



中國首控集團有限公司
China First Capital Group Limited

(Incorporated in the Cayman Islands with limited liability)
Stock Code: 1269

2018 ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT



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About the Report



This Report provides an update on the work of the Group on ESG in 2018, which mainly covers environmental and social issues that stakeholders are concerned about and are related to the Group's sustainable development, to allow each major stakeholder to understand the Group's concept, measures and performance in relation to sustainable development. In order to gain a more comprehensive understanding of the Group's relevant performance, the Report shall be read together with the Company's annual report for the year ended 31 December 2018 (in particular the Corporate Governance Report contained therein).

REPORTING BOUNDARY

The operation scope covered in the Report includes the Group's education operation business in Shandong Province, Fujian Province and Jiangxi Province, the automotive parts business in Henan Province, and the financial services business in the Mainland China, Hong Kong and Singapore. Unless otherwise stated, the Report covers businesses of the Group with direct control, and its efforts and activities in promoting sustainable development. Unless otherwise specified, the period covered in the Report is the 2018 Financial Year, which is from 1 January 2018 to 31 December 2018.

PREPARATION BASIS

The Report is prepared in accordance with the ESG Reporting Guide as set out in Appendix 27 to the Rules Governing the Listing of Securities on the Stock Exchange. The Group's environmental and social management policies, strategies and objectives are to be disclosed in various sections of the Report.

APPROVAL AND ENDORSEMENT

The Report was confirmed by the ESG Working Group and was approved by the Board.

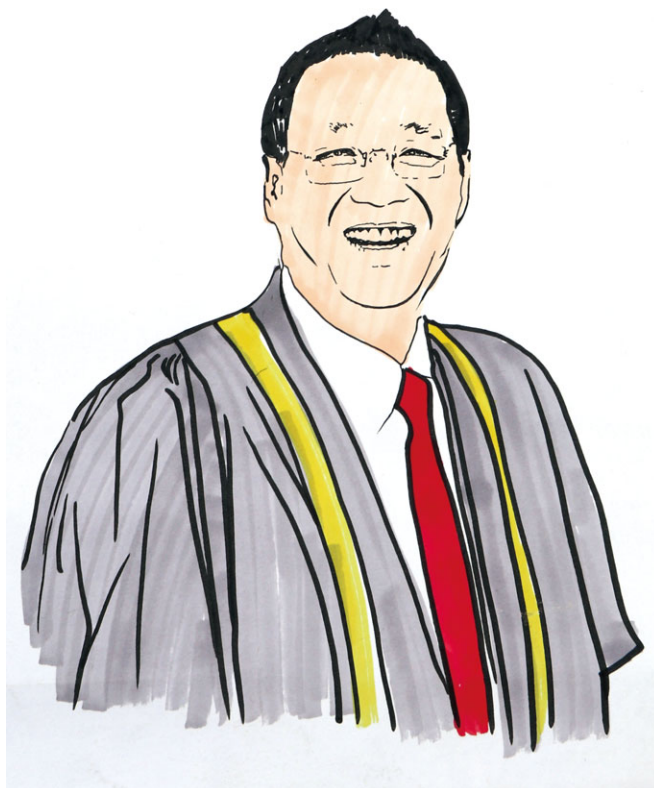
ACCESS TO THE REPORT

You can download the electronic version of the Report on the website of the Stock Exchange at www.hkexnews.hk and the company's website at www.cfcg.com.hk. The Report is published in bilingual, Chinese and English. In case of doubt or discrepancy in the two versions, the Chinese version shall prevail.

STAKEHOLDERS' FEEDBACK

The Group strives for excellence. If you have any comments or suggestions on the work reported or performance of the Group's corporate social responsibility, you are welcome to share your valuable comments with us via email at ir@cfcg.com.hk.

Chairman's Statement



A sketching by Ms. Lu Xiaofang, a high school teacher of Fuqing Xishan

The year of 2018 has been an exciting and challenging year to CFCG. This year, we aimed to be “a globally influential financial services group focusing on education” with “Finance Empowers Education, Education Lights Up Future” as our mission and continue to pave way for the “Education Operation plus Financial Services” model. Despite there are many significant changes in industry policies, we constantly optimise our business structure and model and equip ourselves to positively cope with the ever-changing nature of business. We use the sustainable development vision as the purpose of our daily operations, strive to create sustainable value for our stakeholders through high-level corporate governance and our commitments to the environment and society, and target to reduce environmental and social impacts derived from our business operations. While we continue to strengthen and expand our business, we actively perform our corporate social responsibilities. In the meantime, with unremitting efforts, we were awarded the “2018 Charity Award” at the 8th China Charity Festival as a recognition of our hard work, as well as a greater motivation for us to shoulder more social responsibilities.

In addition to adhering to comply with our business and developing good working ethics, we also proactively respond to the expectations of our key stakeholders and develop the concept of sustainable development accordingly. Policies are formulated in four aspects, namely the elite education for the general public, employees’ rights, safe operation and environmental protection, so as to turn ESG risks into opportunities and to make progress towards the goal of sustainable development.

Chairman's Statement (Continued)

It is our dream and duty to enable every child to have the privilege to receive quality education. We have been working hard to introduce quality educational resources into general education. We wish every child can experience diversified education to cultivate their unique personality and global vision and light up the journey of success for every child. We actively participate in international education seminars, promote the interaction within the education industry and at the same time play a key role in facilitating international collaboration within the industry.

The Group's successful transformation to education operation business and financial services business attributed to the dedication of its employees. We are hence driven by our aim of "People-oriented" to put in resources for employees' rights. We have developed a robust human resources policy and offered competitive promotion plans and remuneration and benefits to attract and retain talents. In the meantime, we bring employees together and increase their sense of belonging to the Group through organising regular diversified trainings and outdoor outreach activities so that employees could give full play to their capabilities and grow alongside with CFCG.

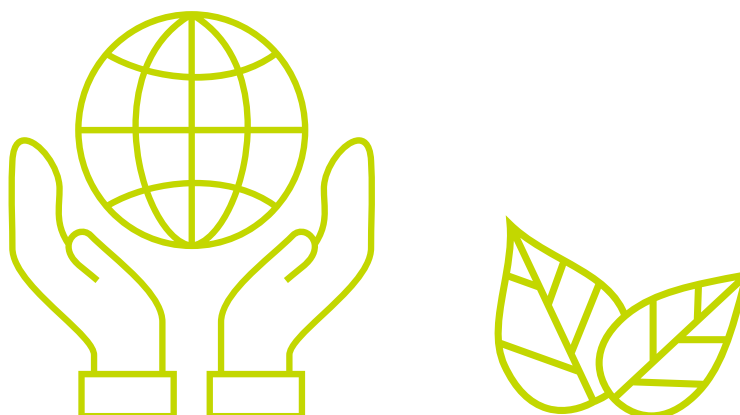
We are also very concerned about the safety of our operation and are committed to achieving zero accidents in our operation process. At the same time, we aim to provide our employees with a healthy and safe working environment to prevent, control and eliminate any occupational hazards.

With the expansion of our business, we are constantly looking for opportunities to reduce negative impact on the environment by operating our business in a green manner and creating a green office to combat climate change. For instance, we actively promote green education in schools and cultivate employees' green habits through a series of green office measures. Besides, we switched to use natural gas, a clean energy, in the automotive parts business to reduce the emissions of pollutants, putting environmental protection into practice.

Looking ahead, we will continue to implement the Group's sustainable development philosophy with a top-down approach, aspiring to become the leader of the industry and to promote sustainable development in the industry, in order to bring positive impacts to the society.

Dr. Wilson Sea

Chairman and Executive Director

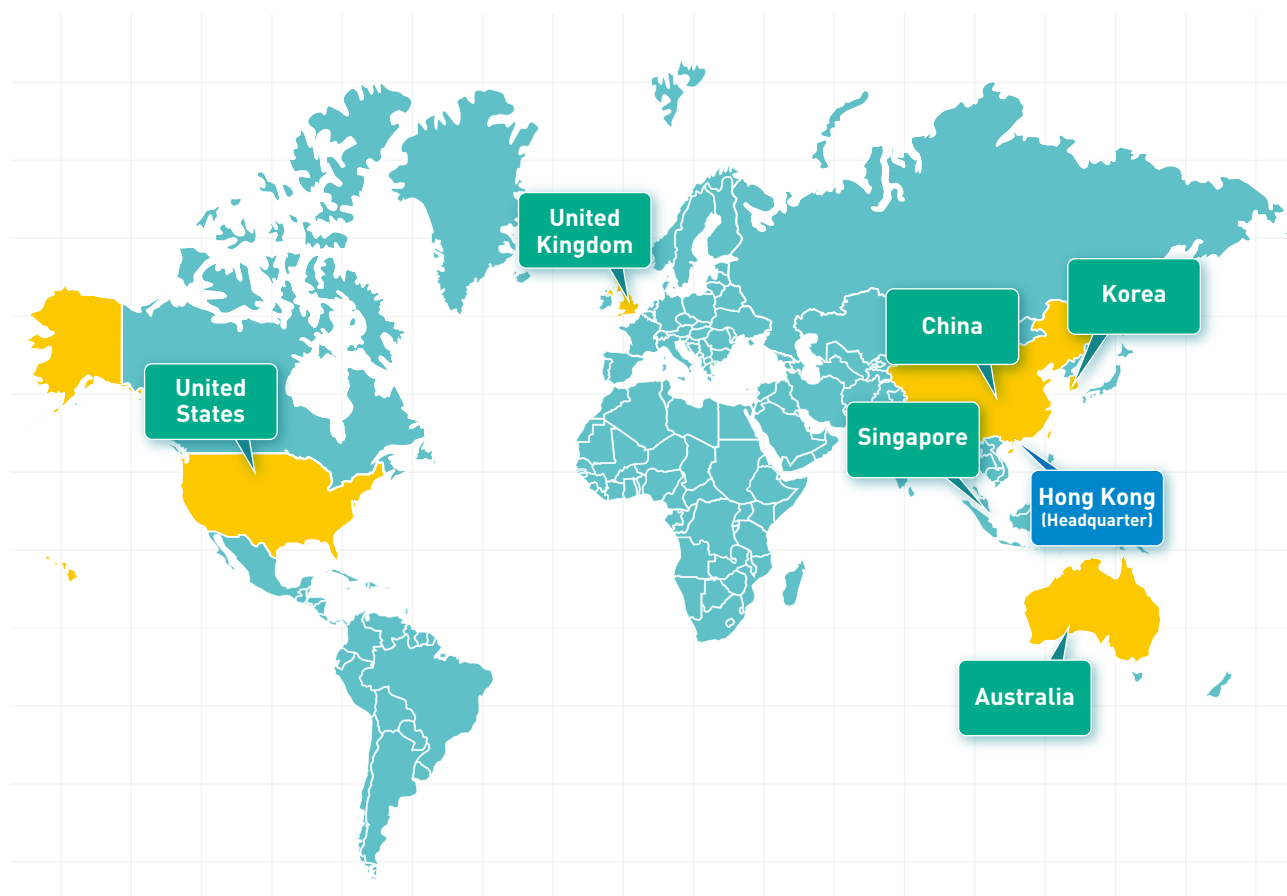


1. About CFCG

1.1 CFCG BUSINESSES

The Company is an investment holding company. Before 2014, the Group mainly engaged in the automotive parts business. Since the end of 2014, the Group has started to set foot in the financial services business, which provides services such as dealing in securities, underwriting and placing, financing consultancy, merger and acquisition agency, financial advisory, asset management, private equity fund management, credit financing, and migration finance. Since 2016, the Group has continued to diversify its business, with a mission of “Finance Empowers Education, Education Lights Up Future” and to establish a trinitarians interactive business model, which capitalised educational investment as base and both educational management service and educational financial service as cradles. The Group aspires to become “a globally influential financial services group focusing on education”.

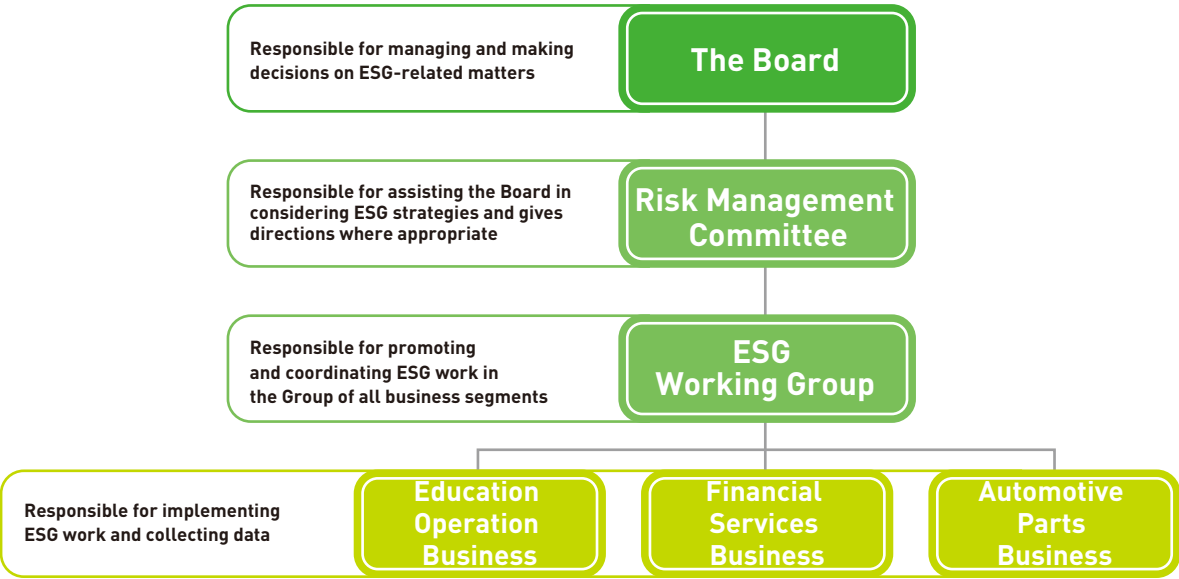
Educational and financial resources all around the world





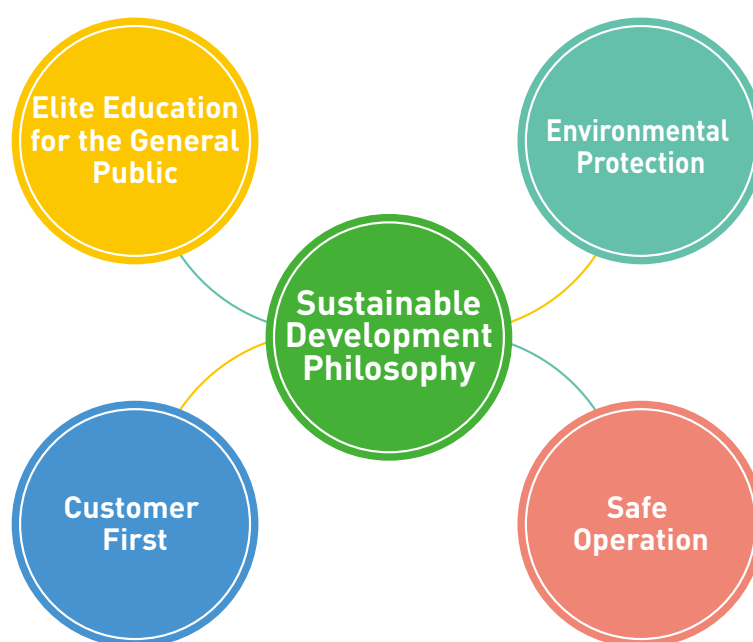
1.2 ESG GOVERNANCE STRUCTURE

The Group has formulated an ESG Working Group to manage matters related to sustainable development. It is comprised of members from subsidiaries of the various businesses of the Group. Members of the ESG Working Group are primarily responsible for implementing ESG-related policies and overseeing the policies implementation in the course of the business operation as well as collecting ESG data on a regular basis. Simultaneously, the ESG Working Group reports to the Board and the Risk Management Committee on the potential ESG risks and opportunities that the Group may come across. It also regularly reviews and adjusts the Group’s sustainable development strategy to meet the ever-changing expectations and demands of the Group’s stakeholders.



1.3 SUSTAINABLE DEVELOPMENT PHILOSOPHY

The Group actively performs its environmental and social responsibilities and develops sustainable development strategies to continuously reduce the environmental and social impacts of its business operations, looking forward to further create sustainable value for its stakeholders. The Group integrates the concept of sustainable development into all of its business segments and continues to promote sustainable development in its education operation, financial services and automotive parts businesses. Through a top-down approach, the Group aims to have its management, employees and other stakeholders to thoroughly adhere to the Group's sustainable development philosophy, incorporating environmental and social responsibilities into their work and daily lives. The Board fully aware of the importance of sustainable development to the long-term development of the Group, and treats creating long-term value for stakeholders as an imperative goal. The Board takes full responsibility for the effectiveness of the Group's ESG policies.



To implement the Group's sustainable development philosophy and to create long-term value for its stakeholders, we are committed to:

- Operate the Group's businesses with good ethical practices and in full compliance with relevant laws and regulations;
- Gradually integrate environmental education into the Group, encourage stakeholders of the Group contributing to environmental protection to reduce environmental impact;
- Strive to protect the safety and health of the Group's employees, customers and students;
- With regard to the education operation business, to introduce international and domestic quality educational resources into general education, targeting to achieve elite education for the general public in order to offer elite education to every family and child;
- With regard to the financial services business, to continue to provide diversified financial services for educational enterprises to support the development of educational enterprises through capital supports;
- With regard to the automotive parts business, to continue to aim for "Top Quality and Customer Satisfaction", keep on strengthening the implementation of its quality system and improving the product quality and customer satisfaction.



1.4 AWARDS AND HONOURS



The Group was awarded the “The 13th Capital Outstanding China Enterprise Awards – Education Investment Bank Award”



The Group was awarded the “2018 Charity Award” of the 8th China Charity Festival



FC Fund was awarded the “2018 Most Influential Brand Among China’s Education Investment Institutions” at the 21st China International Education Brand Innovation Summit



The women's football team in the primary school of Fuqing Xishan won the championship of the five-a-side football match (primary school) of the 2018 Fujian Youth "Future Star" Sunshine Sports Games



Jiangxi Xishan was awarded the "Group Second Prize" at the 4th Jiangxi Inter-County Youth Football Games



Nanyang Cijan was selected as one of the "Top 100 Manufacturing Private Enterprises of Henan in 2018", ranked 50th in the province

2. Stakeholder Engagement

Stakeholder engagement is an indispensable process to the Group's promotion of sustainable development. The Group maintains good communication with stakeholders through effective communication channels to fully understand their views and expectations, allowing the Group to take full account of stakeholders' expectations when operational decisions are made. This is also conducive for the Group's formulation of its sustainable development policy as well as its realisation of corporate social responsibilities. The key stakeholders of the Group are organisations and individuals affected by the Group's operation or that may affect the operations of the Group, including shareholders, government and regulatory bodies, employees, students and parents, customers, suppliers, professional organisations and local communities. We communicate regularly with our stakeholders to foster reciprocity and mutual trust, to fully comprehend the focus of their concerns and to respond through different channels correspondingly. Our channels of communication with stakeholders, frequency and focus of their concerns are as follows:

Type of Stakeholders	Communication Channels	Frequency	Focus of Stakeholders' Concerns
Shareholders	<ul style="list-style-type: none"> Corporate reports and announcements General meetings Official Website 	<ul style="list-style-type: none"> Regularly Annual/ad-hoc Occasionally 	<ul style="list-style-type: none"> Investment return Corporate governance Business compliance
Government and Regulatory Bodies	<ul style="list-style-type: none"> Corporate reports and announcements 	<ul style="list-style-type: none"> Regularly 	<ul style="list-style-type: none"> Compliance with laws and regulations
Employees	<ul style="list-style-type: none"> Employee performance appraisal Meetings and trainings Email, notice board, team building and festive activities 	<ul style="list-style-type: none"> Annually Regularly Occasionally 	<ul style="list-style-type: none"> Employee remuneration and benefits Occupational health and safety Employee development and training
Students and Parents	<ul style="list-style-type: none"> Daily interactions Parent's meetings 	<ul style="list-style-type: none"> Occasionally Quarterly 	<ul style="list-style-type: none"> Teaching quality Student's health and safety
Customers	<ul style="list-style-type: none"> Customer satisfaction survey Interviews and site visits Customer service hotline and email 	<ul style="list-style-type: none"> Based on needs Occasionally Based on needs 	<ul style="list-style-type: none"> High-quality products and services Assurance of customers' rights
Suppliers	<ul style="list-style-type: none"> Public tender Satisfaction assessment of suppliers Interviews and site visits Industry seminars 	<ul style="list-style-type: none"> Based on needs Based on needs Occasionally Annually 	<ul style="list-style-type: none"> Fair and open procurement Win-win cooperation
Professional organisations	<ul style="list-style-type: none"> Satisfaction assessment of professional organisations Email, hotline and interview 	<ul style="list-style-type: none"> Based on needs Based on needs 	<ul style="list-style-type: none"> Win-win cooperation
Local Communities	<ul style="list-style-type: none"> Media conference Charitable activities Donation Face to face interview Forums and seminars 	<ul style="list-style-type: none"> Occasionally Occasionally Occasionally Occasionally Occasionally 	<ul style="list-style-type: none"> Community engagement Environmental protection awareness Support for economic development

2.1 MATERIALITY ASSESSMENT

In 2018, the Group continues to identify sustainability issues that are of paramount importance to stakeholders of the Group through materiality assessment, and these issues are further elaborated in the Report in response to the expectations of stakeholders. This assessment is also conducive to the Group to understand its possible sustainability risks and opportunities. The process and step of the ESG Working Group conducted on the materiality assessment are as follows:

The First Step – To identify sustainability issues related to the Group's businesses

The ESG Working Group created a pool of 29 sustainability issues relating to the Group's businesses. These issues were selected with reference to international reporting guidelines and by comparing the focusing areas of the same industry. Sustainability issues are mainly divided into two categories, the environmental issues and the social issues.

The Second Step – To confirm the priority of the sustainability issues

The ESG Working Group invited key internal and external stakeholders to participate in online surveys, in which the stakeholders ranked 12 environmental issues and 17 social issues according to their level of concern. The survey received a total of 545 valid questionnaires from internal and external stakeholders and the data was then analysed statistically based on stakeholders' level of concern on the Group's sustainability issues to examine the issues' relative importance to the Group. A total of 7 environmental issues and 8 social issues were considered to be of high importance to the Group and are presented in a matrix diagram.

The Third Step – To review the importance of the sustainability issues

The Group's management recognised the importance of the identified issues and discussed with the ESG Working Group about how they could respond to stakeholders' concerns and disclose relevant information in the Report.

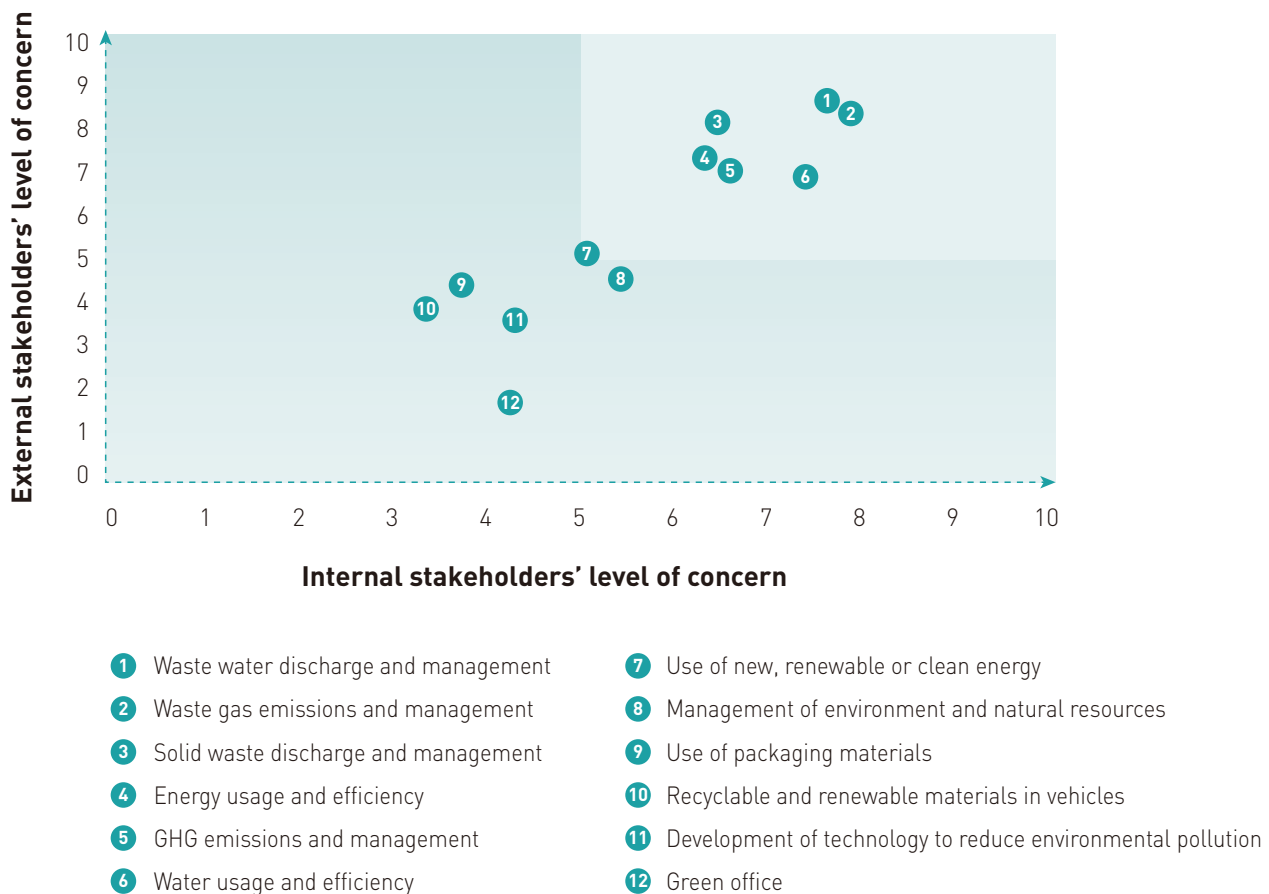
2. Stakeholder Engagement (Continued)

Materiality Matrix

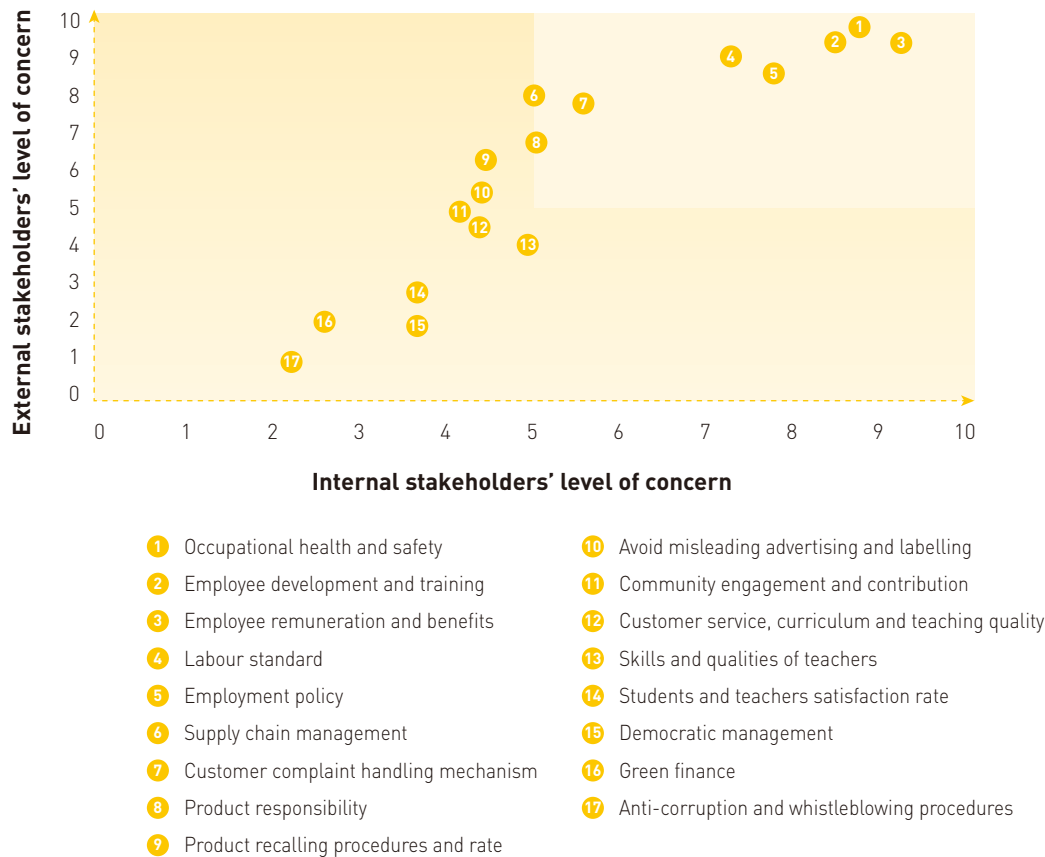
The Group examined the importance of the environmental issues and the social issues by considering two dimension of “internal stakeholders’ level of concern” and “external stakeholders’ level of concern”. The importance of the issues is sorted from low to high along the horizontal axis from left to right as displayed on the matrix. The Report will elaborate in the subsequent sections the 7 environmental issues and the 8 social issues that are considered important by both internal and external stakeholders. The Group will describe the effort and progress made in all aspects and will pay attention to issues of high importance in its long-term operations, in order to formulate corresponding strategies for the purpose of improving policies and setting long-term goals.

The results of the materiality assessment are shown in the figures below.

Materiality Matrix (Environmental Issues)



Materiality Matrix (Social Issues)



The following table lists out the issues of high importance for the Group in 2018:

Environmental Issues

- Waste gas emissions and management
- Waste water discharge and management
- Solid waste discharge and management
- Water usage and efficiency
- Energy usage and efficiency
- GHG emissions and management
- Use of new, renewable or clean energy



Social Issues

- Occupational health and safety
- Employee remuneration and benefits
- Employee development and training
- Employment policy
- Labour standard
- Customer complaint handling mechanism
- Supply chain management
- Product responsibility



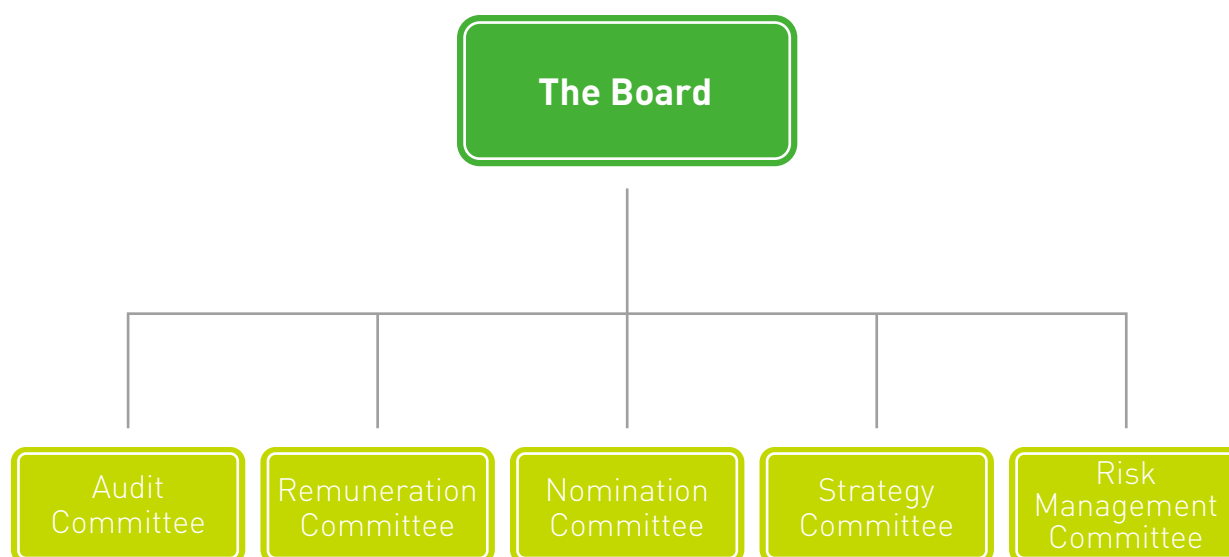
According to the results of the materiality assessment, although “community engagement and contribution” was not analysed to be an issue of high importance, yet the Group’s management reviewed and decided to raise its importance and considered it as one of the issues of high importance and one of the focuses in the Report.

3. Compliant Operation

3.1 WELL-ESTABLISHED SYSTEM

The Group adheres to compliant operation, all business segments strictly comply with laws, regulations and industry regulatory requirements that have a significant impact on the Group's operations. To ensure that relevant internal control systems of the Group comply with pertinent requirements at all times, relevant departments regularly review for the updates or changes on the current laws, regulations and requirements, and make corresponding changes to the Group's policies.

Meanwhile, the Board has established five board committees, in which the Risk Management Committee are responsible for (i) deciding the risk level and risk appetite of the Group; and (ii) considering the Company's risk management; internal control systems, ESG strategies and giving directions where appropriate, to ensure the effectiveness of the policies, guidelines and work.



3.2 ADVOCATE FOR INTEGRITY

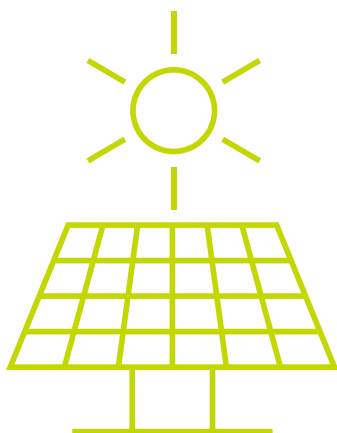
The Group attaches great importance to employees' integrity and is committed to maintaining high ethical standards in its business operations, taking a zero-tolerance approach to any forms of corruption and bribery. The Group strictly complies with laws and regulations that have a significant impact on the Group's operations in Hong Kong, the Mainland China and Singapore in relation to anti-corruption, including but not limited to the *Prevention of Bribery Ordinance* (Chapter 201 of the Laws of Hong Kong), the *Anti-Money Laundering and Counter-Terrorist Financing Ordinance* (Chapter 615 of the Laws of Hong Kong), the *Criminal Law of the PRC*, the *Anti-Money Laundering Law of the PRC*, the *Interim Provisions on Banning Commercial Bribery* and the *Securities and Futures Act* (Chapter 289 of the Laws of Singapore). The Group formulated relevant systems and put the concept of business integrity into practice to build a clean and righteous working atmosphere.

With regard to the education operation business, the Group strengthened teachers' capacities necessary for developing morally good conduct to build a team of teachers and administrative staff that are both morally upright and capable. Hence, the Group established the *Measures to Handle Teachers' Illegal Encroachment on the Properties of Students and Parents*, prohibiting teachers and administrative staff to accept any forms of benefit or gift, and maintains their integrity by requiring them to be self-disciplined, enabling teachers and administrative staff to set good examples for students in their everyday lives. At the same time, schools also conduct moral education lectures, regular teachers' meetings and other relevant trainings to nurture teachers' good moral behaviour. In order to oversee bribery systematically, the schools formulated a whistleblowing policy, set up a reporting message box and hotline and encouraged employees to report on any suspicious corruption cases directly to management. Schools also regularly carry out surveys to understand comments from various sectors of the community regarding schools' work on strengthening teachers' moral behaviour. Corrective measures were developed according to the comments and suggestions received to ensure identified problems are fully rectified.

With regard to the financial services business, the Group followed its *Anti-Money Laundering and Compliance Manual* to build up employees' awareness on anti-corruption by bolstering anti-money laundering compliance management and by providing trainings of integrity and conduct. To ensure that all employees of the Group are financially sound, competent, honest, reputable and reliable, and to allow customers to use the Group's financial services with confidence, licensed employees of the Monetary Authority of Singapore of the Group are required to make a self-declaration on their performances for the past year in areas such as honesty, capability and financial soundness on the *Fit and Proper Checklist* annually, while the licensed employees of the SFC are required to declare their securities transactions and external positions in accordance with the SFO annually, and submit to the internal compliance department for review. The Group also seriously reviews information provided by customers to discern and prevent any forms of bribery, extortion, fraud and money laundering led by customers or employees, and reported suspicious transactions to relevant authorities as appropriate. The Group keeps all information relating to prosecutions and investigations in strict confidence. In the event of a disciplinary violation, the Group will terminate the business transaction and deal with it seriously, and will report to the relevant regulatory bodies in light of the prevailing situation.

3. Compliant Operation (Continued)

With regard to the automotive parts business, in order to strengthen employees' integrity and self-discipline and establish a good production operation order, the Group set up an audit and supervisory team to review various expenses and requires employees to sign the *Letter of Undertaking of Integrity*. The Group established management regulations such as the *Regulations on the Administrative Penalties for the Disciplinary Violation of Employee*, a notice on the prohibition of soliciting or accepting bribes during the procurement, R&D, quality assurance, warehousing, production engineering and other processes, and a code of conduct for business transaction activities. The specific contents included the prohibition of soliciting bribes from all suppliers, the prohibition of employees in using their authority to seek personal interest or impair the interest of the Group in the course of business, and the encouragement for general employees to report any misconduct. The Group attaches great importance to the promotion and education of anti-corruption policies and regularly organises relevant activities.



4. *Serving our Community*



4.1 PROMOTING EDUCATION

The Group responds to the governments' call and strives to enable every child to have the privilege to receive quality education. Allowing every child to enjoy quality education is not merely a dream of every educator, but also a heavy responsibility for them to bear. To the Group, we feel a sense of mission for education, a great cause that benefits both the country and the people, and where we have deep emotions of. We are willing to treat this as an ideal, commit to the original thoughts of "Whoever you are, you have a right to learn" and "Everyone can become a successful man", with the mission of "Finance Empower Education, Education Lights Up Future". The Group incorporates advanced educational concepts and methods into its international insight, allocates quality eastern and western educational resources, achieves capital empowerment and value creation of industries, and supports holistic education and elite education for the general public in order to offer elite education to every family and child and light up the journey of success for every child. We discovered and identified education enterprises with strong return on investment in the education market, then create value for educational enterprises through diversified financial, management, finance, and operational services, aspiring to bring benefits to children in every family and to drive the society as a whole to move from quality education to education for the general public.

The education operation business of the Group regards diversified education as its educational aim, in order to stimulate students' potentiality in both brainy and brawny activities with unique style through bringing them education models with distinct features. Over the past three years, the Group has invested or collaborated in educational projects in multiple areas such as early childhood education, K-12 education, higher education, arts education and online education in China, the United Kingdom, the United States, Singapore, Australia and Korea etc.

4. Serving our Community (Continued)

Cultivating Every Student's Unique Personality

The distinctive features of each school bestow them an expression of uniqueness and is a long-term culture exclusive to the school. Schools shoulder the heavy responsibility of "How and which kind of talents to cultivate", their distinctive features therefore is a kind of culture that they use for cultivating talents determining the quality of school's art and teaching, which have a profound impact on the development of students' potentiality and creativity in many areas. For this reason, the Group advocates diversified education and runs "refined, distinctive and international" schools of excellent quality, emphasising on developing every student's lifelong learning ability, global ambition and unique personality.



Yinghua School

Yinghua School adopts a modern quality education model and makes every effort to enable students learning to be a decent man, to live, to work and to aestheticise from every education opportunity, cultivating them with modern humanistic spirit, good learning attitude and decent behaviour. The school insists on carrying out activities such as "Moral Education Lecture" daily to construct a learning system that combines the school with moral education. In addition to the fundamental courses required by the state, the school also provides a number of diversified courses such as software writing, calligraphy and martial arts, to promote all-round development of students and to ensure that every child enjoys the best development in all aspects.



Fuqing Xishan

"All are for the development of children" is the educational mission of Fuqing Xishan. The school strives to develop students' characters, creativity and capability through a solid foundation of martial arts and football education, encouraging students to "Consider classroom learning as principal, with sports and art as their distinctiveness". The school was honoured to receive the titles of "China's Private Education Reform and Innovation Demonstration School (中國民辦教育改革創新示範學校)", and "Top Ten Famous Brand Private Schools of China (中國民辦十大知名教育品牌)", etc.





Jiangxi Xishan

Jiangxi Xishan is a school that covers kindergarten to high school. The school teaches students according to their aptitude, gives utmost importance to teaching quality, and has developed “Football, Martial Arts, English, Dragon and Lion Dance, and Art” as the five special features of the school, providing students with expertise a good growing environment and development opportunities.



Singapore Raffles Music College

Singapore Raffles Music College is a tertiary music institution that aims at developing future musicians, music production and music management talents. The institution has a team of competent teachers that comprises of many well-known professional music educators as teachers and visiting professors.

4. Serving our Community (Continued)

Developing Every Student a Global Vision

It is a dream for every student to pursue education in prestigious schools overseas. The Group has been paving the way for the future of forward-looking students, endeavours to foster their foreign language skills and to provide study exchange opportunities to enrich their horizons and knowledge throughout their learning journey. The education operation business of the Group has been dedicated to the integration of international courses, placing emphasis on the personalised development and the development of integrated capabilities of students, leading students a step forward to their dreams.



Beijing Edukeys International Management Consulting Company Limited* (北京中際育才國際管理顧問有限公司)

Beijing Edukeys International Management Consulting Company Limited* (北京中際育才國際管理顧問有限公司) ["Edukeys Group"] is an international educational institution devoting to professional education consulting services. Since 2005, Edukeys Group has successfully operated the PGA (Project of Global Access) high school international program, which is a series of international programs based on the features of high school education in China to formulate, that suits Chinese students, and it has operated throughout 18 middle schools in China, enabling it to be an influential, potential and professional brand in the process of internationalisation of China's basic education. Currently, over 95% of PGA graduates were admitted to the top 100 prestigious universities in the United States, which gained the company the reputation as a direct train to prestigious schools.



SJW International Co., Ltd.

SJW International Co., Ltd. owns a well-known online education brand "Siwon School" in Korea, and its core businesses include providing basic adults English courses, online children English courses, as well as Chinese, Japanese and Spanish video language courses that featured personalised and diverse online language education courses. It became the leading enterprise of online language learning platforms in Korea.

4.2 COMMUNITY INVESTMENT

The Group well aware of the importance of making positive contributions to the community it thrives in and treats the community interests as one of its social responsibilities. In addition to focusing on the development of education operation, financial services and automotive parts businesses, the Group has also been actively involved in charitable activities to spread warmth and care to the community. The Group encourages employees and students to support and participate in community welfare and care activities to better understand the needs of the community, and to connect the Group's policies with the community. With years of unremitting effort in caring for groups with different needs in the community, strengthening the cooperation and exchange in education industry and unceasingly supporting the development of cultural career, the Group was awarded the "Charity Award 2018" at the 8th China Charity Festival.



4. Serving our Community (Continued)

Caring For Community

Case study 1

Caring for disadvantaged children



In 2018, the Hong Kong volunteer team of CFCG joined the “Happy Easter Gala” organised by SAHK on the eve of Easter and celebrated the festival with disadvantaged children in Tsuen Wan district of Hong Kong through making festive handcraft items, decorating Easter eggs and playing group games etc. The Group encouraged its employees to work together to fulfil the Group’s social responsibilities through volunteering to bring positive energy into the society. With the presence of sustained effort, the Group will continue to care for and help disadvantaged children in the society allowing them to grow up healthily and happily.

Case study 2

Connects with the community



Xishan Schools places high emphasis on students’ connection with the community and fosters students’ personal literacy and development by enabling student-community interaction. The school regularly organises various types of community engagement activities for students, invoking them to be aware of their historical responsibilities. During the Ching Ming Festival each year, the school arranged students to sweep graves at the cemeteries, to pay their respect and to continue to pass on and carry forward the excellent quality of the martyrs. Furthermore, the school arranges students to organise social activities with students from Xishan kindergarten and Xishan primary school every year, letting students to understand the foil of being parents. The school also organises volunteer activities by making good use of canteens, restaurants and hotels, providing students an opportunity to work, allowing them to experience the foil of work and preparing them for their future in the society.



Case study 3

Assists the poor

Xishan Schools always takes good care of students’ health, hoping that students could thrive during their learning and development. The school continuously supports students from families with difficulties or students that are ill to walk out of their predicament and has raised over RMB200,000 for them since 2012.

Strengthening The Cooperation And Exchange With Education Industry



Case study 1

Convened an international education seminar in Singapore

The Group was alongside with various education institutions in Singapore to convene a seminar concerning international education, with in-depth discussion and study on the introduction, implementation, and integration of international courses in China.



Case study 2

Participated in Education Technology Summit in the United States

The Group was invited to participate in the 2018 ASU+GSV Education Technology Summit held in the United States and to deliver a keynote speech. In addition, the Group and various education institutions and corporations from China paid a visit to certain innovative education institutions, such as AltSchool, in order to discuss the educational development model in the future.

Support Culture Development



Case study 1

Title-sponsored "Singapore Asia Dance Arts Festival"

The Group always pays close attention to the development of the art and culture media education market and has actively supported and sponsored different kinds of art and culture related activities. The Group title-sponsored "Singapore Asia Dance Arts Festival", which was organised by the Asia Dance Arts Festival Committee and the International Society to Promote Cultural Exchange of Music and Dance in July 2018, attracted dance artists around the world to join the contest and perform. "Promote Dance Culture, Uphold the Belt and Road Initiative Together", the theme of this year's arts festival, has successfully facilitated extensive cultural exchange across different cultures and regions.



Case study 2

Supported the inheritance of martial arts

Xishan Schools has always regarded martial arts and lion dances which inherited Chinese tradition and culture as the school's featured education project. In November 2018, Jiangxi Xishan organised a large-scale performance of martial arts by thousands of students, combining martial arts such as Taiji, Shaolin Boxing and Duanquan Boxing. Every student was full of energy and vitality during the show. Meanwhile, it was anticipated that the performance would bring the martial arts culture out of the campus and go aboard, allowing people around the world to experience the Chinese traditional culture.

5. People-oriented

The Group firmly believes that employees are one of the Group's most important assets. The Group's successful transformation from its sole automotive parts business to a diversified business was inseparable from the dedicated effort of the employees. As the Group continues to grow, we have implemented our aim of "People-oriented" to establish the human resources policy that aimed at attracting and retaining outstanding talents, for the purpose of bringing employees together and increasing their sense of belonging to the Group. The Group strictly complies with laws and regulations that have a significant impact on the Group's operations in Hong Kong, the Mainland China and Singapore in relation to employment, including but not limited to the *Employment Ordinance* (Chapter 57 of the Laws of Hong Kong), the *Sex Discrimination Ordinance* (Chapter 480 of the Laws of Hong Kong), the *Race Discrimination Ordinance* (Chapter 602 of the Laws of Hong Kong), the *Labor Law of the PRC*, the *Labor Contract Laws of the PRC*, the *Social Insurance Law of the PRC*, the *Law of the PRC on the Protection of Minors*, the *Provisions on the Prohibition of Using Child Labor* and the *Employment Act* (Chapter 91 of the Laws of Singapore), ensuring that employees are provided with legal and reasonable remuneration and benefits and are treated fairly. The Group also enters into employment contract with employees and formulated the *Employee Manual*, outlining the rights and obligations of employees.

5.1 NURTURING TALENTS

The Group has a sound *Measures for Recruitment and Dismissal Management*, which systematically advances the construction and development of teams of talents, allowing human resources allocation to better align with the business development needs of the Group, hence improving its core competitiveness. During the recruitment process, the Group considered factors such as candidates' working experience, expected work capacity and internal budget of the Group, and also observed candidates' personality, enthusiasm, development potentiality and other personal qualities. When there is a job vacancy, the Group will give priority to internal promotion or deployment and will only consider external recruitment if no suitable candidates are available internally. After a candidate passed the interview, the employment application will be reviewed by the human resources department and approved by management. Meanwhile, the termination of the employment contract must be lawful and reasonable, the Group is strictly prohibited from any unfair or unreasonable dismissal. The Group's human resources department ensures that the recruitment and dismissal process are standardised and transparent, and regularly reviewed and updated relevant human resources policies in accordance with the latest laws and regulations.

In order to attract, motivate and promote employees' development, the Group established the robust *Remuneration Management System* and *Performance Appraisal Management Plan*, carries out work performance appraisals at least once a year to assess employees' work ability and performance while taking into account the market remuneration level for the position and the internal budget of the Group. The results of the appraisals not only recognise employees' working achievements, but also allow them to understand their own performance and the areas to be further improved and developed, continuously enhancing their professional literacy. At the same time, the results of the appraisals also provide objective information for the Group to make reference to while making decisions on promotion and remuneration adjustments for outstanding employees.

5. People-oriented (Continued)

The Group respects all employees and has formulated the *Equal Employment Policy*, under which no employee would be discriminated because of race, religion, colour, gender, nationality, sexual orientation, marital status and disability during employment, training, performance management, promotion and remuneration adjustment, to ensure a fair and just practice with all employees given the opportunity to develop and be promoted in due course during recruitment and employment. Yinghua School has employed people with hearing impairment as full-time employees for consecutive years, creating an inclusive and diversified work environment. Meanwhile, the Group has zero tolerance for any discrimination or harassment at the workplace. In the event of any violation of the *Equal Employment Policy*, corresponding actions will be carried out by the Group. In the 2018 Financial Year, the Group did not receive any complaints about the infringement of the rights and interests of employees and did not violate relevant laws and regulations that have a significant impact on the Group in terms of employment.

The human resources department of the Group requires employees to provide valid identification documents before taking up their duties to prove that legal age requirement for employment was met, ensuring that the Group fully complied with laws and regulations that prevent child and forced labour. If any child or forced labour is found, the Group would immediately terminate the employment relationship with the person concerned. Jiangxi Xishan established a thorough *Staff Complaint System* that allowed employees to complain about forced labour issues to management with all complaint details kept confidential. The human resources department of the Group shall regularly reviewed the implementation of the Group's human resources policies with a view to completely eliminating the risk of child and forced labour. In the 2018 Financial Year, the Group did not violate any laws and regulations relating to the prevention of child or forced labour that have a significant impact on the Group.

5.2 CARING FOR EMPLOYEES

The Group's *Employee Manual* and the *Employee Working Hours System and Policy* outline the working hours and rest periods of employees, which are both in compliance with local employment regulations. In addition to providing statutory paid leave, medical insurance, Mandatory Provident Fund or social insurance and housing fund, business travel accident insurance and a competitive remuneration system, the Group also ensures that its employees are entitled to marriage leave, maternity leave, paternity leave, compassionate leave etc. according to the law. In addition, the Group's automotive parts business and education operation business regularly present outstanding employee performance awards, including the Award for Teaching Management, the Best Attendance Award, the Model Employee, etc., rewarding outstanding employees through such as a formal note of recognition and bonuses.

In order to promote friendship among employees, build a harmonious team relationship, foster employees' commitment to work and enhance their sense of belonging to the Group, the Group organises different types of employee activities each year, for instance, hiking, ball games, birthday parties, welcome lunches with new employees, Mid-Autumn Festival dinner, Christmas Party, etc.



Badminton enthusiasts of CFCG from Shenzhen and Hong Kong offices gathered for a badminton competition. The competition aimed to enrich the cultural lives of employees after working hours, improves their physical fitness and cultivate team spirit among them, meanwhile, to create more opportunities for employees from the two offices to exchange and learn from each other.



CFCG employees from Shenzhen and Hong Kong offices celebrated Christmas together feeling the warmth of the CFCG family in a cold winter night, in order to build a big CFCG family together.



CFCG celebrated this year's work achievements with its Hong Kong employees through a lavish Spring Festival dinner, marking the end of the year perfectly, and preparing for the Group's development next year.



FC Fund celebrated birthdays for its employees in every month to grow alongside with employees.



Under the leadership of a deputy general manager of the company, Nanyang Cijan won the second runner-up in the 4th Yellow River Hiking Challenge, demonstrated the team's spirit of mutual assistance.



Nanyang Cijan organised the watermelon eating contest and birthday party on a hot summer day. There was so much laughter at the scene with all employees reaching out with each other harmoniously.

The Group ensures continuous communication between employees and management by opening up different channels to facilitate effective two-way communication. Daily comments were communicated through e-mail, bulletin board, WeChat, Employee Manual, meeting etc. The Group also encourages employees to express their views and suggestions in relation to the working environment, remuneration and other aspects. The Group firmly believes that good interactive communication not only benefits the Group's decision-making process, but also helps the Group in promoting its sustainable development.

5. People-oriented (Continued)

5.3 HEALTH AND SAFETY

The Group strives to provide employees with a healthy and safety working environment, strictly complies with laws and regulations that have a significant impact on the Group's operations in Hong Kong, the Mainland China and Singapore in relation to health and safety, including but not limited to the *Occupational Safety and Health Ordinance* (Chapter 509 of the Laws of Hong Kong), the *Law of the PRC on the Prevention and Control of Occupational Diseases*, the *Fire Protection Regulation of the PRC* and the *Workplace Safety and Health Act* (Chapter 354A of the Laws of Singapore). In order to ensure that employees at different levels of every business segment conducts safety management work meticulously, the Group established the *Occupational Health and Hygiene Management System* to prevent, control and eliminate any occupational hazards and minimise employees' risks in their working environment.

Production Safety

In order to effectively prevent the occurrence of major accidents and occupational diseases and to ensure the personal safety and health of employees from the automotive parts business, the Group implemented the liability system for production safety and formulated the *Regulations on the Production Safety Management* and the *Occupational Health and Hygiene Management System* according to relevant laws and regulations such as the *Production Safety Law of the PRC*, the *Regulation on the Safety Management of Hazardous Chemicals*, the *Regulations on Safety Supervision over Special Equipment* and the *Law of the PRC on the Prevention and Control of Occupational Diseases*, conscientiously implements the policy direction of "Safety is of utmost priority with prevention as the primary focus".



The production safety concept of the Group thoroughly penetrates the entire automotive parts business. The Group set up the Production Safety Management Committee and the Occupational Health Leading Group, and clearly specifies the responsibilities of each unit under the production safety management system, which includes hazards identification, risk management and control.

The automotive parts business of the Group formulated and implemented relevant measures according to the *GB/T 28001-2011/OHSAS 18001:2007 Occupational Health and Safety Management Systems – Requirements*, and has been certified to be in conformity with the standard.

Production safety target:

Zero occurrence of major safety incident

Achievements of the target for 2018 Financial Year:



Case study 1 Active promotion of production safety

The primary task of the production safety management is to bolster employees' safety awareness. To effectively eliminate safety hazards, the Group regularly organised on-the-job training for employees to learn about the *Regulations on the Production Safety Management* and the *Equipment Safety Operating Procedures*, only employees who passed their training examinations could perform their duties. In addition, the Group widely publicised the importance of occupational health and safety prevention through occupational health publicity boards, safety signs, etc. to standardise employees' safe operation behaviour and improve their safety awareness. The Group's safety management inspection team conducts weekly inspections, publicly criticises departments or employees that violate the regulations, and gives corresponding punishment depending on the level of violation.

In order to minimise the impact in the event of a safety incident, the Group developed and regularly reviewed the safety incident investigation and handling procedures, adhering to the “Three Don’t” principle, which states that an incident shall not be allowed to pass if the cause of it has not been found; if the persons liable have not taken remediation; if the employees have not been educated and rectification measures have not been put into effect.

Office Safety

Employees of the Group’s financial services business and the education operation business spend most of their time working in offices or classrooms. These working environments are considered to be safer compared with factories and construction sites. Yet, the Group remains immensely concerned about employees’ health and safety in office and established relevant policies and measures. In order to continuously improve employees’ safety awareness in office and to create a clean, smoke-free, healthy and safe working environment for employees, the Group illustrated in the *Employee Manual* about the health and safety precautions of the office working environment and set up the *Smoke Free Workplace Policy* and the *Alcohol and Drug Free Workplace Policy* to prohibit smoking in offices. Other than that, employees of the Group regularly participates in fire drills organised by property management companies, raising their awareness about disaster prevention and fostering their emergency response capacity.

Meanwhile, the Group also pays attention to employees’ physical well-being, provides employees with annual physical examination, organises health talks, places green plants in the office, cleans the air conditioning system and disinfects carpet regularly in the office. With regard to the education operation business, to avoid damage to teachers’ vocal cords due to their long lectures with students, schools provide a microphone in each classroom for teachers to use during classes. Moreover, the Group is also very concerned about employees’ mental well-being, the Group conducts regular communication with employees to keep track of their mental health and provides counselling when appropriate. The Group is well aware of the pressure undertaken by teachers, hence set up a counselling room for teachers with psychological counselling providing by principals and supervisors.



Case study 1

CFCG organised a health talk for employees in Hong Kong

CFCG organised a health talk for employees in Hong Kong, which enabled employees to understand the potential health risks of sitting for prolonged periods at the office, and reminded them to stand and stretch periodically or massage their necks from time to time, in order to stay healthy and to combat fatigue.



5.4 GROWING WITH CFCG

The Group regards every employee as its valuable asset and strives to connect employees' personal growth with the Group's future development. While promoting education for the general public, we aspire to cultivate employees' attitude towards lifelong learning and their spirit in combining education with fun, blending the education culture into the Group proactively. The Group established the *Training Management System* to enhance employees' professional literacy and to solidify its corporate culture by conducting various trainings and organising outdoor team building activities regularly, driving the Group to reach the next milestone for its performance.

To align with the Group's development objectives and to reinforce employees' knowledge and skills, the Group takes every training activity seriously by looking into each department to understand the training needs for each job position. The human resources department is responsible for consolidating the training requests and preparing the Group's *Annual Training Plan* according to the importance and urgency of the training needs.



To Support Employees' Career Advancement

The Group organises an induction training for each employee on their first day of work to provide them with onboard guidance and an introduction of the company, in order to ensure employees are professionally competent and capable of performing day-to-day working activities, and to enable employees to swiftly adapt to the corporate culture and to give full play to their abilities. In the meantime, the Group provides a wide range of job skills trainings for employees including activities that inspires teachers' unique teaching style, provides employees with the latest information on the financial products in the market, and provides technical skills for production technicians.



Case study 1 Jiangxi Xishan conducted trainings for teachers

To align with the school's curriculum reform in "Building a happy classroom, shaping a beautiful mind", Jiangxi Xishan conducted trainings for teachers of various disciplines before the start of the academic year. For instance, the school briefed English teachers about the forthcoming English language curriculum plan which enabled teachers to have a better understanding of the school's teaching direction to facilitate a smooth curriculum reform.

Moreover, Jiangxi Xishan empowered teachers to have their educational concepts up-to-date and to master the latest educational technology through a number of trainings such as the *Class Teacher Teaching Strategy and Methods* and the *Classroom Management Solutions Training*. Not only did the trainings allowed teachers to establish their own teaching style, but they also improved their teaching effectiveness.



Case study 2 Professional training organised by FC Fund regularly

FC Fund organises professional-oriented training at least once per quarter. The Group invited external training instructors in accordance with business development needs. The trainings cover introductions of a wide array of financial products, aiming to enhance employees' business knowledge as well as to enable them to keep abreast of the market dynamics.



Case study 3 Nanyang Cijan Technical Skill Contest

Nanyang Cijan places high emphasis on product quality, and at the same time aims to achieve the annual production target by increasing working efficiency. In May 2018, the company organised a technical skill contest, aiming to stimulate a good learning environment that encourages employees to "compare with others, to learn from others, to catch up with others, to help others and in turn to surpass each other", meanwhile, to also improve employees' personal literacy comprehensively as well as their operational skills.

5. People-oriented (Continued)

To Ensure Legal and Compliant Operation

The Group provides employees with trainings of compliance and risk management, anti-corruption and occupational health and safety. In order to support the Group's financial services business and to comply with the annual requirements of the securities regulatory authorities and the monetary authorities of its respective operating regions, employees holding a financial license should continuously participate in trainings to meet the corresponding requirements. In the 2018 Financial Year, the Group organised seminars on combating money laundering explaining the anti-money laundering controls and the importance in performing ongoing due diligence with customers.

With regard to the education operation business, the Group incorporated training on education-related laws and regulations into teachers' training plan, enabling teachers to have a clear understanding of the education policy and a better understanding of the industry development trends, thereby facilitating the identification of potential opportunities or risks for the schools.

With regard to the automotive parts business, Nanyang Cijan organises working health and safety training at least twice a year to guide employees to implement production safety and compliance measures, in order to build a safe working environment together.

To Cultivate CFCG Core Culture

While diversifying its business, the Group launches the reshaping and upgrading of its corporate culture. We believe that in addition to product quality, strategies and internal operating practices, there is a need for us to diligently build our corporate culture. Without strong values and employees' recognition of the corporate culture, it would be difficult for us to make leaps and bounds. Hence, the Group conducts activities such as seminars, team building activities and competitions allowing employees to better comprehend the overview, culture, development strategy and systems of the Group, thereby facilitating their understanding of the Group's values, and to bring employees together and enhance their sense of belonging to the Group.



Case study 1 Launched the "CFCG Culture Lecture Hall" to promote the core values of the Group

In order to comprehensively promote and implement the CFCG corporate culture upgrade target, the Group organised the "CFCG Culture Lecture Hall" activities since August 2018, and a total of 12 activities were conducted in 2018. In the first session, Dr. Wilson Sea, the chairman of the Board and an executive Director gave a lecture to all employees on the core values of the corporate culture of the Group as well as the mission, vision and values, deepened their understanding towards the Group's corporate culture.



Case study 2 CFCG outdoor team building activities

The Group applied the core values of its corporate culture through implementing different models of "CFCG Culture Lecture Hall" training activities. In November 2018, the "CFCG Culture Lecture Hall" went to outdoors which created an opportunity for employees to be closer to nature, and also trained employees' determination through hiking, enabling them to experience the core concepts and values of the corporate culture – the power of "belief".

To Facilitate the Company's Innovation

The Group has been committed to innovative development. By encouraging employees to actively explore innovative ways and inspiring employees' creative thinking through expert sharing, exchange opportunities and the Group's innovative incentive programs, we hope to bring more development opportunities to the Group.



Case study 1

Teachers exchanged with renowned schools overseas

The Group provided teachers with valuable exchange opportunities, arranged the international education team to receive teacher training at Kingswood School and conducted in-depth exchange on the localisation of the British curriculum in China. In addition, the Group also invited the senior leader of Kingswood School and the representative of Shanghai Jiaotong University Overseas Education Institute to exchange views on the Chinese and British early childhood education in Shanghai to inspire teachers to develop new education business.



Case study 2

Nanyang Cijan promoted innovative technology diligently

Nanyang Cijan attaches immense importance to innovative development. The Group established incentive mechanisms, the *Management for the Implementation Plan of Management Innovative Activities* and the *Implementation Plan of Technological Innovation Activities*, to encourage employees to actively apply advanced theory and their capabilities into the management of enterprise as well as the R&D. The Group aimed at reducing energy consumption, enhancing productivity and increasing economic benefit by continuously optimising operations, researching and developing new products, and introducing the new technology into the company, allowing the Group to develop towards a sustainable model.

6. Operating Practices

6.1 PRODUCT AND SERVICE QUALITY

The Group always places customers and students as its focus, endeavours to provide products and services of excellent quality, and strictly complies with laws and regulations that have a significant impact on the Group's education operation business, financial services business and automotive parts business in Hong Kong, the Mainland China and Singapore in relation to the health and safety, advertising, labelling and privacy matters relating to its products and services, including but not limited to the *Personal Data (Privacy) Ordinance* (Chapter 486 of the Laws of Hong Kong), the *Product Quality Law of the PRC*, the *Patent Law of the PRC*, the *Trademark Law of the PRC*, the *Intellectual Property Law of the PRC* and the *Personal Data Collection Act 2012* of Singapore. To ensure that customers and students are feeling confident in the Group's products and services, the Group has established applicable quality control systems in accordance with its business needs to safeguard and continuously improve the quality of the Group's products and services. In the 2018 Financial Year, the Group did not aware of any violations of the regulations that had a significant impact on the Group relating to the provision and the use of the Group's products and services.

QUALITY EDUCATION

The Group believes that the teaching standards of teachers are critical in determining the quality of a school. Hence, the Group places high emphasis on the quality of teachers and maintains teaching quality through the recruitment process and ongoing training activities. Teachers employed by the Group are full-time teachers who graduated from teaching schools and carried the employment conditions of teachers as stipulated in the *Teachers Law of the PRC* and the *Regulations on the Qualifications of Teachers*. In the course of recruitment, the schools first reviews valid supporting documents such as academic certificates, teacher qualification certificates and skills certificates of newly recruited employees to ensure that the basic employment conditions are met. Thereafter, the schools will conduct subject knowledge tests and ability tests to ensure teachers' possessing of a substantial degree of knowledge foundation as well as abilities of class management, teaching abilities of speech eloquence and others. In order to continuously improve the teaching quality of the teachers, the schools irregularly organise training activities for teachers and arrange them to observe others' classes, such that teaching quality was constantly improved in the process of mutual learning and interacting between teachers.

The Group's success in running schools not only relies on excellent teachers, but also depends on the Group's perseverance in exploring curriculum innovation. In order to enable students to fully unleash their potential, the Group shifted from conventional education into life-wide learning to maximise students' potential, to ignite their ingenuity in every way and to cultivate their uniqueness through diverse forms of classes and characteristic education programs.



Case study 1

“Building a happy classroom, shaping a beautiful mind” in Xishan Schools

Fuqing Xishan and Jiangxi Xishan both promote the teaching concept of “Building a happy classroom, shaping a beautiful mind” and provide fun and efficient classes to enable students to experience the joyfulness of learning in a good learning atmosphere. Through outdoor learning activities, science experiments and other unconventional classroom activities, students' enthusiasm was enhanced while cultivating their integrated capabilities in thinking, expression and other areas.

While the Group continues to improve its teaching quality, it has maintained two-way communication with students, parents and the community to understand their ideas and suggestions for the schools. Schools communicate with stakeholders to explore improvement areas in teaching and daily management through opinion collection box in school, the official website's online opinion collection box, official WeChat group, regular parents' meeting etc. Responsible personnel of the schools regularly forward the opinions and suggestions to teachers or related departments and respond to them one by one.

In addition to teaching quality, the Group also very concerns about issues relating to advertising and personal privacy. The schools strictly adhered to the admission plans drawn up by the board of the schools and conduct in-depth needs analysis according to market demand and the advertising characteristics of competitors, so as to determine the objectives and themes of the Group's advertising. Advertising content must be approved by the principal to ensure advertising claims were true to avoid any forms of misinformation to parents or students. In protecting the personal privacy of students and parents, schools kept their data strictly confidential and assigned responsible personnel for data management. Students' data were submitted by the class teacher directly to the school's information management office to reduce the possibility of information leakage.

STUDENTS' SAFETY

Students are important stakeholders of the Group, and protection of students' safety is the foundation of the Group's corporate social responsibility as well as the responsibility of every teaching staff. The Group is committed to enabling students to enjoy the pleasure of learning in a safe environment, strictly complies with laws and regulations including the *Law of the PRC on the Protection of Minors*, the *Education Law of the PRC*, the *Food Safety Law of the PRC*, the *Measures for the Handling of Student Injury Accidents*, etc. Schools operated by the Group have a *School Safety Management Manual*, which enable employees of different job positions to effectively manage and implement measures related to the daily safety of schools, and to put these measures into their daily practices, ensuring a healthy and safe physical and mental health of students so that their parents could have complete confidence in the Group's schools.

Daily School Safety

With regard to food safety and hygiene, the schools established the *Regulations on Hygiene Management of Students Dining Together* in accordance with the *Food Hygiene Law of the PRC* and the *Regulation on School Sanitation Work*, which outlines the hygiene requirements and monitoring methods of kitchen equipment and kitchen staff. The regulation also requires all school canteen practitioners to receive the *Health Certificate* for the purpose of preventing students from food poisoning or other foodborne illness accidents. In addition, schools also established the *Requirements on Demanding Certificates and Recording for Canteen Procurement* to take a further step to guarantee food safety, strictly controlling food quality to assure the freshness of food.

With regard to schoolyard safety and security, schools established relevant management systems, for instance, the joint management of the class teacher and the vice-class teacher, to ensure that students are being taken care of 24 hours a day. Meanwhile, schools also established the *School Access Control Management System*, prohibiting students from bringing potential risk items into schools.



Case study 1

Fuqing Health and Family Planning Department Joint Inspection Unit conducted inspection and provided guidance to Fuqing Xishan

Fuqing Health and Family Planning Department Joint Inspection Unit conducted an on-site inspection and provided guidance to Fuqing Xishan, inspected the health management work of the school library, teaching building, student dormitory and other places. Furthermore, the inspection unit also took a visit around the campus, experienced the clean and beautiful schoolyard environment with a harmonious cultural atmosphere, hence gave a positive rating to the school's strict and standardised management.

6. Operating Practices (Continued)

Students' Well-being

The Group arranged annual physical examinations for its students, and communicated health knowledge to students through health talks. To better understand and improve students' health, Fuqing Xishan established the *School Health Management and Health Care System*, it creates a health file for students during their school admission with the results of their annual health check documented, so as to provide feedback to their parents.



Fuqing Xishan and Jiangxi Xishan arranged annual physical examinations for students.



Jiangxi Xishan communicated healthy lifestyle knowledge to students through health talks.

The Group has long adopted measures focusing on both the physical health and mental health of the students, through setting up psychological counselling rooms, developing school-based psychology course, organising mental health talks, designing classroom bulletin boards, establishing online mental health education column etc. to promote mental health knowledge to students, ensuring that students have healthy and ebullient personalities as well as a positive attitude.



Case study 1

Fuqing Xishan developed mental health education work

Fuqing Xishan understood the importance to provide psychological counselling to its students, hence established on-campus psychological counselling rooms to allow students to share their thoughts with teachers in a relaxing mood. The school also has school-based courses in mental health education students of different grades would have different themes, for instance, the classes for high school grade three students are mainly developed to teach students to face entrance examination confidently and calmly. Career planning questionnaires were also distributed to students, in order to understand the status quo of career planning, for the purpose of funding students to dig deep within themselves and to understand their interests, personalities, values and abilities.

Emergency Response of School

The education operation business of the Group has emergency response plans for handling school emergencies, including the *Measures for the Handling of Students' Injuries from Accidents*, the *Fire Safety Management System*, etc. in order to ensure employees and relevant departments are able to act immediately and take appropriate measures as required by the system in any event of health and safety incident.



Case study 1

Jiangxi Xishan conducted fire emergency drills

Jiangxi Xishan conducts fire emergency drills regularly. Under the simulation exercise, teachers and students' emergency response capacities were inspected and the coordination abilities of all departments of the school were advanced.

SAFE INVESTMENT

The Group adheres to the "Education Operation plus Financial Services" concept, focuses on the discovery and investment of quality education resources and has a diversified financial services business, providing services such as dealing in securities, underwriting and placing, financing consultancy, merger and acquisition agency, financial advisory, asset management, private equity fund management, credit financing and migration finance. The Group strictly complies with the *Code of Conduct for Persons Licensed by or Registered with the SFC*, and codes and guidelines relating to the SFO.

Before providing services to customers, the Group systematically conducts customer KYC due diligence and invites them to complete the *Risk Profiling Questionnaire* in order to understand their knowledge and experience on investment products, current financial position, investment objectives and expectations, which helps the Group to have a clear understanding of the actual risk acceptance of the customers, and at the same time, to ensure that customers are informed with the terms and conditions, associated risks and unpredictability of the products before purchasing any financial products or conducting transaction, enabling them to have clear understanding and expected results of the products and their associated risks.

The Group attaches great importance to the protection of customers' privacy, formulated the *Measures for the Management of Customer Privacy Protection* and entered into a confidentiality agreement with each customer. In order to ensure the confidentiality and security of the Group's customers' personal data, we employs an encrypted user management system to regulate the access of the personal data collected which only authorised employees are granted with access. In addition, the Group is also highly concerned about the collection and handling of customers' personal data and hence established the *Personal Information Collection Statement*, properly using customers' information to provide them with better services and products. The Group also formulated the *Business Contingency Plan*, outlining the contingency plans in relations to the possible loss of data, failure in electricity supplies and other incidents. Data backups and maintenance on all hardware and software are conducted on a daily and regular basis, respectively. The financial services business of the Group collects customer complaints mainly in the form of the issuing of opinion forms irregularly, setting up customer service hotlines and emails. Responsible officer investigates the written or verbal complaints from customers of the Group by grading the complaints into different levels and responding to them within three days.

The Group respects intellectual property rights and requires the use of genuine software in office computers. Meanwhile, the Group developed the *Guidelines for Production of Marketing Materials*, stipulating all marketing materials to meet regulatory requirements, and in addition, materials that containing information that may be subject to copyright or licensing restrictions could only be reproduced, distributed or used when necessary permissions or licences are obtained and the fees are paid.

6. Operating Practices (Continued)

QUALITY AUTOMOTIVE PARTS

The Group places high emphasis on the quality of products and set "Top Quality and Customer Satisfaction" as the core values of Nanyang Cijan, targeting to becoming a world-renowned automotive parts company to achieve "Where there is a car, there is Cijan". The Group has a comprehensive quality management system, which has successfully obtained the ISO9001 Quality Management System certificate, the IATF16949 Automotive Quality Management System certificate, the QS9000 and VDA6.1 quality system certificates and other qualifications.



The Group continuously optimised its management system according to the IATF16949:2016 Requirements for an Automotive Quality Management System combining with the ISO9001 Quality Management System customised and implemented the quality management requirements of automotive parts in product design, production, installation and service, in order to achieve the objectives such as customer satisfaction, enhancement in efficiency, waste reduction, and has been certified to be in conformity with the standard.

Quality production management targets:

100% Customer satisfaction
100% Procurement compliance rate
100% Customer complaint resolution rate

Achievements of the target for 2018 Financial Year:



The Group is committed to providing customers with quality products. In accordance with the requirements of China Automotive Material Data System and In-Mold Decoration, the Group actively implements the *Technical Policy for the Recovery of Automobile Products* to manage the recovery rate and prohibited/restricted substances of automotive products and to improve the recovery and reuse of product materials. Meanwhile, the Group follows the requirements of European Union RoHS2.0 and Japan SS-00259 on the environment management and substance management relating to components and materials. To ensure that the Group is able to meet customers' requirements and keep abreast of the latest developments in the market, the marketing development department analyses the status quo of the automotive industry on a monthly basis and consolidates and reports on information on the laws and regulations affecting the Group's automotive parts products.

The Group implements full monitoring of product safety and quality and executes a triple-inspection system in the production process, i.e. the "First Inspection, Patrol Inspection, Final Inspection". In order to ensure product safety, the Group conducts timely inspection and controls on purchased raw materials to guarantee all finished products meeting the quality and customers' requirements. In the event of nonconformity, the Group will take product isolation measures and make corresponding product status marking according to its *Non-conforming Product Control Procedures* to reduce the impact of non-conforming products on the production process and customers in a timely manner. The Group established the *Marking and Traceability Control Procedures* enabling products to be identified and traced at any production stage such that the inspection status could be identified, enabling the differentiation of updated status of qualified and unqualified products. In the 2018 Financial Year, the Group did not recall any products for safety and health reasons.

Case study 1

Quality assured through transforming into smart manufacturing workshops

Through upgrading and transforming workshops for smart manufacturing, the Group displaced conventional manual labour work, eliminated quality hazards caused by human factors, ensures product consistency and improves product stability. At the same time, the increase in the degree of automation greatly increases cleanliness and reduces product contamination, hence extending the product lifecycle.

The Group established the *Information Security Management System* to ensure the confidentiality of information associated with the Group's automotive parts business. Meanwhile, the Group strictly safeguards the information relating to customer contracts. Enquiries on such information by the Group's business personnel are subject to written approval of the department head and senior management. In order to protect intellectual property rights and prevent infringement, the Group established a confidentiality system, for instance, departments related to trade secrets, such as the R&D centre and archive room are identified as confidential areas, no unrelated personnel are allowed to enter casually. Meanwhile, the Group will set up confidentiality terms with employees or will enter into confidentiality contracts and customers in employment contracts and commercial contracts, respectively.

The Group actively maintains communication with customers, provides services to customers through the official website, official WeChat platform, designated mailbox and 24-hour service hotlines, and is welcome to customers to give advice or complaints to the Group through these channels. Besides, the Group also regularly invites customers to visit its manufacturing factories for review and conducts an annual customer satisfaction survey to follow up on the results of its effort to quality improvement, thereby enhancing the Group's market competitiveness. After-sales service supervisor collects customers' feedback on after-sales service through a wide range of channels according to the after-sales service control procedures classify and consolidate customers' feedback, it organises relevant departments to carry out corresponding analysis and develop rectification measures.



Case study 1

Exports of Dongfeng Renault conducted a site inspection and review at Nanyang Cijan

In July 2018, Dongfeng Renault Automobile Company ("Dongfeng Renault") led a group of three experts to Nanyang Cijan for site inspection and review. Experts of Dongfeng Renault conducted an in-depth investigation in the engineering R&D centres, warehouses and production workshops, giving positive comments to the Group's technology development, equipment capabilities and manufacturing process control. Related departments of the Group then established improvement plans and proceeded with rectification in response to customer's feedback to the Group.

Case study 2

Nanyang Cijan's prompt resolution of customer complaints

In August 2018, Nanyang Cijan received customer's complaints about two shock absorbers and triggered the complaint handling mechanism was activated immediately by the Group's after-sales service department. First, responsible department recorded the complaints contents and the analysis team conducted investigation at the production site to analyse the cause of failure. Thereafter, responsible department traced similar products to ensure that products with similar problems no longer flow into the market. Then, the after-sales service department prepared the analysis report and reported to the customer while the technicians carried out rectification work according to the cause of product failure.

6. Operating Practices (Continued)

6.2 SUPPLY CHAIN MANAGEMENT

The Group is committed to building a responsible supply chain and creating sustainable development value with its suppliers. The Group also expects suppliers' environmental and social concepts to be consistent with the Group, working together to reduce the impact on the environment and to be socially responsible. The Group takes "Mutual Benefit and Work Together" as its mission, regularly conducting supplier satisfaction survey and actively building and maintaining a good relationship of mutual trust with suppliers.

The main suppliers of the Group's schools are building contractors and merchants supplying food ingredients for canteen; major suppliers of the financial services business are the Stock Exchange and other financial institutions; major suppliers of automotive parts business are the merchants supplying production materials. The Group established a sound *Supplier Management System*, regulating the management of different types of suppliers of the Group's business segments, strives to achieve "transparency in decision-making, openness in information disclosure, procedural monitoring and systematic management". Through a rigorous assessment of suppliers, the Group ensures the safety of students' lives in the schools, the legitimacy of the financial services institutions employed and the quality improvement of the automotive parts products.

Supply Chain Management Procedures:



Procurement and Tendering

The procurement department identifies potential suppliers through marketing research and various channels



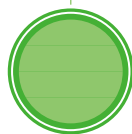
Comprehensive Assessment

The assessment team evaluates the suppliers based on factors such as quality, production capacity, location and price



Reviewing and Grading

Grade the suppliers in accordance with the assessment performance, only qualified suppliers are engaged and are required to improve and maintain their standard continuously



Supplier Information Management

The procurement department is responsible for maintaining and updating the data of all qualified suppliers in response to any unexpected situation of suppliers

Procurement and Tendering

The procurement department will initiate the procurement and tendering process in response to the Group's business needs or in the event that a supplier failed to meet the supply requirements, and will identify potential suppliers through market research, employees' recommendations and various channels such as the internet, advertising and industry exhibitions. A preliminary review of the potential suppliers' information will be conducted by the procurement department, upon qualifying the preliminary review, the assessment team will then be formed by relevant departments for further evaluation.

Comprehensive Assessment

The Group sets different assessment requirements for different types of suppliers. With regard to the education operation business, in addition to requiring the supplier to be a legally operating enterprise, the supplier is also required to provide certificates relating to the quality of its products, such as qualification certificate for food inspection and the qualification certificate for pharmaceutical product quality. Schools set "Quality, Cost, Delivery and Service" as the basic principles for procurement, regarding "Quality" as the most important factor ensuring goods were in a safe and hygienic condition. Taking school food suppliers as an example, the procurement department adopts the "more visits, more observations and more inquiries" procurement principle during its market research, to understand the price and quality differences of various kinds of food and is determined in not purchasing any poor quality food. In addition, the Group takes into account the quality of pre-sale and after-sale services of suppliers, their geographical locations and whether their transport arrangements are in accordance with environmental regulations. The Group will select merchants with sufficient production capacity and the ability to provide materials stably for a long period of time as its suppliers.

Legality, safety and quality are fundamental considerations in the selection of financial service suppliers. Financial service suppliers must be licensed institutions or enterprises that are socially responsible, financially sound and compliant to local laws. The Group regularly reviews whether suppliers have been condemned or penalised by local regulatory bodies. Furthermore, the Group continues to maintain communication with suppliers, and through initiating visits, to discuss with suppliers the directions for service improvement in order to constantly improve suppliers' competitiveness.

Suppliers of the Group's automotive parts business are required to meet the Group's assessment requirement in terms of quality, product development capabilities, product compliance, production capacity and cost control capabilities as set out in the *New Supplier Selection Approval Work Document*, and to ensure sufficient reserves of material in the suppliers' factories. In addition, the product inspection passing rate, service quality rectification rate, number of after-sales complaints, delivery timeliness of existing suppliers, suppliers' price trends and other factors are also included in the scope of the assessment. Suppliers are also required to be certified with the ISO/TS16949 or the ISO9001 quality management system.

Reviewing and Grading

The education operation business and the automotive parts business both carry work procedures for the reviewing and grading of suppliers to maintain strict control on the quality of suppliers' goods. All suppliers are reviewed annually and the results of their annual reviews and grading determined if they will be continually hired. Suppliers who are graded as unqualified are required to carry out prompt rectification, if no improvement was conducted within a specific period of time, the supplier shall fall into the *Unqualified Supplier Register* and be removed from the *Qualified Supplier Database*. It shall no longer be invited to participate in various tenders.

The Group's automotive parts business strictly regulates and controls the non-conforming products or irregularities from suppliers during the supply process according to the *Non-conforming Product Containment Operation Document*, for instance, non-conforming products will be labelled and isolated, and effective measures will be taken to reduce the impact of non-conforming products. Furthermore, the Group requires suppliers to submit reports on any quality and safety incidents, including root cause analysis, quality analysis and solutions to resolve problems.

Supplier Information Management

The Group systematically keeps data from all suppliers in order to identify and trace information such as the name, model and supplier of a product. In addition, a comprehensive supplier database also enhancing the Group's emergency management capacity in the event of suppliers' unexpected situations. Taking automotive parts business as an example, in order to minimise supply risk such as a sudden increase of orders from customers, the Group generally engages a combination of main suppliers and standby suppliers for suppliers of similar products to reduce the risk of insufficient supply in the supply process.

7. Environmental Protection

The Group incorporates green concepts into its every business segment and assesses the environmental impacts of each business segment. The Group proactively establishes measures to reduce its negative impacts on the environment and put green operation into practice.

The Group strictly complies with laws and regulations that have a significant impact on the Group's operations in Hong Kong, the Mainland China and Singapore in relation to waste gas emissions, GHG emissions, discharges into water and land, waste disposal and noise pollution, including but not limited to the *Air Pollution Control Ordinance* (Chapter 311 of the Laws of Hong Kong), the *Waste Disposal Ordinance* (Chapter 354 of the Laws of Hong Kong), the *Environmental Protection Law of the PRC*, the *Law of the PRC on Environmental Impact Assessment*, the *Environmental Protection Tax Law of the PRC*, the *Regulation on the Implementation of the Environmental Protection Tax Law of the PRC*, the *Atmospheric Pollution Prevention and Control Law of the PRC*, the *Water Pollution Prevention and Control Law of the PRC*, the *Law of the PRC on the Prevention and Control of Environment Pollution Caused by Solid Wastes*, the *Law of the PRC on Prevention and Control of Pollution from Environmental Noise* and the *Environmental Protection Management Act* (Chapter 94A of the Laws of Singapore). In the 2018 Financial Year, the Group did not receive any confirmed violations or any complaints relating to waste gas emissions, GHG emissions, discharges into water and land, waste disposal and noise pollution that have a significant impact on the Group.



The Group implants the concept of environmental protection into the operation of the automotive parts business, strictly managing the entire production process in terms of the use of raw materials, use of energy, equipment maintenance, pollution treatment and other aspects according to the combination of cleaner production and end-of-pipe treatment. The Group also strengthens employees' awareness of cleaner production and strictly complies with the operating procedures to eliminate unnecessary pollutant emissions and energy consumption in the production process.

The automotive parts business established and implemented the environmental management system according to the *GB/T 24001-2016/ISO 14001:2015 Environmental Management Systems – Requirements with Guidance for Use* and has been certified to be in conformity with the standard.

Environmental production management target:

Zero environmental pollution incident

Achievements of the target for 2018 Financial Year:

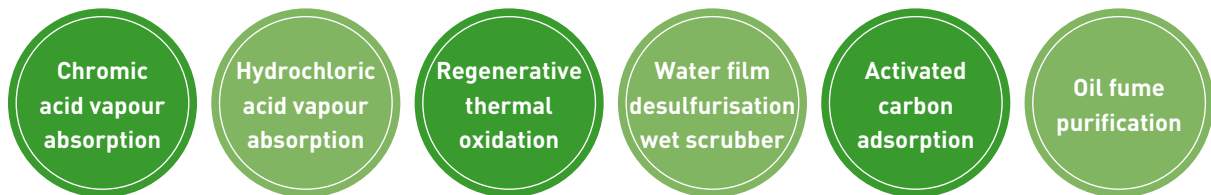


7.1 ENVIRONMENTAL POLLUTION

Air Pollutants

The Group's emissions of air pollutants mainly come from the production equipment of the automotive parts business and the vehicles, cooking and heating equipment of the education operation business. On the foundation of implementing emission reduction measures for various pollution sources, the Group strengthens the maintenance and management of pollution prevention and control facilities, so that the facilities are always in good conditions to ensure a stable discharge of pollutants while meeting the emission standards. The production equipment of the automotive parts business uses the end-of-pipe treatment technology to ensure that all kinds of air pollutants are effectively treated.

End-of-pipe Treatment Technologies of Air Pollutants



The Group also regularly entrusts third party companies to conduct monitoring of the emissions of air pollutants during the operation of the automotive parts business to ensure compliance. The monitoring is conducted in accordance with relevant standards and specifications.

To reduce the emissions of air pollutants, the automotive parts business of the Group replaced diesel-powered forklifts with electric forklifts for material handling in the manufacturing plant. In addition, in order to be in line with the vigorous promotion of the "coal-to-gas" initiatives in the Mainland China, the Group actively reduces its dependence on coal and switched to clean energy instead, therefore reducing air pollution and improving air quality and combatted smog.



The Group's automotive parts business uses natural gas, a clean energy, as its energy source to reduce pollutant emissions compared to coal combustion, meeting the requirements of clean production.

Schools operating by the Group reduce the use of coal by using natural gas instead of coal for heating and cooking at school canteens.

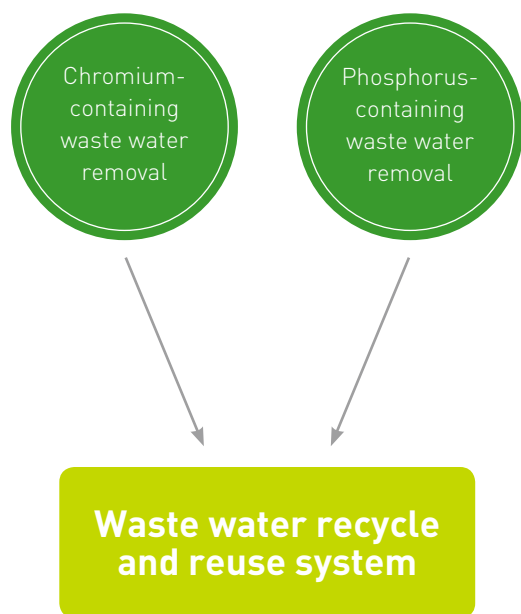
7. Environmental Protection (Continued)

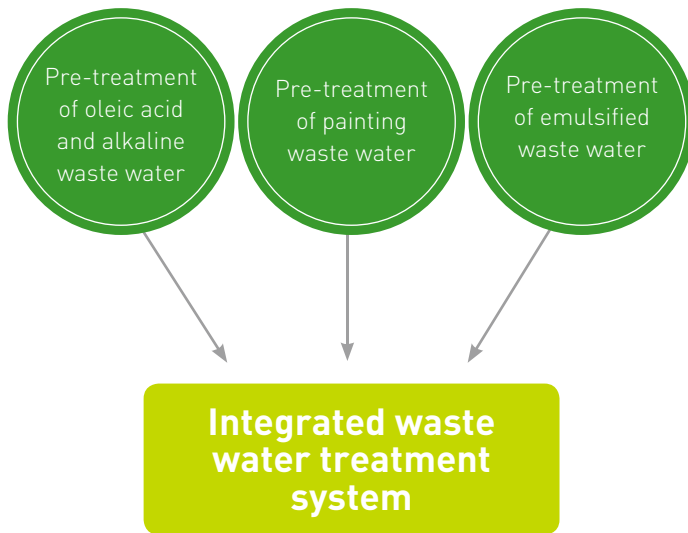
GHG Emissions

The use of boilers and electricity consumption are the Group's main sources of GHG emissions, and we actively implements energy conservation measures during our operation to reduce GHG emissions. Detailed measures are described in the *Energy Use* section of the Report.

Waste water

Domestic sewage is generated from the Group's office operation, and is discharged into municipal pipelines through the drainage system of the building. The Group's automotive parts business set up different types of waste water treatment facilities for the collection and treatment of waste water generated during the production process. The automotive parts business of the Group formulated the *Measures for the Management of Waste water Treatment Facilities*, which stipulated employees to make full use of the waste water treatment facilities and to improve the operational skills of employees ensuring the discharged waste water quality is in compliance with the requirements.





The automotive parts business of the Group installed chemical oxygen demand analysers and flowmeters at the discharge points of the waste water treatment facilities to conduct monitoring of the waste water quality and to ensure that the discharge is in compliance with the standards. In the 2018 Financial Year, the quality of waste water discharged from the automotive parts business of the Group was in compliance with the standards.

7. Environmental Protection (Continued)

Solid Waste

The Group strictly manages the handling of solid waste and formulated specific handling methods.

The non-hazardous wastes generated from the operation of each business segment comprised of domestic waste, office's waste and food waste from the school canteens, which are collected and disposed of by the responsible personnel from the property management companies or the refuse handling stations.

The Group has implemented office waste reduction measures:

Recycled and reused courier packaging



Reducing the use of disposable cups when meeting guests

Emptying rubbish bins regularly to reduce the frequency of replacement of plastic bin bags



Providing reusable utensils for employees to reduce the use of disposable tableware



Setting up reusable paper collection box next to the printer and set up paper recycling box for waste newspapers and waste paper



For hazardous waste, the Group manages hazardous wastes in accordance with the *Directory of National Hazardous Wastes* and the *Standard for Storage and Pollution Control on Hazardous Waste*, and set up waste separation facilities to collect and transfer the hazardous wastes. Following the *Measures for the Management of Duplicate Forms for Transfer of Hazardous Waste*, the Group transfers its wastes to an eligible organisation for disposal.



The Group's automotive parts business formulated the *Chromium Residue Management System* and the *Hazardous Waste Management System*, which strictly stipulated the procedures for the generation, collection, storage, transfer and disposal of hazardous wastes.

The Group also has adopted measures to prevent the leakage of hazardous wastes in order to avoid contamination.

The Group classifies recyclable wastes, including paper, scrap metal, wood, etc., and such are collected by recycling companies for recycling.

Noise Pollution

The Group's noise pollution is emanated from the production equipment of the automotive parts business. In order to reduce noise pollution, the Group developed the *Noise Protection Management System* for noise-generating areas, which different noise abatement measures are employed according to the characteristics of the equipment, proactively conducting noise controls on its sources and on the noise propagation.

Controls on noise source:

- Selected low-noise, low-vibration equipment
- Installed silencers on noise emanating equipment
- Installed shock absorber at the bottom of the equipment
- Placed the noise emanating equipment indoors

Controls on noise propagation:

- Adopted measures for sound insulation and sound absorption
- Installed sound-absorbing materials in the room where the noise emanating equipment was placed

The Group also monitors the noise levels at the boundary of the manufacturing plant regularly to ensure that the noise level generating from the operation of the equipment meets the requirements of the *Emission Standard for Industrial Enterprises Noise at Boundary* and does not cause noise nuisance.

7. Environmental Protection (Continued)

7.2 USE OF RESOURCES

In line with the concept of “scientific management, punctual supply, rational usage, and wastage elimination”, the Group manages the use of resources in each business segment to enhance the efficiency of the utilisation of resources.

Energy Use

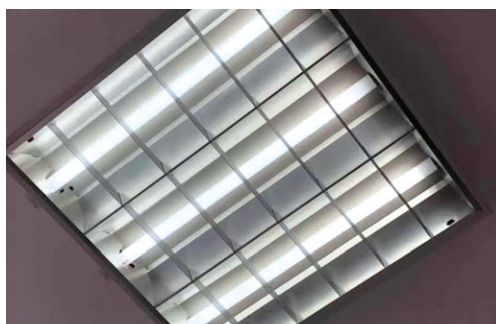
The Group strictly regulates the use of electrical equipment and encourages employees to actively propose energy-saving and consumption reduction measures, seeking opportunities to reduce the use of resources together with the employees.

The Group’s automotive parts business formulated the *Energy Management Measures*, which strictly regulated the use of various electrical equipment, and is jointly supervised by a number of departments, including the production department and the safety and environmental protection department etc. This management approach is conducive to consolidating the power supply condition of the manufacturing plant, allowing responsible units to carry out timely maintenance of the equipment in the event of anomalies to reduce electricity wastage. In addition, the Group carries out centralised production and strictly controls overtime during low production months to reduce extra production time, cutting down production days by 5 days from March to July, substantially lowering the electricity bill.



Case study 1 Using reactive power compensation system in manufacturing plant

All of the low-voltage distribution rooms locating in the manufacturing plant of the automotive parts business of the Group are equipped with reactive power compensation system, which improves the power factor, reduces the wearing of transformers and transmission lines, and thus improves the efficiency of power supply, resulting in an average electricity reduction of 10,000 kWh per month.



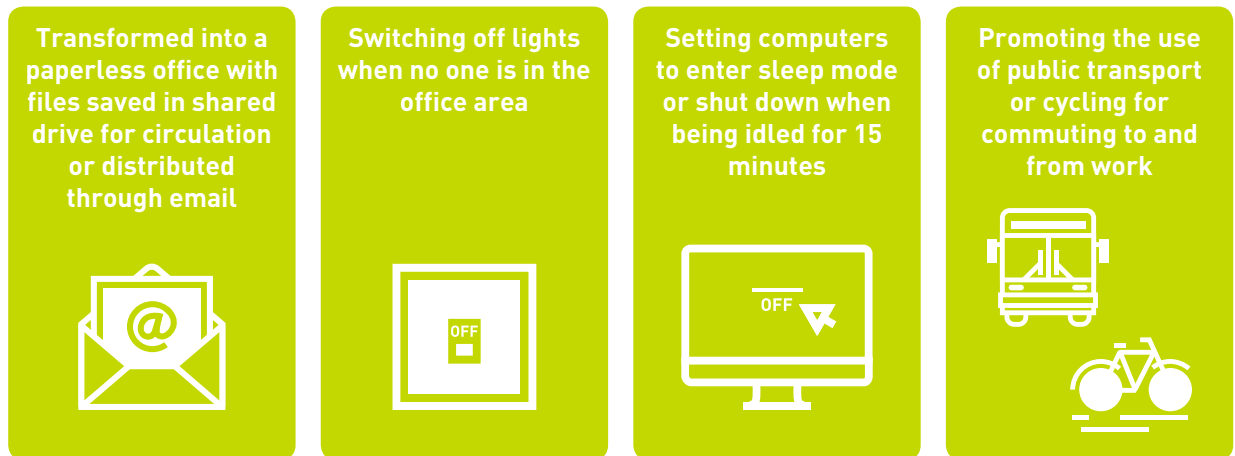
Case study 2 Using energy-efficient LED lights

The manufacturing plant of the automotive parts business of the Group replaced the energy-consuming fluorescent lights with energy-efficient LED lights. A total of 189 fluorescent lights were replaced to reduce electricity consumption.

The Group also formulated the *Regulations on the Management of Electrical Safety* in schools to achieve low-carbon operations through the implementation of the regulations on the use of electricity, which the electricity conservation measures included:

- To ensure lights are switched off when school offices and classrooms are empty
- All employees must turn off the power of electrical equipments before leaving work

To encourage and develop the environmental protection habits of employees, the Group implemented a series of green office measures focusing on energy conservation and reduction of material consumption to enhance the environmental awareness of its employees, including:



Water Use

The Group uses municipal water supply, and has been implementing various water-saving measures, including:

- Strengthening the daily maintenance and management of water appliances and to closely check if there is any water leakage problem to conduct timely rectification
- Regularly consulting repair technicians to conduct inspection on the water valves and water pipelines
- Developing employees' water-saving habits to consciously control the water flow manually when using water and to turn off the faucet after use in order to save water
- Strengthening the management of water-saving equipment to improve water efficiency, systematically upgrades sanitary equipment and gradually installs water-saving devices
- Strict enforcement of water supply time provisions with no overtime or non-timely water supply

7. Environmental Protection (Continued)



Case study 1

Fuqing Xishan actively promotes green education

The Group actively promotes green education in schools by posting water conservation slogans next to the water usage points in campuses, dormitories and teaching blocks, encouraging every teacher and student to develop the water-saving habit.

The production line of the Group's automotive parts business uses an automatic control system which the workpiece is automatically completed by computer operation from pre-treatment to final electroplating cleaning. Meanwhile, the amount of water using for cleaning is set up and strictly controlled by the computer to meet the cleaning requirements, as well as to minimise water use.

Both chromium-containing and phosphorus-containing waste water generating from the automotive parts business are reused after waste water treatment, which largely reduces the water consumption. A total of 12,000 tonnes of treated water is reused in the 2018 Financial Year.

Use of Paper and Packaging Materials

The Company's annual reports are printed on paper made from responsible forest resources certified by the Forest Stewardship Council. In addition, the Company's annual reports is available in Chinese and English versions, and is delivered according to shareholder's selection, the Company also recommends shareholders receive the reports by electronic means to save paper by reducing the printed copies of the reports.

The packaging materials of the Group are mainly used for the finished products of the automotive parts business. The materials are mainly paper, metal, plastic and wood. The Group actively seeks opportunities to reduce the consumption of packaging materials to reduce the use of raw materials as well as the generation of waste.

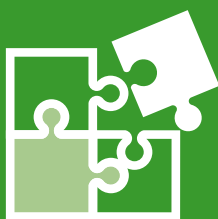
The Group uses reusable iron boxes instead of card board boxes, which saves about 10,000 cardboard boxes a year.

In 2018, the Group began to promote the use of shared logistics boxes, aiming to replace the use of cardboard boxes thoroughly in the future.

8. Looking Forward

Looking forward, we will continue to invest time and resources to realise the Group's sustainable development philosophy with a top-down approach and to continuously understand the expectations and needs of our stakeholders. We look forward to further creating sustainable value for our stakeholders by improving policies and measures regarding elite education for the general public, employees' rights and benefits, safe operation and environmental protection.

With regard to elite education for the general public, we will continue to optimise and integrate quality education projects, enabling every child to have the privilege to receive quality and diversified education.



With regard to employees' rights and benefits, we will implement the human resources policies that are driven by our aim of "People-oriented" to ensure that employees can play to their strengths and to have their career advancement in the Group.



With regard to safe operation, we will provide a healthy and safe work and study environment, and are committed to protecting the safety and health of our employees, customers and students.



With regard to environmental protection, we will integrate environmental education into the Group, encouraging stakeholders of the Group to contribute to environmental protection to mitigate environmental impact.



While we concentrate on our development of the business model of "Education Operation plus Financial Services" with investment and financing under the joint efforts of the team, we will never forget to fulfill our corporate social responsibility, seeing the concept of sustainable development as our business aim and adhering to the Group's core cultural concepts, "Belief, Gratitude, Inclusive, Communication, Learning, and Principle", to continue to contribute ourselves to the society.

9. 2018 Environmental Data Performance

The Group's emissions and discharge of environmental pollutants and usage of resources for the year ended 31 December 2017 and 2018 are as follows:

		2018		2017	
Emissions and Discharge of Environmental Pollutants					
Air Pollutants ¹					
Types	Units	Total Emissions	Intensity of Emissions (Units/No. of Employees)	Total Emissions	Intensity of Emissions (Units/No. of Employees)
Sulfur Oxide (SO _x) ²	Kg	52,659.62	12.80	4,435.00	–
Nitrogen Oxide(NO _x) ²	Kg	11,224.83	2.73	511.00	–
Particulate Matter(PM)	Kg	15,289.83	3.72	383.00	–
Carbon Monoxide(CO)	Kg	2,653.75	0.65	–	–
GHG Emissions					
Types	Units	Total Emissions	Intensity of Emissions (Units/No. of Employees)	Total Emissions	Intensity of Emissions (Units/No. of Employees)
Total GHG Emissions ³	Tonnes CO ₂ e	31,732.41	7.71	42,867.00	10.70
Direct GHG Emissions (Scope 1) ⁴	Tonnes CO ₂ e	9,137.07	2.22	17,891.00	–
Indirect GHG Emissions from Energy Use (Scope 2) ⁵	Tonnes CO ₂ e	22,586.50	5.49	24,221.00	–
Other Indirect GHG Emissions (Scope 3) ⁶	Tonnes CO ₂ e	29.82	0.01	755.00	–
Reduction of GHG Emissions from Planted Trees ⁷	Tonnes CO ₂ e	20.98	0.01	–	–

¹ The Group's reporting scope of air pollutants in 2017 was limited to the operation of stationary sources from the automotive parts business. In 2018, the reporting scope of air pollutants includes those came from the operation of boilers, cooking and vehicles from the education operation business, the operation of vehicles in the Mainland China and Hong Kong from the financial services business and the operation of boilers, generators and vehicles from the automotive parts business. The air pollutants came from the operation of boilers from the automotive parts business were recorded by a monitoring system. The emissions from other stationary sources, generators and vehicles were calculated using the *Discharge Coefficients of Industrial Pollutants in the First National General Survey of Pollution Sources, the Non-road Mobile Source Air Pollutant Emission Inventory Preparation Technical Guide (Trial)* and the *Road Vehicles Air Pollutant Emission Inventory Preparation Technical Guide (Trial)* issued by the Ministry of Ecology and Environment of the PRC and the *EMEP/EEA Air Pollutant Emission Inventory Guidebook 2016* issued by the European Environment Agency.

² In 2018, the automotive parts business and Yinghua School used natural gas as the boilers' fuels instead of coal, which contributed to the difference on emissions of SO_x and NO_x.

³ The total GHG emissions include Scope 1 direct GHG emissions, Scope 2 indirect GHG emissions which came from energy use and Scope 3 other indirect GHG emissions of the Group in 2018, with the deduction of emissions reduced due to planted trees.

⁴ The calculation scope of Scope 1 GHG emissions includes those came from the operation of boilers and generators from various business segments and the operation of vehicles in PRC and Hong Kong. The Group began using electric forklifts as an alternative to diesel-powered forklifts in 2018, thus significantly reducing direct GHG emissions from the combustion of diesel fuel. Scope 1 GHG emissions were calculated using the calculation methods and relevant emission factors from the *Guidelines for Calculation Method and Reporting Guidance on Greenhouse Gas Emissions for Other Industrial Enterprises (Trial)* and the *Guidelines for Calculation Method and Reporting Guidance on Greenhouse Gas Emissions for On-road Transportation Enterprises (Trial)* issued by the National Development and Reform Commission of the PRC and the *Guidelines to Account for and Report on Greenhouse Gas Emissions and Removals for Buildings (Commercial, Residential or Institutional Purposes)* in Hong Kong issued by the Electrical and Mechanical Services Department and the Environmental Protection Department of Hong Kong.

⁵ The calculation scope of Scope 2 GHG emissions includes those came from the use of electricity from every business segment. Scope 2 GHG emissions were calculated using calculation methods and relevant emission factors from the *2011- 2012 Average CO₂ Emission Factors of China's Sub-national Grids* issued by the National Development and Reform Commission of the PRC, the *Sustainability Report 2017* issued by HK Electric Investments Limited and the *Singapore Energy Statistics 2018* issued by the Energy Market Authority of Singapore.

⁶ The calculation scope of Scope 3 GHG emissions includes the indirect GHG emissions due to disposal of paper waste from the education operation business and the financial services business. Scope 3 GHG emissions were calculated using calculation methods and relevant emission factors from the *Appendix 2: Reporting Guidance on Environmental KPIs* issued by the Stock Exchange.

⁷ The GHG emissions reduced from the planted trees were calculated using the *Guidelines to Account for and Report on Greenhouse Gas Emissions and Removals for Buildings (Commercial, Residential or Institutional Purposes)* in Hong Kong issued by the Electrical and Mechanical Services Department and the Environmental Protection Department of Hong Kong.

9. 2018 Environmental Data Performance (Continued)

		2018		2017	
Emissions and Discharge of Environmental Pollutants					
Hazardous Wastes					
Types	Units	Total Emissions	Intensity of Emissions (Units/No. of Employees)	Total Emissions	Intensity of Emissions (Units/No. of Employees)
Waste Oil Containers and Waste Mineral Oil ⁸	Tonnes	11.85	2.88 x 10 ⁻³	10.00	2.00 x 10 ⁻³
Laboratory Waste from Schools ⁹	Tonnes	0.16	3.77 x 10 ⁻⁵	–	–
Waste Mercury-containing Lamps ¹⁰	Pieces	2,095.00	5.09 x 10 ⁻¹	–	–
Ink and Toner Cartridges ¹⁰	Pieces	882.00	2.14 x 10 ⁻¹	–	–
Waste Battery ¹¹	Pieces	60.00	1.46 x 10 ⁻²	–	–
Non-hazardous Wastes					
Types	Units	Total Emissions	Intensity of Emissions (Units/No. of Employees)	Total Emissions	Intensity of Emissions (Units/No. of Employees)
Total Non-hazardous Wastes ¹²	Tonnes	8,392.00	2.04	4,941.00	1.20
Domestic Waste	Tonnes	5,682.78	1.38	–	–
Food Waste ⁹	Tonnes	2,700.00	6.56 x 10 ⁻¹	–	–
Paper ¹⁰	Tonnes	6.21	1.51 x 10 ⁻³	–	–
Sludge Generated from the Waste water Treatment Facilities ⁸	Tonnes	3.00	7.29 x 10 ⁻⁴	–	–
Recyclables					
Types	Units	Total Emissions	Intensity of Emissions (Units/No. of Employees)	Total Emissions	Intensity of Emissions (Units/No. of Employees)
Recyclables (include paper, wood, metal, aluminium, plastic and glass) ¹³	Tonnes	3,590.08	0.87	–	–
Waste water					
Types	Units	Total Emissions	Intensity of Emissions (Units/No. of Employees)	Total Emissions	Intensity of Emissions (Units/No. of Employees)
Total Waste water ¹⁴	Tonnes	1,275,025.00	309.92	1,624,718.00	404.96
Industrial Waste water	Tonnes	55,985.00	13.61	–	–
Domestic Sewage	Tonnes	1,219,040.00	296.32	–	–

⁸ The reporting scope includes the manufacturing plant from the automotive parts business.

⁹ The reporting scope includes the schools from the education operation business.

¹⁰ The reporting scope includes the schools from the education operation business and the offices from the financial services business.

¹¹ The reporting scope includes the offices from the financial services business.

¹² The reporting scope of non-hazardous wastes of the Group in 2017 included domestic waste from all business segments and the sludge from the waste water treatment facilities from the automotive parts business. In 2018, the Group expanded the reporting scope of the non-hazardous wastes to include food waste from the education operation business and paper from the education operation business and the financial services business.

¹³ The Group started to record the quantity of recyclables in 2018, the reporting scope includes cardboard box, wood, metal, aluminium, plastic and glass from the automotive parts business, and paper from all business segments.

¹⁴ The reporting scope includes the schools from the education operation business and the manufacturing plant from the automotive parts business. The discharge from the offices from financial services business is not included in the reporting scope as the sewage from office is discharged through the municipal pipelines and is controlled by third-party property management companies.

9. 2018 Environmental Data Performance (Continued)

		2018		2017	
Use of Resources					
Energy					
Types	Units	Usage	Intensity of Usage (Units/No. of Employees)	Usage	Intensity of Usage (Units/No. of Employees)
Electricity	MWh	41,090.03	9.99	44,267.00	11.00
Gasoline	Litres	126,864.82	30.84	485,531.00	121.00
Diesel ¹⁵	Litres	79,105.77	19.23	326,424.00	81.30
Natural Gas ¹⁶	m ³	618,314.00	150.30	–	–
Coal ¹⁶	Tonnes	3,518.16	0.86	5,662.00	1.40
Steam ⁸	Tonnes	21,886.00	5.32	–	–
Hot Water ⁸	Tonnes	7,900.00	1.92	–	–
Water					
Types	Units	Usage	Intensity of Usage (Units/No. of Employees)	Usage	Intensity of Usage (Units/No. of Employees)
Municipal Water	Tonnes	1,804,768.21	438.69	1,594,175.00	397.30
Waste water Reused ⁸	Tonnes	12,000.00	2.92	–	–
Paper					
Types	Units	Usage	Intensity of Usage (Units/No. of Employees)	Usage	Intensity of Usage (Units/No. of Employees)
Paper	Tonnes	81.88	0.02	157.30	0.04
Packaging Materials ¹⁷					
Types	Units	Usage	Intensity of Usage (Units/No. of Employees)	Usage	Intensity of Usage (Units/No. of Employees)
Paper	Tonnes	4,758.53	1.16	134.00	0.03
Metal	Tonnes	9,137.15	2.22	223.00	0.06
Plastic	Tonnes	483.54	0.12	1,000.00	0.25
Wood	Tonnes	6.13	1.49 x 10 ⁻³	–	–

¹⁵ In 2018, the Group replaced diesel-powered forklifts with electric forklifts, thus largely reduced the use of diesel.

¹⁶ The reporting scope includes the operation of boilers from the education operation business and the automotive parts business. The automotive parts business began to use natural gas as boilers' fuel instead of coal in 2018, thus significantly reduced the use of coal.

¹⁷ The reporting scope of packaging materials of the Group in 2017 included paper, metal and plastic from the automotive parts business. In 2018, the Group expanded the reporting scope of the types of packaging materials to include cardboard box, iron box and wooden box.

10. ESG Report Guide Content Index

General Disclosures and Key Performance Indicators (KPI)	Description	Relevant Section in the Report
Environmental		
Aspect A1: Emissions		
General Disclosure	(a) Policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste	7
KPI A1.1	The types of emissions and respective emissions data.	9
KPI A1.2	Greenhouse gas emissions in total (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	9
KPI A1.3	Total hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	9
KPI A1.4	Total non-hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	9
KPI A1.5	Description of measures to mitigate emissions and results achieved.	7.1
KPI A1.6	Description of how hazardous and non-hazardous wastes are handled, reduction initiatives and results achieved.	7.1
Aspect A2: Use of Resources		
General Disclosure	Policies on the efficient use of resources, including energy, water and other raw materials.	7.1 and 7.2
KPI A2.1	Direct and/or indirect energy consumption by type (e.g. electricity, gas or oil) in total (kWh in '000s) and intensity (e.g. per unit of production volume, per facility).	9
KPI A2.2	Water consumption in total and intensity (e.g. per unit of production volume, per facility).	9
KPI A2.3	Description of energy use efficiency initiatives and results achieved.	7.2
KPI A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency initiatives and results achieved.	7.2
KPI A2.5	Total packaging material used for finished products (in tonnes) and, if applicable, with reference to per unit produced.	9



10. ESG Report Guide Content Index (Continued)

General Disclosures and Key Performance Indicators (KPI)	Description	Relevant Section in the Report
Aspect A3: The Environment and Natural Resources		
General Disclosure	Policies on minimising the issuer's significant impact on the environment and natural resources	7
KPI A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	7
Social		
Aspect B1: Employment		
General Disclosure	(a) Policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare.	5.1 and 5.2
Aspect B2: Health and Safety		
General Disclosure	(a) Policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to providing a safe working environment and protecting employees from occupational hazards.	5.3
KPI B2.3	Description of occupational health and safety measures adopted, how they are implemented and monitored.	5.3
Aspect B3: Development and Training		
General Disclosure	Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities	5.4
Aspect B4: Labour Standards		
General Disclosure	(a) Policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child and forced labour	5.1
KPI B4.1	Description of measures to review employment practices to avoid child and forced labour.	5.1
KPI B4.2	Description of steps taken to eliminate such practices when discovered.	5.1
Aspect B5: Supply Chain Management		
General Disclosure	Policies on managing environmental and social risks of the supply chain.	6.2

10. ESG Report Guide Content Index (Continued)

General Disclosures and Key Performance Indicators (KPI)	Description	Relevant Section in the Report
Aspect B6: Product Responsibility		
General Disclosure	(a) Policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress.	6.1
KPI B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons.	6.1
KPI B6.2	Number of products and service related complaints received and how they are dealt with.	6.1
KPI B6.3	Description of practices relating to observing and protecting intellectual property rights.	6.1
KPI B6.4	Description of quality assurance process and recall procedures.	6.1
KPI B6.5	Description of consumer data protection and privacy policies, how they are implemented and monitored.	6.1
Aspect B7: Anti-Corruption		
General Disclosure	(a) Policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering.	3.2
KPI B7.1	Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the reporting period and the outcomes of the cases.	3.2
KPI B7.2	Description of preventive measures and whistle-blowing procedures, how they are implemented and monitored.	3.2
Aspect B8: Community Investment		
General Disclosure	Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests.	4.1 and 4.2
KPI B8.1	Focus areas of contribution (e.g. education, environmental concerns, labour needs, health, culture, sport).	4.1 and 4.2
KPI B8.2	Resources contributed (e.g. money or time) to the focus area.	4.1 and 4.2

11. Glossary

In this Report, unless the context otherwise requires, the following expressions shall have the meanings set out below:

“2018 Financial Year”	the financial year ended 31 December 2018
“Audit Committee”	the audit committee of the Company
“Australia”	the Commonwealth of Australia
“Board”	the board of Directors
“Chairman”	the chairman of the Board
“China” or “PRC”	the People’s Republic of China which for the purpose of this Report, shall exclude Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“Company” or “CFCG”	China First Capital Group Limited, a company incorporated in the Cayman Islands with limited liability, whose issued Shares are listed on the Main Board of the Stock Exchange with stock code of 1269
“Director(s)”	the director(s) of the Company
“ESG”	Environmental, social and governance
“ESG Reporting Guide”	the Environmental, Social and Governance Reporting Guide set out in Appendix 27 of the Rules Governing the Listing of Securities on the Stock Exchange
“ESG Working Group”	the ESG working group of the Group
“FC Fund”	First Capital Fund Management Company Limited* (首控基金管理有限公司), a company incorporated in the PRC with limited liability and an indirect wholly-owned subsidiary of the Company
“Fuqing Xishan”	the Fuqing Xishan School* (福清西山學校)
“GHG”	greenhouse gas
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollar, the lawful currency of Hong Kong
“Hong Kong” or “HK”	the Hong Kong Special Administrative Region of the PRC
“Jiangxi Xishan”	the Jiangxi Xishan School* (江西省西山學校)
“K-12 Education”	a collective term for primary education, namely education from kindergarten through twelfth grade, including kindergarten, elementary school, middle school and high school

“Korea”	the Republic of Korea
“Nanyang Cijan”	Nanyang Cijan Automobile Absorber Company Limited* (南陽漸減汽車減振器有限公司), a company incorporated in the PRC with limited liability and an indirect subsidiary of the Company
“Nomination Committee”	the nomination committee of the Company
“R&D”	Research and development
“Remuneration Committee”	the remuneration committee of the Company
“Report”	the 2018 environmental, social and governance report of the Company
“Risk Management Committee”	the risk management committee of the Company
“RMB”	Renminbi, the lawful currency of the PRC
“SFC”	the Securities and Futures Commission
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Shareholder(s)”	the holder(s) of the Share(s)
“Share(s)”	ordinary share(s) of HK\$0.02 each in the share capital of the Company
“Singapore”	the Republic of Singapore
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Strategy Committee”	the strategy committee of the Company
“United Kingdom” or “UK”	the United Kingdom of Great Britain and Northern Ireland
“United States” or “US”	the United States of America
“Xishan Schools”	collectively, Fuqing Xishan, Fuqing Xishan Vocational and Technical School* (福清西山職業技術學校), Jiangxi Xishan and Xishan Education Group* (西山教育集團)
“Yinghua School”	Jinan Shijiyinghua Experiment School* (濟南世紀英華實驗學校)
“%”	per cent

* For identification purpose only

Feedback Form

Thank you for reading the “2018 Environmental, Social and Governance Report” of the Company. In order to provide you and other stakeholders with more valuable information and improve the Group’s ability to implement the overall environmental, social and governance work, we sincerely welcome any opinions and suggestions you may offer on the report via:

Address: Units 4501-02 & 12-13, 45/F., The Center, 99 Queen’s Road Central, Hong Kong

Email: ir@cfcg.com.hk

1. Which of the following stakeholder types applies to you?

- | | | | |
|--------------|------------------------|---------------|--------------------|
| A Government | B Regulatory Authority | C Shareholder | D Customer |
| E Employee | F Supplier and Partner | G Community | H Public and Media |

2. Do you think this report has fully satisfied your expectations for the Group?

- A Yes B No. Which of your expectations do you think have not been reflected in this report?

3. Do you think the Group has met your expectations well?

- A Yes B No. Which of your expectations do you think have not been met well?

4. Do you think the arrangement of content and layout design of this report provide easy reading?

- A Excellent B Good C Fair D Poor

5. What other opinions and suggestions do you have on our environmental, social and governance efforts and this report?

Thanks again for your participation!



中國首控集團有限公司
China First Capital Group Limited