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QUALITY PRODUCT AND PROGRESSIVE DEVELOPMENT

For its own products, Yuxiu Property started from supply chain management to ensure product quality and promote technological innovation along its overall operation chain. Under the call of the new era, we are more in line with the needs of the community and the needs of the business development, and keen to open up new types of businesses, so as to strengthen the powerful engine for development.







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6.1. SUPPLY CHAIN MANAGEMENT

Yuexiu Property is committed to optimizing supply chain management, in order to ensure eco-friendly sourcing and supply through transparent tendering, responsible sourcing, quality management and delivery evaluation. Such practices are first documented and then implemented at the management level and then at the individual level.

Yuexiu Property has formulated the Tendering and Procurement Administrative Measures (Revised), Construction Project Suppliers Management Rules (Revised), Materials and Equipment Suppliers Shortlisting Guidelines (Provisional), and Design (Consulting) Service Provider Management Rules, which provide standard procedures and effective management methods for supplier classification management, categorization, inspection and evaluation, and database expansion. The Group has carried out performance evaluation on its suppliers on a regular basis, and blocked or blacklisted the suppliers whose overall rating is “disqualified” according to the opinions of various departments and as required by the Rules.

How Does Guangzhou Regional Company Manage Suppliers

The Guangzhou Regional Company follows the various rigorous supplier management systems of Yuexiu Property and registers its suppliers in ERP supplier management system.



[Case Study]

THERE ARE **1,101 SUPPLIERS**
IN TOTAL WHO MEET THE ENTRY REQUIREMENTS.



Yuexiu Property also regards “sustainable procurement” as one of the key tasks in its development of social responsibility management system, and integrates the appraisal of social responsibility indicators through supplier evaluation, selection and monitoring.

Guangzhou Regional Company created a Yuexiu Property Regional Company Supplier Database



[Practice]

In order to further optimize the supply chain management, Guangzhou Regional Company created a Regional Company Supplier Database on the basis of the Yuexiu Property supplier resource pool, and selected suppliers by following the principle of proximity to reduce energy consumption, and achieved the goal of cost reduction and energy conservation by increasing the volume of centralized procurement. In addition, the Group has included a labour protection clause into the contract, requiring suppliers to improve the employees’ labour registration procedures, and conclude a labour contract with employees, and clearly specify the rights and obligations of both parties, and requiring suppliers to set up an earmarked account for wage margin to protect the interests of employees. At the same time, an anti-corruption agreement has been further signed with suppliers to eliminate bribery and corruption and ensure strict enforcement.

Guangzhou Regional Company requires suppliers to use energy-saving and environment-friendly building materials



[Practices]

Guangzhou Regional Company does a good job in application and promotion of new technologies, new skills, new materials, new equipment promotion and collection, sorting and filing of building-specific energy saving information; The requirements for environmental protection and energy saving testing has been included as an important clause in the contract, clearly requiring it to be responsible for filing, testing, acceptance and certification among others with respect to environmental protection and energy conservation. Photocopies of the invoices provided by the supplier for new environment friendly and energy saving building materials are attached as proof of payment.



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6.2. QUALITY ASSURANCE

Yuexiu Property has been in strict compliance with the Construction Law of the People's Republic of China, the Fire Prevention Law of the People's Republic of China and other laws and regulations for a long time. In 2017, Yuexiu Property updated the contents of 7 existing technical standards and systems and issued 7 quality technical standards in accordance with the Several Opinions on Promoting the Modernization of the Residential Industry and Improving the Quality of Residential Buildings, the GB50096 Design Code for Residential Buildings and the GB50368 Construction Code for Residential Buildings as well as relevant national residential building standards, with a view to more effectively manage construction, decoration and other links of its own projects, such as acceptance, quality monitoring and finishing, so as to ensure the quality and safety of its products more effectively. Yuexiu Property maintains the health and safety standard of construction products ultimately delivered to users in every aspect through comprehensive and prudent construction product quality control so that everyone can set their mind at rest to live, work and enjoy recreational activities in the products constructed by Yuexiu Property.

6.2.1. Quality Management

In 2017, in order to further develop "Yuexiu Treasure", Yuexiu Property requires all regional companies to strictly abide by Yuexiu Property Product Quality Assurance Project Management Guide, and strive to establish a cutting-edge quality and safety control system. The Group optimized the whole process, from material and process control, construction management, quality and safety assessment, quality acceptance, performance appraisal and accountability among others, through improvement of the related requirements on construction quality and safety and precise and strict product quality management. Customer satisfaction is the driving force of Yuexiu Property's growth. Yuexiu Property pursues the improvement of the safety level at each link, and ensures the quality of the delivered products, so that Yuexiu Property could become the first choice of customers for life, work and entertainment.

In addition, the Yuexiu Property Product Centre revised, compiled and issued 7 quality control measures such as Quality Management System for Conceptual Design, Quality Management System for Preliminary Design and Quality Management System for Construction Drawing Design in 2017; and it updated and amended 7 existing technical standard systems, such as: Unified Technical Measures, Design Standard Model for Construction Drawing, Disclosure Standard for Preliminary Design, Disclosure Standard for Construction Drawing, and Design Review Management Rules.

6.2.2. Quality Evaluation

Quality evaluation mechanism is compulsory for the Group's quality control. In order to ensure product safety, customer satisfaction and business reputation, Yuexiu Property has formulated evaluation systems, such as Project Quality Evaluation Management Rules (Revised), Product Quality Assessment and Accountability Rules (for Trial Implementation) and Third-Party Testing Guide for Materials and Equipment, and standardized and institutionalized the quality evaluation process.

The Yuexiu Property Product Centre also formulated the Detailed Rules for Product Quality Assessment and Accountability, which not only serves as an assessment and accountability system for the Group's internal staff, but also explicitly includes project quality into the annual performance assessment of relevant parties (including departments and subsidiaries, and design, supervision and construction units), and holds accountable relevant suppliers for quality events such as customer class litigation, so as to better track product production responsibilities and contribute to product quality assessment.

6.3. R&D AND INNOVATION

Yuexiu Property adheres to the philosophy of respecting innovation and pursuing excellence, continuously cultivates eco-friendly and healthy human settlement products, continuously fuses advanced concepts in technology and products, and explores innovation. Combined with high-tech intelligent building system, higher requirements are put forward for product development and innovation. The Group continues to explore, actively develop, and further expand innovative products, such as prefabricated buildings and mainstream hardcover standards.

Research and development Philosophy at Yuexiu Property:

- Systematically improve the quality of products and achieve product upgrading by means of smart eco-friendly building technologies
- Research into indoor prefabricated/modular basis system, including partition system, integrated ceiling system, dry floor system, door and window cover system, sandwich pipeline system, and integrated kitchen and toilet system among others to make hardcover quality, cost and efficiency controllable.
- Research into integrated optimal design of room type, and expand more humanized spaces.



[Case Study]

Study on Prefabricated Buildings

The Niutian Project in Jianggan, Hangzhou was the first pilot with respect to prefabricated module by Yuexiu Property. With Project Niutian, we gradually developed the control system of Yuexiu Property prefabricated building, met the challenges of the prefabricated building revolution in all aspects, and created "Yuexiu Eco Treasure".



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[Case Study]

Product Standardization R&D Base, Yuexiu Property Product Centre

Yuexiu Property Product Centre has a product standardization research and development base (Product R&D Base) in Jinzhou North Road, Huangpu District, Guangzhou, which covers an area of approximately 23,000 sq.m.. As an experimental field for Yuexiu Property's innovation product experiment, improvement, optimization and upgrade, the Product R&D Base comprehensively researches into and displays the product standardization results, and continuously promotes the implementation of fine/hardcover decoration, component parts, smart home, garden landscape, eco-friendly buildings, new materials and new process results, laying a solid foundation for advancing Yuexiu Property toward industrialization.

In 2017, the Product R&D Base carried out two specialized pilot studies on mainstream hardcover standard and lower temperature dehumidification board room for South China.

6.4. NEW BUSINESS DEVELOPMENT

Yuexiu Property actively responded to the call of national policy, constantly looked into the market demand, and explored in the existing product system. The Group believes that "optimize products toward market demands" is one of the fundamentals of the Group's sustainability. Under the guidance of the customer values, we develop differentiated products and humanized products that can create value for customers.

6.4.1. Develop Elderly-Care Property Vigorously

In recent years, the aging of the population is becoming increasingly serious in China. It has become an important social challenge to look after the lives of senior citizens. In 2017, Guangzhou Yuexiu Elderly-Care Industry Investment Holding Co., Ltd was formally established and successfully acquired 51% equity interest of Shenzhen Yinxing Modern Elderly-Care Service Co., Ltd.

In order to better understand and develop its elderly-care business, Yuexiu Property carried out the research on Three-Level Elderly-Care Network System for Home Care and Special Report on Yuexiu Property's Development of Elderly-Care Property Business in 2017, and analysed both opportunity and development points of elderly-care property in depth, so as to better fit the "whole-person care" concept of Yuexiu Property Elderly-Care Service.

Successful Acquisition of 51% Equity Interest of Shenzhen Yinxing Modern Elderly-Care Service Co., Ltd.

Shenzhen Yinxing Modern Elderly-Care Service Co., Ltd. is a specialized elderly-care brand chain operator, which was established in November 2015. The main services currently available include Yinxing College, Yinxing Medical, Yinxing Life, Yinxing Institution, and Yinxing Garden among others. Among them, Yinxing Garden elderly-care home, located in Xiaogang, Haizhu district, Guangzhou, started to operate in June 2017, with 257 working beds for the first stage, which is the first high-end integrated medical and nursing elderly-care service facility launched by Shenzhen Yinxing.



[Case Study]





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6.4.2. Actively Participate in Urban Renewal

As a vanguard of Chinese key central cities, Guangzhou has issued urban renewal policies intensively in recent years, which promotes the construction level of urban renewal in an all-round way. According to Guangzhou Urban Renewal Master Plan (2015-2020) issued by the Guangzhou municipal government, Guangzhou will complete 42-50 sq.km. urban renewal in 2020. Yuexiu Property takes the full advantages of combined production and finance, plays the role of urban renewal service provider, actively participates in the formation of Guangzhou State-Owned Enterprise Development Alliance, aggregates the resources of state-owned enterprises in land, finance and development, innovates urban renewal investment and financing mode, and promotes the new urbanization in Guangzhou.

Establishment of Guangzhou State-Owned Enterprise Development Alliance

In July 2017, Guangzhou State-Owned Enterprise Development Alliance jointly initiated and established by Yuexiu Property, the Real Estate HQ of Guangzhou Metro and Zhujiang Industry was formally established, and Yuexiu Property served as the chairman member. The development alliance will gather state-owned enterprises with land, development and financial resources, build a collaborative platform for state-owned enterprises in the field of urban renewal, and strive for policy support in the transformation of old state-owned enterprises, urban renewal and development and construction, so as to help Guangzhou improve the image of the city and realize industrial upgrading.



Guangzhou State-Owned Enterprise Development Alliance was formally established

Representative Work of Urban Renewal - I: Tianhe Sports Centre CBD

Yuexiu Property has successively developed high-end commercial properties such as Mayor's Plaza, Metropolis Square, City Development Plaza, Fortune Plaza and Victory Plaza, and converted a 5.2-sq.km. abandoned old airport in Tianhe District into a well-known business district in Guangzhou, directly promoting regional leapfrog development and realizing the eastward shift of the city centre.



[Historical Review]



Old Look



New Appearance



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Representative Work of Urban Renewal - II: Jiangnan New Village



[Historical
Review]

Yuexiu Property initiated the development mode of residential community, built the first-generation commercial housing in China, created the prosperity of Jiangnan West CBD in Guangzhou, promoted the location value of Haizhu district, and changed the regional layout of Guangzhou city.



Old Look



New Appearance

Representative Work of Urban Renewal - III: Ersha Island



[Historical
Review]

Yuexiu Property took the lead in introducing the concept of international style, building New World Garden, Gold Ark and other high-end villa communities of unique style. The old and shabby small fishing village was transformed to a pearl on the pearl river and has become a paradigm for the national high-end international communities.



Old Look



New Appearance



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6.4.3. Expanding Long-Term Rental Business

Since 2016, the Central, Guangdong Provincial and Guangzhou Municipal governments have successively issued relevant policies to vigorously cultivate and develop the housing rental market. In the report of the 19th CPC National Congress, the concept of “housing is for living in, not for speculation” was particularly reiterated. It was also stressed to put in place a housing system that ensures supply through multiple sources, provides housing support through multiple channels, and encourages both housing purchase and renting, to meet the housing needs of all of our people. Guangzhou, as one of the first 12 cities in China to pilot in the housing lease market, officially released the Work Plan for Accelerating the Development of Guangzhou Housing Rental Market in July 2017, which demonstrates Guangzhou’s determination and strength to respond to the call of the central government.

Yuexiu Property actively responded to and implemented the call of the Central and Guangzhou municipal governments to vigorously cultivate and develop the housing rental market. Yuexiu Property will rely on its strong ability to integrate resource, mature ability to operate its business and consistent financial advantages, strengthen mechanism innovation and resource integration, vigorously expand the housing rental market, actively play the role of pioneer, and achieve a win-win situation for the government, enterprises and customers.

