

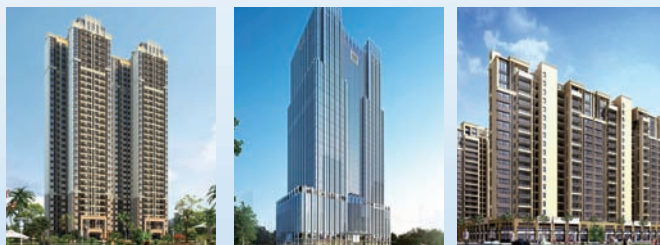


珠光控股
ZHUGUANG HOLDINGS

Zhuguang Holdings Group Company Limited

(incorporated in Bermuda with limited liability)

Stock Code: 1176



Environmental, Social and Governance Report 2016



**For identification purposes only*

ENVIRONMENTAL, SOCIAL AND GOVERNANCE

I. PREAMBLE

Being one of the prominent brands in the property development industry in the People's Republic of China (the "PRC"), Zhuguang Holdings Group Company Limited (the "Company") and its subsidiaries (collectively, the "Group") stringently adhere to their environmental and social responsibilities. The Group has developed its sustainability strategy which aims to minimise its impacts on the environment and create sustainable values to its stakeholders and the public in its business operation.

In order to carry out the sustainability strategy from top to bottom, the Board of Directors (the "Board") of the Company ultimately oversees the discharge by the Group of its environmental, social and governance ("ESG") responsibilities by establishing dedicated teams to manage ESG issues within each business division in the Group. Designated staff is assigned to enforce and supervise the implementation of the relevant ESG policies of the Group.

The Group is committed to making continuous improvements in environmental protection to discharge its social responsibilities in order to meet the changing needs of the advancing society. The Group is pleased to present its ESG report to demonstrate its efforts in sustainable development for the year ended 31 December 2016.

II. REPORTING PERIOD AND SCOPE OF THE REPORT

This report (the "ESG Report") is prepared in accordance with the ESG Reporting Guide set out in Appendix 27 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. This ESG Report covers the environmental and social performance of the operational boundaries of the Group, including the business of property investment, property development and sales in the PRC and the Group's offices located in Hong Kong and the PRC. The reporting period of this ESG Report is the financial year from 1 January 2016 to 31 December 2016 ("FY2016"), unless specifically stated otherwise.

III. STAKEHOLDER ENGAGEMENT

To conduct the Group's materiality assessment in identifying and understanding the main concerns and material interests of stakeholders for the purpose of the ESG Report, the Group has engaged its stakeholders to conduct a materiality assessment survey. Both internal and external stakeholders were selected based on their influence and dependence on the Group. Stakeholders with high level of influence and dependence on the Group were selected by the management of the Group. The selected stakeholders have been invited to express their views and concerns on major social and environment issues. The stakeholder engagement procedure has been conducted through an online survey. With respect to this ESG Report, the Group identified through the survey the generation of hazardous and non-hazardous wastes, employee benefits and occupational health and safety practices as the issues of the highest importance to the stakeholders.

After assessing the feedback from the internal and external stakeholders of the Group through the online survey, the Group has reviewed the sustainability strategies, practices and measures it undertook in FY2016 and highlighted the material and relevant aspects throughout this report so as to align them with the stakeholders' expectations.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE

IV. ENVIRONMENTAL SUSTAINABILITY

The Group is committed to the long-term sustainability of the environment and community in which it operates. The Group stringently controls its emissions and consumption of resources, and complies with the relevant environmental laws and regulations in Hong Kong and the PRC in its daily operation. All offices and construction sites of the Group should implement effective energy conservation measures to reduce emissions and resource consumption.

This section primarily discloses the policies and practices of the Group on emissions, use of resources, the environment and natural resources during FY2016.

A.1. Emissions

The Group strictly adheres to the laws and regulations in the PRC and Hong Kong relevant to its emissions, including but not limited to the Environmental Protection Law of the PRC* (中華人民共和國環境保護法), the Prevention and Control of Atmospheric Pollution of the PRC* (中華人民共和國大氣污染防治法), the Water Pollution Prevention and Control Law of the PRC* (中華人民共和國水污染防治法), the Construction Law of the PRC* (中華人民共和國建築法), the Waste Disposal Ordinance (Chapter 354 of The Laws of Hong Kong) and the Product Eco-responsibility Ordinance (Chapter 603 of The Laws of Hong Kong). The major environmental emissions of the Group include greenhouse gases ("GHGs") generated indirectly from electricity consumption, wastewater, solid wastes and noise. It is the policy of the Group to reduce the impacts of these emissions on the environment through measures such as control of the Group's energy consumption and special treatment of wastewater and solid wastes.

Property Investment

The main emissions generated from the Group's property investments business segment are wastewater and solid wastes. To minimise the impact the wastewater discharged by the investment properties of the Group may have on the environment, the Group has installed automatic air flotation oil-scrapped separators on sites in which the Group's property investments are located for the primary treatment of wastewater. Solid wastes generated from these property sites are collected and treated by professional waste management companies.

Property Development

The main emissions generated from the Group's property development business segment are construction wastes, wastewater and noise. Construction wastes include steel residues and wooden square bars, all of which are non-hazardous solid wastes. The Group has strict rules for the management of the property development projects to take specific measures to reduce the effects the Group's emissions may have on the surrounding areas of the property development projects.

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As an example, the Group has stipulated an internal regulation entitled “Anti-pollution and Anti-noise Construction Scheme* (防污染防噪音施工方案)” in relation to all property development projects of the Group, which is based on the PRC Environmental Protection Law* (中華人民共和國環境保護法), the Construction Law of the PRC* (中華人民共和國建築法), the relevant laws and regulations and mandatory labelling policy, and the construction and design plan of the projects. The scheme requires the establishment of a construction noise and pollution control group and specific measures to control the main noise sources in different construction stages. To control the possible pollution to the environment, the scheme has required the following practices to be adopted on the operation sites:

- Set up a car wash tank by the door of the construction site to prevent vehicles from carrying dirt out of the site;
- Set up three-level sedimentation tanks within the drainage system to prevent discharge of mud with sewage out of the site;
- Collect construction wastes regularly and transport them to landfill sites by special trucks; and
- Install pressurized dust reduction spray devices* (加壓噴霧除塵裝置) along the main road of the construction site.



■ Pressurized dust reduction spray devices (加壓噴霧除塵裝置)



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The Group has used energy-saving and environmental protection raw materials to reduce emissions and energy consumption. According to the requirements of the Environmental Protection Department of the PRC local government, the Group has taken the following measures on the construction site of its development sites to minimise pollution and control emissions:

- Set up enclosure facilities with height of no less than 1.8 meters around the sites in the construction period;
- Use sealed equipment to transport wastes and dust, and prohibit sweeping them directly from above ground levels to the ground;
- Rinse the ground or sprinkle water daily to settle the dirt and avoid sludge accumulation;
- Set up a sedimentation tank for the construction wastewater and recover treated wastewater;
- Replace traditional devices with low noise mechanical equipment or those with sound insulation or muffler equipment; and
- Prevent high noise equipment from running at noon and at night.

Domestic sewage should primarily go through the three-level septic tanks while oil and residues should primarily be removed from the oily wastewater generated from restaurants through filters, which are discharged together into the municipal sewage network before they go to the wastewater treatment plant.

Domestic solid wastes should be stacked on designated points and collected daily by the sanitation department. The Group cleans and disinfects the garbage storage points regularly.

Hong Kong Office

The Hong Kong office of the Group is located in the Two International Finance Centre ("Two ifc") in Central. The main emissions from the office are wastewater and domestic solid wastes, the collection and treatment of which are handled by the property management department of the Two ifc. The Group is dedicated to reduce its emissions and create an environmentally friendly and healthy working environment for its employees. In FY2016, the Two ifc has won the Indoor Air Quality Certificate awarded by the Environmental Protection Department (EPD) of the Government of the Hong Kong Special Administration Region (the "HKSAR"), for fully complying with the "Excellent Class" of the Indoor Air Quality Objectives at the whole building. It also won the "Gold Certificate" of "Quality Water Supply Scheme for Buildings – Fresh Water (Plus)" and the certificate of "Quality Water Supply Scheme for Buildings – Flushing Water" awarded by the Water Supplies Department (WSD) of the Government of the HKSAR. Above all, the Two ifc has adopted measures to reduce the amount of wastes generated within its establishments and through the services and products it provides, thus it won the Wastewi\$e Certificate – Excellent Level awarded by the Hong Kong Green Organization Certification. The Group always encourages its relevant employees to join in the environmental protection activities hosted by the Two ifc.

As GHGs emissions are positively correlated to electricity consumption, the Group has tried to reduce the electricity consumption in its daily operation through specific measures, which are further explained in the subsection headed "Electricity" under the section A.2. headed "Use of Resources" of this ESG Report.

During the year under review, the Group was not in violation of any of the relevant laws and regulations in relation to emissions, which have a significant impact on the Group.

A.2. Use of Resources

The Group has complied with the relevant laws and regulations in relation to its use of resources, including but not limited to Energy Conservation Law of the PRC* (中華人民共和國節約能源法), Provisions on the Management of Water Conservation in Cities* (城市節約用水管理規定) and Construction Law of the PRC* (中華人民共和國建築法) during the year under review. Resources used by the Group mainly include electricity, water, paper and construction raw materials.

Electricity

The Group keeps a detailed record of its electricity consumption. All subsidiaries of the Group stringently comply with the Group's policy of saving energy. Employees in the Hong Kong office of the Group have participated in the energy-saving activities hosted by the Two ifc and taken up basic electricity-saving practices at the offices, such as replacing the traditional light bulbs with LED energy-saving light bulbs and turning off the lights and air conditioners whenever unnecessary.

For the Group's property investment business segment, the Group has built a photovoltaic power station within the relevant building in one of its projects so as to save substantial electricity supplied by the power plant. For the Group's property development business segment, the Group has replaced all traditional light bulbs with electricity-saving light bulbs in the residential area and office buildings that the Group develops, and educated its employees regularly about energy conservation and emission reduction. As the Group has substantially reduced electricity consumption, it has also reduced GHGs emission indirectly.

Water

The Group has educated its employees to save water in the daily working hours. Employees in the Hong Kong office have actively cooperated with the Two ifc in its water-saving activities. The Group has installed the rainwater integrated control terminals* (雨水回收系統) in its investment properties to collect rainwater for further treatment and general use. The Group used water-saving sanitary ware instead of traditional ones in residential and office buildings it developed.



■ Rainwater integrated control terminals* (雨水回收系統)

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Paper

Paper is mainly consumed by the Group in its offices and the Group has adopted the following practices to reduce the consumption:

- Choose the suppliers with more environmental friendly paper source, so as to indirectly reduce the amount of trees losses while consuming the same amount of paper;
- Promote paperless office, and disseminate information by electronic means (i.e. via email or e-bulletin boards) as much as possible;
- Set duplex printing as the default mode for most network printers when printouts are needed;
- Promote the idea of “Think before print” by using posters and stickers in the offices to remind the staff to avoid unnecessary printings;
- Place boxes and trays beside photocopiers as containers to collect single-sided paper for reuse and used paper for recycling;
- Use the back of old single-sided documents for printing or as draft paper; and
- Recycle used stationery whenever possible.

Raw materials

Construction raw materials are mainly consumed by the Group in the property development business, including steel, concrete and mortar. Raw materials are purchased by the Group on made-to-order basis. To save raw materials and improve their utilization efficiency, the Group has conducted the following practices:

- Use aerated blocks to reduce the weight of the walls;
- Adopt new polymer waterproofing membrane to prevent water penetration;
- Use hollow glass tiles for insulation;
- Optimize construction plans and construction techniques to improve material utilization; and
- Establish the material management system to limit picking of materials, and to require application to the relevant department heads for approval in relation to the use of excess materials.

A.3. *The Environment and Natural Resources*

The Group was in strict compliance with the relevant laws and regulations in relation to the environment and the use of natural resources that have a significant impact on the Group, including Law of the PRC on Circular Economy Promotion* (中華人民共和國循環經濟促進法), Environmental Impact Assessment Law of the PRC* (中華人民共和國環境影響評價法) and Regulations on Environmental Protection of Construction Projects* (建設專案環境保護管理條例) during the year under review.

To strengthen employees' awareness of environmental protection and energy conservation so as to minimise the impact of the Group on the environment and natural resources, the Group has formulated the internal regulations entitled "Notice on Strengthening Office's Energy Saving and Consumption Reduction*" (關於加強辦公室節能降耗工作的通知) and "Notice on Implementing Office Energy - Saving Inspection System*" (關於實施辦公室節能降耗巡查制度的通知)". The regulations are applied to both the head office and all the subsidiaries of the Company. The Group is determined to improve energy saving in its offices through the mandatory requirements and inspection system provided under these internal regulations.

Besides, the Group has forbidden smoking in its office buildings to maintain good indoor air quality, and has planted many trees around the operation sites of its property development projects to offset some of the carbon emissions produced as well as to create a good working environment for its employees.



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V. SOCIAL SUSTAINABILITY

EMPLOYMENT AND LABOUR PRACTICES

B.1. Employment

The Group treasures talent as it is the most valuable asset of the Group, which is the key for driving the success and maintaining the sustainability of the Group. The Group is striving to provide its employees with a safe and suitable platform for developing their career, professionalism and advancement.



The human resources policies of the Group strictly adhere to the applicable employment laws and regulations in Hong Kong and the PRC, including the Employment Ordinance (Chapter 57 of The Laws of Hong Kong), the Mandatory Provident Fund Schemes Ordinance (Chapter 485 of The Laws of Hong Kong), Employees' Compensation Ordinance (Chapter 282 of The Laws of Hong Kong), Minimum Wage Ordinance (Chapter 608 of The Laws of Hong Kong), Labour Law of the PRC* (中華人民共和國勞動法), Employment Promotion Law of the PRC* (中華人民共和國就業促進法) and Labour Contract Law of the PRC* (中華人民共和國勞動合同法). The Group has also complied with the laws and regulations in respect of the employees' social security schemes that are enforced by the local governments in the PRC in relation to employee benefits. The human resources department of the Group and its subsidiaries reviews and updates the relevant company policies regularly in accordance with the latest laws and regulations.



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To attract high-calibre candidates, the Group offers competitive and fair remuneration and benefits based on the individuals' past performance, personal attributes, job experiences and career aspiration. The Group also makes reference to market benchmarks in determining its remuneration and benefit policies. As talent acquisition is vital to its future business development, the Group constantly reviews its compensation packages and performs probationary and regular evaluations according to the overall market environment, profitability of the Group and employee performance in the past to determine the staff salary adjustment in order to retain talents. This ensures that employees are recognised by the Group appropriately with regard to their efforts and contributions. Meanwhile, any appointment, promotion or termination of employment contract would be based on reasonable and lawful grounds and internal policies, such as staff handbooks and Implementation Rules for Staff Turnover and Movement on Positions* (員工異動管理實施細則). The Group strictly prohibits any kinds of unfair or unreasonable dismissals.



The Group has formulated its internal policies, such as Implementation Rules for Attendance* (考勤管理實施細則) and the policies for determining working hours and rest period for employees in line with local employment laws. In addition to basic paid annual leave and statutory holidays stipulated by the employment laws of the local governments, employees may also be entitled to additional leave entitlements such as marriage leave, maternity leave and compassionate leave.

As an equal opportunity employer, the Group is committed to creating a fair, respectful and diverse working environment by promoting anti-discrimination and equal opportunity in all its human resources and employment decisions. For instance, training and promotion opportunities, dismissals and retirement policies are based on factors irrespective of the employees' age, sex, marital status, pregnancy, family status, disability, race, colour, descent, national or ethnic origins, nationality, religion or any other non-job related factors in all business units of the Group. The equal opportunity policy allows zero tolerance in relation to any workplace discrimination, harassment or vilification in accordance with local ordinances and regulations, such as Disability Discrimination Ordinance (Chapter 487 of The Laws of Hong Kong) and Sex Discrimination Ordinance (Chapter 480 of The Laws of Hong Kong). Employees are encouraged to report any incidents involving discrimination to the human resources department of the Company. The Company's human resources department is responsible for ensuring strict compliance with relevant national and local laws and regulations by the Group, and for assessing, dealing with, recording and taking any necessary disciplinary actions in relation to such incidents.



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In terms of internal coaching and communication, effective two-way communication between the general staff and managerial staff is highly encouraged within the Group. The employees maintain timely and smooth communication with each other and the management through means, such as emails, regular meetings and social networks. Maintaining a barrier-free employer-employee relationship can create a productive and pleasant work environment.



In addition, the Group has hosted a series of activities for its employees in FY2016, such as Lantern - Park Tour - Run Carnivals, employee birthday party, Christmas party, parent-child photography, makeup lectures and Zhuguang Holdings Sport Carnival. These events helped the employees to relieve stress, and served to exemplify the Group's corporate culture of solidarity and cohesion among its employees.



During the year under review, the Group was in compliance with the relevant laws and regulations that have a significant impact on the Group, in relation to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare.

B.2. Health and Safety

To provide and maintain good working conditions and a safe and healthy working environment for its employees, the Group has established work safety and health policies that are in line with various laws and regulations stipulated by the Government of the HKSAR and the PRC, including Occupational Safety and Health Ordinance (Chapter 509 of The Laws of Hong Kong) and Employees' Compensation Ordinance (Chapter 282 of The Laws of Hong Kong), Occupational Disease Prevention Law in the PRC* (中華人民共和國職業病防治法), Law of the PRC on the Protection of Production Safety* (中華人民共和國安全生產法) and Regulation on Work-Related Injury Insurance* (工傷保險條例).

The Group has established a comprehensive mechanism in committing to workplace safety by incorporating a range of occupational health and safety measures for all of its employees in the workplace. Emergency exits are unobstructed and unlocked from the inside at all times in the workplace during working hours. Work sites and offices have well-stocked, unlocked first aid stations. In addition, the Group aims to maintain a clean, tidy, smoke-free, non-toxic, non-hazardous, healthy and safe working environment. The measures taken are listed below:

- Prohibit smoking and drinking liquor in the workplace;
- Set up a nursing room;
- Provide pollution-free vegetables* (無公害蔬菜) in the staff canteen;
- Carry out necessary safety protection measures for on-site workers, such as personal protective wears and equipment;
- Carry out periodical cleaning in offices, including disinfection treatment of carpets and cleaning of air-conditioning systems and water dispensers;
- Offer health checks for employees;
- Release health information through the intranet platform;
- Conduct emergency response drills regularly; and
- Set up safety warning signs, banners and slogans in the work sites.

A safe environment in the construction sites is maintained jointly by the Group with the contractors, sub-contractors and their employees. The general contractor is responsible for safety management on the construction site, which subcontracting units must follow. Besides, the Group has set up a reporting mechanism and procedures for substandard quality problems or emergencies in the construction sites to ensure that the reporting of such incidents can be made on an efficient and timely basis.

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The Group has also organised health and safety seminars and trainings for its employees, such as winter seasonal health seminar* (冬季養生公益講座), to enhance its employees' health awareness. The Group regularly monitors the effectiveness of its health and safety measures and ensures that they are implemented properly. The Group targets to achieve an accident-free workplace environment. Management, employees, contractors and subcontractors on work sites are expected to work in accordance with the health and construction safety management policies stated in the Group's internal manual.

In addition, the Group is insured against liabilities for personal injuries that may occur to its employees during the construction of the Group's properties. The Group has also purchased insurances, such as medical insurance and social welfare insurance, for its employees.

During the year under review, the Group was not in violation of any of the relevant laws and regulations that have a significant impact of the Group, in relation to providing a safe working environment and protecting the employees from occupational hazards.

B.3. Development and Training

The Group offers comprehensive training and development programmes to its staff in order to strengthen their work-related skills and knowledge and improving its operational efficiency through the intranet platform. The Group has formulated a set of internal regulations such as Implementation Rules on Training* (培訓管理實施細則). Through theoretical training, mentorship programmes, case sharing, seminars and self-study, the Group provides internal trainings, including basic trainings, on-the-job trainings, technical and business operation trainings, policy trainings and management trainings to its employees of different levels in various departments.

The Group also encourages outstanding employees to attend external trainings for enhancing their competitiveness and expanding their capacity through continuous learning. The Group may arrange external training organisations and trainers to provide job-related trainings to its employees.



■ Marketing Elites Outward Bound Training* (營銷精英特訓營拓展活動)

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The Group aims to foster a learning culture that could strengthen its employees' professional knowledge, and meanwhile, benefiting the Group as employees are expected to achieve better working performance after receiving appropriate training. According to its annual training plan and budget, the Group assesses and monitors the execution of its training programmes by conducting employee satisfaction surveys. Employees' performance in the trainings is also considered in the employees' performance evaluations.

In FY2016, the Group held a range of regular training and development programmes to encourage lifelong learning by the employees and to meet their needs. The following is a list of some of the training activities held in FY2016:

- Training on Project Output Declaration* (工程產值申報操作指引培訓)
- Administration of Project Cost Control and Implementation Details* (項目成本管理辦法及實施細則)
- Quality Control of Construction Site Management* (施工現場管理：質量控制)
- Technical Review on Project Construction Execution Plan* (施工圖紙會審技巧)
- Guidance on Auditing Construction Engineering Settlement* (建築工程結算資料審核工作指引)
- Collecting Value-added Tax in lieu of Business Tax and Corporate Income Tax Training* (營改增與企業所得稅稅收籌劃專題培訓)
- Management Accounting Seminar* (管理會計專題講座)
- Issues on the Methods and Types of Transfers of a Company's Equity and Transfer Process* (公司股權轉讓的模式、種類及轉讓過程中的關注點)
- How to Prepare Land Development Cooperation Agreements and its Highlights* (土地開發合作協議如何擬寫和需要關注的重點)



- Sales Training on Open Quote* (開盤培訓)
- Case Analysis Training on Project Engineering Design* (項目工程設計案例分析培訓)
- Regulatory updates trainings, such as Provisions on the Management of Urban and Rural Technical Planning in Guangzhou* (廣州市城鄉規劃技術管理規定) and Notice on Adjusting the Contracting Methods for Non-state-owned Investment Properties in the City* (關於調整我市非國有投資商品房屋項目發包方式的通知).

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B.4. Labour Standards

The Group strictly abides by the Employment Ordinance (Chapter 57 of The Laws of Hong Kong), Labour Law of the PRC* (中華人民共和國勞動法), Labour Contract Law of the PRC* (中華人民共和國勞動合同法) and other related labour laws and regulations in Hong Kong and the PRC to prohibit any child and forced labour employment.

To combat against illegal employment on child labour, underage workers and forced labour, prior to confirmation of employment, the Group's human resources staff requires job applicants to provide valid identity documents to ensure that the applicants are lawfully employable. The human resources department of the Company is responsible to monitor and ensure compliance by the Group with the latest and relevant laws and regulations that prohibit child labour and forced labour.

During the year under review, the Group was not in violation of any of the relevant laws and regulations that have a significant impact on the Group, in relation to the prevention of child and forced labour.

OPERATING PRACTICES

B.5. Supply Chain Management

As a socially responsible enterprise, it is critical and vital for the Company to maintain and manage a sustainable and reliable supply chain which makes minimal negative impacts on the environment and society. Each of the operating subsidiaries within the Group monitors the quality of its suppliers and their supply chain practice on a strict and continuous basis.

The Group generally outsources construction work to independent companies that specialise in different aspects of property development. The Group has formulated Implementation Rules for Cooperative Management* (合作商管理實施細則) to manage and evaluate the performance of its co-operation parties (including general contractors, professional subcontractors, equipment suppliers and labour subcontractors), and providers of such services as project supervision, engineering inspection and investigation, consultancy, marketing, property maintenance, repair and cleaning.

To enhance the effectiveness and efficiency of procurement, the Group is also responsible for identifying eligible bidders through tendering according to the Group's internal regulations, Implementation Rules for Procurement Management* (招標管理實施細則). The Group performs site inspection to assess the background of the eligible tenderers, their quality management systems* (質量管理體系) and business certificates, equipment and facilities, financial position, reputation and after-sales services, how they have discharged their social and environmental responsibilities, and whether their technical and construction capacities meet the standards and specifications required for each development project of the Group. Furthermore, to enhance the effectiveness of the Group's risk management in terms of environmental and social aspects, the Group strives its best in engaging suppliers that could lessen the environmental impacts made in the sourcing activities of the Group. If a potential tenderer passes the Group's assessment, it will be listed as an approved supplier or contractor of the Group.

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The project company of the Group works closely with the selected contractors and subcontractors in the execution of the development plans and closely monitors each phase of the construction to oversee the quality and timetable of each project. In addition, the Group requires the construction companies engaged by the Group to comply with the PRC laws and regulations relating to the quality of construction as well as its own standards and specifications.

According to the Group's internal regulations, Implementation Rules for Evaluation on Construction Unit* (施工單位評價管理細則), the Group carries out annual and final after acceptance reviews in assessing its suppliers' performance based on technical standards, quality, delivery, and management and service level to ensure the stability of the supply chain. Based on the results of the assessment of the suppliers, the Group has formulated its supplier management policy by classifying the suppliers into different groups, in order to implement differentiated management strategy towards suppliers. Cooperation survey* (合作情況調查) is conducted regularly for identifying and solving any potential problems in a timely manner. Given the Group's solid and steady relationships with its suppliers, it has not experienced any material delays in receiving supplies from its suppliers in the past years. The Group believes that it has maintained a good and long-term relationship with selected suppliers by successfully establishing mutual trust and understanding with them.

B.6. Product Responsibility

As a property developer, the business activities of the Group are extensively regulated by the laws and regulations of the PRC Government, including but not limited to Regulations on the Work Safety of Construction Projects* (建設工程安全生產管理條例), Construction Law of the PRC* (中華人民共和國建築法) and Regulation on the Quality Management of Construction Projects* (建設工程質量管理條例).

The Group has set up quality targets and formulated the corresponding technical standards and construction plans in the planning stage of each property development project. Besides, the project management centre* (工程管理中心) and project engineering supervision department* (項目工程監理部) of each operating subsidiary in the Group are responsible to initiate the construction projects and monitor the progress of the projects to ensure each project is in line with the project plan and construction contract. The Group also carries out engineering inspection and appraises the quality of the work of the contractors during different construction stages regularly. To ensure the materials used in the construction are up to safety standards, the Group closely monitors the quality of the materials* (材料進場驗收) through quality control and work acceptance procedures* (工序驗收程序). When a delay in the construction plan is found, decisive measures are taken to adjust and coordinate the construction and sales plan immediately by the project engineering supervision department, which is responsible for investigating the reason of the delay and reporting the remedial measures to the project management centre in a timely manner according to the internal manuals of the Group, such as Engineering Construction Supervision Manual* (工程建設監理工作手冊), Rules on Engineering Quality Management* (工程質量管理細則), Administration on Project Management* (工程管理辦法) and Rules on Project Schedule Management* (工程進度管理細則).

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ENVIRONMENTAL, SOCIAL AND GOVERNANCE

The safety and quality of the properties developed by the Group are monitored at all stages of construction by competent persons to ensure that they meet the Group's high standards and stringent requirements in place. The chief supervision engineer of each project acts as the project supervisor, who must have obtained the relevant working experiences and certificates as those possessed by a national registered supervision engineer* (全國註冊監理工程師) according to the size and complexity of the project, the engineering environment and other factors. Such requirements ensure that the construction projects of the Group are monitored and executed by qualified persons in the industry. The Group has obtained various awards in recognition of its continuous contribution to the property development industry in the PRC as shown below.

香河縣逸景房地產開發有限公司榮獲「搜狐 — 最具影響力品牌」

Xianghe County Yijing Property Development Company Limited awarded as "SOHU - The Most Influential Branding"*



珠光逸景榮獲「搜狐 — 最具影響力樓盤」

Pearl Yijing awarded as "SOHU - The Most Influential Estate"*



珠光逸景榮獲「新浪 — 2016 期待樓盤」

Pearl Yijing awarded as
"SINA - 2016 The Desired Estate"*



珠光逸景榮獲「新浪 — 2016 影響力樓盤」

Pearl Yijing awarded as
"SINA - 2016 The Most Influential Estate"*



珠光逸景榮獲「房天下 — 典範成員」

Pearl Yijing awarded as "Fang.com Model Member"*



* English name is translated for identification purpose only.

The Group gives paramount importance to the opinions of its customers. The customer services department of each operating subsidiaries in the Group collects comments from the market through the opinion box set up in the office and a 24-hour service hotline. The customer services departments and operational departments perform the evaluation and investigation upon receipt of customer complaints to identify the cause of the problems. The customer services departments also record the details of the complaints and contact the customers immediately to address the customers' concerns. Through the internal and external communication channels, the Group can obtain first hand and personal information from its customers.

The Group has issued internal guidelines to ensure the sales and marketing departments of the Group are providing accurate and precise product descriptions and information to the customers, which comply with the relevant local laws and regulations, such as the Advertising Law of the PRC* (中華人民共和國廣告法). Any misrepresentation in marketing materials or exaggeration of offerings is strictly prohibited. The Group has a legal counsel to review the sales and marketing materials before releasing them to the public, in order to prevent violations of the laws and regulations in relation to advertising.

The Group is dedicated to protect and enforce its intellectual property rights, which are crucial to its sustainable business growth and its ability to differentiate itself from its competitors. Its intellectual property rights such as trademark and patents have been registered under the Patent Law of the PRC* (中華人民共和國專利法), the Trademark Law of the PRC* (中華人民共和國商標法), the Regulation for the Implementation of the Trademark Law of the PRC* (中華人民共和國商標法實施條例) and other related local laws and regulations. The Group believes that the protection of its intellectual property rights through registration, maintenance and enforcement measures is effective within the Group. The Group has taken up the following practices in protecting and enforcing the rights of its intellectual properties:

- Classify and define the scope of commercial secret and keep the related documents in designated security area;
- Strictly implement the Group's internal confidential rules and regulations by signing confidentiality agreements with internal and external parties; and
- Educate the employees and enhance their awareness in relation to the confidential maintenance of trade secrets and other proprietary intellectual properties.

The Group is committed to abide by the laws in relation to customer privacy, such as the Consumer Protection Law of the PRC* (中華人民共和國消費者權益保護法) and the Personal Data (Privacy) Ordinance (Chapter 486 of The Laws of Hong Kong), and other relevant laws and regulations to ensure customers' rights are strictly protected. Information collected by the Group from its customers would only be used for the purpose for which it has been collected. The Group prohibits the provision of customer information to a third party without authorisation of the customer. All collected personal data of customers during the course of business are treated as confidential, kept securely and accessible by designated personnel only. Through internal trainings and confidentiality agreements with its employees, the Group emphasises to its employees the importance of confidentiality obligations and the legal consequences of breaching those obligations.

During the year under review, the Group was not in violation of any relevant laws and regulations that have a significant impact on the Group, in relation to health and safety, advertising, labelling and privacy matters in relation to its products.

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ENVIRONMENTAL, SOCIAL AND GOVERNANCE

B.7. Anti-corruption

To maintain a fair, ethical and efficient business and working environment, the Group strictly adheres to the local laws and regulations relating to anti-corruption and bribery irrespective of the area or country where the Group is conducting its business, such as Law of the PRC on Anti-money Laundering* (中華人民共和國反洗錢法) and the Prevention of Bribery Ordinance (Chapter 201 of The Laws of Hong Kong).

The Group has formulated comprehensive internal operating manuals, such as Implementation Rules on Sales Management* (銷售管理實施細則), staff handbooks and financial management policies, based on the anti-corruption, anti-fraud and anti-bribery policies of the Group. The Group's commitment to integrity and the prevention of fraud and commercial bribery is reflected in its different business agreements, such as the employment contracts, bidding documents, salesman declarations, procurement contracts, which are signed by employees, business units and customers. The Group has established the "Sunshine Service Convention"* (「陽光服務公約」) to prevent improper sales which are against the interests of the customers and the Group from being made. Under this convention, the Group will commit to property sales made by a salesman only if they are legal and the salesman has not received any hidden benefits. If there is any improper behaviour on the part of the salesman, the salesman will be liable for any legal and financial consequences that may arise. Such convention further regulates the behaviour of both the internal and external parties, and encourages the parties to deal honestly and with integrity in the business transactions.



“Sunshine Service Convention”* (「陽光服務公約」)

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No form of corruption is tolerated by the Group. The Group has strictly enforced its internal regulations, entitled “The Regulations on Complaints Reporting* (投訴舉報管理規定)”, which provide reporting channels and guidance to employees for any suspected impropriety, misconduct or malpractice within the Group. All employees are expected to discharge their duties with integrity and self-discipline, and they are required to abstain from engaging in bribery activities or any activities which might exploit their positions against the Group’s interests.

Whistle-blowers can report verbally or in writing to the risk management and internal audit department or the senior management of the Group for any suspected misconduct with full details and supporting evidence. The management will conduct investigations against any suspicious or illegal behaviour to protect the Group’s interests. The Group advocates a confidentiality mechanism to protect the whistle-blowers against unfair dismissal or victimisation. Where criminality is suspected, a report is made to the relevant regulators or law enforcement authorities when the management considers necessary.

During the year under review, the Group was not in violation of any of the relevant laws and regulations that have a significant impact on the Group, in relation to bribery, extortion, fraud and money laundering.

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ENVIRONMENTAL, SOCIAL AND GOVERNANCE

COMMUNITY

B.8. Community Investment

The Group understands well the importance of making a positive contribution to the communities in which it operates and sees the interests of such communities as one of its social responsibilities. It is the policy of the Group to participate in social welfare activities and community care projects to gain an understanding of the needs of the communities in which it operates, in order to formulate policies and objectives which are in line with the interests of these communities. The Group is keen to support social welfare activities and community care projects and encouraging its employees to participate in these activities and projects.

Mid-Autumn Festival Activity

The Group felt responsible to offer the left-behind children and students from poor families in Conghua District a happy, peaceful and meaningful Mid-Autumn Festival, making them feel the concern and warmth of the community. Therefore, the Group sponsored the “Warm Autumn, Full Love”* (“情暖中秋•愛心滿滿”) Mid-Autumn Festival activity on 8 September 2016 with schoolbags and stationery, which was hosted by the Guangzhou Daily News, the Conghua Community Newspaper and the Conghua Youth Volunteer Association. The activity turned out to be a great success.



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Public Welfare Activities

The Group has conducted a series of public welfare activities entitled “The Care for the Hometown and Fill Zhuguang with Love”^{*} (“心系家鄉·情滿珠光”) in 2016, in which the Group led its employees to Liuhuang and provided financial and material support to the local school.



Tree Planting

The Group not only educates its employees to care for the environment, but also encourages them to take actions to protect the environment. In 2016, employees of the Group joined the Plantation for Future^{*} (“播種未來”) activity to plant trees, which demonstrated the Group’s corporate culture of protecting the planet.



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