, age, disability or any other non-job related factors in all business units. Meanwhile, any termination of employment contract would be based on reasonable and lawful grounds. The Group strictly prohibit any kinds of unfair or unreasonable dismissals. The Group's human resources department reviews and updates relevant company policies constantly in accordance with the latest laws and regulations regularly.

The Group hires new employees based on individual's work experiences, expected abilities in performing duties, personal background, market remuneration benchmarks for the position, budget as well as other relevant criteria. The Group is keen on attracting and retaining high-calibre workforce, allowing them to achieve targets under a fair, respectful and faithful environment. Continuous professional development trainings will be provided to employees whenever necessary as the Group places high priority on the employees' career development. Remuneration packages are designed based on individuals' position, work experiences, duties and performance. The Group also assesses employee performance monthly with reference to the status of job completion and implementation of policies of each department to ensure that staffs are recognised by the Group with regard to their working efforts and contributions. The working and rest hours for employees are arranged in accordance with local employment laws and stipulated in the employment contract. In addition to statutory holidays, the Group also complies with social insurance, housing funds and business travel insurance, as well as offers competitive remuneration packages. Besides, employees also enjoy holidays such as maternity leave, marriage leave, paternity leave and compassionate leave, as well as other benefits stipulated under the employment law.

Talents are ultimately important for the Group's business development. The Group established an effective communication system between management and employees to motivate them, enhance their cohesiveness, and ensure that their needs are being heard, respected and taken care of. Available communication methods include inter-company phone system, e-mail, notice board, and instant messaging software. A smooth communication between employees and management is beneficial for the Group to make comprehensive and effective decisions, meanwhile fostering a closer employer-employee relationship.

To create a sense of belonging for the employees, the Group engages them through regular group activities to build up a united workforce. During 2016 fiscal year, the Group's Taizhou subsidiary held separate general meetings for party members as well as group members, and safety knowledge contest. The headquarter office in Hong Kong celebrates with employees on their birthday from time to time and will organize a Christmas party in every December. The Beijing subsidiaries celebrate the 20th anniversary by organizing activities like cruise tours, company travels, speech contests, sports events and reading activities.

ESG REPORT

EMPLOYMENT AND LABOUR PRACTICES *(Continued)*

B.2. Health and Safety

To provide and maintain a safe and healthy working environment, the Group's safety and emergencies policies are in line with various local laws and regulations laid down by statutory authorities, including the Production Safety Law of the People's Republic of China, Law of the People's Republic of China on Prevention and Control of Occupational Diseases, Regulation of Work-Related Injury Insurance, Occupational Safety and Health Ordinance, as well as other relevant internal policies for petrochemical business like Workplace and Occupational Hygiene Monitoring Regulations 《工作場所職業衛生監督管理規定》, Occupational Health Monitoring and Management Procedures for each Labour Unit 《用人單位職業健康監護監督管理辦法》, Categorized Occupational Diseases Danger Factor List 《職業病危害因素分類目錄》, Standards and Procedures of Safety Equipment Management for each Labour Unit 《用人單位勞動防護用品管理規範》 and Occupational Health Monitoring Technology Procedures 《職業健康監護技術規範》. To ensure production and operation safety management measures are in place for preventing job-related hazards, the Group urges employees to be conscientious at work. The Group will strive to provide a clean, smoke-free, healthy and safety working environment for all employees while instil healthy and safety awareness among them. The Group imposes stricter health and safety rules in the production plan areas. To safeguard employees' personal safety and health, the Group enforces stringent exposure limits on harmful substances, sets up occupational diseases warning signs, establishes operating procedures for each job and standardizes safety equipments management procedures for each labour unit. For property business, various standards and procedures for using chemical products including Disinfection Task Operating Manual 《消毒滅操作規程》, Temporary Storage Procedures of Chemical and Harmful Substances 《化學品、危險品臨時保管辦法》, Pesticides Management and Operation Manual 《農藥管理及操作規程》, Pesticides Toxicity and First-Aid Procedures for Pesticide Poisoning Manual 《農藥毒性及中毒急救規程》, Engineering System Operating Procedures 《工程系統工作制度》 and Manual for Handling Hazardous Chemical Substances 《化學危險品使用管理制度》 are established to assure proper handling of harmful substances, meanwhile protecting workers' personal safety.

The Group also provides occupational health and safety trainings, as well as position-specific emergency management trainings to employees. The group's Hong Kong headquarters performed air-conditioning system cleaning work and floor mat disinfection work in the 2016 fiscal year. The Beijing subsidiaries carried out safety inspections and provided system safety and emergency training for new employees, whereas Taizhou subsidiary completed frequent and detailed safety assurance tasks such as monthly and quarterly safety and environmental protection inspections, daily workplace inspections, regular safety trainings, emergency drills, workers' and employees' body check-ups, weekly safety and environmental protection meetings and regular material safety courses for employees. No negative health and safety issues were recorded during the 2016 fiscal year.

EMPLOYMENT AND LABOUR PRACTICES *(Continued)*

B3. Development and training

The Group is concerned about the career development of each employee and provides corresponding training program in different subsidiaries respectively. For Taizhou subsidiary, the Group arranges trainings for employees at Taizhou Administration of Work Safety Training Centre 泰州市安監局培訓中心, Administration of Quality and Technology Supervision Centre 質監局培訓中心, Taizhou Human Resource and Social Security Bureau Physical Exercise Training Centre 泰州市勞動和社會保障局技能操培訓中心 and Yangzi Petrochemical Training Centre 揚子石化培訓中心. Job-related skill trainings are provided to employees of different position regularly. The Group also used online training platforms like OA platform and Taizhou administration of work safety simulation training platform for employees to carry out online learning and training. The Beijing subsidiaries will formulate annual training plans and execute them on a yearly, quarterly or monthly basis in different forms, levels and modes. Management trainings are organised at company level and professional training organized by professional technical committees, on-the-job trainings and employee caring skills training provided by various departments. In addition, staffs with certificates attend external review training on a regular basis.

B.4. Labour Standards

The group strictly abides by the Labour Law of the People's Republic of China 中華人民共和國勞工法, Provisions on the Prohibition of Child Labour 中國禁止使用童工規定, Law of the Peoples Republic of China on the Protection of Minors 中國未成年人保護法 and other related labour laws and regulations to prohibit any child and forced labour employment. Human Resources Department is responsible for the reviewing of the applicants' personal information in accordance with relevant laws and regulations and labour management procedures to ensure the age of the employee are in line with the regulatory requirement. Face-to-face meeting with new employees is arranged before their job commencement to ensure no forced labour.

ESG REPORT

OPERATING PRACTICES

B.5. Supply Chain Management

Petrochemical Business

The Group's main suppliers are the members in the supplier repository of Sinopec, China National Offshore Oil Corporation and China National Petroleum Corporation. The Group established the following six criteria in selecting suppliers, including compliance with the national and industry standards, good credibility, accredited by quality management system, favourable services, reasonable pricing and satisfactory business performance. Priority will be given to well-performing suppliers included in the supplier repository mentioned above, and suppliers with unique technology recommended by institute of design will be considered next. The Group will require suppliers to provide documents including business license, account opening permit, quality assurance certificates, repository acceptance certificate, credit proof and environmental safety certificate before selecting a supplier to ensure its compliance with national and industry standards. Then, a primary evaluation process following a further thorough assessment by the procurement department will be conducted for all recommended suppliers before being qualified as the official supplier of the Group.

The Group pays attention and make reference to the supplier assessments made by the three main oil and gas companies as well as relevant negative news and media reports in the supplier selection process. The Group will, once verified, revoke the supplier's qualification due to severe violation of regulations or material deviation of quality. The Group will maintain a list of alternate suppliers. Besides that, to maintain high supplier quality, the Group's procurement department will lead a fair and comprehensive assessment to evaluate suppliers in terms of their compliance with externally and internally imposed regulations annually.

The Group did not establish framework agreements; all current supplier contracts are in single contract form. To maintain the relationship with suppliers, the Group abides by the contract and perform regular quality tracking inspection on major equipment. The Group will contact the supplier immediately and request for a rectification or replacement if ordinary quality issues are identified; if severe quality deviation is noticed, the Group will cancel the purchase order, revoke the supplier's contract and seek for compensation of damages or any losses caused by the deviation of quality.

OPERATING PRACTICES *(Continued)*

B.5. Supply Chain Management *(Continued)*

Property and Investment Business

Environmental and social risks are the main factors to be considered when the Group is screening suppliers for the property and investment business. The related subsidiaries obtained ISO9001 Quality Management System, ISO14001 Environmental Management System or OHSAS18001 Occupational Health and Safety Management System accreditation in the early years, and were accredited with energy management system during the year 2016. With environmental and social risks as the major concerns, the Group gives higher priority to suppliers who complied with laws and regulations, and has favourable operation record or highly reputable brand. In addition, the Group maintained a qualified suppliers list 《合格供貨商名錄》 and an alternate suppliers list 《備用供貨商名錄》 to ensure the accuracy of suppliers' information and ensure timely communication. Qualified suppliers are required to comply with the conditions stipulated in the Group's supplier and contractor evaluation and management procedures 《供方評價與承包方管理程序》 and provide business license and enterprise qualification. In the meantime, annual evaluation will be conducted. The basis of the evaluation includes:

- Whether the products and services provided by the supplier or contractor conforms with the national regulations and other requirements;
- Whether the supplier or contractor meets the requirements stated in the current quality management, environmental management and occupational health and safety management policies;
- Whether the quality of products and services provided by the supplier or contractor agrees with the requirements laid down in the contract.

The Group strictly adheres to internal policies like procurement control procedures《採購控制程序》, supplier and contractor evaluation and management procedures《供方評價與承包方管理程序》 and maintained long-term relationship with its suppliers. These are reflected in the following aspects:

- Reduce supply-related risk in accordance with quality, environment, occupational health and energy management system;
- Comply with the Group's financial management policy《財務管理制度》, timely settle with suppliers;
- Conduct regular suppliers' evaluation; communicate with suppliers on a timely basis.

ESG REPORT

OPERATING PRACTICES *(Continued)*

B.5. Supply Chain Management *(Continued)*

Property and Investment Business *(Continued)*

The Group normally enters into a long-term agreement with suppliers; suppliers who have no transaction history with the Group for 12 consecutive months will be recorded in the alternate suppliers list 《備用供貨商名錄》. Suppliers will have to provide a quality guarantee for certain products involving quality, environmental management and occupational safety and health issues such as household electrical appliance and electronic accessories. To mitigate supply-related risks, the Group compares the prices of similar products offered by different suppliers, explicitly states the price of similar products during the inventory management process and requires suppliers to provide a formal document whenever the market condition changes resulting in price adjustment. In terms of sourcing, the Group's strategy to source similar products from both official and alternate suppliers can help to minimize the risk of insufficient supplies. When annual supplier evaluation reveals that the goods and services provided by a specific supplier/contractor was not able to fulfil the contract requirements and will cause substantial effects to the company, the Group will not renew the contract for all underperforming suppliers.

B.6 Product Responsibility

Petrochemical Business

The group's idea about petrochemical related products is to pursue for perfection, develop new markets through outstanding technologies, improve efficiency with proper management practices and establish role model through professional services. The Group strictly abides by laws and regulations related to petrochemical product stipulated by regulatory authorities and internal policies, including the Law of People's Republic of China on Work Safety 《中華人民共和國安全生產法》, the Law of People's Republic of China on Standardization 《中華人民共和國標準化法》 and the Law of People's Republic of China on Product Quality. 《中華人民共和國產品質量法》 All products must meet the national standards, for instance, automobile diesel (GB19147-2013), automobile petrol (GB17930-2013), propylene (GB/T7716-2002), propane (GB/T22026-2008), industrial isobutene (GB/T19465-2004) and n-butane (GB/T22024-2008).

The Group has established an extensive product quality assurance and safety mechanism, with quality inspection centre responsible for routine laboratory analysis and technical operations department in-charge of monitoring product standards and quality. The quality inspection centre performs sampling analysis in accordance with the analysis frequency specified by technical operations department, and will upload the analysis results to the mass transfer system. Occasional sampling or product container sampling analysis will be performed by the quality inspection centre upon receiving instruction from the control room or marketing department.

OPERATING PRACTICES *(Continued)*

B.6 Product Responsibility *(Continued)*

Petrochemical Business *(Continued)*

Due to the business nature of petrochemical operations, the Group places high emphasis on product label classification. In accordance with the national regulations and industry standards, the Group has already set up relevant manuals and policies including a list of hazardous chemical substances (2015 version) 《危險化學品名錄(2015版)》, hazardous goods classification and serial number 《危險貨物分類和品名編號》, publicity rules regarding the classification and toxicity of chemical products 《化學品分類和危險性公示通則》, rules related to safety labels of chemical substances 《化學品安全標籤編寫規定》 and instructional manual for safety use of chemical products 《化學品安全技術說明書》 to ensure the safety and traceability of the products.

The Group exercises prudence in handling customers' feedback and complaints. The sales representatives under the marketing department logistics team collect customers' complaints as well as feedbacks and pass them to the sales director for documentation and reporting purposes. The Group established a marketing services team formed up by all department heads to handle complaints within 24 hours. The marketing services team will consolidate the feedbacks and provide improvement suggestions for the management team. The Group strictly complies with the standards of products. After inspection, the container of product is sealed for sale. Before selling the product to customer and delivery, the quality is checked again to ensure the quality is up to standard. After packing of product, third party inspection is required.

The Group strictly adheres to consumer rights protection law and relevant regulations in protecting customers' information and privacy. The Group hired professional company to be in-charge of the storage and management of customer sensitive data. Access controls are in place to prevent sales representatives from accessing information that are not related to their positions. As of the fiscal year ended 2016, no complaints about the violation of customers' privacy or theft of customers' data was filed.

Property and Investment Business

The Group's management policies for its property and investment business are: manage the business with people-oriented ideology and the goal of preserving and appreciating value; satisfy customers by delivering higher-than-expectation services; establish, maintain and continuously improve service quality, environmental protection, occupational health and safety management performances; comply with related quality, environment and occupational health and safety regulations or other industry requirements; enhance employees' responsibilities and awareness regarding service quality, environmental issues and occupational health and safety.

ESG REPORT

OPERATING PRACTICES *(Continued)*

B.6 Product Responsibility *(Continued)*

Property and Investment Business *(Continued)*

The Group strictly adheres to rules and regulations, international covenants and industry standards related to environmental management, property management, occupational health and safety as well as energy management aspects. The Group also enforces procedural documents and operation instructions like unqualified service control procedures 《不合格服務控制程序》, non-conformity correction and prevention measures 《不符合糾正與預防措施》, accident, incident investigation procedures and instruction manual 《事故、事件調查處理程序及作業指導書》, rewards and punishment policy 《獎懲制度》 when dealing with violations related to the above aspects.

The Group's property and investment business aims to achieve a product and service quality goal of 98% customer satisfaction rate, the rate of timely provision of repair service is 100% the rate of facilities and equipment in good condition is 98%. Aside from that, all of the group's products have received ISO9001 Quality Management System, ISO14001 Environmental Management System or OHSAS18001 Occupational Health and Safety Management System accreditation.

To maintain a high level of service quality, the Group sets up a quality management department to perform monitoring and inspection tasks on different services. The quality management department conducts inspection in accordance with internal procedures and work instructions of each department. During 2016 fiscal year, a total of four safety inspections were carried out by the quality management department during Lunar New Year, Labour Day, Mid-autumn Festival and National Day. In the same period, an annual internal check involving all service centres and departments, two night inspections, as well as daily monitoring of each service centre and department with a 100% coverage rate were performed. The Group also performs periodic inspection on public area fire control, flood prevention, office environment and warning signs according to the working plan of quality management department and inspection standards or procedures established by the Group.

The Group pays great attention to customers' feedbacks. Personnel in-charge deals with customers' complaints in accordance with "Customers' Complaints Management Procedures" 《客戶投訴管理工作程序》. 24-hour hotlines are set up in each service centre and headquarter for handling customers' complaints. Contact numbers of service centre managers and supervisors, as well as the company's service monitoring number are provided. The supervising quality management director is responsible for handling complaints received from the company's service monitoring number. Service centres summarize and report the details and the results of customers' complaints to general manager, supervising director and supervising quality management director on a monthly basis. The group arranged, bind and filed the "Duty Record" 《值班記錄》, "Customers' Complaints Handling report" 《客戶投訴處理報告》 and customers' complaints material in written form monthly. Each relevant department and personnel follows internal policy "Analysis of Customers' Satisfaction Procedures" 《客戶滿意信息分析程序》 when dealing with customers' complaints. Service centres collect feedbacks and perform investigations on the customers' satisfaction of each service provided through client review. On the other hand, the Group asks for written opinion, carries out investigations and surveys as well as collects comments and suggestions through the Annual Customer Satisfaction Survey. Each service centre calculates the satisfaction rate and the level of satisfaction base on the result of the survey. Quality management department are responsible for the collection of satisfaction rate, level of satisfaction and comments.

ESG REPORT

OPERATING PRACTICES *(Continued)*

B.6 Product Responsibility *(Continued)*

Property and Investment Business *(Continued)*

The Group strictly adheres to the laws and regulations in both Mainland China and Hong Kong including Law of the People's Republic of China on the Protection of Consumer Rights and Interests, Personal Data (Privacy) Ordinance and Consumer Council Ordinance. Relevant departments and personnel strictly implement Article 3 of "Documents and Files Management Policy 《文件、檔案管理制度》" — Confidentiality System of Documents and Files, and should specify the custody scope and the access authority of clients' information as well as the responsibilities of management personnel and service centres.

B.7. Anti-corruption

The Group has consistently maintained the highest ethical standards. The Group strictly adheres to the laws and regulations relating to anti-corruption and bribery as set out by the government of Mainland China and Hong Kong Special Administrative Region, including Anti-Money Laundering Law of the People's Republic of China 中華人民共和國反洗錢法, Article 274 of Criminal Laws of the People's Republic of China (related to blackmail) 中華人民共和國刑法第二百七十四條關於敲詐勒索, Interim Provisions on Banning Commercial Bribery 禁止商業賄賂行為的暫行規定, Prevention of Bribery Ordinance 防止賄賂條例 and Anti-Money Laundering and Counter-Terrorist Financing (Financial Institutions) Ordinance 防止賄賂條例以及打擊洗錢及恐怖分子資金籌集(金融機構)條例. All employees must adhere to Employees' Handbook which prohibits them from obtaining, accepting or providing bribes as well as any other form of interests. It also sets out how employees should deal with conflict of interest. All managers are also required to communicate with their staff and convey a good corporate governance culture.

To prevent the employee from involving in bribery, extortion, fraud and money laundering, the following measures are adopted,

- Established relevant management manuals including "The company's leading cadres to report personal matters management rules" 《公司領導幹部報告個人有關事項管理細則》, "The implementation of Clean and honest party conduct accountability system, 《黨風廉政責任制實施辦法》" "Corporate supervision and management system" 《公司監察管理制度》 to strengthen the management and supervision of the party members and leading cadres, and encourage them to be clean and honest;
- Establish rewards and punishment management policy 《員工獎懲管理規定》, set up "reward and punishment management regulations", and convey it to every existing employee. Provide regular ethical education to key management personnel and staff to enhance their self-restraint ability;
- Set up public corruption report mailbox and check its situation on a regular basis;
- Set up monitoring group especially for the investigation of whistle blowing issues. Once evidence is found, the group will report to the higher discipline inspection department or the public security department.

ESG REPORT

OPERATING PRACTICES *(Continued)*

B.8. Community Investment

The Group places great emphasis on maintaining the sustainable development of its business and belonging community. Subsidiaries responded to the head quarter's call for community development actively and received various awards as a result of remarkable contribution. The followings are the achievements of the subsidiaries in community investing activities by region:

The Group's Beijing subsidiary advocates people-oriented management concepts and participates in charitable and voluntary activities actively. In fiscal year 2016, the Group collaborated with the local community to resolve the housing resettlement problem for 2 people released from prison (former community residents). The Group's trade union declared and assisted 12 poor workers, lowered the education fee for employees studying in Open Education Institute of Beijing Radio and Television University, Dongcheng campus, 東城電大 by 50% and provided tuition waiver for excellent migrant workers who participate in continuous study in Beijing Vocational University of Dongcheng District 東城職大 with Beijing Dongcheng Federation of Trade Unions 東城區工會's support. As of fiscal year 2016, the Group's subsidiaries in Beijing received the following honours:

- Awarded "advanced collective" 先進集體 by the Union of Beijing Foreign Investment Company Trade Union 北京外資企業工會聯合會 in February 2016;
- Awarded "advanced unit in voluntary tree planting 「首都全民義務植樹先進單位」" by the Beijing Greening Committee of Beijing municipal people's government 北京市人民政府首都綠化委員會 in April 2016;
- Beijing Yinda Property Management Company 北京銀達物業管理有限責任公司 and Zijin Chang'an property service centre(strong and weak current group) 紫金長安家園物業服務中心強弱電班組 were named with "worker pioneer" 工人先鋒號 by all-China Federation of Trade Unions 中華總工會 and Beijing Shi Zong Gong Hui 北京市總工會 respectively in April 2016;
- Chinese Communist Party Beijing Investment Promotion Bureau Committee 中共北京市投資促進局委員會 and Communist Youth League Beijing Foreign Investment Company Committee 青團北京外商投資企業工作委員會 were awarded with "The Top Ten Foreign Investment Company Voluntary service team" 十佳外商投資企業志願服務團隊 in May 2016;
- Named as "Beijing advanced grass rooted organization 北京市社會領域先進基層黨組織" by Chinese Communist Part Beijing Municipal Social Work Committee 中共北京市委社會工作委員會 in June 2016;
- General Party Branch of the group was named with "advanced grass rooted organization" 先進基層黨組織 by Chinese Communist Party Beijing Investment Promotion Bureau Committee 中共北京市投資促進局委員會 in July 2016;

ESG REPORT

OPERATING PRACTICES *(Continued)*

B.8. Community Investment *(Continued)*

The Group's Taizhou subsidiary contributes to the community development by providing working opportunities to residents. In fiscal year 2016, employees donated to the tornado natural disaster victims in Yancheng City, Jiangsu Province under the encouragement of the group. The Group also provided subsidies for employees with family difficulties. As of 2016 fiscal year, the Group was awarded the Taizhou City 2016 trustworthy social corporate.

The Group responded to the Pink Revolution organized by Cancer Foundation by encouraging all workers to dress in pink to show the respect and support to breast cancer patients, meanwhile raising the womens' awareness about breast cancer.



SILVER GRANT INTERNATIONAL
INDUSTRIES LIMITED

銀建國際實業有限公司

股份代號 Stock code: 171

Suite 4901, 49th Floor
Office Tower, Convention Plaza
1 Harbour Road, Wanchai
Hong Kong

香港灣仔港灣道1號
會展廣場辦公大樓
49樓4901室