



恒盛地產
GLORIOUS PROPERTY

築·極致人生

The Ultimacy of Life



2020

Environmental, Social and
Governance Report

GLORIOUS PROPERTY HOLDINGS LIMITED

Stock Code: 00845

(Incorporated in the Cayman Islands with limited liability)

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OVERVIEW

Glorious Property Holdings Limited (the “Group” or “we”) is principally engaged in property investment, development and management businesses in the People’s Republic of China (the “PRC”). The Group highly concerns global sustainable development while continuously developing its businesses and strives for balanced development in the social, economic and environmental aspects. We are pleased to publish this Environmental, Social and Governance Report (the “Report”) for 2020, which demonstrates the Group’s policies and performance in corporate sustainability.

ABOUT THIS REPORT

This Report has been prepared in strict compliance with the requirements under the “Environmental, Social and Governance Reporting Guide” in Appendix 27 of Rules Governing the Listing of Securities on the Main Board of The Stock Exchange of Hong Kong Limited. Unless otherwise stated, this Report covers the Group’s office in Shanghai, and two residential and affiliated commercial property projects in Shanghai and Nanjing, with an aggregate gross floor area of 260,000 square metres. The reporting period covered in this Report is from 1 January 2020 to 31 December 2020 (the “Reporting Period”). The key performance indicators that are required to be reported in accordance with the “Environmental, Social and Governance Reporting Guide” have been fully disclosed under the sections headed Environmental Sustainability and Social Sustainability in this Report. In addition, this Report not only complies with the reporting principles of the “Environmental, Social and Governance Reporting Guide”, but also states that it is compliance with relevant laws and regulations of the jurisdictions where it operates. Both English and Chinese versions of this Report have been uploaded to the Group’s website www.gloriousphl.com.cn and Hong Kong Stock Exchange news website www.hkexnews.hk. The Chinese version of this Report shall prevail in case of any inconsistency.

STAKEHOLDERS ENGAGEMENT

Stakeholders refer to the groups and individuals materially influencing or being influenced by the Group’s businesses. Our stakeholders include the government, regulatory authorities, shareholders, investors, directors, employees, customers, suppliers, the general public and etc. We firmly believe that maintaining effective communications with our stakeholders is essential for the Group’s business development and creation of long-term value. It also helps the Group to understand the sustainability topics that particularly concern our stakeholders, which in turn enables us to make appropriate and effective responses. We prepared this Report based on those environmental, social and governance topics that our stakeholders considered important. During the Reporting Period, we communicated with our stakeholders through various channels, including on-site visits, shareholders’ meetings, telephone conferences, the company’s website, the follow-up customer services and etc. The Group welcomes comments and feedback from its stakeholders, especially those regarding its approach and performance of sustainable development. Readers are welcomed to share their valuable views with the Group at ir@gloriousphl.com.cn.

BOARD PARTICIPATION

The Group’s Board of Directors (the “Board”) is the highest governing body primarily responsible for the formulation of our sustainability strategy. The Board regularly integrates the Group’s sustainability objectives into its businesses, identifies and manages our sustainability risks and provides improvement recommendations. Moreover, the Group engaged an independent third-party consultant to facilitate the collection and integration of our sustainability information, as well as provide recommendations on our future sustainability.

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A. ENVIRONMENTAL SUSTAINABILITY

This section primarily contains disclosures of the Group's policies and key performance indicators in respect of emissions, use of resources and the environmental and natural resources during the Reporting Period.

A.1 Emissions

As the Group's core businesses of property investment, development and management consume certain amount of various natural resources, direct and indirect greenhouse gas emissions are inevitable. Thus, we strictly adhere to the principles of green production to enhance our energy usage efficiency in production and reduce natural resources consumption. The Group has strictly complied with relevant laws and regulations in relation to environmental protection in the PRC. Pollutants were discharged in strict accordance with the statutory requirements and standards to ensure that the emissions of greenhouse gases, sewages and wastes were in compliance with relevant laws and regulations. We have stipulated several environmental management policies and measures, such as the carbon emission management policy, the energy consumption management policy, the water consumption management policy, the waste management policy and the green procurement policy, in an effort to minimise the impacts of the operations on the environment. We have also referred to and complied with the requirements of the ISO14001 environmental management system. The Group has adopted the "Assessment Standard for Green Building (綠色建築評價標準) (GB/T 50378-2014)", the latest national standard, for all the properties that it has developed, in an effort to integrate environmental protection elements into the design, construction, operation and maintenance cycle of its buildings, so as to promote green development in all aspects and reduce the carbon emissions of buildings in their life cycle.

During the Reporting Period, the Group generated 2,373.5 tonnes of Nitrogen Oxides, 11.8 tonnes of Sulphur Oxides and 13.0 kg of Particulate Matter. The total greenhouse gas emissions from the Group amounted to 1,513.4 tonnes of carbon dioxide equivalent for the same period, which were mainly arisen from its production processes (Scope 1), electricity consumption in daily operations (Scope 2), and paper consumptions and employees' business travels (Scope 3). As mentioned above, we have adopted a number of measures to reduce greenhouse gas emissions. Please refer to the section headed "A.2 Use of Resources" in this Report for details of those measures related to the reduction of electricity, water, gasoline and paper consumptions.

Table 1: Amount of Various Types of Emissions in 2020

Gas	Unit	Amount of Emissions
Nitrogen oxides (NOx)	tonnes	2,373.5
Sulphur oxides (SOx)	tonnes	11.8
Particulate matter	kg	13.0

Table 2: Amount of Various Types of Greenhouse Gas Emissions in 2020

Key Performance Indicator	Unit	Amount of Emissions
Scope 1 (direct emissions)	tonnes of CO ₂ equivalent	33.3
Scope 2 (indirect emissions)	tonnes of CO ₂ equivalent	1,190.0
Scope 3 (other indirect emissions)	tonnes of CO ₂ equivalent	290.1
Total	tonnes of CO ₂ equivalent	1,513.4

- Hazardous and Non-Hazardous Wastes**

The Group requires its contractors to use low volatile building materials to mitigate the impacts on the construction workers, customers and the environment. Our contractors are required to use building materials which contain volatile organic compounds at a level no higher than that prescribed in the “10 Mandatory National Standards for the Limits of Hazardous Substances in Interior Decoration Building Materials (室內裝飾裝修材料有害物質限量10項強制性國家標準)”. In addition, building materials are required to be tested for fulfilling certification requirements before tendering and constructions. Selected materials must be granted the green label scheme certifications or passed the tests conducted by laboratories with relevant qualifications. Composite wood and fibre products shall not contain excess formaldehyde.

Meanwhile, the Group requires its contractors to dispose of wastes at the construction sites by themselves. In order to effectively ensure that our contractors implement our waste reduction targets, we contractually require all our contractors to reduce the generation of solid wastes in constructions, and to place the wastes by category and put clear labels (e.g. toxic, hazardous, recyclable and non-recyclable) on them. In particular, we have set different targets for different types of waste. For example, the reuse rate of construction wastes such as gravel and earthwork can be increased through foundation backfilling and paving. During the Reporting Period, the construction wastes of the Group was about 300 tonnes per 10,000 square metres of residential gross floor area, lower than our 400 tonnes internal target.

We also require our office staff to adhere to the “3R Principles” of Reducing, Reusing and Recycling to actively reduce office daily wastes.

A.2 Use of Resources

The Group has been paying attention to the using of natural resources in its operations. We have kept track on their usages and launched a series of internal control systems for the procurement and use of natural resources. During the Reporting Period, the resources consumed by the Group were mainly electricity, water, gasoline and paper.

Table 3: Amount of Various Types of Resources Used in 2020

Resources Used	Unit	Amount
Electricity	kWh	1,221,054
Water	m ³	53,641
Gasoline	litre	14,131
Paper	kg	59,530

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- **Electricity**

The Group's electricity consumption is mainly attributable to the daily operations in its construction sites and offices. We encourage and educate our staff the methods to reduce electricity consumption in daily operations. Besides, we have actively explored the adoption of more energy-saving, efficient and environmentally friendly construction equipment, machineries and office supplies in operations. The measures that we have initiated for reducing electricity consumption at our offices include:

- ✓ Installing energy-saving tube lights at our offices;
- ✓ Displaying environmental protection labels for electricity-saving at our work places to cultivate good habits of electricity-saving;
- ✓ Maintaining ventilation mainly by keeping the windows open as often as possible in Spring and Autumn to reduce the use of air conditioners and heaters;
- ✓ Setting the air conditioning systems in the offices at 25 degree Celsius.

The Group's properties are with high energy efficiency as the property designs are in accordance with the requirements of the "Design Standard for Energy Efficiency of Public Buildings (公共建築節能設計標準) (GB50189-2015)", the "Design Standard for Energy Efficiency of Residential Buildings in Hot Summer and Cold Winter Zones (夏熱冬冷地區居住建築節能設計標準) (JGJ134-2010)" and the "Design Standard for Energy Efficiency of Residential Buildings in Severe Cold and Cold Zones (嚴寒和寒冷地區居住建築節能設計標準) (JGJ26-2010)". We also require our contractors to take the following measures to reduce electricity consumption:

- ✓ Installing energy-saving lamps such as LED lights in the construction areas, office areas and living areas of construction sites;
- ✓ Displaying reminding labels with "Save electricity and turn off the power after work" in different areas;
- ✓ Adopting energy-saving and efficient mechanical equipment and technology, such as energy saving construction equipment with frequency conversion technology;
- ✓ Avoiding the use of equipment, machineries and products that do not meet the requirements for energy conservation and environmental protection;
- ✓ Carrying out regular repair and maintenance to keep the low power consumption and high efficiency of machineries and equipment;
- ✓ Using solar street lights which receive solar radiant energy in the daytime, convert it into electrical energy, store it in the storage battery through a charge and discharge controller, and discharge it to the lamp caps through the storage battery at night.

- **Water**

The Group's water consumption is mainly attributable to its daily operations in its construction sites and offices. We regularly emphasise the importance of water conservation to our staff and require them to save water. Not merely we have cut off unnecessary water consumption from the sources, but also actively formulated measures to reuse water. We encourage our contractors to give priority to use non-traditional water sources and try not to use municipal tap water. For instance, sewage pools were set up at construction sites for wastewater treatment. The treated wastewater were used for washing on-site machineries, tools, equipment and vehicles, spraying the road, watering plants and other purposes. During the Reporting Period, the Group reused more than our internal target 30% of the non-traditional water sources and circulating water in construction.

The Group has also established strict requirements for water consumption of our contractors. They are required to manage water usage through installing water meters in the living and construction areas in their construction sites to measure water usage separately. Water consumption information are required to collect regularly at their construction sites, including recording the water consumption and conservation statistics for analyses and comparisons to improve the efficiency of water conservation.

The Group's offices have also employed water-saving systems, appliances and equipment such as low-water-consumption flushing toilets, sensor faucets or time-delay self-closing flushing valves. Effective measures have also been taken to avoid leakage of water pipes. In order to protect the groundwater environment, we have adopted slope protection technology with good waterproof performance to prevent groundwater from being polluted due to property construction.

- **Gasoline**

The Group's gasoline consumption is mainly attributable to its vehicles used in daily operations. We use high-efficiency and low-emission gasoline, and tempt to select and purchase fuel-efficient vehicles and require our staff to travel by public transport as far as possible. We have also implemented the following measures to reduce gasoline usage:

- ✓ Providing our employees with video and audio conferencing systems. Encouraging them to use such systems for meetings to reduce business travels and the use of related transportation;
- ✓ Advocating the idea of using local materials and giving priority to local suppliers. Our contractors are advised to use building materials produced within 400 kilometres from their construction sites. The amount of such building materials used should account for more than 70% of the total weight of the building materials used. All office supplies and other fixed assets are acquired from local suppliers.

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- **Paper**

The Group's paper consumption is mainly attributable to its sales and marketing materials, and daily operations in offices. We require our suppliers to provide certifications showing the environmental protection standards for the paper we purchased. In addition, we have implemented following measures to reduce paper usage:

- ✓ Establishing an electronic office administration system to reduce paper-based applications in an attempt to create paperless offices;
- ✓ Reducing printing paper copies and reusing paper;
- ✓ Encouraging double-side printing and using both sides of paper;
- ✓ Utilising electronic devices to promote our products to clients and reducing printed sales materials.

A.3 Environment and Natural Resources

Save for aforementioned emissions and resource consumptions, both the use of building materials and environmental management of construction sites are considered as activities resulted from the Group's operations that have a direct and significant impact on environment and natural resources. We believe that sound management of building materials serves not only to reduce operating expenses, but also reduce the impact on the environment. In the course of undertaking construction works, we supervise our contractors to implement the following measures to ensure the effective use of construction materials:

- ✓ Arranging reasonable procurement of materials (including arrival time and batches) according to construction progress and inventory level to reduce inventory pileup;
- ✓ Adopting technical and management measures to increase turnover of frameworks and scaffolding;
- ✓ Promoting the use of high-strength reinforced steel and high-performance concrete;
- ✓ Optimising the formulas for reinforced steel and steel components. Double checking the orders and samples before bulk production of reinforced steel and steel components;
- ✓ Performing overall layout planning before veneering construction to reduce the quantity of fragmented veneer bits;
- ✓ Using self-adhesive sheets to reduce the amount of liquid adhesive used on site.

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The Group puts in place the “Green Construction Measures” to control various environmental emissions of our contractors, and strictly ensures them to adhere relevant environmental laws and regulations, so as to minimise the environmental impact of the project constructions on the surrounding environment.

- ✓ Taking effective anti-dust measures on site, such as watering, hardening of ground, fencing, dense mesh covering and closure;
- ✓ Ensuring dust control at construction sites to meet the National Level 2 Emission Standard;
- ✓ Ensuring noise shall not exceed the limits under the national standard — Noise Limits for Construction Sites (GB12523-90);
- ✓ Performing real-time monitoring and control of noise at the construction sites;
- ✓ Applying sewage discharge permits in accordance with the discharge requirements;
- ✓ Engaging qualified agencies to carry out wastewater quality testing;
- ✓ Ensuring the sewage discharged to meet the national standard — “Comprehensive Sewage Discharge Standard”;
- ✓ Setting up temporary waste storage sites and placing wastes by category with clear labels;
- ✓ Requiring hazardous solid wastes to be collected by category and stored in a closed confinement. After a certain amount of waste is accumulated, the waste shall be handed over to a qualified local collector for centralised disposal.

A.4 Climate Change

Responding to climate changes and its related problems is one of the most severe challenges facing the world. Rising temperatures and extreme weather have been threatening human life. Therefore, the Group regularly reviews the impact of its daily operations on the environment, and is committed to adopting environmentally friendly operations. With the use of the latest technology, we continuously improve the efficiency of energy consumption and make better use of fuels, so as to reduce our amount of greenhouse gas emissions and alleviate the pressure on global climate change.

Looking forward, the Group will continue to closely monitor the environmental protection policies and regulatory trends in the PRC and worldwide. To stay abreast of times, we will invest in the corresponding environmental protection construction projects as appropriate, and actively seek breakthroughs from the past so as to improve the overall environmental performance.

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B. SOCIAL SUSTAINABILITY

This section primarily discloses the Group's policies and key performance indicators with respect to employment, health and safety, development and training, labor standards, supply chain management, product responsibility, anti-corruption and community investment in 2020.

B.1 Employment

Talent is regarded as one of the most vital assets of the Group. The continuous development of our businesses depend on the enthusiastic endeavor of all our employees. Hence, we are committed to providing a fair, open, safe and healthy work platform to facilitate the professional development of our staff. The Group has dedicated human resources personnel who strictly implements recruitment, dismissal and welfare policies in accordance with the requirements of the Labor Law of the PRC, and conducts regular reviews of the Group's employment policies to meet with the changes of rules and regulations. We are keen on acquiring, retaining and nurturing of talents to maintain the Group's competitiveness. Based on our business developmental needs, we work out an annual recruitment scheme at the commencement of each year. The Group is abided by the principles of "anti-discrimination" and "diversity" and is committed to creating a caring and non-discriminatory working environment. While our employees are recruited in conformity with the principles of openness and fairness, they are treated non-discriminatively with respect to recruitment, training, promotion, dismissal and retirement, irrespective of their gender, race, age, disability, family status, marital status, sexual orientation, religion beliefs, nationality or any other factors unrelated to work. When the Group considers employee for promotion, we would make reference to his or her working performance, experience and personal capacity as conditions for promotion. With appraisal assessment on employees' performance conducted on a yearly basis, we evaluate and determine the remunerations of employees based on the remuneration system developed by the Group, the overall market situation and the work duties. As such, we aim to achieve the objective of rewarding and promoting the well-performing and high-potential employees, by providing them with attractive salary packages. We set up a clearly defined dismissal and retirement system. Pursuant to the provisions of the labor contract, any dismissal of employees must be based on reasonable and lawful grounds, and strictly prohibits any unfair or unreasonable dismissal. In accordance with the requirements of the Labour Law of the PRC, the Group will process retirement procedures for those employees who have reached the statutory retirement age. Where an employee commits any gross negligence or damages the interests of the Group, we will go through dismissal procedures in accordance with the Labour Law of the PRC.

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As of 31 December 2020, the aggregate number of the Group's employees covered by this Report was 78 and all of the aforementioned employees were located in the PRC. During the Reporting Period, 8 employees resigned and all belonged to general staff, representing an annual turnover rate of 10.3%.

Table 4: Employees by Category as of 31 December 2020

Male		Female	
45		33	
Full-time		Part-time	
50		28	
30 years old or below	31–40 years old	41–50 years old	51 years old or above
11	30	22	15
Senior Management	Middle Management	General Staff	
6	19	53	

During the Reporting Period, the Group was in full compliance with relevant laws and regulations regarding remuneration, dismissal, recruitment, promotion, working hours, holidays, equal opportunities, diversity, antidiscrimination, benefits and other employment-related issues that are material to the Group. We did not receive any complaints or disputes concerning employment.

B.2 Health and Safety

Occupational health and safety is particularly important for the Group under the COVID-19 pandemic. While we are obligated to maintain normal business operations, we are committed to doing all we can to keep everyone safe. We have been strictly following all the pandemic prevention measures advised by the PRC government, and proactively implementing a range of precautionary measures including,

- ✓ Strictly implement sanitation and cleaning procedures;
- ✓ All employees must wear masks and the used disposable masks must be placed in the mask collection bucket for centralized processing;
- ✓ Keep an appropriate distance between employees in the workplace;
- ✓ Check the body temperature of employees twice a day;
- ✓ Implementation of crowd control. Visitors must wear masks to enter the premises, and perform disinfection, registration and body temperature measurement;
- ✓ Vehicles must be disinfected before entering the premises;
- ✓ Canteen requires one person for one table and the table must be separated by more than one meter. Mask can only be taken off when eating;
- ✓ Encourage online meetings to reduce contact.

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The property investment, development and management businesses of the Group involves a handful of processes with potential health and occupational safety risks. Therefore, we are committed to creating the safest working environment through continuous improving the production processes and reducing the use and emission of hazardous substances, thereby, to minimise occupational safety risk. The Group has stipulated a set of safety management solutions and prepared a sound mechanism to manage health and occupational safety-related matters for our contractors to comply. To strengthen the safety supervision for outsourced construction projects, the Group has formulated the "Rules of Construction Management for Contractors" to assess our contractors' safety management capacity. We also enter into safety agreement with our contractors, whereby clearly sets out each safety rule to preclude the occurrence of outsourced construction accidents.

Both the direct employees of the Group and our contractors shall comply the national laws in the PRC related to health and occupational safety. The Group's "Workplace Safety Rules and Policies" specifies respective responsibilities borne by each specific position. Besides, there is a set of safety reward and punishment system is in place. Frontline staff are encouraged to handle safety issues properly and safety examinations at workplaces have been implemented on a regular basis. Moreover, the Group implements the following safety management measures to ensure the safety of all personnel in construction sites:

- ✓ Identifying high-risk areas of work procedures;
- ✓ Carrying out on-the-job trainings for employees, and submitting construction plans and operation procedures prior to commencement of construction works;
- ✓ Setting up warning boards to warn against major hazards at each high-risk construction area to alert the personnel entering the area that they must abide by the relevant safety instructions;
- ✓ Providing employees with the necessary protective equipment, facilities and tools, such as safety helmets and safety shoes;
- ✓ Ensuring that there are sufficient sanitation facilities at the construction sites;
- ✓ Providing first aid equipment at the workplace, such as first aid kit, stretchers, etc.

To guard against all the potential hazards in the offices, the Group has formulated relevant management and control measures which cover electricity safety, fire safety, tripping, slipping, falling, air quality, eye discomfort caused by improper lighting, physical discomfort caused by computers and display screen equipment, office chemical safety, back injuries and pain and office equipment safety.

In order to further protect our staff, the Group purchases social insurance for its employees, provides pre-placement body checks and annual body checks for employees in accordance with the Labour Law of the PRC. If any abnormal situation is found, appropriate work arrangements and medical follow-ups will be made. We also conducted quarterly health and occupational safety trainings for our employees to enhance their health and safety awareness. The human resources department arranged regular meetings with employees to help mitigate work stress and take care of their mental health. In the event of fatal accidents, the Group will provide immediate relief to the injured employee and will investigate each accident to prevent reoccurrence of similar incident.

We wish to create a comfortable, pleasant and green working environment for our staff. Flowers and plants are lined along the building corridors and offices. This not only provides green working environment, but also help purify our air condition indoor, leading to the building of a harmonious and pleasing workplace.

During the Reporting Period, the Group has not recorded any deaths and major accidents in relation to injuries resulted from industrial accidents, and no such case of any violations of laws and regulations related to safe working environment and protection of employees from occupational hazards is recorded.

B.3 Development and Training

The Group acknowledges the crucial role played by on-the-job trainings to the staff development. Acquisition of new knowledge and skills by our staff will enhance the Group's overall competitiveness. Based on the developmental requirements of the Group, personnel and administrative center coordinates those well-performed staff for trainings. Subsidies will be granted to those staff who have passed the relevant work-related examinations to facilitate their career advancement. Customised training content were prepared to our staff in order to accommodate the needs for human resources of various department. Besides, to help newly recruited staff to be acquainted with internal policies, their respective job responsibilities and work duties, our corporate culture, values and developmental strategies, they are required to participate in the orientation programme before getting on board. The orientation programme covers corporate culture, business overview, work-related rules and regulations, organizational structure, benefits measures, work safety guidelines, among others. Attendees have to pass the assessment test before commencement of duties. A mentorship system is adopted at work where a pre-designated mentor will be assigned to each new staff to provide them with guidance and training. This serves to promote work proficiency of each new member so that the latter are able to complete their duties with self-dependency as soon as possible. We are also very concerned about the physical and mental health of our employees. Activities and trainings are arranged to balance their work and life, and improve team cohesion.

During the Reporting Period, the Group has provided an aggregate of 204 hours of training sessions to its 48 employees.

Table 5: Training Hours Completed by Employees (by Category) in 2020

	Senior Management	Middle Management	General Staff	Total
Training time (by hours)	20	85	99	204
No. of Employees	4	20	24	48

B.4 Labour Standards

The Group is fully aware that child and forced labour violate basic human rights and pose a threat to social and economic sustainable development. Thus the Group strictly complies with all relevant laws and regulations and, is abided by the Labour Law of the PRC during recruitment. During the recruitment process, we will verify the information contained within the identity documents of applicants and never hire persons below legal working age. We also strictly prohibit any unethical employment practices, prohibit any form of forced labour and undertake not to force employees to work overtime. We respect employees' freedom, including freedom of employment, resignation and work overtime. The working hours of employees shall be in compliance with the Labour Law of the PRC. Any overtime arrangements deemed as necessary are subject to the consent of employees and compensation will be provided according to relevant laws and regulations.

During the Reporting Period, the Group had not violated any laws and regulations in relation to the prevention of child and forced labour.

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B.5 Supply Chain Management

In light of the Group's strong support for sustainable development, we also expect our suppliers to fulfill the same social responsibilities we do and give their best effort to support sustainable development. It is our responsibility to monitor the Environmental, Social and Governance performance of our suppliers throughout the supply chain and service cycle. Accordingly, we incorporate sustainability considerations into our procurement and outsourcing process and require all suppliers to meet basic standards. We not only ensure that all suppliers are abided by the sustainability principles, and also their permanent and temporary employees, suppliers and sub-suppliers comply with the sustainability requirements.

The Group insists on establishing long-term and stable strategic partnerships with quality suppliers. With a focus on strategic procurement, we strive to realise mutual development with suppliers on the basis of equality and mutual benefits. The Group has formulated the "Suppliers' Code of Conduct" and requires suppliers' full compliance. Suppliers were required to pay attention to the environmental risks that may arise in their operations and manufacturing processes. To monitor the performance of suppliers and ensure that they meet the relevant legal and regulatory requirements, the Group conducts regular assessments of the contractual performance of suppliers and continues to engage only those meeting the eligibility criteria in terms of different performance indicators during the contract period.

The Group has set up a series of evaluation criteria for supplier selection, including pricing, quality, environmental protection awareness, social reputation, previous performance, customers' feedback, technical level, after-sales service, health and occupational safety, credibility and etc. Only those suppliers deemed qualified in the evaluation can be included in the "List of Qualified Suppliers" of the Group to ensure quality performance of our suppliers in the above aspects. The process of selecting and evaluating suppliers is conducted in an open manner. We provide our suppliers with a fair and transparent competitive platform for participation. Meanwhile, it is stipulated that at least three potential suppliers have to be liaised. Moreover, our suppliers have to declare their interests to avoid conflicts of interest or transfer of benefits.

During the Reporting Period, there was no major violations of laws or regulations recorded among our Group's suppliers.

B.6 Product Responsibility

In the highly competitive market, customer's requirement on product quality is escalating. The Group strongly believes that sustained product quality is the cornerstone to create maximum values for our customers, and to earn their trust and support.

The Group is committed to providing customers with high-quality housings and property management services. During the property constructions, we strictly comply with national laws and regulations and quality standards in the industry to enhance quality management and to protect customers' interests. We strive to provide customers with responsible products and services. We maintain communications with customers in the process of monitoring product quality and customer service to ensure that we understand and meet customers' needs and expectations. In doing so, we also hope to understand those attributes that result in customers' satisfactions, which allow us to make continued improvements to our products and services.

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Regarding each sales unit, the Group will issue a quality assurance letter with quality assurance and commitments in relation to the structure, components, facilities, supporting facilities and maintenance. All housings sold by the Group conform to the design standards for residential housings and have passed the completion inspection undertaken by relevant supervisory bodies in accordance with national regulations, which ensures that the buildings are constructed with safe structure and equipped with up-to-standard firefighting facilities.

The Group and its contractors will take the following quality control measures to ensure that the products provided meet the quality standards stipulated by the law:

- ✓ According to the national and local norms and requirements, all design drawings shall be reviewed by the design institute and the Group's professionals, with a view to provide products that meet the quality requirements;
- ✓ Based on the construction drawing, the key links in the process of building construction shall be reviewed to see whether the construction is carried out according to the drawing;
- ✓ All materials provided not in conformity with the drawing shall be returned, and the suppliers involved shall be penalised in accordance with the relevant contractual requirements. In the case of construction deviated from the drawing, a rectification notice shall be issued to the contractor that the nonconformities must be rectified within a prescribed time limit;
- ✓ The materials applied to the buildings shall meet the national standards, and the fire protection design is subject to review and acceptance inspection by the government;
- ✓ Cancellation of substandard services. Where actual construction work deviates from the construction drawing, the Group will issue a rectification notice to the contractor concerned with respect to the deviation, whereby, the latter are required to rectify the situation within a specified time limit.

The Group provides a comprehensive range of after-sales services to our customers. As stipulated in the sales contracts between the Group and its customers, the length of warranty period for each unit with regards to different aspects are specified therein according to the national legal requirements, while the coverage includes foundation works, main structure works, roof waterproofing works, heating and cooling systems, electrical pipes, drainage pipelines, equipment installations and decoration works. After a house is delivered, if the quality of the main structure is found not up to standard, the Group will assume responsibility for that in accordance with Article 32 of the "Regulations on Urban Real Estate Development and Operation promulgated by the State Council". Each project of the Group is assigned with customer service personnel, as well as a property management company to coordinate and to handle clients' complaints. Both the Group's project companies and property management companies have set up their respective relevant policies and procedures to handle complaints from customers.

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The Group is well aware that customers are particularly concerned with the accuracy of our advertising and sales pitches. To address to such concern, the Group has established a set of management measures for advertising and marketing to regulate advertising and marketing activities, as well as to ensure the promotional impact. We will not make false propaganda and advertisement and strictly complies with all relevant laws and regulations. The advertising content of each sales project will be subjected to scrutiny by the marketing department to ensure that the product information as contained within the promotional web pages and other promotional materials are true and accurate. In addition, prior to attending customers, salespersons and customer service personnel are required to receive training on standard workflow and product introduction, and only those who have passed the assessment test are qualified to be on board. This is to ensure that both salespersons and customer service personnel are equipped with professional expertise to undertake sales obligations and competent to provide customers with accurate product information during course of their sales activities.

The Group highly regards the protection of intellectual property rights. We duly comply with all the relevant laws and regulations with respect to filling an application for trademarks, labels and product design patents. In its daily operations, the Group refuses to provide or use any products or services that violate copyright or intellectual property rights. All of the software and information we use are provided with legal licenses and the Group only procures genuine products.

The Group is overwhelmingly convinced of the importance of protecting the privacy of its suppliers and customers. Statement of consent must be obtained prior to any data collected from suppliers and customers. The consent statement clearly specifies therein the predesignated purposes for such data collection and the data collected will only be used in accordance with the originally designated purposes. The collection and use of data from suppliers and customers is restricted to the relevant departments and personnel, and is maintained and kept by a dedicated department to prevent unauthorized use. Employees are not allowed to privately duplicate or archive suppliers' or customers' private information without any prior permission. We will from time to time remind our staff members of the requirements set out by the Group on data management, and also stipulate their respective responsibilities on data protection.

During the Reporting Period, the Group did not violate any laws and regulations regarding the product responsibility, intellectual property right and data privacy. In addition, the Group has not recalled any products sold previously.

B.7 Anti-corruption

The Group believes that a business operation based on integrity forms the basis of corporate social responsibility, which is also the cornerstone for maintaining our corporate competitiveness and sustainable operation. Therefore, we adopt a zero tolerance approach towards any form of corruption and strictly comply with anti-corruption laws and regulation in the PRC. We have formulated strict anti-corruption policy, whereby, stipulates that employees are not allowed to engage in bribery, extortion, fraud and money laundering, and other activities and lays out regulations on acceptance of gifts or cash gifts by employees. We also regularly provide employees with training on anti-corruption policies. In case an employee is found to be involved in any act of corruption or bribery, we may unconditionally terminate his/her labor contract irrespective of whether such act has caused losses to the Group. We will refer employees who have violated the law to the judicial authorities for handling if necessary. Besides, we will develop long-term remedy measures to curb with each particular corruption case.

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The Group has an independent internal audit department to develop an accountability system to prevent, detect and remedy existing errors and frauds, and reduce operational risks. The internal auditor of this department is responsible for supervising internal audits and setting up internal control system within the Group, and directly report to the Audit Committee under the Board of the Group. Based on the findings of internal audit, the Board will conduct thematic meetings with management on regular basis to prevent corruption risks. Moreover, the Group has engaged an internationally recognized and sizable auditing firm as an independent third-party to conduct financial audits twice annually, and the respective audit results will be submitted to the Audit Committee, with a view to strengthen anti-corruption management.

The Group welcomes employees to report any kinds of misconduct. All employees may file opinions, complaints, and reports related to the Group's operation and management through the designated "President' Mailbox". Meanwhile, we have a dedicated "Suggestion Mailbox" that serves to collect rational suggestions, opinions as well as complaints and reports with respect to non-compliance behaviours. The Group will conduct investigations against any suspicious or illegal behaviours so as to protect the Group's interests. The identities of the whistle-blowers will be protected with confidentiality. Investigations will be handled confidentially and management will take corrective measures to resolve proven fraud activities resolve proven fraudulent behaviours.

During the Reporting Period, the Group did not receive any corruption lawsuits against the Group or its employees. Meanwhile, the Group and its employees have not violated any of the relevant laws and regulations in relation to bribery, extortion, fraud and money laundering.

B.8 Community Investment

The Group believes that it has a role to play in supporting a sustainable community where it operates. During the Reporting Period, the social distancing measures under the COVID-19 pandemic restricted us to organize some of the community caring activities. However, we are still committed to promoting the harmonious and stable development of society, encouraging our staff to care about the society and actively participating in various types of charitable events and voluntary services. It demonstrates the corporate spirit of repaying the society.

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