

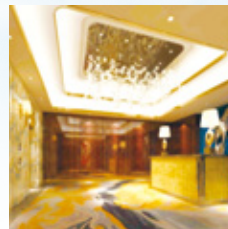
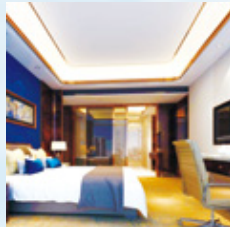


**珠光控股**  
ZHUGUANG HOLDINGS

# Zhuguang Holdings Group Company Limited

*(incorporated in Bermuda with limited liability)*

**Stock Code : 1176**



## Environmental, Social and Governance Report 2017



*\*For identification purpose only*

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE

## I. ABOUT THIS REPORT

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 with aims to create sustainable values to its stakeholders, and to continue to lower the Group's impacts on the environment. In order to carry out the Group's sustainability strategy from top to bottom, the Board of Directors (the "Board") of the Company has ultimate responsibility for ensuring the effectiveness of the Group's environmental, social and governance ("ESG") policies. The Board has established certain dedicated teams to manage the ESG issues within each business division of the Group. Designated staff has been assigned to enforce and supervise the implementation of the relevant ESG policies. The Group is also committed to constantly reviewing and adjusting the Group's sustainability policies to satisfy the ever-changing needs of its stakeholders. Details of the management approach of the Group in both the environmental and social aspects can be found throughout different sections of this ESG Report. The Group believes sustainability is essential to the development of the Group's overall long-term success.

The Group is pleased to present its second ESG Report to demonstrate the Group's approach and performance in terms of sustainable development for the financial year ended on 31 December 2017 ("FY2017"). This ESG report is prepared in compliance with the ESG Reporting Guide as set out in Appendix 27 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

## II. REPORTING PERIOD AND SCOPE OF THE REPORT

This ESG Report covers the environmental and social performance within the operational boundaries of the Group that includes the Group's business of property investment and property development and sales in the PRC, and the Group's offices in Hong Kong and the PRC. The reporting period of this ESG Report is the financial year of the Group from 1 January 2017 to 31 December 2017, i.e. FY2017.

## III. STAKEHOLDERS' ENGAGEMENT

With the goal to strengthen its sustainability approach and performance, the Group has put in tremendous efforts in listening to both its internal and external stakeholders. The Group actively collects feedback from its stakeholders to maintain a high standard of sustainability within the Group, while also building trustful and supportive relationships with them. The Group connects with its stakeholders through their preferred communication channels as listed in Table 1.

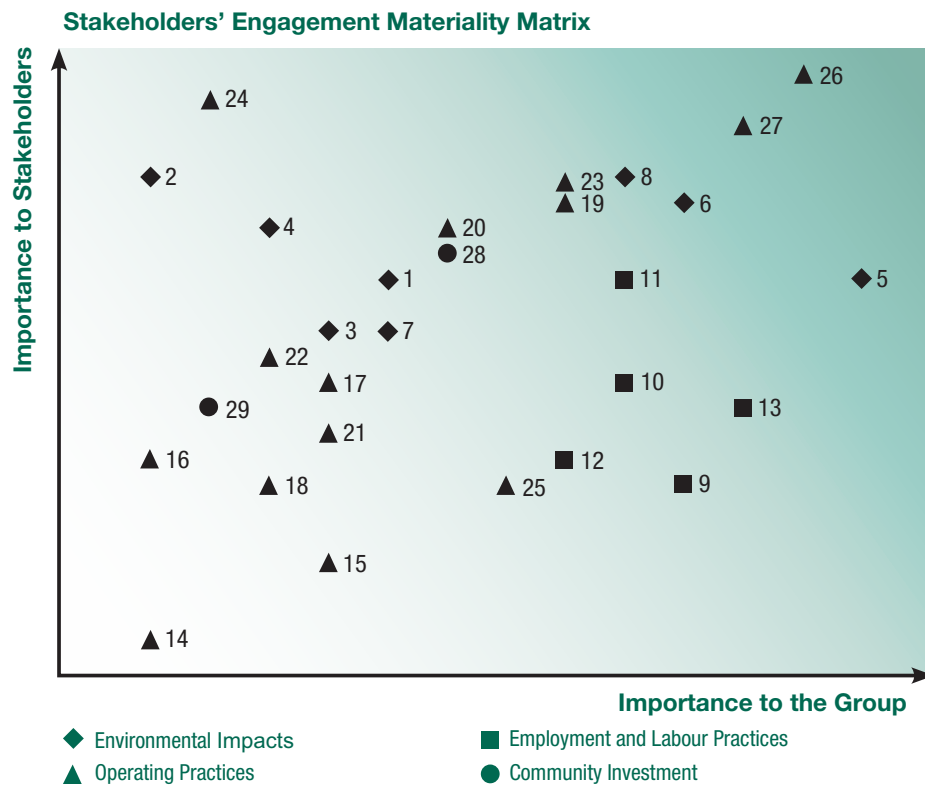
## ENVIRONMENTAL, SOCIAL AND GOVERNANCE

Table 1 Stakeholders' Expectations and Communication Channels

Stakeholders	Expectations and concerns	Communication channels
Government and regulatory authorities	<ul style="list-style-type: none"> <li>— Compliance with laws and regulations</li> <li>— Business sustainability</li> </ul>	<ul style="list-style-type: none"> <li>— Supervision on compliance with local laws and regulations</li> <li>— Routine reports</li> </ul>
Shareholders	<ul style="list-style-type: none"> <li>— Return on investments</li> <li>— Corporate governance</li> <li>— Business compliance</li> </ul>	<ul style="list-style-type: none"> <li>— Regular reports and announcements</li> <li>— Regular general meetings</li> <li>— Official Company website</li> </ul>
Employees	<ul style="list-style-type: none"> <li>— Employees' compensation and benefits</li> <li>— Career development</li> <li>— Health and safety in the working environment</li> </ul>	<ul style="list-style-type: none"> <li>— Performance reviews</li> <li>— Regular meetings and trainings</li> <li>— Emails, notice boards, hotline and employee engagement activities</li> </ul>
Customers	<ul style="list-style-type: none"> <li>— High quality products and services</li> <li>— Protection of the rights of customers</li> </ul>	<ul style="list-style-type: none"> <li>— Customer satisfaction survey</li> <li>— Face-to-face meetings and on-site visits</li> <li>— Customer service hotline and email</li> </ul>
Suppliers	<ul style="list-style-type: none"> <li>— Fair and open procurement</li> <li>— Win-win co-operation</li> </ul>	<ul style="list-style-type: none"> <li>— Open tendering</li> <li>— Purchase reviews</li> <li>— Face-to-face meetings and on-site visits</li> </ul>
General public	<ul style="list-style-type: none"> <li>— Involvement in communities</li> <li>— Business compliance</li> <li>— Environmental protection awareness</li> </ul>	<ul style="list-style-type: none"> <li>— Media conferences and responses to enquiries</li> <li>— Public welfare activities</li> <li>— Face-to-face interviews</li> </ul>

## Materiality Assessment

The Group undertakes annual review in identifying and understanding its stakeholders' main concerns and material interests for the purpose of the ESG Report. In FY2017, the Group engaged certain stakeholders to conduct a materiality assessment survey. 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, and were invited to express their views and concerns on a list of sustainability issues via an online survey. Thereafter, the Group prioritised the sustainability issues for discussion according to the results of such survey. The results from the materiality assessment survey were mapped and presented below.



1	Air and greenhouse gas ("GHG") emissions	11	Occupational health and safety	21	Marketing and promotion
2	Sewage treatment	12	Employee development and training	22	Observance and protection of intellectual property rights
3	Land use, pollution and restoration	13	Prevention of child and forced labour	23	Quality control and management of products
4	Solid waste treatment	14	Suppliers' geographical regions in which materials are sourced	24	Protection of consumer information and privacy
5	Energy use	15	Selection of suppliers and assessment of their products/services	25	Labelling relating to products/services
6	Water use	16	Environmental protection assessment of the suppliers	26	Prevention of bribery, extortion, fraud and money laundering
7	Use of raw/packaging materials	17	Social risks assessment of the suppliers	27	Anti-corruption policies and whistle-blowing procedures
8	Mitigation measures to protect natural resources	18	Procurement practices	28	Understanding local communities' needs
9	Composition of employees	19	Health and safety relating to products/services	29	Public welfare and charity
10	Employee remuneration and benefits	20	Customer satisfaction		



## ENVIRONMENTAL, SOCIAL AND GOVERNANCE

The Group built the above materiality analysis matrix and prioritised the 29 sustainability issues accordingly. With respect to this ESG Report, the Group has identified prevention of bribery, extortion, fraud and money laundering, anti-corruption policies and whistle-blowing procedures, energy use, water use, and mitigation measures to protect natural resources as issues of high importance to both the Group and its stakeholders. This review has helped the Group in prioritising its sustainability issues and highlighting the material and relevant aspects of the Group's operation, so as to align them with stakeholders' expectations.

### Stakeholders' Feedback

As the Group strives for excellence, stakeholders' feedback are always welcomed, especially on topics listed as high importance in the materiality assessment. Readers are also welcome to share their views with the Group at [info@zhuguang.com.hk](mailto:info@zhuguang.com.hk) or [www.zhuguang.com.hk](http://www.zhuguang.com.hk).

## IV. ENVIRONMENTAL SUSTAINABILITY

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

This section primarily discloses the Group's policies, practices, and quantitative data on emissions, use of resources, the environment and natural resources in FY2017.

### A.1. Emissions

The Group has complied with all relevant local environmental laws where the Group operated during FY2017.

In FY2017, the Group's GHG emissions for Scope 1 (Direct Emissions), Scope 2 (Energy Indirect Emissions), and Scope 3 (Other Indirect Emissions) were 317 tonnes carbon dioxide equivalent ("CO<sub>2</sub>e"), 1,971 tonnes CO<sub>2</sub>e, and 48 tonnes CO<sub>2</sub>e respectively. The Group's total GHG emissions amounted to 2,336 tonnes CO<sub>2</sub>e, and the GHG intensity for the Group was 0.84 tonnes CO<sub>2</sub>e/Hong Kong dollar ("HKD") million. Other than GHG emissions, the Group also produced 917 tonnes of non-hazardous solid wastes (with an intensity of 0.33 tonnes/HKD million), and 3,848 tonnes of non-hazardous wastewater (with an intensity of 1.39 tonnes/HKD million) in its operation. Due to the nature of the Group's operations, the Group did not generate any hazardous waste and only an insignificant amount of air pollutants was produced by the Group in FY2017. The Group's total emissions are summarised in Table 2.

**Table 2 The Group's Total Emissions in FY2017**

<b>Emissions</b>	<b>Key Performance Indicator (KPI)</b>	<b>Unit</b>	<b>Amount</b>	<b>Intensity* (Unit/HKD million)</b>
<b>GHG Emissions</b>	Scope 1 (Direct Emissions)	tonnes CO <sub>2</sub> e	317	—
	Scope 2 (Energy Indirect Emissions)	tonnes CO <sub>2</sub> e	1,971	—
	**Scope 3 (Other Indirect Emissions)	tonnes CO <sub>2</sub> e	48	—
	Total (Scopes 1, 2 and 3)	tonnes CO <sub>2</sub> e	2,336	0.84
<b>Non-hazardous Waste</b>	Solid Waste	tonnes	917	0.33
	Wastewater	tonnes	3,848	1.39

\* Intensity was calculated by dividing the amount of the GHG emissions or non-hazardous waste produced by the Group by the Group's revenue of approximately HKD2,766.5 million for FY2017

\*\* The Group's GHG emissions for Scope 3 (Other Indirect Emissions) includes only paper waste disposed of at landfills

### *Hong Kong Office*

The Group's Hong Kong office is located at the Two International Finance Centre ("Two IFC") in Central. Over the years, Two IFC has received multiple awards for its continuous effort in environmental protection. In FY2017, Two IFC was awarded the Indoor Air Quality Certificate by the Environmental Protection Department ("EPD") of the Government of the Hong Kong Special Administration Region ("HKSAR") for complying with the "Excellent Class" of the Indoor Air Quality Objectives. The EPD also issued a certificate of appreciation to Two IFC for participating in the rechargeable battery recycling program. In addition, Two IFC was awarded the "Wastewi\$e Certificate" – Excellent Level from the Hong Kong Green Organisation Certification for adopting measures to reduce wastes generated within its establishments and from its provision of services and products. Furthermore, Two IFC received 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" from the Water Supplies Department of the Government of the HKSAR in 2016, which had a validation period of two years.

The main source of GHG emissions produced by the Group's Hong Kong office during FY2017 was the use of electricity. Specific measures taken by the Group to reduce electricity consumption in its Hong Kong office, and thus GHG emissions generated by the Group, are further described in the section headed "**A.2.Use of Resources**" in this report.

The Group is committed to environmental protection in its offices. In order to reduce the amount of municipal solid wastes generated every day, the Group has implemented the following practices:

- Sourcing, separating and recycling as much solid wastes as possible;
- Encouraging all employees to reduce the use of disposable items, such as plastic tableware; and
- Advocating the reuse of office stationery.

Any non-recyclable municipal solid wastes of the Group were normally collected and disposed of by the property management department of Two IFC.

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Since the amount of wastewater generated by the Group highly depends on the amount of water used by it, the Group has adopted specific measures to reduce water consumption, which are further described in the section headed “**A.2.Use of Resources**” in this report. Municipal wastewater produced by the Group’s Hong Kong office was directly discharged into the property wastewater system of Two IFC.

### *Property Investment*

The emissions generated from the Group’s property investments business during FY2017 were wastewater and solid wastes. To minimise the environmental impact of the wastewater discharged, the Group has installed automatic air flotation oil-scrapped separators on sites for primary treatment of wastewater. Solid wastes generated from the Group’s investment properties were collected and treated by professional waste management companies.

### *Property Development*

The emissions generated from the Group’s property development business during FY2017 included air and GHG emissions, solid waste, wastewater and noise. The Group has adopted specific measures to reduce the effects that the Group’s emissions might have on the surrounding areas of the construction sites of the Group.

### *Air Emissions*

The Group strictly manages its property development projects by taking specific measures to reduce the effects of air emissions on the surrounding areas of the construction sites of the Group. To control the impacts of air pollution on the environment, 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). The scheme requires the following practices to be adopted at the Group’s construction sites:

- Cleaning vehicles’ wheels before leaving the construction site;
- Rinsing the ground or sprinkling water daily to settle the dirt and avoid sludge accumulation; and
- Installing pressurised dust reduction spray devices along the main road of the construction site.

### *Greenhouse Gas Emissions*

During FY2017, the GHG emissions produced by the Group mainly came from the use of gasoline and electricity in the vehicles and machineries of the Group. The Group has implemented internal policies, which are further described in the section headed “**A.2.Use of Resources**”, to reduce energy use and thus the GHG emissions. During FY2017, the Group also planted hundreds of trees around the operation sites of its property development projects to offset some of the GHG emissions produced by the Group.

### *Wastewater*

Wastewater produced by this business segment during FY2017 included domestic wastewater, oil wastewater generated from the restaurants and construction wastewater. Domestic wastewater was primarily treated through the three-level septic tanks. Oil and residues in the oily wastewater generated from the restaurants were removed through filters. As for construction wastewater, the Group has set up sedimentation basins for its treatment of construction wastewater before discharging the wastewater from the construction sites into the municipal sewage network.

### Solid Wastes

The solid wastes generated by this business segment during FY2017 were divided into domestic solid wastes and construction wastes. The Group has taken practical and effective measures to reduce the environmental impact of solid wastes by minimising the use of resources and therefore reducing the wastes produced, which are further described in the section headed “**A.2. Use of Resources**” in this report. In terms of the disposal of solid wastes, domestic solid wastes were collected by the sanitation department every day, whereas construction wastes including steel residues and wooden square bars were collected and transported to landfill sites by special trucks.

### Noise

In FY2017, noise was mainly generated by the Group from the operation of its equipments and machineries during construction. The Group has strictly followed the “Anti-pollution and Anti-noise Construction Scheme” (防污染防噪音施工方案) by installing noise reducing facilities to mitigate the negative impact of noise on the surrounding areas. The Group has also replaced traditional equipments with low noise mechanical equipments or those with sound insulation, and prohibited the running of the equipments, which may generate a high level of noise, at noon and at night.

During FY2017, the Group was not in violation of any relevant laws and regulations, which have a significant impact on the Group, that are related to air and GHG emissions, discharges into water and land, and generation of hazardous and non-hazardous wastes.

## A.2. Use of Resources

The Group has complied with the relevant laws and regulations in relation to the Group’s use of resources during FY2017. In FY2017, resources consumed by the Group were mainly electricity, gasoline, water, paper, and construction raw materials. The Group did not consume any packaging materials.

**Table 3 The Group’s Total Use of Resources in FY2017**

Use of Resources	Key Performance Indicator (KPI)	Unit	Amount	Intensity* (Unit/HKD million)
<b>Energy</b>	Electricity	kWh’000	3,721	1.35
	Gasoline	litres	141,822	51.26
<b>Water</b>	Water	m <sup>3</sup>	208,793	75.47
<b>Paper</b>	Paper	tonnes	10	0.004
<b>Raw Materials</b>	Metals	tonnes	269,403	97.38
	Cement	tonnes	7,574	2.74
	Wood	tonnes	1,505	0.54

\* Intensity was calculated by dividing the amount of resources the Group has consumed by the Group’s revenue of approximately HKD2,766.5 million for FY2017

### Electricity

The Group’s electricity consumption arises from the regular operation of its offices and construction sites. In FY2017, the total electricity consumption of the Group was 3,721 kWh’000 (with an intensity of 1.35 kWh’000/HKD million). All subsidiaries of the Company have stringently complied with the Group’s policy of energy saving.

# The English translation of the Chinese names in this report, where indicated, is included for identification purpose only, and should not be regarded as the official English names of such Chinese names.



## ENVIRONMENTAL, SOCIAL AND GOVERNANCE

In FY2017, the Group's Hong Kong office at Two IFC participated in the "Energy Saving Charter 2017" plan hosted by the Electrical and Mechanical Service Department of the Government of the HKSAR. The Group adopted basic electricity-saving practices at its offices, such as maintaining indoor temperature at between 24 to 26 degrees Celsius. It is widely acknowledged that the consumption of electricity accounts for a large proportion of global GHG emissions. Thus, as the Group reduces its electricity consumption, the GHG emissions of the Group will reduce indirectly. To ensure the effective use of electricity, the Group has adopted the following practices:

- Turning off lights, computers and air conditioning system at the end of the day;
- Turning off machines that are not in operation to avoid idling;
- Placing energy saving reminder labels next to switches;
- Cleaning office equipments regularly to maintain high efficiency;
- Replacing original equipments with energy saving equipments; and
- Requiring employees to abide by the Group's energy saving policy.

### *Gasoline*

The Group consumes gasoline for transportation and construction purposes. In FY2017, the amount of gasoline consumed by the Group was 141,822 litres (with an intensity of 51.26 litres/HKD million). The Group encourages energy saving through simple measures, such as making use of telephone conferences instead of physical meetings to avoid unnecessary travel and replacing highly polluting vehicles with more environmentally-friendly vehicles.

### *Water*

The Group has provided regular education to its employees on saving water. In FY2017, the Group did not face any problem in sourcing water that was fit for purpose, and the Group's total water consumption was 208,793 m<sup>3</sup> (with an intensity of 75.47 m<sup>3</sup>/HKD million). Employees in the Hong Kong office participated in water-saving activities initiated by Two IFC. In its investment properties, the Group has installed rainwater integrated control terminals<sup>#</sup> (雨水回收系統) to collect rainwater for general use. To improve the utilisation efficiency of water resources, the Group has adopted the following practices:

- Placing "Saving Water Resources" posters in prominent places to encourage water conservation;
- Fixing dripping taps immediately to avoid any leakage in the water supply system;
- Strengthening inspection and maintenance of water taps, water pipelines and water storage systems; and
- Requiring employees to strictly comply with the Group's water saving policy.

### *Paper*

Paper is mainly consumed at the Group's offices. In FY2017, the Group consumed a total of 10 tonnes of paper (with an intensity of 0.004 tonnes/HKD million). To reduce the amount of paper used, the Group has adopted the following practices:

- Encouraging a “think before printing” attitude among its employees;
- Setting duplex printing as the default mode for most network printers;
- Using email to reduce fax paper consumption;
- Separating single-sided paper and double-sided paper neatly for better recycling; and
- Reusing single-sided documents for printing or as draft paper.

### *Raw Materials*

Raw materials such as metals, cement and wood are consumed by the Group for its property development business. In FY2017, the amounts of such raw materials used were 269,403 tonnes (with an intensity of 97.38 tonnes/HKD million), 7,574 tonnes (with an intensity of 2.74 tonnes/HKD million), and 1,505 tonnes (with an intensity of 0.54 tonnes/HKD million) respectively. Raw materials are normally purchased by the Group on made-to-order basis. To save raw materials and improve their utilisation efficiency, the Group has adopted the following practices:

- Using aerated blocks to reduce the weight of the walls;
- Adopting new polymer waterproofing membranes to prevent water penetration;
- Using hollow glass tiles for insulation;
- Optimising construction plans and construction techniques to improve material utilisation; and
- Establishing a material management system to control the process of material selection, 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 main impacts exerted by the Group on the environment are caused by the air emissions, GHG emissions and waste generated by the Group. In FY2017, the Group reduced each of those impacts through the implementation of internal policies and measures. Specifically, the Group kept reducing energy consumption, performing internal wastewater treatment before discharge, and planting trees around its property development projects to offset GHG emissions generated by the Group. Additionally, the Group's construction sites were installed with energy saving lightings to further control its energy consumption. Meanwhile, the Group encouraged its employees to adopt the sharing of vehicles as means of transportation to lower its carbon footprint. As for its Hong Kong office at Two IFC, the Group took part in World Wildlife Fund's “Earth Hour” in FY2017, which, to a large extent, had instilled the idea of environmental protection among its employees, such as proactively turning off the non-essential lightings during a certain time period for saving energy and reducing carbon emissions.

To strengthen the 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 have been applied to both the head office and all the subsidiaries within the Group. The Group is determined to improve energy saving in its offices through the mandatory requirements and inspection system provided under these internal regulations.

## ENVIRONMENTAL, SOCIAL AND GOVERNANCE

### V. SOCIAL SUSTAINABILITY

#### EMPLOYMENT AND LABOUR PRACTICES

##### *B.1. Employment*

The Group treasures its employees and sees their talents as the key in driving the success and maintaining the sustainability of the Group. The Group strives to provide its employees with a safe and suitable platform for developing their career.

The human resources policies of the Group strictly adhere to the applicable employment laws and regulations in Hong Kong and the PRC, including but not limited to the Employment Ordinance (Chapter 57 of The Laws of Hong Kong) and the Labour Law of the PRC<sup>#</sup> (中華人民共和國勞動法). The Group has also complied with the laws and regulations regarding employees' social security schemes that are enforced by the local governments in the PRC during FY2017. The human resources department of the Group reviews and updates the relevant company policies regularly in accordance with the latest laws and regulations.

To attract high-calibre candidates, the Group offers fair and competitive staff remuneration and benefits based on the individuals' past performance, personal attributes, job experiences and career aspiration. The Group also refers to market benchmarks in determining its remuneration and benefit policies. As talent retention 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 the past performance of the employees. This ensures that employees are recognised by the Group appropriately with respect to their efforts and contributions. Meanwhile, any appointment, promotion or termination of employment contracts would be based on reasonable and lawful grounds and internal policies, such as staff handbooks and the "Implementation Rules for Staff Turnover and Movement on Positions"<sup>#</sup> (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 own internal policies, such as the "Implementation Rules for Attendance"<sup>#</sup> (考勤管理實施細則) and other policies, based on local employment laws for determining working hours and rest periods for its employees. 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 for employee welfare, the Group provides medical insurance and annual physical check up to its employees. During certain traditional Chinese festivals, employees may even receive additional bonuses and gifts. In FY2017, the Group hosted its second badminton competition with the aim to inspire passion, promote internal communication and encourage healthy lifestyle among its employees.



The second "Zhuguang Cup" (珠光杯) badminton competition

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 of 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. 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 the Disability Discrimination Ordinance (Chapter 487 of The Laws of Hong Kong) and the 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 Group. The Group will take the responsibility for assessing, dealing with and recording such incidents and will take disciplinary actions if necessary.

During FY2017, the Group was in compliance with the relevant laws and regulations in relation to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, welfare and other benefits that have a significant impact on the Group.

## **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 occupational safety and health policies that are in line with various laws and regulations stipulated by the HKSAR Government and the State Council of the PRC. The specific laws and regulations include the Occupational Safety and Health Ordinance (Chapter 509 of The Laws of Hong Kong) and the Law of the PRC on the Protection of Production Safety# (中華人民共和國安全生產法).

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The Group has established a comprehensive mechanism in promoting workplace safety by incorporating a range of occupational health and safety measures in the workplace for all its employees. Emergency exits are required to be unobstructed and unlocked from the inside of the workplace during working hours. Construction sites and offices are required to have well-stocked and 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 by the Group to achieve such goal are listed below:

- Prohibiting smoking and liquor drinking in the workplace;
- Carrying out necessary safety protection measures for on-site workers, such as the provision of personal protective wears and equipment;
- Carrying out periodical cleaning in offices, including disinfection treatment of carpets and cleaning of air-conditioning systems and water dispensers;
- Offering health checks for employees;
- Releasing health information through the Group's intranet platform;
- Conducting emergency response drills regularly; and
- Setting up safety warning signs, banners and slogans in the work sites.

A safe working environment in the construction sites is maintained by the joint efforts of the Group along with its main contractors, sub-contractors and their employees. The main contractors are responsible for safety management in the construction site, which sub-contracting units must completely 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.

The Group regularly monitors the effectiveness of its health and safety measures, and ensures that they are implemented properly. The Group aims to create an accident-free workplace, and management, employees, main contractors and sub-contractors 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 inflicted on its employees during construction. The Group has also purchased insurances, such as medical insurance and social welfare insurance, for its employees.

During FY2017, the Group was not in violation of any of the relevant laws and regulations in relation to providing a safe working environment and protecting the employees from occupational hazards that have a significant impact on the Group.

### *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. The Group has formulated a set of internal regulations such as the "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 such as basic trainings, on-the-job trainings, technical and business operation trainings, policy trainings and management trainings to its employees.



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.

The Group aims to foster a learning culture that would strengthen its employees' professional knowledge, so as to benefit 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 FY2017, the Group held a range of regular training and development programmes to encourage lifelong learning of the employees and help them to meet their occupational needs. The following is a list of some of the training activities held by the Group in FY2017:

- Human Resources Management
- Administration Management
- Financial Management
- Sales Training
- Quality Control of Construction Site Management
- Technical Review on Project Construction Execution Plan
- Case Analysis Training on Project Engineering Design

#### *B.4. Labour Standards*

The Group strictly abides by the Employment Ordinance (Chapter 57 of The Laws of Hong Kong), the Labour Law of the PRC\* (中華人民共和國勞動法), the 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/or forced labour employment.

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

During FY2017, the Group was not in violation of any of the relevant laws and regulations, in relation to the prevention of child and forced labour that have a significant impact on the Group.



## ENVIRONMENTAL, SOCIAL AND GOVERNANCE

### OPERATING PRACTICES

#### *B.5. Supply Chain Management*

As a socially responsible enterprise, it is critical and vital for the Group to maintain and manage a sustainable and reliable supply chain that 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, which specialise in different aspects of property development. The Group has formulated the “Implementation Rules for Co-operative Management” (合作商管理實施細則) to manage and evaluate the performance of its co-operation parties (including the main contractors, professional sub-contractors, equipment suppliers and labour sub-contractors), and providers of project development services (including 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 and the “Implementation Rules for Procurement Management” (招標管理實施細則) formulated by the Group. The Group performs site inspection to assess the background of the eligible tenderers based on 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 the environmental and social aspects, the Group strives to engage its suppliers on lessening the environmental impacts made by the Group in its sourcing activities. Only if a potential tenderer passes the Group’s assessment, will it be designated as an approved supplier or contractor of the Group.

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

According to the Group’s internal regulations, the “Implementation Rules for Evaluation on Construction Unit” (施工單位評價管理細則), the Group carries out annual and after delivery reviews to assess its suppliers’ performance based on technical standards, quality, delivery, and management and service level to ensure the stability of the Group’s supply chain. Based on the results of the assessment of its suppliers, the Group has formulated its supplier management policy by classifying the suppliers into different groups, in order to implement differentiated management strategies towards its suppliers. Co-operation surveys\* (合作情況調查) are conducted regularly for identifying and solving any potential problems in a timely manner. Given the solid and steady relationships it has with its suppliers, the Group 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 the Regulations on the Work Safety of Construction Projects<sup>#</sup> (建設工程安全生產管理條例), the Construction Law of the PRC<sup>#</sup> (中華人民共和國建築法) and the Regulations on the Quality Management of Construction Projects<sup>#</sup> (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<sup>#</sup> (工程管理中心) and project engineering supervision department<sup>#</sup> (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 that 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 process are up to safety standards, the Group closely monitors the quality of the materials<sup>#</sup> (材料進場驗收) through quality control and work acceptance procedures<sup>#</sup> (工序驗收程序). When an accidental delay in the construction plan is found, decisive measures must be taken to adjust and coordinate the construction and sales plan immediately. The project engineering supervision department of the relevant operating subsidiary in the Group, which is responsible for investigating the reason of the delay, reports the remedial measures to the project management centre in a timely manner according to the internal manuals of the Group, such as the “Engineering Construction Supervision Manual<sup>#</sup>” (工程建設監理工作手冊), the “Rules on Engineering Quality Management<sup>#</sup>” (工程質量管理細則), the “Administration on Project Management<sup>#</sup>” (工程管理辦法) and the “Rules on Project Schedule Management<sup>#</sup>” (工程進度管理細則).

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 and should have obtained the relevant working experiences and certificates as those possessed by a national registered supervision engineer<sup>#</sup> (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.



Pearl Yunling Lake awarded as “Fangzhanggui — China Shopkeeper Benchmarking (Guangzhou) Netizens Look Forward to Real Estate<sup>#</sup>” (珠光雲嶺湖榮獲「房掌櫃 — 中國掌櫃標杆(廣州)網友期待樓盤」)

## ENVIRONMENTAL, SOCIAL AND GOVERNANCE



Yujing Scenic Garden awarded as "NetEase - 2017 Ecological Style Property#" (御景山水花园荣获「网易房产 — 2017 年度生态风尚楼盘」)



Xincheng Yujing awarded as "NetEase — 2017 Tourism, Real Estate" and "NetEase — 2017 Top Ten Attitude Buildings#" (新城御景分别荣获「网易房产 — 2017 年度旅游地产」及「网易房产 — 2017 年度十大有态度楼盘」)

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 its office and a 24-hour service hotline. The customer services departments and operational departments perform evaluation and investigation upon receipt of customer complaints to identify the cause of the complaints. The customer services departments also need to 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 gather accurate and direct feedback from its customers.

The Group has established internal guidelines to ensure the sales and marketing departments of the Group provide precise product descriptions and information (including the labelling of its products and services) that 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), to its customers. 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. The purpose of the review by the legal counsel is to prevent violations of advertising-related laws and regulations.

The Group is dedicated to protecting and enforcing its intellectual property rights, which are crucial to its sustainable business growth and differentiation from its competitors. The Group's intellectual property rights such as trademark and patents have been registered under the Patent Law of the PRC<sup>#</sup> (中華人民共和國專利法), the Trademark Law of the PRC<sup>#</sup> (中華人民共和國商標法), the Regulations for the Implementation of the Trademark Law of the PRC<sup>#</sup> (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 under taken by the Group are effective. The Group has taken up the following practices in protecting and enforcing the rights of its intellectual properties:

- Classifying and defining the scope of commercial secret, and keeping the related documents in designated security area;
- Strictly implementing the Group's internal confidential rules and regulations by signing confidentiality agreements with internal and external parties; and
- Educating the employees and enhancing their awareness in relation to the safeguarding of trade secrets and other proprietary intellectual properties.

The Group is committed to abiding by the laws in relation to customer privacy, such as the Consumer Protection Law of the PRC<sup>#</sup> (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 the authorisation of the customer. All personal data collected from the customers during the course of business is treated as confidential, kept securely and is accessible by designated personnel only. Through internal trainings and confidentiality agreements with its employees, the Group keeps educating its employees on the importance of their confidentiality obligations in relation to customer information and the legal consequences of breaching those obligations.

During FY2017, the Group was not in violation of any relevant laws and regulations regarding health and safety, advertising, labelling and privacy matters of its products that may have a significant impact on the Group.

#### ***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 conducts its business, such as the Law of the PRC on Anti-money Laundering<sup>#</sup> (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).



## ENVIRONMENTAL, SOCIAL AND GOVERNANCE

Based on its anti-corruption, anti-fraud and anti-bribery policies, the Group has formulated comprehensive internal operating manuals, such as the “Implementation Rules on Sales Management” (銷售管理實施細則), staff handbooks and financial management policies. The Group’s commitment to integrity and the prevention of fraud and commercial bribery is reflected in its different business agreements, such as its 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 include any sales practices that are against the interests of the customers and the Group, from being made. Under this convention, the Group is committed to developing lawful and transparent property sales and making sure that its salespeople have not received any hidden benefits. Its salespeople are liable for any legal and financial consequences that may arise from their improper behaviour. Such convention further regulates the behaviour of both the internal and external parties of the Group, and encourages the parties to deal honestly and with integrity in the business transactions.



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

No form of corruption is tolerated by the Group. The Group has strictly enforced its internal regulation, entitled “The Regulations on Complaints Reporting” (投訴舉報管理規定), which provides reporting channels and guidance to employees for any suspected misconducts (such as bribery, extortion, fraud and money laundering) within the Group. All employees are expected to discharge their duties with integrity and self-discipline, and are required to abstain from engaging in bribery activities or any activities which may allow them to exploit the Group’s interests through the positions they hold in the Group.

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 will be made to the relevant regulators or law enforcement authorities when considered necessary.

During FY2017, the Group was not in violation of any of the relevant laws and regulations in relation to bribery, extortion, fraud and money laundering that have a significant impact on the Group.

## COMMUNITY

### B.8. Community Investment

The Group fully understands the importance of making a positive contribution to the communities where it operates, and sees the interests of such communities as one of its essential social responsibilities. It is the Group's policy to actively participate in social welfare activities and community care projects, which would not only fulfil its role as a socially responsible enterprise, but also immensely propel the Group to have a good understanding of the genuine needs of the local communities in which it operates. What is more, by taking part in community projects, the Group can better formulate its internal policies and objectives that cater to the desire and expectations of the local communities. Based on its work on community investment, the Group was awarded the "Guangdong Poverty Alleviation Red Cotton Cup Silver Cup#" (廣東扶貧濟困紅棉杯銀杯) by the Guangdong Province Leading Group for Poverty Alleviation and Development# (廣東省扶貧開發領導小組) in FY2017.



"Guangdong Poverty Alleviation Red Cotton Cup Silver Cup#" (廣東扶貧濟困紅棉杯銀杯)