



# 大发地产集团有限公司

## DAFA PROPERTIES GROUP LIMITED

*(Incorporated in the Cayman Islands with limited liability)*

(於開曼群島註冊成立的有限公司)

Stock code 股份代號 : 6111



**2019** | Environmental, Social and  
Governance Report  
環境、社會及管治報告



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# ABOUT THIS REPORT

## Overview

This report is the second Environmental, Social and Governance Report (hereinafter referred to as “**ESG Report**” or “**this report**”) issued by DaFa Properties Group Limited (hereinafter referred to as “**DaFa Properties**” or the “**Company**”). It mainly discloses the information on the Company’s performance in the aspects of environmental, social and governance (“**ESG**”) during the period from 1 January 2019 to 31 December 2019 (the “**Reporting Period**”), which also includes information before 2019 or in the first quarter of 2020.

## Basis of Preparation

This report is prepared in accordance with the Appendix 27 – *Environmental, Social and Governance Reporting Guide to the Rules Governing the Listing of Securities* on The Stock Exchange of Hong Kong Limited (hereinafter referred to as “**Stock Exchange**”) and in reference with the consultation paper and conclusions on the *Review of the Environmental, Social and Governance Reporting Guide and Related Listing Rules* released in December 2019. The preparation of this report follows a set of procedures, including identifying and ranking major stakeholders and material ESG issues, defining the scope of ESG reporting, collecting relevant documents and data, preparing this report based on collected documents and data, and scrutinizing the data used in this report, so as to make sure that the contents of this report are complete, substantive, authentic and balanced.

## Reporting Boundary and Scope

Policies, statements, documents and data in this report cover both the Company and its subsidiaries (hereinafter referred to as the “**Group**” or “**we**”). Unless otherwise stated, the currency in this report is RMB.

## Data Source and Reliability Assurance

The primary sources of the data and cases in this report are the Group’s statistical reports and relevant documents. We undertake that this report does not contain any false records or misleading statements and we are responsible for the authenticity, accuracy and completeness of its contents.

## Confirmation and Approval

After confirmed by the management, this report was approved by the Board of Directors on 2 July 2020.

## Access and Response to This Report

This report is made in traditional Chinese and English for your reference. The electronic edition of this report can be assessed through the website of the Stock Exchange or the Group’s website.

We highly value the opinions of stakeholders and welcome your feedback through the following contact methods. Your comments will help us further improve this report and our ESG performance.

Email address: [ir@dafaland.com](mailto:ir@dafaland.com)

Postal address: Rooms 2805-06, 28th Floor, Bank of America Tower, 12 Harcourt Road, Central, Hong Kong



# CHAIRMAN'S STATEMENT

Since the founding of DaFa Properties twenty-four years ago, we have always taken on the responsibilities and mission of building better city life and raising living standards with a commitment to the original aspiration of “Improving Housing Quality” and the faith in “Changing People’s Life”. Under the fast-changing economic conditions in 2019, we maintained steady and sound operations and ensured high-quality development of the Group. We have never ceased our effort to create a better life by providing quality products and services, caring for our employees’ growth, growing together with our customers and partners, insisting on energy saving and emission reduction, and taking part in philanthropic activities.

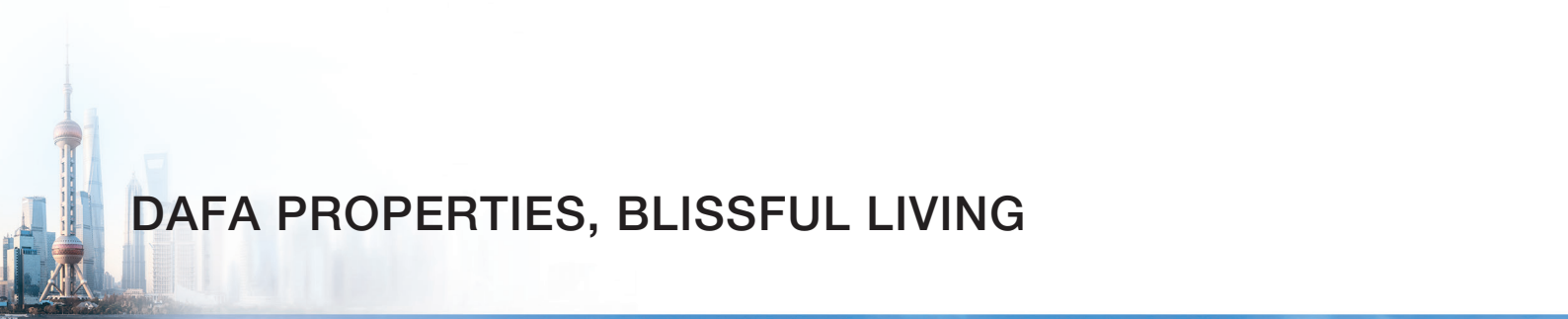
In the aspect of quality, we put the quality of our products and services in the first place and value the living habits and histories of different cities, striving to provide our customers with high-quality living experience and lead the urban lifestyle by upgrading our product system. Meanwhile, we have been proactively exploring and deploying frontier technologies to provide intelligent community experiences and continuously satisfy people’s needs for a better and high-quality life.

In the aspect of the ecological environment, we are dedicated to pursuing sustainable development, improving our capacity in environmental governance, and integrating green ideas and actions into project development and business operations. We strictly comply green building requirements and continuously pushing forward with green operations, we strive to strike a balance between strengthening our business capacity and protecting the ecological environment while creating a green, livable ecological environment and a better, healthy life.

In the aspect of win-win strategies, employees, customers and partners are at the core of our pursuit of sustainable development. We adhere to the concept of “training men of virtue and using men of ability” and foster the development of our employees and the Company. We are also dedicated to create a safe and harmonious working environment for our employees and partners, establishing close communication and cooperation mechanisms, and cultivating collaborative and win-win industrial ecology to move forward together.

In the aspect of responsibilities, motivated by responsibilities and rooted in our original aspirations, we have been carrying forward the spirit of philanthropy and determined to become a caring and responsible company with unswerving belief. By caring for children and conducting cultural education, charity events and other activities, we are constantly spreading “love” into the world and creating a happy life for more people. Since the coronavirus outbreak in 2020, we have set up a RMB10 million special anti-pandemic fund and immediately purchased and delivered scarce medical supplies to support pandemic protection and control in the front lines, practicing the words of “responsibleness brings credit” and passing on the love to the world and the public with actual deeds.

As a “situational real estate advocate”, DaFa Properties will continue to carry forward its brand concept of “Design for Life”, seek for the harmonious development of the Company with the society, humankind and nature, and join hands with all parties to create a better life.

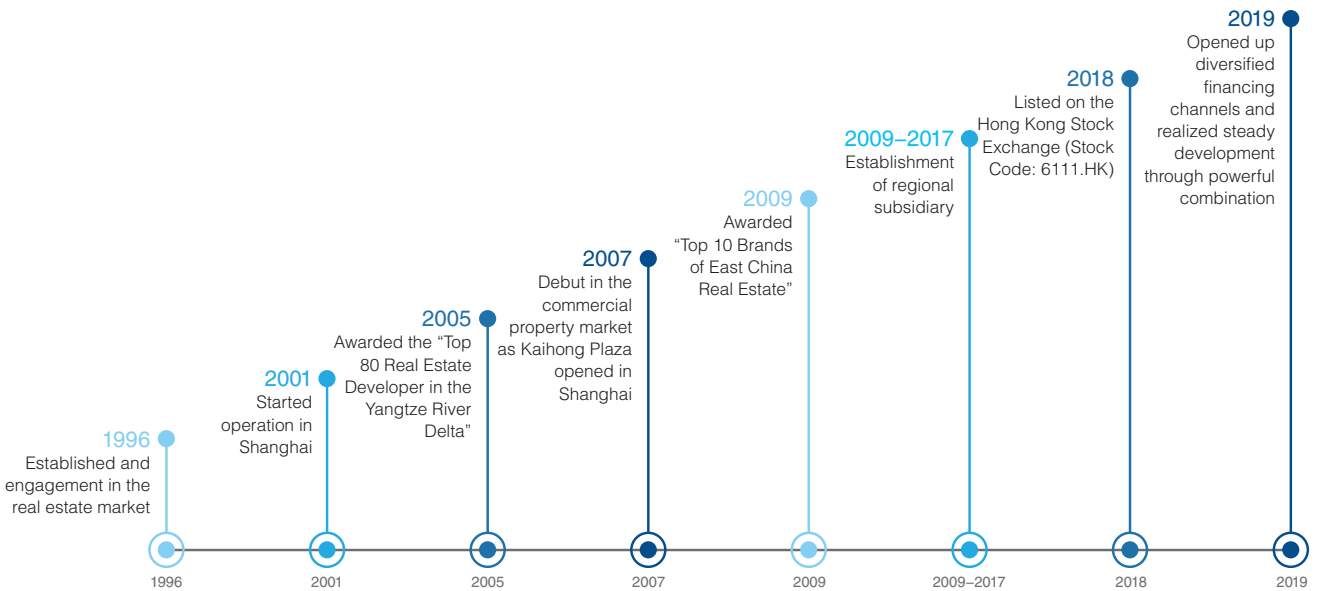


# DAFA PROPERTIES, BLISSFUL LIVING

## About Us

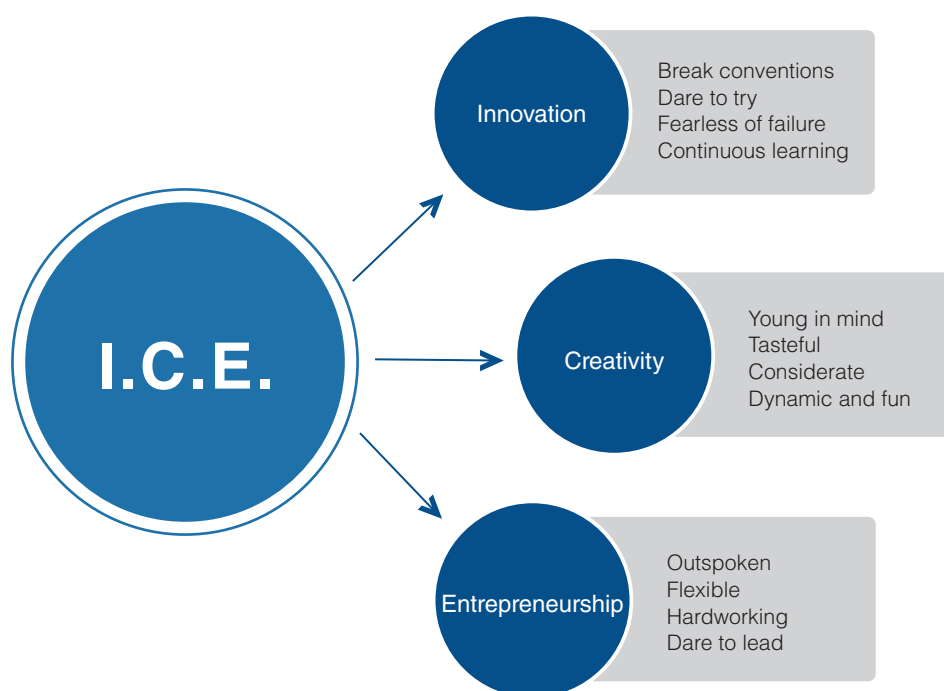
The Group, as a blissful living service provider, always adheres to the brand concept of “Design for Life” and implements the “1+5+X” layout system under the strategic guidance of intensively penetrating the areas of the Yangtze River Delta while extending its presence in the five major urban clusters of Chengyu, Central China, Western China, Bohai Rim and Guangdong-Hong Kong-Macao Greater Bay Area and steadily promote country-wide operation. We focus on the development and sales of residential properties with activities covering the development and sales of properties as well as commercial property investment and management. By combining residential properties and commercial properties, we aim to establish a multidimensional blissful living system for all ages that serve a myriad of homes and lead a brand-new urban lifestyle.

## Development History



## Corporate Culture

Carrying the ideals of creating life and improving living quality, the Group has formed the corporate culture with the trinity of “Innovation”, “Creativity” and “Entrepreneurship” (I.C.E.) at the core during its development process. Such corporate culture was forged from the quintessence of our founders, the intuition sharpened in our development process, and our judgment and cognition for the future.



## Social Recognition

During the Reporting Period, the Group was widely recognized by the market, media and investment professionals in terms of brand management, concept innovation, contribution to the society and others. In the future, we will move forward steadily with these honors and create greater value for our investors, shareholders and the society.



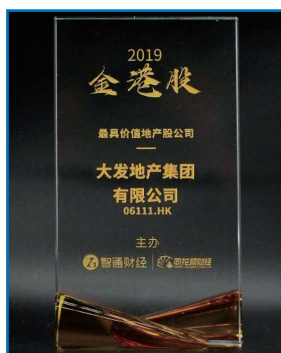
**2019 China Top 100  
Overall Strength of  
Real Estate Listed Companies**



**2019 China Top 5  
Growth Real Estate  
Listed Companies**



**2019 China Top 10  
Corporation Management of  
Listed Real Estate Enterprises**



**“2019 Most Valuable  
Real Estate Stocks Company” of  
the Golden Hong Kong Stocks**



**“Award of Excellence” of  
The Community Chest of  
Hong Kong**



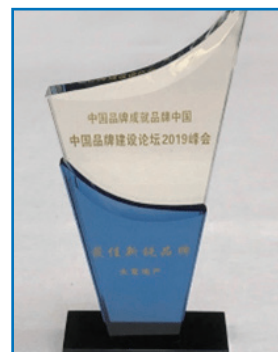
**“2019 China Operational  
Capacity Award for  
Listed Real Estate Enterprises” of  
Gelonghui Real Estate  
Investment Summit**



**“2019 Enterprise with the Most  
Growth Potential of China  
Business Journal” of the Summit  
on China’s Urban Management  
and Development**



**“2019 Annual Influential Brand of  
China Real Estate  
Fashion Awards” of  
Boao Real Estate Forum**



**“Best Innovative Brand” of  
the 2019 Summit of  
China Brand Building Forum**

## Corporate Governance

The Group is committed to establishing a sound, complete and transparent corporate governance environment. We have been perfecting the Company's governance framework and improving its corporate value and management transparency in accordance with the *Company Law of the People's Republic of China* and the *Securities Law of the People's Republic of China*, and also the *Corporate Governance Code* contained in Appendix 14 to the *Rules Governing the Listing of Securities on the Stock Exchange* (the "**Listing Rules**").

Consisting of seven directors, namely four Executive Directors and three Independent Non-Executive Directors, the Board of Directors decides, governs and supervises the Company's operations. Under the Board of Directors, there are Audit Committee, Remuneration Committee and Nomination Committee, which are responsible for overall governance, supervision and regular inspection of the Company to ensure rigorous and efficient decision making. Besides, we have taken the following steps and measures to strengthen our corporate governance and improve the effectiveness of our internal control system:



Internal Control Policies	Internal Control Center	Legal Advisers and Regular Training
<ul style="list-style-type: none"> <li>Adopted internal control policies (covering corporate governance, risk management, business operations, legal affairs, finance and auditing) to continuously improve our internal control system.</li> <li>Established channels for employees to report potential non-conformity risks.</li> <li>During the Reporting Period, we revised the Legal System Management Methods and established a systematic legal system to prevent and defuse legal risks in business and safeguard the Company's lawful rights and interests.</li> </ul>	<ul style="list-style-type: none"> <li>Established an Executive Directors-led Internal Control Center.</li> <li>The Center is responsible for assessing and monitoring the implementation of our internal control policies and reporting any violations to the management.</li> </ul>	<ul style="list-style-type: none"> <li>Engaged eligible legal advisers to furnish advice on our compliance supervision and inform our directors, senior management and employees of the latest updates on laws and regulations that are applicable to our operations through annual training seminars.</li> <li>Offered training that is necessary for precautionary and self-inspection measures to proactively identify any potential non-compliance issues and ensure compliance with all applicable laws and regulations.</li> <li>During the Reporting Period, we revised the Management Methods for External Lawyers to enhance the unified management of the works of external lawyers.</li> </ul>

## Anti-corruption Management

The Group strictly complies with the *Audit Law of the People's Republic of China*, the *Regulations for the Implementation of the Audit Law of the People's Republic of China*, the *National Auditing Standards of the People's Republic of China*, *Law of the People's Republic of China on Anti-money Laundering*, *Criminal Law of the People's Republic of China* and other laws and regulations on anti-corruption, prevention of extortion, fraud and money laundering. We have prepared normative documents such as the *Guide to Internal Auditing*, the *Integrity Inspection System*, the *Employee Code of Integrity and Self-Discipline*, the *Opinions on Disciplining Employees for Violating Corporate Rules*, the *Reporting System*, the *Operating Guide to Off-Office Auditing Management* and the *Off-Office Auditing System* within the Group to constantly regulate the Group's anti-corruption management and further prevent bribery, extortion, fraud, money laundering, and other corrupt practices. Besides, we have set up an integrity inspection body in the Group's audit center and we conduct integrity inspections across the Group in accordance with the procedures of ex-ante prevention, in-process investigation and ex-post solution to ensure the sound development of the Group.



Always upholding the value and concept of trust and integrity, we take integrity as an important component of our corporate culture. We encourage our employees to seek for more gains and achieve their fulfillment through better job performance in a compliant way.

During the Reporting Period, we became a council member of the Enterprise Anti-Fraud Alliance and member of Trust and Integrity Enterprise Alliance, striving to build up the strength of anti-fraud professionals and the capacity of information sharing between different industries. We proactively took part in the activities of the alliances and communicated with our peers, and were highly recognized by the alliances in terms of our corporate credibility and integrity system construction, ascending to a council member from an ordinary member.

On the other hand, we further defined the reporting procedures and handling methods concerning integrity as per the *Reporting System*, opened multiple complaints, supervision and reporting channels including online reporting, QR code reporting, email reporting, hotline reporting and letter reporting, and also designated special personnel to take charge, classify the received information, and summarise the information on a regular basis and give feedback correspondingly. By doing so, we strive to create the core corporate culture of integrity, credibility, transparency and trust.

In addition, special teams for anti-bribery, corruption and anti-fraud in the Group's audit center adopt a zero-tolerance policy and get to the bottom of any frauds, bribery and corruption, continuously exerting positive social influence. It's an established rule of the Group that the auditors shall not disclose the personal information of the informer, including his or her name, address, place of work and other matters during the process of investigation and evidence collection so as to make sure that the informer will not be treated unfairly because of their actions. During the Reporting Period, no bribery and corruption cases occurred within the Group.

Channels for reporting bribery or corruption:

Hotline        021-23100219  
E-mail        jubao@dafaland.com  
Website       http://www.dafaland.com



## ESG Management

Adhering to the business philosophy of “Integrity, Innovation and Pursuing Excellence”, the Group is dedicated to improving the quality of the living environment, serving the society and upgrading life for the better.

## ESG Concept

Committed to improving the quality of urban life and creating social value, the Group always hopes to provide its customers who pursue the quality of living with situational experience and innovative products through excellent operations while making constant efforts to create an ideal living environment and a desirable life for every resident.

### Excellent Operation

- High potential land reserves
- High quality development turnover
- Systematic lean management
- Upgraded product development

### Situational Experience

- Emotional connection between people
- Create situational life scenes
- Enhance people's sense of happiness

### Technology Empowerment

- Enable “Intelligent Housekeeper”
- Use Big Data to provide intelligent services
- 531 service Standards and “5+1” Operating System
- Technology improves property management

### Blissful Living Experience

- Persist in product standardization
- Create situational living experience
- Combination of Chinese beautiful elements
- Create blissful living products

## ESG Governance Structure

In order to constantly carry out the ESG concept and improve the ESG management level, we have established a three-tier governance structure<sup>1</sup> during the Reporting Period consisting of the Board of Directors, ESG Working Committee and ESG Working Group to fully step up the ESG implementation and improvement. In the future, we will continue to more deeply involve the Board of Directors in the ESG risk assessment and management process so as to make the ESG management more scientific and more systematic.



<sup>1</sup> The ESG governance structure of the Group will be effective in the fiscal year after 2020.

## Communication with Stakeholders

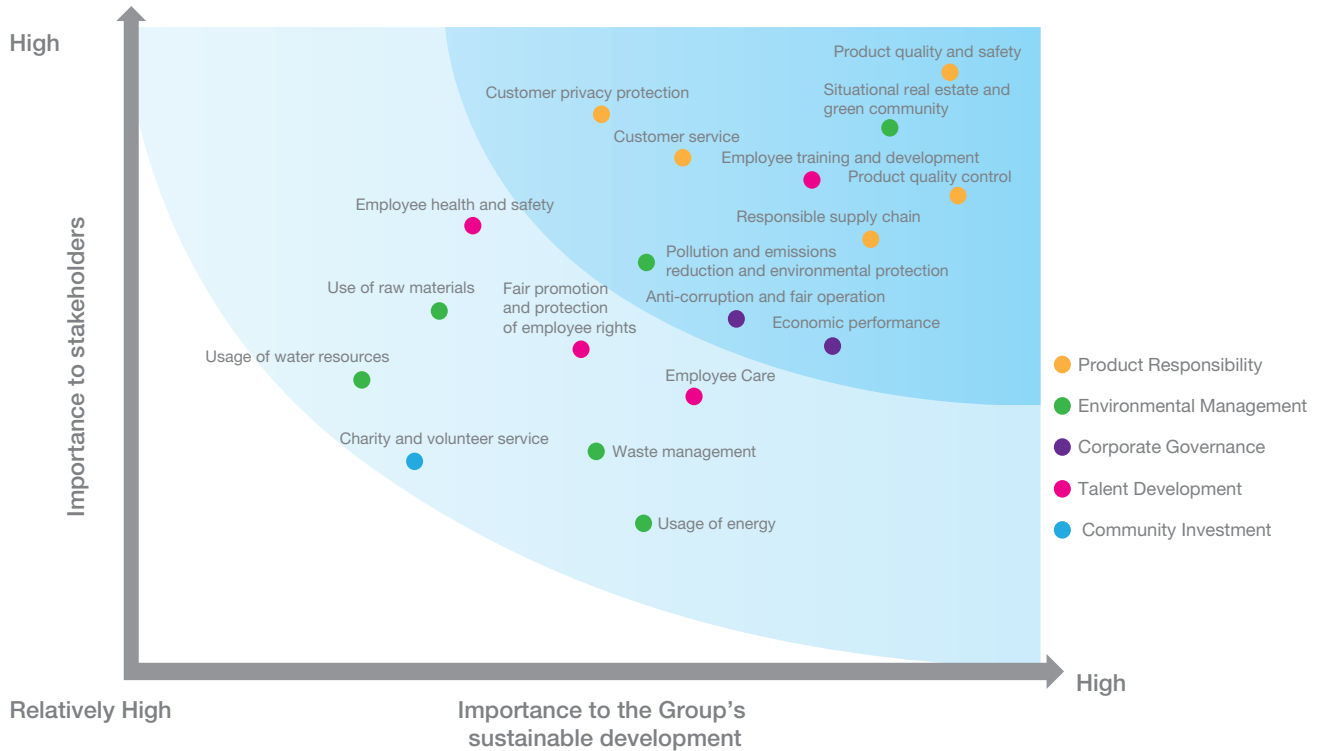
The Group always believes that the coordination between the business interests and the demands of stakeholders is crucial to its sustainable development and management. The stakeholders we have identified include customers/proprietors, contractors, government organizations, shareholders/investors, employees, suppliers, and the communities. We have established an interactive and normalized communication mechanism between the Group and our stakeholders in order to understand their requests and expectations, respond in a timely and effective manner, and strive for the maximum shared value between the Group and our stakeholders.

We insist on building a diversified communication mechanism, communicate with our stakeholders proactively and extensively through multiple channels, and work with all parties to deliver sustained economic, social and environmental value. The following table lists the issues of concern of different stakeholders during the Reporting Period.

Stakeholders	Issues of Concerns	Way of Communication/Response
<b>Customer/Proprietor</b>	Product quality and safety Customer services Customer privacy protection	Customer/market research Sales communication Notifications before delivery Construction site Open Day Post-delivery housing maintenance Customer satisfaction survey “DaFaTong” App
<b>Contractor</b>	Product quality and safety Environmental impact of construction	Routine communications on design modification, construction, etc.
<b>Government Organization</b>	Operational compliance Pollution and emissions reduction and environmental protection Employment opportunities and local economy	Meetings and discussions Establishment of rules and exchanges on implementation
<b>Shareholder/Investor</b>	Operational compliance Economic performance	Shareholders meeting Results announcement Roadshow
<b>Employee</b>	Employee training and development Fair promotion and protection of rights and interests	Chairman's mailbox WeChat official platform and chatting groups “Fasheng” platform “Complaints Pool” system
<b>Supplier</b>	Anti-corruption and fair operations Supply chain management	Transparent procurement Qualification review Supplier training and annual commendation conference WeChat tendering and procurement platforms
<b>Community</b>	Employment opportunities and local economy Environmental impact of contraction	Charity events Activities to promote community development

## Material Issues

During the Reporting Period, we had conducted six field interviews with stakeholders, received the opinions and expectations of different groups of stakeholders in terms of the Group's ESG performance, considered the influence of each issue on the Group's sustainable development and stakeholders, and adjusted and renewed the materiality matrix of ESG issues of the previous year, all of which have come down to the following results during this Reporting Period:



2019 ESG Materiality Matrix of the Group



No.	Category	Issues	No.	Category	Issues
1	Product Responsibility	<b>Product quality and safety</b>	10	Environmental Management	Usage of raw materials
2		<b>Product quality control</b>	11		<b>Pollution and emissions reduction and environmental protection</b>
3		<b>Customer service</b>	12	Corporate Governance	<b>Economic performance</b>
4		<b>Customer privacy protection</b>	13		<b>Anti-corruption and fair operation</b>
5		<b>Responsible supply chain</b>	14	Talent Development	Employee health and safety
6	Environmental Management	<b>Situational real estate and green community</b>	15		<b>Employee training and development</b>
7		Usage of energy	16		Fair promotion and protection of employee rights
8		Usage of water resources	17	Community Investment	Employee care
9		Waste management	18		Charity and volunteer service

Note: Issues in bold in the table are highly important issues.

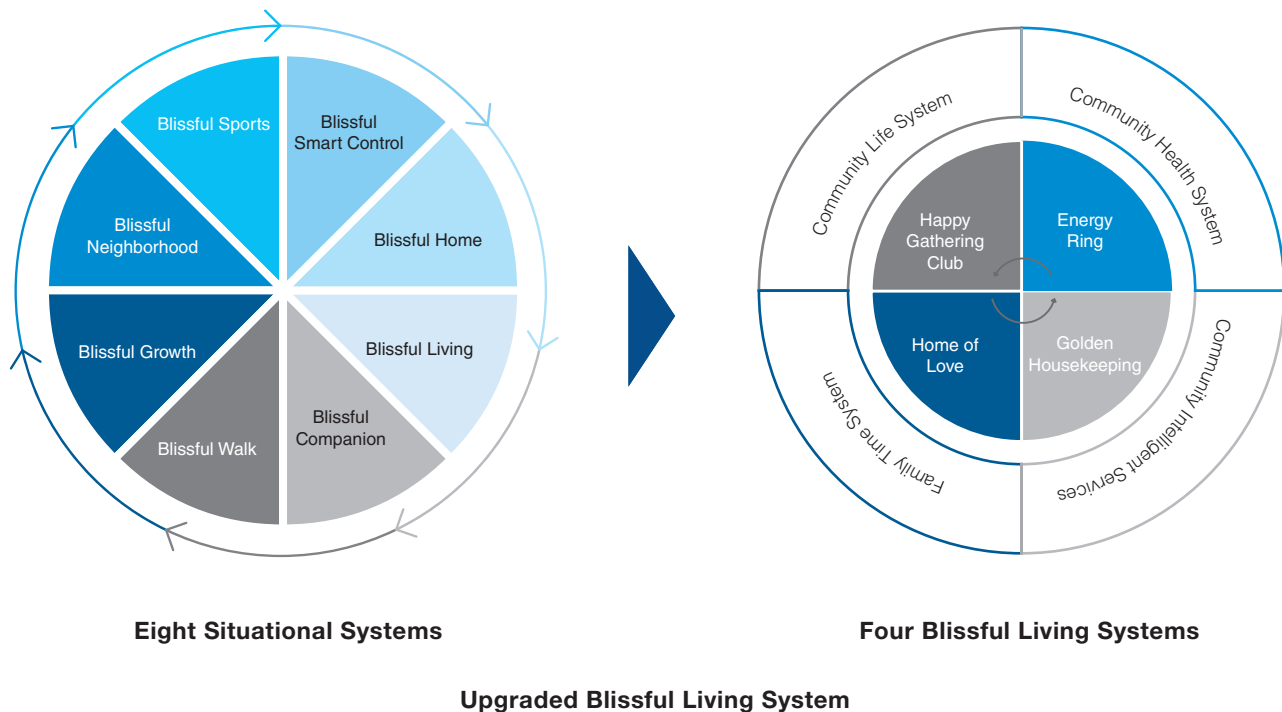
# BLISSFUL QUALITY, BETTER LIFE

Being a blissful living service provider with the brand positioning of “Design for Life”, the Group has been dedicated to upgrading its “Blissful” products. Through product R&D and quality and safety assurance, it offers quality products to its customers. Coupled with a well-established customer service system and the operation philosophy of “Integrity, Innovation and Pursuing Excellence”, the Group is fulfilling its promises with sincerity and leading the blissful living with perseverance.

## Product Research & Development

Guided by the brand proposition of “Creating for Extraordinary”, carrying forward the brand concept of “Design for Life” and empowered by the strategic positioning of a “Blissful Living Service Provider”, the Group continuously creates value and extraordinary experience for our customers in 2019. During the Reporting Period, we prepared and revised eleven new parts of the Group’s design management system such as the *Guide Book for the Standardized Control of Project Whole-Process Architectural Design*, the *Design and Management of General Layout Plans for Maximum Profit*, and the *Design Management Operation Guidelines* to develop our products with focuses on the details and provide cost-effective products to our customers that seek for high living quality.

“Blissful” carries the elements of a beautiful life in Chinese people’s hearts and the ultimate ideal for residential communities. In 2019, the Group made more efforts to enhance product appeal especially by focusing on the development of product Intellectual Property (IP) and upgrade of typical projects while paying more attention to creating a community-based living environment, firmly believes that a community combining space and services will become the core of a product. During the Reporting Period, we upgraded the eight Situational Systems into four Blissful Living Systems as we reorganized the previous building elevation, house type, interior design and landscaping according to the situational sections that can be perceived by clients. We further established the group’s value proposition with the 24 Blissful Living Community at the core to keep up with customer experience and offer better Blissful living experience.



## BLISSFUL QUALITY, BETTER LIFE

The Group has never ceased to pursue the ultimate ideal of living. During the Reporting Period, two of our projects, ‘Zhoushan Bliss Xinjie Residence’ and ‘Wenzhou Kaize Jinyuan’ were granted the 5th China Real Estate & Design Award.

### **The Group’s two projects won Real Estate & Design Award**

Aligning the style of low-key and calm restraint, ‘Zhoushan Bliss Xinjie Residence’ embeds the traditional culture into its plain yet proper lines and creates a dignified and elegant sense of order through a layout that’s arranged in close formation. Meanwhile, in terms of space design, we have rearranged the relation between space, light and air since a well-designed basement entails well-structured lighting and storey height to brighten up the underground area.



The design of the ‘Wenzhou Kaize Jinyuan’ originated from the idea of luxury hotel aesthetics in modern cities. Drawing creative inspirations from the Superyacht 166 Xhibitionist by Gray Design of Sweden, its external facade combines streamlined, glazed windows and horizontal arc lines to strengthen the overall visual image of the high-rise building.



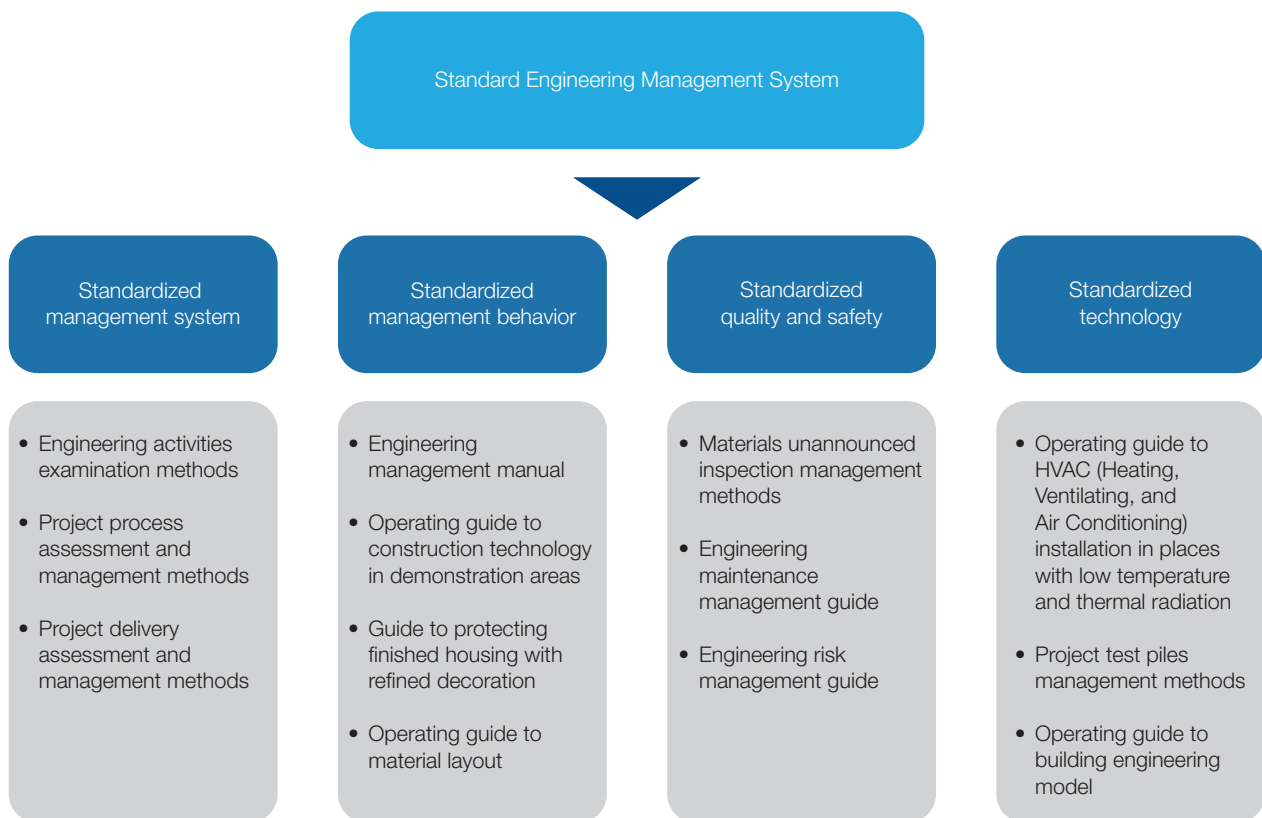
### **Intellectual Property Protection**

While constantly releasing innovative products, the Group also highly values brand images and the protection of intellectual property rights, and it resorts to legal means to protect its intellectual properties in strict compliance with the *Intellectual Property Right Laws of The People’s Republic of China*. During the Reporting Period, the Group had 18 existing trademarks and completed applying for the “FaFa Baby” trademark. Meanwhile, the Group neither was accused of intellectual property violation by any third party nor infringed on any intellectual property rights of any third party.

## Quality and Safety

In 2019, by constantly optimizing and improving the engineering management system of full-cycle project development, the Group established a standard engineering management system covering standardized management system, standardized management behavior, standardized quality and safety, and standardized technology to further promote project quality and guarantee project safety.

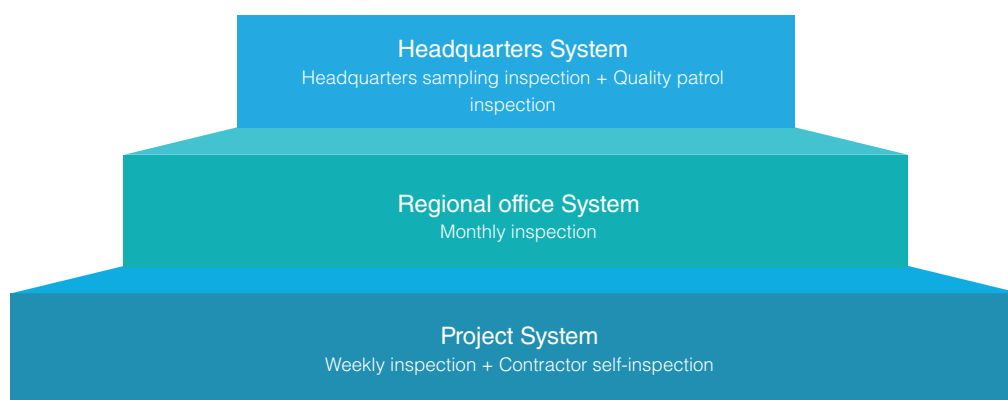
During the Reporting Period, based on the previous quality management policies of the Group, we established new product quality and safety systems that included inspection of materials provided by suppliers, technical guidance for specific constructions and project risk management, and we updated construction period standard, project delivery standard, process evaluation and other project management systems.



**Standard Engineering Management System**

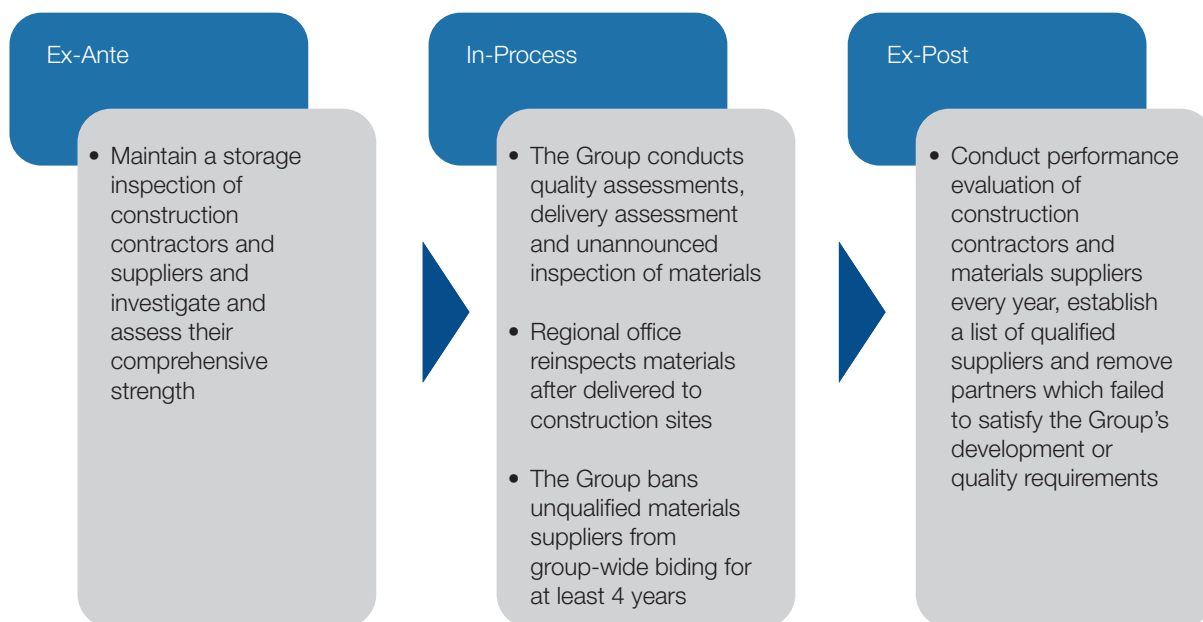
## Quality Control

The quality control standards set by the local government have drawn the line for the Group and we have set higher standards in order to achieve internal quality control. In 2019, the Group's quality and safety management system continued in deploying the Headquarters-Regional office-Project three-level management structure and Headquarters-Third Party-Regional office-Project-Construction supervisor five-level inspection, a multi-tiered and multisystem management approach to guarantee the quality of project products. In particular, the three-level system and duties at each level are as follows:



### Three-level System and Five-level Inspection

The Group holds dearly the quality of its products and is dedicated to creating superior and comfortable living space. We conduct quality management and control throughout every section of project development. In order to ensure that the quality of the construction materials we use meet the requirements, we control the quality with construction contractors and material suppliers through ex-ante steps, in-process steps and ex-post steps:

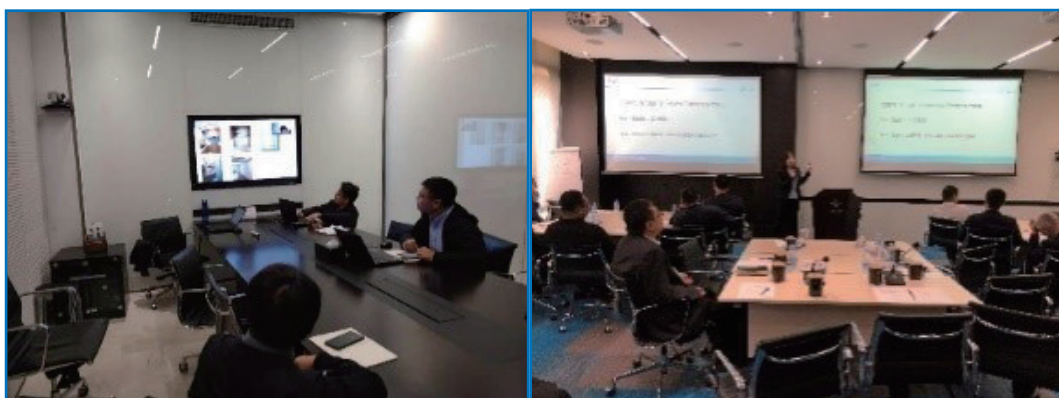


### Suppliers' Quality Control Measures

Apart from a thorough system of quality supervision and management as well as quality management of suppliers, we proactively conducted training on project quality control for employees of the Group, striving to make it a reality that every employee work under the concept of high-quality products in daily work. Meanwhile, we linked product quality to personal honors and performance with rewards and punishments based on specific individual duties and regional functions. By doing so, the Group raised the passing score of project delivery standards by 5 points on the previous basis during the Reporting Period to improve the quality of delivered products.

During the Reporting Period, the Group carried out quality training in four aspects below:

- After five rounds of quality patrol across the Group, we organized sum-up meetings and training on project quality and safety, covering highlights of each project and room for improvement as well as following-up improvement measures;
- We set up the “DaFa Engineering College”, held six sessions of Group-wide internal training, exchange and appraisal on the publicity and implementation of all quality and safety systems, requirements for standardized quality and safety and requirements for technical operations;
- We invited external experts to have conducted four sessions of external training on retraining after system optimization and outstanding practice presentation, quality control training on the door and window installation, special training on structure, special training on aluminum mold and creeping formwork;
- The regional companies held a total of 40 sessions of training and exchanges. Through the training of all engineering personnel, we enhanced the quality awareness and safety awareness of engineering personnel and the overall project quality and safety.



**Internal quality training**



Safety Management

Project Safety Management

During the Reporting Period, the Group conducted all-round project safety management through Group safety patrol inspection and unannounced inspection, monthly inspection within regional office and project safety self-inspection from time to time. For any safety problems identified during project inspection, we required timely rectification in a closed-loop manner to secure a virtuous circle of safety management. During the Reporting Period, no safety accidents or occupational injury fatalities occurred in the Group.

Headquarters Level	Regional office Level	Project Level
<ul style="list-style-type: none"><li>Conducted five rounds of safety patrol inspection of each project in 2019</li><li>Conducted unannounced safety inspection 19 times</li></ul>	<ul style="list-style-type: none"><li>Conducted 11 rounds of monthly safety inspection of each project, requiring timely rectification of identified safety loopholes and re-inspection by the Regional office</li><li>Regional monthly inspection results are linked to the group's monthly assessment</li></ul>	<ul style="list-style-type: none"><li>Weekly inspection was conducted at the project level and weekly self-inspection was conducted by construction companies, maintaining closed-loop filing of documents for future reference</li><li>Published and disclosed project risk sources daily</li><li>Rectified defects in a closed-loop manner within three days with relevant files kept by all the three parties</li></ul>

Safety Management Measures for Residential Projects

In order to guarantee the safe operation of shopping malls, the Group continued existing internal safety management systems, including the *Shopping Mall Management System*, the *Merchant Safety Management System*, the *Warehouse Safety Management System*, the *Workplace Safety Management System*, the *Construction Management System*, the *Hot Work Management System*, the *Working at Height Management System*. We also formed safety production leading groups and emergency organizations to conduct systematic management of safe operations.

In addition, in the Group's shopping malls, a full-year fire safety work plan and a full-year training and fire drill plan would be drawn up at the beginning of the year, and safety inspection would be conducted on daily, monthly and quarterly bases respectively to ensure that fire fighting equipment is well-equipped and free from failures or hazards. During the Reporting Period, we laid more emphasis on strengthening the fire safety management in kitchens and scheduled chimney cleaning cycle for each restaurant so as to reduce safety loopholes.

During the Reporting Period, the Group has organized over 160 sessions of fire safety training for the employees and the commercial tenants quarterly; over 3 sessions of emergency response team drills every month in order to enhance employee's ability in coping with accidents and emergencies; and 2 sessions of large-scale firefighting and evacuation drills for employees every year which involved more than 600 people.



**Fire safety drill for everyone in shopping malls**



**Fire safety drill for tenants and employees**

**Fire safety inspection in the kitchen**

### Supplier Safety Management

Real estate development works of the Group are the responsibility of contractors, therefore, well-managed suppliers play an indispensable role in the Group's business growth. In terms of selecting partners, the Group considers whether they boast a complete safety system as a key factor. After selecting the partners, we continue to practice strict control to ensure efficient operation management and to reduce the safety risks of our projects and improve quality management. When signing contracts with suppliers, we require that they should have an established safety management system and supporting work procedures. All parties and material suppliers participating in construction should conduct safety disclosure before they enter the construction sites. At construction sites, we require the construction company to set up safety teams and designate special personnel to take charge of safety matters. Besides, we require that project management personnel should inspect material suppliers when they enter the construction site so as to reduce material-caused safety hazards in a later stage.

#### Specify Safety Management Measures in Contract

Establish specific safety management systems, build safety management structures, arrange qualified personnel for safety management, lay down safety management measures for large machinery, identify major sources of safety hazards regularly and regular safety education.

#### Set up Safety Teams in Construction Company

Conduct pre-job safety disclosure and organize daily safety training for contracted labor teams, regularly conduct safety inspections and fire drills, and assign safety responsibilities in each building and to specific person.

#### Inspect Materials of Suppliers Upon Entrance to Site

The project conducts inspection and acceptance of materials, the regional offices re-check the materials through established platforms while the headquarters conducts unannounced inspection of the materials so as to eliminate hidden safety hazards in later stages.



Fire drill at the construction site



Project safety management meeting

### Employee Occupational Safety and Health

The Group pays great attention to the safety and health of its employees. Apart from providing medical insurance coverage to its employees, the Group has also formulated many work safety codes to enhance construction safety management. Faced with the COVID-19 pandemic in 2020, the Group immediately took various measures to safeguard the safety and health of every employee to the full extent.

In addition to a number of emergency response plans such as the *Requirements for Pandemic Prevention and Control in Different Areas*, the *Staff Canteen Operation Program During the Pandemic* and the *Corporate Anti-Pandemic Work Checklist* specifying the norms and requirements for anti-pandemic works, the Group also made anti-pandemic guides video and posters to urge every staff to take precautions.



Posters for battling COVID-19

Meanwhile, the headquarters and regional companies have purchased sufficient masks, infrared thermometers, disinfectants, spray hand sanitizers, effervescent tablets, 75% alcohol, and other protective materials. In the office, public areas and sales spots, internal staff were designated for frequent disinfection and gatherings including meetings were banned. With every entrance and every exit in the working place under monitor and control, all DaFa staff and visitors were required to wear masks and undergo examination procedures including temperature measurement.



**Dedicated Services**  
**Residential Services**  
**Product Services**

With the rapid development of social media, participative marketing in the real estate industry has been empowered by the internet to serve customers with more offerings. In 2019, the Group released a participative marketing app – “DaFaTong”, which offers a closed-loop customer experience where users can share house resources, attract potential homebuyers, and get home buyer rebates. In contrast with other participative marketing apps that always highlight unilateral hard sell, “DaFaTong” creates a completely new acquaintance-based model that avoids all-pervasive advertising on WeChat Moments and chatting groups. Taking advantage of the customers’ social network, this app extends its presence through friendly sharing and reputation. In the future, “DaFaTong” will add fun games and interactive sections between WeChat friends to make the process of sharing more interesting and develop an attractive, well-managed and secured ecological chain of marketing service.

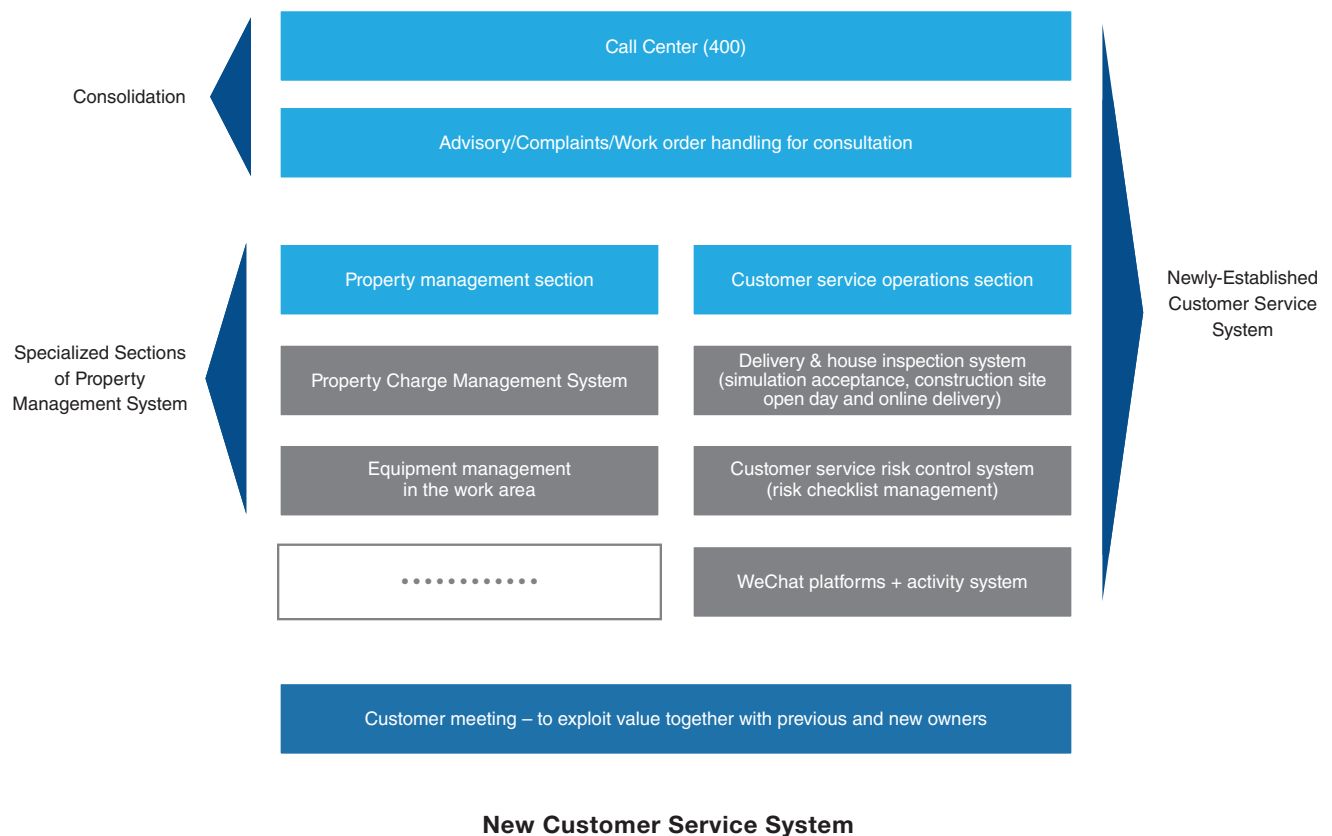
Meanwhile, the Group has proactively used Internet technology to develop smart communities for its customers. We established a septuple security system of “community entrance + community outdoor areas + basement + apartment lobby + electronic lock + indoor areas”, which brings into being a multidimensional and all-embracing security mechanism to safeguard the owners’ personal and property safety from outdoor to indoor and create a safe and secure living environment.



**Customer Security System Empowered by Intelligent Internet Technology**

## Customer Services

In order to improve customer services, the Group initiated the establishment of a new customer service system in 2019. We collected customer requests through WeChat, hotline 400, visit and email while realized incoming call management, outgoing call management, management of affairs reporting calls, complaints management, customer satisfaction management and other functions through mobile APP + PC web. Meanwhile, we integrated the sections of property management and customer service operations, gradually completed the related sections of customer services and offered our customers better services based on completed and unified information.



In the process of establishing the new customer service system, apart from setting up a special hotline and assigning reception personnel (Regional Customer Service Departments), we also set up a complaint hotline at Group level on our official website. The Customer Service Departments of the Group monitor and track major complaints, engage a third party to arrange callbacks regarding complaints handling, and survey customer satisfaction after settling the complaints.

In order to truly assess our on-site customer service level, the Group engaged mystery customers from third-party survey companies to conduct site surveys. After the consumers or potential consumers who had received specialized training or guidance experienced and appraised the whole service process on the sales spots, the actual on-site customer service level was faithfully assessed based on objective feedback of the consumers' consumption experience. According to the surveys and assessments in the second quarter of 2019, the overall score of the Group was 84. In the light of the survey results, we conducted targeted training on related staff and laid down the code of conduct for answering incoming calls and receiving visitors, which resulted in the improvement of our sales and service capability. In the fourth quarter of 2019, we won 87.67 scores in mystery customer surveys, an increase of 4.4% compared with that in the second quarter.

Apart from those conventional measures, each of our projects also organized various innovative customer activities based on their specific circumstances, increasingly stepped up supporting customer services and improved customer satisfaction in many aspects.

#### **Construction Site Open Day**



#### **Construction Site Open Day of Dafa Yi Jing Cheng Phase IV**

During the Reporting Period, the first section of the second lot of Dafa Yi Jing Cheng Phase IV in Anqing was delivered on June 30, 2019. We held the Construction Site Open Day from May 22 to May 26, 2019 when we received 225 groups of customers, accounting for 30% of the potential homeowners. During the Open Day, 125 items of customer concerns and delivery issues after purchasing a home were recorded to prevent early hint given by the customers from worsening into complaints. The collective delivery rate (meaning that housing is handed over to buyers after the whole project is completed) reached 92%, with a smooth delivery rate (meaning that housing is smoothly handed over to buyers) was 100%; the delivery service satisfaction improved by 10% compared with that of same house type in 2018.

### Customer Satisfaction

During the Reporting Period, we used a node-based approach to conduct customer satisfaction surveys. The results show that the Group's overall score increased by 12% compared with that in 2018. In order to further improve customer satisfaction, we set service satisfaction goals targeting customers in different stages, stepped up services after signing contract and enhanced the service quality after delivery, and boosted customer experience in an all-round way.

In 2019, the improvement of our customers' overall satisfaction was attributed to the enhancement of our sales service (targeting prospective homeowners) and property management service. During the Reporting Period, the Group's marketing department improved customer experience through furnishing delivery notice to prospective homeowners, extending birthday blessings and other standard relationship maintenance actions; the marketing department also carried out standard customer service actions including monthly progress notifications and reminder messages on holidays and special weather. In the second half of 2019, our prospective owner satisfaction increased by 28% compared with the first half year.

### Commercial Services

#### Commercial tenants Services

In 2019, we have refurbished the Shanghai IST Mall. During the refurbishment, the shops of some long-cooperated commercial tenants remained under normal operations. In order to minimize the impacts on them, we have thoroughly communicated on different issues. After learning about their peak business hours and business status, we appropriately adjusted our management and supportive policies subject to the schedule of construction.

#### Management and supportive policies for long-cooperated commercial tenants during construction

- Strictly complied with the construction time specified by the government, namely 08:00–18:00, Monday to Friday, controlled noise, unpleasant smells and dust pollution, and took correspondent protective measures to reduce the impacts on the tenants;
- Provided free guidance, advertising space support and public account release during the construction period of operating merchants;
- Purchased protective kits and materials for each tenant;
- Offered free cleaning service to the tenants in business twice a week;
- Showed the display platforms of long-cooperated merchants for free in the opening ceremony to promote communication and collaboration between previous and new tenants.

Regarding the entry of new tenants after refurbishment, we conducted coordination and management during the whole process. In the early stage, we furnished them with the engineering materials as required by the site, assisted in space measuring and answered their questions concerning engineering, operation, business planning and administration and other aspects. We also resolved the problems that occurred during construction upon entry through coordination and ensured smooth progress of the construction. After new tenants' entry into the mall, we organized training for new recruits of the tenants focusing on the requirements for operation management and publicizing the mall management standards. Meanwhile, we also offered extra paid services out of the scope of property management services such as thorough cleaning, equipment repair, receiving and sending packages, and supply of green plants.



**Shanghai IST Mall**

**Nanjing IST Mall**

### ***Consumer Services***

In 2019, Nanjing IST Mall never ceases to create highlights of its own and provide a variety of shopping center experiences for its consumers through competitive differentiation. During the process of selecting brands, we always prefer the most popular and novelty brands among customers to provide them with fresh experiences. Our high-story store space targets local innovative brands, tailored to satisfy the various shopping needs of consumers and support the development of local brands.

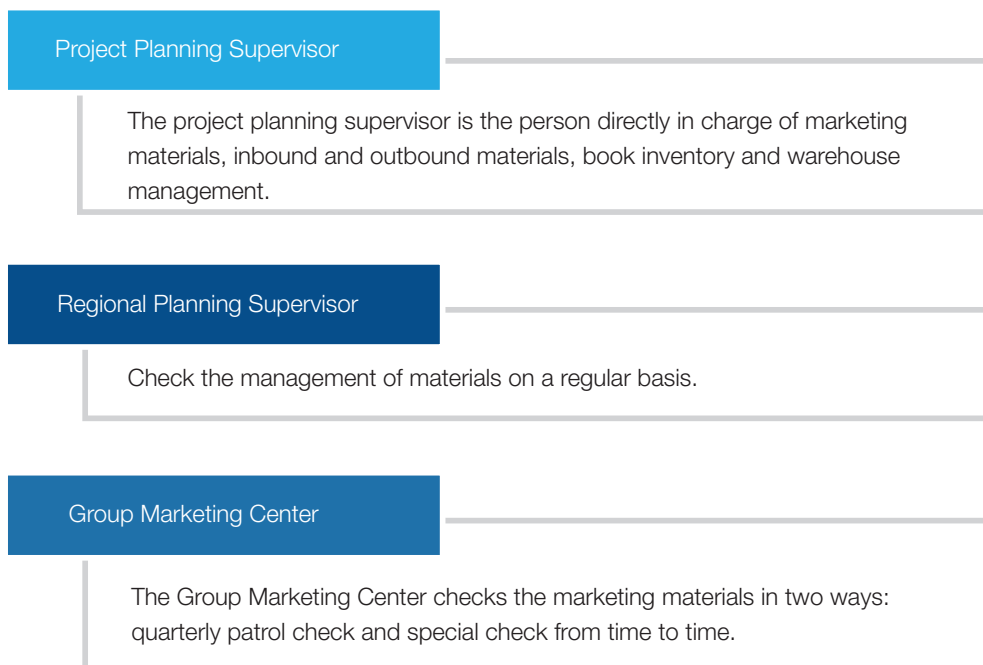
Nanjing IST Mall applied intelligent Internet technology to improve its consumer services. Starting from the details, it enhanced the services in every aspect of shopping mall. During the Reporting Period, Nanjing IST Mall deployed an intelligent robotic system between Block A and Block B, which streamlined the guides to store brands, project profiles and promotions and events in the mall and further enhanced the interaction with customers. Besides, Nanjing IST Mall also upgraded its customer points system from offline manual credit accumulation to online automatic point accumulation, and it also allowed conversion of customer points into parking coupons to create a convenient and efficient shopping experience. In 2019, the customer services of Nanjing IST Mall brought another 15,587 new members.

During the Reporting Period, Nanjing IST Mall received 14 complaints, 100% of which were properly settled. In particular, the tenant satisfaction of Nanjing IST Mall was 100% and its customer satisfaction was 97%.

## Publicity & Compliance

### Marketing Compliance

The Group conducts marketing and advertising in strict compliance with the *Advertisement Law of the People's Republic of China*, the *Property Law of the People's Republic of China*, the *Law of the People's Republic of China on Protection of Consumer Rights and Interests*, and other applicable policies and laws and regulations. We examine and ensure compliance in publicity throughout the process of purchase, use and advertising of materials. Among that, regional approval and Group approval are applied to the purchase of marketing materials according to current powers and responsibilities. The Group requires that purchasing should be based on the principle of “monthly purchasing plan prior to purchasing items”, and the use and management of marketing materials should be conducted in a three-level management manner as per the *DaFa Properties Archived Marketing Materials Management System*.



### Use and Management of Marketing Materials

In addition, the Group Marketing Center requires that all employees of regional marketing divisions and persons in charge of project marketing divisions, corporate planning, sales and sales channel development should sign the *Marketing Employee Commitment to Integrity*, and all new recruits should also sign the *Marketing Employee Commitment to Integrity* on the day of induction. Meanwhile, in order to ensure compliance marketing within the Group, the Group Marketing Center conducts patrol inspection of projects on sale (definite inspection of projects with sluggish sales and sampling inspection of projects with to-be-closed sales) in every quarter. During the Reporting Period, patrol inspection was conducted 30 times and 4 times of special inspection.

### Compliance Training

The Group organizes marketing compliance training on internal major marketing policies for front line sales employees on a regular basis and in the forms of training and exam to enhance the employees' compliance awareness.

#### Training

- Within 3 days after the announcement of a new corporate policy, the Group Marketing Center organizes policy training for regional marketing divisions, heads of project marketing divisions and other personnel in business divisions involved in the policy. 20 sessions of such training were organized during the Reporting Period.
- Special training is organized from time to time for key corporate policies such as the *Instruction Book on Marketing Supplier and Purchasing Management*, the *Guide to Appointment of and Remuneration for Intermediary Agencies* and the *Management System for Earnest Money Depositing, Pre-Sale Purchasing & Contract Signing*.
- New recruits are engaged in training on internal systems at the request of regional companies.

#### Exam

- From January to August 2019, the Group improved the employees' compliance awareness by way of "every training session is followed by an exam" in terms of compliance training.
- Since September 2019, the Group Marketing Center has started to organize a "monthly marketing exam", which covers all marketing systems and involves regional marketing supervisors and heads of each business division.
- Persons who failed in the monthly exam and need to take a make-up exam would be regrouped into the "camp of the failed" for retraining and re-examination by DaFa Properties so as to ensure that all employees truly master the Group's internal compliance systems and their compliance awareness are strengthened.

### Customer Information

Strictly abiding by the *Law of the People's Republic of China on Protection of Consumer Rights and Interests* and in order to safeguard customer information to the utmost extent, all our office facilities are installed with backstage monitoring software to define the responsibilities and requests of each position. During the Reporting Period, no leakage of customer information occurred in the Group.

# BLISSFUL ECOLOGY, GREEN DEVELOPMENT

Deeply aware of the environmental responsibilities of a corporate citizen, the Group proactively acted upon the nation's call for "building a beautiful China" and dedicated itself to the mission of "pursuing environment-friendly development". It spares no efforts to improve its environmental management system, optimize its performance appraisal of environmental management and develop itself into a "resource-efficient" and "eco-friendly" company, striving to enable the harmonious coexistence of man, architecture and nature.

## Green Management

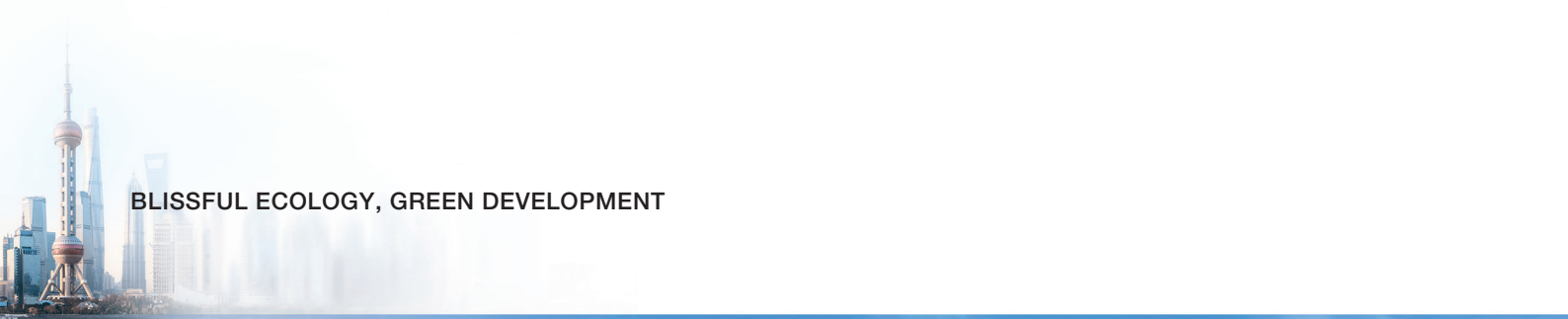
A well-established environmental management system is the cornerstone for the Group to pursue green development. Strictly complying with the policies on waste gas and greenhouse gas emissions, pollution discharge into water and land, and the generation of hazardous and non-hazardous wastes, the Group never ceases its efforts to minimize its negative impacts on the environment and natural resources. We strictly abide by the laws and regulations such as the *Environmental Protection Law of the People's Republic of China*, the *Law of the People's Republic of China on the Prevention and Control of Environmental Noise Pollution*, the *Environmental Impact Assessment Law of the People's Republic of China*, the *Law of the People's Republic of China on the Prevention and Control of Atmospheric Pollution*, the *Law of the People's Republic of China on the Prevention and Control of Environmental Pollution by Solid Waste*, the *Law of the People's Republic of China on Prevention and Control of Water Pollution*, and the *Regulations on the Administration of Construction Project Environmental Protection*, and have formulated Green Construction and other internal policies. Furthermore, we have also engaged third-party assessment agencies to conduct environmental impact assessments of the Group in terms of project construction, business operation and other aspects so as to continuously improve our performance in environmental management and earnestly fulfill our green commitments to building a sound ecological environment. During the Reporting Period, 100% of our new projects reached the environmental assessment standards, and no punishments were imposed on the Group due to the violation of environmental laws and regulations.

## Green Design

Being a proactive advocate of the integration of green ecology into architectural design, the Group is keen on exploring and creating a model of harmonious coexistence of architecture and nature. Throughout the process of architecture development, design and construction, we have strictly conformed to the requirements for green buildings to save resources and reduce pollution to the utmost extent. In terms of project design, we have fully considered the requirements for project construction under adverse weather and different geological conditions while adopting appropriate technical solutions according to circumstances in order to reduce the negative impacts of our project construction on the environment. In the meantime, we pay special attention to strengthening the construction of sponge city facilities, continuously conserving urban water resources and enhancing urban flood control capacity. We also insist on increasing the introduction of new technologies and new products and the use of renewable energy like solar power and air-source heat pumps to enhance our green management capacity.

In addition, we have constantly enhanced the qualification examination of designers in the bidding and design stages of building projects, improved land green coverage ratio, utilization rate of renewable materials, and energy efficiency rate of buildings and other values of relevant indicators, and ensured that our architecture design satisfied national green building standards, striving to create a sustainable ecosystem that harmonizes architecture and nature.

Meanwhile, we have been persistent in advancing industrialization of construction and proactively advocating prefabricated homes and delivery of decorated homes in bulk in the process of project development. In 2019, nearly 50% of the Group's projects used prefab technology. This brand-new construction method not only improves building quality but also helps to substantially increase the overall benefits of energy saving and environmental protection.



BLISSFUL ECOLOGY, GREEN DEVELOPMENT

During the Reporting Period, the Group's Pizhou Dafa Bliss Oriental project won the Certificate of Greening Building Design Label (Two-Star) issued by the Ministry of Housing and Urban-Rural Development of the People's Republic of China with its design concepts of green and sustainable development.



Certificate of Greening Building Design Label (Two-Star) for Pizhou Dafa Bliss Oriental Project

In addition, in the process of renovation, we have continuously emphasized the technical design of green buildings and process control to pursue the sustainable development of the living environment and the natural environment with innovative ideas and technological innovations.

Shanghai IST Mall Renovation Project

In this renovation project, we've dedicated ourselves to green design concepts mainly from the following three aspects:

- Module combination design: We used highly reflective LOW-E glass and prefabricated T-slot aluminum panels to reduce waste and raw materials consumption during construction, and we adopted the circulation design to let in the natural light.
- Exterior lighting design: We put into practice the idea of green lighting throughout. The efficient and energy-saving LED lamps under the control of special software get brighter or dimmer along with changing seasons in real time, perfectly representing the design concepts and intended effects. It saved over 60% of energy compared to traditional lamps and became a lighting demonstration project in the renovation area.
- Interior decoration and sanitary fittings: We used green building materials and considered module combination, factory processing and site installations during design, which not only saved manpower and time but also reduced construction waste. In the air conditioning module at a late stage, we added a frequency conversion system to considerably help precision temperature control and energy saving afterward.



Shanghai IST Mall

## Energy Conservation and Environmental Protection

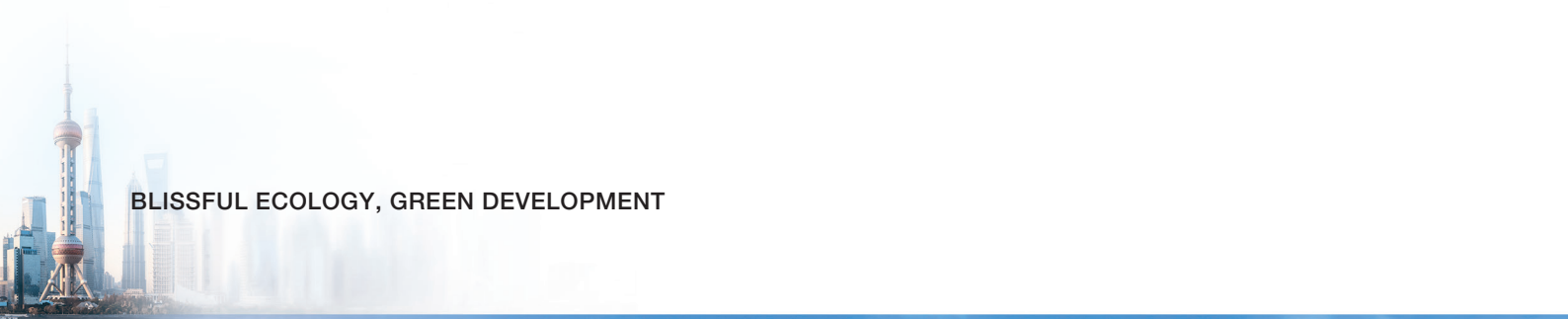
By adopting measures including design innovation, process optimization, and source control, the Group has actively implemented the concept of sustainable development to reduce the consumption of energy, water, and other resources and improve the efficiency of energy use. In doing so, we can better take our responsibilities and fulfill our obligations to mitigate global warming.

### Green Construction

We advocate the integration of green principles into construction planning, making the concept of green construction applied in all aspects of projects. To further promote it, we have formulated the system as *Guidelines on Safe, Green, and Civilized Projects for Construction Management* and its annex *Green Construction*, where on-site green management requirements have been raised for dust control, noise and vibration control, light pollution control, and water pollution control. In addition, we have taken Green Construction as an annex to the contractor's contract, and clearly stipulated the prevention requirements for the parts of the site that are prone to environmental problems so that we can ensure the environmental safety in construction sites.

#### Environmental Protection

- Noise should be measured and recorded on construction sites and noise reduction measures should be taken to comply with the current national standards.
- Dust reduction measures, such as water spraying on dusty materials, covering and sheltering those materials, should be adopted. Specific measures include:
  - 1) Ensure 100% bare soil coverage in non-construction areas during construction;
  - 2) Ensure 100% construction site enclosure rate;
  - 3) Ensure 100% road hardening rate on site;
  - 4) Ensure wet operation rate is 100% for demolition site (non-blasting demolition) and construction waste loading;
  - 5) Ensure 100% wheel washing rate of engineering vehicles leaving the site; and
  - 6) Ensure the green rate of the no construction site is 100%.
- The recyclable construction waste should be recycled for not less than 80% by making and implementing the plans of reducing construction waste and using it as a resource.



Management of Waste Generated at Different Stages of Construction Process	
Construction waste and industrial waste	<ul style="list-style-type: none"><li>• Project departments should contact the local Department of Environment and Sanitation to understand how to classify and treat waste as well as to find an area for a temporary dump site.</li></ul>
	<ul style="list-style-type: none"><li>• Whoever produces waste during the construction process should be responsible for sorting and putting it into the appropriate dump sites in time, helping dispose of waste properly.</li></ul>
	<ul style="list-style-type: none"><li>• Temporary dumps sites should be equipped with maintenance measures, such as establishing walls or cofferdams, and eye-catching sign. Different types of waste dump sites should be isolated to prevent remixing.</li></ul>
	<ul style="list-style-type: none"><li>• For construction wastes such as gravel and earthwork, landfills, road paving, and other ways can be used to improve their reuse rate.</li></ul>
	<ul style="list-style-type: none"><li>• Expired or discarded canned liquid materials can be classified as solid waste.</li></ul>
Domestic waste	<ul style="list-style-type: none"><li>• Hazardous solid waste must be transported and handled by accredited units.</li></ul>
	<ul style="list-style-type: none"><li>• The living area of the construction site shall be equipped with closed garbage containers, and the domestic garbage should be sorted and bagged for timely removal and transportation.</li></ul>

Water Resources Management	
	<ul style="list-style-type: none"><li>• Reasonably plan the surface and roof rainwater runoff ways, and determine the sponge city system design and rainwater recycling system, thereby reducing rainwater discharge and soil erosion.</li></ul>
	<ul style="list-style-type: none"><li>• Water-saving or water-free technologies can be used during construction to optimize water usage. (For example, in strength testing, pipelines in some public works can be tested by air pressure instead of water pressure. Or in the hydrostatic tests, the times of using circulating water can be reduced.</li></ul>
	<ul style="list-style-type: none"><li>• A systematic consideration should be given to equipment (especially towers and tanks) and pipeline hydrostatic tests for repeated re-use of water.</li></ul>
	<ul style="list-style-type: none"><li>• Circulating water devices must be equipped for washing on-site machinery, tools, equipment, and vehicles. Water-saving systems and appliances for domestic water should be introduced in the office space and living space at construction sites. More water-saving appliances should be offered. Besides, water-saving products should be applied as temporary water for a project. Metering devices should be installed to better take targeted water-saving measures.</li></ul>

## Green Operation

We focus on keeping an eye on the environmental performance in our mall operations and office hours. By practicing and continuously improving our capabilities of green operation, which can guarantee the eco-environment friendly performance of the Group in all aspects.

### Energy Saving and Consumption Reduction



- New LED lights are used in all public areas (including outdoor street lamp and store windows) and office spaces.
- Businesses are required to use LED lights per as our auditing standard when they decorate their spaces.
- Turning on or off lights for commercial architectural lighting and atmosphere lighting should be scheduled in line with seasonal changes to follow summer time and winter time in a year.
- Businesses for providing food services should power down their non-essential equipment and lighting after business hours.



- Central air conditioners for shopping malls should be regulated in real-time according to the temperature in malls. VRF air-conditioning units installed by any businesses should be equipped with frequency conversion devices.



- Induction faucets should be used in public bathrooms and water storage of flush tanks should be properly reduced.



- Vending machines should be installed in public bathrooms for selling toilet papers and paper towels so that paper waste can be reduced.

### Waste Management in the Operating Process



- Source reduction can help reduce waste disposal. Strict classification should be done in daily waste including recyclable garbage, domestic waste, kitchen waste, and toxic and hazardous waste during waste generation. Waste should also be stored separately. A clearance agreement should be signed with the local Department of Environment and Sanitation so that waste can be cleared and transported by special waste collection vehicles. All these efforts contribute to the collection and cleaning up of daily waste within 24 hours.



- More activities and education works should be done to promote waste sorting. Strict regulation measures for waste sorting should be developed. In addition, daily inspections on waste sorting of businesses should be conducted so that all types of waste can meet the classification standards and the requirements of clearing and transportation made by the local Department of Environment and Sanitation.



Activities to promote waste sorting

### Promoting Waste Sorting Awareness



- Green plants can be placed in public office spaces to improve the working environment and cultivate employees' awareness of environmental protection.



- Employees are encouraged to take park shuttles. Shuttles are scheduled to transport our employees between companies and subway or bus stations. In doing so, it can reduce environmental pollution caused by private vehicle exhaust emissions during commuting.

During the Reporting Period, the data of waste discharges are as follows:

Indicator	Unit	2018	2019
Construction waste	Ton	8,055.00	45,780.00
Office and kitchen wastes	Ton	2,227.68	2,370.97
Other waste	Ton	/	2,041.70
Total non-hazardous waste	Ton	10,282.68	50,192.67
Non-hazardous waste discharges intensity	Ton/ RMB'0,000 revenue	0.0172	0.0678

Note :

- In 2019, DaFa Properties has further adopted refined management of waste by adding new waste classifications including plastic, metal, etc. generated during construction and malls' operation.

During the Reporting Period, the data on energy consumption and waste emissions are as follows:

Indicator	Unit	2018	2019
Total energy consumption	Ton of standard coal	2,938.14	5,290.75
Scope 1 : Direct greenhouse gas emissions	Ton of carbon dioxide equivalent	871.80	1,146.85
Scope 2 : Indirect greenhouse gas emissions	Ton of carbon dioxide equivalent	14,376.43	18,414.59
Total greenhouse gas emissions	Ton of carbon dioxide equivalent	15,248.23	19,561.44
Greenhouse gas emission intensity	Ton of carbon dioxide equivalent/ RMB'0,000 revenue	0.03	0.03
Electricity consumption	1,000 kWh	20,458.94	26,756.49
Gasoline consumption	Liter	358,253.00	454,731.20
Diesel consumption	Liter	16,340.00	30,618.05
Liquefied petroleum gas	Standard cubic meter	/	1,453.00
Natural gas consumption	Standard cubic meter	17,750.00	28,888.00
Total water consumption	Ton	463,245.10	1,624,491.00
Water consumption intensity	Ton/RMB'0,000 revenue	0.78	2.20
Comprehensive energy consumption intensity	Ton of standard coal equivalent/RMB in million revenue	0.49	0.72

Notes:

1. The energy consumption indicators database of the Group has contained the data of the headquarters of Dafa Properties, projects under construction, and commercial real estate projects in operation.
2. In 2019, the Group has further adopted refined management of waste by expanding the scope of environmental data collection for commercial real estate operations to cover tenant and non-tenant data.
3. The calculation of comprehensive energy consumption can refer to the *General Rules for the Calculation of Comprehensive Energy Consumption* (Documents for Public Comment in July 2018).
4. The calculation of greenhouse gas emissions can refer to the *Guidelines for Accounting and Reporting Greenhouse Gas Emissions – Other Industrial Enterprises (Trial)* issued by the National Development and Reform Commission of the People's Republic of China.
5. We revised the comprehensive energy consumption, total greenhouse gas emissions, and the comprehensive energy consumption per RMB10,000 in 2018. During the Reporting Period, we have adopted the same data collection and statistical methods and calibers to ensure data accuracy and consistency.



# BLISSFUL CULTURE, ENHANCING EMPLOYEE VALUE

The Group regards talents as the core driving force for the long-term sustainable development. We believe that “Developing a talent pool” is one of our Group’s great efforts in the face of the rapid development in the future. In cultivating elites in our talent pool, we have provided a platform for employees to learn and develop through win-win and co-creation incentive programs based on measures of multi-dimensional appraisals incentives. While developing our company, we also focus on helping our employees to create their values.

## Employee Profile

The Group has strict criteria for talent selection, advanced concepts of talent utilization, scientific methods of talent training and well-developed principles in talent retention. Under the vision of “Recruiting talents from all over the world”, we abide by the *Labor Law of the People’s Republic of China*, the *Labor Contract Law of the People’s Republic of China* and other laws and regulations as well as Hong Kong Laws, such as Employment Ordinance. Furthermore, we have formulated the internal policies such as the *Recruitment Management System*, the *Measures for Labor Contract Management*, the *Management System of Employee Salary*, the *Management System of Employee Welfare*, the *Management System of Employee Leave*, and the *Management System of Employee Attendance*, as well as the *Management System of Employees Performance*, and other policies, which reflect our respect, support, and protection from the perspective of laws and policies for our employees with different backgrounds, beliefs, genders, and perspectives. The Group has been committed to respecting the rights and interests of employees and protested against the use of child labor and forced labor. By proper arrangement of employees’ works plans and hours, we work to protect our employees’ legitimate rights and interests including welfare, vacations, and career development. During the operation, we will suspend the work of related person if there is any actions of using child labor, forced labor, or violating laws and regulations, or infringing on employee rights. During the reporting period, the Group had no violations of recruitment and the use of child labor.

### Talents selection

- Selection criteria: cultural identity, ability, potential.
- Talent selection methods: prioritizing the internal employees in cultivating talents. The major part of cultivating talents is the internal training mechanism of the Group, completed by attracting talents outside of the Group with a scientific recruitment system.

### Talents employment

- The principle of appointing talents: bringing out the most talent of employees with the best treatment.
- Identifying great talents under competition. Each talent should be given an equal development opportunity for helping them to make the best of their talents.

### Talents cultivation

- A newcomer in the company be trained into a qualified employee within two years.
- A qualified employee be trained into a qualified middle-level manager within two years.
- A qualified middle-level manager be trained into an excellent manager who is capable to be trained into a senior manager within two years.

### Talents retention

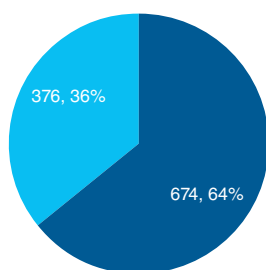
- Retaining talents by a bright future: combing the company’s visions with individual growth goals so that we can help our employees achieve their career goals.
- Retaining talents by best treatment: long-term incentives for talents by internal equity of treatment and external competitive treatment.
- Emotional retention: coordinating work and family, health, material, and spiritual life by creating a positive corporate culture and a harmonious interpersonal atmosphere.

The Group has won the industry recognition for managing talents with the concept of “Cultivating talents and appoint them on merits” with honors earned in 2019, such as “2019 China’s Best Employer in Real Estate Enterprises”, “2019 Outstanding Award for Human Resources Management”.



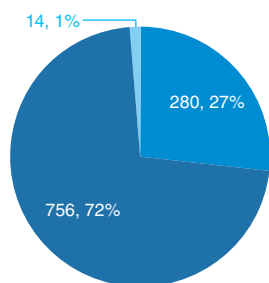
As of December 31, 2019, the Group had a total of 1,050 employees. The number of employees by gender, age, and professional type is shown as follows:

Employees by Gender (people, %)



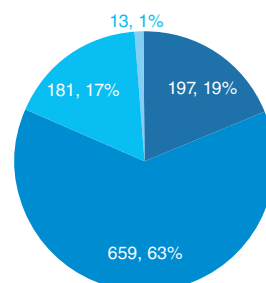
Male Female

Employees by Age (people, %)



30 or below 31-50 Over 50

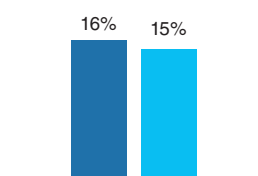
Employees by Professional type (people, %)



M (Management) P (Professionals)  
S (Sales) O (Operators)

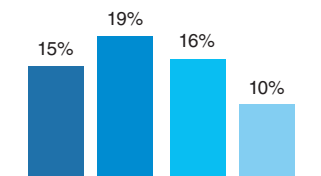
As of December 31, 2019, the employee turnover of the Group was as follows:

Turnover rate by Gender (%)



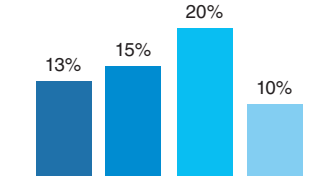
Male Female

Turnover rate by Age (%)

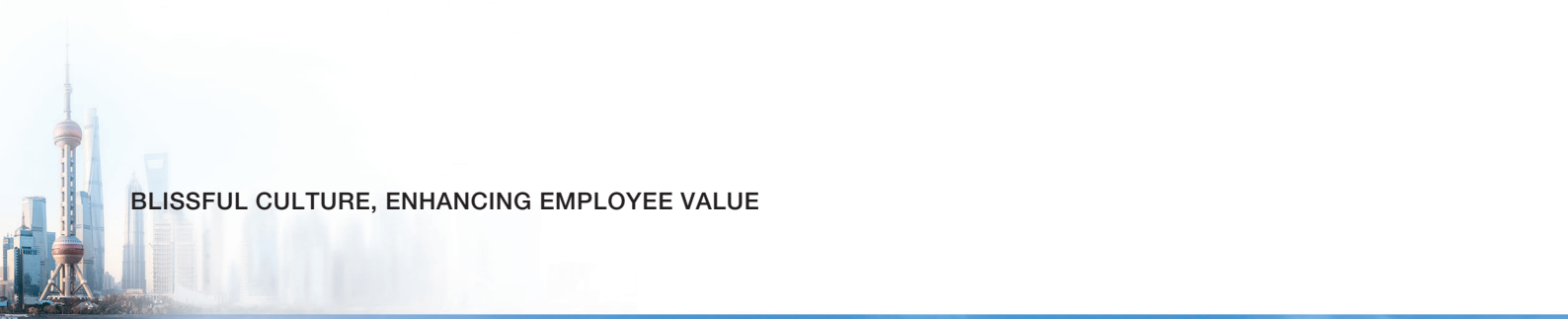


30 or below 31-40  
41-50 Over 50

Turnover rate by Professional type (%)



M (Management) P (Professionals)  
S (Sales) O (Operators)



## Remunerations and Benefits

### *Remunerations and Performance*

In 2019, to better regulate and improve the management of the Company's performance, ensure the operation of the Group, and improve the Company's and individual performance, the *Management System of Employee Performance* has been optimized and adjusted, in which the Group supplemented the part related to individuals in the system of organizational performance appraisals. Thus, the Group can better clarify the organizational performance coefficient, and its review dimensions and scoring rules. Furthermore, the calculation formula of the target performance bonus has been adjusted. By this, the Group can correlate the target bonus with the organizational performance so as to strengthen the association between individuals and organizational development. Besides, under the guidance of "Project as the main business body", the Group has clarified that employees who are responsible for a project can be evaluated by it. At the same time, the scope of employees taking part in performance appraisals has been expanded in order to strengthen the use of performance management tools in employee management. Since then, all marketing staff except property consultants have been required to participate in semi-annual and annual performance appraisals.

Besides, in 2019, the Group proposed the system of organizational performance appraisals in regional companies to strengthen the specific appraisals on functions and the focus of each function on key indicators before their implementation in daily work. The system consists of the system of financial indicators and the system of comprehensive indicators that integrated into 7 business categories. The focus has been shifted from the results of contract repayments to the process management of comprehensive development. At the same time, the appraisals should be strengthened and regularly conducted on a quarterly basis. All of these actions serve to reflect regional businesses' progress so that the Group can better support and manage them.

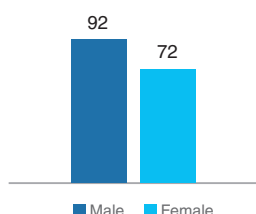
### *Employee Benefits*

The Group respects every employee's contribution to the company and is committed to providing employees with better employee benefits than that under the market standard. We abide by laws and regulations related to the workplace environment and safety and keep improving the employee benefits system. All of these can be reflected by the actions that the Group contributes to medical insurance, pension insurance, unemployment insurance, work-related injury insurance, and housing provident funds and other relevant premiums for our employees. Benefits provided by the Group for our employees include holiday benefits, high-temperature allowance, regular medical examinations, commercial insurance, and benefits of online welfare platform redemption. For pregnant employees, the Group provides internal subsidies in addition to national legal benefits. Besides, in 2019, the Group has not only optimized employee meal subsidies and the policy of the Spring Festival vacation based on employee feedback, but also incorporated team-building expenses in the budget of the next year. Active listening of employee concerns has been encouraged to ensure the carry out of employee activities. The Group has also optimized and upgraded the employee benefits platform so that our employees' need for benefits can be met. During the Reporting Period, all of our employees have undergone a medical examination.

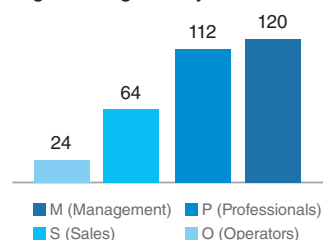
## Talent Development

In addition to competitive remunerations and strong-growth development prospect, the Group strives to build a professional and vocational team. We set higher standards in talent introduction and conduct systematic training and three-dimensional multi-dimensional appraisals to cultivate our talents into elites. These will lay the foundation for the Group's long-term sustainable growth. In addition, the Group has also launched a "win-win and co-creation incentive" plan and a talent training plan. By correlating individual growth with the company's development, the Group has significantly enhanced employees' enthusiasm and helped them to take ownership of their work. This training stimulates our team's vitality and thus efficiently empowers the Group. During the reporting period, all of our employees have received training. The total employee training hours were 89,080 hours and the average training time per capita was 85 hours.

The average training time by Gender (hour)



The average training time by Professional type (hour)



## Employee Training

The Group has designed systematic training programs for all-level employees based on their positions so that employees can keep improving their capacity to work and enhancing their understanding of the property industry and our culture. All of these will benefit the development of both the Group and our employees.

### Induction training

- It includes six parts: corporate and corporate culture introduction, operation system, financial system, informationization, compensation and benefits, and incentive mechanism;
- Each new employee on board will receive a guidebook to help them quickly know our culture and integrate into our teams;
- The "DaFa Way" training will be organized every quarter for new employees above the director level, and the group executives will be invited to make face-to-face exchanges and answer their questions.

### Training during probation

- Employees will receive "Must Know" training to help them quickly qualify their jobs.
- The training includes basic knowledge, procedures, and systems necessary in the work.

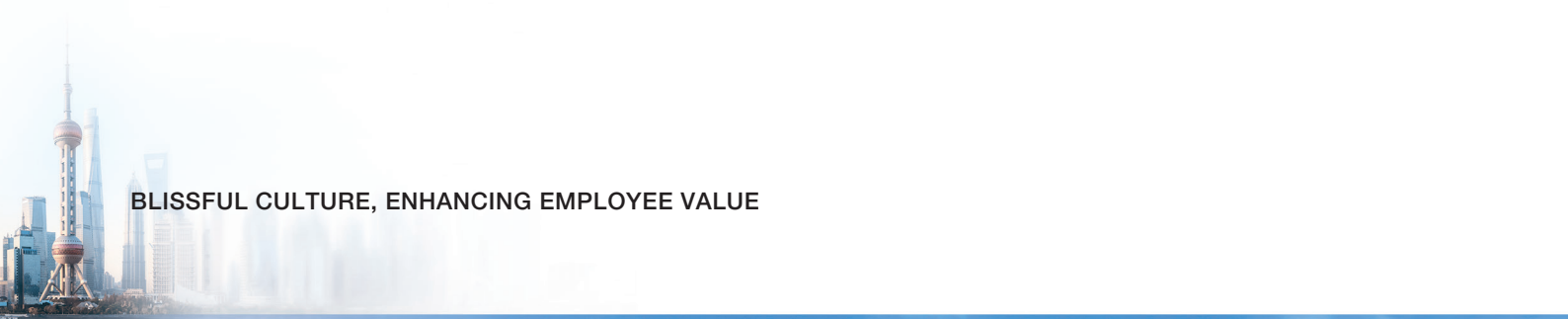
### Executive training

- The quarterly event is designed to create a competitive executive team that strengthens corporate strategy updates and delivery systems.

### Fulltime employee training

- According to the different development needs of employees, we provide four training for front-line employees, grassroots management, middle management, and senior management.
- Organizing and holding professional training camps.
- Organizing and holding management training camps.

## Employee Training Roadmap



## BLISSFUL CULTURE, ENHANCING EMPLOYEE VALUE

The Group has designed multi-dimensional training based on all-level employees of different businesses, including “Must Know” training, “Captain” training camps for specific promotion training, “Flagship” camps for specific training. All of these will contribute to the growth of our employees.

### “Must Know” training:

- “Must Know” training has been carried out in order to help all-level employees from different departments master the necessary knowledge and skills within or across departments, and improve their comprehensive ability;
- One-year training has recorded more than 110 courses and more than 90 online exams, and involved more than 6,600 participants in exams;
- At the same time, to facilitate employees from different departments to access the course content at any time, an online learning module has been opened on the Company’s official website and all courses have been uploaded to the platform. As of December 31, 2019, more than 5,000 employees have taken online courses.

### “Captain” training camps for specific promotion training:

- “Captain” training camps for specific promotion training have been carried out for all regional management teams and department managers of the Group to better develop and manage each project, and find the best key path in the development process;
- The training has paid major attention to concentrated training. The 2-days training has included 2 regional management teams. In the total of 4 periods, more than 150 employees participated in the entire process;
- The training content includes: critical path dismantling with cash flow as the core, the resolution and key regulation measures of sales repayment, keys to managing projects and parallel cross-construction technology, and on-site dismantling of important projects’ key paths in various regions.

### “Flagship” camps for specific training:

- “Flagship” camps for specific training have been carried out to select and cultivate a group of core talents for being general managers of regional companies and being operation general managers;
- The training period is 1 year with a total of 20 students. The training content includes simulating business on a sand table, courses for cultivating leadership, and analyzing business logic of the Group. The training produced a total of 2 regional general managers and 6 regional deputy general managers.

## Training Case Sharing

### ***“Ambitious Man in the Property Industry” – business simulation on the sand table***

On 25 May 2019, the Group’s project, “Flag” camps for specific training, was officially launched. A total of 20 employees from the headquarter and regional operations, investment, engineering, marketing, and other departments and project leaders jointly participated in this project. The training aimed to sharpen better business sense and accelerate talent team building for the Group, which will lay a solid foundation for achieving new strategic goals. In addition, it presents a broad stage for self-improvement and self-realization to more excellent talents. Different from traditional training, the business simulation on a sand table enabled trainees to experience the risks and challenges during a company’s operation by acting as managers of a virtual company, so as to test each team’s strategic thinking, decision-making and conflict in an unknown situation, and ability of business analysis, as well as negotiations and will to survive in desperation.



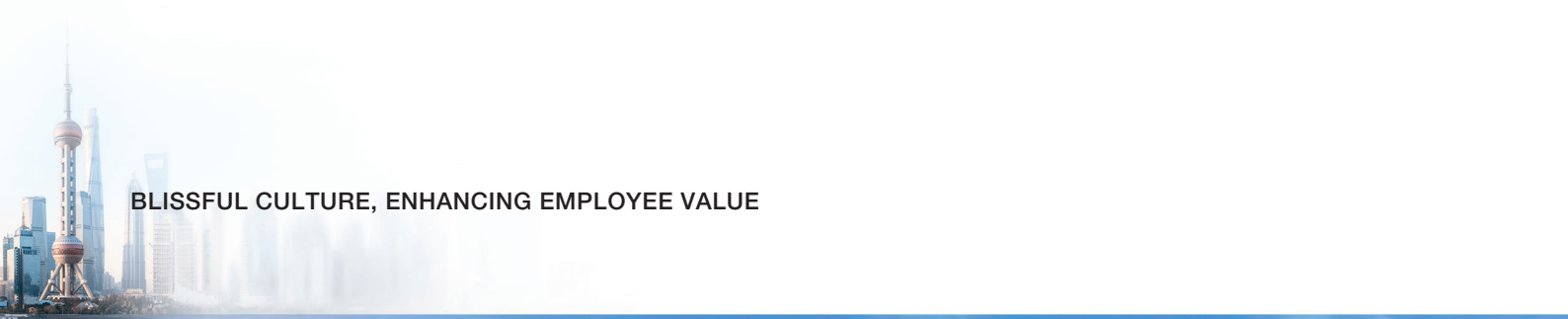
**Headquarters’ employees grouped for simulating business on the sand table**

“Business simulation on a sand table requires us to know all the characteristics of functions, have a global perspective and understand the entire process about how to do business in the property industry from a higher dimension.”

---- Feedback from trainee

“The property industry has encountered a huge change under the wheel of the era in the past 10 years. Before that, the property industry just focused on building with reinforced concrete. However, ten years passing on, today’s property industry requires us to pay high attention to cash flow management and the improvement of anti-risk capabilities. What remains the same is continuously improving our products from the customer-oriented perspective.”

----Feedback from trainee



BLISSFUL CULTURE, ENHANCING EMPLOYEE VALUE

Training College

In order to systematize and standardize each department and practice their featured professional knowledge, skills and systems, the Group prioritized the establishment of four colleges, including A&D College (ART AND DESIGN COLLEGE), Operation College, Engineering College and Marketing College in 2019.

A&D College:

- With the training target, three modules have been set up, namely “Catching Fire”, “Listening to Quality Courses”, and “Master Lectures”. The first module is mainly aimed at “Sailing Stars” (new outstanding employees) of the design department, to quickly inform employees of the regulation requirements of their department and keys to managing each module. The module is carried out once a month. As of December 31, 2019, a total of 5 training courses have been carried out.
- “Listening to Quality Courses” primarily teaches the heads of various modules and regions in the design department. Each course invites 1–2 heads to share their experience in managing projects, including case analysis, review, and management keys while updating and executing management requirements within the Group, regions, and modules.
- The “Master Lectures” is mainly targeted at all-level employees in the design department. It also invited some biggest names every quarter to share leading trends in the industry so that employees can broaden their horizons and learn from these experiences.

Operation College:

- The event is held once per week in the form of reporting and training. Participants include the Group's CEOs, COOs, heads from the departments of the Group, heads of various regions, and heads of operations. About 40 people participate in the activity to spread the management requirements of operation, inform employees of these requirements thoroughly, analyze the operation progress of each region, and discuss solutions.

Engineering College:

- Engineering College has 2 modules, specific training for “Sailing Stars” and specific training for all engineering employees.
- The first module is carried out once per week, in which trainees learn about intra-departmental systems, knowledge, skills, and inter-learning of other departments. The training is mainly conducted online. After each training period, online examinations about training contents are necessary for giving feedback to relevant teaching staff and leaders so that they can better supervise and help “Sailing Stars” to learn seriously and develop quickly.
- The other module is held once per month, which requires all general managers of regional projects and relevant managers to participate in the headquarters of the Group while other engineering employees participate online. About 100 participants are involved in each period.

Marketing College:

- Talent drives business and performance. All-level marketing employees are divided into “Young Generals”, “Major Generals”, and “Generals”. Different “titles” have different focuses. For example, “Camps for Young Generals” pay great attention to project traders and core employees of related modules, where channels, sales, brand, customer service, sales management, sales control, and other aspects are taught to enable trainees to master the Group's sales requirements in an all-round way through multi-module training contents. All of these will serve to good marketing performance.

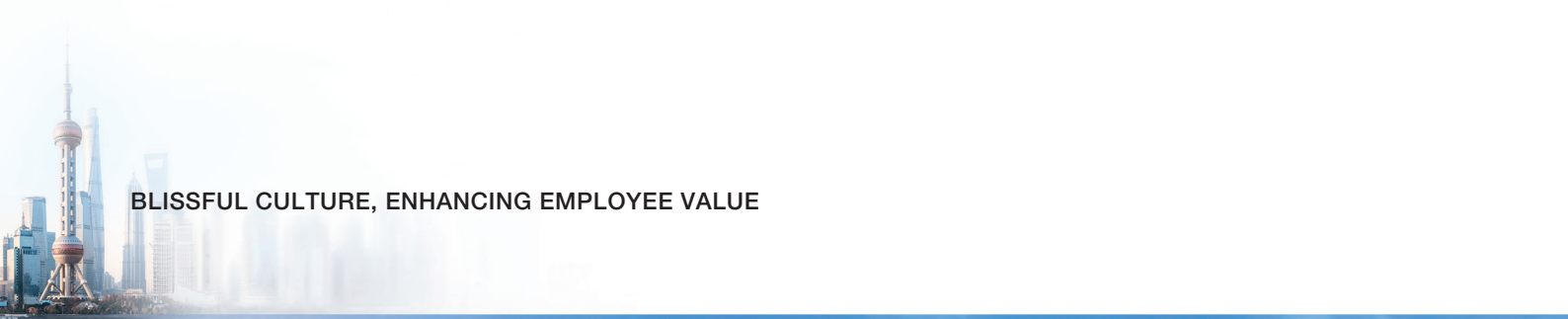
### Opening of A&D College

On 5 September 2019, the opening ceremony and salon of A&D College organized by the Group's Product R&D Center were officially held at the Shanghai, the headquarter of the Group, bringing its own "Huangpu Military Academy"- A&D College for the Group's production and research system. A&D College is where the art and design of Dafa's production and research system located. The college is responsible for cultivating the Group's talents in production and research and training employees for further development. It's an important promotion platform for promoting the Group's culture and brand of production and research.

At the opening ceremony, Mr. Wang Feng, Senior Vice President and CPO of the Group, gave an opening speech, introducing A&D College's research and development strategy, purpose, and the upcoming three major lectures: "Master Lectures", "Listening to Quality Courses", and "Catching Fire". The establishment of A&D College is extraordinarily meaningful to the Group: From the perspective of internal promotion of the Group, it plays an important role in training and developing our production and research employees as well as passing down and developing the Group's culture; From the perspective of corporate external promotion, A&D College can be an important carrier and platform for the Group to sending products to all regions.



**The opening ceremony of A&D College**



## BLISSFUL CULTURE, ENHANCING EMPLOYEE VALUE

### ***“Double Stars Plan”***

The Group actively cultivates talents. “Double Stars Plan”- the specific plans of the “Sailing Stars” and the “Talent Stars” targeted for management trainees is one of the most important talent strategies. The Group keeps identifying and cultivating more future leaders and managers by attracting talents from universities every year.

The plan for “Sailing Stars” established by the Group aims to develop management trainees into elites in the property industry. In 2019, the Group has set a 3-year training plan for 32 “Sailing Stars” from different regions and professions and specific tasks around the training plan to trainees. By completing the tasks, their comprehensive ability can be improved. The plan has set corresponding training targets in line with different training stages and started with teacher’s guidance, concentrated training, position practice, regular work report and discussion, and other forms.

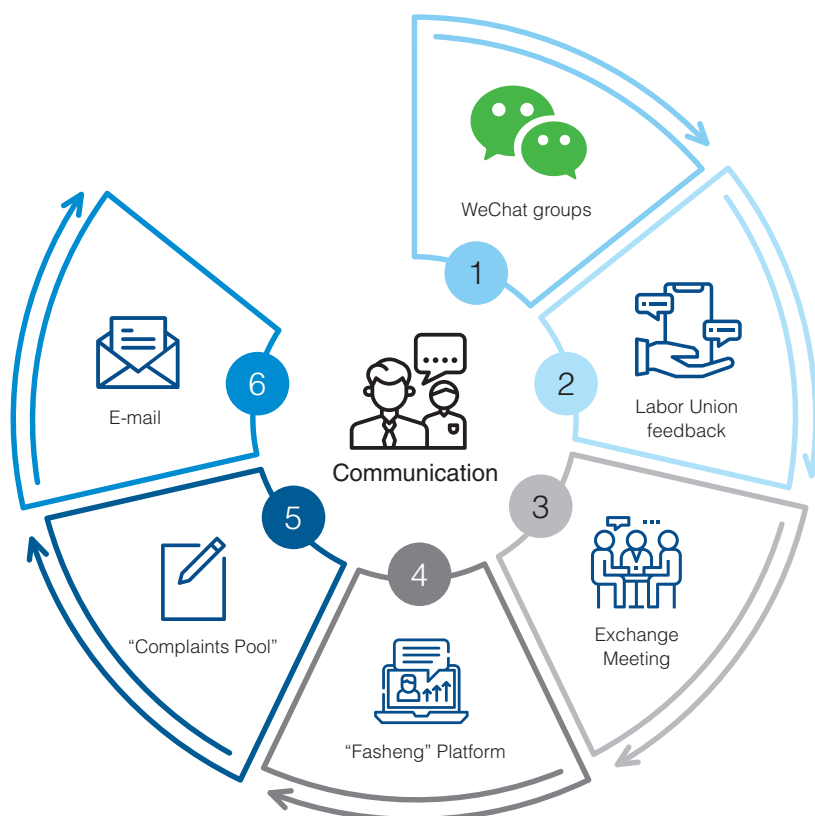
The plan for the “Talent Stars” established by the Group aims to cultivate management trainees into marketing elites. At the regional level, the Group has set up one-to-one teaching. In addition to regular teaching and training, the Group consummates the training plans by organizing face-to-face talks among “Talent Stars” regularly to help solving work-related and daily life problems. In 2019, the Group has developed more than 50 specific courses for “Talent Stars” with nearly 5,000 person-times. More than 20 people were promoted to managers six months after the plan for “Talent Stars” was officially implemented. Besides, the transaction performance of “Talent Stars” accounted for more than 37% of the total performance in self-traded projects.

### ***Lecturer Mechanism***

Various training programs in the past year have helped us to establish a long-term, stable and high-quality internal lecturer team in line with the Group’s culture to speed up the echelon construction of our Group and accumulate and pass down the knowledge, skills, and experience. As of 31 December 2019, the Group has had more than 60 lecturers and more than 110 courses. Based on the lecturer mechanism and current teams in 2019, the Group will develop 30% of employees at and above the director level into internal lecturers and ensure that each lecturer has his/her development course. It will carry out a systematical training for the relevant target trainees with various training camps.

## Employee Communication

The Group has attached great importance to communicate with employees. It has organized diverse employee activities to create a multi-channel platform for employee communication to help smooth communication between employees and management.



### **"Fasheng" Platform**

In 2019, the Group's "Fasheng" Platform was operated stably. The "Fasheng" Platform has been committed to improving the quality and level of content outputs. By keeping to explore effective management models, it has got remarkable results. As of 31 December 2019, the "Fasheng" Platform has 1,232 verified users and 126 unverified (excluding interns and potential employees in the "Double Stars Plan"). A total of 105 articles have been published within the Group with an average of 300+ reads/article and 11 articles for the public, with an average of 3,000+ reads/article. Through the Platform, departments including engineering, marketing, human resources, administration of the Group post articles every month regularly, with an average output of 3+ articles per week. All these efforts contribute to facilitating the platform of "DaFa Ren" towards a fully-functional platform covering all-level employees. It can help spread key information among employees and hear the voice in people-to-exchanges on the platform.

### ***“Complaints Pool”***

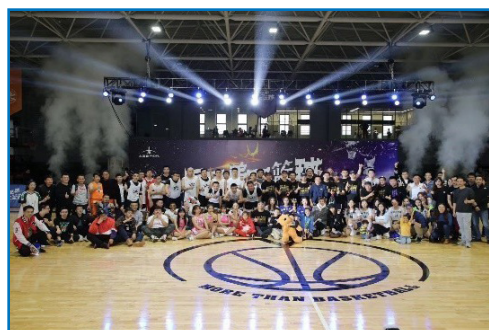
In the second half of 2019, the Group’s “Complaints Pool” system was launched. It attracted up to 745 followers and received a total of 94 complaints within two months since its launch. The Group gives replies regularly every week in order to enhance our employees’ perception of organizational efforts and the Group’s work efficiency.

### **Employees activities**

Taking our employees’ interests and hobbies into consideration, the Group has organized a variety of activities, such as the “Designed for You” Singing Competition, D-CUP basketball game, employee athletic games, employee outward bounds, and parents-children activities. According to the preferences of employees, the Group will hold football game and the E-sports challenge “Strike of Kings” upcoming. These will improve our employees’ physical fitness as well as team cohesion and promote team communications.



**“Designed for You” Singing Competition**



**Basketball game**

### ***The outward bounds for all employees in Dafa Chengdu Company***

To enhance the DaFa Properties Chengdu team’s solidarity and combat effectiveness, improve the cross-departments coordination, strengthen the striving culture and performance, thus assisting to achieve the business goal, DaFa Properties Chengdu team has launched an outward bound for all employees with the theme of “Cohesion, Restart, Dreams”. The outward-bound allowed employees to have group competition, debate for the best strategy, and strive for the best results through teamwork.



**The outward bound for all employees in Chengdu Company**

# BLISSFUL COOPERATION, GETTING WIN-WIN OUTCOMES

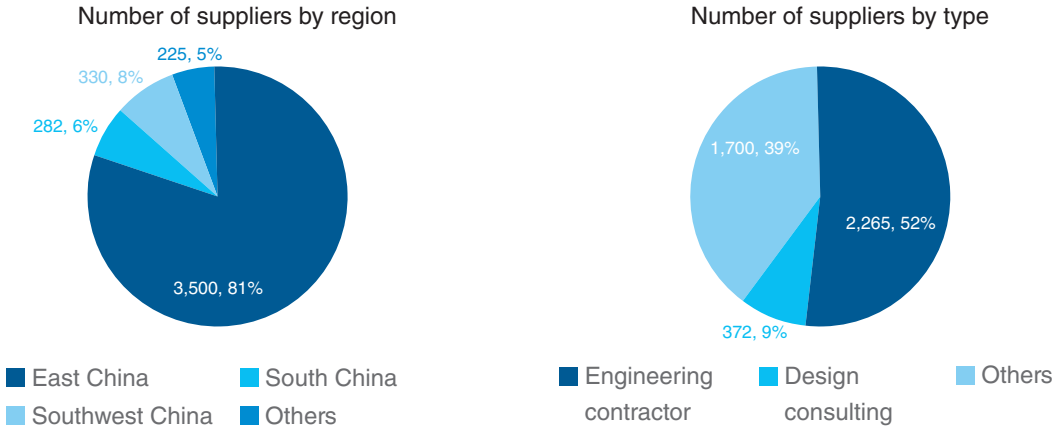
The Group abides by the *Tendering and Bidding Law of the People's Republic of China* and the *Provisions on the Scope and Threshold of Construction Projects for Bid Invitation* and other relevant laws and regulations. The Group has continuously optimized the online bidding system, supplier management platform, and online evaluation system for supplier compliance and actively joined China Urban Realty Association (CURA) and New Hongqiao Procurement Alliance to better communicate with benchmark developers in the property industry. It created more channels for communication with more excellent suppliers. The Group sticks to establishing a stable and win-win partnership, and will work together with more suppliers for collaborative development and mutual benefit.

## Supplier Management

### Supplier Management and Evaluation

In 2019, the Group focused on building and gradually improving the management platform for procurement cost based on the existing SAP management platform, which helps coordinate online and offline procurement cost management. The platform contributes to real-time updates of procurement information thus improving the transparency of data and complying the processes within groups, regions, and projects. The platform not only opened up the exchange channels between the Group, regions, and projects but also interconnected cross-departmental data. Both will serve to promote the long-term healthy development and operation of corporations. Furthermore, the Group added new public bidding channels and completed the construction of the recruitment platform in WeChat to promote its use throughout the Group.

During the Reporting Period, we had a total of 4,337 suppliers. The specific data by region and type are as follows:





## BLISSFUL COOPERATION, GETTING WIN-WIN OUTCOMES

To ensure the supplier's product quality and service, we conduct contractor performance evaluations every year. The process of evaluation is divided into two parts, evaluation for contract performance process and evaluation for post contract performance, in terms of quality, cost, coordination, design, project management, capital progress, safety, civilization and other factors. For suppliers who have been blacklisted after evaluation, we would cancel their bidding qualification for the Group in the next year. After that, they need to be pre-qualified again and reviewed when intending to cooperate again.

### Evaluation for contract performance process:

Contracts that have output value before the date of evaluation and have not been completed (meeting the requirements of the compliant evaluation target) are all included in the evaluation scope of the contract performance process.

### Evaluation for post contract performance:

All contracts (meeting the requirements of the compliant evaluation target) after completion, acceptance and settlement are finished, the post contract performance evaluation is completed before payment of the settlement money.

## Contractor performance evaluation

At the same time, the Group has set out the integrity requirements in the contract signed with suppliers and published complaint channels. In the marketing and bid inviting system, we stipulate that when conducting non-contract matters, price comparison, direct entrustment, bidding, contract renewal and other processes, suppliers are required to sign the *Supplier Integrity Letter*. We also archived the bid inviting and procurement based on different levels in accordance with *DaFa Properties Archived Marketing Materials Management System*.

### Transparent procurement and fair tendering

Committed to transparent procurement, we award contracts through public invitations for bid and invitation-based tenders for bid. To ensure transparency of procurement, we have defined “12 red lines” and corresponding penalty standards to ensure the principle of openness, fairness, and justice during the bidding and follow-up management.

#### 12 Red Lines For “Transparent Procurement”

- It is strictly forbidden to embezzle money, take bribes, or misappropriate public funds. It is strictly forbidden to collude, cheat or damage the interests of the Group;
- It is required to observe corporate systems, procedures, guidelines, etc. It is strictly forbidden to exempt a project from bidding if it is supposed to be subject to bidding, break one project into parts or avoid bidding;
- It is strictly forbidden to sever the amount or select procedures in violation of the regulations to avoid approval and supervision;
- It is strictly forbidden to carry out bidding before it is approved;
- It is strictly forbidden to disclose to others the names, number or any other circumstance related to the bidding that might hurt fair competition;
- It is forbidden to collude with bidders; bidders are strictly forbidden to bribe members of bidders to win bids;
- It is strictly forbidden to disclose to anyone other than tenderers the assessment and comparison of different bids, recommended bid winner, or any other circumstance related to the bid evaluation;
- It is strictly forbidden to start construction before the bid winner is identified or decide the bid winner without appropriate procedure. It is strictly forbidden to skip the tendering process to sign and perform any contract;
- Contractors must revise and implement plans according to the opinions of the examination and approval body. Contractors shall not cause adverse consequences to the Group;
- Contractors will provide truthful and accurate information for project settlement. Contractors shall not cause material damage to the Group;
- It is strictly forbidden to cause risks and losses to the Group due to explicitly unfair clauses; and
- Contractors are strictly forbidden to give false reports on the variable cost occurred and changes to the project.



#### The Group won the “Sunshine Procurement Benchmark Developer” award

In December 2019, at the “2019 China Property Annual Procurement Summit and the Forth Benchmark Developer and Excellent Supplier Award Ceremony” jointly held by Mingyuan Cloud, CURA, Cloud Procurement, and Mingyuan Property Research Institute, the Group won the “Sunshine Procurement Benchmark Developer” award.

### ***Improvement of Supplier Capability***

While continuously improving supplier management, the Group has also actively carried out exchanges with our suppliers. In 2019, a monthly inspection of suppliers has been conducted by the Cost Procurement Center and the Operation and Management Center of the Group. It targets general contractors, subcontractors, and strategic cooperation suppliers of the projects under construction. The main contents of the inspection include actual measurement, quality risk, safety and civilization, management behavior, and others. After that, evaluation has been submitted and rankings would be given every quarter. Suppliers with lower overall scores would be reviewed by the Group.

Companies in different regions are required to organize the Project Department to analyze and summarize the problems in the evaluation within 2 days after receiving the evaluation report, which contributes to adopting measures to pre-control and improve the key difficulties and safety and quality problems of each supplier. The follow-up construction and daily inspection process should also emphasize and solve these problems to avoid their recurrence, thus continuously improve the product quality.

In addition to conducting inspections on suppliers, we have actively communicated with our partners and shared courses with them. In 2019, we conducted special training for relevant personnel at the factories of Arte Mundi, KONE or DNDT.

#### ***Supplier communication and capability improvement***

The Group has worked with Arte Mundi, our supplier, to carry out strategic cooperation for four years. In 2019, our team went to visit the inspection center and production center of Arte Mundi and agreed with Arte Mundi on that demanding corporate standards can enhance brand influence.



**The Group visits Arte Mundi**

In addition to considering the quality of suppliers' products and other conventional aspects, the Group has also attached great importance to and committed to promoting the development of green supply chains. In 2019, the Group actively participated in the cooperation and interaction carried out in the ninth batch of joint procurement organized by CURA and Green Chain Action. We recommended the implementation of the *Supply Chain Enterprise Environmental Compliance* on all categories in combination with the category organized by Green Chain Action; we also recommended the *Property Industry Green Procurement Action Plans* for paints, floors, aluminum profiles and other categories to adopt measures including "waterborne paint APEO control", "legalization of wood sources", "formaldehyde control of interior decoration artificial panels and their products", "aluminum alloy chromium-free passivation control". The Group worked with 317 delegates of CURA and 30 real estate industry green supply chain action representatives from Alashan SEE Foundation, China Real Estate Chamber of Commerce and other units to promote the development of a green ecological chain in the domestic real estate industry.

### Strategic Cooperation

In 2019, facilitated by our industry alliances such as CURA and New Hongqiao Procurement Alliance, the Group has further enhanced the cost advantage of the supply chain. Furthermore, we have cooperated with the leading companies in the property industry to fully leverage the advantages of all parties, strengthen strategic partnerships, and enhanced the sharing of resources.



**The Group participated in activities held by CURA to facilitate resource sharing in the property industry.**

### *Cooperation in alliances*

#### **2019 New Hongqiao Procurement Alliance- Building a platform for exchanges between supply and demand**

In July 2019, the Group worked with Rsun Real Estate, SINIC Real Estate, Jiangsu GangLong Real Estate, Sanxun Group, Leading Group and other property companies to hold the first strategic signing ceremony of New Hongqiao Procurement Alliance for the first joint procurement category – entrance doors, which evidenced that operable joint procurement and its value. The signing provides a clearer direction and inspiration for the joint procurement in the next stage.



**The first strategic signing ceremony of New Hongqiao Procurement Alliance  
for the first joint procurement category – entrance doors**

In December 2019, members of the New Hongqiao Procurement Alliance, including nine members, namely, the Group, Rsun, Sanxun, GangLong, Sunkwan, Leading, Orsun, Dahua, and Kangqiao, and 48 new strategic partners of New Hongqiao Procurement Alliance jointly held the 2019 strategic signing ceremony with the theme “New Hongqiao Procurement Alliance, New Starting Point, New Journey”. New Hongqiao Procurement Alliance works to create a multi-channel, multi-domain, all-round supply and demand communication platform for all alliance members for sharing resources. The alliance has been committed to optimizing the supply chain system for the alliance members and the entire industry.



**“New Hongqiao Procurement Alliance, New Starting Point, New Journey”  
2019 strategic signing ceremony held by New Hongqiao Procurement Alliance**

The New Hongqiao Procurement Alliance will continue to innovate, constantly explore the value of the property procurement supply chain so that it can better serve each participant in joint procurement and create an equal, fair and transparent platform for suppliers in the sunshine.

## Industry cooperation

### Working together for going farther: strategic cooperation with Sinic

In October 2019, the Group and Sinic held a strategic signing ceremony. The two parties had a deep communication on future development and cooperation models and reached a consensus on cooperation in various aspects. Starting from the signing, the two parties were intended to utilize the resources and professional advantages and deepen communication and cooperation. All of these efforts help us to embrace a new situation of “strategic cooperation, common development, and mutual benefit”.

The establishment of the strategic partnership will formally open the door for cooperation between the Group and Sinic. By maximizing efficient resource allocation, both parties can achieve leapfrog development and lay the foundation for longer-term and deeper cooperation so that the two companies can seek a brighter future, achieve full coordination and get win-win outcomes.



The signing ceremony for strategic cooperation between the Group and Sinic

### Win-win future: starting strategic cooperation with Agile

In May 2019, the Group signed a strategic cooperation agreement with Agile and reached a multiple investment cooperation intention. Both parties continue to do business in the Guangdong-Hong Kong-Macao Greater Bay Area, start strategic cooperation with leading companies in the property industry and financial institutions in the Guangdong-Hong Kong-Macao Greater Bay Area, and develop better in the Guangdong-Hong Kong-Macao Greater Bay Area.



Cooperation between the Group and Agile

## BLISSFUL COOPERATION, GETTING WIN-WIN OUTCOMES

### *Cross-industry cooperation*

#### *Work together for win-win outcomes: starting strategic cooperation with Hangyuan Aircraft Manufacturing Company*

In May 2019, the Group conducted cross-industry cooperation with Hangyuan Aircraft Manufacturing Company, aiming for in-depth cooperation in various fields and dimensions such as aviation industrial park, aerospace technology experience hall, and aerospace town. This strategic cooperation meeting officially started our cooperation with Hangyuan Aircraft Manufacturing Company. Going forward, we will work together to develop assembly plants, aircraft R & D and operation centers, high-tech talent apartments, and other fields. Establishing strategic cooperation alliances helps us to work together for development.



#### **Cooperation between the Group and Hangyuan Aircraft Manufacturing Company**

### *Seeking a future with cooperation: starting strategic cooperation with Aijian Trust*

In March 2019, the Group and Shanghai Aijian Trust successfully signed a strategic cooperation agreement. The two parties will carry out in-depth cooperation in investment and financing, project operations, project acquisitions, and mergers and acquisitions and other fields, including but not limited to sales of trust funds, supply chain trust business, REITs, CMBS and ABN. In addition, the two parties planned to jointly establish various investment funds including private equity funds and property trust funds in the future.

The Group actively seeks in-depth cooperation with financial institutions. It established and maintained a good partnership with more than 60 large banks, trust companies, asset management companies, securities companies and other financial institutions. The good and steady development of enterprises and the solid capability of project operation build a good cooperative circulation chain between enterprises and financial institutions.



#### **Cooperation between the Group and Shanghai Aijian Trust**

# BLISSFUL COEXISTENCE, MAKING A WARM SOCIETY

The Group integrates the spirit of charity and public welfare into brand development. By actively assuming social responsibilities, the Group continuously brings positive energy to society and helps others to achieve their ideal for a better life. The twenty-four-years growth has seen DaFa Properties do good deeds, care for others and share achievements with the society. In developing ourselves, we stick to fulfilling our social responsibilities. Going forward, the Group will hold the vision of promoting education for more talents and doing good to the society, give back to society with a forward-looking vision, and spread warmth to the society.

## Charity Undertakings

The Group has done everything we can to play our part in public welfare and fulfill our social responsibilities. In the past years, the Group has been caring for children, culture and education, social welfare and other fields. Through diverse forms such as donating for education, establishing education funds, pairing assistance, and charitable donations, we have cared for different social groups so that we can be a better role as a good corporate citizen. We have worked with several charitable foundations to establish a long-term charity mechanism while paving the way for a long-lasting and complete system to pass down and carry forward the charitable spirit. During the year ended 31 December 2019, the Group made charitable and other donations with a total amount of approximately RMB16.0million.

The Group has been highly praised inside and outside the industry, such as the 2016 Public Welfare Collective Award, 2016–2017 China Real Estate Annual Social Responsibility Enterprise, 2017 Corporate Social Responsibility Model Award, the 7th China Public Welfare Festival “Annual Special Tribute Award”, 2017–2018 China Real Estate Annual Poverty Alleviation Benchmarking Enterprise. In 2019, the Group remained true to the original aspiration and was granted “Award of Excellence” and “2019 China Innovative Enterprise for Social Responsibility”.



**“Look for the most beautiful teacher” charity event**



**Public welfare activities conducted by the Group in Guangxi**



**The Group donates to Wenzhou-Kean University**

### ***Donates to China Development Planning Institute of Tsinghua University***

On the afternoon of 17 May 2019, the ceremony of the Group's donation to the China Development Planning and Research Institute of Tsinghua University was held in the Tsinghua University Hall of Characters. We pledged to donate RMB30 million (RMB6 million has been paid during the Reporting Period) to Tsinghua University's China Development Planning and Research Institute as our support to Tsinghua University's basic frontier scientific research, talent training and high-end talent introduction. All of these helps the development of Tsinghua University.



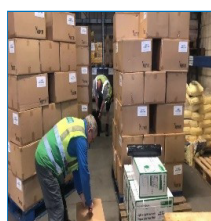
**The ceremony of the Group's donation to the China Development Planning and Research Institute of Tsinghua University**

### ***Winning the honor of "2019 China Innovative Enterprise for Social Responsibility"***

On 28 November 2019, the 2019 CSR Pioneer Forum "Corporate Social Responsibility" – "Corporate Social Responsibility Award Ceremony" sponsored by the International Financial News was held in Beijing. The outstanding strength of our Group enables us to win the "2019 China Innovative Enterprise for Social Responsibility". A total of 9 experts including the entire network and the State Council Counselor, the Director of the Corporate Social Responsibility Center of the Chinese Academy of Social Sciences, the founder of TianYanCha.COM, and the professor of the School of Economics and Management of Tongji University, jointly evaluated the candidates. The five major dimensions of strategy, namely, influence, participation, innovation, and extensibility have been considered to evaluate the participating companies and relevant honors had been awarded to them. This award reflects the high social recognition of our strengths.

## Working Together to Overcome Difficulties

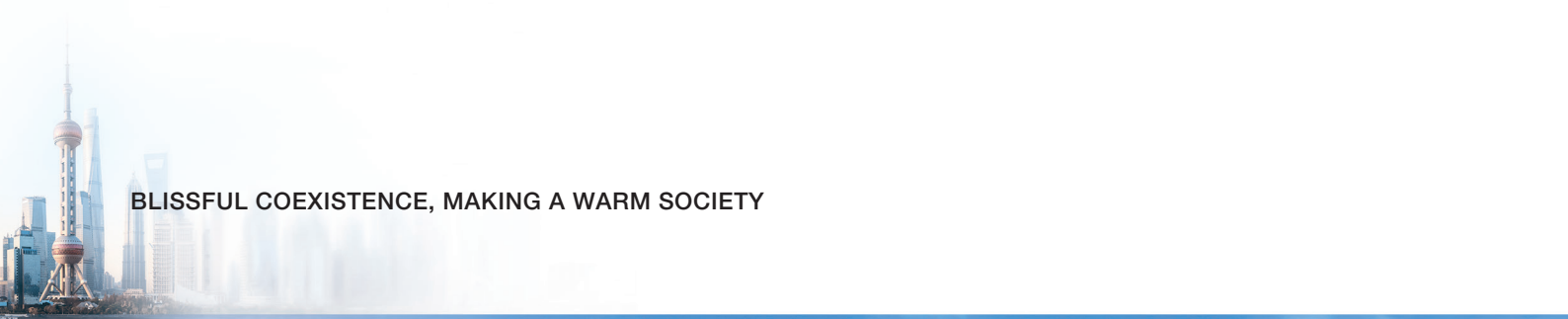
The coronavirus epidemic swept our country at the period of family reunions. The Group paid close attention to the prevention and control of the epidemic. We cared for the people in the epidemic-stricken areas and the medical staff in the frontline. In response to such a tough situation, the Group established an RMB10 million fund to fight against the COVID-19 and arranged manpower for the anti-epidemic actions.. The Group has continued to procure scarce medical materials in the world from the beginning of the anti-epidemic actions. We have purchased and donated a total of 280,000 medical masks, 150,000 medical gloves, 5,580 pieces of medical protective clothing, 100 ventilators and 50 monitors to support the prevention and control of the coronavirus epidemic.



专项基金 爱心接力



The companies of the Group in Zhengzhou, Central China, Hangzhou-Ningbo, Nanjing, Shanghai, Wenzhou, Shenzhen, and other regions joined hands with “Chunyu Yisheng”, an online health service provider, to start online free consultation activities to avoid cross-infection, mitigate the pressure of hospital visits, and effectively curb the epidemic. Customers are timely accessible for free online consultation services through the regional official account and its free consultation service interface. “Chunyu Yisheng” is available 24 hours and responds within 3 minutes. Other services such as psychological counseling and anti-epidemic guidelines are also available so that people can feel free to get medical treatment without leaving home. In addition, the Group launched an activity for delivering a free family medical package in Chengdu and Chongqing. Many medical supplies can be found in the package such as masks and medical alcohol to better protect the health and safety of the owners from the epidemic. In Wenzhou, we also launched the “Finding City Guardian” charity event, looking for extraordinary anti-epidemic heroes in ordinary positions such as doctors, nurses, traffic police, police, social workers and other jobs. In doing so, we can spread the positive energy in the society.



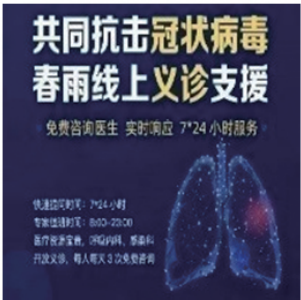
BLISSFUL COEXISTENCE, MAKING A WARM SOCIETY



Online free clinic



Free family medical package



Chunyu Yisheng



“Finding City Guardian” charity event

In addition, logistics transportation was severely hindered due to the epidemic. A number of agricultural product base across different regions had requested assistance as their agricultural products are overstocked. All regional companies of the Group quickly worked out to address the issue by helping their local agricultural product to sell out during the epidemic, fulfilling our social responsibilities. Under the regulations, the Group proposed to collect the daily demands of owners, expand the channels, match supply and demand, and group-purchase agricultural and sideline products. By actively mobilizing resources to help connect underdeveloped areas with the market, the Group made its contribution to fighting against the epidemic.



# APPENDIX 1: LIST OF APPLICABLE LAWS, REGULATIONS AND INTERNAL POLICIES

## Laws and regulations:

Company Law of the People's Republic of China  
Securities Law of the People's Republic of China  
Audit Law of the People's Republic of China  
Regulations for the Implementation of the Audit Law of the People's Republic of China  
National Auditing Standards of the People's Republic of China  
Law of the People's Republic of China on Anti-money Laundering  
Criminal Law of the People's Republic of China  
Intellectual Property Right Laws of The People's Republic of China  
Advertisement Law of the People's Republic of China  
Property Law of the People's Republic of China  
Law of the People's Republic of China on Protection of Consumer Rights and Interests  
Environmental Protection Law of the People's Republic of China  
Law of the People's Republic of China on the Prevention and Control of Environmental Noise Pollution  
Environmental Impact Assessment Law of the People's Republic of China  
Law of the People's Republic of China on the Prevention and Control of Atmospheric Pollution  
Law of the People's Republic of China on the Prevention and Control of Environmental Pollution by Solid Waste  
Law of the People's Republic of China on Prevention and Control of Water Pollution  
Regulations on the Administration of Construction Project Environmental Protection  
Labor Law of the People's Republic of China  
Labor Contract Law of the People's Republic of China  
Tendering and Bidding Law of the People's Republic of China  
Provisions on the Scope and Threshold of Construction Projects for Bid Invitation  
Employment Ordinance



## APPENDIX 1: LIST OF APPLICABLE LAWS, REGULATIONS AND INTERNAL POLICIES

### Internal policies:

Guide to Internal Auditing  
Integrity Inspection System  
Employee Code of Integrity and Self-Discipline  
Opinions on Disciplining Employees for Violating Corporate Rules  
Reporting System  
Operating Guide to Off-Office Auditing Management  
Off-Office Auditing System  
Guide Book for the Standardized Control of Project Whole-Process Architectural Design  
Design and Management of General Layout Plans for Maximum Profit  
Design Management Operation Guidelines  
Shopping Mall Management System  
Safety Management System  
Warehouse Safety Management System  
Workplace Safety Management System  
Construction Management System  
Hot Work Management System  
Working at Height Management System  
DaFa Properties Archived Marketing Materials Management System  
Instruction Book on Marketing Supplier and Purchasing Management  
Guide to Appointment of and Remuneration for Intermediary Agencies  
Management System for Earnest Money Depositing, Pre-Sale Purchasing & Contract Signing  
Green Construction  
Guidelines on Safe, Green, and Civilized Projects for Construction Management  
Recruitment Management System  
Measures for Labor Contract Management  
Management System of Employee Salary  
Management System of Employee Leave  
Management System of Employee Welfare  
Management System of Employee Attendance  
Management System of Employees Performance  
Requirements for Pandemic Prevention and Control in Different Areas  
Staff Canteen Operation Program During the Pandemic  
Corporate Anti-Pandemic Work Checklist  
Supplier Integrity Letter

## APPENDIX 2: CONTENT INDEX OF THE ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORTING GUIDE OF THE STOCK EXCHANGE

General Disclosure and Key Performance Indicators		Environmental, Social and Governance Report
<b>A. Environmental</b>		
<b>Aspect A1: Emissions</b>		
<b>General Disclosure</b>	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.	Blissful Ecology, Green Development
<b>KPI A1.1</b>	The types of emissions and respective emissions data.	Energy Conservation and Environmental Protection
<b>KPI A1.2</b>	Greenhouse gas emissions in total (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	Energy Conservation and Environmental Protection
<b>KPI A1.3</b>	Total hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	During the reporting period, the hazardous wastes generated by the Group came from waste batteries and waste fluorescent tubes during office operation. With little generation, these hazardous wastes were directly disposed of by a qualified third party and we conducted no daily data statistics, so no relevant disclosure has been made. We are intended to disclose after intensive management in the future.
<b>KPI A1.4</b>	Total non-hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	Energy Conservation and Environmental Protection
<b>KPI A1.5</b>	Description of measures to mitigate emissions and results achieved.	Energy Conservation and Environmental Protection
<b>KPI A1.6</b>	Description of how hazardous and non-hazardous wastes are handled, reduction initiatives and results achieved.	Energy Conservation and Environmental Protection

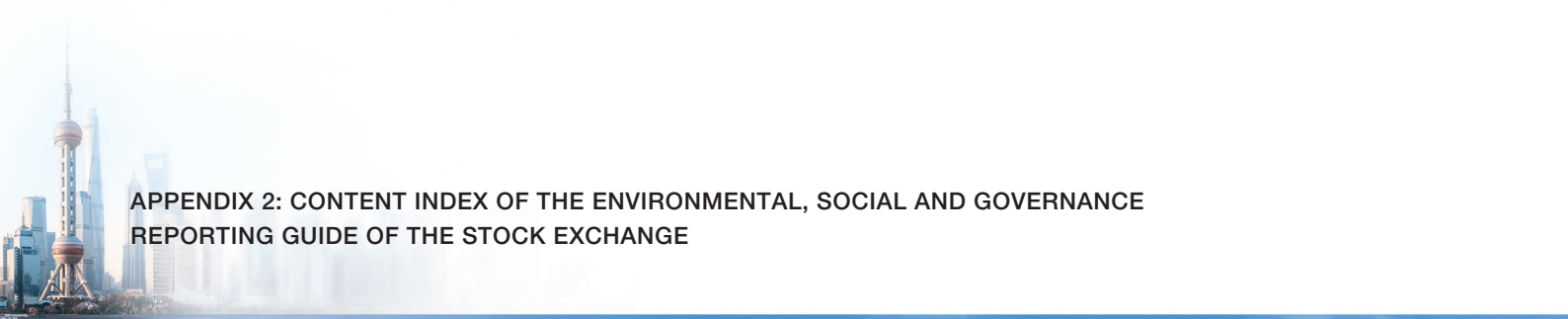


## APPENDIX 2: CONTENT INDEX OF THE ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORTING GUIDE OF THE STOCK EXCHANGE

General Disclosure and Key Performance Indicators		Environmental, Social and Governance Report
<b>Aspect A2: Use of Resources</b>		
<b>General Disclosure</b>	Policies on the efficient use of resources, including energy, water and other raw materials.	Blissful Ecology, Green Development
<b>KPI A2.1</b>	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).	Energy Conservation and Environmental Protection
<b>KPI A2.2</b>	Water consumption in total and intensity (e.g. per unit of production volume, per facility).	Energy Conservation and Environmental Protection
<b>KPI A2.3</b>	Description of energy use efficiency initiatives and results achieved.	Energy Conservation and Environmental Protection
<b>KPI A2.4</b>	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency initiatives and results achieved.	Energy Conservation and Environmental Protection
<b>KPI A2.5</b>	Total packaging material used for finished products (in tonnes) and, if applicable, with reference to per unit produced.	Our operation basically does not involve the use of packing materials
<b>Aspect A3: The Environment and Natural Resources</b>		
<b>General Disclosure</b>	Policies on minimising the issuer's significant impact on the environment and natural resources.	Blissful Ecology, Green Development
<b>KPI A3.1</b>	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	Blissful Ecology, Green Development
<b>B. Social</b>		
<b>Employment and Labor Practices</b>		
<b>Aspect B1: Employment</b>		
<b>General Disclosure</b>	Information on: (a) the 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.	Blissful Culture, Enhancing Employee Value
<b>KPI B1.1</b>	Total workforce by gender, employment type, age group and geographical region.	Employee Profile
<b>KPI B1.2</b>	Employee turnover rate by gender, age group and geographical region.	Employee Profile

## APPENDIX 2: CONTENT INDEX OF THE ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORTING GUIDE OF THE STOCK EXCHANGE

General Disclosure and Key Performance Indicators		Environmental, Social and Governance Report
<b>Aspect B2: Health and Safety</b>		
<b>General Disclosure</b>	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.	Quality and Safety
<b>KPI B2.1</b>	Number and rate of work-related fatalities.	Quality and Safety
<b>KPI B2.2</b>	Lost days due to work injury.	Quality and Safety
<b>KPI B2.3</b>	Description of occupational health and safety measures adopted, how they are implemented and monitored.	Quality and Safety
<b>Aspect B3: Development and Training</b>		
<b>General Disclosure</b>	Policies on improving employees' knowledge and skills for discharging duties at work.	Talent Development
<b>KPI B3.1</b>	The percentage of employees trained by gender and employee category (e.g. senior management, middle management).	Talent Development
<b>KPI B3.2</b>	The average training hours completed per employee by gender and employee category.	Talent Development
<b>Aspect B4: Labour Standards</b>		
<b>General Disclosure</b>	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child and forced labour.	Employee Profile
<b>KPI B4.1</b>	Description of measures to review employment practices to avoid child and forced labour.	Employee Profile
<b>KPI B4.2</b>	Description of steps taken to eliminate such practices when discovered.	Employee Profile



## APPENDIX 2: CONTENT INDEX OF THE ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORTING GUIDE OF THE STOCK EXCHANGE

General Disclosure and Key Performance Indicators		Environmental, Social and Governance Report
<b>Operating Practices</b>		
<b>Aspect B5: Supply Chain Management</b>		
<b>General Disclosure</b>	Policies on managing environmental and social risks of the supply chain.	Supplier Management
<b>KPI B5.1</b>	Number of suppliers by geographical region.	Supplier Management
<b>KPI B5.2</b>	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, how they are implemented and monitored.	Supplier Management
<b>Aspect B6: Product Responsibility</b>		
<b>General Disclosure</b>	Information on: (a) the 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.	Blissful Quality, Better Life
<b>KPI B6.1</b>	Percentage of total products sold or shipped subject to recalls for safety and health reasons.	Our operation does not involve product recycling
<b>KPI B6.2</b>	Number of products and service related complaints received and how they are dealt with.	Dedicated Services
<b>KPI B6.3</b>	Description of practices relating to observing and protecting intellectual property rights.	Product Research & Development
<b>KPI B6.4</b>	Description of quality assurance process and recall procedures.	Quality and Safety Our operation does not involve product recycling
<b>KPI B6.5</b>	Description of consumer data protection and privacy policies, how they are implemented and monitored.	Dedicated Services

**APPENDIX 2: CONTENT INDEX OF THE ENVIRONMENTAL, SOCIAL AND GOVERNANCE  
REPORTING GUIDE OF THE STOCK EXCHANGE**

General Disclosure and Key Performance Indicators		Environmental, Social and Governance Report
<b>Aspect B7: Anti-corruption</b>		
<b>General Disclosure</b>	Information on: (a) the 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.	Corporate Governance
<b>KPI B7.1</b>	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.	Corporate Governance
<b>KPI B7.2</b>	Description of preventive measures and whistle-blowing procedures, how they are implemented and monitored.	Corporate Governance
<b>Communities</b>		
<b>Aspect B8: Community Investment</b>		
<b>General Disclosure</b>	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.	Blissful Coexistence, Making A Warm Society
<b>KPI B8.1</b>	Focus areas of contribution (e.g. education, environmental concerns, labour needs, health, culture, sport).	Charity Undertakings Working Together to Overcome Difficulties
<b>KPI B8.2</b>	Resources contributed (e.g. money or time) to the focus area.	Charity Undertaking Working Together to Overcome Difficulties



**大发地产集团有限公司**  
**DAFA PROPERTIES GROUP LIMITED**