

Zhongtian International Limited
Environmental, Social and Governance Report
For the year ended 31 December 2017

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I. **About This Report**

The purpose of this Environmental, Social and Governance (hereinafter called “ESG”) Report is not only to communicate the sustainability strategies, management approaches and performances of Zhongtian International Limited and its subsidiaries (collectively the “Group” or “we”) with the stakeholders, but also strengthen the Group’s understanding towards their ongoing activities in sustainable development of the society and the environment as a whole. This ESG Report summarizes the efforts and achievements made by the Group in corporate social responsibility and sustainable development.

The Group hopes to develop its business objectives and creates shareholder/investor value, while at the same time protects the ecological environment by fully utilizing resources and minimizing the emission of pollutants during operation. As a responsible and visionary corporate citizen, we have to balance the relationship between operations and environment by continuously optimizing operations management, business strategies and policies on environmental protection, training and development, and community investment; and contribute towards the sustainable development of the globe, human being and our business.

Scope and Period of Reporting

This ESG Report covers the Group’s business in the properties investment and mortgage financing and presents the Group’s strategic approach to sustainability and performance in the environmental and social aspects of the above business. A summary of the environmental indicators and the performance data are listed out at the “Environmental Performance Data Summary”. The reporting period is for the financial year ended 31 December 2017.

Reporting Guidelines

This ESG Report has been prepared in accordance with the updated Environmental, Social and Governance Reporting Guide issued by The Stock Exchange of Hong Kong Limited, as set out in Appendix 27 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

II. **Environmental Protection**

The Group always adhered to the management philosophy of sustainable development, and has been devoted to care for and protect the natural environment. In order to let employees know the importance of our environmental impact, we continue to adopt various measures and actions in reducing carbon footprint. We will continue to support in reducing impact to the environment from daily lives and business activities. We also hope that every staff can start from themselves, convey the message of protecting the environment to their families, friends and business partners; alleviate climate change and contribute to environmental protection together.

1. **Management of Emissions**

In the Group's business activities, energy consumption accounts for a large part of greenhouse gas emissions. In order to realize the goal of energy conservation and emission reduction, we reduce energy consumption, improve energy efficiency and reduce environmental impact by undertaking various energy saving measures (refer to the section "Management of Resources Utilization" below for details). Waste management mainly involves domestic wastes and collection of waste paper for recycling. The Group's business will not cause any hazardous waste and air pollution. Our impact of water discharges on the environment is not significant.

2. **Management of Resources Utilization**

The Group recognizes its responsibility to protect the environment in the course of its operation and continually seeks to identify and reduce environmental impacts attributable to its operational activities. We set up various measures to raise the awareness of the employees to understand the importance of resource conservation. They are encouraged to make full use of resources, to maximize their effectiveness and to avoid wastage of resources.

Conservation of Energy

We emphasize on saving electricity by promoting the use of energy-efficient lighting. We use intelligent lighting and encourage our employees to switch off air conditioners, computers, personal electronic devices and common office equipment when they are not in use. We endeavor to keep all electronic appliances well-maintained in our offices and use electricity power effectively.

During the reporting period, the Group's business consumed approximately 116 megawatt hours of electricity, approximately 1 tonne of diesel and approximately 13 tonnes of gasoline. With reference to the guidelines of the Greenhouse Gas Protocol and the regional emission factors, greenhouse gas emissions are calculated from the above-mentioned data. In terms of total carbon dioxide emission, Scope 1 emissions are approximately 23 tonnes and Scope 2 emissions are approximately 116 tonnes.

II. Environmental Protection (Continued)

2. Management of Resources Utilization (Continued)

Management of Water

Water conservation should start from daily life. We raise the consciousness of staff about efficient use of water by posting “save water” sign in pantry, and reducing waste of potable water. During the reporting period, the Group’s business consumed approximately 193 tonnes of water.

Management of Paper

We promote saving papers and avoid wastage through unified purchasing. We distribute files in electronic format to minimize photocopying and printing; fully utilize paper by reusing single-sided papers and collecting double-sided printed papers to recycler for handling. During the reporting period, the Group’s business consumed approximately 0.22 tonne of paper.

Compliance

During the reporting period, there were no confirmed non-compliance incidents in relation to environmental protection that have a significant impact on the Group.

3. The Environment and Natural Resources

The impact of the Group’s business activities on the environment mainly attributed to the use of natural resources in office. Hence, we focused on the environmental education and advocacy among staff. Various resources saving measures are implemented to raise the awareness of our people to understand the importance of resource conservation. They are encouraged to make full use of resources, to maximize their effectiveness and to avoid wastage of resources. Please refer to “Management of Resources Utilization” above for details.

III. **Employment and Labor Practices**

The Group believes that employees are our most important partners, recruitment and retaining talents are critical for our long-term business development. When we formulate our human resource strategies, we devote to establish a comprehensive management system in providing a harmonious and comfortable work environment, and create fair, equitable and open atmosphere within the Group. We aim at building good relationship with our employees based on mutual respect. To achieve this, we create opportunities to attract, develop, retain and reward our talented staff by offering them, under different conditions, commensurate remuneration, personal growth and career development training, and fringe benefits.

Talent Selection

We always protect human right, privacy of staffs, and prohibits discrimination. We devote to build a fair, equal, open and diversified corporate culture, so that our people can respect and learn from each other; making progress together under the healthy competitive atmosphere. During staff recruitment, morality, knowledge, ability, physical fitness and job requirements are used as the selection standards. The Group provides equal opportunities to employees in promotion, performance appraisal, training and career development and are not discriminated against because of their race, sex, age, nationality, religion, etc. Our employees are considerate, supportive and tolerate; who help us developing our business steadily and have a positive impact on our future sustainable development.

Labor Standards

The Group respects human rights and strictly prohibit any unethical hiring practices, including child labor and forced labor in the workplace. Policies and procedures are established to comply with the relevant labor laws and regulations. During the recruitment process, we review the identity documents of the applicants and never hires any applicant below the legal working age. The work hours of staff are in line with the relevant local labor laws and regulations. Staff consent for working overtime is needed so as to prevent forced overtime work; and they are compensated in accordance with the requirement of the relevant laws and regulations.

III. **Employment and Labor Practices (Continued)**

Compensation and Welfare

The Group attracts and retains outstanding talents with competitive remuneration packages and regularly examines their salary levels to ensure it is up to standard. The Group collects up-to-date remuneration data within their industry and strives to establish a fair, reasonable and competitive remuneration scheme. Staff salary level is determined based on one's knowledge, skills, job scope and performance. Basic remuneration of staff includes fixed salary, subsidies (such as lunch allowance, transportation and mobile phone charge subsidies), annual leave and so on. We strictly comply with the national and local labor laws and regulations. Employees are entitled to annual leaves, sick leaves, marriage leaves, funeral leaves, maternity leaves and other leaves (such as leaves for parents' meeting, maternity checkup, etc.). We prepare and plan for our employees' retirement and participated in the social security scheme including the "five insurance and housing provident fund". We also provide other benefits, such as festivals welfare benefits. Work hours of staff are in line with the local laws and regulations. We dismiss employees and compensate them in accordance with the national laws and regulations.

Development and Training

The Group has always attached importance to talent, committed to training and development of staff, and encourage self-enhancement. We provide on-the-job training and mentorship for new hires to help them adapting to the new work environment quickly, and enhance team's cohesion. Training of new hires includes organizational structure, corporate culture, policies and procedures, business ethics and conduct, industry knowledge, job responsibilities and services. During the reporting period, we conducted business process practice training to our employees.

Health and Safety

We take a comprehensive preventive approach to staff health and work safety, including illness and injury prevention. We strictly prohibit smoking in the office areas; and participate in the fire drill organized by the property management company bi-annually. We also provide work-related injury insurance to staff.

Compliance

During the reporting period, the Group did not have violations relating to labor practices.

IV. Operating Practices

Supply Chain Management

We believe that building a sustainable supply chain can create value for our employees, suppliers, communities and our clients. We emphasize on facilitating the interaction and communication with our suppliers. In order to establish an efficient and green supply chain with our suppliers, we aim at maintaining long-term strategic and co-operative relationships with those counterparties with good credit history, reputable, excellent product or service quality, proven track records of environmental compliance and sound commitment to social responsibility. We conduct periodic reviews on the performance of our suppliers so as to achieve effective control over our service quality.

Service Responsibility

We have been dedicated in providing high quality and professional services with the highest degree of integrity to our tenants at competitive rates for the property leasing business. In terms of sustainability, tenants' satisfaction is vital to our growth in the future. We implement various measures in our operation to achieve this target.

We formulate policies and procedures to deal with tenants' complaints proactively. Tenants can send us their complaints in person, or through channels like in writing, telephone, or email. In order to have the complaints handled properly, we find out and understand the issues in detail (like complaints about the equipment in the leased properties, staff attitude problem, service quality issue, unexpected incidents, etc.). Customers' complaints relating to the equipment in the leased properties mainly include air-conditioning, illumination, water supply, electricity supply, elevator and so on. We inspect, repair and maintain the equipment regularly to reduce the chance of incidents. When we receive the tenants' complaints involving equipment, we carry out inspection on-site, take appropriate actions, assign designated staff to follow up the issue and keep the tenants informed about the progress. This is to ensure that our tenants are satisfied with our services. Unexpected incidents include water leakage into the leased properties due to rain, car scratch in the parking area and so on. We try our best to resolve the complaints. We inform tenants sincerely and patiently hoping they understand us if we are unable to resolve their complaints.

We have established policies and procedures to protect tenants' privacy with reference to the requirement under the Personal Data (Privacy) Ordinance in Hong Kong. We handle tenants' personal information with integrity and caution. Tenants' details are maintained by assigned staff and they have to fulfill the requirements of confidentiality. Copying of tenants' information is not allowed unless approval from General manager or Deputy General manager is obtained. Staff are warned, penalized with performance pay deducted for unauthorized disclosure of tenants' information. In case that the incidents are so severe that led to significant economic loss, the staff will be dismissed and required to compensate the company partially for the loss resulted.

During the reporting period, the Group did not have significant issues relating to violations nor received any complaints concerning breaches of customer privacy and loss of data.

IV. Operating Practices (Continued)

Anti-corruption

To comply with relevant laws and regulations, we established internal guidelines on anti-corruption (including anti-bribery, extortion, fraud, money laundering and so on) and set up a comprehensive disciplinary monitoring system to cover our operation, and report to the management in strict confidence about any suspected personal interests relating to carrying out one's job duties, briberies, extortion, frauds, money laundering and other illegal acts. We are determinant in combating corruption and contribute in building a clean society.

During the reporting period, the Group and our employees did not involve in any litigation cases of corruptions.

V. Community Investment

We actively contribute with a will to build a sustainable and harmonious society. We organize volunteer work, donate and subsidize those in need. Ever since our establishment, we are responsible taxpayer and offer job opportunities to local people to release the pressure from unemployment. We prepare and plan for our staffs' retirement, established staff retirement plan and paid "five insurances and housing provident fund". We run our business following good practices, actively promote green energy-saving and environmental friendly concepts, and achieve a good development order; and to some certain extent, we have contributed to social stability and building a harmonious community.

VI. Vision Outlook

As a good corporate citizen, the Group hopes to balance between achieving the corporate economic goals and business objectives, and to fulfill their social responsibility. The Group will continue to pay attention to environmental protection, employee care, service quality and community contribution so as to create niche for sustainable development.

As for environmental protection, the Group will endeavor to comply with the stringent environmental protection laws and regulations, and actively promote and participate in various environmental protection activities. When it comes to employee care, the Group will put employee satisfaction and work safety as our top priority. Through ensuring occupational safety and a competitive system, the Group aims to attract more talents in the technical and management arenas. As far as service quality is concerned, the Group will continue to put resources to provide customers with high quality services. For community contribution, the Group is committed to fulfilling its social responsibility by participating in charitable activities and promoting the community's sustainable development.

The Group aims at becoming a respectable enterprise, and hopes to improve business performance and create more meaningful value for our stakeholders through implementing sustainability strategies.

VII. Environmental Performance Data Summary

	Unit	2017/18
Greenhouse gas emissions:		
Scope 1	Tonnes	23.32
Scope 2	Tonnes	115.96
Air emissions:		
Nitrogen oxides	Tonnes	1.85
Sulfur oxide	Tonnes	0.16
Particulate matters	Tonnes	0.24
Energy and water consumption:		
Electricity	Megawatt hours	115.96
Diesel	Tonnes	0.76
Gasoline	Tonnes	12.67
Water	Tonnes	193.49

VIII. **"Environmental, Social and Governance Reporting Guide" by Hong Kong Stock Exchange**

Key Performance Indicators ("KPIs")	Reporting Guideline	Page
A. Environmental		
Aspect A1	Emissions	
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste.	2
KPI A1.1	The types of emissions and respective emissions data.	2
KPI A1.2	Greenhouse gas emissions in total (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	9
KPI A1.3	Total hazardous waste produced (in tonnes) and, where appropriate, intensity ¹ (e.g. per unit of production volume, per facility).	N/A ²
KPI A1.4	Total non-hazardous waste produced (in tonnes) and, where appropriate, intensity ¹ (e.g. per unit of production volume, per facility).	9
KPI A1.5	Description of measures to mitigate emissions and results achieved.	2
KPI A1.6	Description of how hazardous and non-hazardous wastes are handled, reduction initiatives and results achieved.	2
Aspect A2		
General Disclosure	Policies on the efficient use of resources, including energy, water and other raw materials.	2 – 3
KPI A2.1	Direct and/or indirect energy consumption by type (e.g. electricity, gas or oil) in total (MWh) and intensity (e.g. per unit of production volume, per facility)	9
KPI A2.2	Water consumption in total and intensity (e.g. per unit of production volume, per facility).	9
KPI A2.3	Description of energy use efficiency initiatives and results achieved.	2 – 3
KPI A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency initiatives and results achieved.	3
KPI A2.5	Total packaging material used for finished products (in tonnes) and, if applicable, with reference to per unit produced.	N/A ²
Aspect A3	The Environment and Natural Resources	
General Disclosure	Policies on minimizing the issuer's significant impact on the environment and natural resources	3
KPI A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	3

VIII. "Environmental, Social and Governance Reporting Guide" by Hong Kong Stock Exchange (Continued)

Key Performance Indicators	Reporting Guideline	Page
B. Social³		
Aspect B1	Employment and Labor Practices	
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare.	4
Aspect B2	Health and Safety	
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to providing a safe working environment and protecting employees from occupational hazards.	5
Aspect B3	Development and Training	
General Disclosure	Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.	5
Aspect B4	Labor Standards	
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child and forced labor.	4
Aspect B5	Supply Chain Management	
General Disclosure	Policies on managing environmental and social risks of the supply chain.	6
Aspect B6	Product Responsibility	
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress.	6

VIII. "Environmental, Social and Governance Reporting Guide" by Hong Kong Stock Exchange (Continued)

Key Performance Indicators	Reporting Guideline	Page
B. Social³		
Aspect B7	Anti-corruption	
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering.	7
Aspect B8	Community Investment	
General Disclosure	Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests.	7

Notes:

- 1 The Group's main business is properties investment and mortgage financing and not engages in any production activity. Hence, we recognize that the meaning of "intensity" to the Group is not great.
- 2 The Group's main business is properties investment and mortgage financing. We did not generate any hazardous wastes and use any packaging materials.
- 3 Pursuant to Appendix 27 of the "Main Board Listing Rules", the KPIs under Area B "Social" are recommended disclosures only. Therefore, the Group choose not to disclose those KPIs in this report.