



CITY E-SOLUTIONS LIMITED

(Incorporated in the Cayman Islands with limited liability)

(STOCK CODE: 557)



Environmental, Social and
Governance Report
2016

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Introduction

This is the first Environmental, Social and Governance (“ESG”) report released by City e-Solutions Limited (the “Company”). The Company, its subsidiaries and their jointly operated hotel (the “Group” or “we”) are principally engaged in the provision of integrated solutions, hotel management services, hospitality related services and reservation services in the United States of America (“USA”). The Group information was included in the past annual reports. The analysis of this report covers all our principal activities as at 31 December 2016 unless otherwise indicated.



The ESG report shares our information on the policies and the practices of the environmental protection, workplace quality and the involvement in community of the Group. This report covers the financial period from 1 January 2016 to 31 December 2016 (the “Reporting Period”). The reporting framework adopted is in accordance with the Environmental, Social and Governance Reporting Guide set out in Appendix 27 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.



The management of the Group realizes the importance of environmental stewardship to ensure our sustainable development of our business alongside the environment and communities in which we operate. We instill ethical and fair business practices and we are committed to operate in a responsible manner economically, socially and environmentally whilst balancing the interests of our stakeholders. Thus, we remain conscious of the community's increasing attention to ESG reporting.

We believe that a comprehensive ESG practice is consistent with our business strategy of efficient resources allocation with superior growth prospects in the industry with high barriers-to-entry for new suppliers. The introduction of ESG practice enables us to leverage environmental data collected as a continuous basis to achieve a better return through a better control on the consumption of resources. Moreover, the ESG reporting is able to enhance the decision making to mitigate the environmental risk.

The core value of the Group – to “Serve and Give Back” our Community is intrinsic to our business. This report will demonstrate our Group's social responsibility and community investment.

Environmental Sustainability

Emissions and use of resources

Acting in an environmentally responsible manner, the Group endeavors to comply with laws and regulations regarding environmental protection and adopts effective measures to achieve efficient use of resources, energy saving and waste reduction.

As our Group is involved in the provision of hospitality related services, our operations did not generate any production waste or any production-related pollution. Indirect emissions, e.g. carbon dioxide emission, were released from using electricity in daily operation either in offices or the hotel. Other indirect emissions produced include non-hazardous waste produced through disposal of paper, consumption of water and use of transportation for business travel. In order to reduce the carbon emission caused by business travel, our Group has encouraged the employees to utilize the teleconference and video conference technology to participate meetings instead of travelling to a specific meeting location. There is a policy imposed for strictly controlling the budget of business travelling expense.

The comprehensive analysis on the usage of electricity and water were demonstrated in the below diagrams. The analysis enables the management of the Group and the stakeholders to understand the collective environmental impacts on the usage of utilities of our Group and provide a tracking record of yearly usage of the resources. The management of the Group tracked the energy usage and carbon emissions for the offices and hotel rooms by using different energy metrics. The tracking record enabled us to analyse more specifically on the consumption of the resources and the energies for our working places.

Usage

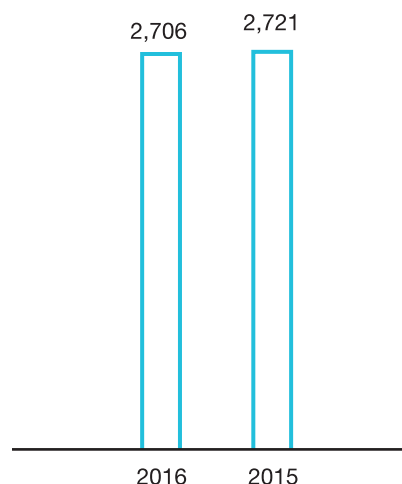
Our Group did not produce hazardous waste in the year 2016. The usage of electricity and water was mainly consumed from our hotel operation which resulted the emissions. Thus, we are going to concentrate our information disclosure on usage of electricity and water for our hotel operation.

Electricity

The total consumption of electricity, shown as below, was maintained at a similar level for the year 2016 and 2015 respectively:



**Electricity kwh
(‘000)**



Electricity was consumed for operating our hotel in the USA. Our Group developed our employee's awareness on environmental protection by imposing different training programs and adopted energy saving policy in the office and the working place. LED lighting retrofits have been part of our environmental efforts for years in order to reduce electricity demand and costs. Air conditioning was requested to switch off for the empty hotel rooms and offices. The use of solar energy was encouraged for common areas where applicable.

Environmental Sustainability

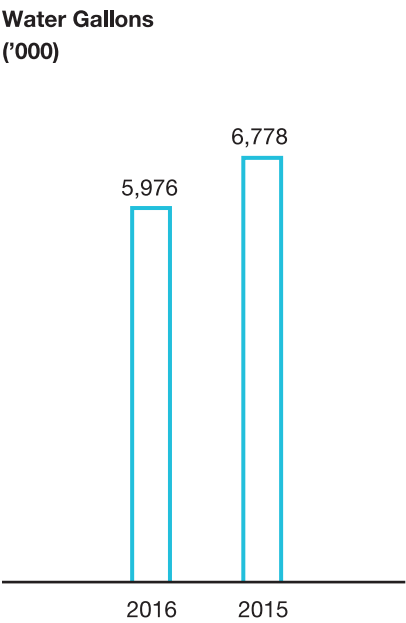
The total consumption of water for the year 2016 and 2015 is demonstrated in the below diagram:

Water



In pursuit of our water conservation goals, we have implemented a number of programs in order to increase the efficiency of using water in the hotel we manage. The programs include but not limited to lower flow faucet and toilet fixtures, installation of self-closing taps, more efficient laundry and dish washing formalities and services.

Our Group established a standard for water sub meters and monthly sun-meter readings for the reflashing facility. The meter reading provided a more detailed view of water consumption and provided information earlier in detection leaks.



Waste

We reduced and managed our waste by adopting the concept of recycling throughout the Group's operation. The management promoted paperless office and advised our employees to use both sides of paper to reduce the paper wastage.

Food waste presented both social and environmental concerns. Through careful menu planning, our hotel reduced food waste and made use of season available ingredients. We are also going to join the food donation program for food recycling purpose.

Social Sustainability

Community

The management of the Group believes in corporate social responsibility while we have embedded its philosophy and practice into our core values. Although our Group's primary goal is to grow top-line revenues and optimize owners' returns and asset values, we never lose sight of our social responsibility to all of the stakeholders as well as our communities.

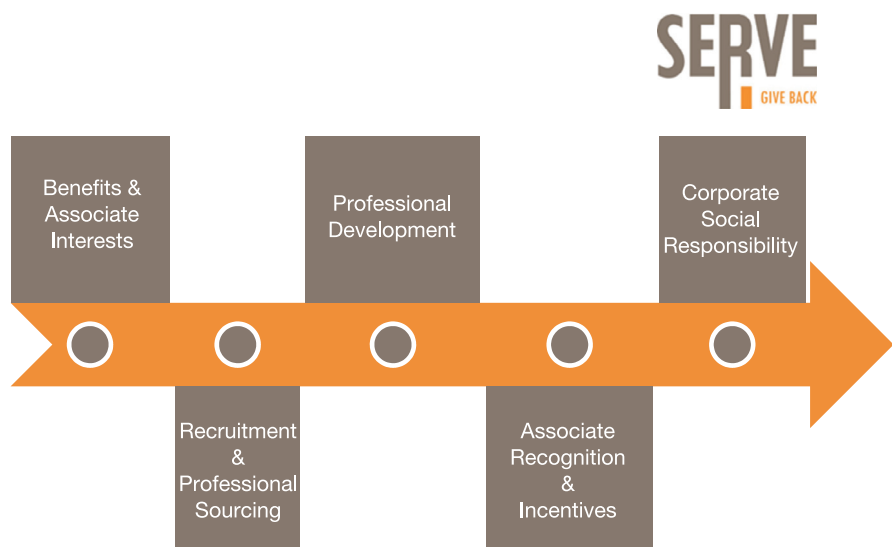
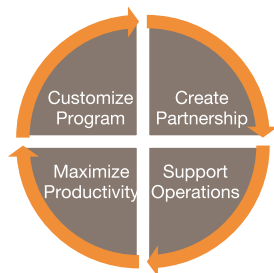
We believe that our corporate citizenship programs which can enhance the relationships with our customers and employees. Our management instills ethical and fair business practices in the Group. We are faithful to our investors and grateful to our fellow associates. We take tremendous professional and personal pride in knowing that we are agents of meaningful change in our communities, and we are helping to make a difference in the world around us.

We outreach our efforts to the community areas where we operate. Whether we are rolling up our sleeves and giving our time, donating to worthy causes, or being mentors to



students in our neighborhood, our Group is pleased to serve the community.

"SERVE" is our spirit that encompasses our Group outreach efforts to the community areas where we operate. We get involved in all the communities in which we live and work and we are committed to serve our communities.



Social Sustainability

We have adopted Feeding America as the focus of our charitable giving and community outreach program. We join other leading companies around the country to Outnumber Hunger, a nationwide initiative that helps fight hunger in local communities in the USA.



We participated in the Houston Food Bank's mission to feed all needy families during the holiday season. Participants visited the Houston Food Bank to pack meals for thanksgiving. During the holiday season, we adopted a needy family and provided presents, food and decorations for single parents and their children.

Corporation events

Other events we organized for our employees during the year 2016:

- Celebration of Associate of the Month
- Caught in the Act Program
- Milestone Anniversaries
- Monthly Birthday and Anniversary Celebrations
- National Chocolate Chip Cookie Day

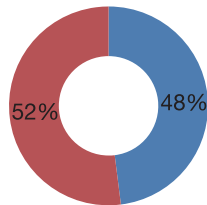
Employment

Human capital is a key element to contribute the sustainable growth of our Group. The management of the Group believes that a successful human resource policy will not only increase productivity, employee engagement and satisfaction, but also enable our Group to achieve organizational and business excellence while generating positive outcomes for our customers and partners. As at 31 December 2016, our Group had a total 140 employees (2015: 118 employees).

The following diagram shows the percentage of the gender of the employee for the year 2016 and 2015 respectively:

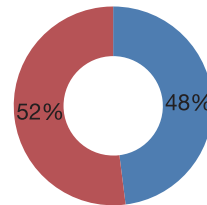
Gender 2016

■ Female ■ Male



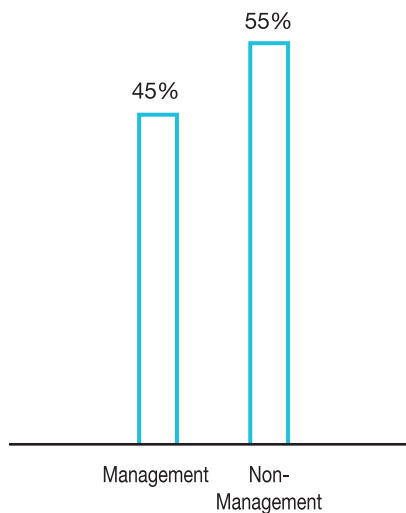
Gender 2015

■ Female ■ Male

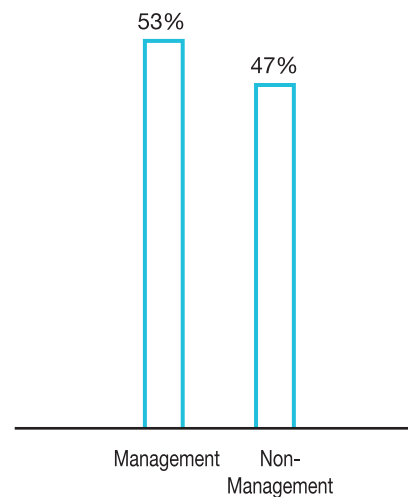


The following diagram shows the percentage of the employment type of the employee for the year 2016 and 2015 respectively:

Employment Type 2016

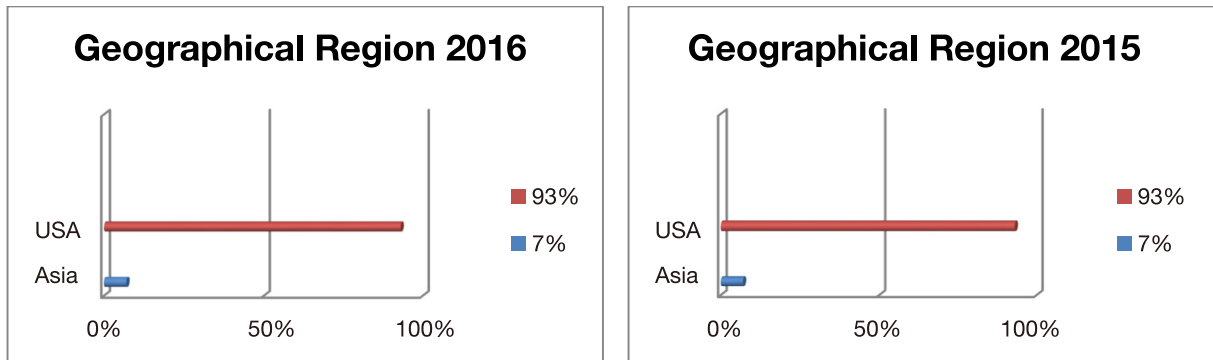


Employment Type 2015



Employment

The following diagram shows the percentage of employees by geographical region for the year 2016 and 2015 respectively:



Equal employment opportunity

In order to provide equal employment and advancement opportunities to all individuals, employment decisions will be based on merit, qualifications, length of service, and other job-related services. Except where required or permitted by law, employment practices and hiring procedures will not be influenced or affected by an applicant's or employee's race, color, religion, sex, national origin, marital status, sexual orientation, age, disability or any other characteristic protected by law. All applicants should be pre-screened according to guidelines established for each open position. These guidelines will consist of application and/or resume review of work history in comparison to minimum position criteria. Selection of the most qualified candidate for the most suitable position will help insure success of the Group. The policies imposed ensure the Group to comply with Fair Employment Act of the USA.

Employment interviews are arranged in an objective process. Questions are relevant to the position and designed to verify the applicant's knowledge, skill, ability and experience. Specific questions or testing for verifying an applicant's ability to perform the essential components of the job may be asked or used. Questions or pre-employment testing used to probe any applicant's physical or mental disabilities are prohibited. If an applicant discloses presence of either a physical or mental disability and expresses a need for a reasonable accommodation to perform the essential job responsibilities, the disability can be explored and the need for reasonable accommodation evaluated to provide equal opportunity for the applicant to be considered for employment. After the interview, the applicants are evaluated on a fair and consistent basis. The management of the Group will make reasonable accommodations for qualified individuals with known disabilities unless doing so would result in an undue hardship.

Policy against discrimination

Furthermore, policies were implemented to prohibit discriminating against any applicant or fellow employee on the base of a disability. The policies imposed to ensure the Group to comply with Employment Non-Discrimination Act of the USA. All employees with questions or concerns about any type of discrimination in the workplace are encouraged to bring these issues to the attention of the management. Employees can raise concerns and make reports without fear of reprisal. Anyone found to be engaging in any type of unlawful discrimination will be subject to disciplinary action.

Policy against harassment

Our Group strives to maintain a work environment that is free of unlawful discrimination and harassment of our employees. If an employee feels harassed in any way that the employee believes violates the Group policy or find the conduct of any other relevant peoples, the employee can immediately report the incident of harassment to the management of the Group. The policies imposed to ensure the Group to comply with Civil Rights Act of the USA.

Health and Safety

The Group implemented formal safety review and education programs for our hotel and workplaces. Safety programs for all employees are intended to identify and correct potential hazards as well as providing ongoing education and training in the practice of safe working habits.

Safety and Security Committee was established and meeting was organized in a monthly basis. It aims to maximize the awareness of guest and employee safety.

The primary functions of the Safety and Security Committee include but are not limited to:

- Providing overall guidance and direction for the Group's safety and loss control program;
- Reviewing, analyzing and correcting safety and security problems;
- Monitoring inspection reports to ensure corrective action is taken;
- Promoting and implementing safety awareness and training programs for employees;
- Evaluating new and existing facilities, equipment and procedures as related to safety and security; and
- Maintaining accurate and complete meeting and activity records and reports.

We also implemented a program –“AboutME” designed for caring our employees in terms of their health and wellness, continuing education and other support services and providing support as possible.

One of the functions of the program is to provide health plan converge options to our employees. The plan includes life insurance, medical, dental, etc.. Moreover, our Group also provides disability insurance for the employees.



The disability insurance provides partial income benefits for times of serious illness or injury which leads to total disability. For the employees who face life challenges, the Company offers confidential and voluntary assistance through its associate assistance program designed by the Group.

Health and Safety

Work related injuries

Our Group strives to protect the health, well-being and safety of our employees. Each employee is required to obey the safety rules and to exercise caution in all working activities. Just-in-time reporting on any unsafe condition to supervisor is required. Employees who violate safety standards, who cause hazardous or dangerous situations or who fail to report or, where appropriate, remedy such situations may be subject to disciplinary action.

In the case of accidents that result in injury, regardless of how insignificant the injury may appear, employees are required to immediately notify their supervisor. Such reports are necessary to comply with laws and follow insurance and workers' compensation benefits procedures. Our Group's policy on compensation was implemented for strictly complying with workers' compensation laws of the USA.

Our Group posted adequate safety and health notices at our facilities, including the job safety and health protection poster that fulfilled the Occupational Safety and Health Act of 1970 ("OSHA"). Employees are informed of the reporting procedures of injury in the training course. We maintain all OSHA records for five years.

Proper system was imposed for recording for the injury or illness results in death, days away from work, restricted work, transfer to another job, medical treatment beyond first aid, loss of consciousness, or diagnosis of a significant injury or illness by a doctor or other licensed health care professional. Employees and former employees can access to their injury and illness reporting forms.

There were 5 injury records in the year 2016 with a total 10 lost days.

Development and Training

The management of the Group encourages the career development and progression of our employees. This includes offering promotional and career development opportunities to well qualified individuals within the Group.

Discussing an employee's future career goals within the Group is part of the performance appraisal process. The management of the Group also encourages our employees to find out as much as they can about their work, the Group, the business and any other actions that would contribute to their on-the-job success.

The Group encourages the employees to improve their job skills and knowledge of the hospitality industry by offering educational assistance in certain cases. An incentive program was introduced awarding the employees who successfully complete the courses designed to improve their job performance or to prepare them for additional responsibility.

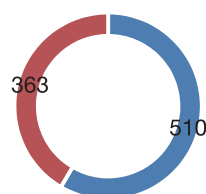
Formal training in responsible beverage service is part of the orientation process for all employees who serve alcoholic beverages, or those who have contact with departing guests that have been drinking. Trainings were provided before employees assume their responsibilities.

Other training programs were arranged including but not limited to the following:

- Policy against harassment training
- Policy against workplace violence training
- Safety and security training
- Hazardous chemical training
- Bloodborne pathogens training

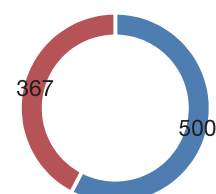
The following diagram demonstrates the training hours completed per employee by gender for the year 2016 and 2015 respectively:

Training hours by gender in 2016



■ Female ■ Male

Training hours by gender in 2015



■ Female ■ Male

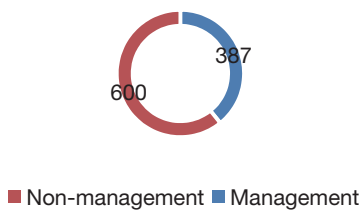
Development and Training

The following diagram demonstrates the training hours completed per employee by employee category for the year 2016 and 2015 respectively:

Training hours by employee type in 2016



Training hours by employee type in 2015



Labour Standards

Policies were implemented for the compliance with the Fair Labor Standards Act and child labor regulations of the USA. Child labor regulations govern such items as work permits, school attendance requirements, number of hours of work permitted, spread of hours, prohibited occupations and permitted occupations. A strict human resource policy was imposed to ensure that employees work in voluntary basis with no forced labor. Where state and federal standards of the USA are differed, our Group will comply with the more restrictive standard. There were no child and forced labor employed for the year 2016 and 2015.

Supply Chain Management

Our Group believes that well-organized supply chain management could reduce the risk of non-compliance of environmental and quality standards. Our suppliers play a vital role in shaping our reputation and the reputation of our entire customer base. We expect our suppliers and their supply chain partners to adhere to these same standards as the supply-chain evolves and expands globally. Consideration will be made for the suppliers who conduct their business in a manner which is free from human rights abuses and strive to uphold the integrity of the communities.

Our conduct guide outlines the minimum standards our suppliers need to comply with in order to enhance our long-term relationship and make a positive impact on the communities we serve. We expect our supplier partners to follow the guidelines as outlined below:

- Respecting the principles of human rights;
- Complying with all local and national labor laws especially as it as relates to discrimination, minimum wage, overtime and maximum hours worked;
- Ensure all work is voluntary and workers should be free to terminate employment with reasonable notice;
- Complying with labor law, in particular in connection with child labor;
- Upholding a safe and healthy work environment;
- Minimizing the impact of their operations on the environment and maintain all environmental permits and registrations;
- Following all applicable laws regarding prohibition of specific; substances and/or ingredients and regulations for handling, recycling and disposal of all waste types;
- Undertaking ongoing efforts to reduce their operational impact on the environment.

Preference will be given to the suppliers who:

- Indicating preference for use of eco-friendly recycled materials and products;
- Indicating preference for ISO 14001 certified vendors;
- Declaring the use of eco-friendly/recycled paper unprinted materials.

Product Responsibility

Product quality

We are dedicated to genuine service that enhances our customer's experiences of the services we provided. Our aim is to constantly refine luxury to align with evolving customer expectations. To gain a deeper understanding of the experience of our customers, we gather feedback from our customer through our interactions with optional surveys available in hotel rooms and through mystery shopper reviews of our service. These channels provide insight into whether our service can meet the expectation of the customer and provide indications on the improvements of our services.

Policies were imposed on handling the customer complaint. Our customers are provided with a proper platform to give feedback to our services. All complaints are tracked in a customer relation management system. Complaint cases were stored for 48 months after completion. All cases are viewable by our management. Front line employees received training in complaint handling and complaint resolution regularly.

Regarding to the complaints received from the customers from our daily operation, none of the complaints caused us any financial loss. All the complaints were dealt with in accordance with the guidelines of complaint handling. A complaint handling system is in place with appropriate training provided for our employees to ensure effective complaint resolution.

On the other hand, policies were imposed to ensure the compliance of the Product and Safety Act of USA such as strictly selecting of suppliers, sourcing the reputable products which comply with the related legislation of safety. The Group works with our suppliers to help develop innovative products and programs that deliver outstanding performance while meeting our sustainability goals. We worked closely with one of the largest sourcing company that specialize in serving the hospitality industry in the USA. During the Reporting Period, we did not receive any complaint on our services from any government departments in the USA relating to health, safety, advertising or privacy matters. We also did not have any product recalls for safety or health issues during the Reporting Period.

Privacy policy

Policies were imposed to ensure the compliance of Privacy Act of USA.

In collecting, maintaining, and disclosing personnel information, the management of the Group makes every effort to protect the privacy rights of customer and prevent inappropriate or unnecessary disclosures of information. While complying with its governmental reporting and record keeping requirements, we strive to ensure that we handle all personal information in a secure, confidential, and appropriate fashion.

We treat personal information as confidential and respects the need for protecting the privacy by enforcing secure information handling procedures on the part of all personnel whose job duties involve gathering, retaining, using, or releasing personal information. We collect and retain only such personal information, as it needs to effectively conduct business and administer its employment and benefit programs.

The policy was implemented to ensure that the management of the Group takes all possible steps to ensure all personal and job-related information is accurate, complete, and relevant for its intended purpose. Wherever possible, notification will be made to the affected peoples if we need additional personal information and give the relevant person an opportunity to supply the requested data. The release of any information having a potential effect on the Group and the relevant person can only be provided by our authorized Group representation.

Product Responsibility

Employee who has access to confidential information is required to sign an agreement as a condition of employment. Any employee who discloses trade secrets or confidential business information will be subject to disciplinary action even if the employee does not actually benefit from the disclosed information. This applies to information concerning all phases of Group's operations in order that the integrity of such information is preserved.

Intellectual property rights

Our Group implemented a policy to protect the intellectual property right. We registered self developed systems, trademarks and several domain names in the USA. Our Group prohibited our employees to download any freeware or shareware without permission. During the Reporting Period, the Group was not aware of any violation of intellectual property rights owned by third parties or by any third parties of any intellectual property rights owned by us.

Anti-Corruption

Whistle Blowing Policy

Our Group seeks to conduct our business honestly and with integrity at all times. We are committed to the highest possible standards in accordance with the Group's code of ethics and business conduct and it is the responsibility of all employees to report any wrongdoing that falls short of these fundamental principles.

In addition to the existing procedures, the whistle blowing policy is intended to cover concerns about malpractice, criminal or unethical conduct within the organization. The concern may be about an action that is unlawful (including criminal offenses or breaches of civil laws and regulations) or falls below established standards or practice. The policy also concerns an action outside the scope of an individual's authority resulting in an unauthorized transaction. As a result, the Group's reputation will be jeopardized.

In the context of our business, the concerns points which may fall within the terms of this policy including but not limited to breach of our code of conduct, confidentiality, the provision of negligent advice, financial fraud, etc.

Some types of criminal or unethical conduct cause a legal obligation on the part of the employee, and therefore the Company, to make a report such as:

- Money laundering,
- Fraud,
- Bribery and corruption, and
- Serious irregularities in financial reporting.

The management of the Group is responsible for reviewing the whistle blowing policy and for issuing each of an annual circular to all employees reminding them that the policy is in place. A copy of the policy shall be kept on file in the hotel. We adopted appropriate procedure to ensure ready access to the policy by employees when required.

Policies were imposed to ensure the Group to comply with Money Laundering Control Act of 1986 and US Foreign Corrupt Practices Act 1977 of the USA. The policies were posted on employee notice boards and intranet for transparency and ease of access by employees. The whistle blowing policy was included in the training material and orientation/induction packs for all new employees.

For the Reporting Period, our Group does not have any legal case regarding corrupt, bribery, extortion, fraud and money laundering practice brought against our Group and our employees.

Anti-Corruption

Conflict of Interest

The guidelines on conflict of interest were established and implemented for the avoidance of conflict of interest between employee's personal interests and those of the Group.

Transactions and business dealing with outside firms are highly monitored. Any unusual gain refers to bribes, product bonuses, special fringe benefits, unusual price breaks, and other windfalls designed to ultimately benefit the employee are strictly prohibited. Promotional plans that interpreted as involving unusual gain require specific senior approval.

An actual or potential conflict of interest occurs when an employee is in the position to influence a decision that may result in a personal gain for that employee or for a relative as a result of Group business dealings.

No "presumption of guilt" is created by the mere existence of a relationship with outside firms. The materials and any other intellectual property include the know-how and inside business information of our Group are prohibited to share and disclose with outsiders except with appropriate authorization. Likewise, information pertaining to the identity of hotel clients or customers is considered the property of our Group and is not to be shared outside the Group.

Employees cannot give or accept gifts, entertainment or favors of more than nominal value. In case any gifts received from the stakeholders, employees are required to report to the management of the Group.

Any attempt to induce, solicit, request or advise any customers, suppliers is an interference with our existing contracts. In the event, the provisions of this policy should ever be deemed to exceed the time or geographic limitations permitted by applicable law, then such provision shall be reformed to the maximum time or geographic limitations permitted by such law. Engaging in any fraudulent, illegal or dishonest conduct, whether in the connection with his or her employment or otherwise was strictly prohibited.

