



信基沙溪集团股份有限公司

XINJI SHAXI GROUP CO., LTD

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 3603

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT 2019



CONTENTS

2	About this Report
4	ESG Governance Structure
5	Stakeholder Engagement
6	Materiality Assessment
8	Environmental Subject Area
8	Overview
8	A1 Emissions
11	A2 Use of Resources
13	A3 Environment and Natural Resources
15	Social Subject Area
15	Employment and Labour Practices
15	B1 Employment
19	B2 Health and Safety
20	B3 Development and Training
22	B4 Labour Standards
23	Operating Practices
23	B5 Supply Chain Management
24	B6 Product Responsibility
27	B7 Anti-corruption
29	Community
29	B8 Community Investment
30	Awards and Recognitions
31	The Stock Exchange Environmental, Social and Governance Reporting Guide Content Index

ABOUT THIS REPORT

Xinji Shaxi Group Co., Ltd (the “**Company**” together with its subsidiaries, hereinafter referred to as the “**Group**” or “**we**” or “**us**”) are pleased to present the first Environmental, Social and Governance Report (the “**Report**”) to summarise the Group’s policies, measures and performance on the key environmental, social and governance (“**ESG**”) issues for the year ended 31 December 2019.

REPORTING PERIOD

The reporting period of this Report is from 1 January 2019 to 31 December 2019 (the “**Reporting Period**”, “**2019**”).

REPORTING SCOPE AND BOUNDARY

Based on financial materiality and the relevance of ESG strategy, this Report covers our corporate office in Guangzhou, the People’s Republic of China (the “**PRC**”) and our hospitality supplies shopping malls and home furnishings shopping malls operated in Guangzhou and Shenyang (collectively referred to as “**shopping mall(s)**”):

- Xinji Shaxi Hospitality Supplies Expo Center
- Xinji Hotelex Hospitality Supplies Center
- Xinji Dashi Home Furnishings Center
- Xinji Shaxi Hospitality Supplies Expo Center (Shenyang)
- Xinji Shaxi Home Furnishings Expo Center (Shenyang)

If the area and scope of the specific content are different, they have been specifically noted in the relevant part of the Report. Although the Report does not cover all operations of the Group, we are committed to improving internal data collection procedures and gradually expanding the scope of the disclosure.

REPORTING BASIS AND STANDARDS

The Report is prepared in accordance with ESG Reporting Guide as set out in Appendix 27 to the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the “**Listing Rules**”) issued by The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) and comply with the “Comply or Explain” provisions under the Listing Rules. The Report has complied with the following reporting principles as the basis:

- **Materiality**
The Group determines relevant ESG issues through stakeholder engagement and materiality assessment. For details, please refer to the sections headed “Stakeholders Engagement” and “Materiality Assessment” in this Report.
- **Quantitative**
The Group’s disclosure of key performance indicators related to historical data can be measured and the Group is committed to disclosing information on standards, methods, assumptions or calculation tools used in quantitative data and the source of conversion factors used when feasible.
- **Balance**
The Group avoids selections, omissions or presentation formats that may inappropriately influence the readers’ decisions or judgment.
- **Consistency**
The Group is committed to using consistent methodologies for meaningful comparisons. The Group will disclose changes in methodologies or key performance indicators or any other relevant factors that affect meaningful comparisons when necessary.

About this Report

The information contained herein is sourced from official documents and statistics of the Group, as well as the combined monitoring, management and operations information provided by the subsidiaries in accordance with the Group's related procedures. A complete content index is appended to the last chapter hereof for quick reference. The Report is prepared and published in both Chinese and English and is available on the websites of the Stock Exchange (www.hkexnews.hk) and the Company's website (www.xjsx.net.cn).

REVIEW AND APPROVAL

The Report has been reviewed and approved by the board (the "**Board**") of directors (the "**Directors**") of the Company on 17 July 2020.

INFORMATION AND FEEDBACKS

Should you have any suggestions or inquiries about the Report, we sincerely welcome you to contact us.

XINJI SHAXI GROUP BOARD SECRETARY OFFICE

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ESG GOVERNANCE STRUCTURE

The Board attaches importance and has the overall responsibility for the Group's ESG strategies and reporting. The Board assesses and evaluates the ESG risks of the Group's operations and ensures the implementation of corresponding, appropriate and effective ESG risk management and internal control systems are in place. The Board delegates this responsibility to our senior management to further assist in assessing the Group's ESG risks and the effectiveness of such internal control systems.

STAKEHOLDER ENGAGEMENT

The Group values the engagement of our stakeholders. Whether they are our employees, customers, suppliers and other stakeholders, they have a significant impact on the success of our business or activities. The following are the relevant stakeholders of the Group. We actively communicate with stakeholders through different channels to monitor and manage our impact on the environment and society.

Stakeholder	Expected concern	Engagement channel
Government and regulatory agencies	<ul style="list-style-type: none"> Abide by laws and regulations Pay for appropriate taxes Promote regional economic development and employment 	<ul style="list-style-type: none"> Annual reports, interim reports, announcements and circulars Websites of the Company and the Stock Exchange
Shareholders and investors	<ul style="list-style-type: none"> Risk management Return on investment Information disclosure and transparency Protection of shareholders' rights and fair treatment 	<ul style="list-style-type: none"> Annual general meeting and other general meetings Annual reports, interim reports, announcements and circulars Websites of the Company and the Stock Exchange Survey
Employees	<ul style="list-style-type: none"> Remuneration benefits Employees' rights Training and development Health and safety 	<ul style="list-style-type: none"> Email Phone Meetings Employees' activities Survey
Customer (Tenants)	<ul style="list-style-type: none"> Shopping mall safety Quality service Information transparency Business ethics 	<ul style="list-style-type: none"> Email Customer service hotline Company visits Survey
Suppliers	<ul style="list-style-type: none"> Fair Procurement Long-term cooperation 	<ul style="list-style-type: none"> Email Phone Meetings Survey
General public and community	<ul style="list-style-type: none"> Community Involvement Social responsibility 	<ul style="list-style-type: none"> Voluntary services Charity donation

MATERIALITY ASSESSMENT

PROCESS

The Group identifies issues for disclosure in the Report through internal and external materiality assessment. By considering the dependence and influence of the stakeholders on the Group and the availability of resources of the Group, the management has identified key stakeholders and conducted surveys with them. They have expressed their opinions and recommendations on issues related to the Group's operation via the surveys. The materiality assessment process is as follows:

Stage 1 Identification

A list of ESG issues was compiled from a variety of channels, including listing rule requirements, industry trends and internal policies. We identified 25 issues and grouped them into four categories: environment, employment and labour practices, operating practices, and community.



Stage 2 Prioritisation

An online survey was conducted to evaluate the impact of various issues from the perspective of stakeholders or the Group. The scoring criteria are 1 to 5 points (1 refers very low impact and 5 refers very high impact). The materiality matrix is constructed based on the scoring and the threshold for inclusion in the Materiality Matrix (i.e. the median of the data) is determined, and the Materiality Matrix is arranged depending on the degree of influence.



Stage 3 Validation

Management reviewed the Materiality Matrix and materiality threshold. Assessed from a stakeholder or business perspective, out of all 25 issues, 12 items are scored overall at or above median of the data, and ranked in order as the most important environmental, social and governance issues the Group have to respond to and report.

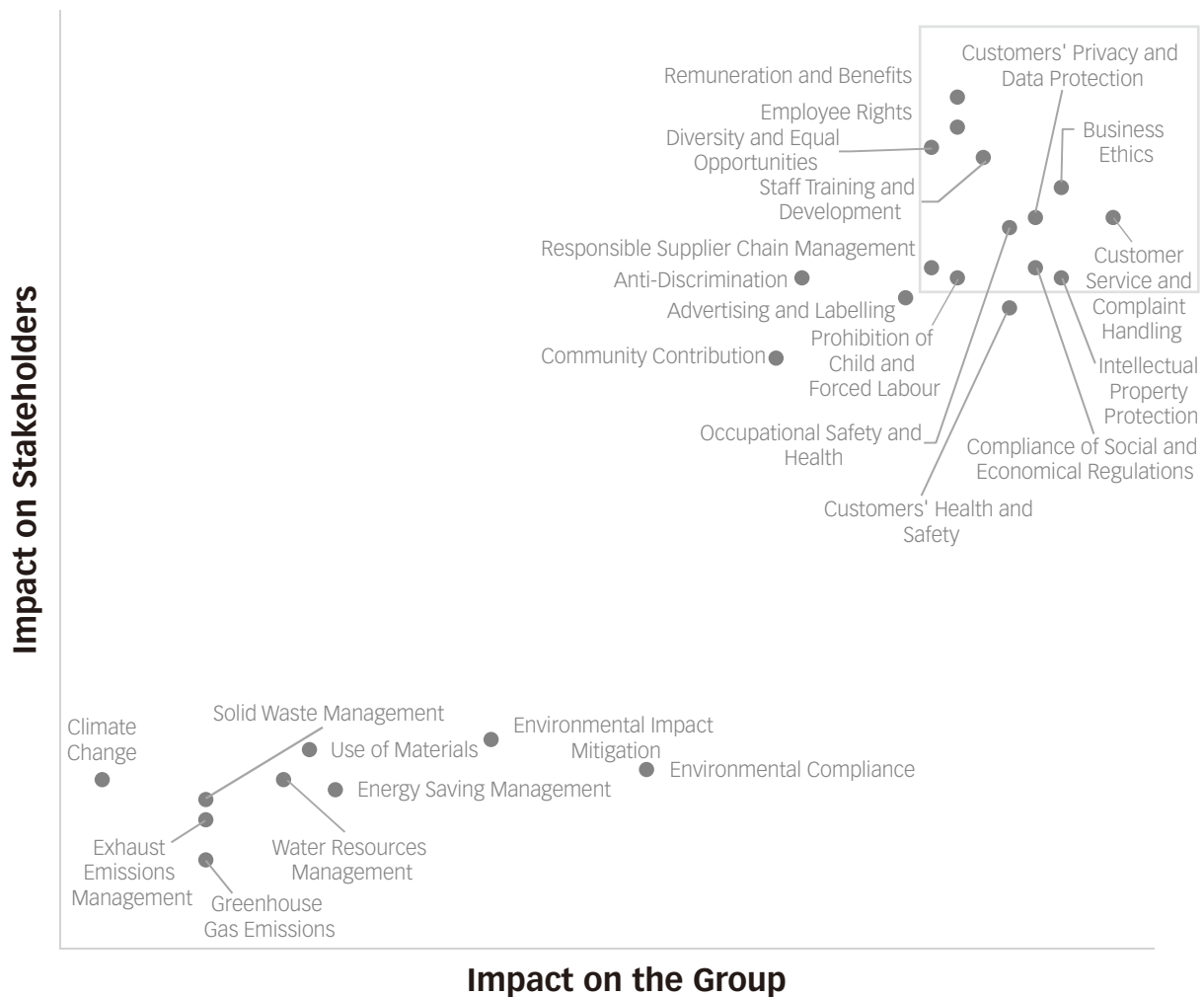
Materiality Assessment

RESULTS

After the consolidation of the internal assessment and survey results, the Group concluded the 12 most important issues of this year:



Materiality Matrix



ENVIRONMENTAL SUBJECT AREA

OVERVIEW

Despite the low impact of issues under the environmental subject area on the Group and relevant stakeholders, we are committed to mitigating the impact of our operations on the environment. The impact of operations of the shopping malls on the environment mainly comes from energy consumption, including energy-consuming equipment such as lighting and air conditioning. There are no significant exhaust emissions and waste emissions from the operation of the shopping mall. We have established the Group's *Environmental Protection Management Methods*, which aims to implement various environmental protection works in an orderly manner, including actively promoting energy conservation and environmental protection; implementing, supervising and managing environmental protection works such as resources protection and pollution prevention, and continuously improving and committing to waste reduction and mitigating our impact on the environment.

A1 EMISSIONS

General Disclosure

Policies and information on laws and regulations compliance

The operation of our shopping malls needs to comply with relevant laws and regulations on environmental protection in mainland China, including but not limited to the *Environmental Protection Law of the PRC*, the *Water Pollution Prevention and Control Law of the PRC*, the *Atmospheric Pollution Prevention and Control Law of the PRC*, *Law of the PRC on Prevention and Control of Environmental Noise Pollution*. Violation of relevant laws and regulations by an enterprise may result in fines, orders of business suspension, closure, and even criminal liability in serious case.

Our shopping mall constructions and other projects need to adhere to the *Environmental Impact Assessment (EIA) Law of the PRC* and the *Regulations on the Administration of Construction Project Environmental Protection* etc. Under such laws and regulations, the environmental impact assessment of a project should be carried out and an "Environmental Impact Report" should be prepared for projects with potential environmental impacts. After completion of a project, the relevant organisation should perform inspection and acceptance of the environmental protection facilities for a project according to the standards and procedures stipulated by the environmental protection administrative department of the State Council, and prepare an acceptance report accordingly.

We are establishing the Group's *Environmental Protection Management Methods* to manage and monitor the environmental impact of our operations. During the Reporting Period, the Group was not aware of any significant issues of violations of laws and regulations that have a significant impact on the Group.

Emission types and respective emission data

During the Reporting Period, the main sources of emissions of the Group were exhaust and wastewater. Exhaust were from vehicles of the Group and combustion of pipeline natural gas, including nitrogen oxides, sulphur oxides and particulate matters. To control and reduce related emissions, we monitored the mileage and fuel consumption of vehicles to keep track of the actual usage of the vehicles, ensuring efficient usage of vehicles. The Group's air pollutant emission amounts are as follows:

Air emissions ¹	Unit	2019
Nitrogen oxides (NO _x)	tonnes	6.23
Sulphur oxides (SO _x)	tonnes	0.10
Particulate matter	tonnes	0.02

¹ The calculation of air pollutant emissions refers to the "Technical Guide for the Preparation of Air Pollutant Emission List for Road Vehicles (Trial)" and the "Coefficient Manual of the First National Census on Pollution Sources for the Pollutant Generation and Discharge from Urban Living" issued by the Ministry of Environmental Protection of the PRC.

Environmental Subject Area

A1 EMISSIONS (cont'd)

Emission types and respective emission data (cont'd)

As for wastewater discharge management, in order to ensure that the discharged wastewater can meet the relevant environmental regulations and standards in mainland China, the "GB/T 31962-2015 Wastewater Quality Standards For Discharge To Municipal Sewers", the Group conducts water quality sample testing regularly for wastewater. The testing components include pH value, suspended solids, chemical oxygen demand, ammonia nitrogen, total phosphorus, total nitrogen, anionic surfactants, animal and vegetable oils. During the Reporting Period, the wastewater generated by the Group was tested and confirmed that the content of the above components was assessed to have met the standards of discharge. Looking forward, the Group will continue to monitor the quality and quantity of the Group's exhaust and wastewater emissions, and improve the collection and monitoring of emissions data.

Total Greenhouse gas ("GHG") emission and intensity

During the Reporting Period, the sources of the Group's GHG emissions mainly included electricity consumption incurred from buildings and facilities, as well as vehicle fuel consumption. We are committed to starting from the spirit of "Green Operation and Friendly Environment", combining new energy technology and management technique, striving for excellence for each energy planning and management program, promoting energy-saving and carbon reduction in the daily operation process to achieve the goal of continuous improvement of energy performance.

The Group's GHG² emissions by scopes are as follows:

	Unit	2019
Scope 1 ³	tonnes of CO ₂ equivalent	263.88
Scope 2 ⁴	tonnes of CO ₂ equivalent	17,036.37
Total GHG emissions	tonnes of CO ₂ equivalent	17,300.25
GHG emission intensity	tonnes of CO ₂ equivalent/square meter (sq.m.)	0.05

Our GHG emissions are mainly related to electricity consumption (Scope 2), followed by diesel and natural gas consumption (Scope 1). In order to reduce emissions, we have established and implemented relevant electricity-saving measures, please refer to the section headed "A2 Uses of Resources" for details. Moving forward, the Group will continue to monitor its GHG emissions and improve the collection and monitoring of GHG emissions data.

2 The calculation of Greenhouse gas emissions is based on the "GHG Protocol Tool for Energy Consumption in China (Version 2.1)" (能源消耗引起的溫室氣體排放計算工具和指南(2.1版)) issued by the World Resources Institute and "2017 Emission Reduction Project China Regional Power Grid Baseline Emission Factor"(2017年度減排專案中國區域電網基準線排放因子) issued by the Department of Climate Change, Ministry of Ecology and Environment of the PRC (中華人民共和國生態環境部應對氣候變化司).

3 Scope 1: Emissions directly from business operations owned or controlled by the Group.

4 Scope 2: "Indirect energy" emissions caused by internal consumption (purchased or acquired) of electricity, heat, refrigeration and steam within the Group.

Environmental Subject Area

A1 EMISSIONS (cont'd)

Total Hazardous waste produced and intensity

Our operation of shopping malls does not produce any hazardous waste that needs to be treated.

Total Non-hazardous waste produced and intensity

Wastes generated by the Group's shopping malls are mainly domestic waste generated during daily operations. The amounts of waste generated are as follows:

	Unit	2019
Non-hazardous waste	tonnes	1,106.300
Intensity	tonnes/sq.m.	0.003

Measures to mitigate emissions and results achieved

In order to continue to improve and strive to reduce waste emissions, the Group is actively improving its *Environmental Protection Management Methods*, which includes the following measures:

- Burning of asphalt, linoleum, rubber, plastic, hay, fallen leaves, garbage and other substances that generate toxic and harmful gases or malodorous gases are prohibited in the areas of shopping malls.
- The discharge of toxic and harmful gas and dust into the atmosphere is strictly restricted; if there is a necessity for the discharge, the gas emission must undergo purification and do not exceed the regulated standards before discharging.
- Restaurants are encouraged to implement water-saving and pollution-reduction initiatives, reusing and recycling water to improve the overall water utilisation rate.
- Grease trap should be equipped to pre-treat restaurant effluents and to separate the oil from water. Oil mist from the kitchen must also be pre-treated. Both effluents and oil mist must meet their emission standards before discharging. Also, wastewater containing oil, acid, alkaline, and highly toxic liquid is strictly restricted to be discharged into natural water sources to prevent pollution.
- Vehicle restriction control is implemented in shopping mall areas, vehicles that do not meet environmental protection requirements are prohibited from entering.
- When noise and vibration occur, measures such as noise reduction, sound insulation, and shock prevention should be taken.

A1 EMISSIONS *(cont'd)*

Measures to mitigate emissions and results achieved *(cont'd)*

Since the Group disclosed relevant emissions data in this Report for the first time, there is insufficient information to evaluate the effectiveness of the relevant measures. The Group will continue to record and disclose various types of emission data. Looking forward, the Group will continue to improve the data collection system, and conduct forecast based on the data collected in the next few years to formulate emission reduction strategies in a timely manner.

Hazardous and non-hazardous waste handling methods, measures on waste reduction and results achieved

The Group's waste management strategy focuses on waste reduction, recycling and reuse, aiming to save operating costs while lowering the impact on the environment. Solid waste should be cleared, transported and disposed of timely. When collecting, storing, transporting, using, and disposing of solid waste, measures must be taken to prevent diffusion, loss, and leakage. No unauthorised dumping, piling, littering or scattering of solid waste is allowed. A large amount of paper is used in daily operation, which caused an impact on the environment. The waste generated by the operation of offices is mainly office paper. During the Reporting Period, the Group's total paper consumption was 0.7 tonnes. In order to protect the environment, we are establishing relevant policies to minimise wastage of paper and other resources.

Since the Group disclosed relevant emissions data in this Report for the first time, there is insufficient information to evaluate the effectiveness of the relevant measures. The Group will continue to record and disclose the amount of wastes produced. Looking forward, the Group will continue to improve the data collection system, and forecast based on the data collected in the next few years to formulate waste reduction strategies in a timely manner.

A2 USE OF RESOURCES

General Disclosure

Policies

In order to promote effective energy consumption, the Group is actively establishing the Group's *Energy-Saving Implementation Plan* for standardising specific energy-saving guidelines and regulations on public and office lighting, air conditioning use, power distribution management, electromechanical equipment management, and water supply, etc. For example, as for public and office lighting, we have used energy-efficient lighting instead of compact fluorescent lamps and have adopted a lighting control system based on different time period to achieve the purpose of energy saving. As for air conditioning use, we have established a clear benchmark for air conditioner usage instead of utilising air conditioning on a whole day basis, and we monitor room temperature and air conditioner parameters to ensure the air conditioners function properly.

Environmental Subject Area

A2 USE OF RESOURCES (cont'd)

Direct and/or indirect energy consumption by type in total and intensity

The Group's energy consumption includes petrol, diesel, natural gas and purchased electricity. During the Reporting Period, the Group's main source of energy consumption was electricity, which accounted for 74% of its total energy consumption. The following table shows the total energy consumption by energy type:

	Unit	2019
Direct energy consumption		
– Petrol	MWh	568.26
– Diesel	MWh	504.52
– Natural Gas	MWh	6,330.43
Indirect energy consumption		
– Purchased electricity	MWh	19,362.57
Total energy consumption	MWh	26,765.78
Energy consumption intensity	MWh/sq.m.	0.07

Total water consumption and intensity

Water is an indispensable natural resource in the daily operations of the Group. During the Reporting Period, the Group's total water consumption was 213,036.00 cubic meters (m³). The details of the Group's water consumption data are as follows:

	Unit	2019
Water consumption	m ³	213,036.00
Water consumption intensity ⁵	m ³ /sq.m.	0.59

Energy efficiency plans and results

The Group promotes environmental protection in its daily business operations. The Group implements various environmental protection measures at its operating premises. We mitigate the negative impact of the operating site on the environment through the proper use of energy. During the Reporting Period, the Group successfully saved 10% of the prime power dissipated by the equipment by effectively controlling the operating time of the equipment, and thereby saved 10-15% of the relevant financial budget, at the same time reducing the impact of GHG emissions on nature. Besides, the Group also established specific energy-saving measures in the *Energy-Saving Implementation Plan* as follows:

Lighting Management

- Adopt lighting time management, arrange proper lighting according to the needs at different periods instead of having all the lightings on at all times, to balance out between the needs and energy saving.
- All fluorescent lights in the basement are replaced with more energy-saving LED lights, and corridor lights are gradually replaced with energy-saving lights. For electrical facilities with low usage requirements, automatic control devices such as infrared induction and time control are equipped.
- The office area makes full use of natural lighting to reduce the need for lighting facilities.

⁵ The total area of the Group's offices and shopping mall is 363,792.35 square meters.

Environmental Subject Area

A2 USE OF RESOURCES (cont'd)

Energy efficiency plans and results (cont'd)

Air Conditioning Management

- Establish a comprehensive room temperature monitoring and air-conditioning energy-saving management system; monitor room temperature, air-conditioning system parameters and energy consumption daily.
- Set a reasonable air-conditioning temperature. Except for the need during summer and winter, air-conditioning usage in other seasons should be minimised. The air-conditioning temperature should be set no lower than 26 degrees Celsius in summer and not higher than 20 degrees Celsius in winter.
- When the air conditioner is operating, the office should remain enclosed to prevent the loss of cold air, avoiding the air conditioner from a long period of operation.

Since the Group disclosed the related data in this Report for the first time, there is insufficient information to evaluate the effectiveness of the relevant measures. Moving forward, the Group will continue to monitor the energy use of the Group and continue to improve data collection and monitoring.

Issue in sourcing water that is fit for purpose, water efficiency initiatives and results achieved

The Group understands that water resources are among the most precious natural resources on the planet, so we attach great importance to the rational use of water resources and are committed to reducing unnecessary water consumption. In terms of water usage, water for operation is provided by the water supply company, so there is no issue in sourcing water that is fit for purpose. We will set a water consumption budget at the beginning of each year and install sensors at the points of use in the bathroom to control the water consumption.

Since the Group disclosed the related data in this Report for the first time, there is insufficient information to evaluate the effectiveness of the relevant measures. Looking forward, the Group will continue to monitor the use of water resources of the Group and continuously improve data collection and monitoring.

Total packaging material used for finished products

The Group's business does not involve any product production, therefore no packaging material consumption is incurred, hence no relevant data disclosed.

A3 ENVIRONMENT AND NATURAL RESOURCES

General Disclosure

The Group is establishing its *Environmental Protection Management Methods* to standardise and implement the environmental protection management tasks orderly. We actively promote energy conservation and environmental protection within the Group as well as implementing supervision and management of environmental protection work such as resources conservation and pollution prevention. We continue to improve and are committed to reducing waste emissions and the impact on the environment.

A3 ENVIRONMENT AND NATURAL RESOURCES

(cont'd)

Significant impacts of activities on the environment and natural resources and the actions taken to manage them

Although the environmental impact of the Group is minimal and natural resources are rarely used directly, we still strive to improve the waste management mechanism. As a responsible enterprise that values environmental protection, we prevent or minimise the possible damage to the environment, such as air pollution, noise pollution, garbage piling, etc. by managing the tenants of the shopping malls. We have established targeted environmental protection measures according to the different situations that may happen in the shopping malls, including:

- When decorating and refurbishing shops, the construction area must be effectively enclosed before the commencement of construction. Environmental pollution caused by operations should be prevented during the construction, the remaining construction materials and construction site should be cleaned up after construction;
- When transporting refurbishment materials and garbage, anti-leakage measures must be taken, and such materials cannot be stacked in the public areas of the market; refurbishment garbage should be transported out of the market in a timely manner;
- To minimise dust pollution in the passageway of the shopping malls, measures are implemented including water spraying or flushing for dust suppression. Dust and garbage that remain after such cleaning should be timely removed;
- Constructions that generate odour and noise should be avoided during the normal business hours of the shopping malls. Domestic sewage is only allowed to be discharged through designated pipelines, and mixed discharge of rainwater and sewage is strictly prohibited to prevent pollution of water sources;
- For volatile and odour-causing items, measures must be taken to prevent such volatile gases from causing environmental pollution or producing odours, in order to prevent environmental pollution incidents from happening.

SOCIAL SUBJECT AREA

EMPLOYMENT AND LABOUR PRACTICES

B1 EMPLOYMENT

General Disclosure

Policies

The Group's Human Resources department has established a comprehensive human resources policy, which has been stated clearly in the Group's *Employee Handbook* allowing employees to understand the rules easily. The *Employee Handbook* covers sections including employee benefits, professional ethics, overtime policies and promotion and demotion basis. Apart from compliance with the basic labour laws and regulations, the Group also implements other human resources policies as needed, including *Reward and Punishment Management Policy*, *Attendance Management Policy*, *Personnel Change Management Policy*, *Salary Management Policy*, *Recruitment Management Policy*, etc. We are providing benefits higher than the legal requirements to recruit, retain and develop a first-class team of employees.

Remuneration

The Group regards employees as our important assets, so we established the Group's *Remuneration Management Policy* under the regulations of the *Labour Contract Law of the PRC* and used such to standardise the definition of remuneration and enable employees to fully understand such concept. We provide employees with competitive remuneration, including wages, subsidies, seniority wages, attendance awards, benefits, year-end awards, etc. The Group determines employee remuneration packages based on the general market environment and practices, employee responsibilities, and the Group's financial capabilities. The Group's remuneration management policy is formulated with reference to internal comparison between the various grades based on the position-level salary system. Under the position-level salary system, the Group refers to the salary level of enterprises of the same size in the same industry, determines the salary of employees by the corresponding rank of the employed position in the salary system, and links the performance salary with the Group's revenue and performance results.

Recruitment

In terms of recruitment, the Group strictly abides by regulations of equal opportunity, multiculturalism, and anti-discrimination. We implement equal competition, merit-based recruitment, seeking talented candidates with good moral character and avoiding relatives hiring which might affect the fairness of the employment. We adhere to the principle of fairness and openness, recruit excellent and applicable talents; candidates shall not be treated differently or discriminated against due to race, gender, region, social class, religion, political party and other factors, equal opportunities shall be given to all potential candidates. The Group did not employ underaged employees, forced labour or pay below the minimum wage.

Dismissal

Employees of the Group are free to choose whether to maintain labour relations with the Group. The Group does not force any employee to make any decision on labour relations against their will.

Promotion

The Group attaches great importance to the work performance of employees and encourages employees to work proactively and has created a broad promotion space for employees for the very purpose. Promotion opportunities can be provided for employees with excellent performance and ability to engage in higher positions once the relevant recommendations made by their department heads being approved.

Working hours and rest periods

Staff working hours are strictly set following local laws and Group rules. The Group arranges its employees to work eight hours a day, forty hours a week and two days off a week at the headquarter level. On the other hand, the Group considers the needs of employees, in addition to statutory holidays prescribed by the national government, the Group also provides annual leave, sick leave, personal leave, work injury leave, marriage leave, maternity leave, family planning leave, paternity leave, breastfeeding leave, funeral leave and parental leave.

B1 EMPLOYMENT (cont'd)

General Disclosure (cont'd)

Diversity, equal opportunities and anti-discrimination

The Group has adopted a Board Diversity Policy guiding the Board to achieve a more diverse composition of Board members. All Board members are appointed on the principle of meritocracy. With the assistance of the Nomination Committee, the Board will assess various aspects when considering the nomination and appointment of Directors, including but not limited to skills, knowledge, qualifications and educational background, professional experience, cultural background, age and gender.

The Nomination Committee is responsible for reviewing the Board Diversity Policy and monitoring its implementation to ensure the effectiveness of the policy. Besides, the Committee will discuss any amendments that may be required to the policy and recommend any relevant amendments to the Board for consideration and approval.

The value of diversity, equal opportunities and anti-discrimination apply to all aspects of human resource management, including but not limited to recruitment, promotion, transfer, job assignment, rewards and benefits, training and development etc.

Benefits and welfare

If employees work overtime due to work needs, they can get overtime compensatory leave after making applications according to the attendance management procedure and obtaining the approval. Besides, the Group will award year-end bonuses based on the operating conditions and financial performance of the year, the completion status of annual goals and individual year-end performance assessments. On the other hand, the Group also purchases social insurance for employees under national regulations, including pension insurance, unemployment insurance, work injury insurance, maternity insurance, medical insurance and serious illness insurance.

In addition to the above benefits, the Group also provides other allowances according to the circumstances, including holiday allowance and visitation subsidies. In terms of employee caring, the Group also plays a proactive role, for example: organising employees to conduct physical check-up from time to time under the relevant national regulations; and depending on the workload and the operating conditions of the Group, the labour union of the Group arranges leisure trips and organises various recreational activities for employees.

Compliance information for relevant laws and regulations

A professional team is our most valuable resource in maintaining the Group's competitiveness in the industry, hence our business has a significant demand for talents. The Group complies with laws and regulations relating to labour and social security in mainland China, including but not limited to:

- *Labour Contract Law of the PRC* stipulates that the labour contract must be drawn up in writing. After consultation and obtaining consensus, employers and employees can enter into labour contracts with fixed or non-fixed terms, while in other cases that meet statutory conditions, employers can terminate labour contracts and dismiss their employees according to law. Violations of relevant laws and regulations can result in warnings, fines, and revocation of business licenses. If the case is serious, it may also result in criminal liability.
- *Labour Law of the PRC* stipulates that the employing unit shall establish and improve their internal rules under the law to ensure that workers are entitled to their labour rights and perform their labour obligations. A labour contract should be entered into when establishing a labour relationship. Violations of relevant laws and regulations may result in warnings, fines, and revocation of business licenses. If the case is serious to commit an offence, it may also give rise to criminal liability.
- *Provisional Regulations on Collection and Payment of Social Insurance Premiums* stipulates that the enterprise shall provide its employees with welfare plans including basic pension insurance, unemployment insurance, maternity insurance, work injury insurance and basic medical insurance. Violation of relevant regulations may result in fines.

Social Subject Area

B1 EMPLOYMENT (cont'd)

General Disclosure (cont'd)

Compliance information for relevant laws and regulations (cont'd)

- *Regulation on the Administration of Housing Provident Funds* stipulates that the enterprise shall contribute to the Housing Provident Fund for its employees. Violation of relevant regulations may result in fines.

The Group has established a series of human resources policies and actively enhanced relevant policies to ensure that the rights and interests of employees are being protected according to law. During the Reporting Period, the Group was not aware of any significant violations of laws and regulations that have a significant impact on us.

Total number of employees by gender, employment type, age group and geographical region

As of 31 December 2019, the distribution of the Group's employees ⁶ are as follows:

	2019
By gender	
– Male	134
– Female	59
By age group	
– Below 30	49
– 30–50	130
– Above 50	14
By employment type	
– Full time	193
– Part-time	0
By geographical region	
– Hong Kong	1
– Mainland China	192
Total	193

⁶ The data solely covers material operations as stated in the section headed "About this Report".

B1 EMPLOYMENT *(cont'd)*

Employee turnover rate by gender, age group and geographical region

The employee turnover rate of the Group are as follows:

	Turnover rate ⁷	2019 Number of Turnover
By gender		
– Male	30%	40
– Female	20%	12
By age group		
– Below 30	45%	22
– 30–50	22%	29
– Above 50	7%	1
By geographical region		
– Hong Kong	0%	0
– Mainland China	27%	52
Total	27%	52

⁷ Turnover rate = Total wastage in the employee category during the Reporting Period divided by total no. of employees in that employee category.

B2 HEALTH AND SAFETY

General Disclosure

Policy

The Group is actively improving *Employee Safety Management Policy* and stipulates in the “Basic Requirements” chapter that new employees must undergo safety management training and pass the assessment before work commencement, thereby raising employees’ safety awareness. If the employees have job rotation due to the working requirement, they should receive the Company’s safety management training for the corresponding positions and must also pass the assessment before work commencement. Besides, in order to strengthen the safety management of the vehicles of the Group, raise the safety awareness of drivers, prevent and reduce the occurrence of traffic accidents, the *Driver Safety Management Measures* is established to regulate the safety precautions of drivers at work.

On the other hand, the Group also attaches great importance to the impact of the office environment on employees’ health. In order to improve the work efficiency of employees and establish a good image of the Group, we are actively formulating the *Environmental Protection Management Measures*, which provides specific requirements for creating and maintaining a clean, comfortable and graceful office environment. The Group also emphasised such issue in the *Employee Handbook* and informed all employees for compliance.

Compliance information on relevant laws and regulations

The Group shall comply with relevant labour laws and regulations, including but not limited to:

- Labour, Safety and Hygiene, Chapter 6 of the *Labour Law of the PRC*

This chapter stipulates that employers must establish comprehensive labour safety and health policies. They must strictly implement national labour safety and health regulations and standards, provide labour safety and health education to workers, prevent accidents at work, and reduce occupational hazards. The Group actively improved relevant measures.

During the Reporting Period, there were no significant violations of laws and regulations that had a significant impact on the Group.

Number and rate of work-related fatalities

As of 31 December 2019, the Group had no work-related fatalities, and its rate was 0%.

Lost days due to work injury

As of 31 December 2019, the number of lost days due to work injury of the Group was 0.

Occupational health and safety measures adopted, how they are implemented and monitored

In order to ensure that the Group can effectively implement the national labour safety and health regulations and standards in its main business, a safety production management leading group was established to provide individual employees with specific operational instructions for production safety and supervision. During the Reporting Period, the Group organised a total of 15 safety training, participants were employees from customer service, engineering and security, including around 124 participants.

While devoting itself to maintaining a high-quality office environment, the Group also pays great attention to the health care of employees. We have arranged a health check for employees who have been employed for half a year or more during the Reporting Period, benefiting 144 employees. On the other hand, the Group also arranges regular ventilation of the office area to maintain good air quality. We also perform cleaning, disinfection and insecticide operations regularly in the office area to prevent the production of diseases. While maintaining a good working environment, it also allow employees to feel more at ease and enabling them to focus at work more easily.

B3 DEVELOPMENT AND TRAINING

General Disclosure

Policy

The Group has established the *Training Management Policy* to standardise the Group's employee training and establish a sound and systematic employee training system. The Group encourages employees to strive for improvement and continuous learning and believes that the quality of employees plays an important role in the business. Considering the continuous and stable development of employees, the Group continuously improves the quality and work skills of employees through diversified training to achieve a win-win situation that can provide various management and professional staff for the Group and also benefits employees.

We arrange relevant training according to the needs of different employees, including:

- New employee induction training: New employee induction training is conducted through centralised internal teaching, visiting, and orientation. New employees can master the background information of the Group, be familiar with the working environment, understand the basic requirements of work, and adapt to the working environment smoothly.
- On-the-job training: Through the combination of internal teaching, case analysing and actual operation, employees can master the professional skills and techniques necessary for their positions, in doing so, work efficiency can be improved and work goals can be achieved easily.
- Vocational training: Regard employees as value-added resources of the Group, arrange internal lectures or external training for them based on their plasticity and ability and formulate career development plans to adapt to the Group's development needs, while enhancing the employees' self-value.

During the Reporting Period, a total of 558 employees participated in different types of training, with approximately 1,629 training hours. Training hours mainly included course-based training without taking into account on-the-job training. The detailed employee training data in 2019 are as follows:

B3 DEVELOPMENT AND TRAINING *(cont'd)*

Percentage of trained employees by gender and employee category

During the Reporting Period, the total number of participants in the Group was 558, and the average percentage of employees trained throughout the year was 24%. The total number of participants and corresponding percentage by gender and employee category are as follows:

	Number of participants	2019 Corresponding percentage
By gender		
– Male	402	72.0%
– Female	156	28.0%
By employee category		
– President (including deputy)	0	0.0%
– Project Manager	1	0.2%
– Head of Center	3	0.5%
– Director (including deputy director)	13	2.3%
– Manager (including deputy manager)	104	18.6%
– Supervisor	168	30.1%
– Commissioner/Assistant	223	40.0%
– Security Guards	46	8.2%
Total	558	100.0%

B3 DEVELOPMENT AND TRAINING (cont'd)

The average training hours completed per employee by gender and employee category

During the Reporting Period, the Group provided a total of 1,629 training hours. The average number of training hours completed per employee by gender and employee category are as follows:

	Training hours	2019 Average training hours ⁸
By gender		
– Male	1,188	8.87
– Female	441	7.47
By employee category		
– President (including deputy)	0	0.00
– Project Manager	30	1.00
– Head of Center	1	5.00
– Director (including deputy director)	41	5.86
– Manager (including deputy manager)	306	9.00
– Supervisor	597	15.31
– Commissioner/Assistant	569	10.35
– Security Guards	85	1.77
Total	1,629	8.44

B4 LABOUR STANDARDS

General Disclosure

Policy

The Group will not tolerate the employment of minors, compulsory labour nor any forced labour or labour bound by illegal deeds. The *Recruitment Management Policy* stipulates that the Group prohibits the recruitment of minors under 16 years of age in the “Recruitment Principles”, and the “Labour Contract Signing” section of the Group’s *Employee Handbook* states that the Group and the qualified employees sign the *Labour Contract* on the basis of equality, voluntariness and consensus.

Compliance information on relevant laws and regulations

The Group has complied with relevant laws and regulations, including Article 15 which is the “Employment Promotion” section of the *Labour Law of the PRC* which prohibits employers from recruiting minors under 16 years of age; Article 3 of the “General Provisions” of the *Labour Contract Law of the PRC* stipulates that the conclusion of labour contracts should follow the principles of lawfulness, fairness, equality, voluntariness, consensus and honesty. During the Reporting Period, the Group did not have any related significant violations.

Description of measures to review recruitment practices to avoid child labour and forced labour

According to the “Joining Guidelines” in the Group’s *Employee Handbook*, employees must provide personal information including identity card during recruitment registration. The Group performs checking to ensure that the relevant persons are legally eligible to work. During the Reporting Period, the Group was not aware of any minor and forced labour violations.

⁸ The average training hours are calculated by dividing the training hours received by the employee group by the number of others in the employee group at the end of the Reporting Period.

OPERATING PRACTICES

B5 SUPPLY CHAIN MANAGEMENT

General Disclosure

The main suppliers of the Group are building contractors and advertising companies for the shopping mall in Guangzhou and Shenyang. In summary, purchasing decisions are based on the supplier's past service records, pricing, suitability and general reputation. In order to manage the environmental and social risks associated with suppliers, the Group has established a series of procedures for supplier selection and evaluation process.

Supplier selection criteria and procedures

In terms of supplier management, the Group has established the *Supply Conformity Assessment Guidelines* to regulate the requirements for new suppliers in becoming qualified suppliers. In addition to conditions such as complete certification, law-abiding operation, good reputation, advanced technology and sufficient capital, etc., we place great emphasis on the performance of suppliers in recent years, for example, there must be no major quality, safety accidents, and no serious customer complaints during this period, etc. After completing the survey and evaluation of the basic information of the supplier, if it is assessed that the requirements of the Group are met, on-site inspection and evaluation will then be conducted. During the on-site inspection, the Group mainly checks the authenticity of the collected data, the scale of the enterprise, the status of the enterprise's quality management and operation, and then evaluates the supplier in various aspects. A potential candidate can only become a qualified supplier after carefully reviewing, appraising and approving the evaluation results by the Group.

The Group promotes fair and open competition. The decision to hire services and purchase materials is based solely on price, quality, past service records, needs, etc. When selecting a supplier, if the subcontracting (purchasing) business involved exceeds the amount as defined in related policies, the appropriate supplier must be selected through tendering. We have established the *Purchasing Policy and Procedures – Tendering (Procurement) Management Policy* to provide a clear definition of the situation in which supplier selection by tendering is required.

Besides, the *Sunshine Agreement* was established to ensure that the supplier and the Group can maintain an honest and self-disciplined work style in the process of performing contracts, prevent various improper acts, and protect the legitimate interests of both parties effectively, so that the two parties can establish long-term cooperative relations. The agreement provides a clear definition of the proper code of conduct.

Qualified supplier performance evaluation and management

In terms of supplier performance, the Group will perform supplier performance evaluations by the end of each year in accordance with the *Supplementary Performance Evaluation Guidelines* established. The Group will update the *List of Qualified Suppliers* based on the assessment results. If any supplier has its assessment results as "unqualified", it will be disqualified from the *List of Qualified Suppliers*. Besides, the Group has also established a "Blacklist" system. Any bidder that violates integrity requirements will be included in the Blacklist after approval by the Group President. The suppliers on this list will never be allowed to undertake any projects of the Group.

B5 SUPPLY CHAIN MANAGEMENT *(cont'd)*

Qualified supplier performance evaluation and management *(cont'd)*

During the Reporting Period, the Group has 75 suppliers, all of which are from mainland China. The following is a list of suppliers by geographical region:

Geographical region	Supplier type	Number
Guangdong Province	Construction	15
	Advertising	39
Liaoning Province	Construction	4
	Advertising	11
	Service Provider	6
Total		75

B6 PRODUCT RESPONSIBILITY

General Disclosure

Overview

The Group is committed to operating shopping malls with a responsible attitude, providing tenants with a safe and comfortable shopping mall environment and enhancing the consumer experience. The Group mainly focuses on the management of three aspects which are mall security, privacy protection, customer service and complaint handling.

Shopping Mall safety

The Group pays great attention to the safety of the shopping mall and establishes for the very purpose the *Management Manual of the Engineering Department*, which formulates the relevant management guidelines for the Group's Fire Monitoring Center to standardise and ensure that the center can fulfil its role as the first line of fire protection. The Manual has stipulated that the fire protection system shall be staffed and monitored 24 hours a day; staffs responsible must strictly implement the handover system, and fill in the duty records properly. The control cabinets, display screens, signal lights and control circuits should always be in good condition, and the control levers, as well as operation buttons, should be in automatic positions.

In accordance with relevant laws and regulations, the Group organised a total of 14 fire drills during the Reporting Period. The participants included employees from customer service, engineering and security, the number of participants was around 127. The content of the drill includes: familiarising with the methodology on arriving

at the meeting place in an orderly and fastest manner, learning to use fire equipment properly and proficiently, checking the condition of the fire equipment including their expiration date, and holding debriefing sessions to introspect the performance of the drill.

Privacy protection

The Group regards the protection of its own and customer information as a fundamentally important code. Any lapses in this link can cause damage directly to the Group's reputation and thus affect customers' confidence in the Group. In order to let every employee understand its importance, a chapter on confidentiality was specifically created in the Group's *Employee Handbook*. It clearly stated that the scope of confidentiality involved covers multiple areas, including but not limited to the following issues:

- Confidential matters in major decisions of the Group;
- Contracts, agreements, letters of intent, important meeting records, meeting minutes, etc. within the Group;
- Business strategies, directions, plans, projects and decisions that the Group has not yet implemented;
- Relevant documents reflecting the financial status of the Group;
- Personnel file information of Group employees;
- Customer information of the Group.

B6 PRODUCT RESPONSIBILITY (cont'd)

General Disclosure (cont'd)

Privacy protection (cont'd)

In order to comply with relevant laws and regulations and the Group's policy requirements, the key confidentiality measures regulated by the Group in the *Employee Handbook* include:

- All confidential documents and materials belonging to the Group should be affixed with secret seals by all departments, and be kept by a designated person in a unified manner;
- Documents may not be copied and extracted without the approval of the supervisor;
- Assign a designated person to be responsible for sending, receiving, transferring and delivering documents and materials;
- Register and sign as records when issuing and borrowing documents, returning them in time after use. Documents may not be borrowed, destroyed or sold without authorisation, and shall not be read by persons without reading authority;
- Encryption measures should be taken for the files saved on the computer if necessary;
- When information needs to be provided in external exchanges and cooperation, employees must obtain the approval of the supervisor in charge before proceeding;
- Do not divulge Group secrets in private meetings, communications, and telephone calls;
- Do not divulge departmental confidential matters in chats with colleagues from other departments.

Customer service and complaint handling

The Group attaches great importance to feedback from customers and actively follows up on customer complaints. We strive to enhance customer satisfaction by boosting the quality of customer complaints and

feedback handling, safeguarding the reasonable interests and legitimate rights of customers, merchants and the Group effectively, and improving the service quality of the merchants' business operating environment in the market as well as the service management of the Group. The Group's *Customer Complaint Management Policy* is established to further implement the customer complaint management mechanism, standardise complaint handling methodologies and provide clear guidelines for employees.

Customer complaint management is basically coordinated by the Operation Manager and led by the Operation Management Department. The department is responsible for receiving complaints, recording and forwarding complaint information, communicating promptly with the responsible department for complaint matters handling, organising and archiving data of the follow-up actions required after the completion of the handling process. Employees should not shirk their responsibility when receiving complaints, all complaints should be politely received and handled with care. Responsible employees should listen to the content of the complaint patiently, appease the complainant promptly, analyse the complaint case calmly and provide immediate responses to complaints that can be resolved immediately and treat every customer's complaint equally. The content of the complaint needs to be understood in detail, factually recorded, and the relevant information should be distributed in time to the responsible department for follow-up actions. Persons in charge of various departments should be fair, honest and responsible when handling complaints.

If the content of the complaint is inconsistent with the facts or beyond the scope of the property management service after investigation, it should be reasonably explained to the customer with patience to eliminate the customer's doubts as much as possible. Responsible employees should notify the management for instructions of the follow-up actions. Complaint handling records should be summarised and analysed regularly in order to ensure lessons are learned, and to make suggestions for improvement. Customer complaints should be regarded as the best job monitoring opportunities, so as to strive to improve service quality, setting the work-center goal to fulfil customer needs, and to improve customer satisfaction effectively.

B6 PRODUCT RESPONSIBILITY (cont'd)

General Disclosure (cont'd)

Compliance information on relevant laws and regulations

As the operator of the shopping mall, the Group needs to comply with the laws and regulations in the following fields, including but not limited to:

Shopping Mall Safety

- According to the *Fire Control Law of the PRC*, agencies, organisations, enterprises, institutions and other units should fulfil fire safety responsibilities, including the organisation of fire drills. If not, such venues shall not be put in use or business. Otherwise, the construction unit or the user unit will be ordered to halt the construction, usage, production or operation, and impose a fine of RMB30,000 to RMB300,000.
- According to the *Law of the PRC on the Protection of Consumer Rights and Interests*, operators of hotels, shopping malls, restaurants, banks, airports, stations, ports, theatres, and other business premises should fulfil their safety obligations to consumers.
- According to the *Tort Law of the PRC*, managers of public places such as hotels, shopping malls, banks, stations, entertainment venues, or organisers of mass activities that fail to fulfil their security obligations and cause harm to others should bear torts liabilities.
- According to the *Interpretation of the Supreme People's Court of some Issues concerning the Application of Law for the Trial of Cases on Compensation for Personal Injury*, where a natural person, legal person or any other organisation, who engages in the business of accommodation, catering or entertainment, etc. or carries out other social activities, fails to perform the security obligations within a reasonable scope, and thus causes any other person to suffer from personal injury, the obligor, therefore, bears the corresponding compensation liabilities.

The Group has established and actively improved relevant policies to ensure the safety of tenants and other personnel in the shopping mall. During the Reporting Period, the Group was not aware of any major violations of laws and regulations that have a significant impact on us.

Customer service and complaint handling

- According to the *Law of the PRC on the Protection of Consumer Rights and Interests*, consumers have the right to conduct supervision over commodities, services, and the work on the protection of consumer rights and interests. Consumers also have the right to report and allege infringement upon consumer rights and interests and violation of the law and dereliction of duty by state organs and their staffs in the protection of consumer rights and interests. They have the right to offer criticisms or proposals regarding the protection of consumer rights and interests.

The Group is in the process of establishing relevant customer complaint management policies to ensure that customers' opinions can be dealt with promptly. During the Reporting Period, the Group was not aware of any major violations of laws and regulations that have a significant impact on us.

Intellectual property protection

The Group's trademarks are protected by the *Trademark Law of the PRC* and the *Regulation for the Implementation of the Trademark Law of the PRC*. The validity period of a registered trademark is 10 years, calculated from the date of approval of the registration. If the registered trademark expires and needs to continue to be used, the trademark registrant shall go through the renewal procedures within 12 months before the expiration; if the registrant is not renewed within this period, a six-month extension period may be granted. If the renewal procedures are not completed within the time limit, the registered trademark would be cancelled.

The domain names of the Group are created under the *Measures for the Administration of Internet Domain Names*. According to the regulations, domain name registration is handled through a domain name registration service agency. Domain name registration applicants must provide real, accurate and complete identity information and other domain name registration information. Any organisation or individual who registers or uses any domain name in violation of the regulations may constitute a crime and shall be investigated for criminal responsibility.

B7 ANTI-CORRUPTION

General Disclosure

The Group always requires employees to abide by ethical standards, establish and maintain an overall ethical culture for the Group, and ensure that the Group operates the business with a high degree of integrity, which is an important responsibility of the Board.

Policy

We strive to strengthen the internal management and supervision of the Group, safeguarding the legitimate rights and interests of the Group, ensuring the healthy development of business activities, complying the relevant national audit regulations and take into account the actual situation of the Group, an Audit Department and an *Audit Supervision Policy* has been established. The Group has set up an Audit Department to perform supervision on behalf of the Group. It is under the leadership of the Audit Committee of the listed Group and is required to report to it. During the auditing process, if the Audit Department finds serious violations of laws, regulations, rules and regulations of the Company, and causes serious losses or waste, the monitoring process will be initiated. According to the system, the Audit Department has the right to investigate the risks, problems, complaints, and reports of various departments and subsidiaries of the listed Group, and the relevant personnel must explain the issues being discovered.

On the other hand, to further standardise the management definition of prevention of corruption and related crimes, the Group is establishing the *Corruption Prevention and Punishment Management Policy*, which provides clear definitions of corruption and related behaviour, including but not limited to: (1) Requesting bribes from merchants, distributors, suppliers and employees, or accepting bribes (kickbacks) from customers, distributors, suppliers and employees, introducing bribes to others or arranging any form of benefit delivery; (2) Accepting bribes in disguise, including but not limited to receiving any benefits and property from merchants, distributors, suppliers, and engineering contractors in occasions such as wedding or funeral, or taking gambling, borrowing, credit card repayment, and other nominal bribery, withholding, etc.

(3) Misappropriation, illegal possession or disposal of the Company's property (including funds, intangible assets, products, gifts, equipment and office supplies, etc.) and illegal possession includes but not limited to theft, etc., and illegal disposal includes but not limited to bartering away, gifting, mortgage and pledge, etc., intentional concealment, fictitious transactions, including but not limited to repurchase of sales, fictitious sales information and Company employees, etc. (4) Abuse of power, use the position to provide or seek any form of improper benefits to/from the other party.

The Group will implement corresponding punishment measures according to the amount involved in the case. The punishment includes unconditional termination of the labour contract relationship and transfers to the judicial office.

Compliance information on relevant laws and regulations

The Group strictly abides by the anti-corruption related laws and regulations in Mainland China and Hong Kong, including but not limited to *the Criminal Law of the PRC* and *the Prevention of Bribery Ordinance* of Hong Kong.

- *The Criminal Law of the PRC* regulates the criminal conduct of bribery acceptance and bribery in commercial transactions. Violation of relevant laws and regulations may result in fines, imprisonment, or criminal detention.
- *The Prevention of Bribery Ordinance* of Hong Kong prohibits all forms of corruption and bribery. Any director or employee is prohibited from extorting, accepting or offering any bribes while conducting company business or affairs in Hong Kong or elsewhere. Violation of relevant laws and regulations may result in fines and imprisonment.

The Group has established and actively improved relevant policies and preventive measures. During the Reporting Period, the Group did not have any major non-compliance matters in this regard, and there were no corruption cases brought against and concluded by the Group or our employees.

B7 ANTI-CORRUPTION (cont'd)

Preventive measures and reporting procedures, as well as related implementation and monitoring methods

In order to maintain an honest and self-disciplined working culture, prevent all kinds of improper behaviour, and protect the legitimate interests of both parties effectively so that the two parties can establish long-term cooperative relations, the Group specifically established the Group's *Sunshine Agreement*, which clearly stated that the Group's employees or partners who have signed agreements must not bribe or accept bribes in any form, such as: giving cash gifts, valuable securities, gift cards, stored-value cards and other valuables to the employees or relatives of the other party; reimbursing personal expenses for the employees or relatives of the other party; Inviting employees or relatives of the other party to travel and enter business entertainment venues; provide convenience for the employees or relatives of the other party in relation to house decoration, weddings and funerals, work arrangements and going abroad of families and children, etc. If the staff of the other party is found to have violated the agreement, they should be reported to its respective company. If the report is found to be true after verification, the person responsible for the violation will be subject to economic or administrative penalties; those who violate the law will be transferred to the judicial office.

Besides, in order to prevent employees from violating rules, regulations and laws, and to implement anti-corruption work effectively to prevent corruption, bribery, bribery acceptance, and other violations of the law, the Group is actively establishing the Group's *Letter of Integrity and Self-discipline Commitment of the Staff with Key Positions*, which clearly defines employee ethics including one must be honest, positively reflecting, complaining and reporting all kinds of corruption as well as providing information to the Company on assisting related audit investigations. It also clearly stated that those responsible for corruption will be held accountable in strict according to the relevant mechanisms of the Group.

If there is a corruption complaint, the whistleblower can report to the Group's Audit and Supervision Department, the Audit Committee or the Board by phone or email. A designated person is appointed by the Audit Committee or the Board to carry out a targeted investigation into the case. If other units within the Company receive complaints and report information, they should also forward them to the Audit and Supervision Department promptly and keep them strictly confidential. The Group has established a patrol audit and supervision work mechanism, and organised a patrol team to conduct patrol audit and supervision on the business and management activities of our business units irregularly, and also responsible for accepting complaints, reports on the spot and carry out on-site investigations.

COMMUNITY

B8 COMMUNITY INVESTMENT

General Disclosure

To further standardise the Group's community investment activities and strengthen the management of the Group's external contributions, better fulfil the Group's social responsibilities and obligations on the basis of fully safeguarding the interests of shareholders, creditors and employees, promote and enhance the Group's brand and image effectively, the Group's *Community Investment Management Measures* is therefore established. The Group contributes corporate efforts, assumes social responsibilities and obligations, as well as actively participates in social welfare activities, including but not limited to cultural heritage, poverty alleviation, and elderly caring. On the other hand, the Group provides contributions to the disaster-stricken areas and vulnerable groups, supports the resumption of production, life relief, and promotes humanitarianism to create a healthy and harmonious society. To this end, the Group supports the establishment of volunteer organisations to help people in need through volunteer organisation activities, thereby improving people's living environment, and adhere to the purpose of helping each other to improve the society.

Focus on areas of contribution and resources used

During the Reporting Period, the focus of the Group's contribution is mainly on cultural and traditional activities and community public welfare, including sponsorship of Dragon Boat Festival-related activities, participating in society Dragon Boat Racing, donations for poverty alleviation and poverty relief and donations for Mid-Autumn Festival activities for the elderly, etc. Benefited institutions included Shangjiao Village (上漵村), Shaxi Village (沙溪村), Luopu Street Charity Association (洛浦街慈善會) of Panyu, Guangzhou and The Community Chest of Hong Kong. The detailed resources used are as follows:

	Unit	2019
Total donation amount (Hong Kong)	Thousand HKD	1,000
Total donation amount (Mainland China)	Thousand RMB	389

AWARDS AND RECOGNITIONS

During the Reporting Period, the Group received the following awards and recognition:

Award/Achievement name	Issuer
Guangdong Enterprise of "Observing Contract and Valuing Credit" 2018 (2018年度廣東省「守合同重信用」企業)	Guangzhou Municipal Market Supervision Administration (廣州市市場監督管理局)
Guangzhou Civilized Credit Market 2017-2018 (2017-2018年度廣州市文明誠信市場)	Guangzhou Municipal Market Supervision Administration (廣州市市場監督管理局)

THE STOCK EXCHANGE ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORTING GUIDE CONTENT INDEX

Subject Areas, Aspects, Key Performance Indicators (KPIs)		Section/Statement
SUBJECT AREA A – ENVIRONMENTAL		
Aspect A1: Emissions		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste	Emissions
KPI A1.1	The types of emissions and respective emissions data	Emissions
KPI A1.2	Greenhouse gas emissions in total (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility)	Emissions
KPI A1.3	Total hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility)	Emissions
KPI A1.4	Total non-hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility)	Emissions
KPI A1.5	Description of measures to mitigate emissions and results achieved	Emissions
KPI A1.6	Description of how hazardous and non-hazardous wastes are handled, reduction initiatives and results achieved	Emissions
Aspect A2: Use of Resources		
General Disclosure	Policies on efficient use of resources, including energy, water and other raw materials	Use of resources
KPI A2.1	Direct and/or indirect energy consumption by type (e.g. electricity, gas or oil) in total (kWh in '000s) and intensity (e.g. per meal)	Use of resources
KPI A2.2	Water consumption in total and intensity (e.g. per unit of production volume, per facility)	Use of resources
KPI A2.3	Description of energy use efficiency initiatives and results achieved	Use of resources
KPI A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency initiatives and results achieved	Use of resources
KPI A2.5	Total packaging material used for finished products (in tonnes) and, if applicable, with reference to per unit produced	Immaterial: The Group does not use any packaging materials

The Stock Exchange Environmental, Social and Governance Reporting Guide Content Index

Subject Areas, Aspects, Key Performance Indicators (KPIs)		Section/Statement
SUBJECT AREA A – ENVIRONMENTAL (continued)		
Aspect A3: Environment and Natural Resources		
General Disclosure	Policies on minimising the issuer's significant impact on the environment and natural resources	Environment and natural resources
KPI A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them	Environment and natural resources
SUBJECT AREA B – SOCIAL		
Employment and Labour Practice		
Aspect B1: Employment		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare	Employment
KPI B1.1	Total workforce by gender, employment type, age group and geographical region	Employment
KPI B1.2	Employee turnover rate by gender, age group and geographical region	Employment
Aspect B2: Health and Safety		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to providing a safe working environment and protecting employees from occupational hazards	Health and safety
KPI B2.1	Number and rate of work-related fatalities	Health and safety
KPI B2.2	Lost days due to work injury	Health and safety
KPI B2.3	Description of occupational health and safety measures adopted, how they are implemented and monitored	Health and safety

The Stock Exchange Environmental, Social and Governance Reporting Guide Content Index

Subject Areas, Aspects, Key Performance Indicators (KPIs)		Section/Statement
SUBJECT AREA B – SOCIAL (continued)		
Employment and Labour Practice (continued)		
Aspect B3: Development and Training		
General Disclosure	Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities <i>Note: Training refers to vocational training. It may include internal and external courses paid by the employer</i>	Development and training
KPI B3.1	The percentage of employees trained by gender and employee category (e.g. senior management, middle management)	Development and training
KPI B3.2	The average training hours completed per employee by gender and employee category	Development and training
Aspect B4: Labour Standards		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child or forced labour	Labour standards
KPI B4.1	Description of measures to review employment practices to avoid child and forced labour	Labour standards
KPI B4.2	Description of steps taken to eliminate such practices when discovered	No noncompliance case
Operating Practices		
Aspect B5: Supply Chain Management		
General Disclosure	Policies on managing environmental and social risks of supply chain	Supply chain management
KPI B5.1	Number of suppliers by geographical region	Supply chain management
KPI B5.2	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, how they are implemented and monitored	Supply chain management

The Stock Exchange Environmental, Social and Governance Reporting Guide Content Index

Subject Areas, Aspects, Key Performance Indicators (KPIs)		Section/Statement
SUBJECT AREA B – SOCIAL (continued)		
Operating Practices (continued)		
Aspect B6: Product Responsibility		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress	Product responsibility/ Advertising and labelling matters have no significant relevance or impact on us, therefore, no related information is disclosed
KPI B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons	Immaterial: The Group does not produce products
KPI B6.2	Number of products and service related complaints received and how they are dealt with	No relevant information: The Group has not yet collected related data
KPI B6.3	Description of practices relating to observing and protecting intellectual property rights	Product responsibility
KPI B6.4	Description of quality assurance process and recall procedures	Immaterial: The Group does not produce products
KPI B6.5	Description of consumer data protection and privacy policies, how they are implemented and monitored	Product responsibility
Aspect B7: Anti-corruption		
General Disclosure	Information on (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering	Anti-corruption
KPI B7.1	Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the Reporting Period and the outcomes of the cases	No concluded legal cases regarding corrupt practices have been noted during the Reporting Period
KPI B7.2	Description of preventive measures and whistle-blowing procedures, how they are implemented and monitored	Anti-corruption

The Stock Exchange Environmental, Social and Governance Reporting Guide Content Index

Subject Areas, Aspects, Key Performance Indicators (KPIs)		Section/Statement
SUBJECT AREA B – SOCIAL (continued)		
Community		
Aspect B8: Community Investment		
General Disclosure	Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration of the communities' interests	Community investment
KPI B8.1	Focus areas of contribution (e.g. education, environmental concerns, labour needs, health, culture, sport)	Community investment
KPI B8.2	Resources contributed (e.g. money or time) to the focus area	Community investment