



(Incorporated in the Cayman Islands with limited liability)
Stock code: 01369

WUZHOU INTERNATIONAL HOLDINGS LIMITED

五洲國際控股有限公司

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT 2016



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1. INTRODUCTION

001

CORPORATE PROFILE

Wuzhou International Holdings Limited (the “Company”), established in 2004, was successfully listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) in 2013 (stock code: 01369.HK). With more than ten years of unremitting hard work, the business of the Company and its subsidiaries (collectively, the “Group” or “we”) now covers the entire trade logistics chain, in addition to commercial property development and operation, storage and logistics management, e-commerce and integrated finance etc.

The Company views “Responsible Real Estate and Healthy Commercial Business” as its core operating value. It has built a professional and quality management team, and has fully optimized modern technology in each of its business streams. Since we operate online as well as offline, our operations are no longer limited to the traditional market and we are able to achieve a diverse and multi-level development.

ABOUT THIS REPORT

This report is the 2016 Environmental, Social and Governance (“ESG”) Report (the “ESG Report”) for the Company. It is prepared in compliance with the Environmental, Social and Governance Reporting Guide set out in Appendix 27 to the Rules Governing the Listing of Securities on the Stock Exchange.

SCOPE OF REPORT

This is the Group’s first ever ESG Report, covering the Group’s performance and progress on environmental, social and governance issues during the year from 1 January 2016 to 31 December 2016. Further to the evaluation of the Company’s operating situation, we have selected to report the key performance indicators (“KPI”) of the eight commercial real estate projects in Wuxi, Jiangsu Province of the People’s Republic of China (the “PRC”). For details of our corporate governance, please refer to the Corporate Governance Report included in the Company’s 2016 Annual Report.

FEEDBACK

Although we have tried our best to keep the content objective, easy to understand and clear, some areas may still have been overlooked. We shall continue to improve and optimize our performance in the future. Should you have any comments or suggestions regarding the content of the ESG Report, you are welcome to contact us. Our contact details are as follows:

Wuzhou International Holdings Limited
 Address: Unit 5105, 51/F, The Center, 99 Queen’s Road Central, Central, Hong Kong
 Tel: 852 2885 1369
 Fax: 852 2448 1369

Core Values

1. Vision: Be the leader in development and operation of the integrated trade logistics business platform
2. Mission: Create wealth for the community, value for customers and a development platform for employees
3. Entrepreneurship: Hard-work, high efficiency with passion and open-mindedness
4. Core values: Emphasize commitment and trust with customers and business partners, express gratitude to the society

2. LETTER TO STAKEHOLDERS

Dear Stakeholders,

I am pleased to present to you the ESG Report of the Company. The year 2016 has not only been a significant year for the Group's business development, it was also the year when we took the very first step in our sustainability journey. Upholding our mission to become a "Responsible Real Estate and Healthy Commercial Business", we have been proactively controlling the pace of our projects development and accelerating the implementation of a light-asset model, to transform ourselves into an operator of modern mega-sized trade logistics parks. In the ESG Report, we hope our stakeholders can acknowledge the efforts we have made for balancing the business development of the Company whilst minimizing the environmental and social impact of our business operations.

We have set up an environmental management system suitable for the nature of the Company's businesses. For our property management business, which focuses on office operations, emphasis has been made on energy saving and waste reduction. As we control our energy and water usage and consumption, systematic work has also been carried out to ensure old goods are efficiently utilized, such that we eventually experience a reduction in our operational costs and waste generation. For our property development business, we have strictly complied with all the relevant environmental laws and regulations. Establishing a comprehensive environmental management system, we closely monitor our contractors and subcontractors to ensure they implement environmental protection measures, so as to prevent the occurrence of any illegal pollutant emission incidents.

Apart from this, the Company has been proactively caring for the needs of its employees and remains committed to provide an excellent development platform for the employees. We have complied with labour laws of wherever our business operations are located at, and offered competitive salaries and welfare to our employees. Through implementing safety management regulations at our offices and providing regularly body check-ups for our employees, we have been able to create a safe and healthy work environment for our people. We have also been actively allocating internal and external resources to provide training courses that cater to employees with different needs, ultimately increasing our employee's business capabilities, nurturing talents in a professional manner and bringing out the potential of our talents.

The Company has also joined hands with tenants, customers and suppliers to contribute to the society's sustainable development. We are committed to providing customers with excellent purchasing experience through establishing a "compensation first fund", taking the initiative to intervene in disputes between merchants and customers and simplifying the refund processes involved in handling customer's complaints. We place emphasis on safeguarding the close relationships we have established with our merchants. Through organizing a variety of trade fairs and festivals and maintaining customer flow at our malls, we ensure our merchants business interests are well-protected. Regarding our suppliers, we regularly monitor whether their performance has satisfied the Company's requirements regarding environmental and social performance. To improve procurement efficiency, a supplier database has also been established.

Looking to the future, we will continue to explore the direction of the Company's sustainability development. When making decisions, the Company takes into consideration the environmental and social impact brought by the Company's business operations. And we will be taking steps to communicate with our stakeholders in order to understand the issues internal and external stakeholders are concerned about and further increase management work towards these focal issues. We will work hand in hand with each of our stakeholders, staff and continue to provide high quality commercial real estate projects for the society to achieve win-win outcomes.

Wuzhou International Holdings Limited

Chairman

Shu Cecheng

31 March 2017

3. SUSTAINABILITY GOVERNANCE

The Group's main business is development and operation of commercial real estate projects. Most of our projects and businesses are located in the PRC. Our business operations mainly involve regular daily office work, hence our core environmental and social impacts mainly come from the development and construction of our new projects, employee recruitment and mall operations etc. In our daily operational decisions, we consider environmental and social factors to ensure that our business operations have not caused significant environmental and social impacts. The Board of Directors of the Company is responsible for leading the Company's environmental and social impact management and takes full accountability for the corporate environmental and social performance.

To enable the Company to better manage the environment and the social impact of its business, the Group actively engages and communicates with various stakeholders, including customers, employees, shareholders, local communities, governments, non-profit organizations, industry associations and suppliers etc. We take initiatives to understand their views on the Company's development plans, identify their concerns on core environmental and social issues, so as to evaluate the Company's performance in this context and explore ways to improve our sustainability.

4. TALENT DEVELOPMENT

The Group focuses on all-rounded talent development and integrates the business development plans with the personal growth of our employees. With the Company's comprehensive and transparent recruitment and promotion mechanism, as well as generous staff benefits, we believe we can effectively attract and retain talent

FAIR RECRUITMENT

The Group has established a comprehensive recruitment management system with clearly defined responsibilities and authority of the Group and regional companies. The system standardizes the recruitment requirements and approval process, ensuring the recruitment process is efficient, fair and transparent. In 2016, the Company further integrated resources, expanded recruitment channels and implemented procedures for internal competition in areas such as investment operations, marketing, engineering and other related business lines. Through implementing systematic controls and reporting and sharing recruitment resources, the Group has been able to enhance the timeliness, efficiency of the recruitment processes for projects and strengthen the support and services provided to each of them.

Over the years, the Group has insisted on recruiting talents from both university campuses and the society to increase the Company's talent reserve. We have been continuously promoting the "fly high plan" college student project (「騰飛計劃」大學生項目) to enrich the Company's human capital. The Group has also helped outstanding graduates with high potential to achieve self-realization and adhere to corporate values by systematically and professionally tracking and nurturing, ultimately enabling them to achieve high-flying careers and the Group to have outstanding talents.

During our talent recruitment process, the Company signs a written labour or service contract with each employee whom we have established a labour relation with. We have strictly abided by the "labour laws" 《勞動法》 and "labour contract laws" 《勞動合同法》 in the PRC. All new employees must produce originals and copies of original qualification documents necessary for the onboarding process and recruitment procedures according to requirements. Furthermore, they are required to fill out the "staff information table" 《人員信息表》 in a truthful manner and strictly abide by the policy regarding staff avoidance of relatives. Through strictly verifying new employee's identification information, any incidents regarding the use of child labour is strictly eradicated.

During the year, we were not aware of any non-compliance with the relevant laws and regulations having a significant impact on the Group relating to employment and labour practices, nor did we identify any incidents relating to the use of child or forced labour.

WORKING ENVIRONMENT

The Group has always been committed to providing an equal opportunity, and discrimination free platform for all employees. The Group respects diversity, and never discriminates against any employee because of race, gender, age, religion, disability and sexual orientation, etc. Discriminative behavior is strictly prohibited. In 2016, there has been no discrimination incident reported for the Group.

The Group implements its working hours policy according to job characteristics of different positions, including the standard working hours policy, or other special working hours policy, namely, the "special working hours system" (「不定時工作制」) or "comprehensive calculation of working hours system" (「綜合計算工時工作制」). Those to whom the standard working hours are applicable are required to work for 40 hours a week. Whilst for the "Special working hours system", it is based on the Labour Department's approval and the terms of employment stated on the labour contract or annex. The Company strictly controls overtime working and compensates employees who have worked overtime with paid holidays or overtime salary in accordance with the law. The Company respects the freedom of each employee's choice of occupation. For all employees who want to resign, they are required to follow the procedures and requirements of the "closing sign" 《離職會簽單》 after going through the resignation approval process and handover of their work, other information and goods in a timely manner.

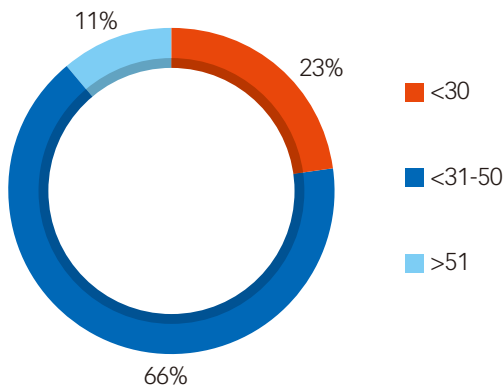
4. TALENT DEVELOPMENT

In order to attract and retain talent, the Group has launched a series of welfare policies. Subject to the “Labour Laws” and “Payment of Wages Tentative Provisions” in the PRC, employees are entitled to the appropriate remuneration and rest leave, receive vocational skills training, social insurance and welfare and other legal rights. After working for six months, they can also enjoy medical health check as the Group and its member organizations arrange an annual health examination and other employee health care supplemental welfare programs for our employees according to needs.

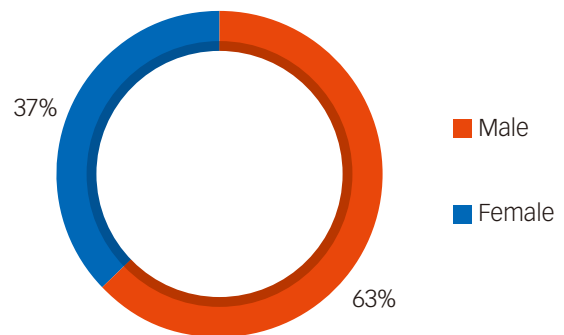
The Group has always advocated the idea of “happy work and happy life” (「開心工作·快樂生活」). To enrich our staff’s cultural lives and provide a relaxing working environment, the Company has set up departmental funds and established various types of regional groups, craft groups and a variety of cultural activities such as ball matches, skill competitions, outward bound training and parties etc. At the same time, the Group publishes the “Wuzhou People” (「五洲人」) internal magazine, and conducts training schemes and regular staff meetings to broaden the current communication channel with employees, enhance staff participation and cohesion.

Through the unremitting efforts in talent management, as of 31 December 2016, the Group has 2,503 employees, of which 992 are engaged in the property development division and 1,511 are engaged in the property services division. The Group has in total 360 employees in Wuxi, with a male-to-female ratio of about 3: 2 and majority aged between 31-50. Regarding employee’s education level, there are 130 employees who completed tertiary education or above. The quarterly average turnover rate for staff in Wuxi is 14%. For those aged less than 30 or above 51, the rate is 12% whilst for those aged between 31 to 50 it is 15%.

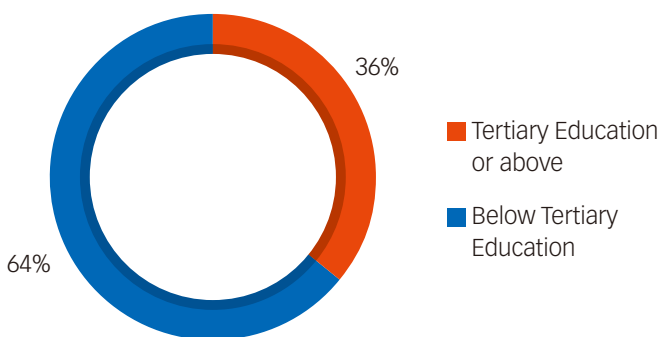
Employee’s Age Distribution (Wuxi Area)



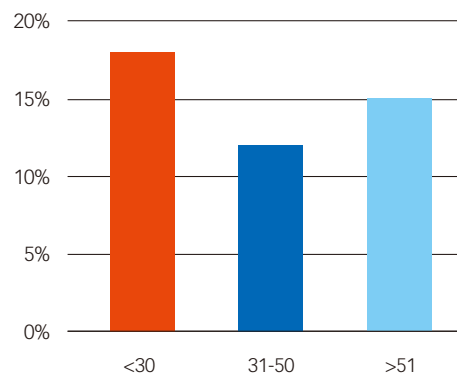
Employee’s Gender Distribution (Wuxi Area)



Employee’s Education Level Distribution (Wuxi Area)



Employee’s Quarterly Average Turnover Rate (Wuxi Area)



DEVELOPMENT AND TRAINING

The Company considers the long-term interests of its employees. We integrate our employee's development into the Group's overall development, help employees position themselves and provide on-the-job training, job-rotations and trials to facilitate our employee's rapid growth. The Company views its professional managers as its core, nurturing high-quality talents as its goal, and improving work efficiency as the basis of our training system.

The Company provides a wide range of training resources for its employees. The human resources department is responsible for devising training resources plans, managing training programs and providing training resources whilst the Company's professional and management team acts as one of the core supports for our training programs. When internal resources cannot meet the training requirements, we hire external experts, academics and specialized training institutions to conduct training activities.

According to specific training needs, trainings are divided into different categories covering new staff induction training, on-the-job training, business skills training, management skills training and certificate training. Through internal and external training programs, we regularly maintain the operational capacity of our staff.

Training Category	Training Method	Training Content	Training Target
New staff induction training	Internal	"Employee manual" 《員工手冊》, major management system, company profile, development history	Understand the corporate culture and related regulations, strengthen employee's sense of belonging
On-the-job training	Internal	Job responsibilities, work standards, operational regulations and processes, professional basic knowledge	Enable newly recruited employees to understand and familiarize job responsibilities, equip staff with related knowledge and skills relevant to their position
Business skills training	Internal/ External	Professional and job specific knowledge and skills	Promote all staff of each organization's professional skills and enhance their working ability
Management skills training	Internal/ External	General management knowledge and leadership skills	Improve all management staff of each organization's management skills
Certificates training	External	Designated training content from respective governmental departments	Fulfil the specified training requirements according to respective governmental departments and acquire the relevant certification

The above training courses were regularly carried out over the year. As of 31 December 2016, the average training rate of the Company in Wuxi was more than 45% on a quarterly basis, with a per capita training time of 10.7 hours.

On the other hand, the Group has a comprehensive employment mechanism and a transparent promotion mechanism. Everything is based on an individual's ability, multi-dimensional assessment methods are adopted to evaluate our employees performance in an objective and accurate manner. The Group has set up a "performance appraisal manual" (《績效考核手冊》), to list out the specific regulations in a detailed manner regarding the weighting of performance assessments, indicators, assessment criteria and procedures, to ensure the assessment process is fair and impartial. At the same time, the performance appraisal results are linked with our employee's salary, and act as an objective reference for staff promotion and other personnel decision-making, staff career development planning and training opportunities, giving incentive for employees to work enthusiastically.

OCCUPATIONAL HEALTH AND SAFETY

The Company frequently plays close attention to our employee's occupational safety and health. Since the Company's main work environment is in the office, we have consequently been focused upon managing the safety of our offices. Safety regulations are stated in our staff handbook, and strict compliance is requested from our employees. The Company prohibits bringing dangerous goods into the work place. Placing emphasis on using electricity safely, any cooking or wiring activities carried out by unauthorized individuals are forbidden in the office. At the same time, the Company appoints a specialist to carry out regular checks for our facilities and equipment, so as to ensure they are operating normally and safely. During the year, we were not aware of any non-compliance with the relevant laws and regulations having a significant impact on the Group relating to occupational health and safety.

On the other hand, our employee's physical and mental health has a significant relationship with the Company's healthy and sustainable development. The Company has established an employee health scheme (「員工健康計劃」), in which body check-ups are arranged annually for all employees. For employees who are working in special types of work, specialized occupational body check-ups are carried out. Whilst for female employees, apart from going through routine body check-ups, gynaecological examinations are also provided in addition, at least once every two years. The Company has also developed a health management information system for most employees, so that employees can enquire about their own health information in a prompt manner.

5. ENVIRONMENTAL PROTECTION

The Group has always been dedicated to achieving its environmental protection philosophy. Being concerned with the environmental impacts brought by our Company's operations, we have been allocating resources to reduce our emissions, energy consumption and resource usage. We have also been bringing energy saving and environmentally friendly messages to our employees and customers, hoping to cooperate and make a contribution to protecting the environment.

PROPERTY MANAGEMENT

As the Company's business is mainly based on office work, environmental protection work is focused on energy saving and waste reduction. We always advocate the concept of environmental protection and energy conservation. In addition to complying with daily work practices designed for energy and water saving, we also place an emphasis on resource conservation, such as the promotion of the concept of a paperless office, installation of office automation systems and use of video conferencing instead of business travel etc. In our daily operations, we strongly advocate "reallocate the old equipment, utilize resources and save expenses," (「設備利舊·挖潛節支」). When preparing our project feasibility reports, we always consider reuse issues, and check our inventory first before making procurements, consequently integrating reuse in our day to day management procedures.

As we adjust our equipment or renew our technology, all remaining equipment are properly handled and stored. As the Group achieves information sharing and makes uniform adjustments, the disposal of equipment has been reduced and delayed to a certain extent, reducing both waste and expenses at the same time. As of 31 December 2016, the Company's electricity consumption in the Wuxi area was 48,176,941 kWh, equivalent to greenhouse gas emissions in the range of 35,439 tonnes, and water consumption was 635,881 m³.

PROJECT DEVELOPMENT

We have integrated our office's environmental protection concept throughout our project development processes. All new projects are required to submit the environmental impact assessment report, and construction begins only after obtaining permission from the Environmental Protection Agency. At the same time, we have also prepared the "Engineering Environmental Protection Management Guidance Manual" (《工程環境保護管理指導手冊》), which details the requirements of environmental protection and energy conservation measures in the living area, office area management and construction process. Implementing an onsite accountability system based on our employee's expertise, different onsite management goals are broken down and assigned to employees of the relevant expertise and work-type. Ultimately, construction sites are standardized, frequent check-ups and follow-up changes are made in a prompt manner.

Green Design

As a commercial real estate developer, we focus on green and energy-saving measures, such as solar landscape lighting technology in residential and apartment designs, combination of solar energy and gas in water boiling systems, public water reuse system, rainwater collection and utilization, roof greening and other initiatives. For our office building products, we have also innovated spaces from 2 to 3 and penthouse offices, overall maximizing space utilization.

For construction site pollution control, we strictly implement the requirements of the applicable environmental laws, follow good practices in management and control work, require internal staff and subcontractors to take practical measures to prevent environmental pollution, such as the implementation of site waste area management, assigning the handling of construction waste and scrap to specific management staff, carrying out proper dust control by washing construction tools, vehicles, dreg transportation in which they all have specific dust prevention requirements, having a proper onsite water discharge system and setting up a sewage charge system. All sewage resulting from construction activities or domestic uses are discharged into the municipal's sewage pipes only after being treated properly.

Carrying out water conservation measures on the site, we have implemented a system of accountability and there are specific persons responsible for water usage management in both the office area and construction area. Through the installation of water meters, controls have been made regarding total resource consumption. Also, water-saving appliances, energy-saving lighting and other energy-saving appliances have been used so as to enhance onsite water efficiency and energy efficiency. We also educate on-site staff in water-saving, and energy-saving practices, which require them to close the water valves appropriately, control the use of air conditioning in summer and switch off all the lighting when they get off work.

In 2016, the Group strictly abided by the relevant laws and regulations related to the environment and the Group was not subjected to any major environmental fines. Looking ahead, we will continue to improve, identify, assess and control the potential risk of waste water and waste disposal, and monitor the performance indicators related to the environment of the construction site.

6. SCIENTIFIC OPERATION

The Group has always been committed to bringing better quality services to its customers and striving to attain higher customer satisfaction levels. The Group has been mainly developing and operating its commercial real estate projects. We aim to pursue a safe, comfortable living and business environment, people flow for businesses, and quality shopping experiences for our customers.

CUSTOMER FIRST

We pay great attention to customer experience. Detailed requirements regarding customer service are listed in our staff handbook. We request our employees to receive different types of customers warmly and answer customer inquiries in a patient manner. Calls received from customers and customer satisfaction measurements are handled according to regulations, and employees are strictly prohibited from intercepting needs and concerns expressed by customers.

In the context of the Company's shopping malls management, we have adopted "three-measures" to actively create a fair competition market environment for our customers. These include intensifying market supervision, strengthening competition monitoring and intensifying the supervision of the advertising market. These measures help to maintain market safety, ensure fair competition and standardize advertising. We have developed a series of customer service management methods, including "retail business customer service management approach" 《零售業務客戶服務管理辦法》, "complaints management approach" 《投訴舉報管理辦法》, carrying out in-depth market management work and standardization of the market in order to avoid vicious competition between merchants.

To further safeguard the rights and interests of customers, we have established a "compensation first fund" (「先行理賠基金」), "consumer disputes compensation first" mechanism (「消費糾紛先行賠償」) and signed a "compensation first insurance agreement" (《先行理賠共保協議》) with all merchants. The Consumer Association uses the fund to compensate customer losses caused by merchants. Through this mechanism, the Group takes the responsibility to uphold consumer rights, simplifying the complicated procedures involved in the consumer's refund process.

WIN-WIN SITUATION

As a commercial real estate project operator, the Company works closely with the tenants and is committed to creating a win-win business system. The Group organizes a series of symposiums, exhibitions and large-scale festivals to gather elite brands in specific industries and potential consumers together. These provide business showcasing and sales opportunities for our merchants. Through an aggressive management mode and scientific management means, the Group Wuxi property management company won the "People's Republic of China property service enterprise certificate" award (「中華人民共和國物業服務企業一級證書」) last year.



To improve the quality of project construction and operations, the Group has also implemented a series of supply chain management measures to ensure quality inspection can be continuously followed at every stage in the procurement process. The Group has always insisted on the strict selection of suppliers (suppliers here is a broad reference to each of our contractors, suppliers, service providers in general). After our cost control center evaluates suppliers according to the regulated procedures and unified standards along with other relevant departments of the Group, a database of approved suppliers is established. Annual reviews and updates are continuously made to monitor supplier behavior and ensure their actions are in line with the Group's philosophy. Once a supplier has been found involved in any bid rigging or bribery behavior, they are blacklisted after gaining the approval of the bidding leading team. Regarding subcontractors involved in our construction projects, they are required to meet the Company's environmental management requirements in accordance with the "Engineering Environmental Management Guidance Manual" (《工程環保管理指導手冊》). Through on-site supervision, close monitoring ensures the relevant environmental measures have been implemented smoothly.

DATA PRIVACY

The Company requires all employees to strictly maintain confidentiality regardless of whether they have access to confidential technology and trade secrets. Apart from maintaining confidentiality of daily office documents, we are particularly concerned about the confidentiality of our customer's information. All customer's personal information collected or involved in our employee's work are regarded as confidential in a unified manner. Regarding sensitive content stored on computer networks, external storage devices and disks, they are all managed as confidential documents and are subject to appropriate encryption measures. We were not aware of any incidents of non-compliance with the relevant laws and regulations that have a significant impact on the Group relating to privacy matter.

We encourage employees to strive for innovation in their work, and actively protect all creative work, computer service and other inventions made by the Company through implementing the Company's confidentiality policy. The Company respects the intellectual property rights of other enterprises and strictly prohibits the infringement of intellectual property rights (including copyright, trademarks, trade names and trade secrets) of third parties, or enticement or encouragement of former or current employees of other companies to infringe intellectual property rights.

ANTI-CORRUPTION

All employees of the Group are required to respect the rights of the Company's customers, competitors and suppliers, and to trade with them fairly, without manipulation, concealment, abuse of privileged information, misrepresentation of important facts or any other improper transactions. We use the staff handbook to promote the business ethics of the Company among all employees and standardize the process of identification, disclosure and handling of conflicts of interest. Through training and education, we prevent employees from causing any harm to Company assets in an ignorant manner.

To further strengthen the anti-corruption culture, the Group has established a "self-discipline commitment system" (「廉潔自律承諾制度」). All employees at management level are required to publicly express commitment to integrating anti-corruption standards, responsibilities and obligations into their management philosophy before they start working in their respective positions. All senior and middle management employees who have participated in the "self-discipline commitment system" and other employees who hold management responsibility in their job positions are required to go through an anti-corruption examination twice a year along with the Company's performance evaluation assessment, sign an updated anti-corruption commitment letter, meet with the leader of the Company's monitoring center and Discipline Inspection Department and carry out other assessment works such as self and third part evaluation. Through implementing strict anti-corruption work for a continuous period of time, the Group has successfully created an anti-corruption culture. In 2016, the Group has not been involved in any corruption cases, and we were not aware of any breach of the relevant laws and regulations having a significant impact on the Group relating to bribery, extortion, fraud and money laundering.

7. COMMUNITY INVOLVEMENT

The Group actively fulfills its corporate social responsibility and has been committed to the development of social welfare. We realize that social responsibility requires long-term efforts and does not only refer to charitable activities on a one-time basis. During the year, the Group held a number of community activities in various business operating areas throughout the country. For example, we participated in Zhengzhou Wuzhou Charity Walkathons (鄭州五洲城愛心捐贈公益行) and provided point-to-point transportation to students who needed to attend public examinations (「五洲愛心送考車隊」). By donation of funds, materials and organization of public welfare activities, we actively connect with the community in areas of poverty alleviation, education, etc. In 2016, the Group had donated a total of RMB1,280,000.



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