



中梁控股集团

ZHONGLIANG HOLDINGS GROUP

ZHONGLIANG HOLDINGS GROUP COMPANY LIMITED

中梁控股集团有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 2772)

Environment, Social and Governance Report

2019





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About this Report

OVERVIEW

This report is the first Environmental, Social and Governance Report (hereinafter referred to as the “Report”) issued by Zhongliang Holdings Group Company Limited to its stakeholders for the purpose of disclosing, particularly, the management, practice and performance of the Group in terms of environment, society and governance (“ESG”).

REPORTING PERIOD

The period covered by this Report is from 1 January 2019 to 31 December 2019 (the “Reporting Period”), and is extended to the first quarter of 2020 for some sections.

SCOPE OF THE REPORT

This Report covers Zhongliang Holdings Group Company Limited (hereinafter referred to as the “Company”) and its subsidiaries (hereinafter collectively referred to as the “Group”, “Zhongliang Holdings”, “we” or “us”).

BASIS OF PREPARATION

This Report is prepared in accordance with the Environmental, Social and Governance Reporting Guide in Appendix 27 to the Rules Governing the Listing Securities (the “Listing Rules”) on The Stock Exchange of Hong Kong Limited (hereinafter referred to as the “Stock Exchange” or “HKEX”) published in December 2015.

This Report is prepared through steps such as identifying and prioritising major stakeholders and relevant major ESG issues, determination of ESG reporting boundary, collection of relevant materials and data, preparation of report based on materials and review of the reporting information, in order to ensure the content of this report is complete, substantial, true and balanced.

SOURCES OF DATA

The information and data disclosed in this Report are sourced from the statistics reports and internal documents of the Group and have passed the audit by relevant departments. A complete content index is appended to the last section hereof for quick reference. The Group undertakes that there was no false record or misleading statements in this Report, and takes responsibility for its truthfulness, accuracy and completeness.

REPORTING LANGUAGE AND FORM OF ISSUE

This Report is available in Chinese and English, which are issued in electronic versions. You can visit the websites of the Group (www.zldcgroup.com) and HKEX News of the Stock Exchange (www.hkexnews.hk) for obtaining the electronic versions of this Report. If you have any comments or suggestions concerning the environmental, social and governance performance of the Group, you are welcome to contact us via email at ir@zldcgroup.com.

About this Report

REPORT PREPARATION PROCESS

This Report is a product after going through sections including work group establishment, stakeholder interview, stakeholder questionnaire, information collection, framework determination, report preparation, report design and review by departments and senior management.

REVIEW AND APPROVAL

This Report has been reviewed and approved for issue by the board of directors of the Company.

Message

2019 was a year full of challenges and hard work. Zhongliang Holdings strived for implementing the annual theme of “Embracing challenges, optimising business model, opening up capital markets and improving steadily”, sustained its ranking of top 20 in China’s property development industry in terms of comprehensive strength, and was successfully listed on the Main Board of the Stock Exchange (the “Listing”), entering into a new stage of development. While achieving our own business development, we continued to promote the Group’s sustainable development by continuously enhancing core capabilities and improving development quality.

Zhongliang Holdings focuses on centring quality real estate and value for the good life of thousands of households. Adhering to the concept of “building quality with integrity and creating for a better life”, Zhongliang Holdings has continuously enhanced the competitiveness of the Group’s products to meet the needs of different customer groups. We establish a standardised process of product quality management and control for all development projects by our engineering management system, engineering technology system and engineering evaluation system to improve project quality and create safe and comfortable new quality community spaces and indoor environments for residents.

We create our sustainable competitiveness by centring around client relationship management. Zhongliang Holdings adheres to the service concept of “relief, trust, respect, and co-prosperity”, continuously improves customer satisfaction from the three dimensions, namely business management, notification management and appraisal management, and establishes a customer relationship management system to provide comprehensive after-sales services.

Adhering to the product concept of “culture, comfort, health, green and technology”, we strictly control the environmental management of building during its entire cycle from design to operation. Zhongliang Holdings actively promotes and applies environmentally-friendly technologies and equipment, strives to build green buildings and communities, and is committed to building resource-saving and environmentally-friendly construction sites through various management measures. We also vigorously implement the green office concept, and actively participate in the construction of harmonious nature by subtle details.

Staff is our most valuable asset. Zhongliang Holdings creates a fair and just employment environment for employees, and expands our talent team with the concept of diversification and equality in order to create an open, efficient and harmonious team. We have built a sound multi-level and systematic talent development system, and established our Zhongliang Academy as the core promotion organisation for talent development. We attach great importance to the health and safety of employees, ensuring project construction safety and employees’ personal safety.

Zhongliang Holdings conducts supplier evaluation management on the safety, quality management and major non-performance practices of suppliers, and conducts supplier exchange meetings to actively explore ways to achieve win-win cooperation. We joined the industry alliance of supply chain procurement to promote the sharing of resources and experience among industries so as to help allied enterprises avoid the risks associated with supply chain.

We always feel grateful to the society and strive to contribute. Zhongliang Holdings with a grateful heart, actively integrates social responsibilities into the development of the Group, implements the concept of “social value creator”, strives to support education, focuses on the growth of the youth, and actively participates in various charities such as education, sports, environmental protection, medical assistance, disaster relief and poverty alleviation, in a bid to deeply practice the concept of “create value for a better life”, and to become an important force in promoting society to move towards a better future.

I. Creating Value

1.1 ABOUT US

The Group is a fast growing real estate developer in the People's Republic of China ("China"). It is headquartered in Shanghai with a home base in the Yangtze River Delta with a national footprint. In 2020, it was honored as one of Top 20 Real Estate Developers and ranked Top 1 in terms of development potential in China by China Real Estate Association, E-house China R&D Institute and China Real Estate Appraisal Center. We focus on the development of residential properties and strive to become a leading comprehensive real estate developer in China.

The Group is focusing on developing quality residential properties, with customers covered first-time home purchasers, first-time home upgraders and second-time home upgraders. With approximately 20 years of experience in the real estate industry in China and led by our regional expansion strategy, as of 31 December 2019, the Group has a total land bank of approximately 57.0 million square meters and has projects in 142 cities in 23 provinces across five core economic zones, namely the Yangtze River Delta, the Midwest China Region, the Pan-Bohai Economic Rim, the Western Taiwan Straits Zone and the Pearl River Delta.

1.2 SOCIAL RECOGNITION

During 2019, the Group adhered to "create value for a better life" with its profession and ingenuity, continuously upgraded its products and implemented its social responsibility. The Group has made a leap-forward breakthrough in multiple dimensions including operation capacity, product capacity and management capacity, and has won various awards both inside and outside the industry, covering multiple dimensions such as comprehensive strength, development potential, brand value, product service and social responsibility. The Group's development has been highly recognised in the industry.



- ① 2019 Best 20 of China Real Estate Developer (2019中國房地產開發企業20強)
- ② 2019 China Annual Investment Value — TOP 30 Real Estate Enterprises (2019中國年度投資價值—地產企業TOP30)
- ③ 2019 China Top 500 Private Enterprises (2019中國民企500強)

I. Creating Value

Our 2019	Name of award	Awarding entity
Comprehensive Strengths		
August 2019	TOP 280 Among 2019 China Top 500 Private Enterprises (2019中國民企500強TOP 280)	All-China Federation of Industry & Commerce (全國工商聯)
	The 18th Among Top 20 China Real Estate Developers 2019 in terms of Comprehensive Strengths (2019中國房地產企業綜合實力20強第18位)	EH Consulting (億翰智庫)
Development Potential		
March 2019	Top 20 China Real Estate Developers 2019 (2019中國房地產開發企業20強)	China Real Estate Association, E-house China R&D Institute and China Real Estate Appraisal Center (中國房地產業協會和上海易居房地產研究院中國房地產測評中心)
	TOP 1 Among Top 10 Development Potential of China Real Estate Developers 2019 (2019中國房地產開發企業發展潛力10強TOP 1)	
August 2019	2019 China Annual Investment Value — TOP 30 Real Estate Enterprises (2019中國年度投資價值—地產企業TOP 30)	“Boao Real Estate Forum 2019” hosted by Guandian Real Estate (觀點地產主辦的「2019博鰲房地產論壇」)
Brand Value		
August 2019	Top 17 Among 2019 Best 20 of China Real Estate Developers Brand Value (2019中國房地產企業品牌價值20強第17位)	EH Consulting (億翰智庫)
November 2019	“Jinling Award” 2019 Influential Real Estate Brand (「金瓊獎」2019年影響力地產品牌)	China Times (華夏時報)
Product Service		
August 2019	TOP 78 Among China Top 100 Private Service Enterprises 2019 (2019中國民企服務業100強TOP 78)	All-China Federation of Industry & Commerce (全國工商聯)
December 2019	2019 Most Innovative Award (2019最具創新獎)	2019 Shanghai Forum Themed Zhejiang Entrepreneurs in the World & Annual Meeting of the Zhejiang Chamber of Commerce, Shanghai (2019世界浙商上海論壇暨上海市浙江商會年會)
	China Real Estate Brand Benchmark Enterprise in terms of Risk Control Management (中國房地產品牌風控管理標桿企業)	China Real Estate News, CIHAF Organising Committee, etc. (中國房地產報、中國住交會組委會等)
Social Responsibility		
December 2019	New Enterprise of Social Responsibility in 2019 (2019年度社會責任新銳企業)	FNEWS (《國際金融報》社)

I. Creating Value

1.3 CORPORATE GOVERNANCE

The Group is committed to achieving high standards of corporate governance to safeguard the interests of the Shareholders and to enhance corporate value and accountability. The Company has adopted and applied the Corporate Governance Code contained in Appendix 14 to the Listing Rules as its own code on corporate governance since the Listing. For more information on corporate governance practice of the Group, please refer to the Corporate Governance Report contained in the 2019 Annual Report of the Company.

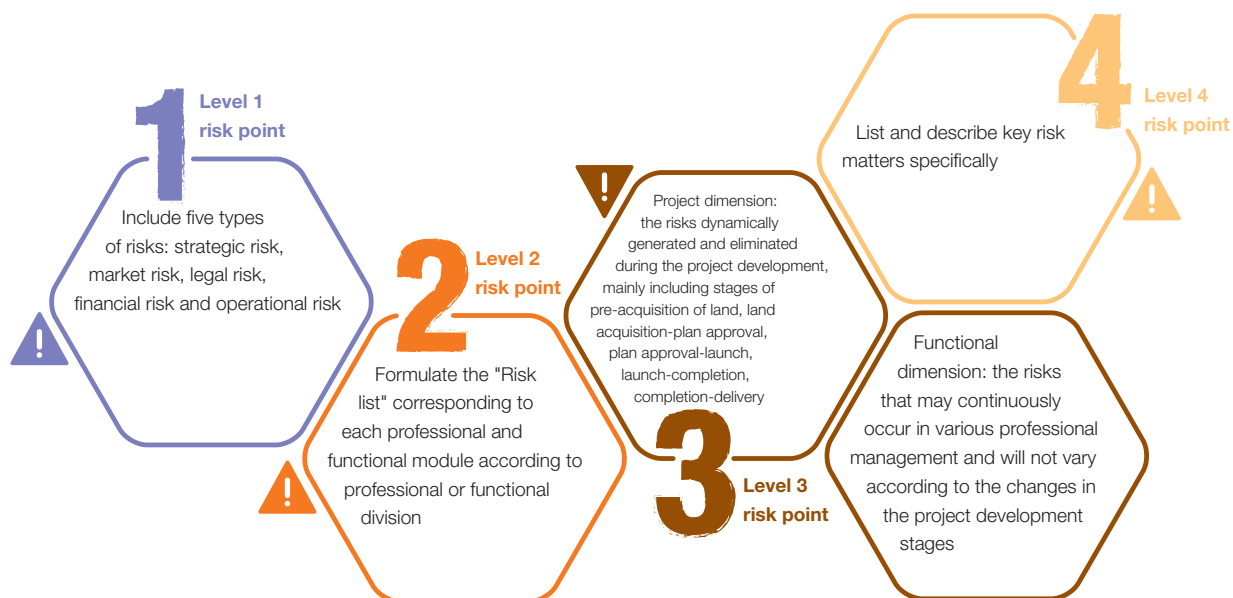
1.3.1 Risk Management and Control

The Group has formulated a risk control and management system according to its own situation. During the Reporting Period, in order to further standardise comprehensive risk control and management work, clarify risk assessment procedures and strengthen the risk control and management incentive and restraint mechanism, the Group has formulated a comprehensive risk control and management process and developed the “Zhongliang Risk Control System”. Based on the risk control manual, risk control and management system documents, risk list, etc. and through information technology means, the comprehensive risk control and management system of Zhongliang Holdings has been implemented to establish a complete risk database, automatically calculate the scores of functional summary items and functional assessment dimensions, warn for major risk projects based on updates of project risk dimensions and assessments, and effectively manage and track the progress of high-risk items.

The Group divides the risks encountered in the operation process into four levels for hierarchical management and control. For the identified risk points of different levels, we will list the risk consequences and risk control measures accordingly and further clarify the subject of responsibility and departments of each risk point and documents for relevant system processes involved. According to the corresponding risk prevention measures formulated, the Group will also adopt a risk rectification and tracking mechanism to ensure that all risks are rectified and implemented in a timely and effective manner.

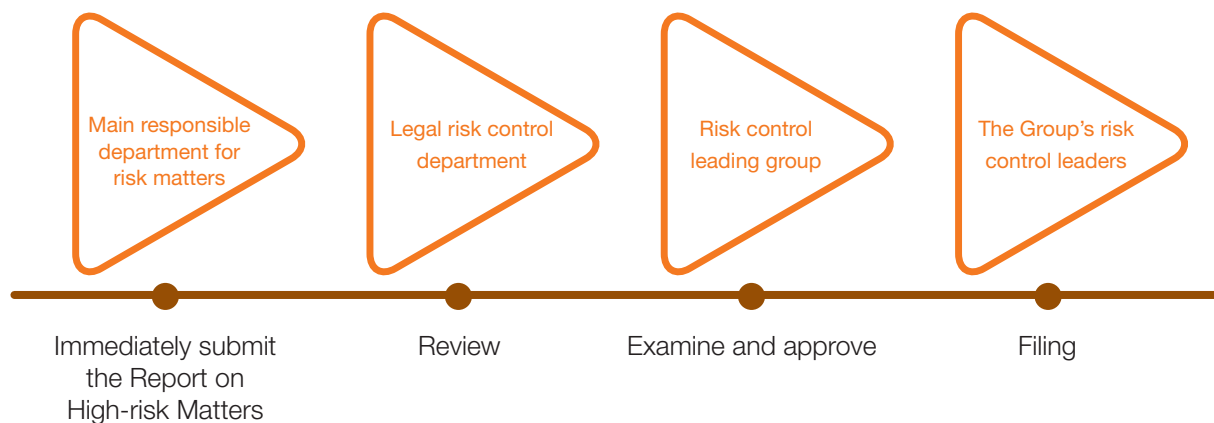
I. Creating Value

Four levels of risk points



According to the classification of risk levels in the risk list, the Group has established a four-level risk management structure consisting of the main responsible department for risk matters, the legal risk control department, the risk control leading group and the Group's risk control leaders, and carries out the rectification and tracking mechanism for matters with "high-level risk". For risk account types in respect of legal red line matters, one-vote veto matters and economic reserve matters, the risk control leading groups of organisations at all levels shall identify and deal with the matters of the risk account, and form an *Accountability Treatment Plan for Matters of Risk Account*.

Rectification and Tracking Mechanism for Matters with "High-Level Risk"



I. Creating Value

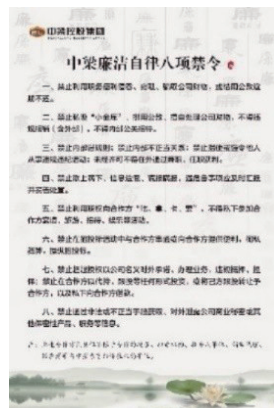
During the Reporting Period, the Group has conducted 9 risk control compliance trainings for senior management personnel with participants up to 1,200; 13 risk control compliance trainings for employees with participants up to 1,900. The content of compliance publicity included *Further Strengthening of the Publicising and Implementation of Legal Compliance in Operation, Prevention and Control Requirements for Delivery Risk 2019*, *Legal Risk Prevention and Control on the Delivery of Commodity Housing*, and comprehensive risk control and management system training.

1.3.2 Anti-Corruption

The Group has strictly complied with the *Anti-Unfair Competition Law of the People's Republic of China* and the *Interim Provisions on Prohibition of Commercial Bribery* and other laws and relevant regulations, and has formulated and implemented internal system documents such as the *Furnace Rules of Zhongliang Holdings Group (Trial Version)*, the *Proposal of Integrity and Self-discipline for Staff*, *Zhongliang's Eight Prohibitions for Integrity and Self-discipline*, and the *Notification Letter of Reporting Channels (Version 2019)*, clarifying the red lines of laws and systems that the employees should avoid, and resolutely preventing corruption.

- Integrity System**

During the Reporting Period, the Group revised *Zhongliang's Eight Prohibitions for Integrity and Self-discipline*, clarified the implied meaning of each prohibition, and integrated them into four integrity disciplines for internal staff and four red line disciplines for external partners (such as shareholders, financing institutions, sales agents, suppliers and other entities having economic contacts with the Group). Meanwhile, the Group has formulated the *Notification Letter of Reporting Channels (Version 2019)*, which included the public reporting channels in place, such as websites, WeChat, telephone, mails, letters and the public account of "Integrity Zhongliang". We require all units within the Group to post and display the notification letter in public, so as to create and consolidate a clean and upright workplace atmosphere.



Zhongliang's Eight Prohibitions for Integrity and Self-discipline



Notification Letter of Reporting Channels (Version 2019)

I. Creating Value

The Group also attaches great importance to the management of the privacy protection of complainants, and has specified the measures for the protection of complainants in the *Measures for Management of Complaints*. We will ensure that the whole group has a unified reporting channel, we designate dedicated persons within our surveillance platform to accept reporting telephone, emails, etc. in the Group, to limit spread of clues and ensure confidentiality; at the same time, we will divide the scope of operations by region, and strictly prohibit to communicate on the complaints. In addition, we have signed confidentiality agreements with all employees, formulated the *Management Measures for Work Confidentiality of the Surveillance Center*, and improved the confidentiality awareness of all members of the supervision center. Any leak of the case information will be dealt with seriously according to the system.

- **Integrity Culture and Training**

The Group adheres to the guidelines of “Dare Not, Cannot, Unwilling” to carry out our internal anti-corruption surveillance work. During the Reporting Period, we carried out 81 integrity publicity events, covering all lines and regions including integrity and self-discipline reminders, rules publication and education, case reviews, etc. In the meantime, we carried out two special activities of Furnace Rules Test for all employees, covering more than 20,000 person-times in the Group. During the Reporting Period, we provided 50 anti-corruption trainings to the senior management, with about 200 managers participated, and 81 anti-corruption trainings to employees. During the Reporting Period, there were no material legal cases in respect of corruption action that were brought against the Group or its employees.

Integrity Guidelines

Dare Not:

Create a high-handed posture of "dare not corrupt"

Investigate fraud cases, track down relevant personnel, and create a healthy and sunny business environment.

Cannot:

Promote the closed-loop mechanism of "cannot corrupt"

Strengthen supervision and early warning mechanism, carry out special actions for supervision and audit, identify and prompt major risk matters; carry out special review, and promote the optimisation of management and control of relevant business lines.

Unwilling:

Construct the ideological defense line of "unwilling to corrupt"

Continue to publicise and implementation of integrity and honesty, organise all employees to carry out a cognitive test of Furnace Rules, strengthen employees' thinking of red line and bottom line, and keep the alarm bells ringing.

I. Creating Value

1.4 ESG MANAGEMENT

1.4.1 ESG Working Mechanism

The Group actively integrates ESG elements into each aspect of business management. In combination with our own business and development, we have constantly optimised the management around the aspects of quality, green, culture and social responsibility, actively communicated with stakeholders, continued to strengthen corporate governance and strived to achieve the coordinated development of economic, social and environment. Through the construction of ESG working mechanism, we promote the transformation of the Group's responsibility concept and commitment to the shareholders into specific actions. We have set up an ESG working group composed of personnel from product research and development center, operation center, ecological supervision department, strategic breakthrough platform, legal risk control center, human resource development center, marketing and customer service center, investment and development center, president office and other functional departments to pay close attention to the ESG performance of the corporation, and regularly report the implementation of ESG policies in each department to the board of directors of the Company to ensure the continuous and effective implementation of the Group's ESG management.

1.4.2 Communication with Stakeholders

The Group attaches great importance to the communication with its stakeholders. By establishing a normalized communication mechanism with groups that have an important impact on the sustainable development of the Group, the Group deeply understands the demands, opinions and suggestions of all parties, takes into consideration of the stakeholders and their concerns in the operation and decision-making process of the Group, realises the combination of ESG management and the daily operation of the Group, and drives the long-term sustainable development of the Group. During the Reporting Period, we identified the main stakeholders with decision-making power or influence over the Group and close relationship with us, including the following groups: employees, shareholders/investors, governments and regulators, customers/property owners, partners/suppliers and communities.

I. Creating Value

The following table sets out the topics of concern of different groups of stakeholders during the Reporting Period and our communication and response methods:

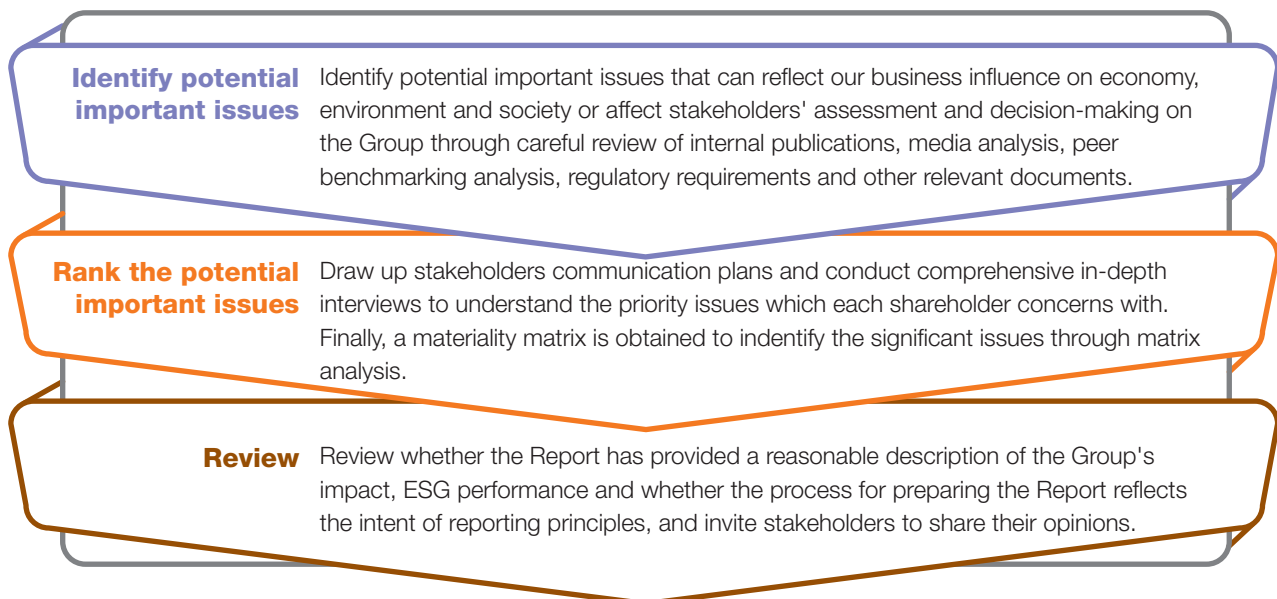
Group of stakeholders	Topics of concern	Communication channels/ feedback methods
Employees	Labor code Employee health and safety Employee training and promotion system Employee care	— Various employee activities — Internal journals (newspaper, magazine) — Employee performance appraisal
Shareholders/Investors	Anti-corruption control Anti-unfair competition Business development Economic performance	— General meeting/extraordinary general meeting — Investors meeting — Results press conference — Press release/announcement — On-site roadshow
Governments and regulators	Legitimate and reasonable marketing Risk management Support for the implementation of national policies	— On-site investigation — Meetings
Partners/Suppliers	Supplier management Honesty and integrity	— Supplier qualification review — Supplier Forum
Customers/Property owners	Product quality and customer service Customer satisfaction and complaint handling Protection for the consumers' information security and privacy	— Customer satisfaction survey — Customer service hotline — Official media platform
Communities	Community development Social welfare	— Press release/announcement — Various public welfare undertakings

I. Creating Value

1.4.3 Material ESG Issues

During the Reporting Period, the Group identified the important issues in order to better respond to the demands and expectations of stakeholders. We also conducted media analysis, industry benchmarking and 10 in-depth interviews with stakeholders. Meanwhile, we distributed 197 stakeholder's questionnaires, which were collected for gathering, collating, analysing and summarizing what key stakeholders concern. During the Reporting Period, the Group assessed and analysed the important issues through the following assessing processes:

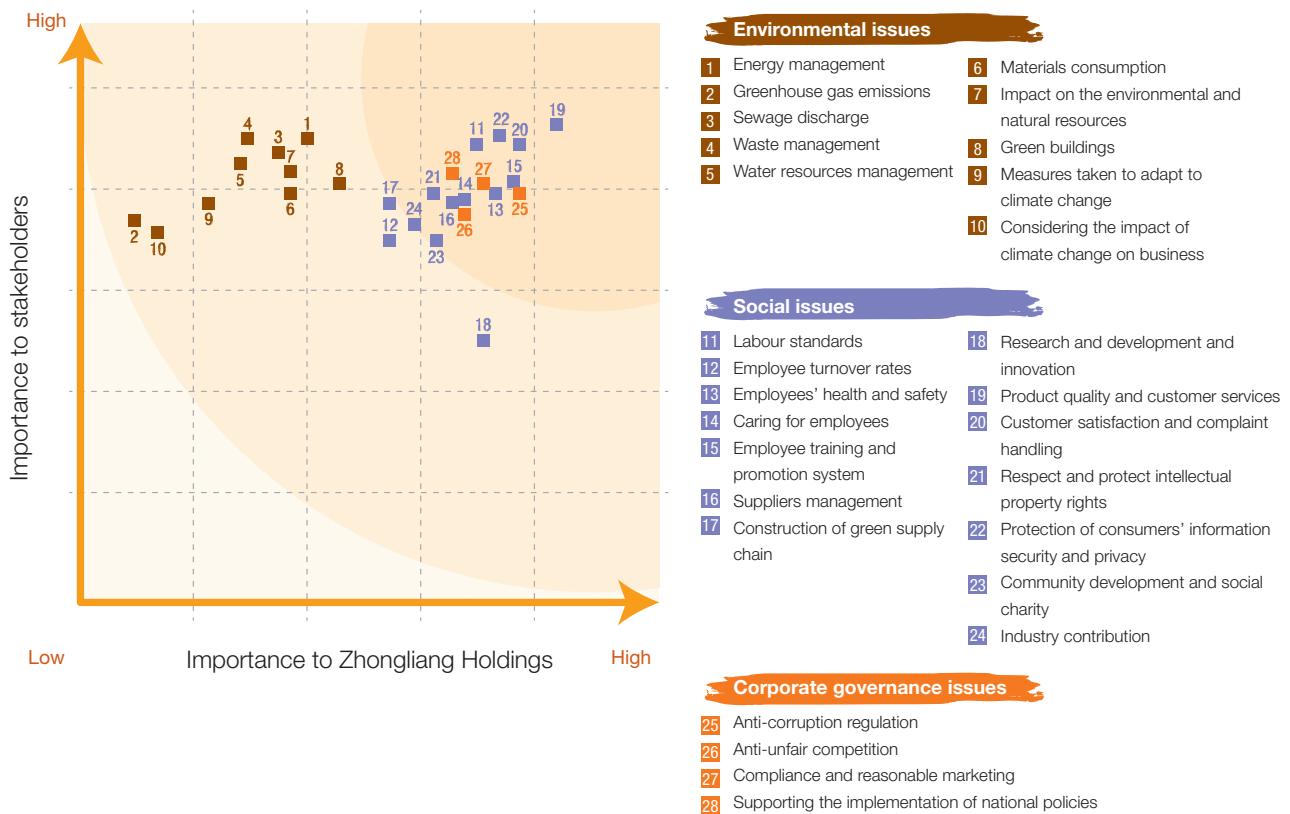
Materiality assessment processes



I. Creating Value

We have collected stakeholders' views and focused concerns from each group on the Group's ESG work for the Reporting Period, and formed a materiality issues matrix by combining the Group's development strategies with the operational priorities. The results are as follow:

ESG materiality issues matrix of Zhongliang Holdings



II. Creating for A Better Life

Zhongliang Holdings strives to achieve “building quality with integrity, creating for a better life (築良心品質、創美好生活)”. We will control our quality from the sources and continue to pursue a better life via quality development, excellent services and brilliant experience.

2.1 PRODUCT RESEARCH AND DEVELOPMENT

The Group is committed to “create value for a better life”, bringing a brand-new and upgraded experience for better living under our three system of “love community”, “exquisite housing” and “high-quality life”. Based on our positioning at target cities and the demands of target customer groups for residential products, we provide suitable products and services to our customers through three series of products. The Group strictly complies with the requirements of the *Law of the People’s Republic of China on the Administration of the Urban real Estate* and the *Regulations on Urban Real Estate Development and Management Control* and other laws and regulations to provide our customers with good-quality, legal and healthy products and services.

2.1.1 Quality Improvement

The Group pursues to improve housing environment. By the combination with our project development features, benchmarking excellent developers in the industry and the identified 27 smart product features, the Group formed a list of technological residence with four modules of traditional intelligence, security equipment, health and comfort, and intelligence and convenience. We strive to improve product quality and customer experience through innovative technologies.

The Group highly regards each property project. We adhere to prudent construction requirements, professional Building Information Modeling (hereinafter referred to as “BIM”) technology and endeavor to reduce on-site construction procedures and wastes while improving project quality effectively. Based on the *Practical Application of BIM Technology in Basement Optimisation Design* and the *Notice on Enhancing Design Delivery Risks Screening and Adopting BIM Design*, we carried out application training and publication of BIM. According to the benchmarking statistics, after the adoption of BIM technology, our underground garage shortened the construction period by about 5%, reduced the construction installation cost by 1–2%, and reduced the on-site rework caused by mistakes and omissions by about 50%.

2.1.2 Research and Development Patents

The Group’s trademark registration and management is in strict compliance with the *Trademark Law of the People’s Republic of China* and the *Patent Law of the People’s Republic of China* so that our brand interests are protected. We protect our intellectual property rights through adopting legal methods, respecting intellectual property rights of partners and working with partners to resist infringement. During the Reporting Period, we have 12 approved patents, making the accumulated patents up to 65.

II. Creating for A Better Life

2.2 QUALITY ASSURANCE

2.2.1 Quality Risk Prevention and Control

At the early stage of each project, we screen the risks through project design to ensure the high feasibility of the project plan and avoid plan modification arising from the undiscovered political factors after the finalization of the project. For improving the project quality, regional business groups are compelled to strengthen their focuses on accurate position of key sensitive aspects and major ancillary standards before project investment.

In terms of products, we fully implement risk check and problem elimination, and continue to improve our defect feedback management systems. Together with our Product Research and Development Center, the Engineering Department and the Operation Center, we have reduced the incidences of product defect at its source and improved product quality.

In terms of services, we urge regional companies to continuously conduct self-inspection on the service quality of the sale sites, introduce mystery customers' inspection to monitor environment quality, service quality and risk management on the sale sites from multiples aspects; we set up customer relationship management systems and carry out publication and training for employees to enhance employees' competence level. In addition, we monitor property service quality of the projects delivered and form a regular communication mechanism with properties at different levels, conduct customer interviews on the problem projects so as to improve the maturity of property system and the quality of property services.

2.2.2 Quality Regulation Improvement

Based on the *Product Quality Law of the People's Republic of China*, the Group has, through the engineering management system, technology system and evaluation system, included the requirements for project quality into the whole life cycle of construction products such as design, construction, delivery and occupancy, so as to increase the efficiency and safeguard the housing quality.

We have formulated and continuously improved our internal system to conduct management on the project management standards, delivery rules, construction safety and risk control and management; the engineering technology is standardised through the engineering technology system documents, technically ensuring the project quality; we invite third-parties to evaluate our construction quality through the assessment of engineering lines of various regional business groups, regional companies and departments, so as to strengthen construction management and control, improve construction quality, control delivery risk, and improve customer satisfaction. We also keep learning during development, to explore better solution and continuously improve project quality.

II. Creating for A Better Life

2.3 DEDICATED SERVICES

We provide customers with a full range of services covering from selective purchase, delivery, after-sale to property from a forward-looking perspective. We adhere to the enterprise mission of “Service Creates Values, Blossom the Moods of Four Seasons” and provide customers with “noble and sincere” professional services with the service concept of “relief, trust, respect, and co-prosperity”. Meanwhile, we improve customer satisfaction from three dimensions of business management, reporting management and assessment management to provide a better experience to customers.

With customers as its orientation and their satisfaction as the benchmark, the Group reviews the whole development process from customer’s perspective to enhance customer satisfaction. We have actively established a management system of customer services, from development to delivery, with customer relationship management as its core. With the long-term interactions with customers and emphasis on developing loyal customers, we forge sustainable competitiveness for the enterprise. We effectively cover the full cycle of customer services from property viewing to moving-in, thus generating brand benefits.

2.3.1 Customer Complaint

We encourage customers’ feedbacks about their opinions or advices on our products and services. We make timely rectifications and improvements on the aspects that customers are not satisfied with. In 2019, we upgraded the complaint channels, using customer hotline and the mobile customer services platform “Hui Life”(荟生活) as the main communication channels. Meanwhile, we utilise sales offices, construction sites, delivery sites and completed community with promotion materials covering all customer complaints timely. Customer service personnel are required to carry out prompt communication with customers after receiving any customer complaint, and to provide weekly feedback on the process of such customer complaint.

2.3.2 Customer Satisfaction

In order to understand our customer’s authentic evaluation of service, we have engaged a third party to carry out customer satisfaction survey. During the Reporting Period, the overall satisfaction score of Zhongliang Holdings was 74 points, of which sales service satisfaction was 90 points. In 2019, we optimised the employee assessment scheme, which increased the proportion of customer satisfaction assessment in performance assessment and improved the enthusiasm of employees for the customer satisfaction from the perspective of assessment and performance. In order to improve the delivery quality of the projects and meet the customers’ expectations for the projects, we have combined the engineering and customer service departments, and standardised all requirements and actions for a period of 6 months before project delivery to the time of project delivery.

2.3.3 Information Security

We receive customer information in the course of business development. To protect the safety of customer information, we impose certain restrictions on employees accessing customer information from our system. We implement decentralized management of customer information system, set passwords for customer information files, and prohibit employees to download or export customer information without permission. For business needs, employees can download or export customer information only after applying and obtaining relevant approval. For the customer information needed for the third-party satisfaction survey, we sign a confidentiality agreement with the third-party survey company, so as to regulate the third-party to gain access to customer information strictly and to ensure confidentiality of customer information to the greatest extent.

II. Creating for A Better Life

2.4 COMPLIANCE IN PROMOTION

The Group strictly abides by the laws and regulations such as the *Law of the People's Republic of China on the Protection of the Rights and Interests of Consumers* and formulated the *Measures on Managing Compliance with Laws and Regulations on Marketing*, *Operating Guidelines on Managing Production of Materials for Sales and Promotion for Projects* and *Guidelines on On-Site Sales Demonstration and Public Operation* to ensure that the relevant marketing and promotional materials comply with all relevant regulations and industry guidance for comprehensive customer rights and interests maintenance, guiding customers to make rational purchase decisions and conduct responsible consumption.

We strictly regulate our sales advertisements, publicity materials, showrooms and site information displayed at the site, sales center and other places. Based on the *Measures on Managing Compliance with Laws and Regulations on Marketing*, we have regulated the material output specifications, the risk of the difference between the showroom and the actual delivery standards and other aspects, so as to prevent business risks. Based on the *Operating Guidelines on Managing Production of Materials for Sales and Promotion for Projects*, we have specified material output specifications in terms of layout drawing, model making, effect drawing, logo and signs productions, brand display wall and technique demonstration, requiring material output department to review and confirm the design and content of sales and promotion materials, so as to control the risk associated with such materials. Based on the *Guidelines on On-Site Sales Demonstration and Public Operation*, we have made clear requirement for the announcements, advertisements and publicity materials at the model and public area in the reception center, requisitioned land beyond the red line and ancillary facilities construction, and invited relevant departments from regional companies to organise on-site acceptance after review, and made prompt rectification based on the opinions during acceptance.

During the Reporting Period, the Group strictly complied with all laws and regulations and there was no occurrence of illegal marketing incidents in material aspect.

III. Implementing Ecological Development

Zhongliang Holdings emphasises the product philosophy featuring “culture, comfort, health, green, science and technology”, constantly improves its environmental management system, carries out comprehensive environmental management from project design to construction and actively advocates green office. We are dedicated to leveraging on our expertise to establish a green society where human live in harmony with the nature, and ecology prospers with economy.

3.1 GREEN MANAGEMENT

As one of the rapid growing real estate enterprise among the Top 20 of China Real Estate Developers in terms of comprehensive strength, we adhere to the principle of sustainable development in order to reduce the environmental impact of business development. We strictly comply with various laws and regulations, such as *Environmental Protection Law of the People's Republic of China*, *Law of the People's Republic of China on the Prevention and Control of Pollution from Environmental Noise*, *Law of the People's Republic of China on Environmental Impact of Assessment*, *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 Water Pollution*, *Law of the People's Republic of China on the Prevention and Control of Solid Waste Pollution* and *Law of the Regulations on Environmental Protection and Management of Construction Projects* and other laws and regulations related to emissions and environmental impacts.

The Group have formulated comprehensive environmental protection policies in terms of environmental pollution and resource use, and implemented a number of environmental protection measures to reduce the impact of business operations on the environment. We require all functional departments to coordinate with the Group's environmental protection principles and have formulated effective management methods to control the discharge of various pollutants at the construction sites, such as specifying relevant provisions of civilised construction requirements in the standard contracts and requiring contractors to prepare a management and control plan in relation to noise, dust and other pollutions at the construction sites; setting up rewards to those who achieved the standard of civilised construction in the appraisal ranking of project management personnel. During the Reporting Period, the Group was not subject to any penalty for violating any environmental laws and regulations in material aspect.

3.2 GREEN DESIGN

3.2.1 Green Building

In the enterprise brand positioning system, we propose to undertake social value, advocate green energy conservation and build a living environment of sustainable development.

At the same time, according to local conditions and associating project position with customer needs, the Group worked with over 20 departments in a joint effort to evaluate and review low-cost, environmentally friendly and efficient project plans for green building projects.

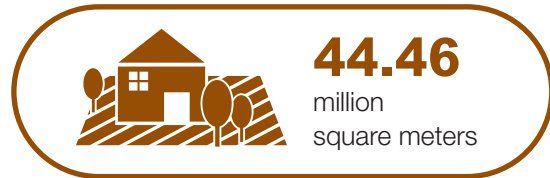
III. Implementing Ecological Development

As of 31 December 2019, 275 projects of the Group had obtained green building certification or rating, with a total gross floor area reaching 44.46 million square meters.

Number of green building projects of the Group in 2019



Total gross floor area of the Group's green building in 2019



3.2.2 Water Saving Design

Product design is an important part in the entire life cycle of a product. Adhering to the people-oriented design concept and based on the different positioning of industry products, we start from the needs of customers, incorporate energy saving and emission reduction concepts into the design process to continuously optimise the living environment and create comfortable and livable experiences. During the Reporting Period, we optimised the product structure in terms of detailed design and water-saving equipment, and committed to maximizing water resources savings.

Water-saving design



- Making full use of the city network pressure, reasonably dividing the area, and controlling outlet water pressure: if the water pressure at the household water meter is greater than 0.20 Mpa, a branch pipe pressure reducing valve would be installed to reduce the pressure and control running out water volume;
- Alarm devices are installed on the overflow pipes of the fire-fighting pool and domestic water tank to prevent waste caused by water overflow when there is a malfunction;
- Design of landscape water body and greening irrigation in combination with rainwater reuse facilities.

Water-saving equipment



- The water efficiency level reaches 2 or above by adopting water-saving sanitary appliances that meet the requirements of the current standard CJ/T 164 of the *Water-Saving Household Water Appliances* and GB/T 18870 of the *General Technical Conditions for Water-Saving Products*;
- 5-liter two-stage water-saving flush tank is used in residential toilets, automatic induction flushing valve is used in public toilet squat toilets and urinals, and ceramic sheet sealing faucets with automatic induction are used in washbasin to facilitate water saving;
- Pipeline laying is taken strict leak prevention measures, high-performance valves and zero leakage valves is chosen to eliminate and reduce water leakage.

III. Implementing Ecological Development

3.3 GREEN OPERATIONS

All real estate development projects of the Group are undertaken by third-party contractors. Therefore, the Group did not directly generate air, water and construction waste pollution caused by construction works. During the Reporting Period, the Group shouldered the responsibility of supervising the environmental protection work of contractors and implemented a number of environmental protection management measures to reduce the impact of business operations on the environment.

3.3.1 Emission Management

- **Waste water and air emissions management**

The Group strictly follows the emission standards in the management of emissions at the construction site. We require the construction unit to collect all waste water and discharge it to the designated discharge port after the three-stage sedimentation specification treatment. At the same time, we install environmental monitoring sensors throughout the construction site to monitor the air quality of the construction site in real time and control the discharge of fine particles. During the Reporting Period, the Group's waste water and air emissions were discharged in compliance with the rules.



Three-stage sedimentation tank



Real-time monitoring of air emission

- **Waste Management**

The Group requires its contractors to implement strict measures in managing building waste. In terms of the waste reduction at source level, the Group requires its contractors to enhance standardised management of drawings, set standard for the preparation of drawings to assist constructors to learn about requirements for the construction, so as to eliminate waste of materials at source level; during the construction stage, building materials and decoration materials need to be processed collectively to improve processing efficiency, while work should be done to protect raw materials and finished products warehouses against moisture, sunray, rust and deterioration to reduce unnecessary waste of materials.

Meanwhile, we require contractors to arrange for separate areas to store hazardous wastes such as those containing engine oil, mercury-containing fluorescent tubes and used batteries as prescribed in the Directory of National Hazardous Wastes. Containers must be labeled with precise information specifying the name and amount of waste and recycled by recyclers with professional qualification.

III. Implementing Ecological Development

In addition, the Group actively promotes recycling and reutilisation of resources. When screening waste, contractors will classify recyclable materials and try to utilise recycled materials while ensuring quality. For example, waste soil generated during excavation work are used as fillers for foundations and groundworks, and the head of project conducts daily monitoring and collecting data on the quantity of clearing and transportation of construction wastes.



Proper storing of raw materials



Collective processing of building materials



Collective storing of construction waste

For on-site construction, the Group has formulated the management measure on evaluation of construction by third party with a view to evaluating and managing safe production and civilised construction, enhancing construction management and control as well as supervising and urging constructors to minimise their impact on the environment.



Safe construction site



Sprayer to reduce dust

III. Implementing Ecological Development

Furthermore, the Group continues to promote green office concept in office area. During the Reporting Period, we set up separate collection point for used batteries and control the amount of use by means of exchanging with old materials for new ones. Meanwhile, hazardous wastes such as used toner cartridge and drum cartridge were collectively processed by third party recycling company designated by IT department. At the same time, we support and perform work related to garbage sorting, procure our staff to actively comply with regulations related to domestic garbage sorting in the cities where they are located, in order to reduce resource waste and control the production amount of garbage at source level.



Separate collection point set for exchanging with old batteries for new ones



Collective recycling and processing by suppliers



Strict implementation of garbage sorting

The table below indicates emissions by the Group during the Reporting Period:

Emission of waste and sewage	Unit	Total amount
The total amount of non-hazardous waste produced²		
Project construction³		
Kitchen waste	tonne	5,620
Earthwork waste	m ³	4,272,352
Steel bar waste	tonne	10,976
Other building waste ⁴	m ³	2,445,240
Office Operation		
Office waste ⁵	tonne	31
The total amount of hazardous waste produced⁶		
Office Operation		
Used toner cartridge and drum cartridge	tonne	0.24
Number of used batteries	/	600
Number of used fluorescent lamps or power-saving fluorescent lamps	/	40
Sewage emission		
The total amount of sewage emission ⁷	tonne	4,964,256
The total amount of sewage emission/m² under construction	tonne/m ²	0.17

² Due to the different units (tonnes, m³) of each type of non-hazardous waste in this year's statistics, it is not possible to sum them up at this moment, so the intensity of non-hazardous waste is not calculated.

³ Project construction data comprises of 254 projects under construction of the Group in 2019.

⁴ Other building waste comprises of the total amount of waste other than earthwork waste and steel bar waste generated from 254 projects under construction of the Group.

⁵ Office waste represents package, plastic, metal and office paper generated in office.

⁶ With little generation of hazardous waste during office operation, which were directly disposed of by a qualified third party, we do not calculate the intensity of these wastes this year.

⁷ The total amount of sewage emission: except that the total amount of sewage of four regional groups is estimated by 80% of the total amount of water consumption, the total amount of sewage of the other regional groups are collected based on the actual sewage emission.

III. Implementing Ecological Development

3.3.2 Water-saving and Consumption Reduction

In terms of resource consumption, the car washing pool at our construction site uses a water recycling system to save water resources; in the process of project construction, finished mortar and finished concrete are used to avoid wet operations and sewage generation and to reduce atmospheric pollution.



A water recycling system for car washing pool



Avoid wet operations and sewage generation

During the Reporting Period, we initiated strict conservation measures in the office area, controlled management fees, and promoted paperless office and frugal use of office supplies. We implemented a smart conference system to reduce power consumption and standby energy consumption of office equipment so as to save electricity and enhance the saving awareness of employees. In 2019, we promoted the use of video conferences, which not only effectively improved office efficiency, but also reduced energy consumption and greenhouse gas ("GHG") emissions caused by employees' travels.

III. Implementing Ecological Development

During the Reporting Period, the GHG emissions and energy use of the Group are shown in the table below:

GHG and energy	Unit	Total amount
GHG emissions		
Scope 1: Direct GHG emissions	tonnes of CO ₂ equivalent	124
Scope 2: Indirect GHG emissions	tonnes of CO ₂ equivalent	13,517
Total GHG emissions ⁸	tonnes of CO ₂ equivalent	13,641
GHG emissions/m² under construction	kilograms CO ₂ equivalent/m ²	0.47
Indirect energy consumption		
Purchased electricity ⁹	MWh	21,038
Direct energy consumption		
Liquefied petroleum gas (LPG) ¹⁰	m ³	1,192
Petrol ¹¹	Liter	56,218
Comprehensive energy consumption¹²	KWh	21,565,242
Comprehensive energy consumption/m² under construction	KWh/m ²	0.74
Water consumption		
Total water consumption	tonnes	10,261,367
Total water consumption/m²	tonnes/m ²	0.35

⁸ GHG emissions (Scope 1) come from LPG and petrol, and GHG emissions (Scope 2) come from purchased electricity. The calculation of the GHG emissions was made with reference to the *Guidelines for Accounting and Reporting of Greenhouse Gas Emissions of Enterprises in Other Industries (Trial)* issued by the National Development and Reform Commission of the People's Republic of China.

⁹ The scope of purchased electricity data covers 254 projects under construction and office operations areas in the headquarters of the Group in 2019.

¹⁰ The scope of LPG covers 254 projects under construction of the Group in 2019.

¹¹ The scope of petrol covers 254 projects under construction and the use of office operations in the headquarters of the Group in 2019.

¹² Comprehensive energy consumption includes direct energy types such as LPG and petrol, and indirect energy types such as purchased electricity. The calculation of energy consumption was made with reference to the GB2589-2008T General Principles for Calculation of Comprehensive Energy Consumption.

III. Implementing Ecological Development

3.3.3 Safe and Civilised Construction

The Group has adhered to the long-term ecological governance mechanism for the safe and civilised management of projects, and has established standardised construction guidelines for all kinds of safety management and civilised constructions. We have stipulated the relevant provisions of civilised construction requirements in standard contracting contracts, such as enclosure, logos, marks, and appearance of construction sites, as well as the erection standards and cleanliness requirements on temporary large facilities in the site, etc. Strict requirements on safety and civilisation are required to consistently applied to construction sites.

Strict Requirements on Safe and Civilised Construction



Ground hardening of construction site



Covering of stacked materials

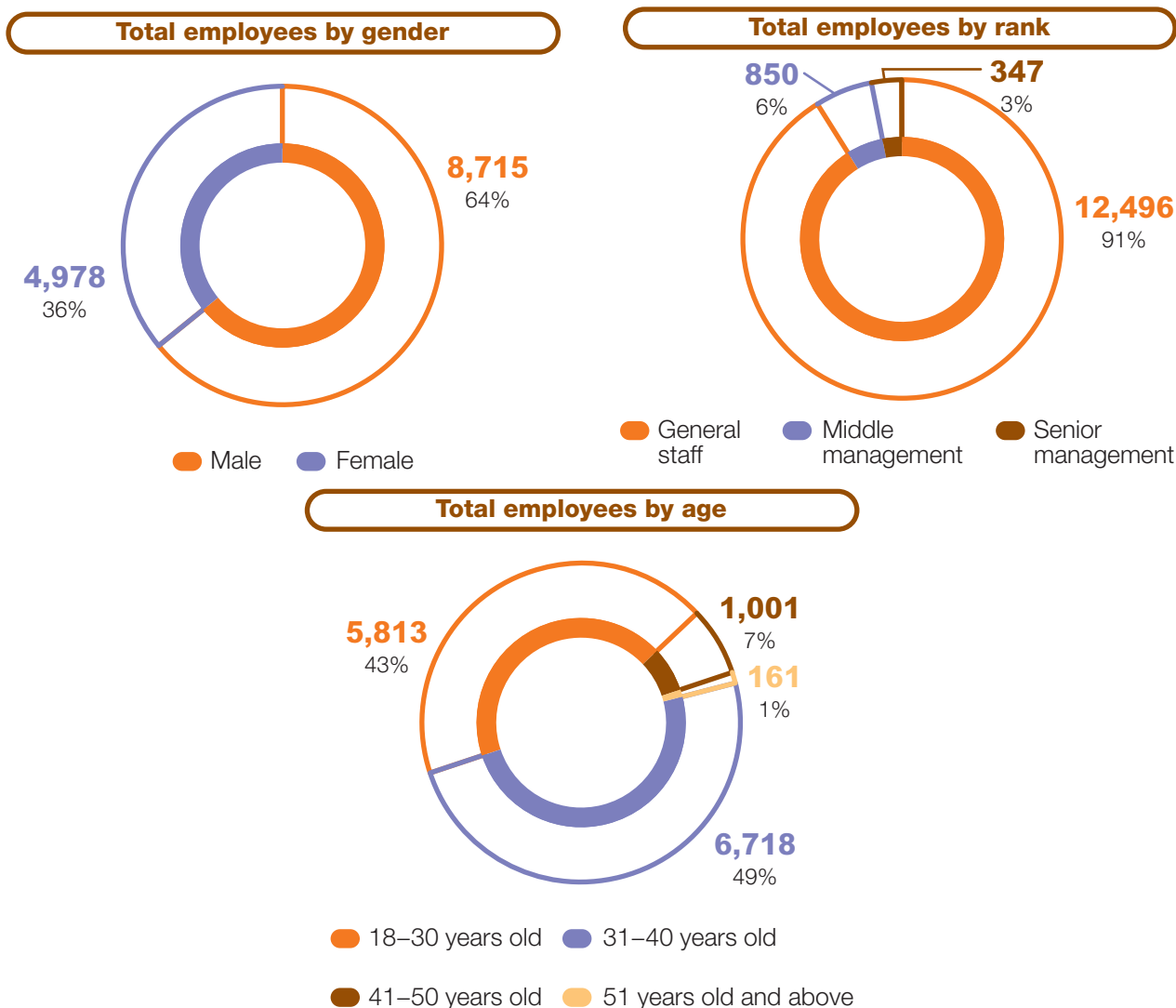
IV. Motivating Talents

Zhongliang Holdings believes that staff is a significant asset for an enterprise, as well as the key to an enterprise's success. We actively protect the legal rights and interests of employees, value their physical and mental well-being, respect their value, provide them with a comprehensive promotion mechanism and professional learning and development platforms, and also strive to create a happy home for them to realise the mutual growth of both the enterprise and employees.

4.1 EMPLOYEE PROFILE

The Group is committed to creating a fair and just employment environment for employees. We strictly abide by the *Labor Law of the People's Republic of China*, the *Labor Contract Law of the People's Republic of China* and the *Social Insurance Law of the People's Republic of China* and other laws and regulations. And on this basis, several employee management systems including the *Recruitment Management System* have been formulated to fully protect the legal rights and interests of employees in terms of recruitment, promotion, resignation, working hours, compensation and benefits, etc.

We continue to evaluate the Company's performance in equal opportunities and diversity, actively protect women's rights, rigorously forbid child and forced labor in the recruitment and employment, and respect applicants' differences in gender, age, cultural background, and religious beliefs. And all forms of discrimination and unfair competition are prohibited. As of 31 December 2019, the Group had a total of 13,693 employees. The breakdown of employees by gender, rank and age is as follows:



IV. Motivating Talents

4.2 REMUNERATION AND BENEFITS

Adhering to the concept of “helping employees achieve their values”, we insist on the implementation of a multi-level incentive policies and are committed to providing employees with competitive remuneration system and comprehensive welfare system. During the Reporting Period, on top of implementing employees’ statutory benefits, we endeavored to create additional benefits for employees, so that they can have a more comfortable working experience, thus continuously improving their happiness at workplace.

Statutory benefits	Additional benefits
<ul style="list-style-type: none"> • Social insurance • Housing provident fund • Statutory holiday • Paid leave 	<ul style="list-style-type: none"> • Commercial insurance, annual physical examination • High temperature subsidies, meal subsidies, communications subsidies, transportation subsidies and housing subsidies • Holiday benefits, birthday benefits • Congratulation fund for marriage, childbirth, children's college entrance examination; consolation money for disease and death, etc. • Assistance to needy employees • Department team-building

4.3 TALENT DEVELOPMENT

Talents are the long-term cornerstone of an enterprise’s development. The Group has established a hierarchical and systematic talent development mechanism. Focusing on the cultivation of core key talents, we established a leadership development system in order to cultivate high-quality management talent echelon.

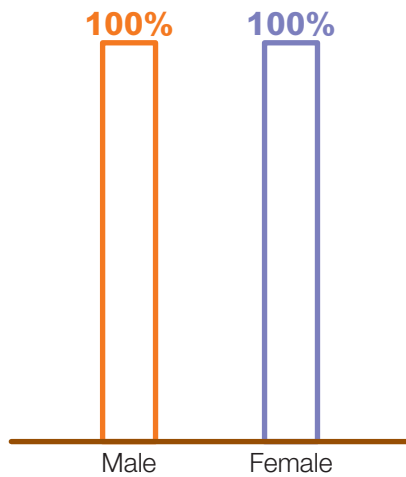
In order to strengthen the building of a high-quality management talent echelon and to create a learning, intelligent, systematic and ecological organisation, we established our “Zhongliang Academy” in 2017. As the core promotion organisation of our talent development, “Zhongliang Academy” tailors all training course to promote and safeguard the operations. We emphasize “only useful training” in the design of training programs, uphold the concept of “business-oriented” in teaching design, and promote and disseminate this concept by Zhongliang E-school, Zhongliang Knowledge Management Platform, mobile learning APP and others to ensure the learning outcomes, thereby serving as a strong driving force for us to improve from good to excellent, and realise the longevity of our foundation eventually. During the Reporting Period, our online training has achieved positive results, and the quality and effectiveness of students’ online learning have been continuously improved.

Zhongliang E-school	Zhongliang Knowledge Management Platform
During the Reporting Period <ul style="list-style-type: none"> • Cumulative number of logins: 10,724 people • Cumulative login times: 1,323,882 times • Login times per capita: 81 times • Total learning hours: 74,795 hours • Learning time per capita: 4.58 hours 	During the Reporting Period <ul style="list-style-type: none"> • Cumulative number of logins: 17,058 people • Cumulative login times: 1,046,753 times • Login times per capita: 60 times • Cumulative amount of knowledge uploaded: 19,366 items • Amount of knowledge uploaded per capita: 1.1 items

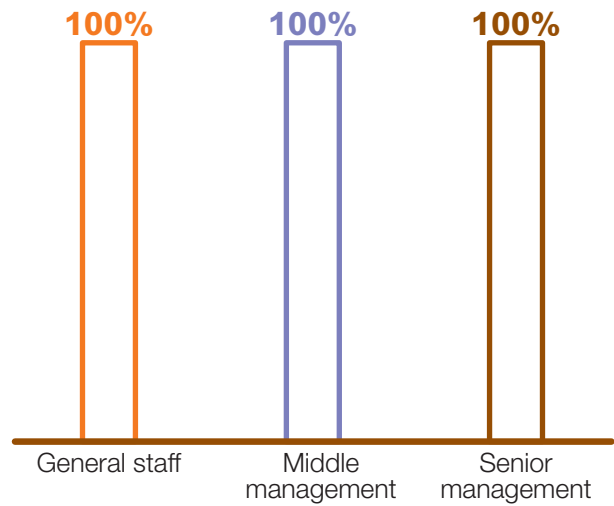
IV. Motivating Talents

By carrying out multi-level and diversified training programs, we helped the employees rapidly developed and equipped. The percentages of trained employees by gender and by rank of the Group during the Reporting Period are as illustrated in the graphs below. Among them, average training hours of male employees and female employees were around 43 and 39 respectively, while the average training hours of senior management, middle management and general staff were around 33, 47 and 52 respectively.

The percentage of trained employees by gender



The percentage of trained employees by rank



IV. Motivating Talents

4.4 HEALTH AND SAFETY

The Group attaches great importance to the health and safety of its employees. We strictly abide by the laws and regulations including the *Production Safety Law of the People's Republic of China*, the *Law of the People's Republic of China on Prevention and Control of Occupational Diseases*, and the *Regulation on Work-Related Injury Insurance*. We formulated the *Guidance for Safety Risk Management of Construction and Accident Response of Zhongliang*, in which we developed normative templates for safety risk identification and prevention, list of project safety risks, safety emergency plan for projects, immediate reporting on project accidents, etc., bringing an important guarantee for project construction safety and personal safety of employees.

We continued to pay attention to the hidden danger investigation and management of safety production, sorting out and forming a safety risk list including management risks, civilised construction risks, on-site safety and other risks. During the Reporting Period, we carried out special safety assessment, and required organisations at all levels of projects under construction to set up safety inspection teams and carry out special inspection and rectification actions on regular and irregular basis, so as to continuously create a stable safety production environment.

We have formulated the construction scheme for works in high-temperatures and at height and fully implemented the safety protection measures for staffs working in high-temperatures and at height. In addition, we set up “safety experience area” in multiple projects to let employees experience the occurrence of safety accidents and the danger of accidents, so as to improve their awareness of safety construction. During the Reporting Period, the Group was not aware of having any work-related fatalities.



“Safety experience area” at a project site

IV. Motivating Talents

4.5 EMPLOYEE CARE

The Group strives to enrich the spare life of employees, stimulate their vitality and achieve work-life balance, and guide employees to pursue a better life in a healthier way.

4.5.1 Employee Communication

We actively create a corporate culture atmosphere of caring for employees, aiming to continuously improve the happiness of employees. We hope to build a perfect communication system for employees of different positions, departments and levels, and broaden the depth and dimension of understanding employees' demands and suggestions. We have established a communication carrier mainly based on DingTalk (a mobile office platform), supplemented by cultural newspaper, honor list, OA (Office Automation), etc., to constantly implement the internal communication culture of "openness, fairness, justice; simplicity, pragmatism and effectiveness". In addition, we carried out research activities on organisational climate for all employees every half year and every year. Based on the scoring results of the four dimensions of organisation, management, talent and mechanism, we take the areas with higher scores as the benchmark for promotion and learning, and at the same time, we review and rectify the areas with lower scores, so as to continuously improve employees' sense of belonging and identity to the enterprise.

4.5.2 Physical and Mental Care

We care about the physical and mental health of each employees. During the Reporting Period, we set up the "Employee Care Fund", which aims to help employees and their immediate family members suffering from serious diseases or accidental injuries to get through difficulties, and deliver hope and encouragement to our staff who is facing challenging life.

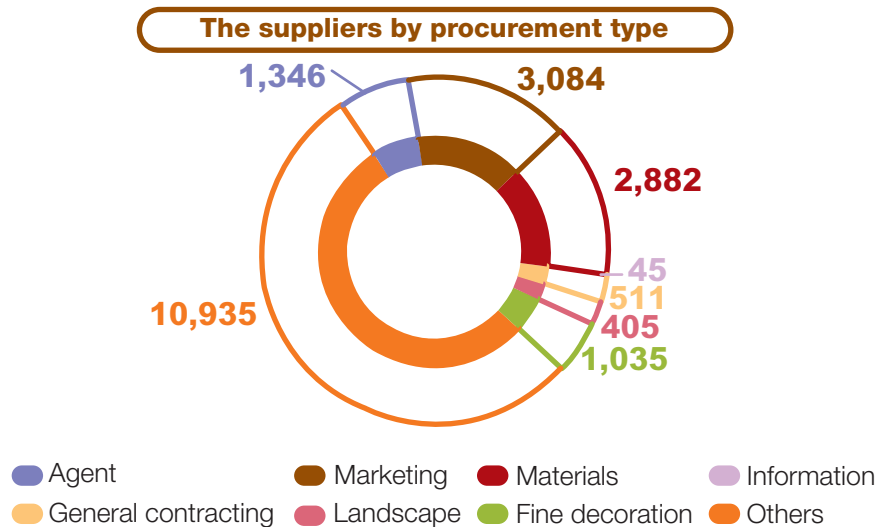
In the future, we will also continue to strengthen the "striver-first" concept to provide staff larger space for development and more humanistic care and continuously share the development results with all strivers.

V. Building a Win-win Future

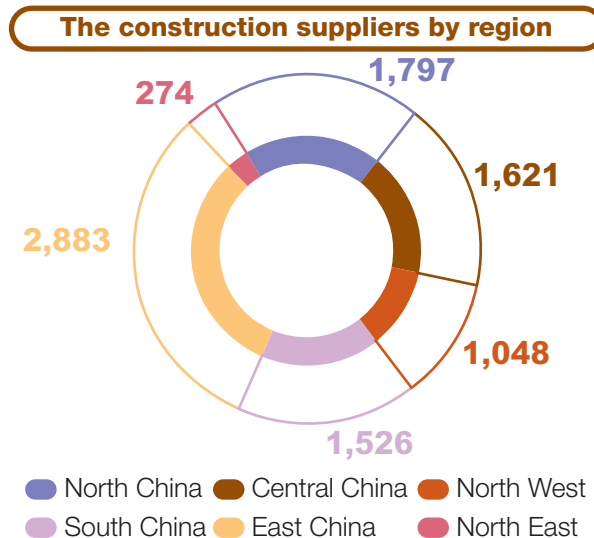
Zhongliang Holdings recognises that its growth is closely related to the support of its partners, and we are committed to building a healthy and transparent cooperation relationship with them. With the continuous expansion of the business scale, we will also create more space for suppliers and contractors in various fields to share value, and continue to work with more supplier partners for collaborative development, mutual benefit and win-win situation.

5.1 SUPPLIER AND CONTRACTOR MANAGEMENT

We optimise supplier management through transparent bidding, responsible procurement, quality management, performance evaluation and others. In 2019, we joined the Real Estate Supply Chain Anti-Fraud Alliance (房地產供應鏈反黑聯盟) of the industry, aiming to establish an in-depth information exchange and interaction mechanism between allied enterprises, promote the sharing of premier risk resources among industries, help allied enterprises avoid supply chain risks, raise the default cost of cooperation resources, and promote the healthy development of the industry. We require our contractors to carry out compliance management towards their waste in accordance with the *National Catalogue of Hazardous Wastes*. During the Reporting Period, there were 20,243 suppliers having cooperation relationship with us in our supplier pool, mainly including 11,094 marketing suppliers and 9,149 construction suppliers. The details are as follows:



Among them, the details of the construction suppliers by region are as follows:



V. Building a Win-win Future

5.1.1 Supplier Assessment

We have strict assessment standards for new suppliers entering the supplier list and the assessment content mainly includes safety and civilisation, quality management and major bad performances. We assess the remaining acceptable annual quota based on the average annual output value of the supplier in the past three years and the cumulative output value of the year; we interview the supplier's project manager, and those who failed the interview must be replaced before undertaking the project; we calculate the scores of the latest three performance evaluation of the shortlisted units, and conduct shareholder relevance check on the shortlisted candidates in order to avoid collusive bidding; in addition, we tally the third-parties' annual inspection scores and rankings of suppliers, and the suppliers with unsatisfactory scores will be excluded from the shortlist.



In our opinion, credit is the foundation of cooperation. As such, we actively fulfill our commitments to customers and partners, and also evaluate the suppliers' performance through supplier performance evaluation. We conduct supplier performance evaluation twice a year in the middle and the end of the year, and classify the regional business groups and real estate groups into levels according to the results of the performance evaluation. We take different measures for unqualified suppliers of regional business groups and unqualified suppliers of single-project cooperation. For unqualified suppliers, we will have "supplier-out" treatment and take strict supervision measures during the performance process.

5.1.2 Management on Supplier Integrity

We enter into the *Supplier Integrity Agreement* with suppliers to ensure that both parties strengthen integrity cooperation, fulfill their obligations with efficiency and high quality, and reach agreement on responsibilities. We establish credit files for suppliers and related individuals who have breached the contract. If any breach occurs, such supplier will be placed on the blacklist of suppliers and will no longer be considered. Anyone involving fraud and corruption will be announced on the platforms of Chinese Enterprise Anti-fraud Alliance and Trust and Integrity Enterprise Alliance.

V. Building a Win-win Future

5.1.3 Communication with Suppliers

Together with large number of supplier partners from all over the country, we actively explore the ways to achieve win-win cooperation. We are well aware that the growth of the enterprise scale and the improvement of its comprehensive strength are inseparable from the support and trust of supplier partners.

In March 2019, the Group held the 2019 Supplier Forum with more than 280 suppliers from all over the country, in which the current development and operation of the enterprises' suppliers were addressed. It also highlighted the strategic procurement planning of the enterprises in 2019 and future. Around the two overall objectives of "focusing on economy of scale" and "supply-side resource integration", the Group hoped to join hands with more high-quality suppliers that have strong corporate strength and good reputation and are willing to share with others so as to deepen the cooperation and expand strategic group procurement. Meanwhile, in order to further consolidate the closed-loop logic of the "merit-based selection" for the suppliers, high-quality suppliers will be given more preferential resources and preferential policies, and suppliers with poor performance will be eliminated at the end to create a platform for high-quality supplier resources and establish the cooperation model of "Mutual Commitment for a Win-win Development".

VI. Undertaking Corporate Social Responsibility

We always feel grateful to the society and strive to contribute. Zhongliang Holdings adheres to the concept of “creating value, realising value and sharing value” for the society, and is committed to promoting the development of economy and society simultaneously. It strives to become an important force in promoting society to move towards a better future by assisting urban construction and participating in public welfare for communities, innovation in education and poverty alleviation and other ways.

6.1 BEAUTIFUL HOMELAND

We proactively play our role of “social value creator” in helping the regions become prosperous and facilitate the urban development by improving living environment with quality products. When we are growing, we contribute more to society and create better homes with greater value. The Group keeps paying attention to its impacts on the environment and society during its development. We positively respond to the policy orientation of local governments and participate in construction of affordable housing, continuously contributing to the urban development.

During the Reporting Period, we conducted various projects of renovating old urban areas, improving the living environment and conditions of residents in the old urban areas with our own strength to increase the vitality of the city. In the future, by upholding the brand concept of “Improving the living environment and creating value for a better life”, we will build habitat works with ingenuity, and continue to enrich the living environment for the development of the city.

6.2 PUBLIC BENEFIT AND CHARITIES

Zhongliang Holdings strives to share its fruit with the society and integrate its social responsibility into the development. We have made continuous efforts in various respects such as education support, environmental protection and disaster relief and assistance, and strive to become an important force in promoting society to move towards a better future.

6.2.1 Public Benefit Project “Zhongliang Book Reading”

“Zhongliang Book Reading” is a charity project launched formally by the Group in 2017 with the responsibility and mission of a cooperate citizen to promote youth education and provide children with more reading opportunities to broaden their horizons through establishing charity libraries in schools in remote or impoverished towns. During the Reporting Period, high-quality resources were sent to remote areas in Northwest and Southwest China to firmly spread wishes and happiness in highlighted areas where were short of education resources. As of 31 December 2019, the “Zhongliang Book Reading” project has been launched in over 60 schools in more than 10 provinces and autonomous regions.

In addition, we continue to enrich the connotation of public benefit in the process of implementing “Zhongliang Book Reading” project and have launched public benefit projects in broader and deeper range by donating books, establishing charity libraries, providing targeted financing for children who were excellent in character and learning to help realise their wishes of continuing study and promoting education facilities in schools in all aspects.

The Group continues to endeavor in different fields such as community caring disaster relief and assistance, practicing the role of “social value creator” and gathering social forces for those who are in need to create and spread happiness.

VI. Undertaking Corporate Social Responsibility

6.2.2 Assistance in Epidemic Prevention and Control

At the end of 2019, people in China and other countries concerned about the pneumonia epidemic infected by novel coronavirus ("COVID-19"). The Group responded immediately and carried out the epidemic prevention and control work with its best effort. We formulated emergency response plans promptly and implemented joint investigation mechanism for organisations of all levels. We spared no effort to help to fight against this soundless battle of epidemic.

Initiating Supplies Arrangement and Donation

After the outbreak of COVID-19 in Wuhan, the Group immediately initiated the work of arrangement for prevention and control supplies and donation. As of 26 January 2020, we donated a total amount of RMB2 million in cash to Wuhan Charity Federation and purchased 15,000 masks that meet the standard of N95 or above with some protective suits, disinfectant, goggles and other medical supplies. We hoped all donations could play a part in combating the pneumonia and helped and encouraged doctors and nurses who fought at the front line¹.



Epidemic Prevention Supplies for Infected Area Allocated by the Group

Implementing Epidemic Prevention and Control Measures

During the outbreak of COVID-19, the Group continuously carried out and implemented various prevention and control measures. In projects developed by Zhongliang Holdings throughout the country, we have strengthened property owners' self-protection awareness by actively carrying out the activity of "Care and Masks for Property Owners (心繫業主·貼心『罩』顧)" and intensively promoting the epidemic prevention and control measures in such communities. Meanwhile, we dispatched free masks and handwash to the property owners and arranged persons to thoroughly disinfect public areas with health risks, strictly implemented the epidemic prevention and control measures.

¹

Data included the first quarter of 2020.

VI. Undertaking Corporate Social Responsibility

In addition, to ensure that employees can resume work in good order, we have implemented precaution measures such as thorough disinfection in offices and taking temperature check in order to guarantee the safety of the employees who have resumed work.



Disinfection to Prevent Epidemic in Public
Community Areas



Disinfection to Prevent Epidemic in Offices

Despite virus isolated the people, the inner beauty and persistence can overcome the distance. In this battle of fighting against the epidemic, our staff have built up a firm and warm-heart line of defense with concrete actions.

Appendix I: List of Laws and Regulations and Internal Policies

Applicable major external laws and regulations

- 1 Company Law of the People's Republic of China
 - 2 Law of the People's Republic of China on the Administration of the Urban Real Estate
 - 3 Regulations on Urban Real Estate Development and Management Control
 - 4 Trademark Law of the People's Republic of China
 - 5 Patent Law of the People's Republic of China
 - 6 Audit Law of the People's Republic of China
 - 7 Anti-unfair Competition Law of the People's Republic of China
 - 8 Product Quality Law of the People's Republic of China
 - 9 Law of the People's Republic of China on the Protection of the Rights and Interests of Consumers
 - 10 Environmental Protection Law of the People's Republic of China
 - 11 Law of the People's Republic of China on the Prevention and Control of Pollution from Environmental Noise
 - 12 Law of the People's Republic of China on Environmental Impact of Assessment
 - 13 Law of the People's Republic of China on the Prevention and Control of Atmospheric Pollution
 - 14 Law of the People's Republic of China on the Prevention and Control of Water Pollution
 - 15 Law of the People's Republic of China on the Prevention and Control of Solid Waste Pollution
 - 16 Law of the Regulations on Environmental Protection and Management of Construction Projects
 - 17 Law of the People's Republic of China on Conserving Energy
 - 18 Temporary Provision on the Prohibition of Commercial Bribery
 - 19 Labor Law of the People's Republic of China
 - 20 Labor Contract Law of the People's Republic of China
 - 21 Social Insurance Law of the People's Republic of China
 - 22 Production Safety Law of the People's Republic of China
 - 23 Law of the People's Republic of China on Prevention and Control of Occupational Diseases
 - 24 Regulation on Work-Related Injury Insurance
 - 25 National Catalogue of Hazardous Wastes
 - 26 Companies Law of the Cayman Islands
 - 27 Companies Ordinance of Hong Kong
 - 28 Employment Ordinance of Hong Kong
-

Appendix I: List of Laws and Regulations and Internal Policies

Internal Policies

- 1 Risk List
 - 2 Furnace Rules of Zhongliang Holdings Group (Trial Version)
 - 3 Proposal of Integrity and Self-discipline for Staff
 - 4 Zhongliang's Eight Prohibitions for Integrity and Self-discipline
 - 5 Notification Letter of Reporting Channels (Version 2019)
 - 6 Measures for Management of Complaints
 - 7 Management Measures for Work Confidentiality of the Supervision Center
 - 8 Measures on Managing Compliance with Laws and Regulations on Marketing
 - 9 Operating Guidelines on Managing Production of Materials for Sales and Promotion for Projects
 - 10 Recruitment Management System
 - 11 Guidance for Safety Risk Management of Construction and Accident Response of Zhongliang
 - 12 Supplier Integrity Agreement
 - 13 Practical Application of BIM Technology in Basement Optimisation Design
 - 14 Notice on Enhancing Design Delivery Risks Screening and Adopting BIM Design
 - 15 Guidelines on On-Site Sales Demonstration and Public Operation
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Appendix II: HKEX ESG Reporting Guide Content Index

Aspects, General Disclosures and KPIs		Disclosure Paragraph
A. Environmental		
Aspect A1	Emissions	
General	Information on:	3.1 Green Management
Disclosure	(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.	
KPI A1.1	The types of emissions and respective emissions data.	3.3 Green Operations
KPI A1.2	Greenhouse gas emissions in total (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	3.3 Green Operations
KPI A1.3	Total hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	3.3 Green Operations
KPI A1.4	Total non-hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	3.3 Green Operations
KPI A1.5	Description of measures to mitigate emissions and results achieved.	3.3 Green Operations
KPI A1.6	Description of how hazardous and non-hazardous wastes are handled, reduction initiatives and results achieved.	3.3 Green Operations
Aspect A2	Use of Resources	
General	Policies on the efficient use of resources, including energy, water and other raw materials.	3.3 Green Operations
Disclosure		
KPI A2.1	Direct and/or indirect energy consumption by type (e.g. electricity, gas or oil) in total (kWh in '000s) and intensity (e.g. per unit of production volume, per facility).	3.3 Green Operations
KPI A2.2	Water consumption in total and intensity (e.g. per unit of production volume, per facility).	3.3 Green Operations
KPI A2.3	Description of energy use efficiency initiatives and results achieved.	3.2 Green Design 3.3 Green Operations
KPI A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency initiatives and results achieved.	3.2 Green Design 3.3 Green Operations
KPI A2.5	Total packaging material used for finished products (in tonnes) and, if applicable, with reference to per unit produced.	The Group's business does not involve the use of packaging materials
Aspect A3	The Environment and Natural Resources	
General	Policies on minimising the issuer's significant impact on the environment and natural resources.	3.3 Green Operations
Disclosure		
KPI A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	3.3 Green Operations

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Aspects, General Disclosures and KPIs		Disclosure Paragraph
B. Social		
Aspect B1	Employment	
General	Information on:	4.1 Employee Profile
Disclosure	(a) the policies; and	4.2 Remuneration and Benefits
	(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.	
KPI B1.1	Total workforce by gender, employment type, age group and geographical region.	4.1 Employee Profile
KPI B1.2	Employee turnover rate by gender, age group and geographical region.	The Group plans to disclose in the future
Aspect B2	Health and Safety	
General	Information on:	4.4 Health and Safety
Disclosure	(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.	
KPI B2.1	Number and rate of work-related fatalities.	4.4 Health and Safety
KPI B2.2	Lost days due to work injury.	The Group plans to disclose in the future
KPI B2.3	Description of occupational health and safety measures adopted, how they are implemented and monitored.	4.4 Health and Safety
Aspect B3	Development and Training	
General	Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.	4.3 Talent Development
Disclosure		
KPI B3.1	The percentage of employees trained by gender and employee category (e.g. senior management, middle management).	4.3 Talent Development
KPI B3.2	The average training hours completed per employee by gender and employee category.	4.3 Talent Development

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Aspects, General Disclosures and KPIs		Disclosure Paragraph
Aspect B4	Labour Standards	
General	Information on:	4.1 Employee Profile
Disclosure	(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.	
KPI B4.1	Description of measures to review employment practices to avoid child and forced labour.	4.1 Employee Profile
KPI B4.2	Description of steps taken to eliminate such practices when discovered.	The Group eliminates child labour and forced labour, and no violations occurred during the Reporting Period
Aspect B5	Supply Chain Management	
General	Policies on managing environmental and social risks of the supply chain.	5.1 Supplier and Contractor Management
Disclosure		
KPI B5.1	Number of suppliers by geographical region.	5.1 Supplier and Contractor 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.	5.1 Supplier and Contractor Management
Aspect B6	Product Responsibility	
General	Information on:	II. Creating for A Better Life
Disclosure	(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.	
KPI B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons.	The Group's business does not involve product recall
KPI B6.2	Number of products and service related complaints received and how they are dealt with.	2.3 Dedicated Services
KPI B6.3	Description of practices relating to observing and protecting intellectual property rights.	2.1 Product Research and Development
KPI B6.4	Description of quality assurance process and recall procedures.	2.2 Quality Assurance The Group's business does not involve product recall
KPI B6.5	Description of consumer data protection and privacy policies, how they are implemented and monitored.	2.3 Dedicated Services

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Aspects, General Disclosures and KPIs		Disclosure Paragraph
Aspect B7	Anti-corruption	
General	Information on:	1.3 Corporate Governance
Disclosure	(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.	
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.	1.3 Corporate Governance
KPI B7.2	Description of preventive measures and whistle-blowing procedures, how they are implemented and monitored.	1.3 Corporate Governance
Aspect B8	Community Investment	
General	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.	6.1 Beautiful Homeland 6.2 Public Benefit and Charities
Disclosure		
KPI B8.1	Focus areas of contribution (e.g. education, environmental concerns, labour needs, health, culture, sport).	6.1 Beautiful Homeland 6.2 Public Benefit and Charities
KPI B8.2	Resources contributed (e.g. money or time) to the focus area.	6.1 Beautiful Homeland 6.2 Public Benefit and Charities



ZHONGLIANG HOLDINGS GROUP COMPANY LIMITED
中梁控股集團有限公司