



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)

(於中華人民共和國註冊成立的股份有限公司)

Stock Code 股票代號 : 2355

Environmental, Social and Governance Report

2016



Contents

About This Report.....	iii
Principle	iii
Scope of Report	iii
Confirmation and Approval.....	iii
Disclaimer	iii
Foreword.....	iv
• Corporate Governance.....	1
1. Corporate Governance Code.....	1
2. Corporate Governance Structure	2
3. Corporate Governance Functions	3
4. Controls Mechanism	4
• Contributions to the Environment.....	4
1. Pollution Reduction.....	5
2. Energy Conservation.....	9
3. Management Optimization	10
• Contributions to the Industry.....	13
• Contributions to the Employees.....	16
1. Strict Control on Employment Procedures.....	17
2. Diverse Recruitment Channels.....	20
3. Establishment of Training Systems.....	21
4. Occupational Health and Safety	22
5. Enrichment of Cultural Life	25
• Contributions to the Customers.....	26
• Contributions to the Society	29
1. Supply Chain Management.....	29
2. Anti-Corruption.....	29

3.	Contributions to the Community.....	30
●	Environmental, Social and Governance Reporting Guide by HKEx.....	32



About This Report

Principle

This Environmental, Social and Governance Report (the “ESG report” or the “Report”) focuses on the environmental and social performance of BAOYE GROUP COMPANY LIMITED (the “Company”) and its subsidiaries (“Baoye” or the “Group”) in the fiscal year of 2016. This is the first ESG report published by the Company. This report is prepared in accordance with the Main Board Listing Rules Appendix 27 “Environmental, Social and Governance Reporting Guide” issued by the Hong Kong Exchanges and Clearing Limited. The core principles, objectives and details of the disclosure on environmental and social performance are displayed on the website of the Hong Kong Stock Exchange.

Scope of Report

This ESG report presents environmental and social performance and policies of the Group. Unless otherwise stated, this Report covers the Company and its subsidiaries. The reporting period is from 1 January 2016 to 31 December 2016.

Confirmation and Approval

This Report stresses on disclosure of the process management with integrity in unambiguous manner. Besides, it also introduces the current policies, executions, performances and commitments of the Group. Baoye ensures the authenticity and impartiality of this Report and intends to enhance the communication with stakeholders, and thus to establish corporate transparency and sustainable development in economy, society and environment. The ESG Report was approved by the Board of Directors on 24 March 2017.

Disclaimer

This report is written in both Chinese and English. In case of discrepancy between the two versions, the Chinese version shall prevail.

Foreword

As environment is essential to human lives, environmental protection is therefore an effective guarantee of corporate sustainable development. The Group believes that grow healthily is more important than achievements. The Group also integrates and simultaneously holds 'Corporate, Marketing and Society' as the core principles of corporate culture, striving for the integration of the corporate sustainable development with environmental and social responsibility. While optimizing the corporate governance and creating value for the Group, Baoye commits to reporting the corporate objectives and performance regarding environmental and social responsibilities to its stakeholders and the public, in an open and transparent manner and in line with the requirements of the public.

The Group accomplished its listing on the Main Board of the Hong Kong Stock Exchange in June 2003. Since then, the Group insists on the trinity business model including construction, property development and industrialized construction. The business development of Baoye is mainly relied on construction business and industrialized construction is regarded as the corporate development strategy. In the meantime, the Group commits to providing the market with green and energy-saving century low-carbon industrialized building. Currently, the Group owns a national housing industrialization base and a building industrialization research institute which is under the name of the National Building Engineering Technology Research Center. Besides, the Group is one of the promoters of the U.S.-China Green Fund. All of these corroborate that Baoye has become the leading benchmarking corporate in domestic building industrialization. Baoye believes that with the support of stakeholders and sustainable positive contribution to environment, industry, employees, customers and society, the Group could become a century enterprise, which is similar to an old-growth tree with strong and deep roots.



Corporate Governance

The Group is committed to establishing an efficient, orderly and transparent corporate governance mechanism. Since its listing, the Group strives to comply with the Company Law of the PRC (“Company Law”), the Rules Governing the Listing of Securities (“Listing Rules”) on The Stock Exchanges of Hong Kong Limited (“the Stock Exchange”), the Code on Corporate Governance Practices as set out in Appendix 14 to the Listing Rules and other relevant laws and regulations and will regularly review the corporate management activities to enhance corporate value so as to ensure a sustainable development of the Company and to maximize shareholders’ returns.

This report describes the corporate governance system and practices adopted in 2016. For details, please refer to the Corporate Governance Report in Annual Report.

1. Corporate Governance Code

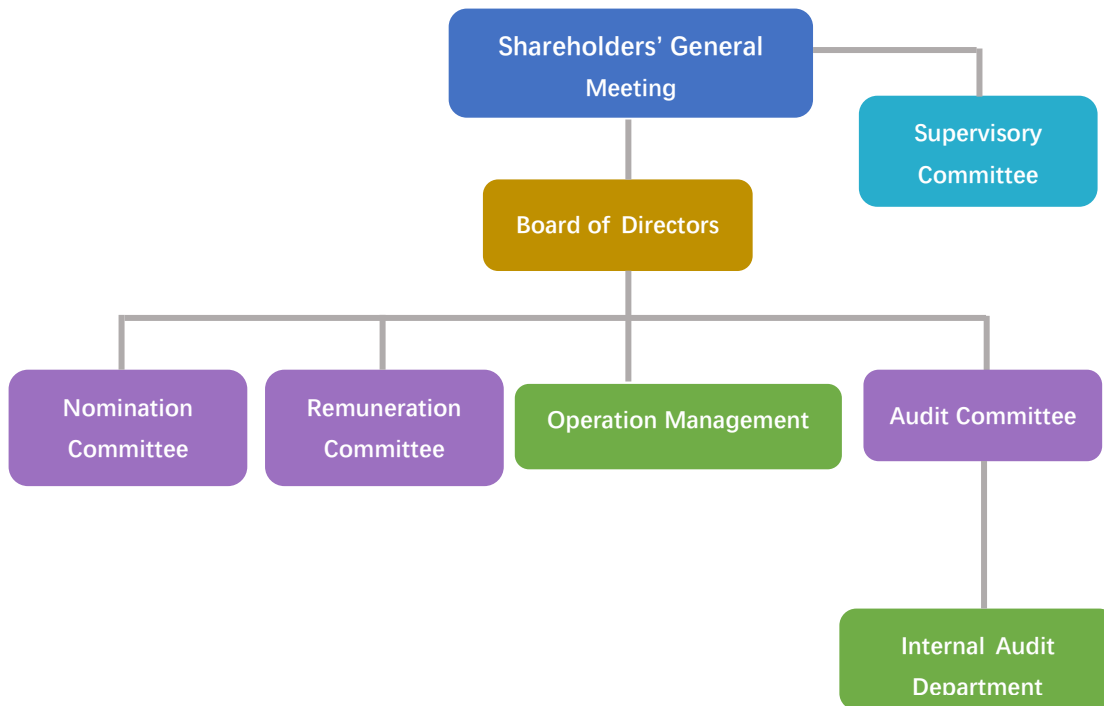
The Group has complied with all the code provisions as set out in the CG Code, except for deviation of provisions of the CG Code as mentioned below:

Code Provision A.2.1 provides that the roles of chairman and 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 and a simple management structure can enhance the communication amongst staff at different levels as well as enabling 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.



2. Corporate Governance Structure



Shareholder's Meeting: the shareholders' meeting of the Company not only makes important and key decisions, but also serves as a direct communication platform for its Directors, management and shareholders. In this respect, notice of shareholders' meeting stating the particulars of the matters to be discussed, procedures of voting by poll, shareholders' voting rights, will be circulated to shareholders 20 clear business days before the date of shareholders' meeting according to the Listing Rules.

Board of Directors: the Board formulates overall strategic plans and key policies of the Group, monitors its financial performance, maintains effective oversight over the management, risks assessment and 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 every business segment.

Supervisory Committee: the Supervisory Committee is responsible for supervising the functions of the Board and its members and the senior management such as the general manager and deputy general managers.

Audit Committee: the primary duties of the audit committee are to review and supervise the Group's financial reporting procedures and internal audit scheme formulated by the internal audit department

of the Company and review the reports submitted by the internal audit department.

Remuneration Committee: the major responsibilities of the Remuneration Committee are to make recommendation to the Board on the Company's policy and structure for remuneration of the Directors, Supervisors and senior management of the Company, to 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 of the Company.

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 nonexecutive 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.

Internal Audit Department: 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.

3. Corporate Governance Functions

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.

4. Controls Mechanism

The Group has established the Supervisory Committee and Internal Audit Department as the standing supervisory organizations. The Supervisory Committee is accountable to the shareholders meeting and exercises the following authority in accordance with the applicable laws.

- examining the financial statements of the Company;
- supervising the directors, general manager, deputy general managers and other senior management in the performance of their duties to prevent them from breaching the laws, administrative regulations or the Company's articles of association;
- requiring the directors, general manager, deputy general managers and other senior management to rectify behaviors which will prejudice the interests of the Company;
- verifying the financial information, such as financial reports and profit appropriation proposals, which intended to be submitted to the shareholders' meeting by the Board and appointing certified public accountants and auditors in the name of the Company to assist in re-auditing whenever the committee is in doubt with these information;
- proposing to convene extraordinary general meeting; and
- negotiating with or initiating litigations against directors on behalf of the Company.

Contributions to the Environment

As the first integrated private construction enterprise of Mainland China that is listed on the Main Board of the Hong Kong Stock Exchange, Baoye realizes its social responsibilities. In addition to the self-restraint on routine corporate operations, the Group proactively explores innovative technologies and

applications in respect to industrialized construction and housing industrialization. Baoye commits to developing a clean and efficient path for sustainable development and to establish a role model for others.

1. Pollution Reduction

- with Self-restraint in Offices and Construction Sites

“Quality is our commitment to the customers; whereas environment is our commitment to the community”

The Group has inevitable responsibility on the anticipated environmental pollutions and impacts caused by construction, which is one of the main business of Baoye. The solid waste generated from construction sites is listed as one of the serious environmental impacts of the Group, due to its large volume and the difficulties in transportation and degradation. The Group strictly follows the *Environmental Protection Law of the People's Republic of China* and develops internal ‘Regulations on Civilized Construction and Environmental Protection’ accordingly. The Group manages the solid waste on construction sites with principles of minimization, utilization and environmentally sound treatment.

Minimization of Solid Waste

- Use lean system to measure and apply the correct proportion of raw material, in order to minimize the construction waste;
- All workers are requested to clean up the site at the end of work shift. They are also responsible for dumping their own garbage and recycling of construction waste such as scattered mortar and concrete as possible, after finishing his own work and before handover to others;
- To minimize construction waste via improving construction quality such as ensuring plumb and levelling of wall and ground surfaces, one-off completion of the leveling as well as improving the module patchwork quality, which could avoid and reduce the mortar wastage;
- To use pre-fabricated components as far as possible, so as to reduce on-site cutting.

Utilization of Solid Waste



- Reuse of waste material: to salvage the waste molds to build functional elements such as shade and acoustic panel and to re-use scraped reinforcement for slab, stirrup, anchor ring, etc.
- Using batten and wooden plywood to build the road-side guard as well as guard for post-cast joint;
- Using the leftover concrete paste after placement to pour small components such as structural column and prefabricated covers for drain and post-cast joint;
- To enhance the recycling of construction waste and target to achieve the overall recycling rate of 40% or above; whereas for construction waste like macadam and earth stone, implement recycling via foundation landfilling and road paving to achieve the recycling rate of 50% or above;

Sorting of Solid Waste

- Construction waste shall be sorted, recyclables such as timber and wood board could be recycled by the plywood factory and paper mill;
- Two-sided copying / printing shall be adopted for non-archived documents; the waste paper shall be recycled by the paper mill together with other paper products;
- The scraped steel that is not possible for reuse on-site shall be collected and coordinated by the Project Department to be recycled by steel mill;
- Reusable cartridge shall be used in offices. Other abandoned cartridges shall be recycled by the licensed collectors;
- The enclosed garbage container shall be placed in living area of construction site. It is required that all domestic waste shall be packed and cleared in time. The recyclables shall be handled by the Waste Recycling Department;
- Construction waste shall be sorted and collected to designated enclosed container and then be dumped or recycled by the Project Department, or transported by licensed enterprise. It is not allowed to discard along the way, dump at will, throw or stack construction waste or mix with the domestic waste;



- Hazardous waste such as waste batteries and paint buckets shall be recycled to designated receiving area and be disposed of as hazardous material.

In addition, incineration of construction waste is prohibited on construction sites to limit the exhaust emissions and discharge of sewage. To prevent dusting, construction slag shall be sprayed with water and then be cleared through chiseling, sweeping and air blasting. In the meantime, the temporary sewage drainage and sewage treatment facilities shall be installed on construction sites for pretreatment including sedimentation and pH adjustment before discharge.

Besides reducing the environmental impacts from the core business, the Group encourages the environmental protection awareness and energy conservation as well as efficient use of resources during routine operations, for instance:

- 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 and reduce paper consumption;
- Do not print unless it is necessary and encourage double-sided printing / copying;
- Encourage water saving.

Case Study

The Shanghai Baoye Center was awarded the Design Label with 3-star certified in the China Green Building Assessment & LEED Gold Pre-certified

The Shanghai Baoye Center is located in the north and south core area of Hongqiao, where is the public transportation junction for highway, railway and air traffic with critical urban spatial position. In September 2013, the Shanghai Baoye Center was pre-certified as Gold in LEED assessment. Then in January 2015, it was awarded the Design Label with 3-star certified in China Green Building Assessment.

The Design of Shanghai Baoye Center was integrated with the latest technologies in construction industrialization and in line with the sustainable planning and design concept of “Low-carbon Hongqiao” as well as in accordance with the China Green Building Standard and the LEED requirements. Various technologies including prefabricated laminate, triple supply of district energy, photovoltaics, solar photoconductor, rainwater harvest system, exterior shade, green roof and other energy-efficient electromechanical system have been incorporated in the project, realizing technology leading green office. As of the end of 2016, the main structure construction of Shanghai Baoye Center had been completed, exhibiting all-round the advanced domestic construction technologies.



LEED (Leadership in Energy and Environmental Design) is an internationally recognized third-party certification system for green building, which is established by the U.S. Green Building Council (USGBC). It provides independent qualification assessment on buildings regarding its environmental conservation level, water uses and resources conservation from both design and construction



2. Energy Conservation

– with Innovated Technologies in Construction and Housing Industrialization

“To promote the upgrading and transformation of traditional construction industry on basis of construction industrialization, so as to realize green development.”

Construction industrialization, which transforms and upgrades the traditional construction in accordance with the large-scale industrialized production,



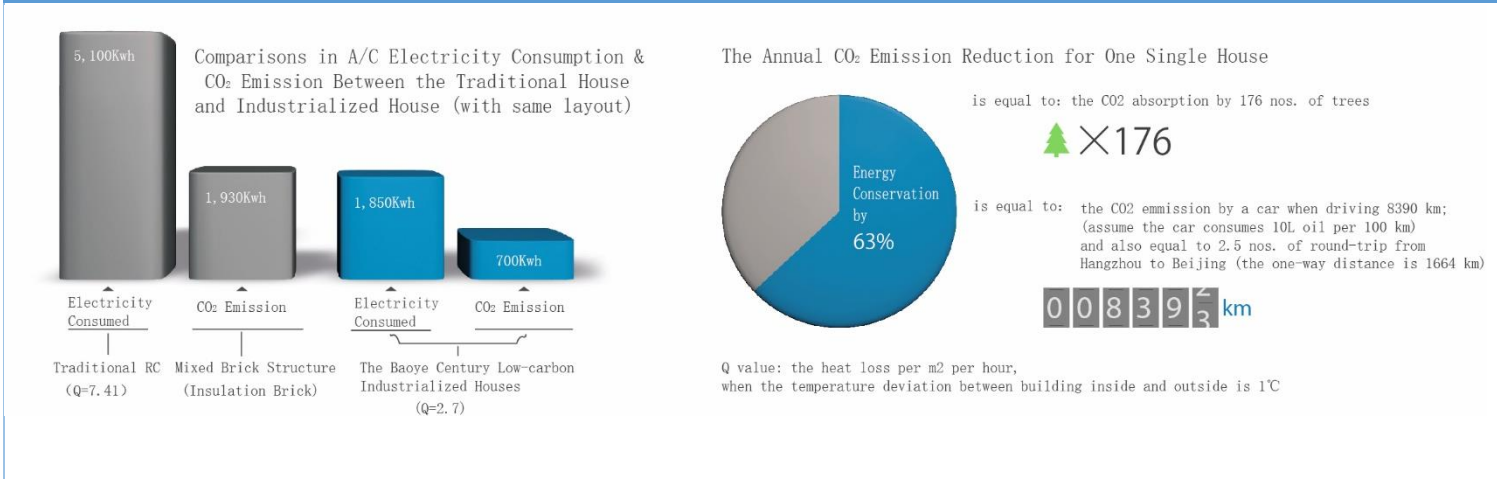
gradually shifts the construction industry from handicraft to socialized production, benchmarking social and economic development.

The basic connotation of construction industrialization includes building standardization, factorial production, mechanized construction

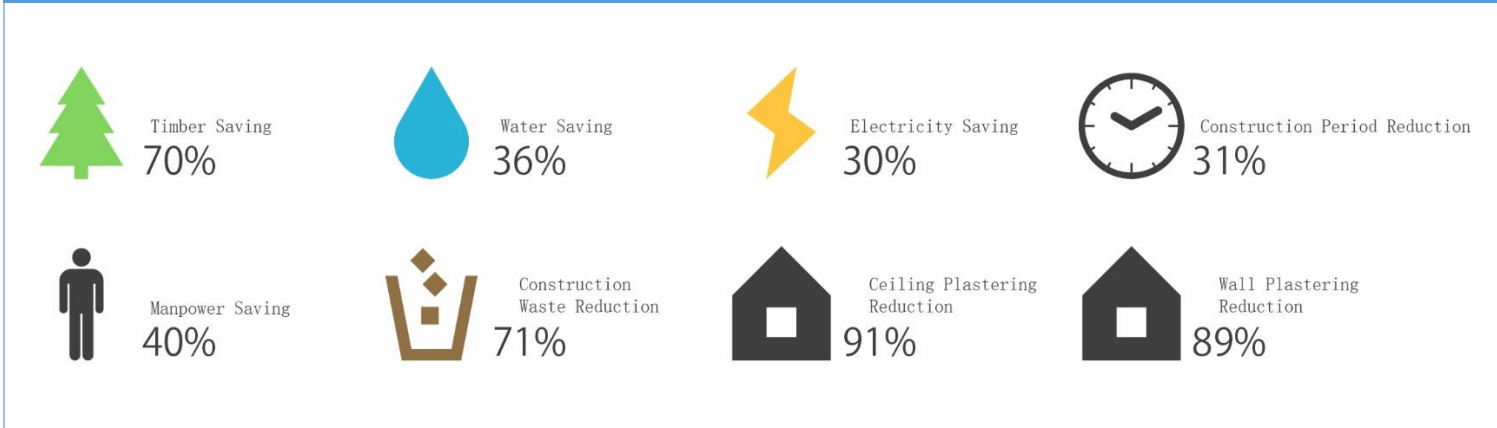
and scientific management. It is of great significance in labor conservation, increase of technology content, minimization of resources dissipation and reducing environmental pollution. Dated back to 1994, Baoye began to be engaged in construction industrialization and then undertook the national project of construction industrialization in 1996. The Group was selected as one of the ten pilot corporates (also the unique one in Zhejiang Province) in 1997. In 2006, the Group built up a building industrialization research institute under the name of the National Building Engineering Technology Research Center, which was equipped with advanced equipment and was capable of full-scale and all-weather environment simulation for buildings. Then in 2009, the Group was recognized as the national base for housing industrialization. Up to this moment, the industrialized products including multi low-rise light-weight steel residence, high-rise residence with superimposed slab shear wall and structure with sleeve coupling shear wall have been widely applied in infrastructure construction, underground pipe well, real estate development, new countryside building, indemnificatory housing, etc. and was exported to overseas market.

Simulation analysis has been conducted to obtain their energy conservation data.

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



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



3. Management Optimization

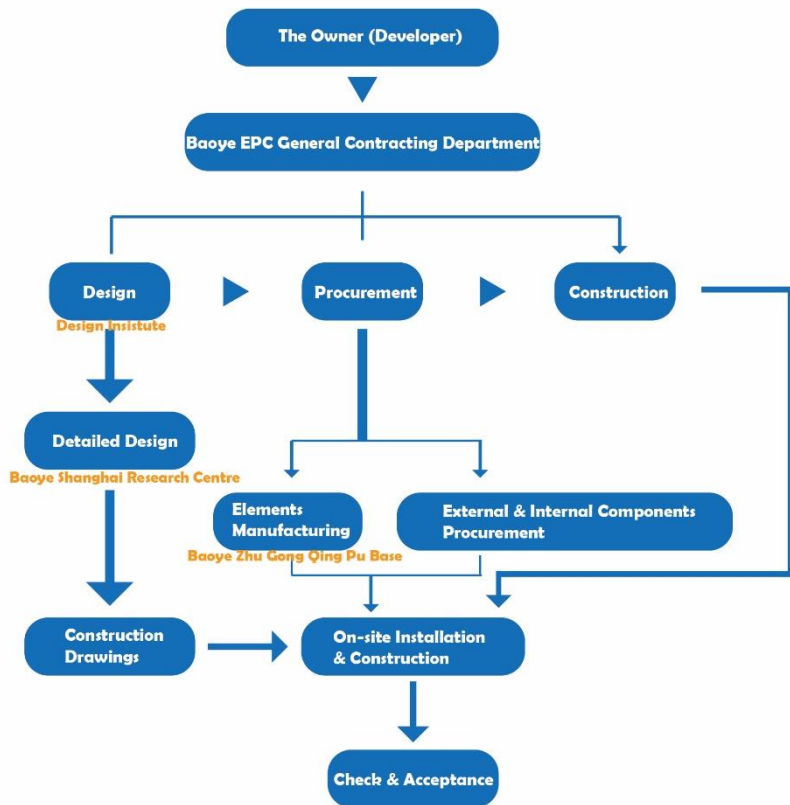
- Introduction of EPC & BIM

“To reduce cost via EPC general contracting and to realize life-cycle control via BIM”

In the meantime of exploring innovative technology, the Group also learned and



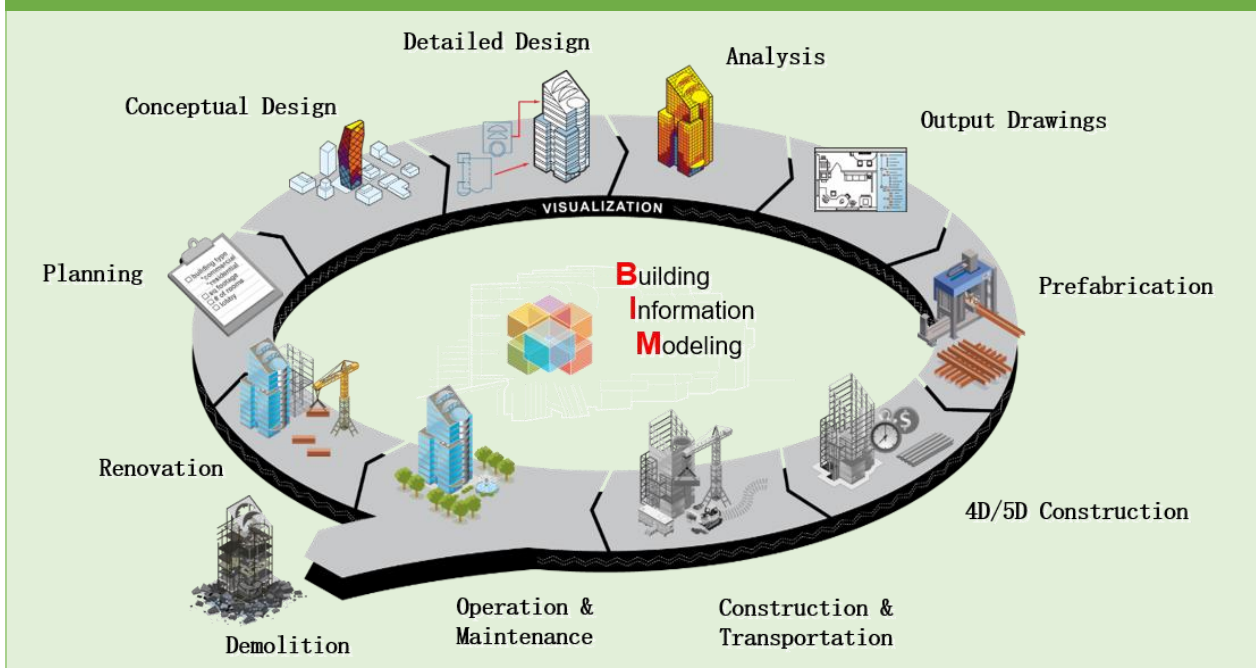
Baoye EPC General Contracting Operation Flow Chart
BAOYE GROUP



introduced the technologies and production lines in relation to construction industrialization. For instance, the EPC (Engineering, Procurement and Construction) general contracting was adopted to shorten the construction period and reduce the investment via the trinity combination of engineering, procurement and construction. Meanwhile, with the corporate information management platform, the Group adopted BIM (Building Information Modeling) on prefabricated building to conduct

building life-cycle research, with a view to effectively integrate all stakeholders and improve the efficiency and quality of the construction project.

The Schematic Diagram of BIM:



In the meantime, the Group proactively supports the development and application of renewable energy in response to the national initiative. In 2016, the Group installed distributed PV (photovoltaic) panels (phase I) with total capacity of 64.8kWp on the roof of Shaoxing Baoye Center, which was interconnected with the building energy management system and successfully incorporated into the State Grid. As of the end of 2016, the TFPV (thin film photovoltaic) panels (phase II) with total capacity of 54.4kWp were installed on the arc-shaped roof of Shaoxing Baoye Center and incorporated into the PV power generation system. This has been a successful application for the Group in terms of the development of green building in over twenty years. The power generated by the PV power generation system on roof would satisfy all lighting in the Shaoxing Baoye Center. Besides self-sustaining building energy demand, the excess electricity could be sold to the State Grid.

In addition, the Group has conducted research on the energy consumption in the factories and office buildings in the Baoye Zhejiang Housing Industrialization Base since 2014. Then a monitoring system for building energy consumption on basis of IOT (internet of things) and automatic control technique was installed in 2016. With intelligent ammeter and data acquisition facility, systems including lighting system, A/C system, PV system and industrial energy monitoring system could be integrated into a unified monitoring system, so as to monitor the real-time energy consumption. With fully parametric on-line dynamic monitoring on energy consumption throughout whole process, together with data analysis and optimization control, the building energy consumption could be leanly managed and controlled. Furthermore, the high energy consumed equipment or area could be accurately positioned, which enables the management staff to develop the evaluation system on performance of energy conservation and to facilitate the implementation of measures on energy conservation and pollution minimization. The system can cover the optimization and control of energy consumption of the whole Zhejiang Housing Industrialization Base, via which, the energy-relied techniques becomes intelligent and the operations are maintained efficient. With the aforesaid, an overall energy-saving rate of 15% could be achieved.



Contributions to the Industry

As one of the pioneers in the domestic construction industrialization, the Group proactively undertakes various national and provincial research projects in relation to construction industrialization, as well as compiling various national, industrial and local standards, regulations and atlas. The experience helps to further consolidate the Group's industry-leading position. In the past five years, the Group has been engaged in total 17 national / provincial research projects and compiled 16 national / industrial / local standards.

No.	Research Topic	Host Department	Duration	Class
1	SIP Social Security and Provident Fund Management Center	Ministry of Housing and Urban-Rural Development	2012.03—2014.02	National
2	Research on Energy Efficient Building Envelope and Air Conditioning System in Hot-summer and Cold-winter Zones	Ministry of Science and Technology	2012.01—2014.12	National
3	Integrated Research and Demonstration on Key Energy Technologies for Households in Rural Area	Ministry of Science and Technology	2013.10—2016.10	National
4	Quality Inspection Technology for Industrialized Building Joints (a sub-topic of the 13 th Five-Year Plan)	Ministry of Science and Technology	2016.07—2020.06	National
5	Research and Demonstration on Key Technologies for High-efficient Industrialized Construction Using Prefabricated Concrete (a sub-topic of the 13 th Five-Year Plan)	Ministry of Science and Technology	2016.05—2019.12	National
6	Research and Demonstration on Non-destructive Inventory and Transportation, High-efficient Hoisting and Installation Technologies for Large Prefabricated Components (a sub-topic of the 13 th Five-Year Plan)	Ministry of Science and Technology	2016.07—2019.12	National
7	Research on Special Vibration Damping Device and Special Transportation Equipment for Large Prefabricated Components (a sub-topic of the 13 th Five-Year Plan)	Ministry of Science and Technology	2016.05—2019.06	National
8	Research on Simulation Technology for Large Prefabricated Component Installation (a sub-topic of the 13 th Five-Year Plan)	Ministry of Science and Technology	2016.05—2019.06	National

9	Research on Standardized Function Module Design of Industrialized Building Based on Modular Series (a main topic of the 13 th Five-Year Plan)	Ministry of Science and Technology	2016.05—2019.06	National
10	Zhejiang Baoye Construction Industry Research Centre	Provincial Department of Science and Technology	2012.08—2014.08	Provincial
11	Research on Seismic Performance of Laminated Concrete Shear Wall under Different Axial Compression Ratios	Provincial Department of Science and Technology	2013.06—2014.12	Provincial
12	Research on Construction Technology of a New Industrialized Concrete Structure System	Provincial Department of Science and Technology	2013.06—2014.12	Provincial
13	Research on the Production Technology and Quality Control of a New Industrialized Concrete Structure System	Provincial Department of Science and Technology	2013.06—2014.12	Provincial
14	Zhejiang Housing Industrialization and Construction Engineering Technology Research Center	Provincial Department of Science and Technology	2015.04—2017.03	Provincial
15	Research on Technical System of Industrialized Residential Building with Laminated Plates	Science and Technology Commission of Shanghai	2014.07—2016.06	Shanghai
16	Research on Innovative Practice of New Building Industrialization in Hangzhou	Hangzhou	2015.08—2015.12	Municipal
17	Research on the Policy of Promoting New Building Industrialization in Hangzhou	Hangzhou	2015.08—2015.12	Municipal

No.	Standard	Type of Standard	Standard No.	Issue Date	Implementation Date	Remarks
1	Classification and Testing Method for Thermal Insulation Performance of Curtain Wall	National	GB/T 29043-2012	2012.12.31	2013.09.10	Participant
2	Testing Method for Detecting Solar Heat Gain Coefficient of Transmissive Envelope	National	GB/T30592-2014	2014.06.09	2014.12.01	Chief editor
3	Basic Terminology for Building Foundations	National	GB/T 50941-2014	2014.03.21	2014.12.01	Chief editor
4	Quality Acceptance Standard for Construction	National	GB50300-2013	2013.11.01	2014.06.01	Participant
5	Specification for Green Construction	National	GB/T50905-2014	2014.01.19	2014.10.01	Participant
6	National Civil Engineering Technical Design Specialty for Assembled Buildings – Design on Assembled Integral Concrete (Houses with Shear Wall Structure)	National	In Progress	In Progress	In Progress	Participant
7	Design Atlas of Prefabricated Reinforcement Concrete Balcony Plank, Air-conditioning Board and Parapet Wall	National	15G368-1	2015.02.15	2015.04	Participant
8	Grouting Sleeves for Reinforcing Steel Connection	Industrial	JG/T 398-2012	2012.10.29	2013.01.01	Participant
9	Inspection Standard for Curtain Wall Construction	Industrial	JGJ/T 324-2014	2014.02.28	2014.10.01	Participant
10	Technical Specification for Laminated Concrete Shear Wall Structure	Construction standard in Zhejiang Province	DB33/T1120-2016	2016.03.25	2016.09.01	Chief editor
11	Assembled integral concrete components Atlas	Construction standard in Shanghai	DBJT08-121-2016	2016.01.26	2016.06.1	Participant
12	Technical Specification for assembly of Integral Laminated Shear Wall Structure	Construction standard in Shanghai	In Progress	In Progress	In Progress	Chief editor
13	Standard for Quality Acceptance of Housing Engineering	Construction standard in Shanghai	In Progress	In Progress	In Progress	Participant
14	Design Specification for Laminated Concrete Shear	Corporate standard	Q/141001-2013(c)	2013.08.01	2013.08.10	Chief editor

	Wall Structure System					
15	Production, Construction and Quality Acceptance Specifications for Laminated Concrete Shear Wall Structure System	Corporate standard	Q/141002-2013(c)	2013.08.01	2013.08.10	Chief editor
16	Technical Specification for Assembling Integral Concrete Structure	Corporate standard	Q/AHBY01-2013	2013.04.15	2013.05.01	Chief editor

Contributions to the Employees

The Group has kept holding the belief in that people gathers when wealth is shared, whereas accumulated wealth results in people dispersing. The total of 4,550 employees are regarded as the most valuable asset of the Group. As of 31st December, 2016, the details of employees in terms of gender, age group and employment type are disclosed as below.

HR statistics in terms of gender:

Gender	Male	Female
Number	3,203	1,347
Ratio	70%	30%

HR statistics in terms of age group:

Age Group	30 and below	31 to 40	41 to 50	Above 50
Number	1,099	1,230	1,168	1,053
Ratio	24%	27%	26%	23%

HR statistics in terms of employment type:

Employment Type	Senior Management	Middle Management	Junior Staff
Number	163	627	3,760
Ratio	4%	14%	82%

Employment Type	Master and Above	Undergraduate	College	Below College
Number	51	1,014	942	2,543
Ratio	1%	22%	21%	56%

Employment Type	Senior Title	Middle Title	Junior Title	Others
Number	268	697	639	2,946
Ratio	6%	15%	14%	65%

On the one hand, the Group developed a comprehensive human resources management system, including recruitment, dismissal, promotion, training, holidays, equal employment and employee benefits, so as to offer the employees with well-paid salary and good development opportunities.

On the other hand, the Group is constantly upgrading the remuneration management policy and links the remuneration with performance and investment. At the meantime, the Group continues execute the contract assessment, systematizing and refining the corporate management, expecting that management leads benefits.

The Group complies

- *The Labor Law of the People's Republic of China*
- *The Labor Contract Law of the People's Republic of China*

The Group implements

- The Human Resources Management Policy of Baoye

The Group offers

- In line with the nationally regulated work hour and labor-rest regimen;
- Annual leave, casual leave, sick leave, marriage leave and maternity leave, etc.; overtime compensation would be paid if overtime is required;
- Competitive remunerations and people-oriented benefits;
- 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

1. Strict Control on Employment Procedures

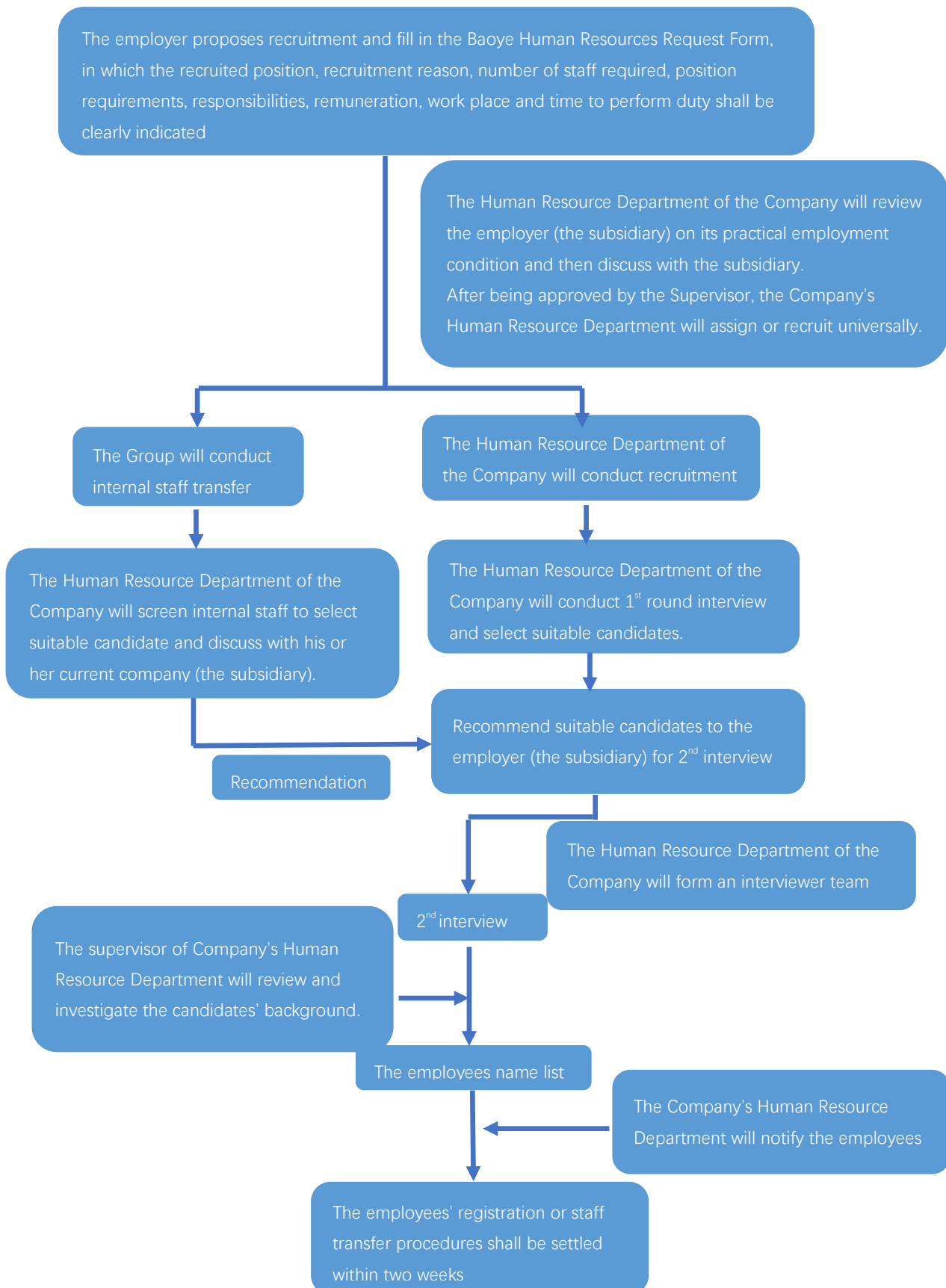
The Group adheres to the principle that positions shall be set up based on business demand and

employees shall be assigned in accordance with the positions. Unqualified personnel, which includes but is not limited to people who are under the age of sixteen, are prohibited by laws and regulations or fail to meet the recruitment conditions in physical examination by recognized hospitals, shall be definitely rejected. The Group commits to implementing equal employment irrespective of the genders, nationalities, races and culture of employees. All recruitments shall be subjected to the unified interview arranged by the Group and shall be finally approved by the top management.

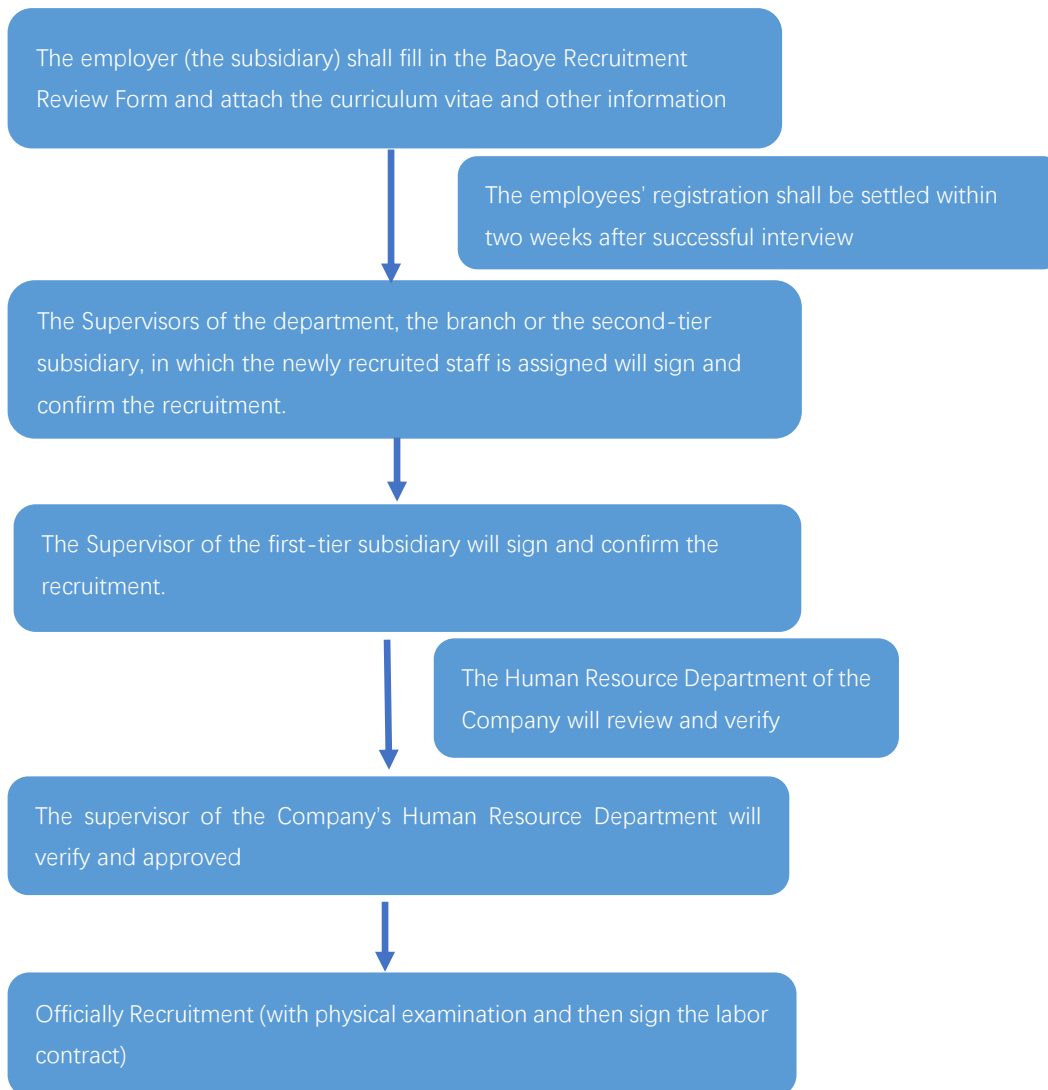
During the probation, employees are allowed to dissolve labor contracts by at least 3 days in advance. Once that employees fail to meet the recruitment conditions, violate the laws and regulations or break the rules or principles of the Group, Baoye holds the right to unilaterally terminate the labor contracts.



Human Resource Recruitment Flow Chart



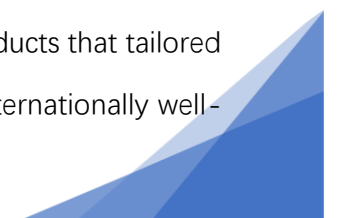
Verification and Approval Process



2. Diverse Recruitment Channels

The Group proactively broaden 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 political 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 that 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 development of the talent.

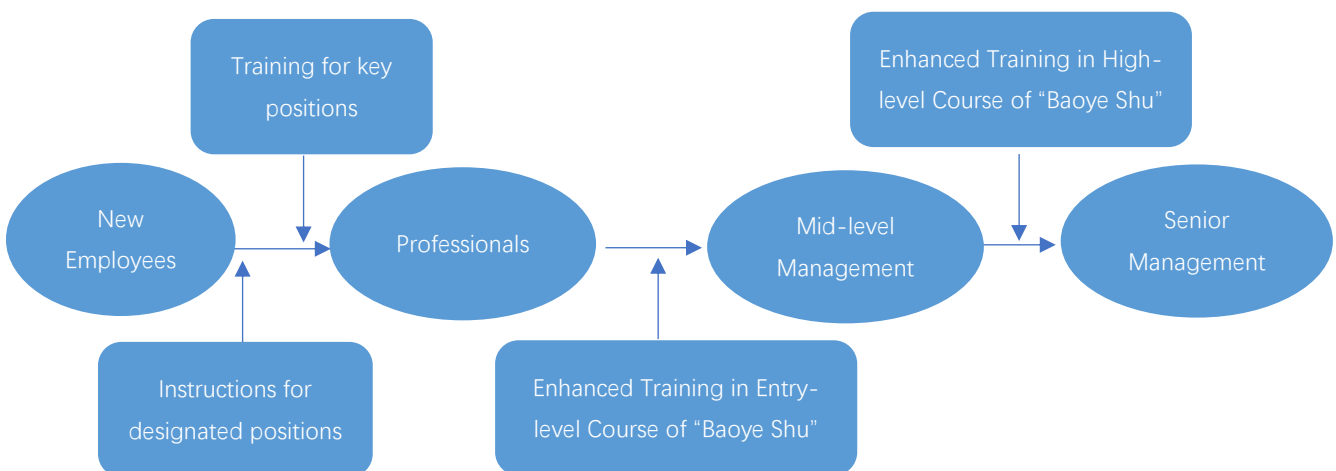
3. Establishment of Training Systems



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 dedicates to train more management personnel through purifying their soul by culture, educating and alerting them by 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.



Training for Technical Staff in Construction Industrialization



Training on the Implementation of Tax Change Policy from Business Tax to Value Added Tax

4. Occupational 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 construction business in 2016, the Group has attached importance to quality management, technique innovation and changes in operation. Performance details in brand building and excellence competition campaign are included in the Construction Business Section of the 'Management Discussion and Analysis' Chapter in Corporate's Annual Report.

There were total 71,980 workers in construction sites that were indirectly employed by the Group (those construction workers were recruited by signing contracts with labor companies other than the Group).

In order to enhance the safety management in construction sites and to better protect the construction workers in occupational health and safety, the Group has established a series of safety management policies including the Management on Production Safety and the Policy on Civilized Construction and Environmental Conservation, in accordance with 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, the Regulation on Work Safety Licenses, to improve the working condition and facilitate the health and sustainable development of the Group. 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 work safety 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 interpersonal relationship	
	(6) adverse impact on credit	



management and implements the accountability

In terms of the safety management, the Group strictly follows the guidelines on construction safety



system to ensure that all front-line construction workers and supervisors are well trained before project commencement. Meanwhile, the management team is assigned by 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、	(1) Safety hat (essential)
(2) High altitude falling accident	Safety cage)	<i>To prevent against falling objects, high altitude falling and electric shock;</i>
(3) Electric Shock	(2) Staircase entrance、 lift	(2) Dust-free glasses (for grinding when using small-scale disk wheel saw)
(4) Mechanical injury	shaft opening、 performed	<i>Total 24 kinds of operations that are related to dust generation;</i>
(5) Conflagration	hole、 gate)	(3) Helmet shield (for welding)
(6) Collapse	(3) Balcony perimeter、 storey	<i>To prevent eyes from the ultraviolet and infrared ray;</i>
(7) Scratch	perimeter、 roof	(4) Earplug (for shot blasting)
	perimeter、 roadside、	<i>Earplug shall be used in noise-related operations;</i>
	unloading platform	(5) Mask (for welding and painting)
	perimeter)	<i>Dust-free mask & respirator shall be provided;</i>
		(6) Welding gloves (for welding)
		<i>Anti-fire leather gloves shall be provided;</i>
		(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>



Case Study

Anhui Baoye Construction Engineering Group Co., Ltd was entitled “The Advanced Corporate in China Construction Safety and Quality Standardization”

In December 2016, Anhui Baoye Construction Engineering Group Co., Ltd was entitled “The Advanced Corporate in China Construction Safety and Quality Standardization” as the EPC general contractor of the Second Public Full-decoration Assembled Project in Nan Gang, Gao Xin District, Hefei. The project manager named Liu Yong Ping was entitled “The Distinguished Individual in China Construction Safety and Quality Standardization”. The full-decoration assembled project, with total area of 80,000 m², was previously checked and accepted by the Anhui Province and Hefei City in assessment of construction safety and quality standardization inspection. It consists of one 27-storey and two 24-storey residential buildings and also one commercial building with height of 87.5 m. The project incorporates the most advanced connection technique which based on the sleeve coupling shear wall grouting. The overall rate of the prefabricated components in this project achieves 50% and above.



5. Enrichment of 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.



Winter Fitness Activities



Ball Competition



Spring Festival Party

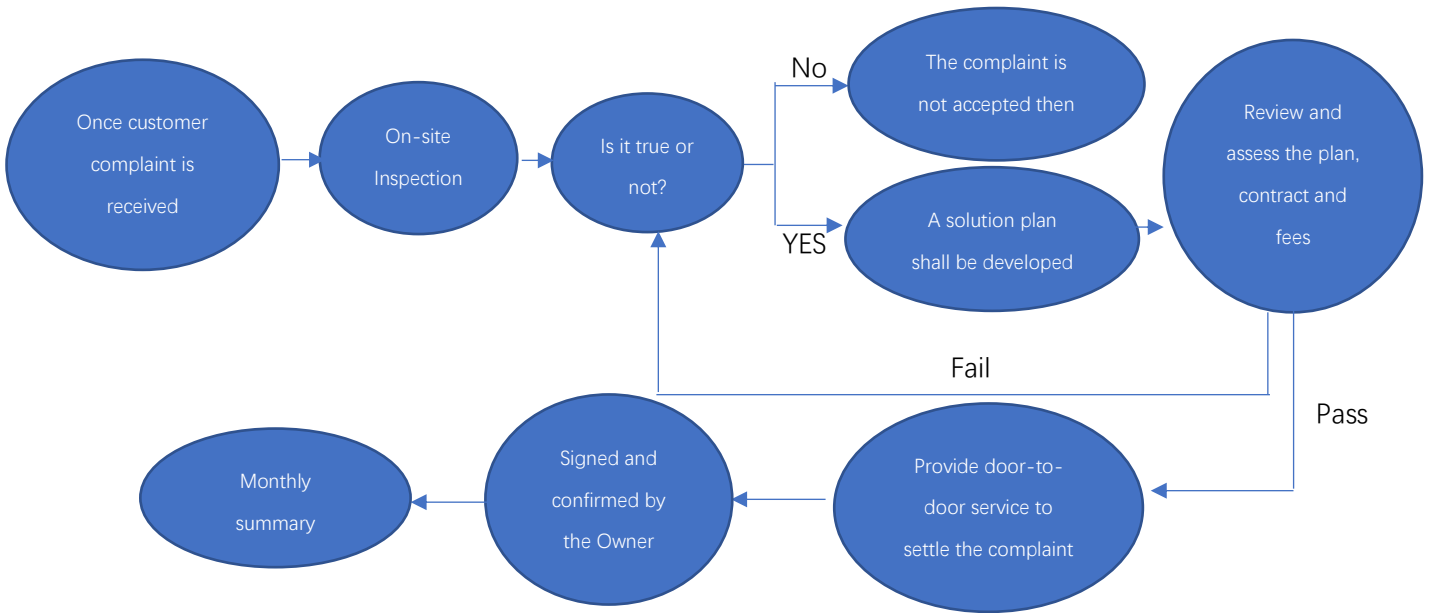


Fun-oriented Sports Meeting

Contributions to the Customers

With over forty years of hard work, 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 and etc. Therefore, the Group has established comprehensive procedures for after-sale service management and customer satisfaction management. In addition, the Group strictly implements the protection policies on customer privacy and prohibits all staff from disclosing personal information and property information of customers, unless it is required legally.

After-sale Service Management Procedures



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 is guaranteed.

Responsible Department(s)	Nature of Complaint / Handling Procedures	Record
Customer Service Department	Ways to complain : 1. Indirect complaint through the Property Management Company ; 2. Direct complaint to the Group。 The staff shall handle complaint with compassion manner and record immediately. (complaint made by 3 residences or above or for more than 10,000 RMB is regarded as severe complaint)	Fill in complaint form / Record in database
Customer Service Department / Project Department	Upon receiving the complaint, the staff shall conduct on-site inspection together with maintenance staff within 2 days (unless due to bad weather). 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. (For 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)	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 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 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 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
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 in 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 severe complaint, the complaint shall be resolved in 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 Database
Customer Service Department	<p>Prepare monthly summary repair complaint record.</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, deliver approach and judgement on 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 in the questionnaires on the sites of corporate activities such as customer visiting and tea gathering. The Group will communicate with our customers in immediate about the problems indicated by survey results. It is regulated that single performance index shall be marked as zero when the satisfaction rate is lower than 80%. 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.

Contributions to the Society

1. 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 contracting. The Group dedicates to object the commercial bribery through open bidding and urge the suppliers committing to their own environmental and social responsibilities. We expect to establish the long-term mutually beneficial cooperation with the suppliers.

2. Anti-Corruption

The Group commits to following the laws and regulations in relation to the business operation. A dedicated internal Audit Committee was set-up to establish internal offence-reporting policies and relevant procedure. All staff are encouraged to report any suspicious illegal offense.

- Procedures for Confidential Reporting



All staff 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 against of illegal reprisals or discrimination**

Besides the reporting procedures set for employees, the Group established the protection policies as well in accordance with relative laws to protect the informants from illegal reprisals or discrimination aroused by offense reporting or being engaged in offense investigation. In case that any illegal reprisal or discrimination occurs, employees can appeal through the aforementioned 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.

3. 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 the very beginning by proactively participating in public service activities and contributing to the society in practices. The Group dedicates to develop harmoniously with communities and achieve co-prosperity.

- ✚ The Group has donated more than 100 millions since the listing;



- ✚ In 2016, the subsidiary Anhui Baoye Commercial Management Co., Ltd. launched total thirteen community activities including fire drill and various theatrical events for the public and children;



✚ Each year, the Company organizes staff to donate blood, contributing to the medical development;



✚ Zhejiang Baoye Housing Industrialization Research Institute cooperated with the primary schools and middle schools in Shao Xing as the integrative practice base. In 2016, there were more than 300 visits with total 4000 students that visited.



Environmental, Social and Governance Reporting Guide by HKEx

Subject Areas, Aspects, General Disclosures and KPIs	Disclosure	Page
Environmental		
Aspect A1 : Emissions		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste.	P5 – 7
KPI A1.1	The types of emissions and respective emissions data.	-
KPI A1.2	Greenhouse gas emissions in total (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	-
KPI A1.3	Total hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	-
KPI A1.4	Total non-hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	-
KPI A1.5	Description of measures to mitigate emissions and results achieved.	-

KPI A1.6	Description of how hazardous and non-hazardous wastes are handled, reduction initiatives and results achieved.	P5 – 7
Aspect A2 : Use of Resources		
General Disclosure	Policies on the efficient use of resources, including energy, water and other raw materials.	P9 – 12
KPI A2.1	Direct and/or indirect energy consumption by type (e.g. electricity, gas or oil) in total (kWh in '000s) and intensity (e.g. per unit of production volume, per facility)	-
KPI A2.2	Water consumption in total and intensity (e.g. per unit of production volume, per facility).	-
KPI A2.3	Description of energy use efficiency initiatives and results achieved.	P9 – 12
KPI A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency initiatives and results achieved.	-
KPI A2.5	Total packaging material used for finished products (in tonnes) and, if applicable, with reference to per unit produced.	-
Aspect A3 : The Environment and Natural Resources		
General Disclosure	Policies on minimizing the issuer's significant impact on the environment and natural resources.	P5 – 12
KPI A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	P5 – 12



Subject Areas, Aspects, General Disclosures and KPIs		Disclosure	Page
Social			
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.		P16 - 20
KPI B1.1	Total workforce by gender, employment type, age group and geographical region.		P16
KPI 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.		P22 - 24
KPI B2.1	Number and rate of work-related fatalities		-
KPI B2.2	Lost days due to work injury.		-
KPI B2.3	Description of occupational health and safety measures adopted, how they are implemented and		P22 - 24

	monitored.	
Aspect B3 : Development and Training		
General Disclosure	Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.	P21 - 22
KPI B3.1	The percentage of employees trained by gender and employee category (e.g. senior management, middle management).	-
KPI 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 relating to preventing child and forced labour.。	P17 - 18
KPI B4.1	Description of measures to review employment practices to avoid child and forced labour.	-
KPI B4.2	Description of steps taken to eliminate such practices when discovered.	-
Aspect B5 : Supply Chain Management		
General Disclosure	Policies on managing environmental and social risks of the supply chain.	P29
KPI B5.1	Number of suppliers by geographical region	-
KPI B5.2	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, how they are implemented and monitored.	-
Aspect B6 : Product Responsibility		

General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress.	P26 – 29
KPI B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons.	-
KPI B6.2	Number of products and service related complaints received and how they are dealt with.	-
KPI B6.3	Description of practices relating to observing and protecting intellectual property rights.	-
KPI B6.4	Description of quality assurance process and recall procedures	-
KPI B6.5	Description of consumer data protection and privacy policies, how they are implemented and monitored.	-
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.	P29 - 30
KPI B7.1	Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the reporting period and the outcomes of the cases	Zero
KPI B7.2	Description of preventive measures and whistle-blowing procedures, how they are implemented and monitored.	P29 - 30
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.	P30 – 31

KPI B8.1	Focus areas of contribution (e.g. education, environmental concerns, labour needs, health, culture, sport).	P30 – 31
KPI B8.2	Resources contributed (e.g. money or time) to the focus area.	P30 – 31

