



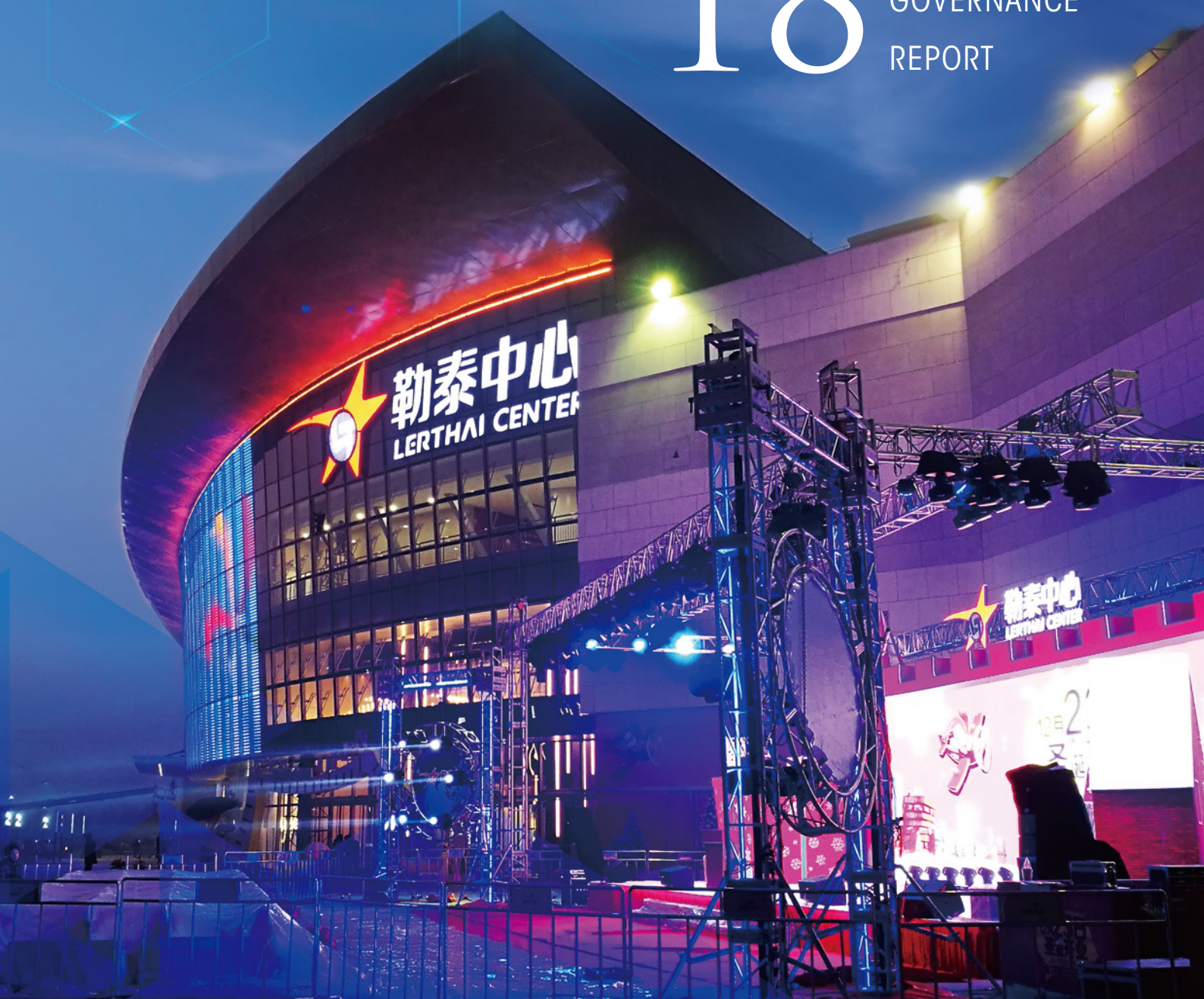
勒泰集團有限公司 LERTHAI GROUP LIMITED

| formerly known as LT Commercial Real Estate Limited | Stock Code : 112 |

| Incorporated in Hong Kong with limited liability |

2018

ENVIRONMENTAL
SOCIAL AND
GOVERNANCE
REPORT



Content

ABOUT THIS REPORT	2
ABOUT THE GROUP.....	3
Our Business	3
Goals and Mission	3
Awards and Honours	3
OUR APPROACH TO SUSTAINABLE DEVELOPMENT	4
Communication with Stakeholders	4
Materiality Analysis.....	4
STAFF-ORIENTED APPROACH	6
Equal and Compliant Employment.....	6
Facilitate Professional and Personal Development.....	7
Staff Activities	9
Maintain a Safe and Healthy Workplace	10
Honest and Legitimate Operation	12
GREEN DEVELOPMENT AND OPERATION	13
Green Project Management	13
Sustainable Operation and Management	13
Key Environmental Performance Indicators”	15
Supply Chain Management and Quality Control.....	16
Comprehensive Tenants and Customers Supporting Services.....	16
Publicity Compliance.....	17
Data Leakage Prevention and Protection.....	17
Return to the Community.....	18
Content Index on “ESG Reporting Guide” of Hong Kong Stock Exchange.....	20

ABOUT THIS REPORT

Lerthai Group Limited (the “Company” or “Lerthai Group”, and together with its subsidiaries, collectively referred to as the “Group” or “we” or “us”) is pleased to publish the 2018 Environmental Social and Governance (“ESG”) Report (this “Report”). As a leading property investment, management and development group in the People’s Republic of China (the “PRC”), the Group is principally engaged in investing, developing, owning and managing mixed use projects in the PRC.

Reporting Standards

This Report was prepared in compliance with the “Environmental, Social and Governance Reporting Guide” in accordance with Appendix 27 to the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited. The reporting period of this Report is from 1 January 2018 to 31 December 2018 (the “Reporting Period”). For corporate governance, please refer to the Corporate Governance Report in the Annual Report of the Group.

Reporting Scope

The Group completed the acquisition of the shopping mall of Tangshan Pelagic Mall and Shijiazhuang Lerthai Centre and reorganised the businesses of its subsidiaries during the Reporting Period. The Report for this year will focus on discussing the overall performance of key strategic investment projects of the Group in the environment and social aspects, that is those projects in Hebei Province, the PRC which accounts for a higher proportion of the entire business of the Group. Unless otherwise stated, it includes:

- Shijiazhuang Lerthai Centre;
- Tangshan Lerthai City;
- Tangshan Pelagic Mall;
- Handan Lerthai City; and
- Lerthai Jiayuan.

Confirmation and Approval

Reference made in this Report is sourced from official documents, statistical data, and the management and operation information of Lerthai Group collected according to our systems. The content of this Report has been reviewed and approved by the Board of Directors of the Company on 3 July 2019.

Your Opinion

We value the opinion of stakeholders and are pleased to receive comments and suggestions from stakeholders concerning this Report as well as our performance of sustainable development. Please contact us via e-mail at (info@lth.com.hk) or facsimile (852) 3102 9203.

ABOUT THE GROUP

Our Business

The Group mainly invests, develops, owns and manages mixed use projects and focuses on developing a robust and energetic city. Based on the corporate vision of “Being a Commercial Asset Operator Leading Urban Consumption and Continuously Creating Value for Investors”, we strive to develop an inter-provincial comprehensive commercial real estate project suitable for local commerce, culture and entertainment by leveraging the urban economy, culture and historic characteristics, which helps to achieve “One City, One Landscape, One Landmark”, and endeavor to create a better and more brilliant living for people.

Goals and Mission

1. Create new landmark for cities	We are committed to prosper the cities in the PRC, investing and constructing large-scale comprehensive urban projects in prime locations of cities with well-governed environment and rapid economic growth in the PRC, so as to build a new city center, improve regional functions in cities and facilitate urban balanced development.
2. Introduce new business opportunities into the society	The Group designs and constructs large-scale comprehensive commercial projects which target to become new landmarks of local commercial core districts and bring plenty of opportunities to local commercial development as well as endless economic viability.
3. Bring new living to people	The large-scale urban complexes that we invested and constructed integrate hotels, residences, shopping, offices, exhibition, leisure and food and beverages and entertainment, which introduce many global well-known brands into cities and enable urban residents to fully experience the exquisite life and cultures without boundary and add vibrancy into life.

Awards and Honours

Awards and Honours	Issued by
Ranking 50th among the Top 100 China Commercial Real Estate	Guandian Real Estate New Media
Phoenix New Media’s 2018 China Commercial Real Estate Industry Development Prize	Phoenix New Media, Ifeng News, and Ifeng Real Estate
2018 Excellent Enterprise Award of Tangshan Property Service Industry	The Trade Association of Tangshan Property Service
Integrity Unit of Commerce System	Commerce Bureau of Tangshan Municipality

OUR APPROACH TO SUSTAINABLE DEVELOPMENT

We always adhere to our development mission of “Joining Hands with World Commerce to Change Urban Life”. With our respect and understanding to urban culture and pulse and geographical conditions, we strive to build the most distinguished landmark buildings in city centers. Taking “One City, One Center” as the principle of city center upgrading plan and improvement of the environment, people’s livelihood and transformational development as the core, we create long-term values and make remarkable contributions to urban economic development under our management model of considering the environment, social and governance aspects.

Communication with Stakeholders

We firmly believe that obtaining opinions from stakeholders will bring long-term growth to the Group and lay a solid foundation for our success. In order to consolidate the relationship and communication with stakeholders, we provide various communication channels for stakeholders including clients, staffs, business partners, shareholders, suppliers, government and community where we operate in different segments, the channels of which include annual general meeting, forum, training, site visit, conference, intragroup networking and our website. They can express their opinions regarding our sustainable performance and future strategy so as to boost the Company’s sustainable business performance in the future.

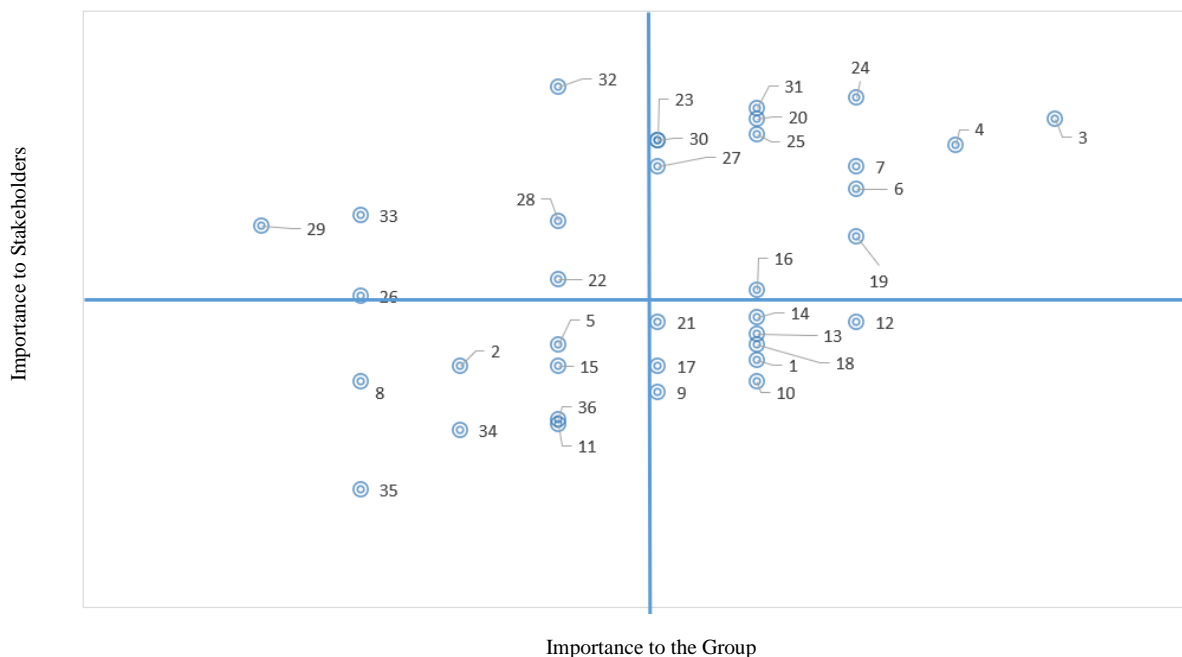
Materiality Analysis

During the period of preparing this Report, we understand the priority of issues that are concerned by stakeholders through conducting questionnaire survey, while at the same time further understand their assessment and expectation to our social responsibility performance in the past year.

After the management discussion and consulting advice from different parties, we have identified 36 ESG topics for this year’s materiality analysis. We analyse stakeholders’ opinions and prepare the materiality matrix to reflect the relative importance and impact of the issues to our stakeholders and our business.

The indexes located on the top right-hand corner indicate the ESG issues that are most concerned by the stakeholders with a total of 13 issues being identified as material. And the following 3 issues are the most concerned, including “Occupational Safety and Health”, “Training and Development” and “Customers’ Personal, Healthy Safety and Property Security”. The analytical results of materiality matrix will assist us to determine the framework of this Report, respond to stakeholders’ opinions, take proper measures and formulate applicable corresponding strategy.

Materiality Matrix



Scope of materiality considered

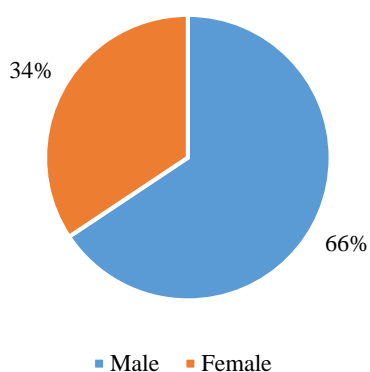
1	Diversity and Equal Opportunities (Age, Sex, Disability, etc.)	14	Use of Resources	26	Intellectual Property
2	Employee Turnover Rate	15	Assessment of Affecting Surrounding Environmental	27	Clients/Customers Privacy Protection
3	Occupational Safety and Health	16	Green Procurement	28	Selection of Operational Partners
4	Training and Development	17	Buildings’/Operation Efficiency and Control	29	Technology Research and Development
5	Prevention of Child and Forced Labour	18	Suppliers’ Assessment and Management	30	Customer Complaint Handling
6	Employment Relationship and Communication with Employees	19	Anti-fraud and Corruption	31	Customer Satisfaction
7	Employee Benefits/ Recreational Activities	20	Emergency Contingency Plan	32	Legal and Compliance Operation
8	Wastewater Discharge	21	Assessment of Supplier’s Environmental and Social Performance	33	Contribution to Community and Development Position
9	Greenhouse Gas Emissions			34	Participate in Voluntary Activities
10	Air Emissions	22	Anti-money Laundering		
11	Non-hazardous Waste Treatment	23	Product Safety	35	Charitable Giving
12	Hazardous Waste Treatment	24	Customers’ Personal, Healthy Safety and Property Security	36	Community Communion Activity
13	Energy and Water Conservation	25	Complaint Handling		

STAFF-ORIENTED APPROACH

High-quality talents are our valuable and inevitable intangible assets who are also the scope of materiality concerned by the stakeholders and management. Employees who concurred to our corporate culture and share the Group's goals and values are the core factors to achieve success and sustainability, and it is also our key issue to attract and retain excellent talents. We endeavor to create an equitable, tolerable and respectful working environment, enable every individual to pursue his dream and occupational goals and at the same time able to contribute oneself to the development of the Group and the community where one is located.

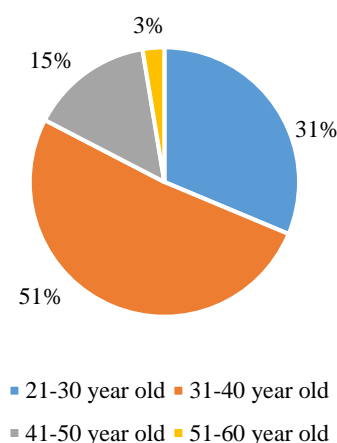
Equal and Compliant Employment

Employees by Gender

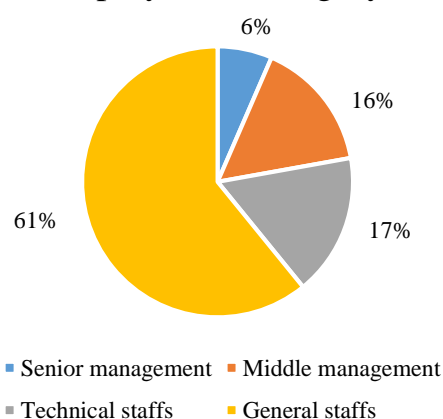


As an equitable employer, we comply with the principles of open recruitment, fair competition, selection of the best and internal recruitment goes first and then external recruitment. We also adhere to the concepts of fairness, openness and diversity and only consider candidates' capabilities, experience and qualifications rather than their age, gender, race, skin color, sexual inclination, religion, nationality, disability or marital status during employment, so as to assure them receiving equal treatment. We also strictly follow the Labour Law of the PRC (the "Labour Law") as well as its relevant laws and regulations, and formulate the Human Resource Management System to ensure relevant responsibility and authorities are fair and open in the course of employment to protect staff interests. As of 31 December 2018, the Group employed a total of 230 full-time staff¹.

Employees by Age Group



Employees by Employment Category



¹ The above data covers the total full-time staff of various projects within the Reporting Period. In addition, as of 31 December 2018, there were 267 employees in all subsidiaries and offices of the Group.

We have all along been committed to providing comprehensive welfare and protection to all staff and constantly check and upgrade our salary and welfare policy. We scrupulously abide the requirements of the Labour Law and Labour Contract Law of the PRC (“Labour Contract Law”) and arrange daily working hours for staff as well as providing staff social insurance and housing provident funds in accordance with relevant laws. Employee salary in general includes basic wages and job position bonuses, and also other different allowances and bonuses. We also offer free comprehensive physical examination to each employee on a yearly basis and provide customised healthy guidance for them. Other welfares include home leave, funeral leave, marriage leave, maternity leave, prenatal check-up leave, compensated leave and lactation period. The details of welfare are clearly set out in the Employee Manual to assure openness and transparent.

We strictly comply with the Labour Law and resolutely forbid child labour in our workplace. All our employees meet the age requirements stipulated by Labour Law. According to our internal Labour Relationship Management System, we ensure labour contracts that entered into with our staff are on an equal and voluntary basis, and has completely eradicated any force labour, and such contracts are drafted in compliance with the regulations of Labour Contract Law of the PRC. In the event of any infringement, we will terminate the illegal labour relationship immediately and investigate on such infringement and account relevant personnel for the responsibility.

To ensure carrying out the Group’s management system stringently and achieve regulated management, we formulate the Management System of Rewards and Penalties to boost operational efficiency and ensure the openness and fairness of relevant procedures. We also provide different kinds of rewards for employees who make remarkable contributions to the community, as well as to corporate brand image, corporate operation and development, so as to encourage employees to devote themselves whole-heartedly in their works.

If necessary, the Group and employees could discharge or terminate contracts according to relevant regulations set out in Labour Law and Labour Contract Law. The detailed procedures and progress are clearly set out in the Employee Manual in order to assure our employees to obtain fair treatment at any time.

Facilitate Professional and Personal Development

In addition to attractive salary and benefit in kinds as well as retain excellent talents, we pay great attention to employees’ personal and professional development. To enable our staff keep on improving, we formulated Performance Management Plan of the Group specifically and conduct constant assessment on staff performance, and the results will be used as reference for adjusting staff position, salary and promotion. We also strive to maintain the fairness of the promotion system and prohibit any form of discrimination, so as to practice our commitment of diversity and containment. Meanwhile, the Group provides employees different training opportunities and enhance their personal and the Group’s competitiveness. We also conduct Training Management System purposely to cultivate the learning culture and encourage employees to study further to enhance their professional skills, knowledge and qualifications. The Group provides different kinds of training, including:

Total training hours in 2018:
5,232 hours

Induction Training	<p>All new staff must participate in induction training, including professional building, corporate briefing, corporate culture, corporate management system, departmental functions and business learning, so as to enable our staff to get prepared. New staff are required to pass the final examination after completing the course training, and the results will be used as a key reference of becoming a full-time staff in future.</p> <p>Meanwhile, we also set up the “probation mentor system” for new staff. His/Her immediate superior serves as his/her mentor and enable them to learn the job area that needs to be improved through formal communication at least once a month, and new staff can also put forward their suggestion and advice.</p>
Internal on-the-job training	<p>To enable staff to be more qualified for the position and improve working performance, departments will arrange employees to take part in key training related to their job position according to the scheduled annual training plans based on the training requirements research.</p>
External specific training	<p>Except for internal training, we provide allowance for employees to participate in external special training, which cover course fees, transportation expenses and accommodation fees that meet the personal qualifications criteria of the Group, so as to improve the competitiveness and professionalism. For staff who have participated in external training, they need to share within the department of all that they have learned within two weeks after completing the training, so as to enable the department getting improved together.</p>

Average training hours
by gender:

Male : **21.16 hours**
Female: **25.73 hours**

Average training hours
by employee category:

Management : **15.01 hours**
Technical staffs : **12.99 hours**
General staffs : **28.29 hours**

Staff Activities

We deeply understand the importance between staff's work and life balance, and the close and good relationship among staff is also an important factor to establish harmonious working environment. Under the principle of "Alternation with Break and Entertainment", our employees are encouraged to participate in healthy and beneficial entertainment, cultural and sports activities, which will help them to improve their physical fitness, and enrich their own cultural lifestyle in their spare time and also develop a positive and healthy attitude.

Case Sharing - Staff Military Training



Under the principle of "Center on Human Being, Focus on Discipline", Shijiazhuang Lerthai Centre and Tangshan Pelagic Mall held a two-week staff military training respectively to strengthen employees' team work awareness and coordination among departments, and improve employees' individual image and their willpower, while at the same time, establish trust and closer relationship among employees, in which this will enable them to get prepared in facing the ever-changing market and competition.

Develop Activities Converge Staff, Build Corporate Culture

To enhance employee cohesiveness and enrich employees' sports and cultural life, the Handan Lerthai project and Tangshan Lerthai City organised the annual sports gala for employees under the theme of "Cohesion, Coordination and Struggle", respectively. Apart from the tug-of-war competition to test their strength and skills, there was also quiz game to challenge their tacit understanding and communication, which required participants to use their body language only to convey information to people in testing their abilities and skills, and all participants enjoyed the fun when it came to an end.



Cases Sharing - Lerthai Center “Talent Show”



We are not only providing fashionable shopping mall for local residents, but also hope to offer our employees a platform to show their abilities and exchanges. We held the 6th “Talent Show” activity on 22 November 2018 in Shijiazhuang Lerthai Centre, which boosted the communication and interaction among staff and enable them to enjoy rich past time life.

More Brilliant Activities...



Annual party activity



Sending gifts on Women's Day

Maintain a Safe and Healthy Workplace

It is the Group's paramount responsibility to provide staff a safe and healthy working environment. We offer different kinds of safety education and training to our staff regularly based on the commitment in Employee Manual, so as to enhance their warning awareness and master necessary safety knowledge and skills while working, and possess the ability of accident prevention and emergency treatment, thereby making working space much safer.

Meanwhile, we establish a series of internal security management system to respond to potential risks effectively and systemically in the course of daily operation, and the system also tabulates in details the preparation works and procedures that are needed in risk prevention and the issues and safety measures that need to pay attention to, so as to minimise risks exposures to operational staff and build a safe working environment.

安全风险辨识分级管控告知卡

部位名称	管道井	安全风险辨识分级名称	D	
编号	LTW7011	易发事故类型	阀门、管道跑水漏水	
		主要防范措施	<ol style="list-style-type: none"> 1. 定期检查, 保证阀门及管道完好, 不漏冒滴漏。 2. 保持井内干净卫生, 无杂物, 无易燃易爆品。 3. 保证井盖门关闭完好, 标识清晰无缺失, 严禁无关人员进入。 4. 保证保温层完好无损坏。 	

We also conduct regular risk assessment in every center to identify and upgrade potential risks effectively that are exposed to staff in the course of daily operation. Each responsible department will conduct rating after the analysis and comprehensive precautionary measures and warning notice will be presented in the form of “Notice Card of Safety Risk Identification Classification Control” which will be posted in relevant places as a notice.

To ensure all staff possessing the ability of handling emergency events in case of fire in malls, we require every center to hold comprehensive fire drills annually in accordance with Law of the PRC on Fire Prevention, and enable all staff and merchants to join the safety training. This will enable them to understand the safety knowledge and escaping arrangement in the Fire Emergency Treatment Scheme promulgated by the Group, and also let them know the locations and functions of fire extinguishers when responding to emergency conditions.



Fire and evacuation drill at Shijiazhuang Lerthai Centre in November



Fire and evacuation drill at Tangshan Pelagic Mall in November

The commercial security department of each property center evaluates the fire drills performance after its completion, identifies shortcomings and puts forward improvements and rectifications for following up, so as to improve matters in a systemic manner.

Apart from fire prevention programmes, the Group also formulates a series of accidents, disastrous accidents and emergency simulation cases, which cover anti-terrorist and riot, water and electricity failure, traffic accidents and food poisoning, so as to ensure the personal safety all staff and customers. We also require each center to conduct regular training and drills, make preparation and respond to emergency conditions. At the same time, we also set up a safety work review system, arrange personnel to review safety facilities in centers periodically and eradicate hidden safety hazards.

In the 2018 financial year, the Group experienced 2 occupational injury incidents which caused a loss of 83 working days. The department that involved has strengthened site inspection, provided individual protective devices and safety facilities as well as safety training as remedial measures.

During the Reporting Period, no significant safety incidents or fatal events due to work was recorded.

Honest and Legitimate Operation

Honesty and reliability are our core values, which are also the important factors of the Group to successfully create values to community. We strictly prohibit any corruption and bribery act in work and business. In the event that inter-departments of the Group receive and send gifts mutually, such expenses will not be reimbursed. We require all employees to conform to business ethics in works and strictly comply with appropriate national laws and regulations where our business is operating (inclusive of anti-corruption regulations), such as the Criminal Law of the PRC. Those who have violated the laws will be given disciplinary action after investigation according to the Management System of Rewards and Penalties (as the case may be), such as putting on records, pay cut or demotion, and those who made serious violations will be dismissed according to Labour Law.

To protect employees' interests in full and enhance internal supervision, we also set up channels for all staff to whistle blow suspicious act, misconduct and fraud, any violation of personal and corporate interest as well as improper or unfair and immoral treatment. According to our system, we will promptly and comprehensively investigate all cases and follow up accordingly according to the results, and at the same time, we will notify claimants, parties involved and the head of relevant department.

During the Reporting Period, no bribery, blackmail, fraudulent and money laundering and breaching behaviors which caused significant impact to the Group was identified.

GREEN DEVELOPMENT AND OPERATION

Green Project Management

Design for Sustainability Project

Site selection is where a project initially started. The development department and planning and design department of the Group will conduct a detailed and in-depth research feasibility study of site selection and project according to the Project Development and Management System promulgated by the Group. These departments will analyse the aspects in economics, culture, capital construction, environmental and local laws and regulations where they locate, so as to ensure all significant factors are under full consideration. Prior to project commencement, we will also engage qualified third parties to conduct project site inspection in accordance with environmental laws and regulations, such as the Environmental Protection Law of the PRC and Environmental Impact Assessment Law of the PRC. We will analyse the potential environmental pollution and ecological impact brought during construction, and evaluate the environmental impact brought by projects and work out actual measures suitable for site, and report to local environmental bureau for approval.

To effectively and comprehensively manage every development project to achieve our goals of “One City, One Landscape and One Landmark”, we classify the entire development project plan in detail into concept planning, plan design, preliminary design, production drawing, execution and operation, and we also list out the responsible departments and relevant scope at each stage in the “Project Management Responsibility Interface”, which clearly define the responsibilities of every department. Every decision and design should be finalised subject to the standards and procedures listed in the “Project Design Management System” stipulated by the Group and will be executed upon assessment and approval to ensure its legality and compliance. The system also clearly requires consideration and discussion in 6 major aspects including safety quality, planning control, project quality, design on project limit, floor area management and energy conservation and green construction when designing, so as to ensure the project to be the city landmark and the pride of urban residents and the Group.

We conduct regular site inspection and require contractors to rectify those aspects needed in time to ensure site security and legality and compliance. According to the terms of construction contract, contractors shall comply with the laws and regulations relevant to environmental protection and site security applicable to the PRC and local region, such as Measures on Reinforcing Dust Prevention in Construction Operation and Regulations of Pollutant Emission Reduction. The Group reserves the rights to terminate the cooperation with contractors who have infringed relevant laws and regulations. Subsequent to construction completion, we shall apply for government acceptance in respect of environment according to the procedures listed by local regulations, and only property development projects passing the relevant acceptance could be delivered to customers, so as to ensure customers’ interests and the Group’s reputations are protected.

Sustainable Operation and Management

It is our mission to improve and protect the environment where our community locates. The Group strives to put “Sustainability” into our daily operation from different aspects and perform our responsibility as a corporate resident and strengthen our corporate image. Environmental protection is our significant responsibility and mission and we will strive to promote both internally and externally in performing our duties. Internally, we strive to develop the awareness of energy conservation and consumption reducing and establish enterprise economical culture through conducting staff trainings and posting notices in offices. Externally, we formulate corresponding measures of emission and wastes reduction through identifying different emission sources and resources consumption parties in daily operation, so as to formulate relevant measures to reduce environmental impact where our project operates.

During the Reporting Period, we are not aware of any violation or reporting relevant to the environment that have significant impact on the Group. We also adopt several green operational management methods, including:

Exhaust Gas and Greenhouse Gas Emission Management

Our exhaust gas source is mainly come from automobile fuel utilisation, and greenhouse gas source is mainly derived from the utilisation of automobile fuel and electricity.

With the management principle of “Energy Conservation and Sustainable Development”, we formulated different energy conservation and emission reduction plans to achieve our energy saving and consumption reduction goals. Taking company car as an example, we strictly carry out company car management system and gas filling program of “One Car, One Card” to ensure proper utilisation of company cars and minimise emissions generated from vehicle fuels. Our staff must apply and obtain approval in advance before using company cars, and “One Car, One Card” also allows relevant departments to monitor the rate of utilisation of company cars and avoid abuses through comprehensive management, so as to reduce total fuel consumption volume. To reduce electricity in offices, we also advise staff to minimise unnecessary office appliance and non-official electricity usage, turn off the power with no usage for a long time or off duty, and also require staff to set temperature at 26°C or above. We should utilise resources properly and reduce wastes.

Smart Management System to Identify Opportunity, Green Mall Demonstration in Shijiazhuang Lerthai Center

As the leading shopping mall certified by Green Mall (SB/T11135-2015), Shijiazhuang Lerthai Center conducts monthly review and analysis of users’ usage by making full use of independent electricity meter and intelligent management system installed in each power consumption unit of the project. We also conduct monthly energy analysis to identify consumption trends and their changes, so that relevant departments can identify feasible solutions for energy conservation and consumption reduction more effectively to protect the environment.

In the Summer of 2018, after analysing the data of past few years, the commercial engineering department of the project launched the “Summer Central Air Conditioning System Operation Plan”, “Lighting Power Saving Plan” and “Elevator Power Saving Plan” to be implement next year. By taking protecting the environment as a responsibility and promote green shopping malls to conserve energy and reduce waste.

Waste Management

Our main non-hazardous wastes are domestic waste that produced from daily operations, office papers and household waste. We entrust qualified third parties to assist in collecting waste produced by different parties at the designated locations everyday. After centralised treatment, they will be delivered to our professional clearing and transportation agency daily. We also encourage our employees to make full use of the online office system. If they need to transmit general information, they should use the network system to communicate with all parties and reduce using papers. We also recommend employees to print on both sides in black and white to avoid color printing and save resources. We also posted a warning sign at apparent location of photocopier location to remind employees the importance of saving paper.

Water Management

To reduce unnecessary waste, we use an intelligent management system to monitor water usage, assess whether water consumption is within reasonable limits, and analyse monthly water use. If abnormal usage is found, we require staff of the relevant project to find out the cause immediately, such as faucet “Running, Overflowing, Dripping, Leaking”, and conduct corresponding repairs and improvements. All our projects used purchased water from water company, and there was no problem in obtaining applicable water source during the Reporting Period. We also strictly abide local drainage laws and regulations, including the Integrated Wastewater Discharge Standard (GB8978-1996) and Water Pollution Prevention and Control Regulations of Hebei Province, and through the domestic sewage discharge management system, we make sure tenants to discharge waste water in the designated sewage discharge point dumps that installed with filters, and offenders will be penalised according to the system. Relevant wastewater is centralised by the in-house wastewater treatment system and then discharged into the sewage treatment plant for unified treatment.

Key Environmental Performance Indicators ^{1,2,3}

Description	Unit	Amount in 2018
Greenhouse Gas (“GHG”) emissions		
Total GHG emissions	Tonnes of CO ₂ e	482.10
Direct emissions (Scope 1)	Tonnes of CO ₂ e	48.29
Indirect emissions (Scope 2)	Tonnes of CO ₂ e	433.95
Total GHG emissions density per square metre (Scope 1 & 2)	Tonnes of CO ₂ e	0.06
Air emissions		
Nitrogen Oxides (NOX)	Kg	11.75
Sulphur Oxides (SOX)	Kg	0.27
Particulate Matter (PM)	Kg	0.86
Non-hazardous waste		
Total non-hazardous waste produced	Tonnes	15.90
Total non-hazardous waste density produced per square metre	Tonnes	0.0021
Energy		
Total energy consumption	MWh	656.06
Purchased electricity	MWh	490.73
Petrol	MWh	165.33
Energy consumption produced per square metre	Kwh	0.09
Water usage		
Total water consumption	Cubic meter	6,859.55
Water consumption produced per square metre	Cubic meter	0.90

¹ Please refer to the key environmental performance indicator data of the “2017 Environmental Social and Governance Report” for comparison.

² The data during the Reporting Period, covered our (i) offices in Shijiazhuang Lerthai Center, (ii) offices in Tangshan Lerthai City, (iii) offices in Tangshan Pelagic Mall and (iv) offices in Handan.

³ Since the reporting scope of this year does not involve packaging material and hazardous wastes, hence relevant disclosure are not applicable.

Supply Chain Management and Quality Control

We will invite tenders to sub-contract part of the services related to our daily business to suppliers based on business needs and will also source supplies from suppliers according to operating and office needs. All tenders and procurement requirements are applied according to the procedures specified in the Purchasing Management System. The application shall be submitted initially by the department in need and passed to project cost department for execution after obtaining the approval of the responsible persons of each department. If the project involves construction or engineering, the engineering department of the Group and the project will be responsible for setting the requirements, standards, project management and acceptance of relevant safety, environment and quantity to ensure the quality of the project.

All tenders and procurement projects will be undertaken by project cost department and engineering department to formulate the tender terms. We will first assess suppliers' scale and capital qualifications, reputation, track records of similar project and quotation and other factors in supplier selection. During the selection process, we will evaluate suppliers and their tender documents in details according to the Group's standardised Supplier Evaluation Form to ensure fairness and equity of the process and the overall interests of the Group.

When signing a contract with a supplier, we require the supplier to sign the "Code of Business Conduct of Supplier", which covers the principles that suppliers need to pay attention to and adhere to during cooperation, such as integrity, anti-bribery and corruption, conflicts of interest, reporting obligations of the employees of both parties, so as to ensure suppliers are recognising and sharing the values of the Group, safeguarding our interests and reducing the risks of related cooperation. If the supplier is in breach of any clause of the provisions during the cooperation process, we reserve the right to terminate the relevant cooperation and recover the relevant losses from the supplier.

We attach great importance to the control of the effectiveness, quality and cost of each project. To ensure quality compliance, we will regularly check and audit according to the previously established indicator standards to ensure that suppliers will fulfill their obligations under the contract. To ensure the consistency of quality and service, we collect information on suppliers such as service quality and pricing and establish a database, which allows us to have more objective assessment regarding the qualifications of our suppliers and provide a substantive reference for future projects.

During the Reporting Period, the Group had more than 308 qualified suppliers, and all suppliers were all domestic companies in the PRC, which not only gave us more flexibility in our operations, but also reduced our Carbon Footprint in purchasing relevant items.

Comprehensive Tenants and Customers Supporting Services

For the long-term and effective management and improvement of various operation, we have established the Management System Manual of Lerthai Property Services Co., Limited to regulate our operation, set up service models and targets, which aim at improving service standards, and improving tenant and consumer satisfaction.

To ensure each tenant can also cooperate with the Group's operating principles and objectives, while fully protecting the legitimate interests of tenants and consumers, we have specially formulated the Lerthai Center Business Management Convention to regulate the admission, decoration and operation aspects, which ensures the operation of the mall is in line with the standards. We also pay great attention to the tenants' opinions and satisfaction. We conduct annual satisfaction surveys to understand the effectiveness of our work and strengthen tenants' communication and understanding where we can improve.

We have also set up customer-specific complaint hotline and formulated the Business Complaints Management Process for providing our employees a reference for the handling methods after receiving complaints. We require relevant departments to provide feedback to relevant complainants within 12 hours of receiving complaints to ensure that the questions are being answered. After providing feedback, we will provide training to relevant employees to avoid the same problem from happening again.

Publicity Compliance

All external publicity information of the Group is regulated by the “Regulatory Information Release (News Publicity) Management System”. With the principles of “Unified Coordination, Strict Discipline, Regulated Procedures, Respect for Facts, Correct Guidance, Careful Planning and Practical Results”, we ensure that all the content is strictly abided to the laws and regulations such as the Advertising Law of the PRC. We do not allow false publicity nor misleading consumers. All content needs to be published according to the procedures specified in the system and approved by the brand public relations department. The brand public relations department will also monitor and follow up the media’s relevant reports and the effectiveness of the promotion campaign to enhance the image of the “Lerthai Brand”. If violations are found, the relevant employees or departments will be penalised according to the “Management Measures for Rewards and Punishments”. We will update the revision system in accordance with the laws and regulations to ensure that the content and requirements are in line with national standards.

As the Group does not involve any manufacturing and selling of products, the laws and regulations relating to labelling do not apply to the Group.

Data Leakage Prevention and Protection

We are committed to protecting the personal data of our clients and through the formulation of the Information Management System to effectively manage the related matters. The system account authority and management for storing customer personal data and company information are arranged according to the principle of “Who is in Charge, Who is Responsible, and Who is Hosting, Who is Responsible” to restrict employee from accessing and ensuring that confidential information is strictly protected.

Return to the Community

In adhering to the corporate public welfare concept of “Creating Wealth and Benefiting Society”, the Group is always grateful and actively fulfill our corporate citizenship by organising different community charity activities and plans to repay the society according to the internal Brand Public Welfare Management System.



The Group established the “Lerthai Dream” public charitable brand. With “Dreams” as its brand vision, it organised a series of charitable activities to repay the community and focus on vulnerable groups. During the Reporting Period, the Group held 10 charitable activities covering poverty alleviation, caring for children with autism, helping the elderly, and protecting wildlife.

Concerned about hundreds of people in poverty in Pingshan of Hebei, Lerthai Dream Gives Poverty Alleviation and Warmth

Lerthai Dream has no fear for cold weather in Hebei and set off again. We joined hands with Shijiazhuang Traffic Management Bureau, Ping An Bank Co., Limited, Shijiazhuang Branch and Hebei Dahe Logistics Co., Limited and visited Zhanluya Village, Xiaojue Town, Pingshan County for poverty alleviation activities, bringing loving care materials and warmth to 100 poor villagers in this cold winter.



Since Zhanluya Village is located in the middle of the mountain with deep and complicated ravine as well as less infertile lands and simple housing environment. The village also lacks young labour. Many families can only maintain basic food and clothing. In order to better understand the needs of the villagers, the Lerthai Group and other caring companies visited and talked in different homes. We must strive to achieve the goal of “People’s Longing for a Better Life” and do practical things for the poor villagers and contribute to poverty alleviation.

Successful Ending of “Lerthai Love Public Running and Material Donation Activities”



We are committed to being part of the community and want to bring care to every corner of our community. During the Reporting Period, we collected donated materials amounted to approximately RMB20,000 and held the “Lerthai Charity Running and Materials Donation Activity” in the marketing center plaza of Handan Lerthai City, gathering a large number of charity runners who participated in charity running and personally delivered charity materials. The signature event started with the signing and posting of “Love Signature Wall” and the charity run.

After the ceremony and run, the people went to the Handan Welfare Institute to visit the disabled children with love-caring provisions. Participants donated the provisions, showed their care and blessings, and understood their situation with interaction, bringing warmth to every child in the Institute. The activities also ended in joy and happiness.



Cold Winter Not Impeding Charity Warmth, Tangshan Pelagic Mall Care about Autistic Children



We are committed to bringing warmth to different communities in need in society and breaking barriers in communication. During the Reporting Period, Tangshan Pelagic Mall visited the Children’s Autism Education School to have “Zero Distance” contact with autistic children to understand their life and learning situation. Participants also purposely sang songs on stage to share joy and care to everyone.

Content Index on “ESG Reporting Guide” of Hong Kong Stock Exchange

Subject Areas, Aspects, General Disclosure and Key Performance Indicators (“KPIs”)		Section/Statement	Page
A. Environmental			
Aspect A1 : Emissions			
General Disclosure	Information on: (a) the 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.	Sustainable Operation and Management	13
KPI A1.1	The types of emissions and respective emissions data.	Key Environmental Performance Indicators	15
KPI A1.2	Greenhouse gas emissions in total (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	Key Environmental Performance Indicators	15
KPI A1.3	Total hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	N/A	N/A
KPI A1.4	Total non-hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	Key Environmental Performance Indicators	15
KPI A1.5	Description of measures to mitigate emissions and results achieved.	Sustainable Operation and Management	13
KPI A1.6	Description of how hazardous and non-hazardous wastes are handled, reduction initiatives and results achieved.	Sustainable Operation and Management	13

Subject Areas, Aspects, General Disclosure and KPIs		Section/Statement	Page
Aspect A2 : Use of Resource			
General Disclosure	Policies on the efficient use of resources, including energy, water and other raw materials.	Sustainable Operation and Management	13
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).	Key Environmental Performance Indicators	15
KPI A2.2	Water consumption in total and intensity (e.g. per unit of production volume, per facility).	Key Environmental Performance Indicators	15
KPI A2.3	Description of energy use efficiency initiatives and results achieved.	Sustainable Operation and Management	13
KPI A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency initiatives and results achieved.	Sustainable Operation and Management	13
KPI A2.5	Total packaging material used for finished products (in tonnes) and, if applicable, with reference to per unit produced.	N/A	N/A
Aspect A3 : The Environment and Natural Resources			
General Disclosure	Policies on minimising the issuer's significant impact on the environment and natural resources.	Sustainable Operation and Management	13
KPI A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	Sustainable Operation and Management	13

Subject Areas, Aspects, General Disclosure and KPIs		Section/Statement	Page
B. Society			
Employment and Labour Practices			
Aspect B1 : Employment			
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer.	Equal and Compliant Employment	6
KPI B1.1	Total workforce by gender, employment type, age group and geographical region.	Equal and Compliant Employment	6
KPI B1.2	Employee turnover rate by gender, age group and geographical region.	Equal and Compliant Employment	6
Aspect B2 : Health and Safety			
General Disclosure	Information on: (a) the 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.	Maintain a Safe and Healthy Workplace	10
KPI B2.1	Number and rate of work-related fatalities.	Maintain a Safe and Healthy Workplace	10
KPI B2.2	Lost days due to work injury.	Maintain a Safe and Healthy Workplace	10
KPI B2.3	Description of occupational health and safety measures adopted, how they are implemented and monitored.	Maintain a Safe and Healthy Workplace	10

Subject Areas, Aspects, General Disclosure and KPIs		Section/Statement	Page
Aspect B3 : Development and Training			
General Disclosure	Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.	Facilitate Professional and Personal Development	7
KPI B3.1	The percentage of employees trained by gender and employee category (e.g. senior management, middle management).	Facilitate Professional and Personal Development	7
KPI B3.2	The average training hours completed per employee by gender and employee category.	Facilitate Professional and Personal Development	7
Aspect B4 : Labour Standards			
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer.	Equal and Compliant Employment	6
KPI B4.1	Description of measures to review employment practices to avoid child and forced labour.	Equal and Compliant Employment	6
KPI B4.2	Description of step taken to eliminate such practices when discovered.	Equal and Compliant Employment	6
Operation Practices			
Aspect B5 : SUPPLY CHAIN MANAGEMENT			
General Disclosure	Policies on managing environmental and social risks of the supply chain.	Supply Chain Management and Quality Control	16
KPI B5.1	Number of suppliers by geographical region.	Supply Chain Management and Quality Control	16
KPI B5.2	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, how they are implemented and monitored.	Supply Chain Management and Quality Control	16

Subject Areas, Aspects, General Disclosure and KPIs		Section/Statement	Page
B. Society			
Aspect B6 : Product Responsibility			
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer.	Comprehensive Tenants and Customers Supporting Services	16
KPI B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons.	N/A	N/A
KPI B6.2	Number of products and service-related complaints received and how they are dealt with.	N/A	N/A
KPI B6.3	Description of practices relating to observing and protecting intellectual property rights.	N/A	N/A
KPI B6.4	Description of quality assurance process and recall procedures.	N/A	N/A
KPI B6.5	Description of consumer data protection and privacy policies, how they are implemented and monitored.	Data Leakage Prevention and Protection	17
Aspect B7 : Anti-corruption			
General Disclosure	Information on (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer.	Honest and Legitimate Operation	12
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.	Honest and Legitimate Operation	12
KPI B7.2	Description of preventive measures and whistle-blowing procedures, how they are implemented and monitored.	Honest and Legitimate Operation	12

Subject Areas, Aspects, General Disclosure and KPIs		Section/Statement	Page
B. Society			
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.	Return to the Community	18
KPI B8.1	Focus areas of contribution (e.g. education, environmental concerns, labour needs, health, culture, sport).	No disclosure in 2018 financial year	N/A
KPI B8.2	Resources contributed (e.g. money or time) to the focus area.	Return to the Community	18