



恒騰網絡
hengten networks

HENG TEN NETWORKS GROUP LIMITED

恒騰網絡集團有限公司

(a company incorporated in Bermuda with limited liability)

(Stock Code: 136)



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Environmental, Social and Governance Report

I. ABOUT THE ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

HengTen Networks Group Limited (the “**Company**”) and its subsidiaries (the “**Group**”) is pleased to present the 2019 Environmental, Social and Governance Report (the “**Report**”) for the purpose of objectively disclosing the Group’s practices and performance in the environmental, social and governance (“**ESG**”) fields, enhancing stakeholder’s understanding and confidence in the sustainable development of the Group, and facilitating the Group’s improvement of its performance in sustainable development.

1. Scope of the Report

The information contained in the Report covers the businesses of the internet community services, internet home furnishing, internet materials logistics, as well as manufacturing and sales of photographic and electronic product accessories of the Group. The Report covers the period from 1 January 2019 to 31 December 2019, and prior years for certain disclosure.

2. Preparation basis

The Report is prepared by the Group in accordance with the requirements of the Environmental, Social and Governance Reporting Guide (the “**ESG Reporting Guide**”) of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”). The principles of importance, balance, quantitative and consistent were followed to strive to fully and objectively demonstrate the efforts and performance of the Group in respect of ESG matters during 2019. An ESG report guidelines content index is included in the final part of the Report for quick reference for the readers.

3. Source of information

The information disclosed in the Report is sourced from internal official documents and statistical data, third-party questionnaire surveys and public information. Unless otherwise stated, the data in the Report uses RMB as the settlement currency.

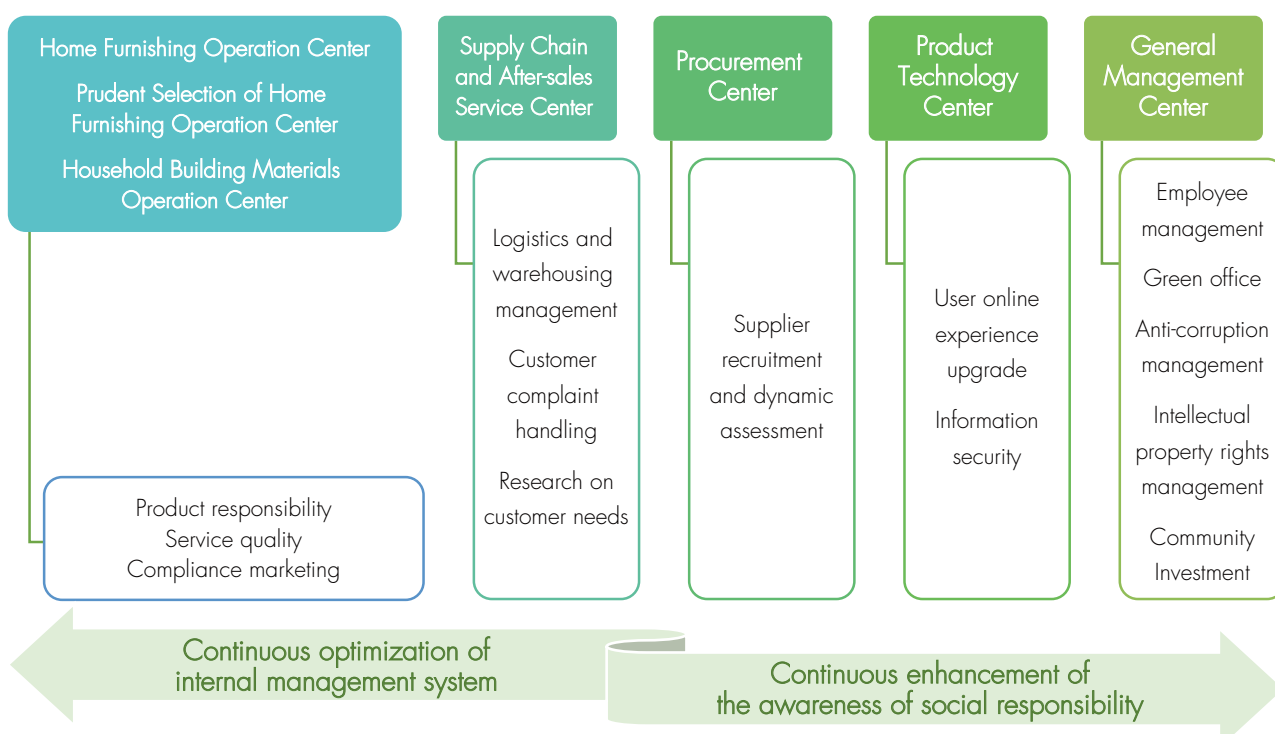
4. Form of publication

The Report is published in electronic format and is available in both Chinese and English. If there is any discrepancy between the Chinese and English versions of the Report, the Chinese version shall prevail. You can visit the official website of the Group at <http://www.htmimi.com/> or the website of the Stock Exchange at <http://www.hkex.com.hk> to obtain an electronic copy of the Report.



II. SUSTAINABLE DEVELOPMENT MANAGEMENT

Taking serving users as its core work and empowering the industry as its direction, the Group continuously consolidates high-quality resources within the industry and strives to cultivate an open, sharing, interactive and coordinated internet service ecosystem, providing users with cost-effective and high-quality products and services. While developing its businesses, the Group actively fulfils its corporate social responsibilities and continuously integrates the concept of sustainable development into the daily operation, management and decision-making of various functional departments to ensure that ESG-related management matters are implemented.



Strictly following the requirements of the Corporate Governance Code contained in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited of the Main Board of the Stock Exchange, the Group has established the board of directors (the **"Board"**) and its audit committee, remuneration committee and nomination committee with clear responsibilities. The Board assumes full responsibility for the ESG strategy and the reporting of the Group, and is responsible for the review and formal approval of annual ESG reports. The Board understands and discusses ESG-related issues through general meetings and Board meetings, and gives instructions depending on the particular situations of the relevant issues. The Group attaches great importance to ESG risk management, as it is well aware of the possible impact of ESG issues, such as product and service quality improvement, supply chain management and employment management, on the Group's financial performance and sustainable development. For more information on the Board, corporate governance structure, risk management and internal control of the Group, please refer to the Corporate Governance Report as incorporated in the 2019 annual report of the Company.

III. STAKEHOLDER ENGAGEMENT

An enterprise's development is inextricably connected with its stakeholders' support and trust. The Group maintains close contact with various stakeholders such as investors, customers, suppliers and employees via a variety of channels, including activity meetings and emails, to stay attentive to the expectations and demands of the stakeholders, make timely communication and provide response to them, and facilitate the common development between them and the Group.

For 2019, the Group has sorted out the following expectations and demands from stakeholders as well as its responses thereto:

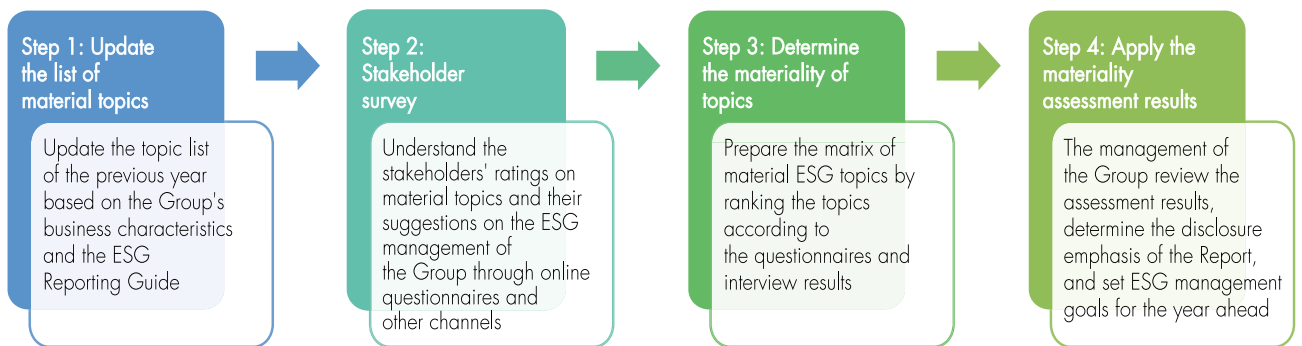
Stakeholders	Communication methods and channels	Expectations and demands	Communication and response
Customers	Official website of the Group	Customer information and privacy protection	Network security and permission settings
	Customer service hotline	Customer satisfaction and handling of complaints	Improve the mechanism for communication with customers
	Online platform	Product and service quality	Strengthen quality control
	Offline stores	Business integrity	Strengthen legal advocacy
Employees	Employee satisfaction survey	Staff recruitment and team building	Improve talent recruitment system
	OA system of the Company	Staff development and training	Construct talent training channels
	Performance interviews	Labor rights and protection	Strictly comply with laws and regulations
	Staff forums	Work safety and occupational health	Strengthen occupational health and safety management
Investors and shareholders	Annual general meeting	Financial results	Improve profitability
	Investor hotline/email	Protect rights and interests	Regular information disclosure
	Official website of the Group	Standardized corporate governance	Improve risk management and internal control systems
Government and regulatory authorities	Tax information submission	Comply with laws and regulatory rules	Accept the government's supervision
	Daily communication	Operation according to law	Strengthen anti-corruption and integrity development
		Tax contribution according to law	Pay taxes in a timely and proactive manner
		Facilitate employment	Create job opportunities
Partners	On-site visit	Openness and fairness	Improve partner management mechanism
	Partner conferences	Cooperation and win-win	Optimize project management
	Partner training	Mutual growth	Build a platform for communication with partners
Industry associations	Industry seminars	Promote industry progress	Strengthen innovation capability
	Daily communication	Industry experience exchange	Actively participate in industry communication
Community	News report	Protect community environment	Fully practice green operation
	Information disclosure	Participate in charitable activities	Conduct charity programs



IV. MATERIALITY ASSESSMENT

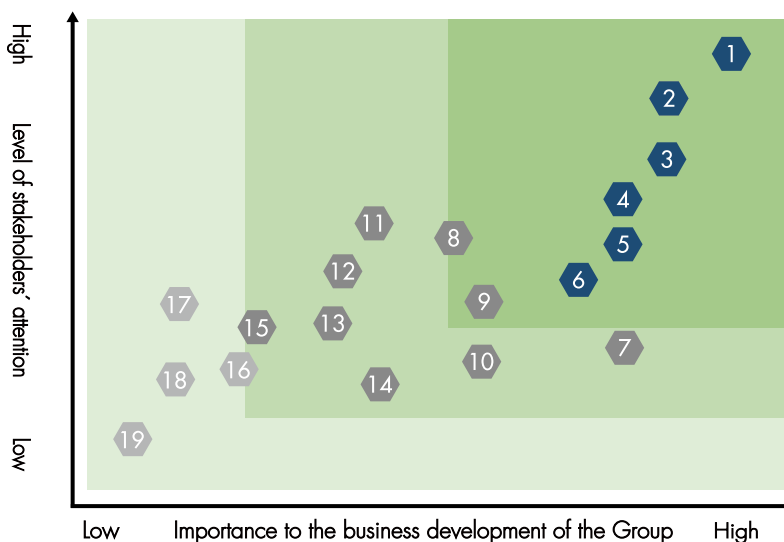
In 2019, the Group comprehensively assessed the level of stakeholders' attention to various ESG topics and the materiality of the ESG topics to the Group's strategic and business development through online questionnaires and face-to-face interviews, determined the ranking of such topics by materiality and took the ranking results as an important reference for the disclosure emphases of the Report.

Assessment procedures for the material topics of 2019:



Environmental, Social and Governance Report (Continued)

The ranking and matrix of the Group's material ESG topics for the year of 2019 are as follows:



Materiality	Ranking	Topic
Very Important	1	Supply chain management and sustainable development
	2	Talent recruitment and team building
	3	Compliance management and fight against unfair competition relationship
	4	Staff training and development
	5	Customer satisfaction and handling of complaints
	6	Responsible marketing and promotion
Important	7	Protection of intellectual property rights
	8	Occupational health and safety
	9	Customer privacy and information security
	10	Performance appraisal and remuneration and benefits

Materiality	Ranking	Topic
	11	Product and service quality management
	12	Prevention of child and forced labour
	13	Waste disposal
	14	Engagement in social welfare activities
	15	Development of green communities
Less Important	16	Energy consumption and energy-saving initiatives
	17	Anti-corruption management mechanism
	18	Water resource consumption and sewage treatment
	19	Greenhouse gas emissions



The assessment results of the 2019 material ESG topics show that supply chain management and sustainable development, talent recruitment and team building, compliance management and fighting against unfair competition relationship and other topics are the top concerns of stakeholders. In particular, the materiality ranking of topics such as supply chain management and sustainable development and customer satisfaction and handling of complaints were higher than that of last year. The Group will make detailed disclosure in subsequent sections of the Report based on the assessment results of material ESG topics, and use the assessment results of material topics of this time as a reference for the ESG management plan for the year ahead, so as to continuously improve and enhance the Group's performance in sustainable development.

V. CREATING VALUES FOR CUSTOMERS

A strict product and service quality management and control system is the basic guarantee for the sustainable development of the business of an enterprise. Strictly abiding by the Product Quality Law of the People's Republic of China (《中華人民共和國產品質量法》), the Law of the People's Republic of China on the Protection of Consumer Rights and Interests (《中華人民共和國消費者權益法》), the Regulations on the Customer Information Protection for Telecom and Internet Users (《電信和互聯網用戶客戶信息保護規定》) and other laws and regulations, the Group continuously strengthens internal product quality and safety control, and improves customer service system, in order to provide cost-effective and high-quality products and services to meet customer needs, thus continuously improving customer experience.

1. Product Quality Management

The Group focuses on controlling product quality from the source, and conducts strict review or on-site visits on the qualifications and production bases of partners of home furnishing products and refined building materials when selecting them. In particular, for the partners who have been included in the qualified supplier database of China Evergrande Group, China Evergrande Group has already carried out qualification verification or on-site visits in accordance with its relevant internal requirements during the recruitment process of such partners; for the partners introduced by the Group itself, the suppliers are required to file the information of their production bases in the contracts and pass the Group's on-site visits and inspection before making any supply.

The Group has formulated different quality management standards and systems for the businesses of home furnishing products, building material products and photographic and electronic product accessories:

(1) Home furnishing products

In respect of home furnishing products, the Group has formulated and implemented the Technical Standards for Home Furnishing Works (《工程類家居技術標準》), which specifies that all kinds of home furnishing products shall strictly and correspondingly comply with the requirements of the current national standards such as GB 18584 Interior Decoration and Refurbishment — Limit of Harmful Substances in Wood Furniture (《GB 18584室內裝飾裝修材料—木傢俱中有害物質限量》), GB 18580 Interior Decoration and Refurbishment Materials — Limit of Formaldehyde Emission of Wood-based Panels and Finished Products (《GB 18580室內裝飾裝修材料人造板及其製品中甲醛釋放限量》) and General Technical Requirements for Children's Furniture (《兒童傢俱通用技術條件》) to control the performance of its home furnishing products such as appearance, material, durability and load from the source, and has set up corresponding standards and requirements on the environmental indicators and safety performance of home furnishing products. The Group's quality standards and requirements for some of its typical products are as follows:

- Wooden furniture must at least meet the standard of Level E1 or above in formaldehyde emission (i.e. formaldehyde content of less than 1.5mg/100g)

- Redwood furniture suppliers must sign additional supplier undertaking letters, and provide inspection marks and quality inspection reports stating the materials of goods
- Metal and glass furniture are required to pass safety testing
- The furniture paints used must be sourced from the top five brands of environmentally-friendly paints in the People's Republic of China ("PRC")

The Group has included the above product quality standards into the cooperation contracts, and required the partners to provide quality inspection reports on a batch-by-batch basis, so as to supervise the implementation of product quality management requirements by the suppliers and ensure product quality.

(2) Building material products

In respect of refined building materials, the Group strengthens quality management and control over various processes including product admission, product acceptance and product warehousing management, and is committed to providing customers with high-quality products.

In the process of product admission, the Group strictly examines the qualification certificates of partners, qualification certificates of products and the product quality inspection reports issued by competent authorities in the PRC, to ensure that the products meet the requirements of national standards and requirements related to quality, safety and environmental protection and are functional and aesthetic. In line with relevant requirements of the Group, formaldehyde and other harmful substances in wood floor shall meet relevant national standards, with raw materials and finished goods to meet the environmental protection standard of Level E1 (i.e. formaldehyde content less than 1.5mg/100g); and ceramic tile products shall meet the requirements for Class A decoration and refurbishment materials in national standard, the Limits of Radionuclides in Building Materials" (《建築材料放射性核素限量》) (GB6566-2010), and relevant industry standards.

In the process of product acceptance, the Group has formulated and implemented the Material Acceptance Standards for HengTen Networks (《恒騰網絡材料驗收標準》), and deployed special personnel to station in factories of some of the partners to inspect the production and goods acceptance of the factories, so as to ensure that the production environment and product quality of the factories meet the requirements pursuant to the standards of the Group; the business staff and customer representatives will inspect the products on the project site based on inspection standards. After the products passed the inspection, the supervisory engineer of the engineering department and the constructor will receive the goods on site.

In the process of product warehousing management, the Group requires quality inspectors of the warehouse and supplier representatives to jointly verify product orders, models and quantities, and conduct random quality inspection on products to ensure that the product size, colour and other performance meet the requirements, so as to prevent products with quality problems such as damage from entering the inventory. In addition, the Group stores the products in different zones according to their performance, type, characteristics, purpose and stacking standard etc., and has set up a special area for unqualified products and those to be reported as scrap in the warehouse for the purpose of preventing defective products from mixing the products in the inventory. For products with batch or colour code requirements from customers, delivery of products of the same batch or same colour code that are separately stored in the warehouse must be given priority, and the products are managed on a "first-in first-out" basis according to the stock-in and stock-out sequence of the products to avert quality issues caused by lengthy storage.



(3) Photographic and electronic product accessories

The photographic and electronic product accessories that the Group manufactures and sells are mainly nylon and leather bags. For this business, the Group has formulated and strictly implemented standardized quality control documents such as the Management Regulations on Quality Control (《品質控制管理規定》) and the Production Process Control Regulations (《生產過程控制規定》), and implemented the whole-process quality control mechanism:



In respect of the business of manufacturing and sales of photographic and electronic product accessories, the Group has obtained ISO 9001:2015 Quality Management System recertification (valid until 25 December 2022) in 2019.

2. Service Quality Management

High-quality service is the key to the long-term development of the Group's business. The Group focuses on the continuous enhancement of customers' satisfaction and loyalty in terms of users' shopping experience, quality control of after-sales services and other areas.

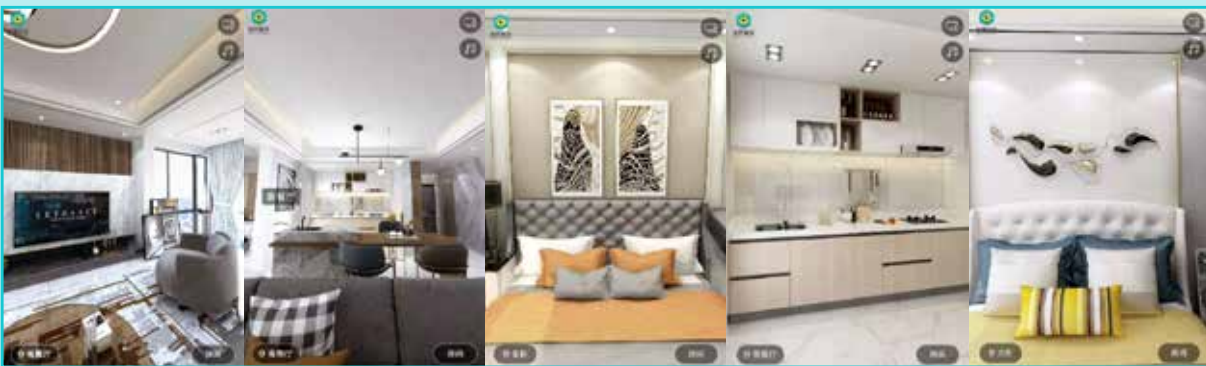
(1) Focusing on users' shopping experience

In respect of home furnishing prudent selection business, the Group has continuously enhanced the confidence and degree of experience satisfaction of property owners on the online shopping platform "HengTen Home Furnishing Mall" and its after-sales services by simplifying the purchase and payment process of property owners, optimizing the promotion and after-sales process, etc. For example, the Group has provided a unified after-sales service reminder and announced the contact information in all offline sample units, property service centres and business booths to ensure that property owners are aware of channels for after-sales services of various brands.

In respect of the materials logistics business, the Group has newly established the "HengTen Mega" brand (the **"new model of materials logistics business"**) in 2019, providing customers with a one-stop procurement platform with quality and efficiency through the combination of offline full-category experience showrooms and online mini programs. In particular, the offline showrooms adopt experiential decoration, combining single product display, space display and sample room display to create a scenario-based offline showroom, so as to show consumers the look of their future homes and enhance the experience of and interaction with customers. The Group established the "HengTen Mega" online mini program which integrates the resources of quality brand manufacturers, distributors, decoration companies and experienced designers, providing one-stop services ranging from design, material selection, delivery, installation to after-sales services for consumers with decoration needs.

Case study: HengTen Mega's mini program "Find a Design (找設計)" segment

HengTen Mega's mini program "Find a Design" segment builds a bridge between users and designers, and provides users with home decoration ideas by introducing excellent design concepts. Users can freely browse the house design plan of their own community with 3D whole-house tour and have an immersive view of their future homes. At the same time, the mini program can generate a list of the products used in the design project with one click, helping users to quickly purchase the materials included in the design proposal.





HengTen Mega's logo and the offline scenario-based showroom in Wuhan

In addition, in respect of the online platforms "HengTen Home Furnishing Mall" and "HengTen Mega", the Group has formulated and implemented the Management Measures for the Demand of Product Design Department of the Product Technology Center of HengTen Networks Group Limited (《恒騰網絡集團有限公司產品技術中心產品設計部需求管理辦法》) to standardize the management process of users' demands, so as to continuously optimize the functional design and user experience of each online platform.

(2) Ensuring efficient logistics services

In order to meet the logistics and distribution demands for home decoration and building materials products, the Group has established warehouse and logistics distribution centres in Changshu, Chengdu, Foshan, Wuhan and Tianjin, and adopted modernized warehouse management system (WMS) and transportation management system (TMS) for warehouse management, ensuring that product quality is effectively controlled during the warehousing and logistics processes. Meanwhile, the Group continued to strengthen the supervision and assessments of logistics carriers, and carried out monthly assessments and contract term assessments of carriers from four aspects, namely delivery quality, arrival quality, order return management and service quality, striving to establish a team of quality logistics carriers to ensure efficient and timely delivery of products.

(3) Continuously improving service quality

Handling of customers' complaints

The Group strictly complies with the laws and regulations relating to consumer rights and interests, and has formulated and implemented systems and documents such as the Material After-sales Service Management System of HengTen Networks (《恒騰網絡材料售後服務管理制度》), the Management of After-sales Service Process for Materials (《材料售後服務流程管理》), the After-sales Management Measures of Mimi Home (《蜜蜜家居售後管理辦法》), the 365-day Return and Exchange Policy of HengTen Mega (《恒騰蜜家365天退換貨政策》) and the Price Protection Policy of HengTen Mega (《恒騰蜜家保價政策》). The Group arranges dedicated personnel to be responsible for the after-sales service of different business lines as well as solving the problems and satisfying the demands of customers in a more targeted manner, effectively protecting the legitimate rights and interests of customers.

Environmental, Social and Governance Report (Continued)

In terms of after-sales complaints handling, the Group receives and handles customers' enquiries and complaints through various channels such as online customer service and complaint hotline of the headquarters; it is required to promptly report the issues raised by the complaints received in each channel to the relevant department or the corresponding supplier, and to track the progress on resolving the complaint. For the new model of materials logistics business, the Group handles customer complaints, analyses the issues which draw complaints from customers and directs the feedback to relevant departments for rectification in accordance with the following procedures:



In 2019, the complaints received and handling status of the Group's three types of business models, namely home furnishing prudent selection business, properties with move-in conditions business and the new model of materials logistics business, are as follows:

Home furnishing prudent selection business	Properties with move-in conditions business	The new model of materials logistics business
Received 582 complaints Complaint handling rate: 100%	Received 808 complaints Complaint handling rate: 77.8% Complaint handling satisfaction rate: 91.2%	Received 57 complaints Complaint handling rate: 98.2%

Research on customer needs

The Group carries out various customer return visits in respect of different processes, which mainly includes:

Return visits on signing of orders	Return visits on product receipt	Return visits on complaints	Return visits on psychology
To understand the reasons for purchase by the customer and his/her suggestion on the product concerned, and to remind customers of the delivery process and settlement methods	To understand if there are any issues with the product concerned during its receipt and any views on the delivery process	To understand the handling result of the issues which draw complaints from customers as well as their views and suggestions on after-sales services	To learn more from the customers who are willing to be asked more questions and their service needs

In particular, in 2019, the Group successfully paid return visits on a total number of 5,021 orders in its properties with move-in conditions business and the new model of materials logistics business. In addition, the Group's Santai offline store which carries out the new model of materials logistics business commenced special research activities on purchase needs for some customers, in which their opinions on the time of delivery, delivery timeliness, frequency of telephone communication, after-sales policy, payment habits and other areas were obtained by means of questionnaires, so as to continuously improve the service quality and after-sales process of offline stores.



Customer service staff management

The Group's supply chain and after-sales service center has formulated and implemented the Customer Service Communication Skills for Reception of HengTen Mega (《恒騰蜜家客服接訪話術》) and the Customer Service Communication Skills for After-sales Return Visits of HengTen Mega (《恒騰蜜家客服售後回訪話術》) and other standards of communication skills for return visits, requiring the after-sales service personnel to communicate with customers in strict accordance with the requirements and update the general account of return visits on a daily basis. The Group promptly coordinates relevant departments to handle customer feedback and follow up the handling progress of the issues to continuously improve standardization and efficiency of customer services.

In order to further improve the professional skills and service quality of customer service personnel, the Group carried out trainings for the customer service in different business lines in 2019, which mainly includes:

- Induction training for new employees: to introduce the use of platforms such as online customer service system, back-end operation of online shopping malls and online call system, as well as the customer service systems and procedures such as product return and refund, guiding employees to be familiar with the business as soon as possible;
- Training on branded products: the brand owners will take lead to carry out product professional knowledge introduction once per quarter, so as to enhance customer service personnel's familiarity with the products and improve service quality;
- Training on laws and regulations: to provide employees with training on the laws and regulations of e-commerce, and improve the integrity and compliance awareness of the customer service personnel;
- Other internal trainings: Customer service trainings on subjects such as promotional activities, project process and online operation analysis will be carried out from time to time based on the needs.

3. Information Security and Management of Customer Privacy

The Group strictly complies with the requirements of laws and regulations such as the Cyber Security Law of the People's Republic of China (《中華人民共和國網絡安全法》) and the Regulations on the Customer Information Protection for Telecom and Internet Users (《電信和互聯網用戶客戶信息保護規定》), and has formulated customer information protection policies such as the Policy on User Privacy and Information Protection (《用戶隱私與信息保護政策》) and the Policy on User Privacy and Information Security (《用戶隱私與信息安全政策》), clearly stipulating the authority of collection and application of personal information of customers, information security alerts and information disclosure requirements, etc., so as to effectively protect customer information security and privacy from infringement. At the same time, the Group enters into confidentiality agreements with all partners and employees, in which the scope of customer information that cannot be disclosed is expressly stipulated.

The Group has also rolled out the Management System for Data Backup and Data Security (《數據備份和數據安全管理制 度》), the Disaster Recovery Plan (《災難恢復計劃》) and other systems and formulated strategies for network security to ensure network information security through multiple means, such as classified management of data, authority management, operation and maintenance security management, application of security products, regular penetration tests and security monitoring. For the classified management of data, the Group divides the data information into three classes, namely confidential data, important data and general data, puts confidential data that may cause direct economic losses to the Company or users under encrypted storage, such as passwords and vouchers, and adopts encrypted display for user ID and other data that might cause economic operations of the Company or users. In terms of authority management, the Group's product operation department manages the data and authority of the business platforms in a unified manner, and has formulated and implemented the Procedures for Authority Management and Data Collaboration (《權限管理及數據協 作流程》), which clearly stipulates the application process of back-end operation accounts and authority so as to limit data use authority and reduce the risk of leakage of confidential information.

4. Management of Intellectual Property Rights

The Group strictly complies with laws and regulations such as the Copyright Law (《著作權法》), the Trademark Law (《商 標法》), the Patent Law (《專利法》), the Tort Liability Law of the People's Republic of China (《中華人民共和國侵權責任法》) and the Anti-Unfair Competition Law of the People's Republic of China (《中華人民共和國反不正當競爭法》), and implements the Management Regulations on Intellectual Property Rights of Evergrande Group (《恒大集團知識產權管理制 度》) formulated by China Evergrande Group, provides clear requirements on the application, registration, use and file management of trademark rights, copyrights, patents and other intellectual property rights, and regulate the management of intellectual property rights.

The Group requires its partners to issue the "Brand Authorization Letter" authorized by the trademark owner when signing the contract, and stipulates in the contract the terms related to intellectual property rights, requiring that the products or services provided by the partner to the Group shall not infringe the trademarks, copyrights and intellectual property rights of third parties. Meanwhile, the brand department of the Group strictly controls the contents of promotional materials to avoid the presence of unauthorized images or fonts therein.

As the department in charge of managing intellectual property rights, the legal affairs department of the Group is responsible for guiding the management and protection of intellectual property rights. It organises business training on intellectual property rights regularly, to boost the awareness of the staff for protecting intellectual property rights and enhance their business capabilities. As at 31 December 2019, the Group obtained a total of 30 software copyrights such as the HengTen Mimi Home Furnishing Mall Platform V3.0.3, as part of its proactive efforts to protect the copyrights and other intellectual property rights of the Company. For a list of the software copyrights of the Group, please refer to Appendix III of the Report.



5. Responsible Promotion and Marketing

The Group complies with the requirements of laws and regulations such as the Advertising Law of the People's Republic of China (《中華人民共和國廣告法》), strengthens internal sales management, ensures the authenticity of products, and fulfils its commitments on delivery timeliness and quality assurance. The Group has formulated a clear design style, review procedures and principles of handling non-compliance in relation to promotional materials, with strict control over the promotional materials posted on advertisements, newspapers and other media channels to ensure the compliance, authenticity and accuracy of the marketing information.

At the same time, the Group continued to strengthen the training of marketing personnel, including: conducting monthly regular training for project leaders and marketing teams of the properties with move-in conditions business, and holding exchange meetings or seminars from time to time to strengthen the compliance awareness of marketing service personnel. Store managers are required to conduct unified management of the sales personnel of the offline showrooms of HengTen Mega to avoid improper promises, false publicity or misleading behaviours of the sales personnel, so as to effectively protect the legitimate rights and interests of consumers.

VI. CREATING VALUES FOR PARTNERS

The Group attaches great importance to supply chain management, strictly abides by the laws and regulations such as the Law of the People's Republic of China on Bid Invitation and Bidding (《中華人民共和國招投標法》) and the Government Procurement Law of the People's Republic of China (《中華人民共和國政府採購法》), and has formulated and implemented relevant internal management systems to regulate the admission and evaluation of partners, thus ensuring the quality of products and services. The Group also communicates with its partners through various channels, with a view to strengthening the partnership between both parties and achieving mutual benefits and win-win results.

Environmental, Social and Governance Report (Continued)

As at 31 December 2019, the Group had a total of 934 partners in internet community services, internet home furnishing and internet materials logistics businesses. The regional distribution of the partners is as follows:

Number of Partners by Region

Serial No.	Province (City)	Number of suppliers
1	Anhui	52
2	Beijing	34
3	Fujian	17
4	Guangdong	141
5	Guangxi	29
6	Hebei	3
7	Henan	101
8	Hubei	54
9	Hunan	44
10	Jilin	17
11	Jiangsu	33
12	Liaoning	45
13	Shandong	44
14	Shanxi	23
15	Shaanxi	17
16	Shanghai	27
17	Sichuan	78
18	Tianjin	2
19	Zhejiang	14
20	Gansu	17
21	Guizhou	12
22	Hainan	18
23	Heilongjiang	29
24	Jiangxi	30
25	Inner Mongolia	27
26	Xinjiang	7
27	Yunnan	5
28	Chongqing	14
	Total	934



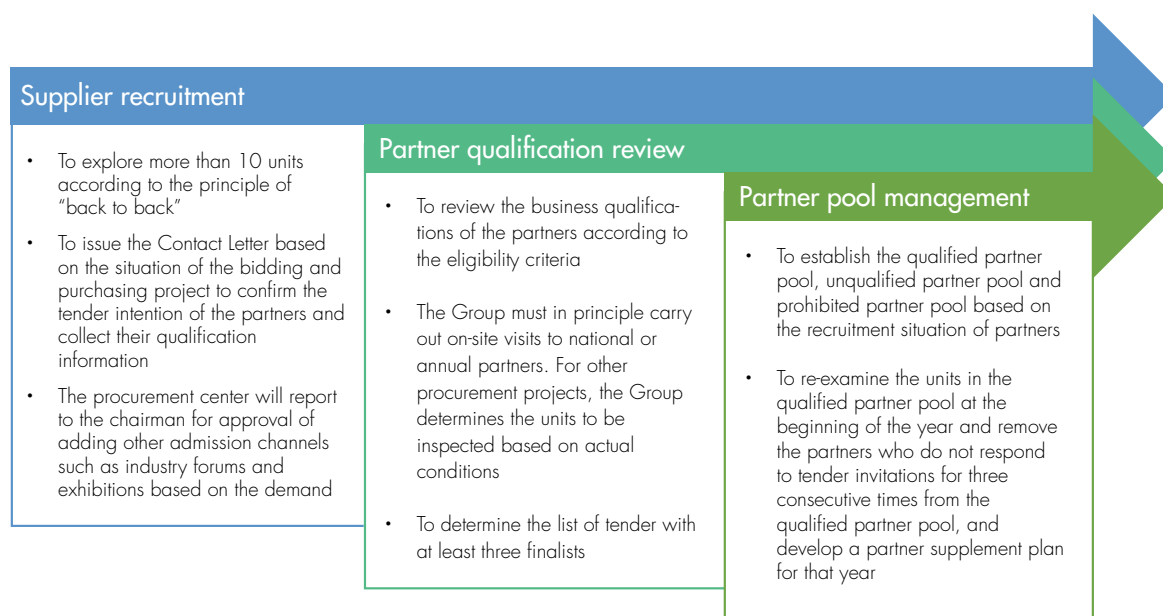
1. Partner Access

The Group has established a strict access inspection mechanism for partners, formulated and implemented the Purchasing Management System of HengTen Networks Group (《恒騰網絡集團採購管理制度》) to standardize the criteria and procedures for the recruitment, screening, review and access of partners, in order to ensure fair recruitment of high-quality partners.

With the market and sales as the direction of partner recruitment, the Group adopts a recruitment model of “warehousing first, bidding later”, and requires that:

- the units to be recruited must in principle be the top 10 in the country or the top 5 in the region in respect of the brands and comprehensive strength, or internationally renowned brands and enterprises;
- when the industry does not have a national or regional ranking, the selected enterprises should be the leading ones in the industry or those with comprehensive strength and large scale in the region.

The Group’s partner admission process is as follows:



2. Dynamic Evaluation of Partners

The Group has formulated and implemented evaluation methods such as the Comprehensive Evaluation Methods for Home Furnishing Partners of HengTen Networks Group (《恒騰網絡集團家居類合作商綜合評估辦法》) and the Comprehensive Evaluation Standards for Material Suppliers of HengTen Networks (《恒騰網絡材料類供應商綜合評估準則》) in respect of different types of suppliers, scores and ranks partners based on relevant criteria from sales performance, cooperation and after-sales service, publicizes the results of the scores and serves as a reference for determining the scope of further cooperation. In particular, for home furnishing partners that have entered into strategic contracts with the Group, the Group will score and rank them on a quarterly basis; for building material partners, the Group provides unified comprehensive evaluation opinions upon renewal of contracts with the annual partners.

In addition, the Group requires the supply chain and after-sales service center to conduct monthly rating on the after-sales complaints of the partners, sends rectification suggestions for after-sales service to the partners according to the actual situation, and follows up on the handling of after-sales issues of the partners on a timely basis, so as to ensure the quality of products and services. The Group also considers the monthly product after-sales account of the supply chain and after-sales service center as an important basis for the dynamic evaluation of partners. For distributors with major service issues such as brand events (including but not limited to large-scale complaints, poor cooperation, brand events, etc.), the Group will blacklist them and terminate the cooperation relationship with them.

3. Partner Product Compliance Management

The Group attaches great importance to the performance of social responsibilities of its partners, and has formulated and implemented the Quality Management Requirements for Home Furnishing Partners of HengTen Network (《恒騰網絡家居合作商家品質管理要求》), which provides clear standards for the product quality and occupational health and safety of its partners, and requires that the partners shall provide at least one Product Quality Inspection Report issued by a third-party authority; while the alliance partners shall provide at least one Environmental Management System Certification issued by a third-party authority.

Meanwhile, the Group also expressly stipulates in the bidding documents and contracts that the partners must comply with the requirements of relevant laws and regulations on environmental protection, labour standards and anti-corruption, etc. For partners who have violated the law and regulations, the Group will immediately suspend the cooperation relationship with them, and subsequent cooperation matters shall be decided on the basis of rectification after the evaluation by the Group's inspection and investigation team.



4. Communication and Exchange with Partners

In daily cooperation, the Group understands and responds to the expectations and demands of its partners through activities such as occasional partner training and store opening ceremonies, and continuously strengthens business exchange and the promotion of product quality control requirements to further consolidate the trusting cooperation relationship between both parties.



Training site of "properties with move-in conditions" partners

Case study: Opening ceremony of HengTen Mega's Santai Store

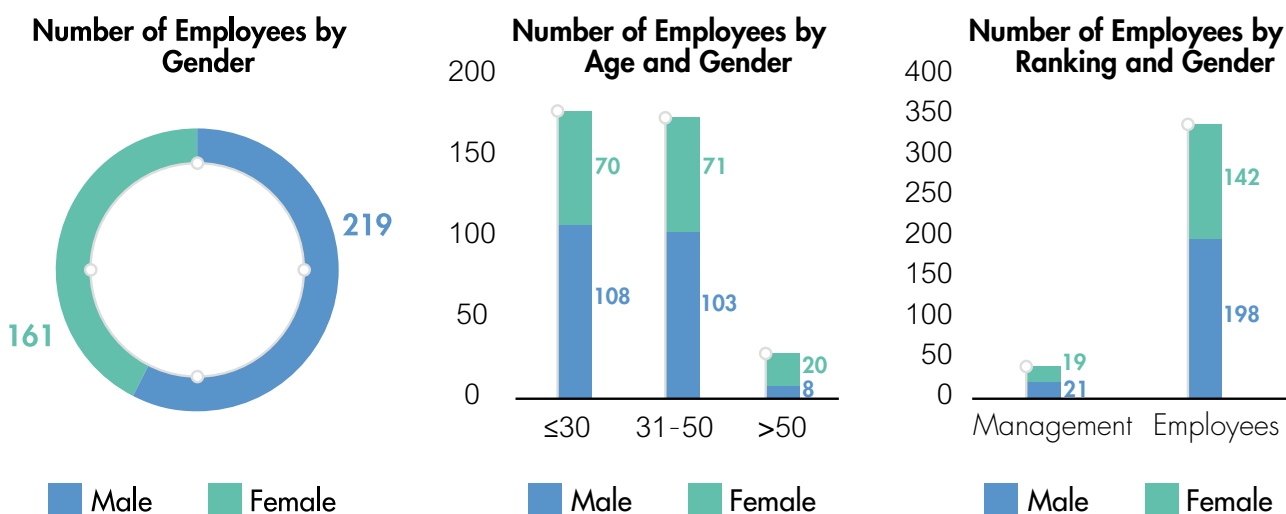
On 9 November 2019, HengTen Mega's Santai store opened. The Group invited 50 guests, including representatives of the partners, to attend the opening ceremony. During the event, the Group and the representatives of the partners had a lively exchange on the prospects of internet home furnishing industry and the future development of the Group.



VII. CREATING VALUES FOR EMPLOYEES

Talents are the valuable capital of an enterprise and an important drive for the sustainable development of an enterprise. The Group strictly abides by the Labor Law of the People's Republic of China (《中華人民共和國勞動法》), the Labor Contract Law of the People's Republic of China (《中華人民共和國勞動合同法》), the Social Insurance Law of the People's Republic of China (《中華人民共和國社會保險法》) and other national and local labor-related laws and standards to effectively protect the legitimate rights and interests of employees; the Group also actively creates a broad development platform and a safe and comfortable working environment for employees through optimizing talent training mechanism, organizing diversified employee caring activities and carrying out health and safety education, so as to continuously improve employees' satisfaction and happiness.

As at 31 December 2019, the total number of employees of the Group reached 380. The gender structure and age structure of our employees are as follows:



1. Employees' Rights Protection

The Group has formulated and implemented the Recruitment Management Rule for HengTen Networks (《恒騰網絡招聘管理制度》) and implemented the Staff Resignation Management Rule of Evergrande Group (《恒大集團員工離職管理制度》) formulated by China Evergrande Group and other internal systems to regulate the recruitment process and standards, staff resignation management and other works to ensure fair and just recruitment and protect the basic rights and interests of employees.

The Group adheres to the recruitment principle of "openness and fairness, merit-based recruitment, internality first and externality later, and relatives avoidance", and sets up evaluation procedures such as written examinations, career assessments, interview evaluations and background investigations to ensure the recruitment process is not affected by factors such as the nationality, ethnicity, marital status, age, gender and religion of the candidates. At the same time, the Group expressly stipulates the terms of reference of the interviewers, and punishes those who have violated the Company's recruitment principles and recruitment process for personal malpractice; the administrative personnel center is strictly forbidden to set a random salary exceeding the maximum salary standard or make false promises to the candidates when negotiating the wages with the candidates to be hired.



The Group actively responds to the national policies on stable employment and recruits talents through self-recommendation, campus recruitment and social recruitment to meet the needs of business development. In 2019, the Group recruited a total of 47 new employees; in particular, newly recruited female employees accounted for 44.7% of the total newly recruited employees.

Meanwhile, the Group strictly abides by the Law of the People's Republic of China on the Protection of Minors (《中華人民共和國未成年人保護法》), the Regulations on the Prohibition of the Use of Child Labor of the People's Republic of China (《中華人民共和國禁止使用童工規定》) and other laws and regulations, and conducts background checks and identity verification after obtaining the candidate's consent to avoid recruitment of child labor; the Group implements relevant systems such as internal recruitment management and labour discipline management, and expressly prohibits the use of deception to induce candidates to join the Company, and the use of violence to force employees to work or work overtime, so as to protect the legitimate rights and interests of employees.

In 2019, the Group was not aware of any involvement in the recruitment of child labor or forced labor.

2. Employees' Compensation and Benefits

The Group has established a compensation management system with market competitiveness based on the principles of fairness, reasonableness, need-based position, position-based responsibility and responsibility-based compensation, and paid remuneration such as employees' wages, performance bonuses and five insurances and one fund as stipulated by the law on time in accordance with internal standards. At the same time, the Group implements a general salary increase at least once a year to ensure the competitiveness of employees' compensation and motivates employees.

In addition to the statutory welfare programs, the Group has also formulated diversified welfare programs, including free canteen, financial assistance for re-education, annual physical examination, staff housing discount, shopping discount, etc., and provides on-site sales personnel with meal subsidies, accommodation subsidies, transportation subsidies, etc., so as to continuously improve the happiness and enthusiasm of employees. In 2019, the welfare programs provided by the Group included but not limited to:

- Holiday benefits: The Group issued a book token as a gift for each female employee on International Women's Day, and gave out a box of mooncakes to every employee as a holiday gift for the Mid-Autumn Festival;
- High-temperature welfare: During the hot days in summer, the Group gave out water cards for all employees as high-temperature welfare in August and September;
- Team building activities: The functional departments of the Group organized team building activities such as dining parties, lucky draws, and gift giving from August to October.

Case study: Lucky draw for all employees

On 28 April 2019, the Group held a lucky draw for all employees, and prepared 227 prizes worth more than RMB110,000 for all employees to thank them for their hard work and to enhance the Company's cohesion and togetherness. During the activity, 100% of the employees won prizes.



3. Staff Training and Development

The Group pays attention to the continuous improvement of employees' personal abilities, and has established a multi-level and wide-covered employee training system. The personnel administration center formulates and implements an annual training plan based on the actual situation every year, with a view to injecting continuous motivation for employees' career development. The content of employee training of the Group includes induction training, general quality training, professional skills training and management ability training, etc., to ensure that the career development needs of employees of different positions or ranks are met.

In 2019, the overall trainings of the Group were as follows:

Employee ranking	Accumulated number of participants in all training (person)	Total training hours (hours)	Training times (times)	Average hours of training per employee (hours/person)
Management	11	52	32	0.45
Employees	2,539	602	127	35.40
All employees	2,550	654	159	27.60

Note: Average hours of training per employee = (total hours for the year/training times) * (accumulated number of participants in all training for the year (person)/total actual number of employees)



In 2019, the key training programs organized by the Group include:



**Induction training for new employees
19 times, a total of 474 people participated
in the training**

The aim is to help new employees to understand the culture, business and related systems of the Company, so that employees can quickly integrate into the Company and adapt to their positions.



**Business school training
46 times, a total of 1,169 people
participated in the training**

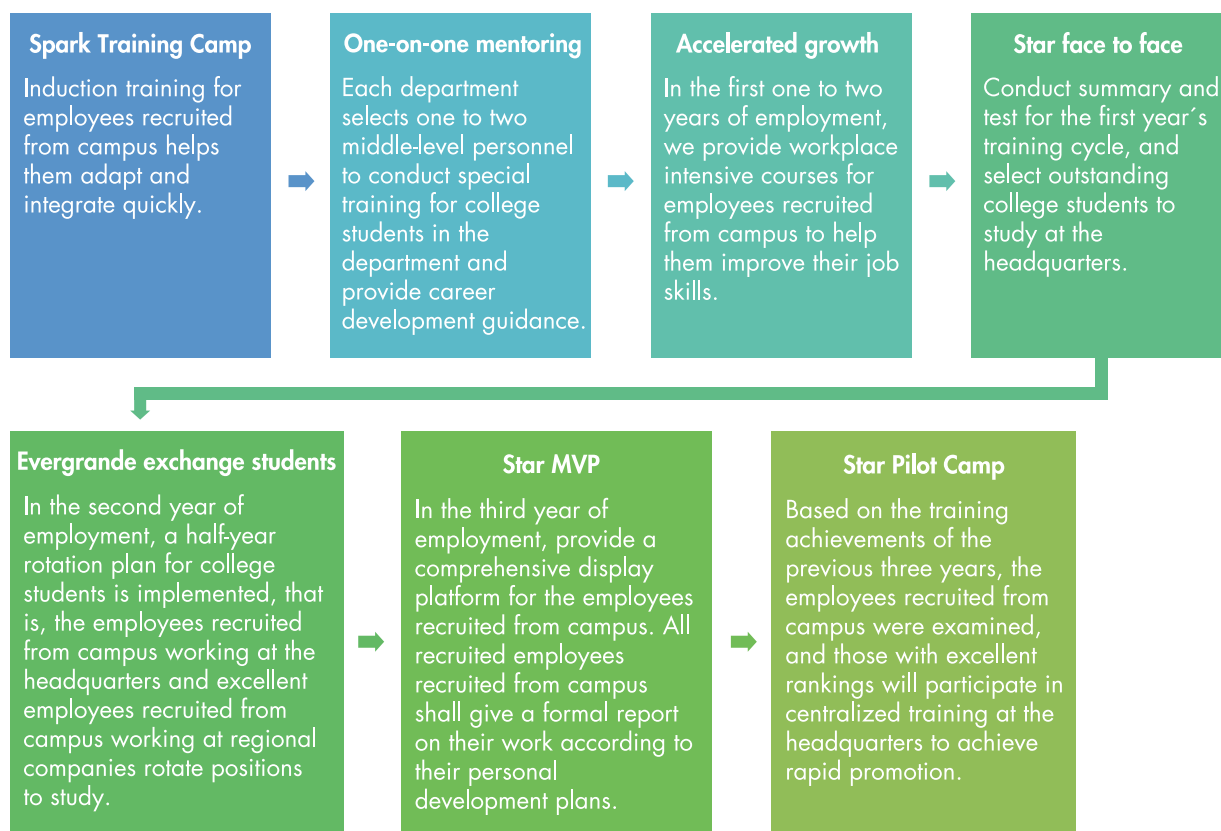
The training is conducted through online and offline courses and assessments. The training content includes product knowledge, sales process and skills, etiquette services, design software operations, store operations and after-sales, etc., aiming at improving the reception, service and after-sales of terminal personnel.



**Training provided by internal trainers
7 times, a total of 55 people participated in
the training**

The internal trainers of the Group provide professional technical and management training for employees by means of content extraction, case study, public expression and visual presentation, aiming to promote the precipitation of business knowledge and management experience in various departments and enhance the comprehensive quality and professional skills of employees.

In the meantime, the Group attaches great importance to the cultivation of employees recruited from campus and established the "Star Program (恒星计划)", a three-year training mechanism to provide systematic training and career planning guidelines for employees recruited from campus, helping them quickly familiarize themselves with the business and explore their interests and potential.



In addition, the Group has formulated and implemented the Administrative Provisions on the Selection and Appointment of Leading Cadres of HengTen Network Group (《恒騰網絡集團領導幹部選拔任用管理規定》), which scientifically formulates the standards and procedures for the appointment of leading cadres, establishes a career promotion mechanism conducive to outstanding talents, and promotes internal talent flow and team structure optimization. In 2019, the Group also rationalized and refined the monthly employee assessment plan, further combined the business development needs to improve the employee incentive policy, continuously improved the performance assessment system and standardized the employee assessment work, promoted the fairness and justice of employee assessment and promotion, and provided a broader development platform for employees.



4. Occupational Safety and Health

The Group attaches great importance to the occupational health and safety of employees, strictly abides by the requirements of laws and regulations such as the Law of the People's Republic of China on Production Safety (《中華人民共和國安全生產法》) and the Law of the People's Republic of China on the Prevention and Control of Occupational Diseases (《中華人民共和國職業病防治法》), implements a number of health and safety management measures such as physical examinations and fire drills for employees, and strives to create a comfortable, healthy and safe working environment for employees.

(1) Production safety management

For the warehouse and logistics centers of the household building materials business, the Group requires the warehouse storage to be designed in the way not to block any emergency escape and fire-fighting equipment; employees are required to wear protective equipment such as safety helmets, reflective vests and safety shoes in the warehouse; daily spot checks are required to be carried out according to the spot check list of equipment such as forklift and warehouse lifting doors to ensure the safety of warehouse operators.

For the business of manufacturing and sales of photographic and electronic product accessories, the Group has formulated and implemented internal policy documents such as the Enterprise Safe Production Management System (《企業安全生產管理制度》) and safety production inspection system, and carried out monthly safety production inspection in workshops and weekly safety production inspection in teams to ensure the equipment is in good condition, safety protection devices are effective and safety measures are in place. The Group clearly stipulates that the general manager of the Company is the first responsible person for safety production, and the safety production leading group formed by the relevant management of the Company is responsible for production safety management, requiring all departments to set up part-time safety officers and volunteer firefighters in workshops, striving to comprehensively control safety risks from top to bottom. At the same time, the Group also provides corresponding security and labor protection articles for front-line production employees according to their positions, and regularly organizes safety education and safety training for employees, so as to comprehensively improve employees' safety awareness and emergency response capability.

In 2019, the Group had 0 work-related fatalities and lost 0 working days due to work-related injuries.

(2) Occupational health management

The Group has provided annual physical examination for all employees and reminded them of potential health risks in a timely manner. The Group has placed small medicine boxes, automatic vending machines, automatic coffee machines and other facilities in the office area, and provided employees with instant food and fruits to help them cope with sudden health conditions and satisfy temporary hunger respectively. The Group has organized activity teams of football, badminton and basketball, and carried out group activities for two to three times every week, enabling employees to do exercise and relax after busy work.



An event of the Group's internal football team in 2019

Meanwhile, the Group strengthens the safety management of office premises and enhances the employees' awareness of fire prevention and their ability to respond to safety accidents. On 5 November and 25 November 2019, the Group cooperated with the property management company to carry out fire drills or fire-fighting linkage tests respectively. In specific, the employees have participated in activities including display of fire-fighting equipment, experience in smoke-proof masks wearing, practical experience of fire extinguisher, experience of simulated fire escape, experience of using fire-fighting ladder and testing the performance of equipment and facilities such as alarm bells, fire-fighting fans and forced demotion of elevator.



The Group cooperated with the property company to carry out a fire drill in 2019



5. Communication with Employees

The Group attaches great importance to communication with employees, and receives their opinions through corporate mailbox, KK, EMS system and other channels. The Group listened to the voices of employees extensively through staff meetings, regular weekly meetings and monthly meetings held internally by various departments, so as to identify and solve their needs timely and enhance their sense of identity and belonging.

In 2019, in order to understand the voices of employees recruited from campus, the Group conducted two anonymous surveys for employees recruited from campus from 2017 to 2019, and collected a total of 63 valid questionnaires. Through investigation and research, the Group understood the opinions of the employees recruited from campus on the implementation of the mentoring mechanism, career planning, current work difficulties and assistance required, and suggestions on the business development of the Group. Moreover, the Group has specifically formulated monthly interview form of mentors, clarified work contents and timing of transfer, so as to practically solve the doubts and difficulties of employees recruited from campus and further improve the three-year training mechanism of the "Star Program".

Case study: Annual Theme Symposium of College Students for 2017-2019

On 30 December 2019, the Group launched the theme symposium for HengTen Ambitious Eagles Club for employees recruited from campus for 2017-2019. In the event, the employees recruited from campus of the "Star Program" elaborated on the Group's business development and current work situation, fully demonstrating outstanding professional qualities. The Group also conducted psychological consultation on the situation reflected by the employees recruited from campus, and encouraged and commends those with excellent performance to further enhance their work enthusiasm and proactiveness.







VIII. CREATING VALUES FOR THE ENVIRONMENT

The Group actively implements the concept of green development, strictly abides by laws and regulations such as the Energy Conservation Law of the People's Republic of China (《中華人民共和國節約能源法》) and the Environmental Protection Law of the People's Republic of China (《中華人民共和國環境保護法》), and vigorously advocated green office and green production in daily operations to continuously mitigate the impact of business development on the natural environment.

The daily operations of the Group mainly involve the use of energy resources such as water resources, electricity and paper, and environmental issues such as sewage treatment and solid waste disposal in the production of photographic and electronic product accessories. In particular, the daily office and water production of the Group mainly originates from the tap water of the municipal pipeline network. There is no problem in obtaining a suitable water source; and the Group has improved water efficiency via the use of water-saving facilities and equipment, water-saving publicity and education.

1. Green Office

Due to the business nature of the internet community service segment, the daily office and operations of the Group have relatively little impact on the environment. The Group mainly implements various green environmental protection measures from paperless office to water and electricity conservation, with details including:

 <p>Electricity conservation</p> <ol style="list-style-type: none">1. Strictly controls the lighting time in the office area and advocates staff to turn off the lights while leaving;2. Reduces running programs in the background for computers and sets automatic sleep mode for electronic equipment;3. The air conditioner is set to a constant temperature of 24 °C–26 °C;4. Implements separation management mode of morning/noon peak mode for elevators;5. Regularly checks the power usage of various types of equipment.	 <p>Paperless office</p> <ol style="list-style-type: none">1. Advocates double-sided black and white printing and sets up waste paper recycling boxes, strengthens the online approval process settings, promotes the use of Evergrande cloud disks and shared folders to reduce paper consumption;2. Strengthens the procurement management of office supplies and reduces the consumption of office resources;3. Promotes the use of remote conference equipment such as cloud phones and video to reduce travel expenses and emissions of greenhouse gases and emissions from fuel use during travel.
 <p>Waste disposal</p> <ol style="list-style-type: none">1. Harmless garbage generated in the office is collected daily by a designated person and handed over to the sanitation station for centralized disposal;2. Kitchen waste generated in the canteen is collected by property staff and subsequently handed over to a professional company for disposal;3. Hazardous waste such as print cartridges and toner cartridges are collected and recycled by the outsourcer.	 <p>Green storage</p> <ol style="list-style-type: none">1. Warehouse lighting is only turned on as need in the operation, and it is turned off in time after the operation is completed to save electricity;2. The waste cardboard generated by the warehouse operation is used for buffering out of the warehouse and loading, to achieve resource recycling;3. Except for making wooden racks for breakable toilet products, staff do not repack other products in storage, reducing the consumption of packaging materials.

Meanwhile, the Group actively reminds employees of resource conservation by saving slogans and posting posters in the daily operation of the Group, so as to continuously enhance employees' awareness of green environmental protection. According to the characteristics of the internet business, the Group also regularly disseminates green and environmental protection-related information to various stakeholders through the online platform to help enhance the attention and awareness of environmental protection of community residents and the public.



2. Green Production

In respect of the business of manufacturing and sales of photographic and electronic product accessories, the Group has formulated the Registration Evaluation Form of the Laws and Regulations and Other Requirements (《法律法規和其他要求登記評價表》) and collects the latest HSF Environmental Related Substance Control Standards at least once a year to ensure compliance with the latest requirements of environmental protection laws and regulations. In addition, the Group has formulated and implemented internal systems such as the Environmental Monitoring and Measurement Control Program (《環境監視和測量控制程式》), the Disposal and Noise Management Regulations (《廢棄和噪音管理規定》), the Wastewater Management Regulations (《廢水管理規定》) and the Solid Waste Management Regulations (《固體廢棄物管理規定》) to state clearly the standards, requirements and control measures that various types of emissions shall meet. The Group also regularly updates the Environmental Factors Register, always pays attention to business-related environmental elements and their environmental impact, and constantly improves internal environmental management regulations; annually appoints a third-party testing agency to examine the situation of wastewater and exhaust emissions, thereby ensuring that the emissions comply with the relevant laws and regulations.

Solid Waste Management

1. The solid waste is classified as recyclable waste, non-recyclable waste and hazardous waste for management;
2. An appropriate number of solid waste collection baskets is placed on each floor of the workshop, which are marked according to the type of waste;
3. Hazardous wastes are entrusted to qualified units for professional disposal in the form of five-part single-sheet transfer of hazardous wastes.

Energy saving management

1. An energy-saving and consumption-reduction participation team composed of supervisors, workshop team leaders and deputy team leaders is set up to continuously study and improve daily sewing technology, monitor energy consumption and material waste, etc.;
2. Regular green production theme activities are carried out, and the process improvement methods are continuously analyzed and summarized, in order to reduce energy consumption and pollution emissions in production.

Environmental management system certification

The Group obtained ISO 14001:2015 Environmental Management System recertification (valid until 25 December 2022) in 2019 regarding the manufacturing and sales of accessories for photographic and electrical products.



3. Environmental Key Performance Indicators

The key environmental performance indicators for the Group in 2019 are shown as follows:

Serial No.	Environmental key performance indicators	Unit	Usage/ Emission Amount
A1.1	Sulfur dioxide	kg	0.26
	Nitrogen oxides	kg	14.90
	Particulate matter	kg	1.02
A1.2	Greenhouse gas emission (scope I)	ton	55.77
	Greenhouse gas emission (scope II)	ton	1,249.73
	Greenhouse gas emission in total (scope I and II)	ton	1,305.51
A1.3	Obsolete battery	kg	2.46
A1.4	General waste	ton	46.17
	Waste materials (cloth)	ton	18.75
A2.1	Total electric consumption	kWh	1,487,596.33
	Gasoline (official vehicle)	L	18,021.65
	Direct energy consumption	GJ	686.78
	Indirect energy consumption	GJ	5,355.35
	Total energy consumption	GJ	6,042.12
	Energy intensity (network service)	GJ/person	15.85
	Energy intensity (manufacture and sales of accessories)	GJ/accessory	0.0023
A2.2	Water consumption	Cubic meter	12,500.29
	Water consumption intensity (network service)	Cubic meter/person	32.73
	Water consumption intensity (manufacture and sales of accessories)	Cubic meter/accessory	0.005
A2.5	Plastic packing bag (manufacture and sales of accessories)	kg	159.00
	Plastic packing bag consumption	kg/accessory	0.0002
	Packaging box (manufacture and sales of accessories)	kg	2,398.00
	Packaging box consumption	kg/accessory	0.0027

Remarks:

- (1) The time span of the environmental data is from 1 January 2019 to 31 December 2019; the data collection scope includes the office and staff canteen area at the Group's headquarters, the production area, office area and staff canteen area for the headquarters and factories in Guangdong Province of the production and sales of accessories business, and the warehouse and logistics centers established by the Group in Changshu, Chengdu, Foshan, Wuhan and Tianjin.
- (2) For the calculation of A1.1 emissions, the emission coefficient of natural gas is referred to the 2017 Coefficient Material Balance Method Not Included in the Emission Permit Management Industry (《2017未納入排污許可管理行業適用的系數物料衡算方法》), and the other refers to the Reporting Guidance on Environmental KPIs of the Stock Exchange.



- (3) Greenhouse gas emission (scope I) mainly comes from primary energy consumption of gasoline of official vehicle and staff canteen. Greenhouse gas emission (scope II) is generated from electricity purchased. As to the emission factors, refer to the Reporting Guidance on Environmental KPIs of the Stock Exchange. And emission factors of greenhouse gas of purchased electricity are based on the China Regional Power Grid Baseline Emission Factor for Emission Reduction Project for 2017 (《2017年度減排項目中國區域電網基準線排放因子》).
- (4) The types of energy consumed by the Group in 2019 include electricity purchased, fuel of staff canteen and gasoline of official vehicle. Reference is made to the national GB/T2589-2008 General Principles for Calculation of Comprehensive Energy Consumption (《GB/T2589-2008綜合能耗計算通則》) for conversion coefficient of energy unit.

IX. ANTI-CORRUPTION AND DEVELOPMENT WITH INTEGRITY

1. Establishment of Integrity System

The Group understands that honesty and integrity are the foundation of a stable and sustainable enterprise. The Group strictly abides by the requirements of the Anti-Unfair Competition Law of the People's Republic of China (《中華人民共和國反不正當競爭法》), the Interim Provisions on Banning Commercial Bribery (《關於禁止商業賄賂行為的暫行規定》) and other laws and regulations on prohibiting commercial bribery and other illegal and disciplinary acts, and earnestly implements the Management Measures for Anti-Corruption Supervision of Evergrande Group (《恒大集團廉政監察工作管理辦法》), the Management Measures for Cash Gift and Gifts (《禮金、禮品管理辦法》) and other systems formulated by China Evergrande Group to regulate the management of employees' practice and continuously strengthen the creation of an internal integrity working atmosphere.

For the internet community and its related services, the Group receives reports and complaints from internal and external personnel on suspected corruption and infringement of the Company's interests through channels such as whistle-blowing hotline, email and KK, and controls the scope of information in the investigation process as required to protect the informant. For the reported clues received, the supervision center of China Evergrande Group will jointly conduct investigation with the relevant functional departments of the Group with the specified procedures; the reported case will be held accountable according to the severity of the case, and the serious cases will be handed over to the law enforcement authority for handling.

With respect to the business of manufacturing and sales of accessories for photographic and electronic products, the Group has formulated and implemented the Clean Operation Control Procedures (《廉潔經營控制程序》) and has prohibited any personnel of the Group from engaging in bribery behavior such as paying or accepting red packets in any company activity at any time. Employees are prohibited from soliciting any form of improper gains from customers, partners, internal employees and other stakeholders in company's activities. All employees are prohibited from soliciting, accepting kickbacks, bribes, commissions or other forms of illegal compensation in the course of the Company's activities by providing preferential treatments, contracts or sales. Employees are encouraged to report an offense, and the identity of the informant would be kept confidential according to the Management Procedures for the Protection of Reporters (《保護檢舉人管理程序》) that has been formulated and implemented. Material reward will be secretly given to the informant after the reported offense has been settled through final investigation and confirmation.

In 2019, there were no concluded legal cases regarding corrupt practices brought against the Group or its employees.

2. Integrity Education and Training

The Group has actively participated in various anti-corruption-related educational activities led by China Evergrande Group including activities such as demonstration of integrity warning videos at induction training and regular anti-corruption learning activities. Through means such as demonstrating integrity warning videos and experience in integrity learning, the Group continuously improves the employees' awareness of integrity, keeps them on high alert and good attitude constantly, and consciously resists the erosion of bad ideas.



Corruption education and training in 2019

X. CREATING VALUES FOR THE SOCIETY

While pursuing its own excellent development, the Group never forgets its origin. It has actively participated in the targeted poverty alleviation activities organized by China Evergrande Group in Bijie City, Guizhou Province, and contributed to building a moderately prosperous society in all respects for the country. In 2019, the Group continued to participate in the designated poverty alleviation project of China Evergrande Group in Dafang County, Bijie City, and sent employee representatives to join the fourth batch of poverty alleviation teams in Wumeng Mountain Area, participating in the work of four industrial poverty alleviation projects in Yinna Town, Weining Yi and Hui and Miao Autonomous County in order to actively respond to the national strategy of poverty alleviation and the initiative to build a Community of Shared Future for Mankind through practical actions. In particular, the targeted poverty alleviation activities of Bijie City, Guizhou Province, have been the counterpart assistance work initiated by China Evergrande Group since 2015, aiming at helping the whole Bijie City to get rid of poverty steadily in 2020.



Vegetable greenhouse planting base where employees of the Group participated



Breeding farm where employees of the Group participated



APPENDIX I. CONTENT INDEX OF ESG REPORTING GUIDELINES

ESG Indicators		Disclosure Situation	Corresponding Chapter
A1 General disclosure	Information on the policies and 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.	Disclosed	VIII. Creating Values for the Environment
A1.1	The types of emissions and respective emissions data.	Disclosed	VIII. Creating Values for the Environment
A1.2	Greenhouse gas emissions in total (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	Disclosed	VIII. Creating Values for the Environment
A1.3	Total hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	Disclosed	VIII. Creating Values for the Environment
A1.4	Total non-hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	Disclosed	VIII. Creating Values for the Environment
A1.5	Description of measures to mitigate emissions and results achieved.	Disclosed	VIII. Creating Values for the Environment
A1.6	Description of how hazardous and non-hazardous wastes are handled, reduction initiatives and results achieved.	Disclosed	VIII. Creating Values for the Environment
A2 General disclosure	Policies on the efficient use of resources, including energy, water and other raw materials.	Disclosed	VIII. Creating Values for the Environment
A2.1	Direct and/or in direct 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).	Disclosed	VIII. Creating Values for the Environment
A2.2	Water consumption in total and intensity (e.g. per unit of production volume, per facility).	Disclosed	VIII. Creating Values for the Environment
A2.3	Description of energy use efficiency initiatives and results achieved.	Disclosed	VIII. Creating Values for the Environment
A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency initiatives and results achieved.	Disclosed	VIII. Creating Values for the Environment
A2.5	Total packaging material used for finished products (in tonnes) and, if applicable, with reference to per unit produced.	Disclosed	VIII. Creating Values for the Environment
A3 General disclosure	Policies on minimising the issuer's significant impact on the environment and natural resources.	Disclosed	VIII. Creating Values for the Environment
A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	Disclosed	VIII. Creating Values for the Environment

Environmental, Social and Governance Report (Continued)

ESG Indicators		Disclosure Situation	Corresponding Chapter
B1 General disclosure	Information on the policies and 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.	Disclosed	VII. Creating Values for Employees
B1.1	Total workforce by gender, employment type, age group and geographical region.	Disclosed	VII. Creating Values for Employees
B1.2	Employee turnover rate by gender, age group and geographical region.	Undisclosed, to be disclosed in due course in subsequent consideration.	—
B2 General disclosure	Information on the policies and 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.	Disclosed	VII. Creating Values for Employees
B2.1	Number and rate of work-related fatalities.	Disclosed	VII. Creating Values for Employees
B2.2	Lost days due to work injury.	Disclosed	VII. Creating Values for Employees
B2.3	Description of occupational health and safety measures adopted, and how they are implemented and monitored.	Disclosed	VII. Creating Values for Employees
B3 General disclosure	Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.	Disclosed	VII. Creating Values for Employees
B3.1	The percentage of employees trained by gender and employee category (e.g. senior management, middle management).	Undisclosed, to be disclosed in due course in subsequent consideration.	—
B3.2	The average training hours completed per employee by gender and employee category.	Disclosed	VII. Creating Values for Employees
B4 General disclosure	Information on the policies and compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child and forced labor.	Disclosed	VII. Creating Values for Employees
B4.1	Description of measures to review employment practices to avoid child and forced labor.	Disclosed	VII. Creating Values for Employees
B4.2	Description of steps taken to eliminate such non-compliant practices when discovered.	Disclosed	VII. Creating Values for Employees



ESG Indicators		Disclosure Situation	Corresponding Chapter
B5 General disclosure	Policies on managing environmental and social risks of the supply chain.	Disclosed	VI. Creating Values for Partners
B5.1	Number of suppliers by geographical region.	Disclosed	VI. Creating Values for Partners
B5.2	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, how they are implemented and monitored.	Disclosed	VI. Creating Values for Partners
B6 General disclosure	Information on the policies and compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labeling and privacy matters relating to products and services provided and methods of redress.	Disclosed	VI. Creating Values for Partners
B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons.	Undisclosed, to be disclosed in due course in subsequent consideration.	—
B6.2	Number of products and service related complaints received and how they are dealt with.	Disclosed	V. Creating Values for Customers
B6.3	Description of practices relating to observing and protecting intellectual property rights.	Disclosed	V. Creating Values for Customers
B6.4	Description of quality assurance process and recall procedures.	Disclosed	V. Creating Values for Customers
B6.5	Description of consumer data protection and privacy policies, how they are implemented and monitored.	Disclosed	V. Creating Values for Customers
B7 General disclosure	Information on the policies and compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering.	Disclosed	IX. Anti-corruption and Development with Integrity
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.	Disclosed	IX. Anti-corruption and Development with Integrity
B7.2	Description of preventive measures and whistle-blowing procedures, how they are implemented and monitored.	Disclosed	IX. Anti-corruption and Development with Integrity
B8 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.	Disclosed	X. Creating Values for the Society
B8.1	Focus areas of contribution (e.g. education, environmental concerns, labor needs, health, culture, sport).	Disclosed	X. Creating Values for the Society
B8.2	Resources contributed (e.g. money or time) to the focus area.	Disclosed in part	X. Creating Values for the Society

APPENDIX II. LIST OF POLICIES AND REGULATIONS

ESG Indicators	Scope	Compliance with Regulations and Rules	Internal Policy of HengTen Networks
A1 Emissions	Air and greenhouse gas emissions, sewage discharges, non-hazardous and hazardous waste emissions and treatment	Environmental Protection Law of the People's Republic of China Law of the People's Republic of China on Prevention and Control of Water Pollution Law of the People's Republic of China on Prevention and Control of Environmental Pollution by Solid Waste	Measures for Control and Management of Indoor Environmental Quality Environment Monitoring, Measurement and Control Procedures Disposal and Noise Management Regulations Wastewater Management Regulations Solid Waste Management Regulations Management Measures for Guangzhou Evergrande Center
A2 Use of resources	Efficient use of energy, water and other raw materials		
A3 Environment and natural resources	Minimizing the impact on the environment and natural resources		
B1 Employment	Compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare	Labor Law of the People's Republic of China Labor Contract Law of the People's Republic of China Employment Promotion Law of the People's Republic of China Social Insurance Law of the People's Republic of China Provision on Minimum Wage Production Safety Law of the People's Republic of China Fire Control Law of the People's Republic of China Law of the People's Republic of China on Response to Emergencies Regulations on the Safe Management of Hazardous Chemicals Regulations on Reporting, Investigation and Handling of Production Safety Accidents Interim Provisions of Detection & Elimination on Accident Hidden Trouble Regulations on Work-related Injury Insurance of the People's Republic of China Regulations on Supervision and Administration of Occupational Health in the Workplace Classified Catalogue of Occupational Diseases The Law on the Protection of Minors Provisions on Prohibition of Using Child Labor in the People's Republic of China	Recruitment Management Rule for HengTen Networks Staff Resignation Management Rule of Evergrande Group Performance Appraisal Standards Administrative Provisions on the Selection and Appointment of Leading Cadres of HengTen Network Group Enterprise Safety Production Management System



ESG Indicators	Scope	Compliance with Regulations and Rules	Internal Policy of HengTen Networks
B2 Health and safety	Providing a safe working environment and preventing occupational hazards		
B3 Development and training	Improving employees' knowledge and skills for discharging duties at work		
B4 Labor standards	Preventing child and forced labor		
B5 Supply chain management	Managing environmental and social risks of the supply chain	Tendering and Bidding Law of the People's Republic of China The Law of Government Procurement of the People's Republic of China	Purchasing Management System of HengTen Networks Group Comprehensive Evaluation Method for Furniture Partner of HengTen Networks Group Comprehensive Evaluation Standards for Material Supplier of HengTen Networks Quality Management Requirements for Home Furnishing Partner of HengTen Networks Materials Acceptance Standards of HengTen Networks

Environmental, Social and Governance Report (Continued)

ESG Indicators	Scope	Compliance with Regulations and Rules	Internal Policy of HengTen Networks
B6 Product responsibility	Health and safety relating to products and services, protection of customers' private information and reasonable advertisement and marketing	<p>Product Quality Law of the People's Republic of China</p> <p>GB 18584 Indoor Decorating and Refurbishing Materials-Limit of Harmful Substances of Wood-Based Furniture</p> <p>GB 18580 Indoor Decorating and Refurbishing Materials-Limit of Formaldehyde Emission of Wood-Based Panels and Finishing Products</p> <p>GB 18583 Indoor Decorating and Refurbishing Materials-Limit of Harmful Substances of Adhesives</p> <p>Law on Consumer Rights and Interests of the People's Republic of China</p> <p>Limits of Radionuclides in Building Materials</p> <p>Law of the People's Republic of China Against Unfair Competition</p> <p>Interim Provisions on Prohibiting Commercial Bribery</p> <p>Chinese Anti-monopoly Law</p> <p>Network Security Law of the People's Republic of China</p> <p>Regulations on the Customer Information Protection for Telecom and Internet Users</p> <p>Copyright Law</p> <p>Trademark Law</p> <p>Patent Law</p> <p>Tort Liability Law of the People's Republic of China</p> <p>Advertising Law of the People's Republic of China</p> <p>Decision of the Standing Committee of the National People's Congress on Strengthening Information Protection on Networks</p> <p>Regulations on the Customer Information Protection for Telecom and Internet Users</p> <p>Provisions on Registration of True Identity Information of Telephone Users</p> <p>Administrative Methods for the Confirmation of New and High Technology Enterprises</p> <p>National Standards for On-site Acceptance of Materials</p>	<p>Technical Standards for Home Furnishing Works</p> <p>Quality Management Requirements for Home Furnishing Partners of HengTen Network</p> <p>Materials Acceptance Standards of HengTen Networks</p> <p>Management Regulations on Quality Control</p> <p>Policy on User Privacy and Information Protection</p> <p>Policy on User Privacy and Information Security</p> <p>Management System for Data Backup and Data Security</p> <p>Disaster Recovery Plan</p> <p>Management Regulations on Intellectual Property Rights of Evergrande Group</p> <p>Material After-sales Service Management System of HengTen Networks</p> <p>Management of After-sales Service Process for Materials</p> <p>After-sales Management Measures of Mimi Home</p> <p>365-day Return and Exchange Policy of HengTen Mega</p> <p>Price Protection Policy of HengTen Mega</p> <p>Customer Service Communication Skills for After-sales Return Visits of HengTen Mega</p> <p>Customer Service Communication Skills for Reception of HengTen Mega</p>
B7 Anti-corruption	Preventing bribery, extortion, fraud and money laundering	<p>Company Law of the People's Republic of China</p> <p>Law of the People's Republic of China on Anti-money Laundering</p>	<p>Management Measures for Anti-Corruption Supervision of Evergrande Group</p> <p>Management Measures for Cash Gift and Gifts</p>
B8 Community investment	Participation and promotion in community development	Not available	Not available



APPENDIX III. LIST OF SOFTWARE COPYRIGHT

Serial No.	Name of Software Copyright	Registration Number of Software Copyright
1	HengTen Mimi (Android) APP software V1.0	2016SR076319
2	HengTen Mimi (iOS) APP software V1.0	2016SR076322
3	HengTen Mimi APP software (iOS version) V2.8.0	2016SR312033
4	HengTen Mimi APP software (Android version) V2.8.0	2016SR312035
5	Multi-platform flexible permission allocation management system V2.0	2017SR634386
6	HengTen continuous integration platform V1.0	2017SR635057
7	HengTen Mimi e-commerce platform V3.1.20	2017SR634012
8	HengTen Mimi precision marketing system V3.1.10	2017SR634941
9	HengTen Mimi community life service platform V3.1.20	2017SR635030
10	HengTen Mimi property manager APP software V3.1.10	2017SR635018
11	HengTen Mimi operation background management system V2.0	2017SR634395
12	HengTen Mimi intelligent parking system V3.1.20	2017SR635026
13	Flexible and configurable property service system V3.1.20	2017SR635837
14	Mimi home decoration public platform 1.0	2017SR638220
15	Mimi community public platform 3.1.20	2017SR633947
16	Database connection pool monitor software V1.0	2017SR634026
17	Generic data asynchronous export component software V1.0	2017SR634034
18	Smart community access control system V1.0	2017SR634039
19	Automated interface testing framework software V1.1	2017SR634271
20	HengTen Mega security monitoring and defense system V1.0	2019SR1457896
21	HengTen Mega system data change tracking system V1.0	2019SR1399168
22	HengTen universal code generation platform V1.0	2019SR1406010
23	HengTen universal timed task system V1.0	2019SR1430310
24	HengTen Mimi Household home app — scan code purchase software V1.0.0	2019SR1398922
25	HengTen Mimi Home Furnishing Mall Platform V3.0.3	2019SR1398915
26	Interface white box test platform V1.0.0	2019SR1398956
27	HengTen Mega commodity search engine platform V1.0	2019SR1399174
28	System performance tuning R & D and application software V1.0.1	2019SR1404368
29	HengTen Mimi Household home mini program-scan code purchase business software V1.0.0	2019SR1398909
30	Settlement service system V6.0.1	2019SR1398950