



BAOYE

Group Company Limited

寶業集團股份有限公司

(A joint stock limited company incorporated
in the People's Republic of China)

Stock Code 股票代碼 : 2355



2017

**Environmental, Social and
Governance Report**



宝业中心

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Chairman's Report

On behalf of Baoye Group Company Limited, I would like to present the “Baoye Group Company Limited 2017 Environmental, Social and Governance Report” with pleasure. The board of directors takes full responsibility for our environmental, social and governance strategies and reporting. In this report, we would present our achievements in consolidating business and promoting the sustainable development of the environment and society, combined with the performance of the Group in 2017.

As in the past, around the core corporate culture “corporate, market, society”, the Group has been deeply embedding the sustainable development concepts into our business development model and strategies. Meanwhile, we maintain full communication with our stakeholders, and we pay attention to their opinions and suggestions. The stakeholders’ evaluation of our products, services and social participation is the key indicator we consider when improving our performance in environmental, social and governance aspects.

As one of the earliest private enterprises to explore and research the industrialized construction, Baoye takes the responsibilities upon itself of promoting China's construction industry from construction to manufacturing and boosting the transformation and upgradation of the domestic construction industry. Baoye insists on “Three Business in One” of the whole industry chain business model, including construction, property development and industrialized construction. Compared to other enterprises with the single business model, we have a deeper and more thorough understanding of the whole life cycle of the construction. As the National Housing Industrialization Base, Baoye has the complete ability in taking general contracting of assembled type construction project. Among our construction projects, 4 sets of full life cycle industrialized construction products produced by the production line of the two-industrialized construction system could reach a life span of 100 years. Our products are also widely applied in the fields of infrastructure construction, real estate development, indemnificatory housing and new countryside building. We have been working hard to explore and strive to more energy-saving, greener and more environment-friendly construction industrialized technology to upgrade the traditional “human force” construction model with the construction industrialized technology as the carrier, to provide more comfortable and energy-saving housing and living environment for the market. “Good house constructed by Baoye” is not only the high recognition and praise of our product from owners but

also the goal we pursue forever.

We have always integrated the environmental protection and social care into the whole life cycle of a building. From building design to construction and maintenance, we take low carbon as the core and increase the utilization of green energy. During the period of design, we focus on the utilization rate of energy and recycling rate of resources, therefore, low consumption of resources in the later stage of building maintenance could be achieved. During the period of construction, we formulate and implement various energy saving and environmental protection policies to increase the utilization rate of resources and recycling rate of wastes, as well as to decrease the pollution of surrounding environment. We also insist to the practice green construction and civilized construction.

We understand that a successful enterprise must be a civic and conscious enterprise which should not only focus on its economic performance but also strive to improve the positive impact of its own behavior on the society and environment. Over the years, Baoye achieves a steady development in enterprise management. Meanwhile, we do not forget to be enthusiastic about public welfare and to give back to the society. We provide 76, 816 positions for the society and ranked among the top 500 tax enterprises announced by the State Administration of Taxation for many years. In 2017, we increased the investment of public welfare and actively participated in different public welfare activities.



Some of the public welfare activities are listed as follows

Date	Activities
Jan 4, 2017	Hefei Baoye Poverty Relief Foundation donated RMB 200,000 to Hefei Yaohai District for helping poor people.
Jan 5, 2017	Hefei Baoye Poverty Relief Foundation donated RMB 200,000 to Hefei Xinzhan District for helping poor people.
Jun 19, 2017	Four Seasons Park Real Estate Company donated RMB 100,000 to China's Urban Charity Forum.
Sep 4, 2017	Xinqiaojiang Real Estate Company donated RMB 6 million to charity federation in Keqiao District.
Sep 14, 2017	Hubei Construction Group response actively to "Thousands of enterprises help thousands of villages" and the accurate poverty alleviation action of "Hongan County Chengguan Town Jianzhong Village" and donated 1 million to Hubei Brilliance Business Promotion Association.
Jun 1, 2017	Anhui Baoye construction workers donated RMB 20,000 goods to Xinzhan District North Island Garden Kindergarten.
Jul 8, 2017	Anhui Baoye construction workers organized staff to join blood donation activities.
Nov 8, 2017	Anhui Baoye construction workers actively participated in "Jiu Jiu Sunset Red" elderly condolences activities.

We regard all employees in the Group as the most valuable asset. The Group pays great attention to the introduction of talent while attaching importance to the training and development of the existing employees. We have set up the "All rivers run into the sea" talent strategy that we always adhere. The great efforts of all employees have made the success of today's Baoye.

In future, we will continue to explore all kinds of effective ways, enhance the business's ability in sustainable development and contribute to social energy saving with the green and energy saving industrialized construction.

Mr. Pang Baogen
Chairman of the Broad
 Baoye Group Company Limited*
 March 23, 2018



About This Report

This Environmental, Social and Governance Report (hereinafter referred to as the “**Report**”) aimed at providing sustainable development performance of Baoye Group Company Limited (hereinafter referred to as the “**Company**” or “**Baoye**”) and its subsidiaries (hereinafter collectively referred to as the “**Group**” or “**Us**”) during the year of 2017, including the environmental and social issues related to sustainable development of the Group so that stakeholders can have a better understanding towards the concept, measures as well as related performance of the Group's sustainable development. This Report is written in both traditional Chinese and English. In case of discrepancy between the two versions, the Chinese version shall prevail.

Reporting Scope and Period

Organization scope: The information and statistics of the Report involve the Company and its subsidiaries.
Time scope: Unless otherwise mentioned, the recorded data and information in this report are from January 1, 2017, to December 31, 2017 (the “**Reporting Period**”).

Release cycle: The report is published at the same time with the Annual Report of the Group.

Reporting Framework

This report is prepared in accordance with the Appendix 27 *Environmental, Social and Governance Reporting Guides of Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited* (the “**Main Board Listing Rules**”) issued by the Stock Exchange of Hong Kong Limited (“**SEHK**”). The Group's management approaches, strategies, relevant importance and objectives on environmental and social aspects are disclosed in this report.

Confirmation and Approval

This Report stresses on disclosure of the process management and information with importance, materiality, balance, readability, and comprehensively introduce the annual responsibility concept, behavior, performance, and commitment. Baoye ensures the reliability, authenticity, and objectivity of this Report and intends to enhance the communication with stakeholders, establishing corporate transparency and sustainable development in economy, society and environment. This Report was approved by the Board of Directors on 23 March 2018.

Report Feedback

If the reader has any comment or advice to this report, please feel free to contact us via:

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Stakeholders Engagement

The Group comprehends that in order to achieve the corporate sustainable development, it is necessary to clearly understand the evaluation and expectation of various stakeholders, so as to help us objectively examine the problems which should be paid attention to and be solved in planning, management, implementation and evaluation of corporate social responsibility and sustainable development. At present, our main stakeholders include government and regulatory agencies, investors (shareholders), customers, employees, suppliers, media and the public, etc. We have developed and adopted various channels and platform to communicate with stakeholders.

Main Stakeholders	Communication Channel
Governments and regulatory agencies	<ul style="list-style-type: none"> ○ Participation in government conference ○ Actively report to relevant departments ○ Proactively receive supervision
Investors (Shareholders)	<ul style="list-style-type: none"> ○ Shareholders' general meeting ○ Listed information disclosure ○ Annual performance conferences, medium-term performance conferences, and other roadshow activities
Customers	<ul style="list-style-type: none"> ○ Customers complaints system ○ Customers satisfaction Survey
Employees	<ul style="list-style-type: none"> ○ Regular and irregular employees talk ○ Employees training and workshop ○ Employees activities
Suppliers	<ul style="list-style-type: none"> ○ Communication by email ○ Communication by telephone ○ Field investigation
Media	<ul style="list-style-type: none"> ○ Press conference ○ Communication by email ○ Communication by telephone
The Public	<ul style="list-style-type: none"> ○ Community participation ○ Charity donation

Corporate Governance

The Group is committed to establishing an efficient, orderly, transparent and steady corporate governance mechanism. Since its listing, the Group strives to comply with the *Company Law of the People's Republic of China*, the *Rules Governing the Listing of Securities* (“**Listing Rules**”) on The Stock Exchanges of Hong Kong Limited, the *Corporate Governance Code* (the “**CG Code**”) as contained in Appendix 14 of the Listing Rules and to adopt the best practices contained therein as appropriate, as well as other relevant laws and regulations. We regularly review the corporate management policies to promote the effective corporate governance and enhance corporate value so as to ensure a sustainable and steady development of the Group.

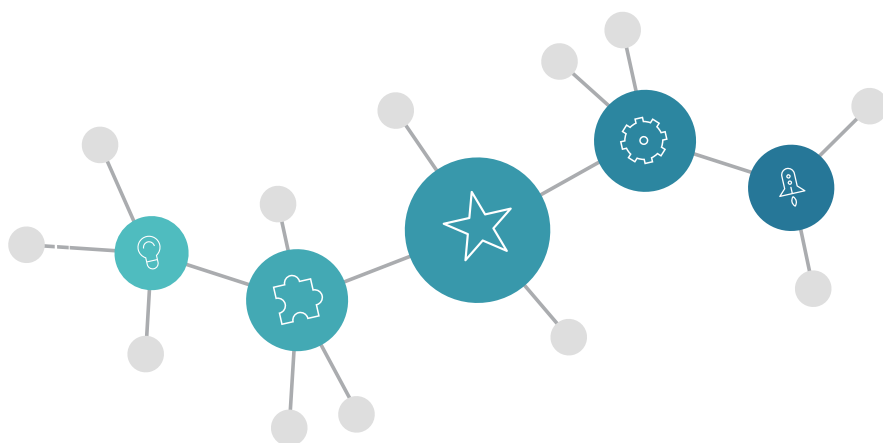
This report describes the corporate governance system and practices adopted in 2017. For details, please refer to the Corporate Governance Report in 2017 Annual Report.

Corporate Governance Code

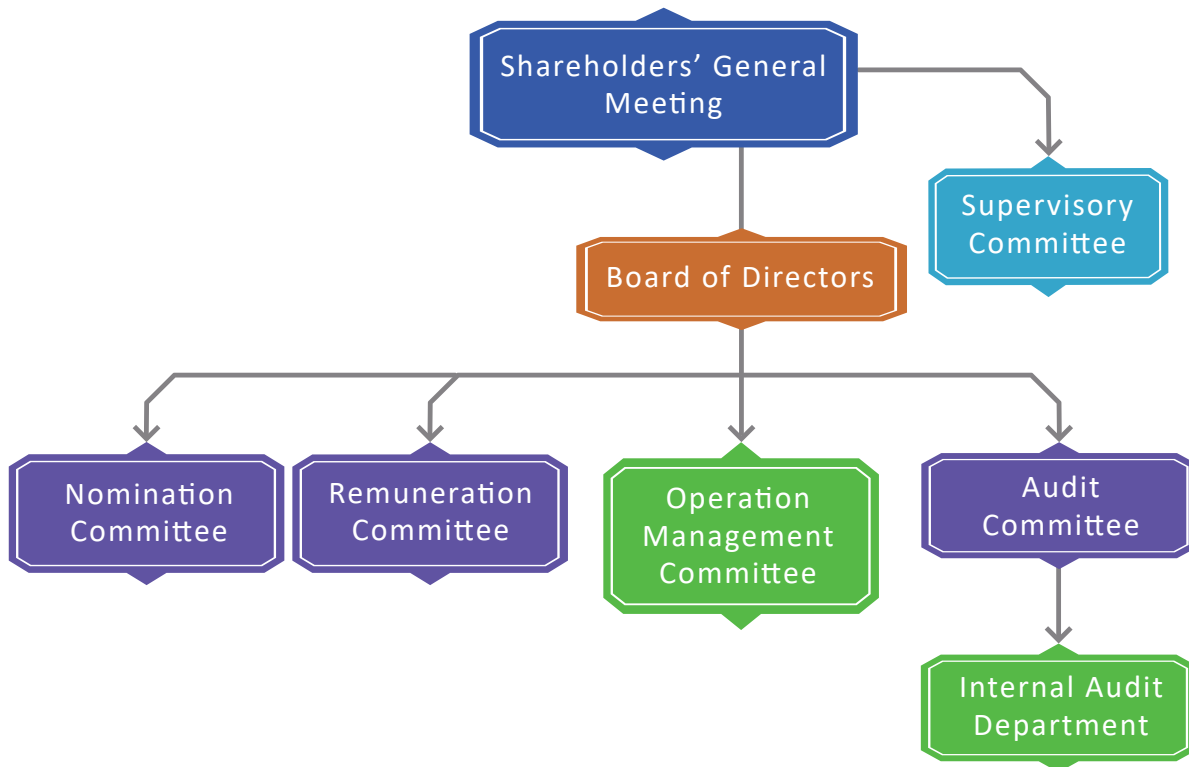
As at the date of this Report, the Group has complied with all the code provisions as set out in the CG Code, except for deviation of provisions of the CG Code as mentioned below:

Code Provision A.2.1 provides that the roles of chairman and the chief executive officer should be separate and should not be performed by the same individual. The Group deviates from this provision because Mr. Pang Baogen has been performing both the roles of chairman and chief executive officer. The Group has appointed three general managers to oversee and manage the three main business activities (construction, property development, and building materials) of the Group respectively, each of whom has shared the duty of the chief executive officer to which they manage. The Board believes that the current arrangement has installed a proper segregation of duties mechanism and adequately streamlined the responsibility well. A simple management structure can enhance the communication amongst staff at different levels as well as enable execution of the Group’s policies efficiently.

The Board will regularly review the management structure to ensure that it meets the business development requirements of the Group.



Corporate Governance Structure



Shareholders' General Meeting : the shareholders' general meeting not only makes important and key decisions but also serves as a direct communication platform for the board of directors, management and shareholders. The Company pays great attention to shareholders' general meeting. The notice of the meeting should issue within 20 business days before the meeting according to the requirement of the Listing Rules, as well as list the clause of the bill, procedures of voting by poll, shareholders' voting rights. During the reporting period, we hold one time of shareholders' annual general meeting, domestic share stakeholders' general meeting, and H share shareholders' general meeting respectively.

Board of Directors : the main responsibility of the board of directors are formulating overall strategic plans and key policies of the Group, monitors its financial performance, effectively supervise the management and appropriately evaluate the risks, so that improving and reviewing the Group's policies and practices on corporate governance while delegating the day-to-day operations of the Company to the executive directors or the management of business segments.

The Board is responsible for the corporate governance functions with the following duties:

- to develop and review the Company's policies and practices on corporate governance and make recommendations on changes and updating;
- to review and monitor the training and continuous professional development of Directors;
- to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;
- to develop, review and monitor the code of conduct and compliance manual applicable to Directors and employees;
- to review the Company's compliance with the CG Code and disclosure in the Corporate Governance Report; and
- such other corporate governance duties and functions set out in the CG Code (as amended from time to time) for which the Board are responsible.

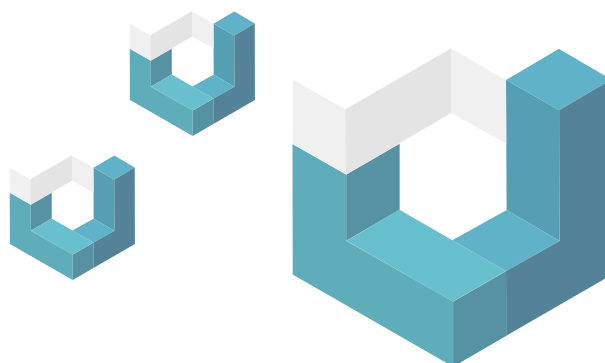
The Board held a total of five Board meetings during the year, discussed and approved the 2016 annual report, 2017 interim report and the work report of internal audit department; appointed PricewaterhouseCoopers as the independent auditor of the Company. The attendance of each of the Directors is set out in the table below. The relevant senior management and members of the Supervisory committee of the Group had all attended the Board meetings held during the year. Directors received the notice of Board meeting at least 7 days before the date on which Board meeting was held and all of the Directors are offered opportunities to suggest any issue for discussion included in meeting agenda. All the minutes of Board meetings are filed and accessible to all Directors at any time.

- Supervisory Committee :** the supervisory committee is the permanent supervisory body of the group, responsible for supervising the functions of the board of directors and its members and the general manager and deputy general managers, and other senior management members. During the reporting period, the supervisory committee holds 2 times of meetings, all supervisors attended the meeting. The Supervisory Committee has also attended the board meetings held in the year of 2017. The Supervisory Committee has also adopted the Model Code in Appendix 10 to the Listing Rules as its own code of conduct regarding the securities transactions by the Supervisors. Having made specific enquiries with each Supervisor, all Supervisors have confirmed that they have complied with the required standards set out in the Model Code throughout the year of 2017.
- Board Committee :** The Board has established three board committees, namely, Audit Committee, Nomination Committee and Remuneration Committee to strengthen its functions and corporate governance rules. The Audit Committee, Nomination Committee and Remuneration Committee perform their specific duties in accordance with their respective written terms of reference.
- Audit Committee:** the primary duties of the audit committee are to review and supervise the Group's financial reporting procedures and internal audit scheme, and risk controlling schemes, provided comments of the internal audit plan formulated by the internal audit department and reviewed the reports submitted by the internal audit department. During the reporting period, the audit committee holds 2 times of meeting.
- Remuneration Committee:** the major responsibilities of the remuneration committee are to make recommendations to the board of directors on the policy and structure for remuneration of the board of directors, supervisors and senior management of the Group, and review and approve the management's remuneration recommendation according to the board's policy and target. To take the market forces and comparable industries into consideration when determining the remuneration packages of the directors, supervisors and senior management. During the reporting period, the remuneration committee holds one time of the meeting.

Nomination Committee : the main duties of the nomination committee are to review the structure, size, and composition of the board of directors on a regular basis, to make recommendations to the board regarding any proposed changes and to identify individuals suitably qualified to become board members. It is also responsible for assessing the independence of independent non-executive directors and providing recommendations to the board of directors on relevant matters relating to the appointment or re-appointment of directors and succession planning for directors and supervisors. During the reporting period, the nomination committee holds one time of the meeting.

Internal Audit : the internal audit department is independent from the finance department or other management departments. It reports directly to the board and audit committee. The primary duties of the internal audit department are to monitor and review the effectiveness of the operation of the financial, operational and compliance control as well as risk management systems of the Company and its subsidiaries. Internal audit department completed the audit and supervision, including the fund use approval regulation, the financial budget regulation, the economic contract signing regulation, the bidding budget and the final regulation, and submitted the relevant mid-term and annual summary report to the audit committee for review.

Risk Management and Internal Control: the Group's risk management and internal control systems aim to manage, but not eliminate, risks of failing to achieve business objectives, and make reasonable, but not absolute, guarantee that there is no material misstatement or loss only. The Group's risk management and internal control systems comprises, among others, the relevant financial, operational and compliance controls, internal circulation and handling of information. The Group clearly defines the authorizations and responsibilities of the Board, the Audit Committee, the management, the internal audit function and other units to ensure the establishment, implementation and effective assessment of risk management and internal control systems. The committee holds one time of the meeting.



Product Responsibility

“Quality is our commitment to customers”

The main business of Baoye includes construction, property development, and construction industrialization, whereas the quality of the construction project is the most important in our daily management. The Group strictly complies with the laws, regulations and industrial standards related to the quality of construction project, including the *Construction Law of the People's Republic of China*, *Regulation on the Quality Management of Construction Projects*, *Regulation on the Corporate Governance of Construction Company*, etc. Meanwhile, we have established a sound construction quality management system and related construction quality management regulations to clarify the responsibilities of departments and management at all levels, comprehensively improve the construction quality level and achieve the standardization of construction project management.

The Group establishes Engineering Department and equipped with at least 5 professional quality management staff. At the same time, we require engineering companies to set up an independent construction quality management department and equipped with at least 1 professional staff, and the project department must be based on the size of the project and different construction stages equipped with corresponding professional quality management staff.

We have developed a construction quality management target assessment system to follow up the strict assessment according to the year-by-year signing of the target responsibility of construction project quality management which should quantify the construction project quality and clear the incentives and financial penalties of main responsible persons at all levels, in order to link the construction project quality management to the economic interests. The Group organizes quarterly inspection of the quality of the construction projects, which focuses on the implementation of the quality management system and the operation of the quality management system. However, engineering companies shall organize a monthly comprehensive inspection of the quality of all construction-in-progress project management as well as actual construction quality with emphasis on 1) Implementation of the quality assurance system; 2) Implementation of national mandatory standards; 3) The physical quality level of the construction project; 4) Whether the filling of engineering technical data is standardized and whether it is in sync with the progress of the project. For the completed project, we organize a regular return visit and record it.

On the basis of improving the institutionalization and standardization of the construction quality management, the Group also actively guides all staffs to join in creating excellent quality activities of "Create brand image" and participate in creating excellent quality activities national-wide, provincial-wide and group-wide, thereby promoting the improvement of overall construction quality.

The Group regulates that the project managers and project management staff must truthfully report to the superior in accordance with the relevant regulations once a quality accident occurs. If there was still a hidden danger of security, effective measures must be taken immediately to prevent further incidents; At the same time, we act in strict accordance with the accident investigation procedures and organize accident investigation team to investigate the cause of accidents, economic losses and the responsible units or persons. Also, we provide the accident treatment scheme and corrective measures to prevent the similar accidents' occurrences.



Energy Saving and Emission Reduction

“Environment protection is our commitment to the community”

Baoye attaches great importance to the impacts from its operations on the environment. The Group actively explores the technological innovation and application of China's construction industrialization, strives to put our best efforts in environmental protection and promotes the sustainable development of the industry.

Green Construction

As construction is one of Baoye's main businesses, the Group is responsible for its potential environmental pollution and impacts. The Group strictly complies with the national laws and regulations such as the *Environmental Protection Law of the People's Republic of China*, the *Water Pollution Prevention and Control Law of the People's Republic of China*, the *Atmospheric Pollution Prevention and Control Law of the People's Republic of China* and the *Law of the People's Republic of China on the Prevention and Control of Environment Pollution Caused by Solid Wastes*. The Group has formulated the internal policies: *Regulations on Civilized Construction and Environmental Protection* and *Project Green Construction Management System*, to make clear control over the environmental impacts from the entire construction process.

Construction Site Environmental Protection Measures

Dust Pollution Management System	<ul style="list-style-type: none">Equipped with a sufficient number of sprinkler systems to ensure that dust on the construction roads is controlled to a minimum amount;Sending people regularly to clear the road of construction site to reduce the amount of dust;Sprinkling water regularly on the construction site where dust may be emitted and provide necessary labor protection supplies for the operators at the site;Fine or bulk materials that are liable to cause dust should be covered or properly sprinkled by water and should also be covered during transportation;Vehicles entering the construction site should slow down to avoid the raise of dust;
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Harmful Emissions Management System	<ul style="list-style-type: none">○ It is forbidden to burn any kinds of waste at the construction site;○ Emissions from construction vehicles and machines shall comply with the emission standards stipulated by the country and the region of construction site;○ Building materials should have qualified certifications. The material containing harmful substances should be reviewed and used only after passed the inspection;○ Asphalt and coal tar preservatives and moisture-proof agents are strictly banned to be used in interior decoration of civil construction projects;○ The amount of ammonia released from flame retardant and concrete admixture used in construction should comply with national standards;○ Coal cannot be used as fuel at construction site;○ Welding fume emissions should comply with the <i>Integrated Emission Standard of Air Pollutants (GB16297)</i>;
Harmful Emissions Management System	<ul style="list-style-type: none">○ Strengthening the maintenance of construction machines, and preventing the leakage of the oil used by machines from discharging into the groundwater or municipal sewers○ Domestic sewage and domestic wastes (especially feces) collected from the living places of construction workers require centralized treatment to prevent contamination of water sources. Septic tanks should be installed with the toilets;○ Filtration and sedimentation tanks or other measures shall be used to wash the aggregates or to handle the operation water that contains sediments, so that the discharge of sediments does not exceed the amount of sediment discharged into the rivers and lakes before construction.

Noise Pollution Management System

- Noises at construction site mainly come from construction machineries. In order to effectively reduce construction noise, corresponding measures must be taken to let the construction noise complies with the *Emission Standard for Environment Noise for Boundary of Construction Site (GB12523-2011)* or the latest requirements issued by the Ministry of Ecology and Environment of the People's Republic of China;
- Construction hours of construction process should be scientifically coordinated, rationally arranged and adjusted to prevent construction within the period of 10:00 p.m. to 6:00 a.m.;
- Dense meshes are used for fencing in the main projects, the operation floors are completely enclosed and the noise-reduction fences are used, and the woodworking room is placed in the middle of the building during the period of main construction to reduce noise pollution;
- Construction machineries that produce noise such as mortar mixer and electric saw should be used in a closed area. Construction shed should be built for soundproofing so as to minimize noises;
- Educating the construction workers to strictly comply with each regulation to carry out civilized construction. Materials such as steel tubes and templates should be placed gently during delivery. Making loud noises is forbidden to reduce human noise distraction;

Light Pollution Management System

- The construction unit should make reasonable arrangements for working hours and try to avoid night-time construction. In the night-time construction when necessary, the direction of light irradiation should be reasonably adjusted to ensure sufficient lighting for on-site construction works and also should be minimized to reduce the interference to the surrounding residences;
- Directional light shield should be installed with land lights to make the light toward the inside of the construction site;
- Take sheltering measures when performing electric welding at high places to avoid leakage of arc light;

<p>Construction Solid Waste Control Management System</p>	<ul style="list-style-type: none"> ○ Pay attention to environmental sanitation. Domestic waste within the area of construction sites should be collected at designated storage sites inside the fence, stacking or dumping outside the fence are not allowed and the domestic waste should be disposed by the environmental protection department; ○ Solid wastes produced during the construction period should be sorted and stacked at specific place for sort treatment; ○ Solid wastes such as discarded steels, woods and plastics that produced during construction period should be recycled and reused; ○ Hazardous wastes are forbidden to be used as the refills of earthwork;
<p>Pollutant Accident Management System</p>	<ul style="list-style-type: none"> ○ In response to the possible accidents such as water pollution, air pollution, etc., the Company has established a comprehensive <i>Emergency Plan for Safety Production Accident</i> to effectively respond to sudden environmental pollution and damage accidents and improve the level of emergency response and rescue; ○ The Company's <i>Emergency Plan for Safety Production Accident</i> should specify the duties of rescue teams and make detailed provisions for information reporting, dispatching of police, on-site disposal, pollution tracking, investigation and evidence collection, and logistical guarantees; ○ The Company's <i>Emergency Plan for Safety Production Accident</i> should be revised and practiced regularly. Generally, the practice should be carried out for at least once a year. Also, the practice should be recorded for problem analysis so as to supplement and improve the plan; ○ After an environmental pollution accident occurs, the Company should promptly initiate the plan and report the accident to the environmental protection department and the relating government department. And then the Company should carry out the rescue in accordance with the emergency plan to minimize the damage caused to people, properties and environment by the pollution accident, as well as to maximize the protection of the safety of people's lives, properties and ecological environment;

	<ul style="list-style-type: none"> ○ After pollution accident occurred, the Company should properly handle the aftermath of the accident in accordance with the laws and regulations such as the <i>Environmental Protection Law of the People's Republic of China</i> and assist the environmental protection department to investigate the cause of the accident and handle the accident. Measures should be formulated to prevent the recurrence of the accident;
Soil Protection Management System	<ul style="list-style-type: none"> ○ Before the start of construction, the Company should ask the construction organization to investigate the current situation of soil environment of the region that the construction site located. Scientific protection or restoration measures should be formulated to prevent soil erosion and degradation caused by the construction process and to reduce destruction and pollution of soil environment caused by the construction activities; ○ If the construction project involves the protection of ancient trees and famous trees, the construction unit should provide the documents approved by the government authority before the construction starts. No construction is allowed without approval; ○ If the construction project involves relocation of ancient trees or famous trees, the Company should apply the permission for transplantation and organize the construction in accordance with the relevant regulations regarding transplantation of ancient trees and famous trees; ○ For the ancient trees or famous trees that cannot be transplanted from the site and must be kept at the original site, protection areas should be set up within the site. The protection plan approved by the gardening department should be strictly implemented to adopt effective protection measures; ○ Once the cultural relics were discovered during the construction process, construction should be stopped immediately. The Group should protect the site and inform the department related to heritage management; ○ If there were special circumstances that the location of construction project site cannot be alternated to keep away from the cultural relics on the ground, the site protection plan that has been approved by the administrative department for cultural relics shall be actively performed to ensure that the cultural relics will not be damaged by the construction activities;

- For damaged vegetation and bared soil caused by the construction, effective measures must be taken timely to avoid soil erosion. For example, measures such as covering with gravel and planting fast-growing grass species are taken. After the completion of the construction, the damaged original vegetation site must be restored or properly covered with plants;
- Foundation pits are adopting within closed construction plan if possible. Groundwater is seldomly extracted, and there was no change in soil and water due to the construction conducted by the Group.

Case: Shanghai Baoye Center

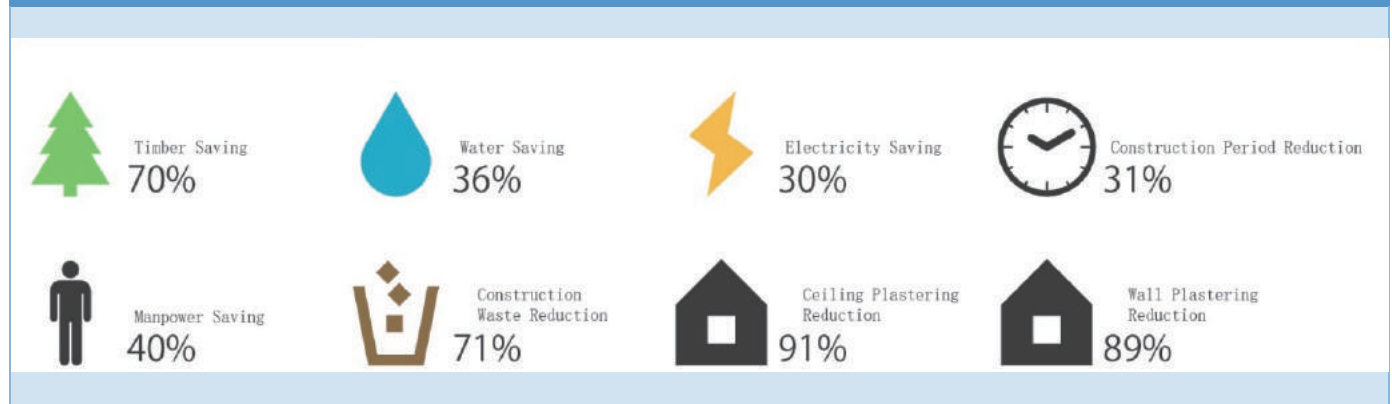


Shanghai Baoye Center, located in the core area of Hongqiao, was officially completed in 2017. The construction process of this office building was certified by the U.S. Green Building Council (LEED). In the project, the Group has designed the control plan for water and soil erosion and sedimentation, the plan for waste management, reclaimed water circulation system, solar water heating system, the plan for indoor air quality management, the plan for the circulation of building materials, etc. In the project, the Group put best effort to reduce the environmental impacts caused by the construction process. For example, the construction management has devoted to recovering or discounting more than 75% of the total amount of non-hazardous waste generated at the construction site.

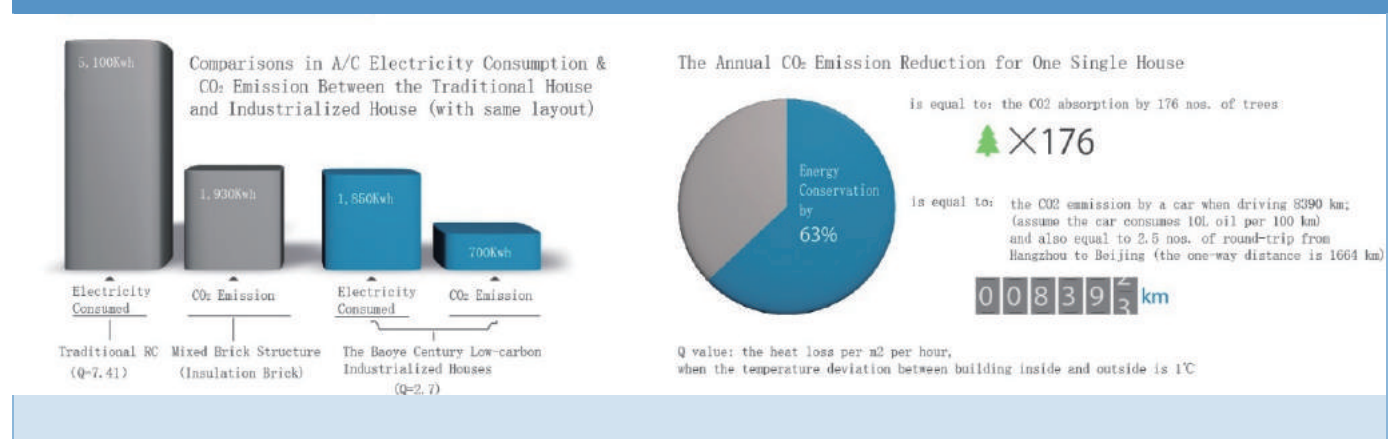
Baoye—A Whole Life Cycle Builder

The Group is one of the earliest enterprises engaged in the research and development of construction industrialization in China. It has more than 20 years of experience in research, development, production and installation on construction industrialization. As at the date of this report, the Group has deployed 24 construction industrialization bases in Zhejiang, Shanghai, Anhui, Hubei, Jiangxi, Jiangsu and other provinces.

The Energy Conservation Data of Industrialized Building with Precast Concrete System:



The Energy Conservation Data of Industrialized Building with Light-weight Steel:



Green Office

In addition to reducing the direct impacts on the environment during the construction process, the Group also applies the awareness of energy conservation, environmental protection and efficient use of resources throughout the daily operations of the office, such as:

- Encourage proper use of air-conditioner (A/C). The indoor A/C temperature in summer and winter shall be 26°C or above and 20°C or below respectively, so as to reduce the greenhouse gas emission;
- LED lights have been installed in some office buildings;
- Use of recycle paper is encouraged during routine office operations to reduce paper consumption;
- Do not print unless it is necessary and encourage double-sided printing / copying;
- Encourage water saving;
- Reusable cartridge shall be used in offices

The Group has also formulated the *Management Measures for Office Supplies* to standardize the management procedures for office supplies and promoted modern office methods that are environmental-friendly and resource-saving. Office supplies are centrally managed by the office and we conduct unified procurement, unified distribution and unified recycling in order to reduce waste. The solid wastes generated by the office, including hazardous and non-hazardous wastes such as waste paper, scrap metal and waste batteries, etc., are collected separately and provided to the qualified company for unified treatment.

Since this report is the first time for the Group to disclose the data of resources usage and emissions, it has not been able to quantify the actual results of the Group's various energy-saving and emission reduction measures, including energy saving, water saving, and emissions reduction. Based on the data of resources usage and emissions collected and calculated during the year, the Group will begin to disclose related results next year to better demonstrate the Group's efforts in sustainable development.

Environmental Performance

	The Group's Data of Resource Usage and Emissions in 2017	Unit
Amounts of Resources Consumption		
Total Amount of Electricity Consumption	7,128,260	kWh
Electricity Consumption Intensity	72	kWh/m ² (gross floor area)
Total Amount of Gasoline Consumption	148,774	L
Gasoline Consumption Intensity	3,036	L/vehicle
Total Amount of Diesel Consumption	11,333	L
Diesel Consumption Intensity	2,833	L/vehicle
Total Amount of Water Consumption	189,687	tonnes
Water Consumption Intensity	2	tonnes/m ² (gross floor area)
Vehicle Air Pollutant Emissions		
CO Emissions	650	kg
NOx Emissions	347	kg
SOx Emissions	2	kg
PM2.5 Emissions	9	kg
PM10 Emissions	9	kg
Greenhouse Gas Emissions (scope 1 and scope 2)		
Vehicle Emissions (scope 1)	373	tonnes
Energy Consumption Emissions (scope 2)	5,015	tonnes
Total Greenhouse Gas Emissions	5,388	tonnes
Total Greenhouse Gas Emissions Intensity	0.1	tonnes/m ² (gross floor area)
Production of the Non-hazardous Waste		
Waste Paper	416	Boxes
Waste Paper Production Intensity	0.004	Boxes/m ² (gross floor area)
Production of the Hazardous Waste		
Modulator Tube	1,298	No.
Waste Modulator Tube Production Intensity	0.1	No./m ² (gross floor area)
Waste Battery	1,340	No.
Waste Battery Production Intensity	0.01	No./m ² (gross floor area)
Printer Cartridges	394	No.
Printer Cartridges Production Intensity	0.004	No./m ² (gross floor area)

Caring for Employees

The Group regards its employees as one of its most valuable assets. The Group has kept holding the belief that “people gathers when wealth is shared, whereas wealth accumulated people dispersing”, thus we insist in selecting people on the basis of their talents.

Recruiting Talents

The Group strictly complies with the *Labor Law of the People's Republic of China* and the *Labor Contract Law of the People's Republic of China* and implements the *Human Resources Management Policy of Baoye*. According to this management policy, all employee recruitment of the Group must be conducted through unified interview and assessment; the Group would hire the candidates with better abilities. Baoye promises to treat employees with different genders, nationalities, ethnicities and cultural backgrounds in a fair and just manner without discriminating against anyone. When recruiting new employees, the Group will check the applicants' documents such as identity cards and academic qualifications. The Group will not hire applicants under 16 years of age, persons who are not allowed to be recruited in accordance with the laws and regulations, those who fail to meet the requirements of recruitment after being examined by qualified hospital, etc. During the probation, employees are allowed to terminate labor contracts by at least 3 days in advance. Once that employee fail to meet the recruitment conditions, violate the laws and regulations or break the rules or principles of the Group, Baoye holds the right to unilaterally terminate the labor contracts.

According to the Human Resources Management Policy of Baoye, the Group provides employees with:

- Competitive remunerations and people-oriented benefits;
- Implementing comprehensive working hours, irregular working hours and other working hours. Every Sunday is the rest day and forced labor is prohibited;
- Annual leave, casual leave, sick leave, marriage leave maternity leave, etc.; overtime compensation would be paid if overtime is required;
- Pay for the social endowment insurance, medical insurance for urban workers, work-related injury insurance, childbirth insurance and unemployment insurance, in accordance with related national and local laws and regulations.

The Group proactively broadens its recruitment channel via establishing various recruitment mechanisms, which includes but is not limited to on-line recruitment, personal recommendation, personnel exchange conference and campus recruitment, in order to attract candidates with both ability and integrity. The Group has cooperated with various institutions including the China Academy of Building Research, the Tsinghua University, the Tongji University, the Zhejiang University and the Shanghai Xian Dai Architectural Design Group Co., Ltd to jointly develop industrialized construction products tailored-for Chinese market. Meanwhile, the Group deeply cooperated with nationally and internationally well-known enterprises such as the Daiwa House Industry Co., Ltd., the Sievert Concrete Precast Elements Co., Ltd., the China Construction Bank, the Hui Shang Bank and the SANY Heavy Industry Co., Ltd. to establish various platforms for the cultivation of talents.

As at December 31, 2017, the Group had a total of 5,071 employees, and their distribution by gender, age, employee category, etc. are as follows.

The proportion of the Group's employees by gender is as follows:

Gender	Male	Female
Total Number of Employees	3,491	1,580
Percentage (%)	69%	31%

The proportion of the Group's employees by age is as follows:

Age	30 or Below	31-40	41-50	51 or Above
Total Number of Employees	1,531	1,346	1,182	1,012
Percentage (%)	30%	27%	23%	20%

The proportion of the Group's employees by employee category is as follows:

Category	Senior Management	Middle Management	Junior Staff
Total Number of Employees	185	707	4,179
Percentage (%)	4%	14%	82%

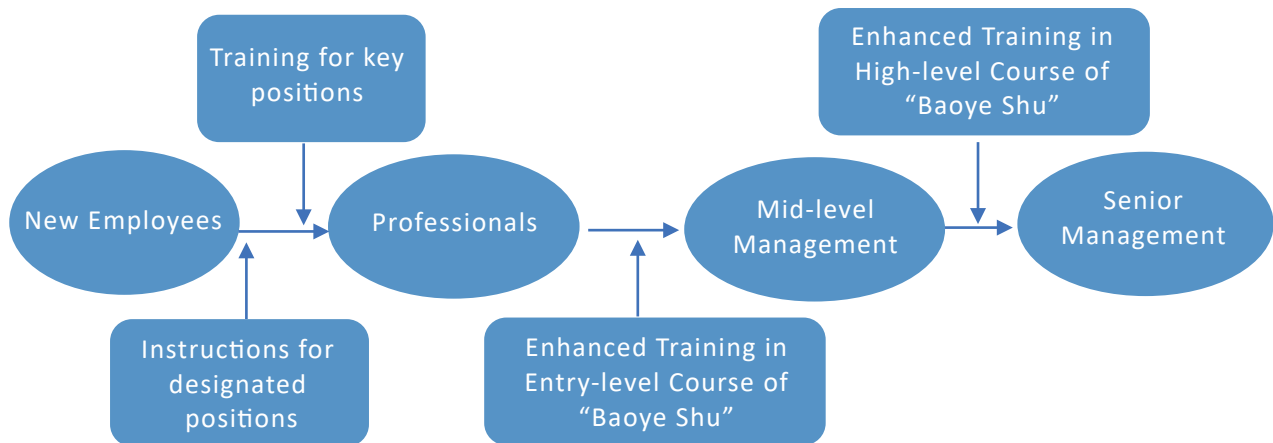
Category	Master and Above	Undergraduate	College	Below College
Total Number of Employees	85	1,202	1,139	2,645
Percentage (%)	2%	24%	22%	52%

Category	Senior Title	Middle Title	Junior Title	Others
Total Number of Employees	282	842	746	3,201
Percentage (%)	6%	17%	14%	63%

Training and Promotion

The Group commits to helping to design and plan the career development path for each employee through establishing comprehensive personnel training system and fast-track promotion mechanism.

With regards to the aforesaid, the Group founded a corporate university – “Baoye Shu”, which was designated as an internal training organization for senior-level and middle-level management. Based on the experience and lessons summarized from the corporate development for over 40 years, various courses of different levels and disciplines are provided by “Baoye Shu”, in which the participants can analyze and discuss the new management topics under current development trend. The Group is dedicated to training more management personnel through purifying their soul by culture, educating and alerting them to experience and lessons. The Group expects to achieve healthy and sustainable corporate development through human resources management.



In the meantime, the Group launches various specific training at regular basis for staff in different positions, which includes training related to the laws and regulations of construction industry, training regarding the implementation of tax change policy from business tax to value-added tax, training on internal financial audit methodology and operations for financial staff, real estate sale training and new recruitment training.

Health and Safety

As the largest business sector of the Group, construction contributes the majority of overall revenue. The Group always attaches the top priority to performance assessment on construction quality and building safety. In terms of the construction business in 2017, the Group has attached importance to quality management, technological innovation and changes in operation.

The Group strictly abides by related laws and regulations such as the *Production Safety Law of the People's Republic of China*, the *Construction Law of the People's Republic of China*, the *Administrative Regulations on the Work Safety of Construction Projects*, and the *Regulation on Work Safety Permits*. In accordance with afore-mentioned laws and regulations, we have established a series of safety management policies including the "Management on Production Safety" and the "Policy on Civilized Construction and Environmental Conservation". In addition, the General Manager shall be accountable for the implementation of policies. Individual staff or work team who has good safety records or remarkable contribution to work safety will be rewarded and the violation of worksafety rules and operations will be punished accordingly. For anyone who violates criminal laws, he or she shall be devolved to judicial authorities. The Group strives for the objective of zero accident in construction safety. Once the security incident occurs, it is anticipated that:

For Staff and Their Families	For Company and Construction Sites:	For Community:
(1) physical and mental suffering	(1) manpower shortage	(1) life loss
(2) reduced income	(2) interruption of work schedule	(2) social property loss including equipment and etc.
(3) physical weakness	(3) reduction in work efficiency	
(4) psychological pressure for family members	(4) equipment damage	
(5) extra money demand	(5) deterioration of the interpersonal relationship	
	(6) adverse impact on credit	

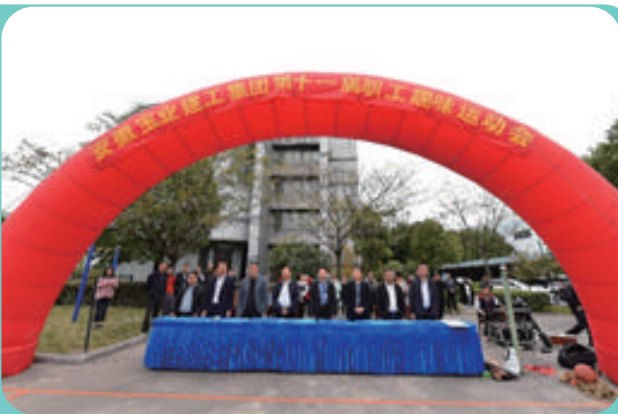
In terms of the safety management, the Group strictly follows the guidelines on construction safety management and implements the accountability system to ensure that all front-line construction workers and supervisors are well trained before project commencement. Meanwhile, the management team is assigned to the Group to conduct safety check regularly, so as to ensure the high quality and safety management in construction sites.

The Top 7 Injuries in Construction Sites	Safety Precautions	Protective Equipment for Work Safety
(1) Object impact	(1) Safety hat \ Safety belt \ Safety cage	(1) Safety hat (essential) <i>To prevent against falling objects, high altitude falling, and electric shock;</i>
(2) High altitude falling accident	(2) Staircase entrance \ lift shaft opening \ performed hole \ gate	(2) Dust-free glasses (for grinding when using small-scale disk wheel saw) <i>Total 24 kinds of operations that are related to dust generation;</i>
(3) Electric Shock	(3) Balcony perimeter \ storey perimeter \ roof perimeter \ roadside \ unloading platform perimeter	(3) Helmet shield (for welding) <i>To prevent eyes from the ultraviolet and infrared ray;</i>
(4) Mechanical injury		(4) Earplug (for shot blasting) <i>Earplug shall be used in noise-related operations;</i>
(5) Conflagration		(5) Mask (for welding and painting) <i>Dust-free mask & respirator shall be provided;</i>
(6) Collapse		(6) Welding gloves (for welding) <i>Anti-fire leather gloves shall be provided;</i>
(7) Scratch		(7) Safety belt (for aerial work) <i>Safety belt shall be hanged on the rails;</i>
		(8) Safety shoes (essential) <i>Safety shoes for different operations shall be provided.</i>

During the reporting period, the Group strictly followed and implemented relevant laws and regulations about occupation safety and the Group's safety system. We do not involve death accidents and major industrial injuries.

Cultural Life

While achieving the economic growth, the Group focuses on the corporate culture cultivation as well. The subsidiaries launched various activities in terms of culture, sports, and community, in order to enrich the cultural life of employees and enable them to relax and sublimate their mind during spare time.



Fun-oriented Staff Sports Meeting



Women's Day Celebration for Female Employees



New Staff Development Training



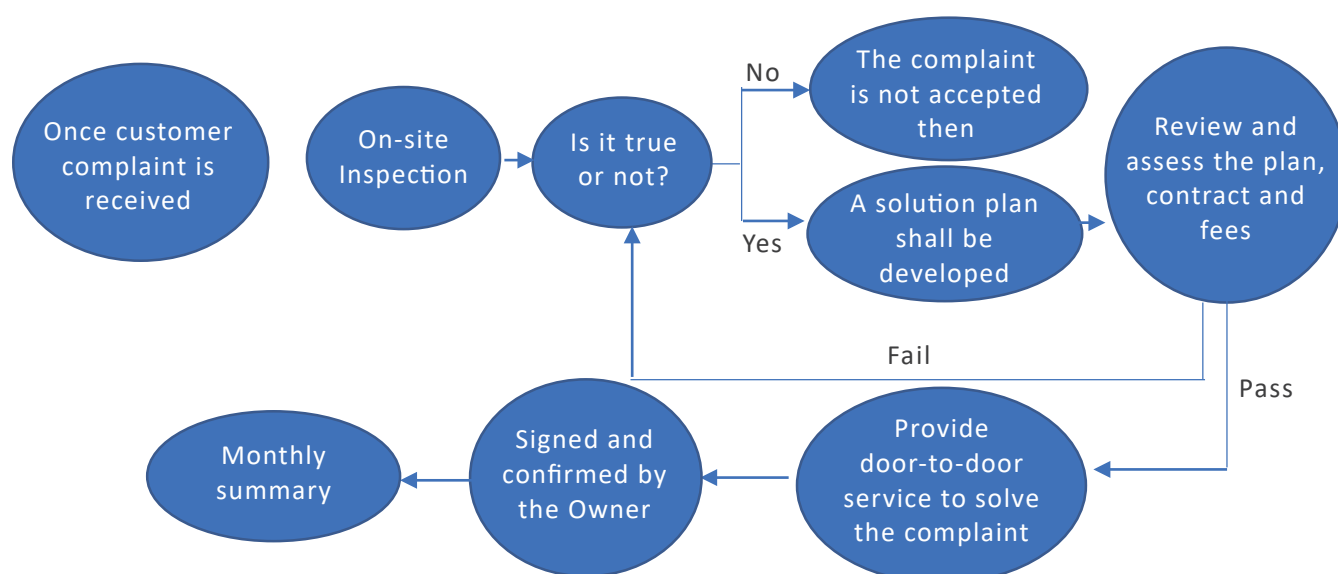
Winter Fitness Activities

The Win-win Cooperation

Customer Service

Baoye has offered high-grade houses and buildings to thousands of customers. In the meantime, the Group cares the customers about their views and experiences on product satisfaction, privacy protection, complaint channel, etc. Therefore, the Group has formulated “Zhejiang Baoye Real Estate Group Company Limited after-sale services management program” and “Customers satisfaction management procedure”, also established comprehensive procedures for after-sale service management and customer satisfaction management. In addition, the Group strictly implements the protection policies on customer privacy which prohibits all staff from disclosing personal information and property information of customers, unless it is required legally.

After-sales Service Management Procedure



The Group has established comprehensive management procedures for after-sale service, through which, the responsibilities of different departments are clarified and responses to each individual complaint are guaranteed.

Responsible Department(s)	Nature of Complaint / Handling Procedures	Record
Customer Service Department	<p>Ways to complain :</p> <ol style="list-style-type: none"> 1. Indirect complaint through the Property Management Company ; 2. Direct complaint to the Group ° <p>The staff shall handle complaint with compassion manner and record immediately. (a complaint made by 3 residences or above or for more than 10,000 RMB is regarded as a severe complaint)</p>	Fill in complaint form / Record in database
Customer Service Department / Project Department	<p>Upon receiving the complaint, the staff shall conduct on-site inspection together with maintenance staff within 2 days (unless due to bad weather).</p> <p>The staff shall enter the Owner’s house as a team of more than two and shall take necessary evidence for filing, such as taking photos.</p> <p>(For a severe complaint, the staff shall inspect the site in half a day to investigate the complaint, calm down the customer and report to the supervisor)</p>	Record in complaint profile / Fill in the complaint process form
Customer Service Department / Internal Audit Department / Chief Engineer Office	<p>Designate responsibility according to on-site conditions and develop a remedial plan.</p> <p>For complicated case, the chief engineer office will be involved in analysis and the Internal Audit Department estimates the budget and reports.</p> <p>(For a severe complaint, the remedial plan shall be ready in 1 to 2 days.)</p>	Record in Complaint Files
Customer Service Department / Manager / Director	<p>Upon confirming the repair plan, deploy maintenance staff to repair in 7 days. Explain to the customer on the scope of repair.</p> <p>(For a severe complaint, report the remedial plan to Director / Manager. If the severe complaint is deemed invalid, the customers shall be provided with the reasons.)</p>	Fill in Housing Repair Cases

The Win-win Cooperation

Customer Service Department / Project Department	<p>Assess repair plan and repair contract based on the facts, repair effectiveness, repair cost, and customer's requests.</p> <p>(Severe complaint shall be assessed and provided with remedial measures. The client shall be notified within 2 days.)</p>	Complaint Files Housing Repair Cases
Customer Service Department / Project Department	<p>The repair shall be conducted by maintenance staff and completed in 7 days. After the repair, the customer shall confirm the completion. Under special circumstances, the repair may be repeated.</p> <p>(For a severe complaint, the complaint shall be resolved within 1 month and the customer shall sign upon completion.)</p>	Record in Complaint Files / Fill in Housing Repair Cases
Department / Manager / Director	<p>For severe complaints, the remedial plan shall be approved by the Manager / Director.</p>	Record in Complaint Files
Customer Service Department	<p>Repair complain shall be filed.</p> <p>The maintenance cost shall be settled within 1-2 months in terms payment.</p>	Record in Central Data- base
Customer Service Department	<p>Prepare monthly summary of complaint regarding maintenance</p>	Fill in Monthly complaint summary table

Customer Satisfaction Management Procedures

Customer satisfaction is one of the performance indices for corporate quality management. The Customer Service Department is assigned to supervise the customer satisfaction survey in coordination with other project departments.

The Customer Service Department shall prepare the customer satisfaction survey plan, which describes the purpose, scope, methodology, and contents. Then the survey plan shall be approved by the associate manager who is in charge. The survey purpose, delivery approach, and analysis of results may be varied at different occasions and situations. With the proposed name list by the Customer Service Department, the selected customers will be invited to fill out the questionnaires on the sites of corporate activities such as customer visiting and tea gathering. The Group will communicate with our customers immediately about the problems indicated by the survey results. It is regulated that single performance index shall be marked as zero when the satisfaction rate is lower than 80%. The analysis shall be conducted immediately and transferred to relevant departments for improvement. Once the satisfaction rate is found below 60%, further corrective and precautionary measures shall be implemented.

Supply Chain Management

In order to regulate the corporate operation and management as well as cutting down the cost of production, some subsidiaries have established their own procurement and tendering management systems in terms of material procurement and labor sub-contracting of property development, construction investment, mechanical equipment procurement and construction contracts. The Group is dedicated to objecting the commercial bribery through open bidding and urging the suppliers committing to their own environmental and social responsibilities. We expect to establish the long-term mutually beneficial cooperation with the suppliers.

Among them, we have formulated the "Procurement management system of construction project material (equipment)" that clearly identifies the evaluation criteria including the suppliers' performance in then environmental, social and economic aspects, as well as investigates, evaluates, and makes detailed records of the suppliers' qualification and business scope, contractual performance, business performance, supply capability, price, financial and tax conditions, security situation, corporate reputation, environmental and quality system, etc.

Anti-Corruption

The Group is committed to adhering to the following laws and regulations in relation to the business operation; for instance, the *Criminal Law of the People's Republic of China*, the *Anti-Money Laundering Law of the People's Republic of China*, the *Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited*. A dedicated internal Audit Committee was established, which also formulates the "Baoye Internal Audit Committee – The policy on employees reporting". All staffs are encouraged to report any suspected illegal offense.

Procedures for Confidential Reporting

All staffs are welcomed to submit complaints or opinions regarding internal accounting and auditing offenses. The Group promises to keep it confidential when receiving anonymous reporting. It is also accepted to report offenses by mail and email to the Internal Audit Committee. The Audit Committee shall keep secret for the informant to the full extent permitted by the laws.

Policies on prohibiting illegal reprisals or discrimination

Apart from the reporting procedures set out for employees, the Group established the protection policies in accordance with relevant laws to prevent the informants from retaliating or being discriminated against because of reporting illegal reprisals or taking part in the investigation. In case that any illegal reprisal or discrimination occurs, employees can appeal through the afore-mentioned reporting procedures. The Group shall investigate seriously and reserve the right to summary dismissal of the appellee.

No corruption litigation relating to the Group or the employees was recorded during the reporting year.

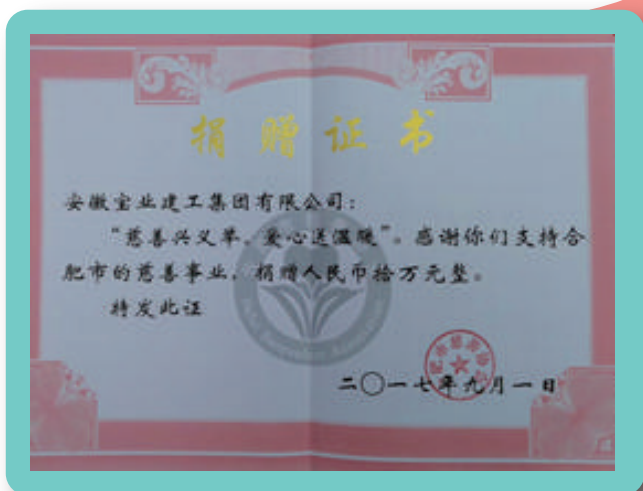
Contributions to the Community

With encouragement and support of the community, Baoye has achieved the long-term and steady corporate development. The Group has been earnestly fulfilling social responsibilities since its establishment by proactively participating in charitable activities and contributing to the society. During the reporting period, the Group is dedicated to the social poverty alleviation, student sponsorship and blood donation through donating money and materials to charities so that to assist the needed.

Organization	Project Name (or Donation purpose)	Amount (Material amount)
Hefei Yaohai District Charity Association	Helping poor people	RMB 200,000
Hefei Xinzhan District Charity Association	Helping poor people	RMB 200,000
Shaoxing Charity Federation	Orienteering for China's Urban Charity Forum	RMB 100,000
Keqiao Charity Federation	Charity donation	RMB 6,000,000
Hubei Brilliance Business Promotion Association	"Thousands of enterprises help thousands of villages" and the accurate poverty alleviation action of "Hong'an County Chengguan	RMB 1000,000



Contributions to the Community



Content Index of the “Environmental, Social, and Governance Report”

A. Environmental			
Items	Descriptions	Reference Pages	
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	P.16-23	
Comply or Explain	A1.1	The types of emissions and respective emissions data	P.24
	A1.2	Greenhouse gas emissions in total and, where appropriate, intensity	P.24
	A1.3	Total hazardous waste produced and, where appropriate, intensity	P.24
	A1.4	Total non-hazardous waste produced and, where appropriate, intensity	P.24
	A1.5	Description of measures to mitigate emissions and results achieved	P.16-23
	A1.6	Description of how hazardous and non - hazardous wastes are handled, reduction initiatives and results achieved	P.19-22
Aspect A2: Use of Resources			
General Disclosure	Policies on the efficient use of resources	P.22-23	
Comply or Explain	A2.1	Direct and/or indirect energy consumption by type in total and intensity	P.24
	A2.2	Water consumption in total and intensity	P.24
	A2.3	Description of energy use efficiency initiatives and results achieved	P.22-23
	A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency initiatives and results achieved	P.21-22
	A2.5	Total packaging material used for finished products and, if applicable, with reference to per unit produced	Not applicable
Aspect A3: Environmental and Natural Resources			
General Disclosure	Policies on minimizing the issuer’s significant impact on the environment and natural resources	P.19-21	
Comply or Explain	A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them	P.21

Content Index of the “Environmental, Social, and Governance Report”

B. Social			
Items	Descriptions	Reference Pages	
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	p.25, p.31	
Recommended Disclosures	B1.1	Total workforce by gender, employment type, age group and geographical region	p.26
	B1.2	Employee turnover rate by gender, age group, and geographical region	/
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	p.28 -29	
Recommended Disclosures	B2.1	Number and rate of work-related fatalities	p.29
	B2.2	Lost days due to work injury	/
	B2.3	Description of occupational health and safety measures adopted, how they are implemented and monitored	p.28 -29
Aspect B3: Development and Training			
General Disclosure	Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities	p.27	
Recommended Disclosures	B3.1	The percentage of employees trained by gender and employee category (e.g. senior management, middle management)	/
	B3.2	The average training hours completed per employee by gender and employee category	/
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	p.25	
Recommended Disclosures	B4.1	Description of measures to review employment practices to avoid the child and forced labor	p.25
	B4.2	Description of steps taken to eliminate such practices when discovered	/

Content Index of the “Environmental, Social, and Governance Report”

Aspect B5: Supply Chain Management			
General Disclosure		Policies on managing environmental and social risks of the supply chain	p.34
Recommended Disclosures	B5.1	Number of Suppliers by geographical region	/
	B5.2	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, how they are implemented and monitored	/
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, labeling and privacy matters relating to products and services provided and methods of redress	p.31-33
Recommended Disclosures	B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons	/
	B6.2	Number of products and service related complaints received and how they are dealt with	p.31-33
	B6.3	Description of practices relating to observing and protecting intellectual property rights	/
	B6.4	Description of quality assurance process and recall procedures	p.14
	B6.5	Description of consumer data protection and privacy policies, how they are implemented and monitored	p.31
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	p.35
Recommended Disclosures	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	p.35
	B7.2	Description of preventive measures and whistle - blowing procedures, how they are implemented and monitored	p.35
Aspect B8: Community Investment			
General Disclosure		Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests	p.36
Recommended Disclosures	B8.1	Focus areas of contribution (e.g. education, environmental concerns, labor needs, health, culture, sport)	p.36
	B8.2	Resources contributed (e.g. money or time) to the focus area	p.36

