



XIWANG PROPERTY HOLDINGS COMPANY LIMITED

西王置業控股有限公司*

(Incorporated in Bermuda with limited liability)

Stock code : 2088

**ENVIRONMENTAL,
SOCIAL AND
GOVERNANCE REPORT
2016**



CONTENTS

ABOUT THE REPORT	2
ESG MANAGEMENT APPROACH	2
ENGAGEMENT OF STAKEHOLDER	2
I. HUMAN RESOURCES	3
1. Employment and Labor Standards	3
2. Health and Safety	4
3. Development and Training	4
4. Labor Standards	5
II. BUSINESS MANAGEMENT	6
1. Supply Chain Management	6
1) Selection of Suppliers	6
2) Quality Control of Materials	6
2. Product Responsibility	7
3. Anti-corruption	7
III. SOCIETY	8
1. Corporate Social Responsibility	8
2. Care for Employees	9
ENVIRONMENTAL IMPACT REPORT	10
I. Emissions	10
II. Use of Resources	11
III. Environment and Natural Resources	12



ABOUT THE REPORT

The report is the first Environmental, Social and Governance (“**ESG**”) Report (the “**Report**”) of Xiwang Property Holdings Company Limited (“**Xiwang Property**” or the “**Company**”, together with its subsidiaries, the “**Group**”). The Report covers the ESG approach and performance of the Group for the financial year ended 31 December 2016. The Group is primarily engaged in property development and sales business in Zouping County, Shandong Province. Its products comprise mainly high-rise residential properties, multistorey residential properties and the related auxiliary facilities.

The Report has been prepared in accordance with Appendix 27 “Environmental, Social and Governance Reporting Guide” of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”) and has complied with the “comply or explain” provisions set out in the Listing Rules.

The Report is reviewed and approved by the board of directors of the Company.

ESG MANAGEMENT APPROACH

The board of directors has delegated the ESG management of the Company to the Chief Executive Officer and established the dedicated working group for the investigation and monitoring of the related works. The board of directors provides guidance on corporate governance and sustainability issues on a regular basis. The Company has also established appropriate and effective risk management system and internal control system in compliance with the applicable regulations and rules.

ENGAGEMENT OF STAKEHOLDER

The strong relationship between the Group and the stakeholders is one of the critical factors in relation to its success. Our active interaction and communication with various types of stakeholders allow us to gather their feedbacks and opinions, so that we can meet their expectation for our operations and products. Currently, we incorporate ESG issues in our communication with them as required by the Stock Exchange.

In the preparation of the Report, we invited a wide range of stakeholders to participate in our ESG research, where they were asked to identify and assess the ESG issues that they considered to be important to the Company. Their opinions and comments formed the basis of this ESG Report and our ESG strategy.



I. HUMAN RESOURCES

1. Employment and Labor Standards

As at 31 December 2016, the Company had a total of 24 employees, including 3 non-executive directors and 3 independent non-executive directors. Among them, there are 8 management staff, representing approximately 33% of the total number of employees, 16 other employees, representing approximately 67% of the total number of employees. 2 senior management, representing approximately 8.3% of the total number of employees and 6 mid-level management staff, representing approximately 25% of the total number of employees.

The Company believes in the business philosophy of Health and Hope, Integrity, Sense of Crisis, and Happiness, is people-oriented and values the staff as its most valuable assets. The Code of Conduct for employees is strictly adhered to. Employees enjoy a pleasant working environment, a competitive remuneration package and benefits and a reasonable promotion path, such that they can stay healthy, realistic, innovative and ambitious.

The Company implements 8-hour working schedule and provides statutory holidays in compliance with the national regulations. The Company has standard and good recruitment system and process. A competition mechanism based on merits is put in place, which creates a positive environment for selection of talents and performance of employees' roles. It has established a flexible and vigorous employment mechanism.

A performance-based compensation system combined with various forms of distributions has been designed in accordance with national and local laws and regulations and internal rules and policies, with a view to attract and retain the most talented people needed by its business, allow employees to benefit from growth of the Company, bring into full play the effect of incentives, realize the strategic goals of the Company and help employees attain self-fulfillment.

Business management is efficiency-oriented and performance assessment of the staff is based on profit achieved. Performance-based pay applies to every staff member. The performance-based pay of production personnel is determined by key performance indicators (KPIs) including output, quality and safety, while those of other production management and management functions are determined by their personal KPIs, including competency, behavior and attitude. A proper performance communication and feedback mechanism is put in place to give employees feedback on their performance and benchmarks for comparison, advise and help them to improve and also motivate them to keep learning, manage themselves and work hard for a great career.

The Company observes national laws and regulations strictly and has formulated the corresponding management system required, including Employee Recruitment Management System, Compensation Management System, Employee Leave Management Measures, Employee Resignation Management Rules and Employment Contract Management Measures etc. Through these rules and measures, the Company manages procedures including the recruitment, appointment, performance assessment, incentives and constraints, break and leave of employees.

The Company pays social security contributions for the staff in full and in a timely manner as per national and local social security laws, regulations and policies.

2. Health and Safety

In 2016, the Company reported no incidents relating to production safety and there were no additional cases of occupational diseases. All employees were informed of the hazards of occupational diseases and the Company has continuously assessed and monitored the occupational diseases. All employees attended a physical checkup. The Company organized a series of activities, including hidden hazard identification and control, safety emergency response drill and employee safety education in order to mitigate and eliminate hidden hazards and all production safety efforts paid off and supported the realization of business goals.

The Company provides annual physical checkup for employees to protect against occupational diseases. In terms of system, a sound occupational health and safety management system has been put in place. The staff member on-site is provided with a set of personal protective equipment, including uniform, safety shoes, safety helmet, protective masks and gloves. Staff receives occupational health trainings on a regular basis, to strengthen their self-protection capabilities from occupational hazard.

3. Development and Training

Staff development and training are keys to the Company's success. Hence, the Company spares no effort and cost to create training opportunities for the staff, expand their promotion path and foster mutual growth of the staff and the Company.

Apart from trainings for new employees, the Company has cooperated with external training organizations actively. These organizations provide outbound special training for staff to open up their mind so that the work of the enterprises keeps up with advanced management model in the society. The Company has also introduced "Staff Learning System" of Jucheng and provided accounts of online learning for every management staff to meet the extensive development requirement of management staff.

To avoid mindless training, the Company pays attention to the research of demand for training and makes comprehensive investigation so that the training is more directed and a training system which caters to the need of staff is established. The Company has organized a series of training activities, including leadership skills course and three phrases of 4-tier talent training course, which were rich in content, emphasized on both theory and practical sides and delivered more targeted outcomes. The Company held trainings in different forms, such as thematic seminars, case study, dialogue and exchange. The 30-session course was attended by 170 participants and achieved outstanding training results.



4. Labor Standards

All employees of the Company are domiciled in China. The Company complied with the relevant regulations of the Labour Law and no breach of the Labor Law or any other applicable standards or regulations occurred during the term of employment of the employees. Salaries, overtime pays and relevant benefits are all paid as per local minimum (maximum) wage standards. Ordinary employees are aged between 18 and 50. No child labor is used in any form. When there are vacancies, we will first consider internal promotion. Employees are hired in a fair, open and impartial manner, on the basis of the principle of competition on equal footing and the fittest win. The human resources system of the Company is becoming more scientific and appropriately designed.

The Company strictly enforces a non-discriminatory employment policy. Every staff member is treated equally, free from any form of discrimination due to their social identity such as nationality, race, sex, religion, age, political party and marital status when it comes to employment, compensation and promotion. An inclusive win-win work environment is created and valued.

Compliance with the Law on Employment Contracts is highly respected. An employment contract is signed with every staff member within one month after they join the Company. All employees have signed a contract with the Company and they are covered by basic pension insurance, health insurance, unemployment insurance, employment injury insurance and maternity insurance in order to allow them to share the achievements of the Company, which contribute to a harmonious employer-employee relationship.



II. BUSINESS MANAGEMENT

1. Supply Chain Management

The Company has developed Procurement Management Procedures or Manual. All materials are purchased by the Company's Materials Office in a centralized manner by following the Company's inquiry, bid and contract signing procedures. Suppliers' services are traceable throughout the procurement process and their performance is monitored and assessed. Suppliers are assessed based on their capital adequacy, delivery capability, credit terms, quantity and quality of products delivered, execution of contract and creditworthiness etc. According to the results of the assessment, the Company will determine whether a supplier is qualified for admission into the Contract Supplier Catalogue. Any supplier that fails to meet the standards shall not be included in the catalogue.

1) *Selection of Suppliers*

The Company reviews the information of suppliers first, including the business licence, respective qualification certificate and production permit of special products to understand the qualification of the enterprise. It also evaluates the technique and quality of the enterprise according to the technique procedures, technical standard, quality control measures, adjustment card and inspection record of each procedure etc.

The Company conducts on-the-spot investigation for the qualified suppliers and comprehensive tests in relation to the advanced nature of the supplier's production workshop and equipment, performance of employees, storage of raw materials and finished products, quality control and inspection procedures are conducted.

2) *Quality Control of Materials*

When the construction materials are delivered, the original copy of factory's product certification must be provided. Professionals of the Company's quality control department, supervision unit and construction unit conduct site acceptance and tests about the specifications, model number, appearance and technical requirement. In the case of materials required to be retested, sampling of materials will be carried out and the sample will be sent to be tested by testing organizations that have testing qualifications. The unqualified materials are not allowed to be transported to the building site and the suppliers will be punished accordingly.

2. Product Responsibility

The Company, at the time of delivery, provides owners with Construction Completion Filing Form, household acceptance check form, floor area field measurement report and indoor environment test report, as well as Residence Quality Warranty and Residence User Guide as per the applicable regulations in the People's Republic of China.

All houses delivered are monitored and inspected through local quality supervision department according to national regulations. From the date of delivery of residential apartments, the Company undertakes the maintenance responsibility during warranty period for foundation, water-proof work, outer wall, supply of heat and cooling as well as piping for free within the prescribed time limit and in the case of normal wear and tear, the Company is responsible for completion of maintenance within commitment period. If the quality of the structure is substandard and the house cannot be restored, the house will be refunded or changed after the inspection of qualified professional departments. As at 31 December 2016, the Company has no record of any refund due to the house's quality.

For the advertising of newly developed houses, the Company is in strict compliance with the national laws of Provisions on the Release of Real Estate Advertisements, Advertising Law of the People's Republic of China, Urban Real Estate Administration Law of the People's Republic of China and Land Administration Law of the People's Republic of China. During the reporting period, as the Company has no item for sale, no advertising has carried out.

3. Anti-corruption

No litigation involving corruption, bribery, fraud, illegal fund-raising or money-laundering etc., against the Company occurred in the year. In order to tighten supervision over employees and combat economic crimes, the Company has formed an Economic Affairs Discipline office reporting to General Manager directly. Any employee may report any breach of the laws and rules, including dereliction of duty, misconduct, abuse of power for personal gains or taking or offering bribe, committed by any other member of the Company which are detrimental to the Company's interests by mail, telephone or face to face meetings etc. Meanwhile, the Company has launched Xiwang Forum which serves as an online watchdog by employees. The Company has also unveiled Leadership Code of Ethics and imposed five Leadership Anti-corruption Statements, to change leadership style and completely eradicate corruption.



III. SOCIETY

1. Corporate Social Responsibility

As part of our ongoing commitment to corporate social responsibility, the Company has assumed more and more social responsibilities and provided more services and contributions to the society while the Company is developing of its business.

With respect to environmental protection, the Company intensifies its resource saving and environmental protection efforts, discharges its energy saving and emission reduction responsibility diligently, develops the cyclic economy, implements clean production, maximizes energy efficiency in order to drive economic growth without putting the ecological environment at stake.

With respect to charity, the Company combines charity with its business development strategy and spiritual civilization development, and builds up its inner strength consistently. The Company organizes regular donations and poverty relief initiatives every year.

For the projects developed and sold by the Company, we not only maintain good cooperation with the property management company of the projects and solve problems of owners, but also organize entertainment activities including painting and calligraphy exhibition and summer party and enhance interactivity and communication with owners. For families with difficulties, the Company arranges staff to visit them in festivals such as Mid-Autumn Festival and Chinese New Year to know their need and provide some household goods.

2. Care for Employees

The Company shows increasing care for employees in terms of both hardware and software, by enriching the cultural pastimes of the management and the staff, stimulating their passion for their career and making the Company more united and efficient.

In terms of hardware, the Company makes available a comfortable, well-lit, safe and healthy work environment, and a lot of amenities, including dormitory, canteen, bathroom, library, clinic, and badminton and table tennis facilities, to build a safe, carefree and comfortable Xiwang community.



The in-house clinic provides annual physical check and everyday medical services to the staff.



The in-house library provides a place where the staff can keep pursuing knowledge.



The Company has its own volleyball court and badminton gym and organizes matches on holidays, to allow employees to learn from each other's skills and enhance their friendship.



ENVIRONMENTAL IMPACT REPORT

The Company seeks to minimize the potential adverse impact of its activities on the environment, and constantly improves environmental protection methods and measures as per the applicable rules in the People's Republic of China. It cuts the consumption of energy and other resources, reduces and recycles wastes, and encourages staff to act responsibly for the environment.

I. Emissions

Major emissions of Xiwang Property are dusts and other wastes in the site of construction unit. Accordingly, the Company establishes a comprehensive management system to ensure compliance with environmental protection standard in construction site.

1. The head of good construction practices leadership group has the primary responsibility for dust pollution control and assigns a person to take charge of this.
2. Main access roads at sites and major premises are all paved with concrete.
3. Construction wastes must be collected and transported in appropriate containers. Discharging of waste in the air is forbidden. Wet cleaning of sites and floors and dismantling of scaffolds are required. Construction wastes must be cleared and taken out as per the requirements of the competent authorities.
4. After earthwork begins, soil must be stacked together and if stored for more than one month, it shall be covered, hardened or plants shall be grown thereon. In the case of temporary storage, persons must be delegated to water it to reduce dust.
5. During seasons that tends to raise dust, construction sites must be watered from time to time to reduce dust. In the case of strong wind rated level-5 or above, earthwork and any other work that tends to raise dust must be discontinued.
6. Where construction is going on in a downtown area, commercial concrete should be used to reduce dust. Where a concrete mixer has to be used because of physical restrictions with the permission of the construction administration department, effective methods must be applied to prevent or minimize dust, such as enclosure or watering. Projects located outside the downtown shall meet the foregoing requirements as much as possible.
7. Construction sites must be zoned and cleaned by responsible persons to stay clean all the time.



II. Use of Resources

1. Xiwang Property uses new technologies, processes, materials and equipment recommended by the government for energy-efficient civil buildings, and restricts or bans the use of energy-intensive technologies, processes, materials and equipment.
2. Before the construction of a project commences, a drawing review meeting is held to examine details related to frugal use of materials and resources, making sure materials wastage is 30% lower than the rated wastage rate. Depending on the project's progress and inventory level, the purchase, delivery and production lot of materials are scheduled appropriately to minimize stock-building. Materials are stacked orderly on site in a desirable environment and with proper protections. Sound safekeeping measures are in place and responsible persons are clearly appointed. Materials are transported using vehicles well suited for that purpose and are loaded and unloaded properly to prevent damage or spillage. Materials are unloaded at the nearest possible place to where they are intended to be used according to the site plan, to prevent or minimize the need for second movement. Technologies and management approaches are applied to increase calibrations of templates and scaffolds. The installation work of reserved and pre-cast pipeline routes are optimized. Materials are locally sourced wherever possible. Building materials produced within 500 km of the construction sites should take up more than 70% of total weight of building materials used.
3. Construction sites are equipped with an advanced water-efficient construction system. The water pipeline is laid out based on water consumption. The pipeline located in the landscape river is streamlined and effective methods are adopted to minimize leakage or wear of pipes and water-using devices. On construction sites, a water harvesting and processing system that is able to recycle water in a step-wise manner is installed.
4. Energy consumption indicators of good construction practices are defined, construction is made more energy efficient, construction machines and tools recommended by the government and the industry as being energy saving, efficient and environment-friendly are preferred, power consumption control indicators are set for production, living, office and construction equipment separately and measurement, review and comparative analysis are carried out regularly.
5. A set of good practices of construction equipment management are outlined, power and oil consumption are gauged, equipment files are well preserved, and regular servicing and maintenance are done timely and properly to keep equipment in a low energy-consuming and efficient state. Construction machinery equipment with power rating matching the desired load is used to prevent high-power equipment running at a low load for an extended period of time. Work steps are arranged in a proper order to maximize utilization rate and full-load rate of all sorts of equipment and reduce unit energy consumption.
6. All temporary structures on construction sites intended for production, living and office uses are properly designed in terms of layout, orientation, spacing and window-to-wall area ratio, by making the most of natural conditions to provide the best possible day lighting and ventilation. Temporary structures are built using energy-efficient materials, and materials providing good insulation are used for the surfaces to minimize the use of air-conditioners in summer and heaters in winter and reduce energy consumption. The quantity of heating, air-conditioning and ventilation devices is rationed and the time available for use is specified, to save power.

7. Temporarily Used Land Protection

The construction plan of deep foundation pits is optimized to reduce excavation and backfill, minimize land disturbance and protect the surrounding natural ecology and environment. Where any land located beyond the red line needs to be used temporarily, uncultivated land or abandoned land should be used as much as possible and occupation of farm land or arable land should be minimized. The existing vegetation located within the plot under construction should be utilized and protected.

The construction site plan should be well-designed, to make the most of existing buildings, structures, roads and pipeline. Mixing plant, warehouse, processing plant, workshop, and materials stack yard on site should be located by existing, to-be-completed roads or temporary roads, to shorten haul distance. Lightweight prefabricated steel removable walls should be assembled and used to enclose construction sites continuously, to minimize construction wastes and protect the land. Temporary structures should be deployed properly, giving consideration to short-term and long-term plans (current phase and next phase), so as to minimize and eliminate the need for building up or pulling down a lot of temporary structures or moving the whole site.

III. Environment and Natural Resources

1. The Company with firstly carry out an environmental impact evaluation of its processes, technologies, equipment and raw materials in the course of design, technical renovation and procurement of raw materials, to make sure every step complies with environmental protection standards.
2. The Company uses advanced technologies and high-quality raw materials for the purpose of energy saving. Moreover, environment-friendly advanced machines and technologies are used to increase investment in environmental protection, develop the cyclic economy, reduce pollutants in a systematic way and protect the environment and eco-system.
3. The Company seeks to heighten the staff's environmental awareness by means of environmental protection events, education and trainings. It sticks to the environmental philosophy of "Energy Saving, Consumption and Waste Reduction, Cyclic Economy, Green and Ecology-friendly Xiwang", which is designed to protect the environment and pay back the society.