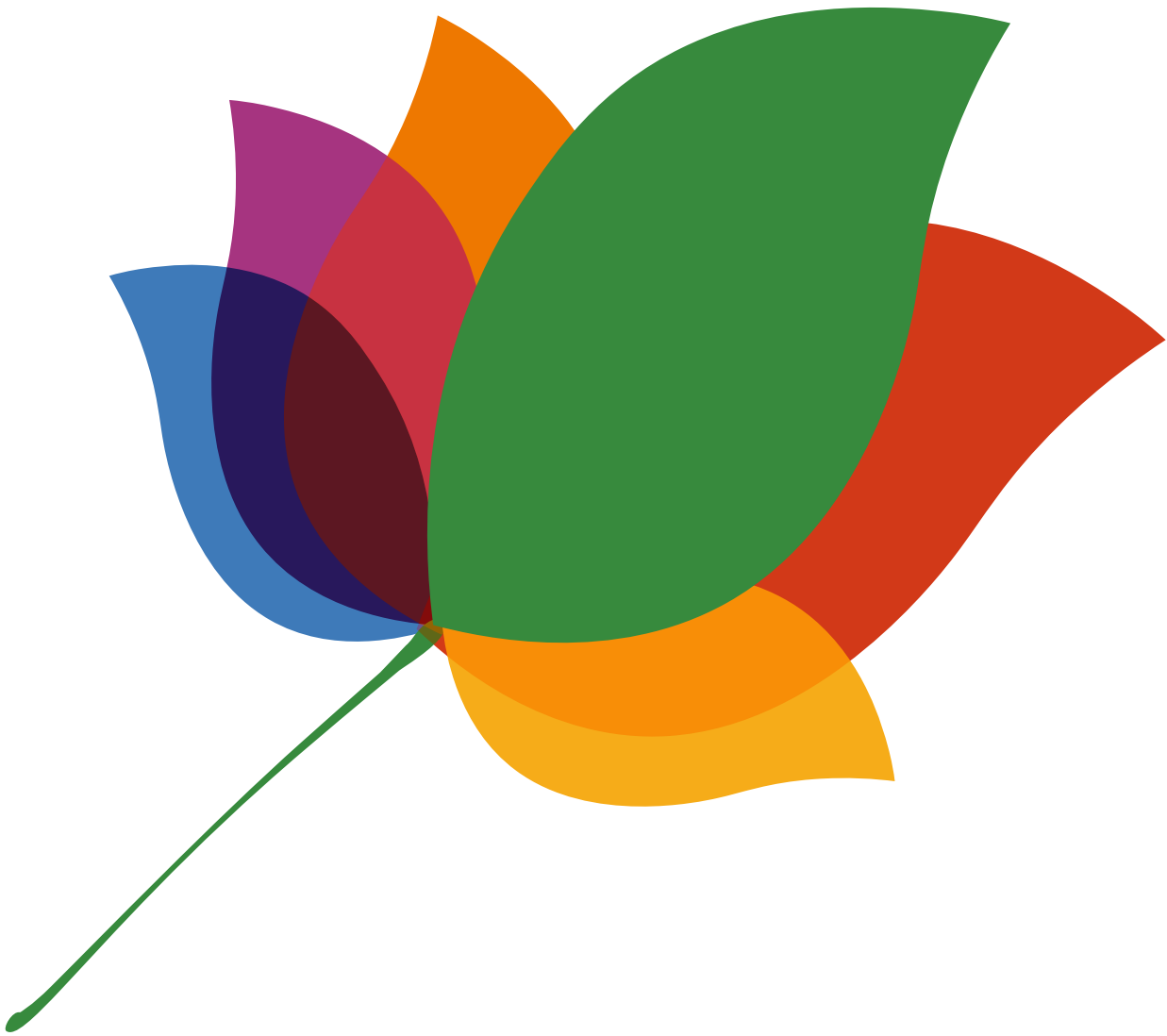


# LESSO 联塑

CHINA LESSO GROUP HOLDINGS LIMITED  
中國聯塑集團控股有限公司

Incorporated in the Cayman Islands with limited liability  
於開曼群島註冊成立的有限公司





## ABOUT THIS REPORT

This is the third corporate social responsibility report by China Lesso Group Holdings Limited and its subsidiaries. The report systematically explains the company's philosophy of corporate social responsibility, and its practices and performance in fulfilling its corporate social responsibility towards shareholders, customers, business partners, the environment, employees and society. It also covers the company's outlook for its endeavors to serve customers and society.

2017

### PERIOD COVERED BY THIS REPORT

This report principally covers a period from 1 January 2017 to 31 December 2017, and part of both the previous financial year and the year 2018.

2017 1 1 2017 12 31

### SCOPE OF THIS REPORT

This report covers the performance of China Lesso Group Holdings Limited and its domestic subsidiaries, but does not include that of its overseas subsidiaries.

### DEFINITIONS

For the purposes of expression and readability, "China Lesso Group Holdings Limited and its subsidiaries" are referred to as "China Lesso", "Group", "Company" or "We" in this report.

### BASIS OF PREPARATION

*Environmental, Social and Governance Reporting Guide* of The Stock Exchange of Hong Kong Limited  
*G4 Sustainability Reporting Guidelines* of Global Reporting Initiative

GRI G4

### DECLARATION OF THE TRUTHFULNESS, ACCURACY AND COMPLETENESS OF THE DATA

The Company gives its assurance that the contents of this report, for which the Company accepts full responsibility, are true, accurate and complete, and are free of any false statements, misleading representations or material omissions.

### CURRENCY

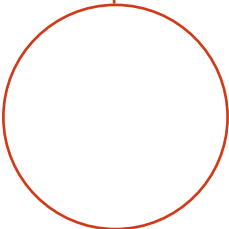
Unless otherwise specified, the currency in which the financial data are reported is Renminbi ("RMB").

### ACCESS TO THE REPORT

This report is available in both Chinese and English. An electronic copy of this report can be downloaded at China Lesso's website ([www.lesso.com](http://www.lesso.com)).

[www.lesso.com](http://www.lesso.com)

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## CHAIRMAN'S MESSAGE

My sincere thanks for your continued care and support for China Lesso. In 2017, China Lesso answered the call of the State to seize the developmental opportunities brought by the implementation of important national strategies such as the "Belt and Road", rural prosperity and green development, as well as the promotion of national key plans such as underground piping systems, sponge cities and water pollution controls, and achieved sound development for the Group while actively performing its social responsibilities, serving society with better products, more diversified services, sincere cooperation, greener operations and passion for charitable causes, and strived to realize sustainable development for the Group and society.

2017

In order to meet the needs of customers, we strictly control product quality, focus on safe production, build a powerful innovative platform and scientific research team, develop emerging products to satisfy the demands of both the market and customers, and strive to provide general customers with diversified and high-quality building materials and home furnishings for comfortable living.

Upholding the tenet that customer satisfaction is our top priority, we integrate multiple resources from The Mall industry, create a channel combining the online display of products with offline experience and services of the physical mall, and provide more families all over the world with considerate one-stop services. We actively protect customers' legitimate rights and interests, to put a satisfied smile on every customer's face.

We actively promote the supply chain to improve its performance capability, implement supplier management, motivate contractor performance, establish a platform for multiple communication and cooperation, build cooperative relationships with governments, enterprises, colleges and universities as well as international entities, and boost mutual growth and prosperity between the upstream and the downstream of the industrial chain.

9dWW VWhWab\_ W f fa VWWV V fZWW h[da` \_ W fž We relentlessly perfect environmental management, implement green operations, endeavor to lower the consumption of energy and resources during production and operation, and speed up the construction of an eco-friendly enterprise, to contribute to the construction of a beautiful China.

5a\_ \_ [ffVW fa UZSd[fST^WUSgeWé fa e[ UMMk Y[hWTSU] fa fZWeaU[Wkž While striving for our own development, we repay society through poverty alleviation, voluntary services, support for educational causes and other charitable activities to spread kindness and generosity to all residents, develop a warm and harmonious atmosphere, and make great efforts to contribute to social harmony.

5SdWS` V ^ahW Ydai [ Y S` V VWhWab[ Y faYVZWé We respect every employee, endeavor to protect employees' rights and interests, provide a healthier and safer environment to work in, and build an extensive platform for employees, actively balance the professional and personal lives of employees, achieve shared growth between the employee and the Group, and assist employees to realize their personal values.

China Lesso's development is inseparable from your support and understanding. In 2018 we will continue our efforts, walk together with you side by side and build a relaxing life for home builders with quality Lesso products!

2018

# ABOUT US

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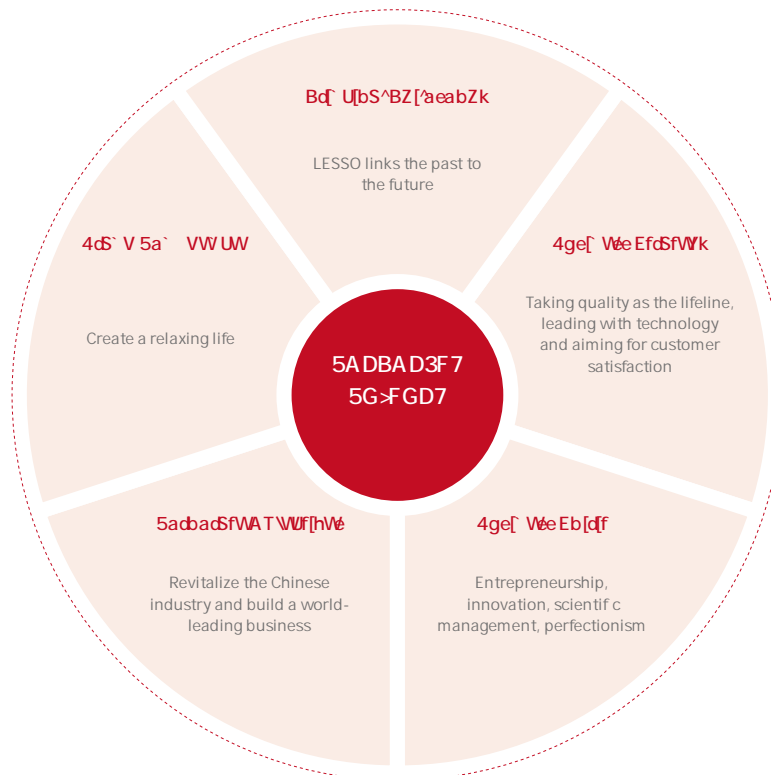
China Lesso Group Holdings Limited (stock code: 2128) is a large-scale industrial group that manufactures building materials and interior decoration products in China. The Company was listed on the main board of the Stock Exchange of Hong Kong Limited (SEHK) in June 2010. Headquartered in Shunde, Guangdong province, the Group has 22 production bases in 16 provinces across China, including Guangdong, Guizhou, Sichuan, Hubei, Jiangsu, Anhui, Zhejiang, Henan, Hebei, Jilin, Shaanxi, Xinjiang, Hainan, Yunnan, Shandong and Hunan; and it has a nationwide distribution network. The Group's products are classified into four categories, namely plastic pipes (a full range of plastic pipes and pipe fittings applied to such fields as water supply, drainage, power supply and telecommunications, gas transmission, floor heating, fire service and agriculture, etc.), building materials and interior decoration products (a comprehensive solution that comprises the design, production and installation of sanitary fittings and ware, integrated kitchens, integrated doors and windows, decorative plates, fire-fighting equipment and hygienic materials; and interior decoration and related services), environmental protection business (municipal sewage, river management, soil remediation, underground piping system, infrastructure of a sponge city and production and installation of integrated water purification equipment, etc.) and sales and distribution services (Lesso Home).

2128  
2010 6

22

16

## 5ADBAD3F7 5G>FGD7



4D3@6 3D5: ;F75FGD7



"Lesso" represents such aspects as "Link, Easy, Safe, Share and Open" of China Lesso's corporate culture. The corporate logo in red symbolizes the vibrancy and sustainability of life, and reflects the vitality, passion and prosperity of China Lesso. It also represents our employees' tireless endeavor to build a booming business

LESSO

# LESSO

Agd4dS` Ve

## LESSO 联塑

Plastic pipes, valves, sanitary ware products, sealant, fire-fighting equipment, of shore aquaculture cages

Integrated kitchens, integrated wardrobes, water purification equipment, wooden doors, systems of doors and windows, decorative plates, integrated heating system

Environmental protection consultation, environmental assessment, design, construction, operation and monitoring

Furniture, building materials, ceramics, sanitary products, accessories, lighting, cupboard, hardware, curtain, etc.

Sanitary ware products

Mass production of interior decoration equipment

Steel-plastic composite pipes, galvanized pipes

Sanitary materials

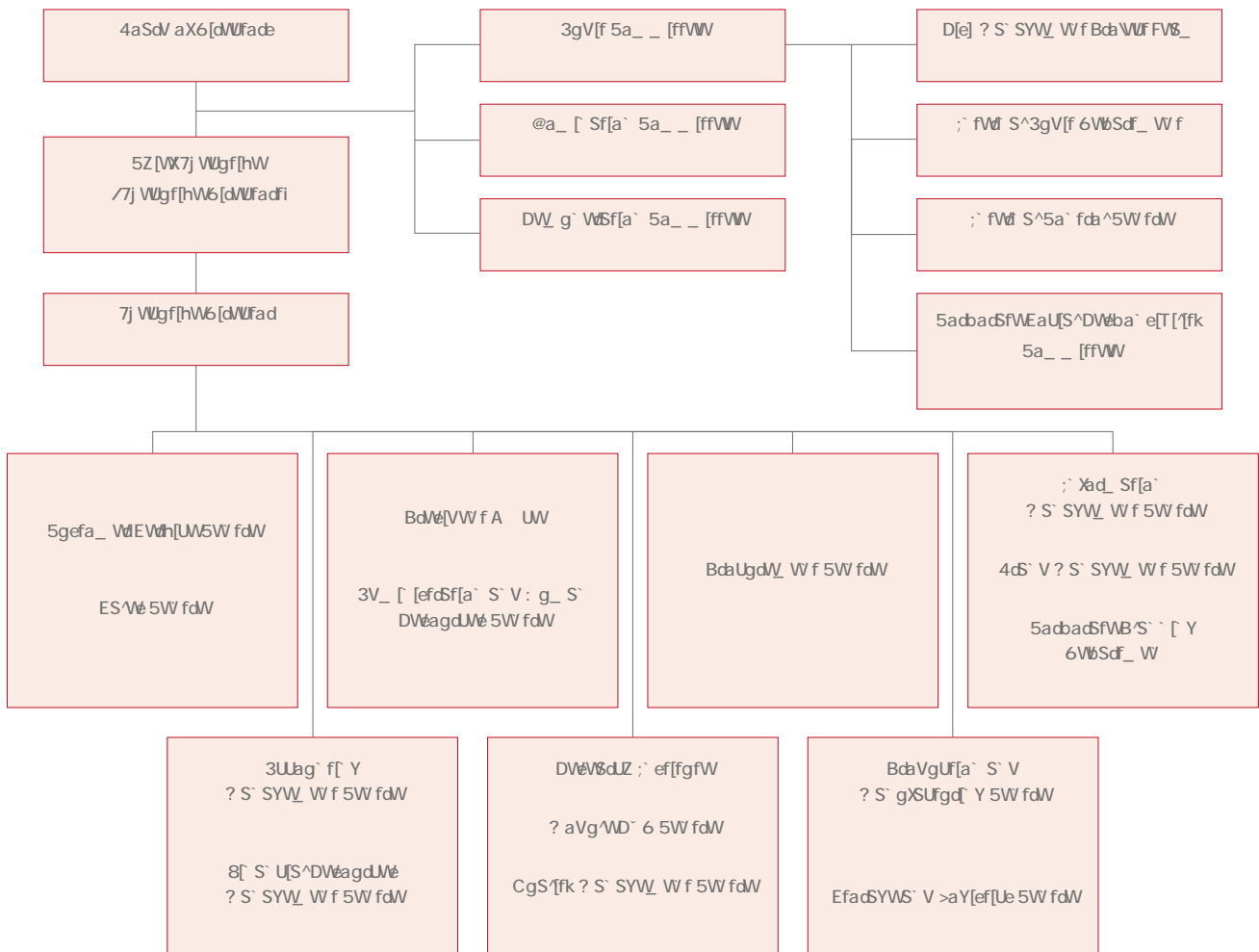
# CORPORATE GOVERNANCE

In China Lesso, the chief executive manages the Company based on the decisions made by the board of directors (the "Board"). The Board is comprised of 15 directors, including nine executive directors, one non-executive director and five independent non-executive directors. In order to ensure independence of the respective roles of the Board and the management teams who are in charge of the Group's business administration and operations, the posts of Chairman and Chief Executive are held by different people, namely Mr. Wong Luen Hei and Mr. Zuo Manlun respectively. In 2017, China Lesso held 8 board meetings.

	15	9
1		5
2017		8

As a responsible company, we absolutely do not allow any form of corruption and bribery. The Group has whistle-blowing policies, procedures and reporting channels. All employees are welcome to report any suspected misconduct. In 2017, neither the Group nor its employees were prosecuted for corruption.

2017



Organization structure

# SOCIAL RESPONSIBILITY MANAGEMENT OF BUSINESS

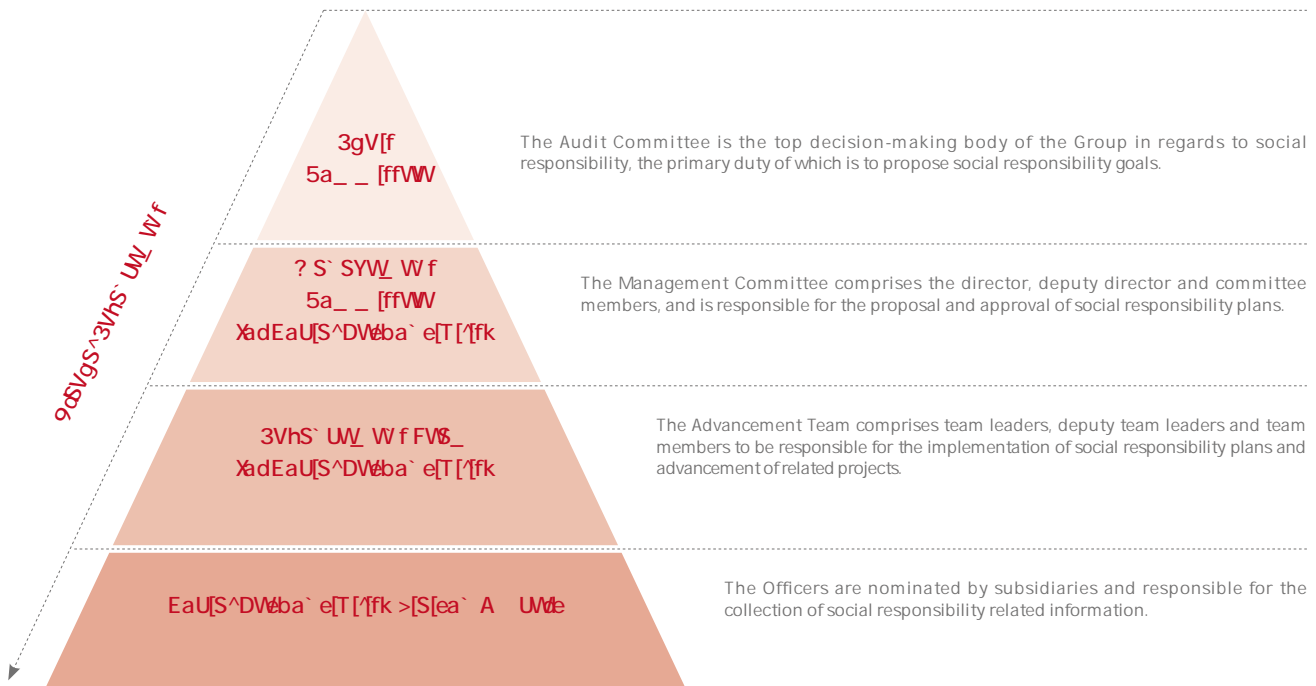
Taking the establishment of a perfect social responsibility management system as the basis for managing and promoting the performance of its corporate social responsibility, the Group has gradually established a relatively sound social responsibility management system starting with organizational structure, capacity building and the like.

## Basic Principles

The Group is committed to fulfilling its corporate social responsibility and has integrated the relevant practices into its business management and operations. While developing its business, the Group embraces the ideas of corporate social responsibility in its business management, and as such, it fulfils its social responsibility towards its stakeholders, thus ensuring sustainable development of both the Group and society.

## Organizational Structure

In order to further promote the management of corporate social responsibility, the Group has been building and improving its corporate organization for fulfilling its corporate social responsibility and has moved forward with the coordination between corporate social responsibility work units at four levels and assured the orderly performance of its corporate social responsibility.



Corporate Organization for Fulfilling Social Responsibility

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Taking sustainable development as the key goal for business development, the Group has formed six domains of social responsibility implementation covering products, services, employees, partners, society and environment. The Group has also responded to the demands of stakeholders, established a good corporate image and promoted a steady advancement of the Group's business through provision of high-quality products, one-stop convenient service, creation of a supply chain for mutual benefit and win-win cooperation, social and charitable activities, environmental protection, employee care and other actions.

### BcāVgLf

Provide customers with safe, innovative, diversified and quality products

### EWh[UW

Provide customers with a one-stop convenient service, well-established complaint system and protection of customer privacy

### 4ge[ Væ BSd` Wd

Encourage and support business partners and suppliers to comply with laws, regulations and moral codes

### EaU[Vk

Make active contributions to the social beyond the scope of business activities of the Group

### 7` h[da` \_ W f

Continuously build an ecofriendly business guided by the Group's environmental management system

### 7\_ b`akWW

Provide competitive working conditions, respect employees, and promote employee development

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# COMMUNICATION FOR CORPORATE SOCIAL RESPONSIBILITY

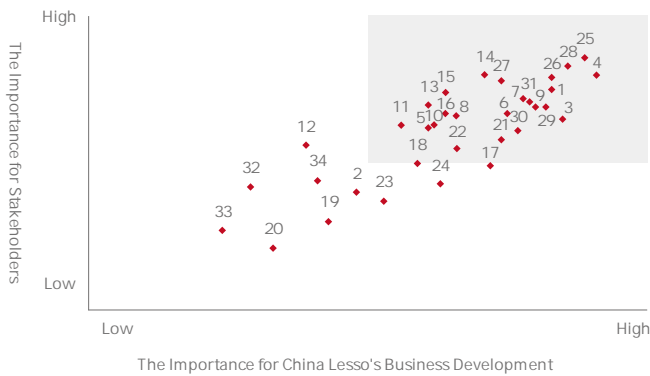
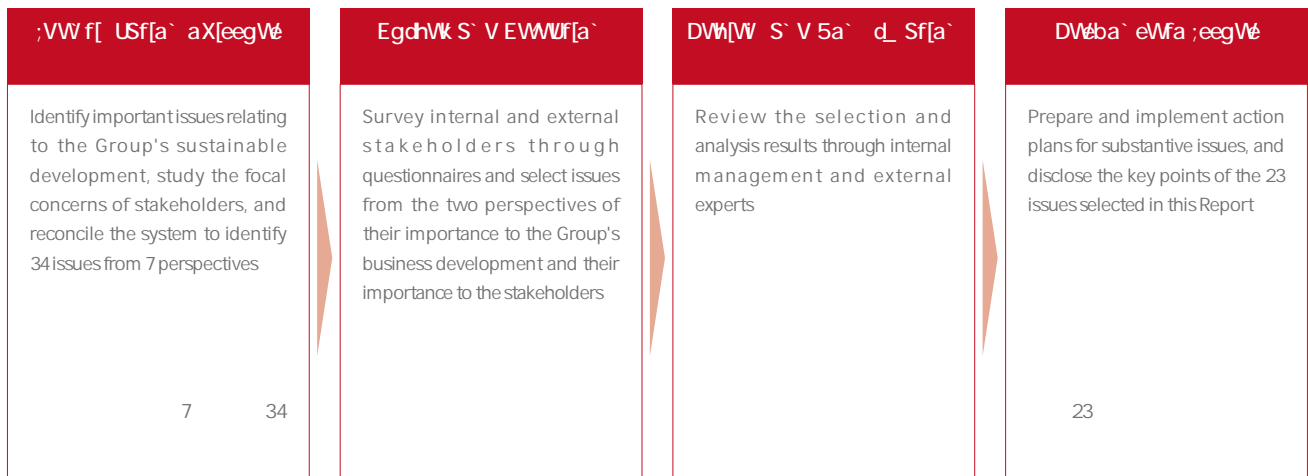
The Group has established a mechanism for regular communication and understands the demands of different stakeholders through multiple channels and methods to offer important reference information for the sustainable development of the Group.

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### 3@3>KE;E A 8EG4EF3@F;H7 ;EEG7E

In order to further improve this Report's pertinence and substantiality, the Group has surveyed internal and external stakeholders and selected substantive issues from the two perspectives of "the importance of such issues relating to China Lesso's business development" and "the importance of such issues relating to the stakeholders" and disclosed the key points thereof in this Report and responded to the demands of every stakeholder.



### Substantive Issues Selected

@až	EgTefS' f[hW,eeGVe;VW f[ W
1	Sustainable development strategy and management
3	Compliant Operations
4	Credible operation
5	Information transparency

@až	EgTefS' f[hW,eeGVe;VW f[ W
6	Response to national policies
7	Environment management system
8	Utilization of efficiency of energy and resources
9	Waste emission management
10	Green of ce
11	Environmental protection and charitable activities
13	Remuneration and benefit ts
14	Occupational health and safety
15	Employee training and development
16	Employee care and support
21	Dealer credibility management
22	Dealer supervision
25	Product quality
26	Product and technology innovation
27	Protection of intellectual property rights
28	Safe production guarantee
29	Provision of quality service
30	Safeguarding customer privacy
31	Customer satisfaction

# HIGHLIGHTED ISSUES OF RESPONSIBILITY: FULL RANGE LEAD-FREE LEADS THE INDUSTRY IN GREEN DEVELOPMENT

Lead-free pipeline manufacturing is an important issue concerning environmental safety and personal safety of consumers and is an area of focus concerning the sustainable development of the industry. China has issued regulations against the use of lead-based stabilizers in water supply systems, but such regulations on drain pipes are yet to be introduced. Limited by technical capacity, cost control and other factors, most Chinese pipe manufacturers continue to use lead-based stabilizers, which are hidden threats to the environment and human health.

China Lesso responded to the call of the government for environmental protection, took the lead in carrying out technical studies on lead-free drain pipes and their mass production, and finally achieved the mass production of lead-free PVC pipes, pipe fittings and section bars.

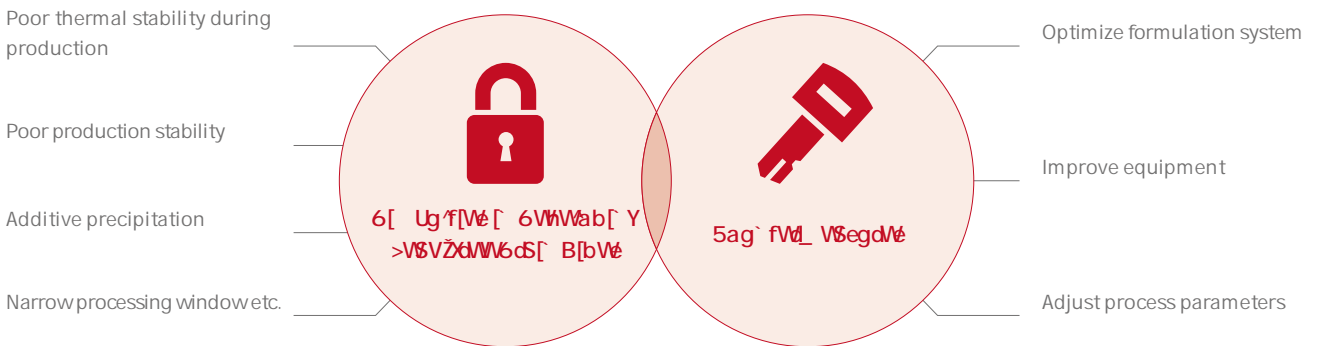
PVC

## Resolutely working to tackle the problem of lead-containing drain pipes

While achieving the mass production of PVC-U water supply pipes and pipe fittings, the Group has set its vision further afield and gradually promoted the study on lead-free drain pipes. In 2011, the Group formally initiated the study on lead-free drain pipes and ultimately invested five years and over RMB 100 million in tackling the difficulties faced by lead-free drain pipes.

PVC-U

2011





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BH5



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BH5ŽG



### The integration of production, education and scientific research advances the standardization of lead-free pipes

Focusing on scientific research and innovation, the Group has successively set up international standard research institutes, national enterprise technology centers, national accredited labs, postdoctoral scientific research stations and other R&D platforms to support lead-free policies. By establishing its postdoctoral scientific research station, the Group has enhanced cooperation with key domestic colleges and universities to train post-doctorates, promote in-depth integration of production, education and scientific research, provide lead-free pipes with personnel and technical support, which offers the Group a technical base for its role as the pioneer in the preparation of the regulations and standards concerning PVC-U lead-free products, and further advance the lead-free standardization of the pipeline industry.

### Become the model to lead the industry in green development

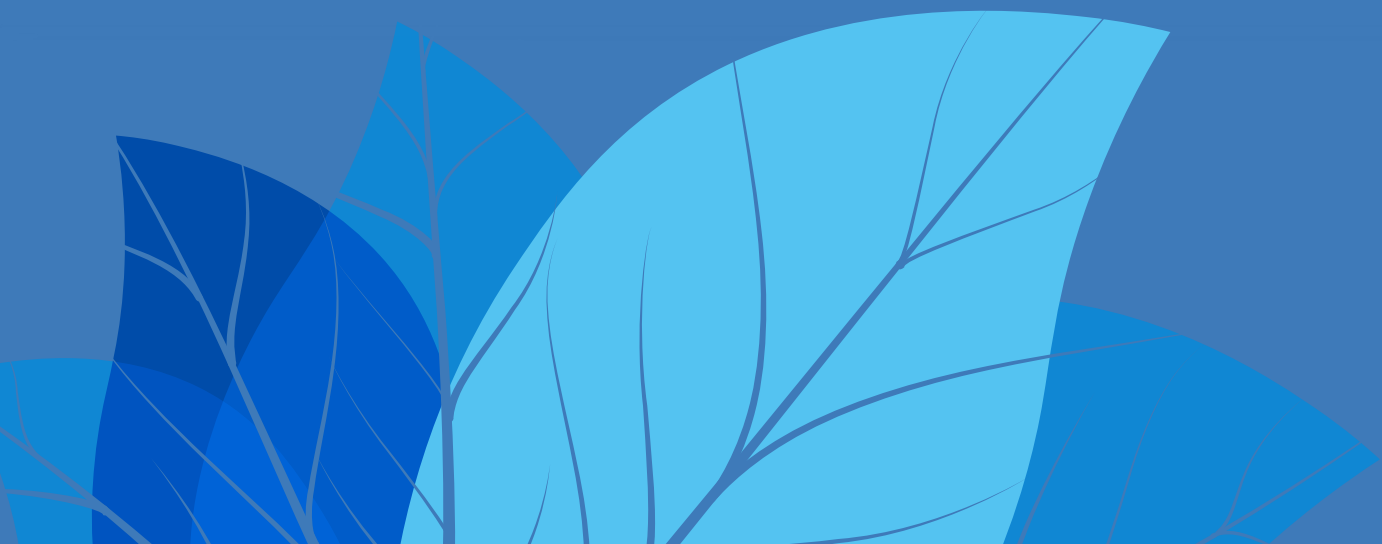
As the largest and top-selling plastic pipe manufacturer in China, the Group has been exploring the application of lead-free substitutive stabilizers and ultimately replaced lead with calcium-zinc stabilizers, thereby becoming the sole enterprise in the whole industry at present which has realized lead-free production. The Group not only provides the pipeline industry with consultation and support in terms of lead-free technologies, but our active innovation plays a leading and exemplary role in the whole industry, boosts broader applications for lead-free products and continues to lead the industry in developing environmental protection.

# CREATE A RELAXING LIFE WITH EXCELLENT QUALITY

18 MAKING QUALITY PRODUCTS

24 INNOVATION DRIVES DEVELOPMENT

30 ENSURING PRODUCTION SAFETY



Closely following the pace of the times, the Group has quickened its transformation and upgrades, focused on state-of-the-art technologies in the home furnishings and building materials industries, comprehensively promoted the competitiveness of product and technological R&D, and created diverse and high-quality products to create relaxing and comfortable quality life as well as a healthy and safe living space for thousands of families, and strived to enhance every resident's happy experiences.

A total of 1,758 approved patents

1,758

A total investment of RMB 641.354 million in R&D and technical innovation

64,135.4

826 safe production inspections throughout the year

826

## MAKING QUALITY PRODUCTS

Product quality is the foothold for an enterprise to survive. Aiming to meet customer demands, the Group has continuously improved its quality management system, drafted strict standards, controlled quality at every level, and provided general users with diversified and high-quality building materials and home furnishings based on its professional manufacturing facilities, rigorous process standards as well as strict quality reviews and controls.

### BDAH;6;@9 6;H7DE;8;76 BDA 6G5FE

Guided by customer demands, the Group has developed and formed a layout for diversified brands and products to provide a vast number of consumers with products and services in the domains of plastic piping, building materials and home furnishings, environmental protection industry, channels and services, and strived to improve residents' living experience.



B[bW;` Vgefck

We provide a whole series of products of diameters from 16 mm to 2,400 mm, with extensive application in water supply, drainage and sewage discharge, power, telecommunications, gas, floor heating, fire control and agriculture etc.

16 2,400



4g[V[ Y? SfW[S'eS` V  
: a\_ W&gd [eZ[ Ye

We provide integrated solutions to create a relaxing home life ranging from design, production, installation, decoration and service.



7` h[ca` \_ W fS^;` Vgefck

This domain comprises the control and treatment of waste water and exhaust fumes, disposal of solid wastes, disposal and treatment of hazardous wastes, soil restoration, environmental monitoring, technical consultation services, professional operation of environmental protection facilities, marine environmental protection, environmental protection investments, and research and development, etc.



5ZS` ` WEVth[UW

Through the consolidation of the mall resources, we have initiated LESSO HOME, a global sales platform integrating home furnishings, building materials and hardware.

## 7@: 3@5;@9 CG3>;FK 5A@FDA >

Taking the lead in passing and implementing ISO 9001 Quality Management System, the Group continued to improve its own system that encompasses "process management, quality management and quality assessment management", and integrated ISO 14001 Environmental Management System, OHSAS 18001 and ISO 50001 Energy Management System, achieved high-performance and explored and implemented a management system which integrates three-systems, standardized quality control, and improved its capability to manage quality and safety.

ISO 9001	-	-
	ISO 14001	
OHSAS 18001		ISO 50001

## Innovation in Quality Management

### EWUgdfk BchWUf

The Group has completed anti-counterfeit measures for pipeline products. Customers, once follow our official WeChat account, are able to scan a product's security code to view its production date and other basic information to effectively distinguish between authentic and counterfeit products.

### CgSffk? S' SYW Wf EkefW BchWUf

The quality management system has realized standardized and unified control, paperless product inspection and automatically-generated results, solved responsibility issues which arise during the management process, used data to monitor and assess quality, found gaps which exist in quality control and improve accordingly.

### 7DB S` V? 6? BchWUfe

Enterprise Resource Planning (ERP) and Mobile Device Management (MDM) systems have been put into use; the next step is to control and analyze all product data to lay a foundation for automation and Intelligence.

ERP

MDM



On November 17, the Group was awarded the "Foshan Model Enterprise for Quality Manufacture", which is the "Oscar" of economics in Foshan

## ABF;? ;L;@9 BDA6G5F CG3>;FK

The Group continues improving the quality management system, gave play to the supportive role of big data, increased investment in automation, conducted product innovation and R&D, strictly controlled the quality of every procedure, adhered to the Group's quality commitment and standards, and assured customers of an enjoyable quality life with peace of mind.

### Promoting Automation and Assuring Product Quality

In 2017, the Group focused on automation; the automation of equipment which impacts product quality and using automation to conduct fine management, further stabilized the process source thereby assuring product quality.

2017

### Pipe Automatic Casing Machine

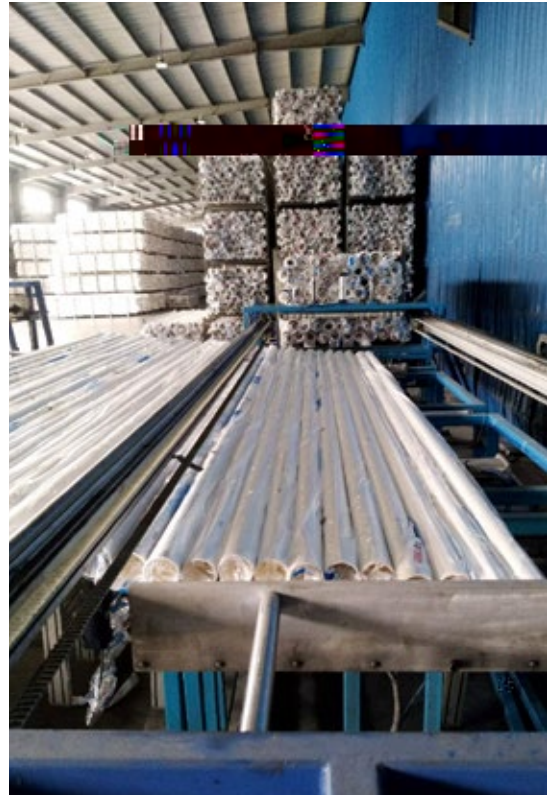
The automatic casing machines for pipes developed by the Group realizes the complete automation of installing, separating and casing of dn75 and 110 pipes, which is beneficial for standardized production and lays a foundation for product quality improvement.

110

dn75



Automatic Casing Machine



## Product Quality Test Equipment

The Group has developed detectors to test sockets of PVC drain pipe fittings, the external diameter of PP-R pipes online, introduced equipment to inspect the appearance of PP-R pipes online and equipment to test the airtightness of aluminum plastic tubes, and reserved relevant interfaces to collect data of products in the era of "Internet+".

PVC  
PP-R  
PP-R  
PP-R  
+



Pipe Socket Test



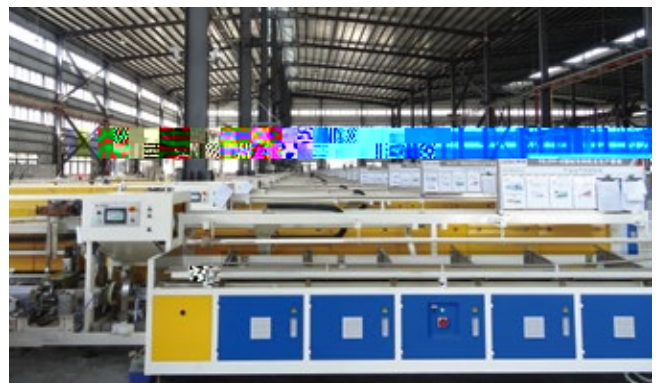
External Diameter Of ine Test



Appearance Online Test

## Automatic Packaging for All Pipe Series

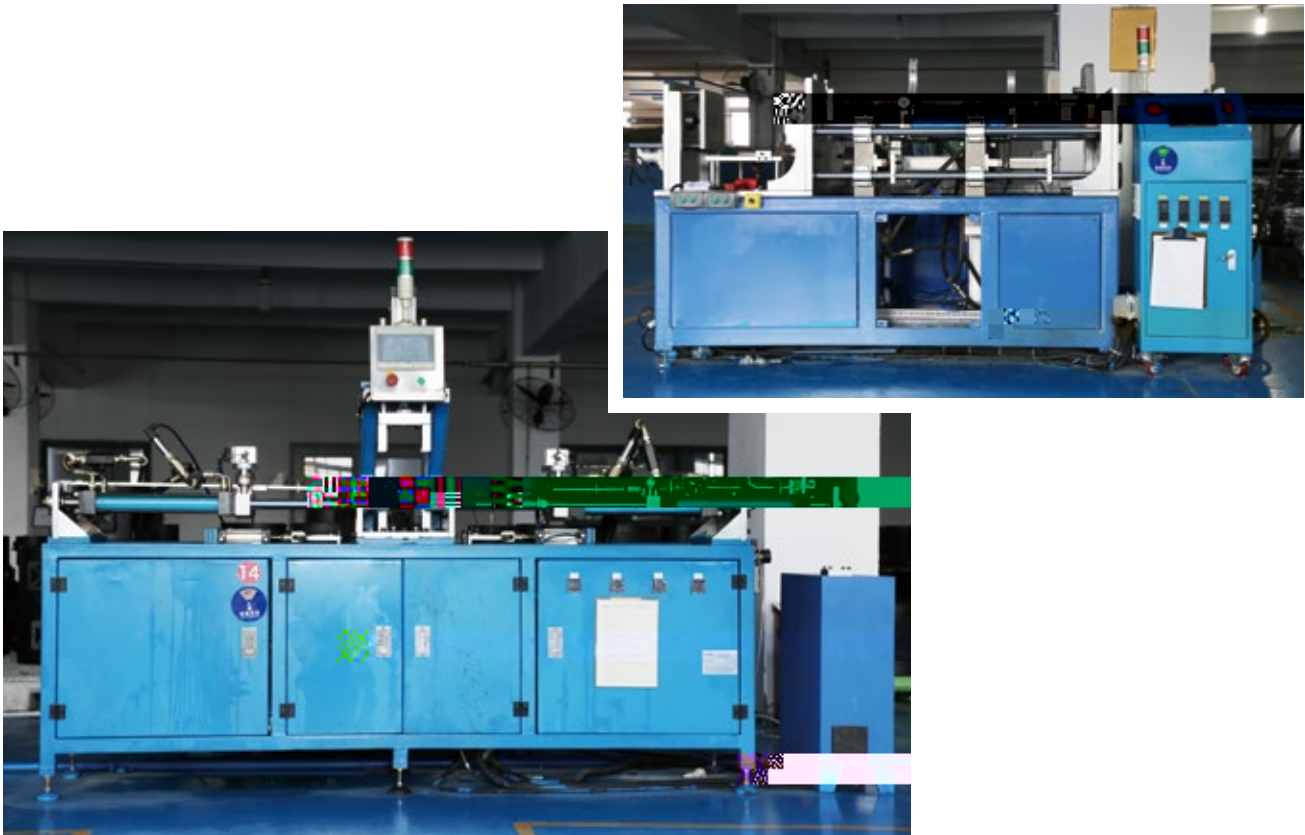
Basic packaging has been automated in the production of all pipe series. The Group hopes to improve employees' technical capacity so that they can transfer from completely manual packaging to operation by technical equipment.



Online automatic packer

The Group has developed fully automatic butt welding machines for gas ball valves thanks to the coordination of departments such as Product R&D, Automation and Production. The accuracy of welding pressure is controlled at  $\pm 0.05$  MPa, to ensure the satisfactory production process of gas ball valves in accordance with G5+ system requirements. The new machines adopt two-way simultaneous fully automatic welding technologies. All production data and process parameters are recorded in auto-generated reports and are saved automatically, rendering the process of manufacture traceable.

$\pm 0.05$   
G5+



53E7

Quality Management Department with Wuhan Subsidiary has applied stricter inspection on raw materials.

The Quality Management Department with Wuhan Subsidiary has applied stricter inspection on raw materials. They adopted a new model where warehouse keepers are invited to join a group via information platform whereby the Department may collect the information of incoming materials and request that the materials should only be warehoused upon passing inspection. In terms of test results, workshop leaders quickly learn the quality of raw materials through the information group and make adjustments based on the quality of the materials or report to headquarter management without delay. With this mode of operation, the test cycle is shortened dramatically – generally, regular sampling test results can be delivered within 24 hours. In 2017, this mode of operation won the award of "Group Quality Control Benchmark".

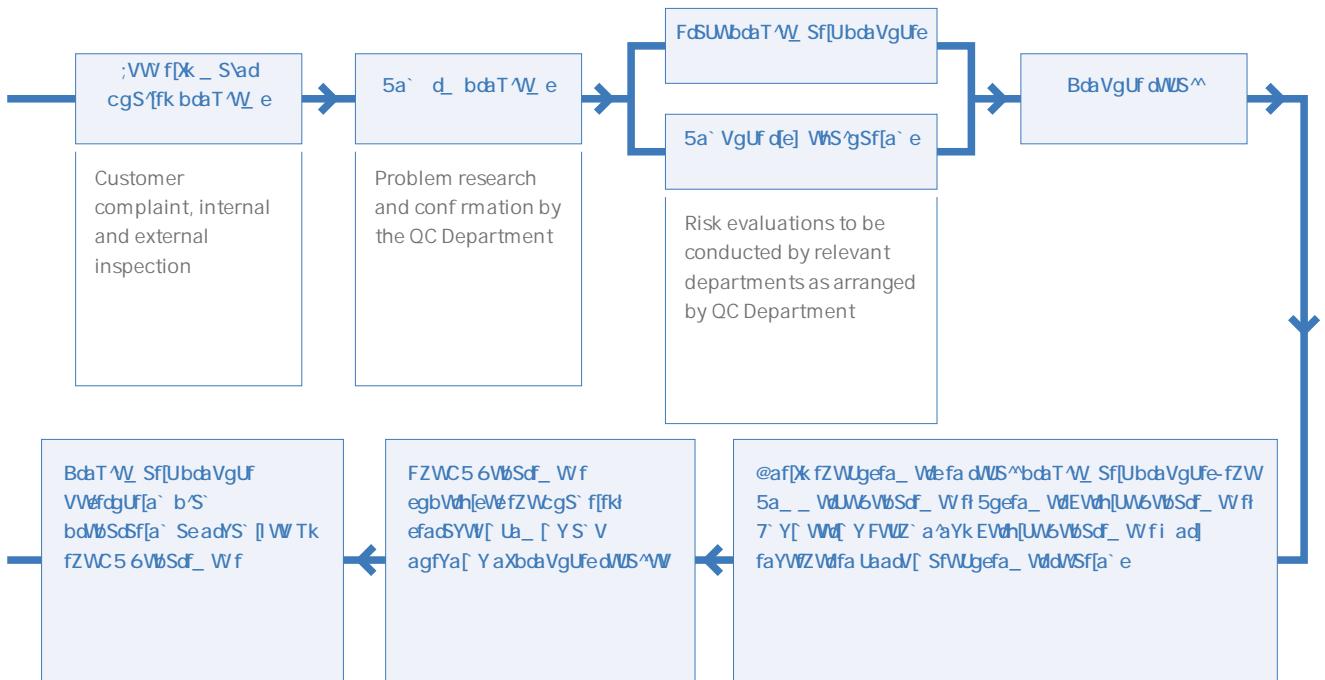
Quality Management Analysis Meetings

The Group holds quality management analysis meetings regularly, and initiated Quality Lesso campaign and educates employees to prioritize quality. The Group ensures the enhancement of quality management at every level, regards quality as the key to success, and comprehensively implements quality management.



Product Recall Mechanism

With a mechanism to promptly recall defective products, the Group continued enhancing the supervision and management of quality and safety of products and solved the problem without delay to protect consumers' health and safety effectively.



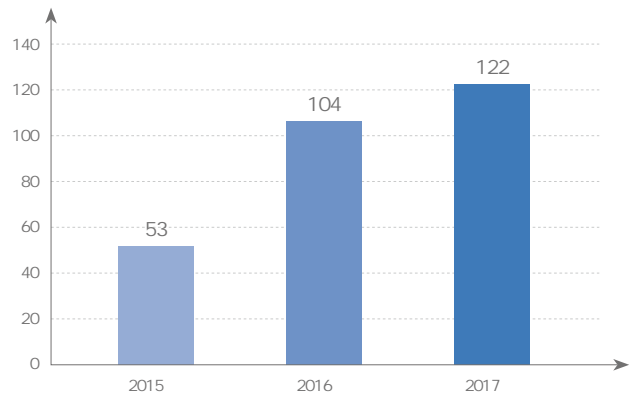
China Lesso's procedure for recalling defective products

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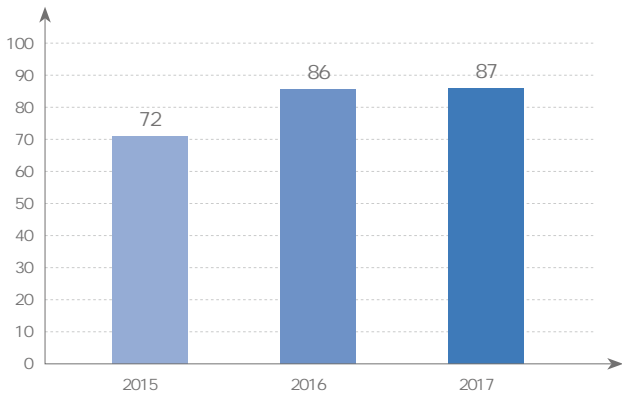


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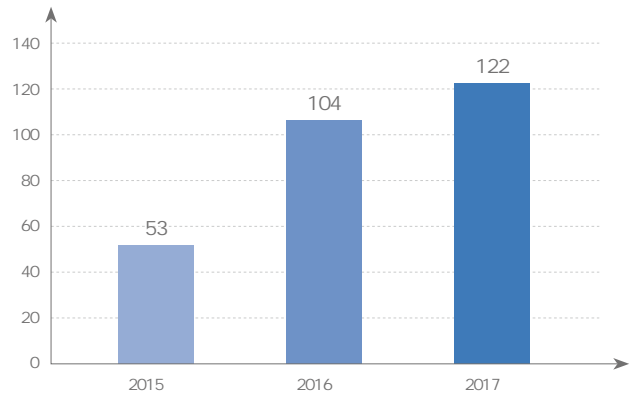
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bcdVgUf cgS'fjk L bcdhW W f/G` [f, ;fW\_ fi



Quality Information Feedback Forms for Outsourced Products sent to the Procurement Centre (Unit: Form)



Quality Improvement Projects for Economic Development (Unit: RMB 10,000)



Number of QC Group Activities (Unit: Item)  
QC

## INNOVATION DRIVES DEVELOPMENT

Innovation drives development, and science and technology lead the future. Giving full play to the leading role of scientific and technological innovation, China Lesso has driven the innovation of cutting-edge technologies and product R&D with market demands, continued perfecting the system of science and technology innovation, strived to improve innovative capabilities, attached importance to the training of scientific research talents, built a powerful technology R&D team, promoted the commercialization of scientific and technological achievements, set up a special intellectual property team to prevent violation of intellectual property rights and led the technical progress of the industry.

### ;& BDAH;@9 ;@@AH3F;A@ 3@6 D` 6 34;>;F;7E

By continuously improving the scientific research management system and platform, creating a sound atmosphere for scientific and technological innovation, and enhancing the management of the scientific research system, R&D of key projects, training of scientific research talent and other aspects, the Group has laid a solid foundation for the improvement of innovation and R&D capabilities.

### 科学管理提升研发效能

By continuously improving the scientific research management system, the Group has implemented integrated management and R&D platforms such as National Enterprise Technology Centre, Postdoctoral Scientific Research Station, CNAS Accredited Lab and Guangdong Plastic Pipeline Engineering Technology R&D Centre.

### 2017年研发重点

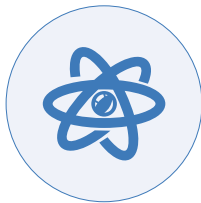
In 2017, the Group focused on the research and development of projects such as sponge cities, underground pipe galleries, ventilation systems, floating platforms and of shore aquaculture cages, increased investments in automation, improved the level of automated manufacturing, and realized automated and intelligent production.

### 重视人才 激发创新

The Group attaches great importance to the fostering of scientific and technological innovative talent, therefore provides employees with technical training, comprehensive quality training and other training via Lesso College. The Group has trained more interdisciplinary talents in technologies and management, satisfied the demands of globalized technicians, and improved the incentive mechanism for talent to ignite employees' passion for innovation.

2017

CNAS



28 projects have been undertaken including the National Torch Plan Project, National Spark Plan Project, Science and Technology Planning Project of Guangdong Province, Special Project on Key Science and Technology of Guangdong Province and municipal and district-level science and technology projects

30 provincial, municipal and district-level prizes for progress in science and technology have been won.

# 28

# 30



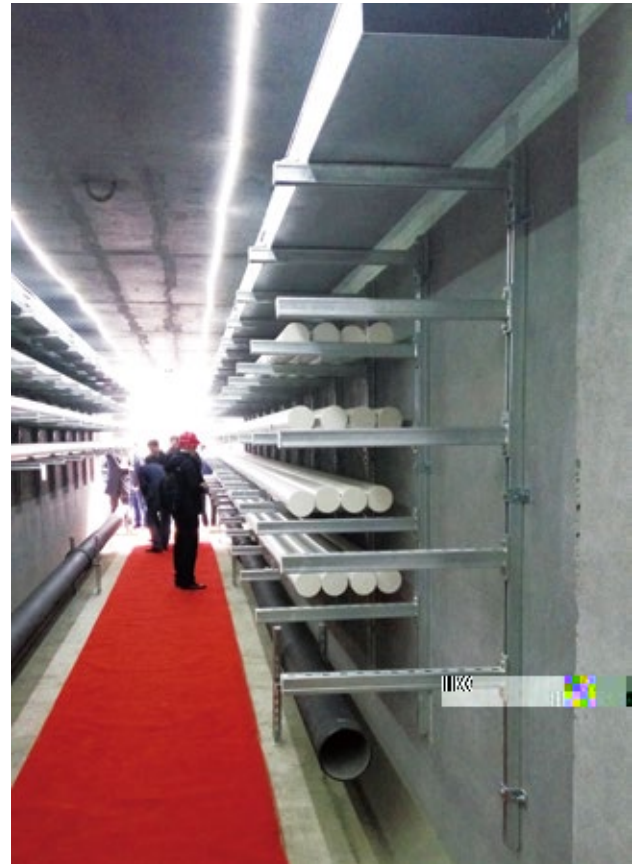
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In response to the call of the State in respect to environmental protection, the Group insisted on scientific and technological innovation oriented by market demands, comprehensively promoted the R&D of new eco-friendly products, improved performance in R&D, promotion and standard formulation regarding such products as rainwater management systems for sponge cities, and greatly improved the Group's scientific research level.

### Eba' YW5[fk

By adopting advanced foreign design concepts and production processes, Lesso Rainwater Management System for Sponge Cities improves product design and broadens its application based on the status of domestic deployment. We have also conducted in-depth research into the pre-treatment of rainwater and purification applications and developed new products such as plastic inspection chambers and PE pipes for greening and irrigation.

PE



### Gf[f'fk Fg` ` W

The Group has developed PVC-C cable conduits for underground utility tunnel with an HDT capped at 93 , which means it can adapt to high-temperature environments. Being flexible, tough, and enduring, it offers effective safety protection for the safe installation of wires and cables within the piping system.

PVC-C

93



## HW f['Sf[a` EkefW

The Group has not only developed a ventilation and purification system for residential real estate, commercial buildings and public buildings, but a specifically designed system with filtration, purification, disinfection, sterilization, deodorization and improvement in humidity and temperature, paving a new way for ventilation applications for cultivation throughout China.

## 8'aSf[ Y B'SfXd\_ S' VA eZadW3cgSlUg'fgdW

The Group has established a cage cultivation research institute and introduced upgraded products in the fields of pontoon systems, HDPE cages and floating platforms. For example, the pontoon system introduces safety guardrails that can be assembled and added where it is needed and 490Gen 2 HDPE water platforms to further satisfy market demands.

## 6D;H;@9 F75: @;53> BDA 9D7EE A 8F: 7 ;@6GEFDK

The Group has always maintained the world's most advanced R&D capabilities for continuous development and innovation, attached importance to the timely commercialization of scientific and technological achievements, actively participated in the establishment of standards, led the technical innovation and development of the industry, and played a role in the promotion and demonstration of the overall level of science and technology of the Chinese building materials and home furnishings industry..



The Group has participated in the draft and revision of 44 national, industrial and local standards, national collective drawings and other standards

44

including 23 national standards, 5 national standard collective design drawings, 12 industrial standards, 2 local standards and 2 association standards.

23 5

12 2 2



The Group has been awarded the Second Prize for Scientific and Technological Progress in Guangdong Province 2017 and the Third Prize for Scientific and Technological Progress by China National Light Industry Council 2017.

2017

2017

A total of 1,758 patents approved throughout the year.

1,758

CREATE A RELAXING  
LIFE WITH EXCELLENT  
QUALITY

HIGH STANDARDS OF  
SERVICE TO ACHIEVE  
A BETTER LIFE

WIN-WIN COOPERATION  
INCREASES THE VALUE OF  
RESPONSIBILITIES

GREEN DEVELOPMENT  
CALLS FOR BUILDING ECO-  
FRIENDLY HOMES

A HARMONIOUS SOCIETY  
EMBRACES A BETTER  
FUTURE

CARING FOR EMPLOYEES  
AND SHARING  
DEVELOPMENTAL RESULTS

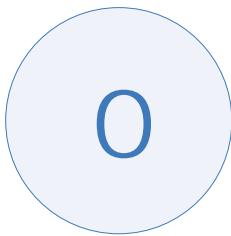
On July 19, 2017, the Ministry of Housing and Urban-Rural Development's Centre for the Development and Promotion of Science and Technology convened a meeting to assess scientific and technological achievements of "lead-free PVC pipes, pipe fittings and section bars" developed by China Lesso, and believed that this project had achieved mass production and full range of various lead-free PVC pipes, pipe fittings and section bars had reached an internationally advanced level and played a leading role in the sustainable and healthy development of the building materials industry and played a leading role in the sustainable and healthy development of the building materials industry.

## ENSURING PRODUCTION SAFETY

Through sincere implementation of national safe working requirements and relevant laws and regulations, the Group has been engaging in the creation of a "safe enterprise", adhered to its philosophy in "safety first, prevention is paramount, comprehensive control and management", consolidated safety management, promoted the establishment of a safe production system, conducted safety supervisions and inspections, improved the level of production safety, and assured employee safety, to lay a solid foundation for the building of a safety-based enterprise.

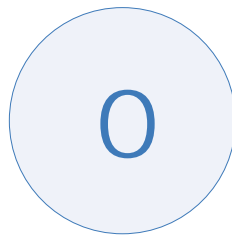
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The Group has established a Safety Supervision Department and Safety Committee to fulfil all safety responsibilities, improved a system for work safety management and regulations on safety during operation, raised the standards of work safety management, and gave full support to production safety.



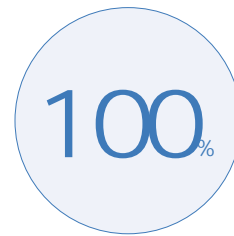
Work Related Deaths in 2017  
(Unit: Patient)

2017



Occupational Disease Patients  
2015-2017 (Unit: Patient)

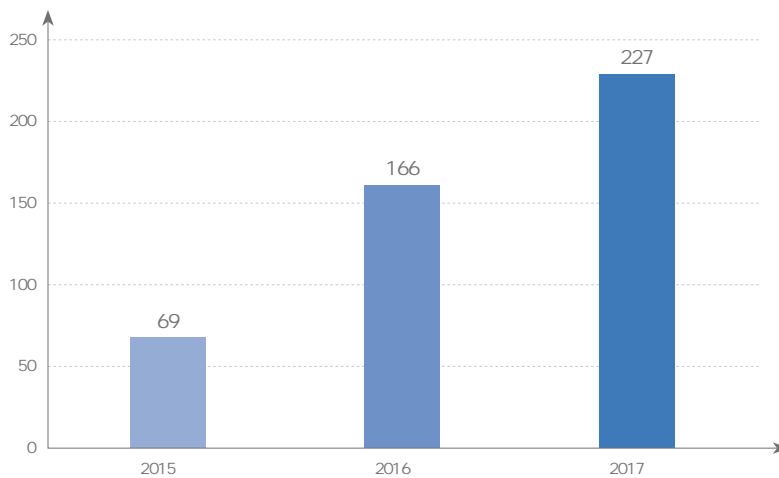
2015-2017



New Employee Physical Examination  
Rate 2015-2017 (Unit: %)

2015-2017

%



Industrial Accidents throughout the Year (Unit: Time)

Notes The number of industrial accidents significantly increased because the scope of statistics was widened

## F3=;@9 35F;A@E FA 7@EGD7 E387FK

In enhancing safety supervision at every level, the Group assigned safety supervisors in subsidiaries to handle all safety related duties, especially the identification of hidden dangers and supervision of corrective actions with a focus on staffing for safety management, safe production site, establishment of the organizational structure for safety and promotion of standardized safe production etc. At the same time, we have taken all kinds of measures to ensure the safety of our employees, customers and constructors, continued strengthening our capacity to ensure safety, effectively prevented safety accidents, and thus reduced the loss of life and property.

Conducted lectures regularly on fire control, organize emergency drills and strengthen the capacity to handle emergencies.

Added automated equipment, reduced hidden dangers and ensured employees work safely.

Assisted customers in product weighing checks and minimized the occurrences of products being overloaded.

Improved the management system for outsourced workers, strengthened safety training and assessment, and enhanced their safety awareness.



Fire Drill Site

Conducted 826 production safety inspections throughout the year.

# 826

Identified 6,023 hidden dangers.

# 6,023

Rectification rate reached 95.10%

# 95.10%

93 lectures on fire control attended by 5,326 employees throughout the year.

# 93

# 5,326

Organized 43 fire emergency drills.

# 43

Department Chief Supervisors conduct bi-annual safety inspections, while Managers and Directors are responsible for monthly safety inspections.



Shift Leaders conduct weekly inspections to find hidden safety hazards.



Employees patrol their posts and report any problems found to the superior for prompt rectification.



Safety Supervision at Every Level

## BDA? AF;@9 5ADBAD3F7 5G>FGD7 F: 3F H3>G7E I AD= E387FK

In enhancing the construction of safety culture, the Group has provided production safety training with a focus on the creation of a "safe enterprise", encouraged employees to develop safe working habits, improved employees' safety awareness, devoted more effort to safety publications and education,



53E7

### 3 dWeSXWk Vy/bVd[V UUVV fVd[e VefST [eZ VW fa bcd\_ afWeSXWk Ug \*fgdV

Jointly established by Public Security and Fire Control Institution of Longjiang Town, Shunde District, Foshan and China Lesso, the Longjiang Fire Safety Experience Center is a comprehensive experience-oriented educational base imparting basic fire safety knowledge and enabling the public to learn various safety skills and knowledge through the interactive experience of receiving reality stimulation training that encompasses "four capabilities" of fire safety as the core. In 2017, the Fire Safety Experience Centre has received 9,929 visitors in total.

2017

9,929



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### FZV8[dWESXWk 3i SdW Vde? a` fZ [eZVW

On November 9, 2017, the "119" Fire Safety Month of Longjiang Town, Shunde District, Foshan was held in LESSO. China Lesso invited student representatives from Longjiang Lihai High School to take part in a safety knowledge interactive game and fire-fighting skills competition and visit the fire-warning and fire-fighting exhibition facilities, fire safety experience center and high-altitude rescue drills. In cooperation with various fire control and safety educational activities held by the local government, we have enhanced the public's fire safety awareness and ability to handle emergencies.

2017 11 9

119





Upholding the tenet of "customer satisfaction first", the Group has improved one-stop service processes, attached importance to the protection of customers' legitimate rights and interests, and created a truly comfortable and high-quality home life for residents.

97.93%  
Customer  
Satisfaction

97.93%

21 Valid Service  
Complaints  
Received

21

0 Complaints due to the  
Disclosure of Private  
Customer Information

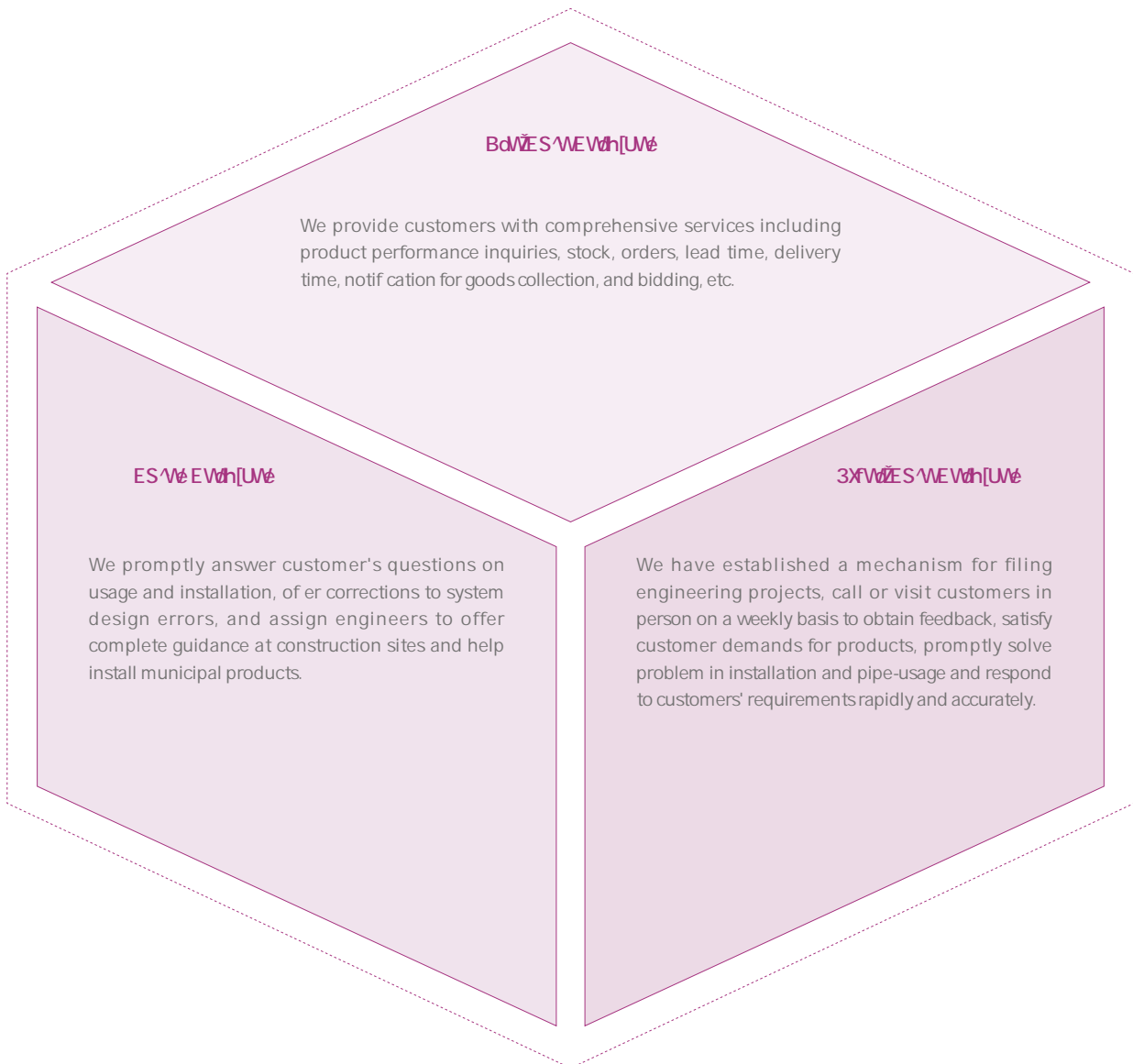
0

## PROVISION OF A ONE-STOP SERVICE

The Group integrates multiple resources from the pan-home industry, broadens a channel of offering diversified services and combines online products with experience and services from physical malls. Thereby devotedly provides more family users all over the world with quality products and one-stop considerate services.

### BDA576GD7E 8AD 8G>> E7DH;57

In continuously improving its service procedures, the Group has built a team offering professional services, promptly responded to customer demands, controlled every procedure, ensured the quality of products and services, and strived to offer customers a quality service experience.



### 5: 3@@7> A 887D;@9 6;H7DE;8;76 E7DH;57E

In speeding the upgrade of the industry, the Group has linked the upstream and downstream of production and marketing with the brand of LESSO, integrated purchase, supply and sales, continued improving the networks and traditional channels for primary dealers, and expanded channels of ering diversif ed services including online "product choice + service" and of ine "product experience + one-stop service". The Group has more than 22 production bases for pipes and building materials throughout the country, expanded its sales network throughout the whole country, work with 2,155 quality primary dealers and over 10,000 secondary dealers, and extended its dealership channels to villages and towns, so as to provide more consumers with convenient and quality service.

+ +  
22  
2,155

### >7EEA : A? 7

In response to the "Belt and Road Initiative", we have initiated a new business "LESSO HOME", taken the lead in introducing a new mode of retail, a "one-stop exhibition hall and professional home furnishings mall", to overseas markets as a transnational platform for Chinese home furnishing and building material manufacturers to display products and promote distribution and retail, and of ered supportive services such as marketing and brand promotion.

### >7EEA : A? 7 Ž5: ;@3 : 736CG3DF7DE %

LESSO HOME - CHINA HEADQUARTERS is an expo and trade center for home furnishings, facilitating both wholesale and retail. It partly serves as a large comprehensive mall featuring various home furnishings and building materials that cater to a healthy home, smart life, conference and exhibition, entertainment and leisure and other special features, providing customers with a one-stop shopping experience.

MALL

### 53E7

### >7EEA : A? 7 Ž: A? 7 8GD@;E: ;@9E 3@6 4G;>6;@9 ? 3F7D;3> >;87EFK>7 ? 3>> a WteTcS` V` W Vy/bVq[W UMaXZa\_ Wewh[UW ? 3>>

On October 1, 2017, LESSO HOME - HOME FURNISHINGS AND BUILDING MATERIAL LIFESTYLE MALL of cially opened for business in Foshan. As the Group's leading global project, LESSO HOME's LIFE MALL OF HOME FURNISHINGS AND BUILDING MATERIALS covers a total floor area of over 300,000 square meters and serves as a global one-stop platform integrating purchase, exhibition and sales. With various home furnishings such as building materials, furniture, lightings, curtains, hardware, smart appliances and nursing products for the aged people, we are committed to offering consumers quality, high-end, modern and internationalized home service experience.



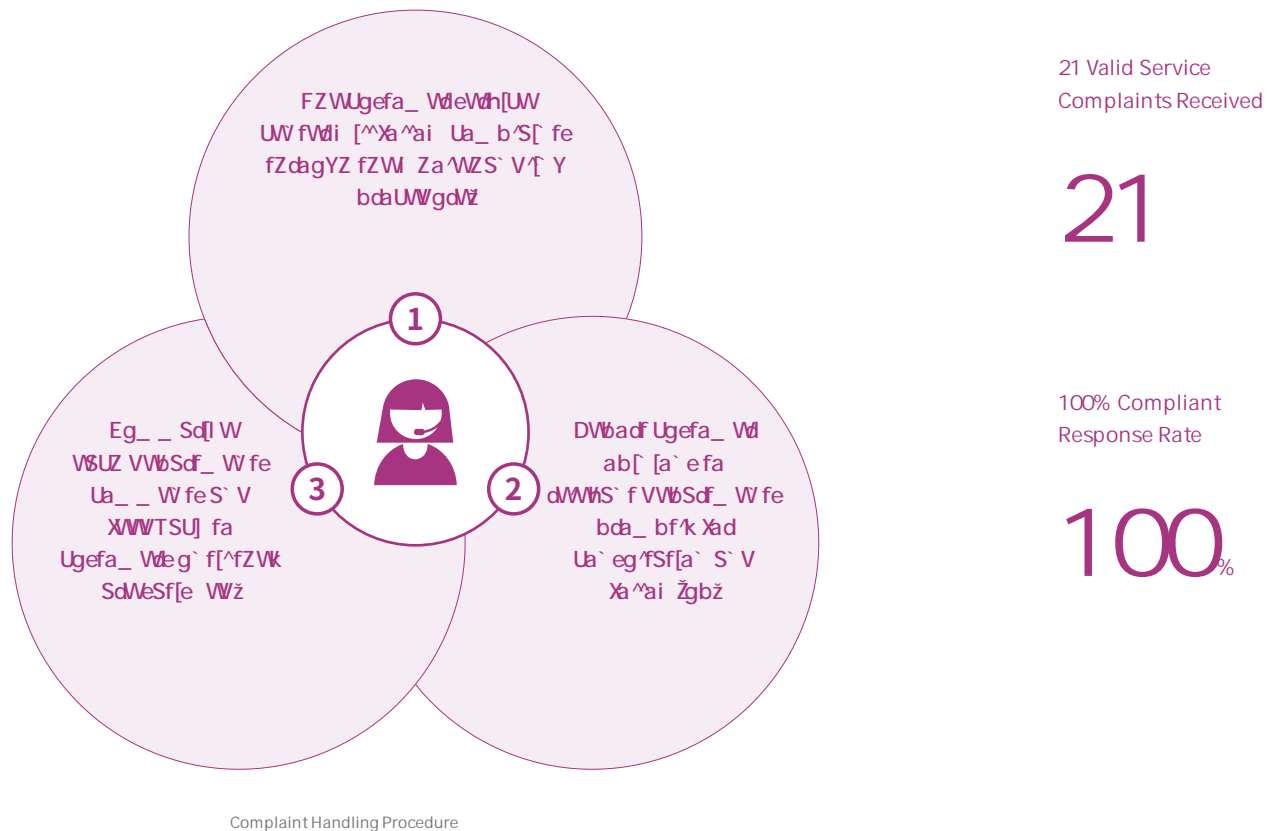
2017 10 1 • MALL  
Mall 30

## SAFEGUARDING CUSTOMER RIGHTS AND INTERESTS

Taking customer satisfaction as its goal, the Group has carried out surveys to get a comprehensive understanding of customer comments on products and services, continued improving complaint channels and disposal mechanisms, treated customers' opinions appropriately, implemented prompt improvements and feedback, gave full support to customers' legitimate rights and interests, and ultimately won the trust of customers.

### 21 Valid Service Complaints Received

The Group has established a strict procedure to handle customer complaints, treated and handled customers' complaints and suggestions seriously and appropriately, solved problems reported by customers rapidly through multiple channels to the customer's satisfaction, and provided customers with a truly reliable service.



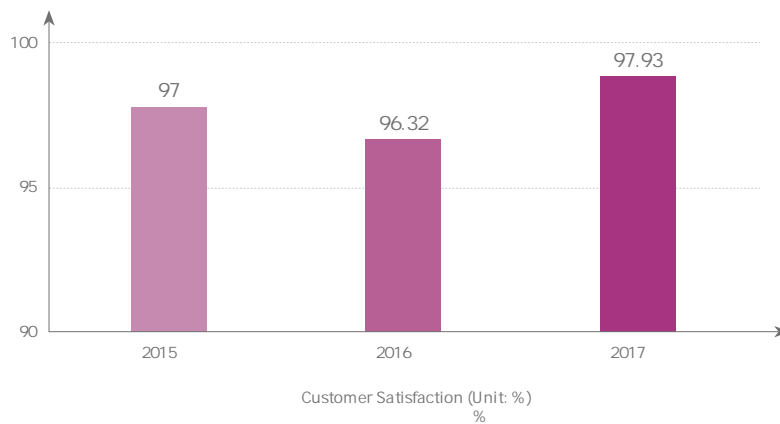
## Customer Privacy Protection

Paying great importance to customer privacy, the Group continues perfecting the mechanism for this end, enhancing prevention of customer privacy leaks, standardizing ERP system integrated procedures, and ensured the safety of all data types. In 2017, no disclosure of customer information and related complaints have been found.

ERP  
2017

## Customer Satisfaction

The Group conducts customer satisfaction surveys regularly, including telephone interviews with customers monthly, assessing the satisfaction with customer service staff on a quarterly basis and summarizing the feedback in an analysis report to understand the quality of every product and service, and make improvements accordingly.



53E7

### China Lesso provides after-sales service for DWASA PE

In February, 2017, China Lesso assigned engineers to Dhaka, Bengal to offer one-week after-sales service for the installation of PE water supply pipes supplied by the Group to DWASA. In spite of the site's harsh environment, our engineers welded the pipes multiple times and constantly recorded the welding conditions of the products, showing their professionalism in every procedure. The after-sales service offered by our engineers on this occasion not only meets customer's short-term demands, but effectively helps customers solve construction obstacles, exhibiting China Lesso's high standards of service and winning customer approval, which is advantageous for the promotion of the Lesso brand in overseas markets.

2017 2

DWASA PE

# WIN-WIN COOPERATION INCREASES THE VALUE OF RESPONSIBILITIES

42 CREATING A SOCIALLY RESPONSIBLE SUPPLY CHAIN

44 WORKING TOGETHER FOR WIN-WIN COOPERATION  
AND DEVELOPMENT

正门  
FRONT DOOR



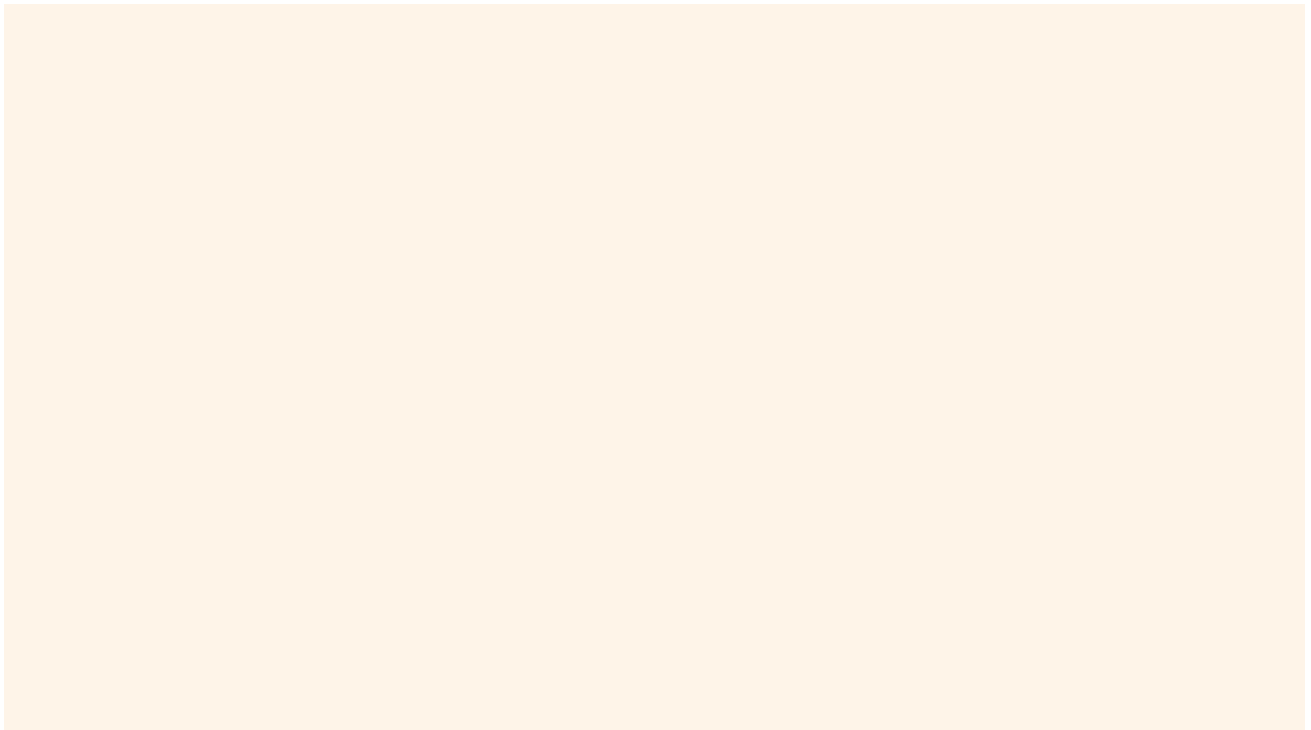
Facing the new development trend of multi-industrial collaboration, ecosphere construction and globalized competition, the Group upholds the concepts of mutual



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## CREATING A SOCIALLY RESPONSIBLE SUPPLY CHAIN

In guaranteeing suppliers' basic rights and interests, the Group has improved



## Cooperation with Dealers

Taking win-win cooperation as the starting point, the Group has maintained a long-term cooperation with highly-rated and reputable dealers, actively assisted dealers improve their competitiveness, enhanced communication, conducted all kinds of training, achieved mutual growth and development in conjunction with dealers, and worked collaboratively to promote improved competitiveness in socially responsible supply chains.

## WORKING TOGETHER FOR WIN-WIN COOPERATION AND DEVELOPMENT

Attaching importance to the favorable interaction between the "circle of friends", the Group actively sought in-depth and crossover cooperation with stakeholders, provided momentum for the Group's transformation, upgraded and developed through complementary advantages and resource sharing, and achieved mutually beneficial cooperation with stakeholders.



In response to the "Belt and Road Initiative", the Group has created a globalized channel, integrated multiple resources from the pan-household industry, connected the channels of online and offline markets, and established an open, multi-dimensional and solid cooperation for economy and trade by virtue of LESSO HOME.



53E7

FZW def >7EEA : A? 7 bda\WUf [ [f[SfW [ 3gefcdS^TS

On June 8, 2017, the LESSO HOME project initiated by China Lesso was introduced to Australia, the Greenacre Mall, a large display room of home furnishings and building materials was established in Sydney, providing Australian builders and decoration companies with all manner of quality and inexpensive Chinese commodities through more than 60 resident manufacturers. This project contributes to the trade relationship between Australia and China.

2017 6 8  
60



LESSO HOME is setting up malls and service networks in the U.S., Canada, Australia, the UAE, Thailand, India, Indonesia and other countries.

In cooperation with the upstream and downstream enterprises of the industrial chain and other enterprises from different sectors, the Group has consolidated the development of the traditional industry and advanced the emerging "Internet+" industry, creating a mutually beneficial industrial ecosystem.

+





53E7

战略合作与产学研合作  
S` V EZS` YZS[? SfZ 7SdZ ;aF FWLZ` a`aYk 5až >fVž

On August 24, 2017, China Lesso entered into a strategic cooperation agreement with the Chinese Academy of Sciences and Shanghai Math Earth IoT Technology Co., Ltd. to offer products and supporting services for the layout of intelligent pipe networks, further improve the operational efficiency of the whole project with advanced concepts and professional products and services, reduce the operating costs, and create bigger commercial and social value for all parties involved.

2017 8 24



Cooperative enterprises at present include Guangzhou Hengda Material Equipment Co., Ltd., Poly Real Estate, R&F Properties, China Railway Construction and Kaisa Group, etc.



Having in-depth cooperation with scientific research institutes, colleges and universities in tackling scientific and technological difficulties and training scientific research talent, the Group has strengthened the implementation of national policies, exchange of market intelligence and promoted the commercialization of scientific and technological achievements.

53E7

3` [ ` ahSf[a` S` V bcSUf[UWTSeWadXadWY` efgVW fe [e  
WfST `eZW fa Taaef eUZaa ZW fWd[eWJaabWf[a`

On November 10, 2017, the Innovation and Practice Base of the Institute for International Education, Guangdong University of Foreign Studies was inaugurated in Lesso College. With the development of its overseas business, China Lesso has larger demands for local talent, and the establishment of the innovation and practice base for foreign students creates favorable conditions for foreign students' career development, and provide talent support for the development of overseas business.

2017 11 10

# GREEN DEVELOPMENT CALLS FOR BUILDING ECO-FRIENDLY HOMES

50 IMPROVING ENVIRONMENTAL MANAGEMENT

51 IMPLEMENTING GREEN OPERATIONS

56 DEVELOPING GREEN INDUSTRY

Guided by green and environmental protection concepts, the Group continues perfecting environmental management, actively implements green operations, improves the utilization efficiency of energy and resources through gradually-enhanced environmental management, and sped up the construction of an eco-friendly enterprise, to contribute to a beautiful China.

21.52 million kWh of PV power generated throughout the year

2,152

1.1454 million tons of water resources recycled throughout the year

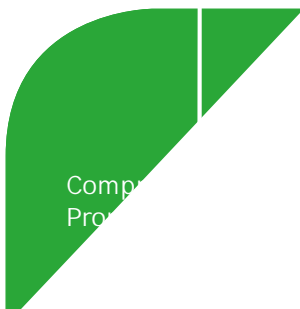
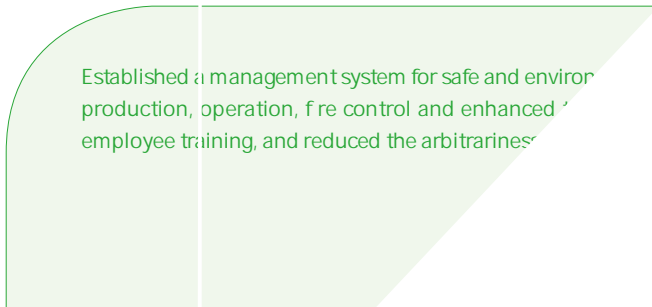
114.54

Over 6,054.32 tons of waste recycled throughout the year, including plastics, engine oil, oil barrels and tinsplate cans

6,054.32

## IMPROVING ENVIRONMENTAL MANAGEMENT

While strictly adhering to the *Environmental Protection Law* and other relevant environmental laws and regulations, the Group has continuously enhanced its environmental management and implemented ISO 14001 Environmental Management System (EMS) and Occupational Health (QEO) certification to minimize environmental impact. All 10 plants had passed the QEO certification.



# IMPLEMENTING GREEN OPERATIONS

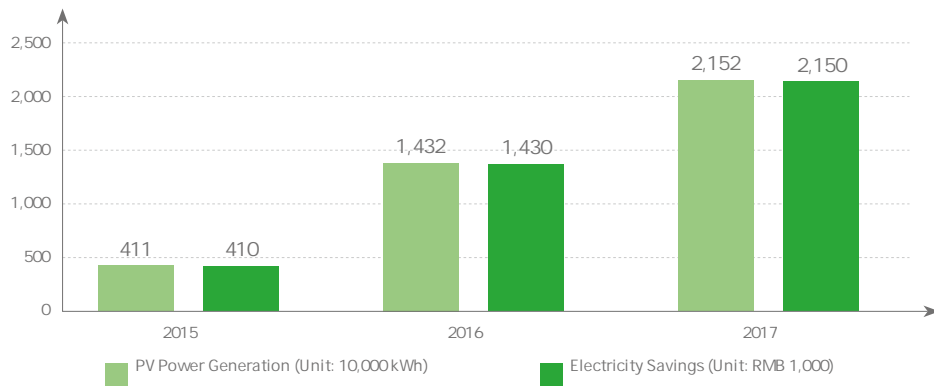
By integrating the concepts of low carbon and environmental protection into the whole operational process and its implementation, the Group has increased the utilization efficiency of energy and resources, reduced the discharge and emission of waste water, waste gas and solid wastes, developed the green industry, unearthed green development potential and promoted sustainable development.

## Energy Conservation and Emission Reduction

Whilst exploring methods of energy saving and emission reduction which meets the developmental demands, the Group has made full use of clean energy and implemented the concept of green development. In 2017, the PV power generation of the Group reached 21.52 million kWh.

2,152 2017

<p><b>Bai 23.3MW S' VE[VW? S' SYW W f</b></p> <p>Through the implementation of 23.3MW distributed PV, upgrade of constant-pressure water supply system, LED lighting system, crushers, cutting machines and servomotors of injection molding machines and other projects, we have enhanced the power demand side management and reduced power consumption.</p> <p>23.3MW LED</p>	<p><b>Bai 267 U[W Uk ;_ bchW W f</b></p> <p>We have replaced the motors of 267 injection molding machines in the headquarter assembly workshop with energy-saving servomotors and upgraded 521 old motors with low energy efficiency, water supply pipes, drain pipes, groove tubes, and PE/PP-R etc. to reduce the power consumption by lowering the motor power.</p> <p>267 PE/PP-R 521</p>
<p><b>:_ b W W fSf[a` aX; fWdFW 9dW ? S' gSUFgd Y BchW f</b></p> <p>The Group formed a union with Shunde Energy Conservation Association, Heshan Lesso, Maoming Lesso, Hainan Lesso and other companies to apply to the Ministry of Industry and Information Technology for the "Integrated Green Manufacturing Project" and integrate the concepts of green and environmental protection into the whole production process.</p>	<p><b>5^8` 7` Wdk 6VWVab_ W f</b></p> <p>The Group has gradually introduced the PV power generation project to the headquarters and eligible subsidiaries, by which light and heat can be converted into power, and realized the synchronized improvements for economic and environmental benefits.</p>



2015-2017 Lesso PV Project Power Generation and Income from Electricity Savings  
2015-2017



Solar PV Panels on the Roofs of Lesso Plants

Energy Utilization

FkbWáX7` VáYk	7`WfáU[fk (Unit: 10,000 kWh) ( : )	6[VáW (Unit: Ton) ( : )	9Sea [ W (Unit: Ton) ( : )	@Sfgá^9Se (Unit: 10,000 m <sup>3</sup> ) ( : )	>gTá[USf[ Y A[^ (Unit: Ton) ( : )
Amount Used in 2015 2015	65,565	1,453	297	NA	NA
Amount Used in 2016 2016	77,051	662	631	496	1,622
Amount Used in 2017 2017	83,916.55	2,403.09	485.13	358.15	190.37

Implementing Water Resource Management

By upgrading manufacturing facilities and building sponge cities, we have comprehensively promoted the recycling of water resources, continuously reduced the discharge of domestic wastewater and improved the efficiency of water resource utilization. Of the 3.761 million tons of water consumed in 2017, 1.1454 million tons was recycled water.

2017  
376.1  
114.54

FáVá\_ WfáXI SéW SÁV

5S` fVW EW SYW	<ul style="list-style-type: none"> <li>It is strictly forbidden to pour any residual oil or leftovers from the canteen into the sewer, or wash the tableware with phosphate detergents;</li> <li>Strainers should be installed in the waste water discharge pipe outlets in the canteen, and the filtered domestic waste should be treated in accordance with the <i>Regulations on Waste Management</i>.</li> <li></li> <li></li> </ul>
DS[ i SFVá 5a` fáb^	<ul style="list-style-type: none"> <li>Special rainwater pipes should be installed to prevent waste water discharging into rainwater pipes.</li> <li>Neither industrial nor domestic waste should be piled up in the open air to prevent the rainwater from being polluted.</li> <li></li> <li></li> </ul>
ES` [fSá I SéW SfVá	<ul style="list-style-type: none"> <li>Toilet cleaners should regularly check the operation of toilet facilities;</li> <li>Septic tanks should be cleaned once a year.</li> <li></li> <li></li> </ul>

## D76G5;@9 I 3EF7 6;E5: 3D97E

In controlling the wastes which may be generated in the course of production and daily living, the Group has used treatment devices to ensure the waste gas reached the discharge standard, sorted and treated the wastes by classification to minimize their impact on the environment.

### Gas Control and Treatment

Considering environmental protection in such aspects as process design, material selection and project development, the Group has minimized the generation and emission of waste gas. The emission of Sulphur-dioxide in 2017 was 13.42 tons.

13.42

#### I ad] eZab 9Se? S` SYW\_ W f

- Dedicated technicians have been assigned to regularly maintain and repair the waste gas filtration and ventilation units of relevant equipment to ensure the function of the equipment.
- Porters and operators wear dust masks and respirators when entering the operation site polluted by waste gas.

- 
- 

#### 7j ZSgef ? S` SYW\_ W f

- We carry out annual inspection of the company's vehicles according to the regulations so as to avoid excessive emissions.

- 

#### =[fUZW 8g\_ V4? S` SYW\_ W f

- The approach to collect and precipitate kitchen fumes has been adopted to minimize pollution.

- 



Workshop Dedusting Equipment

FkbWax9dWV ZageW9Se	@[fda]eAj [VW (Unit: tons of CO2e)	5SdTa` 6[a] [VW (Unit: tons of CO2e)	? WZS` W (Unit: tons of CO2e)	FafS^3_ ag` f aX 9dWV ZageW9Se (Unit: tons of CO2e)
Emission	0.75	7,402.44	0.17	7,403.37

## Waste Treatment

According to the different properties and characteristics of hazardous and non-hazardous wastes, the Group has treated wastes by classification and ensured every category of waste properly treated. Plastics, engine oil, oil barrels, waste tinplate cans and other wastes recycled throughout the year exceeded 6,054.32 tons.

6,054.32

I SefWfkbVè	B'Sef[Ue (Unit: Ton) ( : )	GeW A[^ (Unit: Ton) ( : )	GeW A[^4SddMe (Unit: Ton) ( : )	GeW F[ b'SfW5S` e (Unit: Ton) ( : )
Amount Recycled in 2015	2,970.00	10.57	4.90	192.00
Amount Recycled in 2016	33,728.88	64.78	108.86	135.44
Amount Recycled in 2017	5,874.71	122.05	9.42	48.14

AgfeagdJW fa dWkU[ Y Ua\_ bS` [Vè U'See[ W efadSYWS` V dWkU[ Y

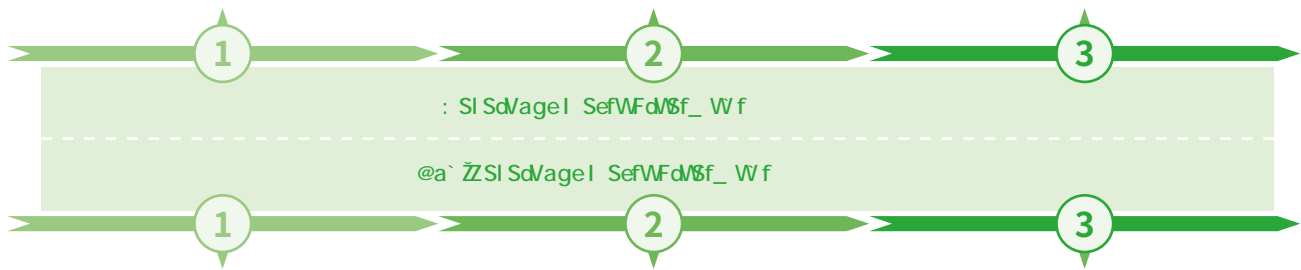
primarily for wastes such as used mineral oil and used emulsion etc.

AgfeagdJW fa cgS[ W i SefWfdVf\_ W f eVth[UWbdh[VVè

primarily for mercury-containing wastes, waste acid, waste liquid from laboratories, waste halogenated organic solvents, waste organic solvents, waste chemical containers, and empty cans etc.

AgfeagdJW fa dWkU[ Y Ua\_ bS` [Vè

primarily for printer inks and paints etc.



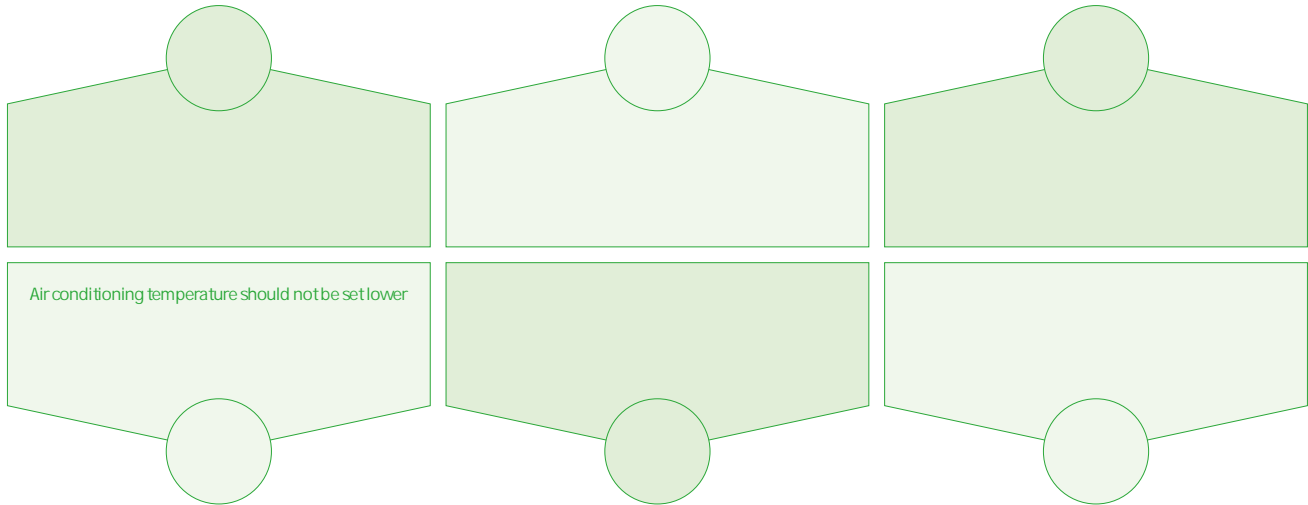
Copper scraps, leftover bits and pieces of copper composite strips, iron scraps, waste aluminum materials, used plastic bags, cardboards, packing materials, tin dross, pins and wires of electronic components and other recyclable wastes are sold to recycling companies.

Process waste plastics generated during production and plastics contained in non-conforming products are processed as re-grind materials.

The domestic waste are stored by classification, packed separately using garbage bags, put into the garbage cans with covers, sterilized regularly, and delivered to the sanitation department.

## Energy Saving and Environmental Protection

By organizing energy saving and environmental protection campaigns, the Group has called on its employees to unearth energy saving potential at work, in daily life and form energy saving habits in such aspects as routine office work, travelling, dining and use of water.



## DEVELOPING GREEN INDUSTRY

In response to the call of the state to actively "implement the construction of underground piping system and the construction plan of sponge cities", the Group has extended its business to the sector of environmental protection, devoted efforts to water body treatment and sponge city construction by virtue of its own advantages and strengths, created an eco-friendly industrial chain from environmental protection consultation, environmental assessment, design, construction and operation of environmental protection plans to financing support, and thus satisfied demands for a better life and environmental protection.



53E7

### Guangzhou Environmental Protection Engineering Co., Ltd.

The China Lesso subsidiary, Guangzhou Environmental Protection Engineering Co., Ltd., took the lead in establishing "Guangzhou Technical Innovation Alliance of Black and Odorous Water Treatment and Sponge City Construction Innovation Alliance", integrated multiple innovation resources from governments, enterprises, colleges and universities, scientific research institutes, intermediaries and other entities, searched for solutions to the problems of treating urban black and odorous water such as difficulties in treatment and easy recurrence, and joined the common effort to contribute to a beautiful China.

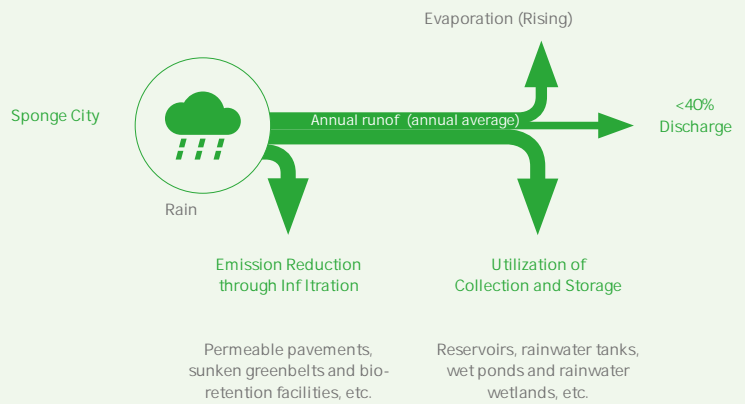
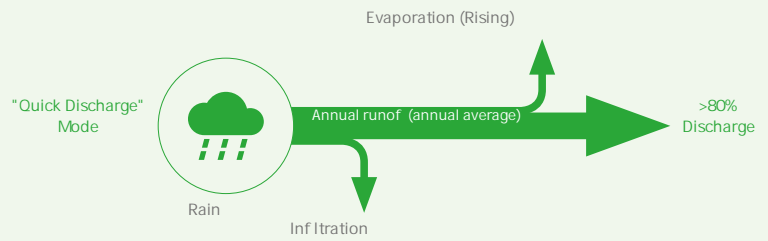


### 海绵城市

Making full use of such ecosystems as buildings, roads, greenbelts and water systems to absorb, store, infiltrate and mitigate rainwater through urban planning and management, a sponge city can control rainwater runoff effectively and realize the urban development mode of natural accumulation, natural infiltration and natural purification.



Sponge City Sketch



Sponge city Rainwater Management System

# “益起180”

特约

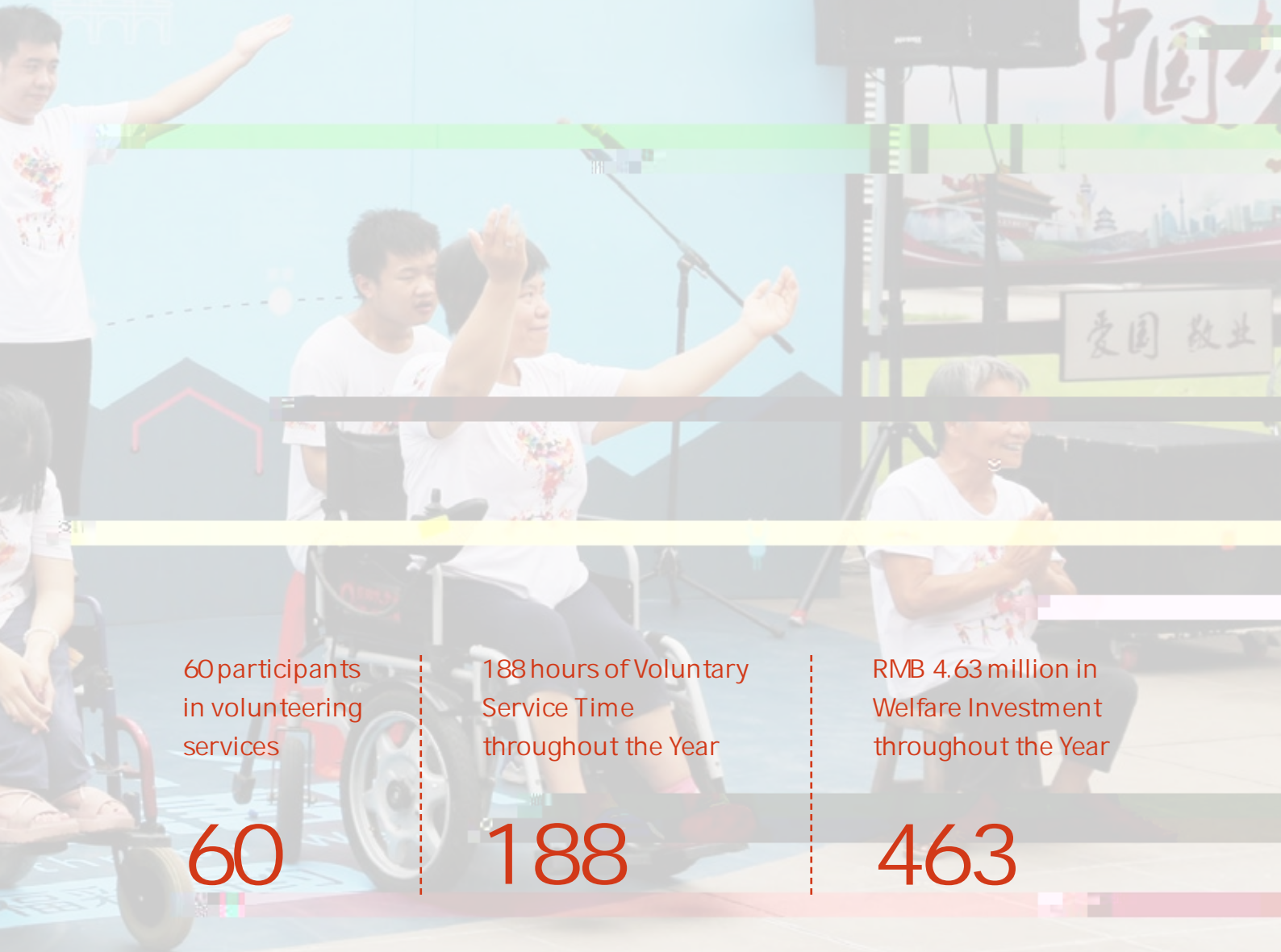
## 益起180



While striving for its own development, the Group has worked hard to develop a harmonious living atmosphere for residents, showed warmth and generosity to residents through poverty alleviation, voluntary services, support for educational causes and other charitable activities and contributed great strength to the harmony of society.

LESSO 联塑

2017 特约



60 participants  
in volunteering  
services

60

188 hours of Voluntary  
Service Time  
throughout the Year

188

RMB 4.63 million in  
Welfare Investment  
throughout the Year

463

## SINCERE DEVOTION TO POVERTY ALLEVIATION

Adhering to the charitable concept of "serving and repaying society", the Group is committed to poverty alleviation and cares for people in need, to transmit the generosity Lesso.



53E7

Shenzhen Qianhai Lesso Commercial Factoring Co., Ltd.



In order to implement the spirit of the 19th CPC National Congress and respond to the call of poverty alleviation in East, West and North Guangdong, Shenzhen Qianhai Lesso Commercial Factoring Co., Ltd., a subsidiary of China Lesso, has taken an active part in poverty alleviation activities organized by the Factors Association, handing rice, edible oils, pastries, quilts, televisions and other articles valued at tens of thousands of yuan over to every poverty-stricken family. Through such activities, poverty-stricken families have enriched their daily lives and Lesso has expressed their sincerity in caring for those affected by poverty.



53E7

2018年春节期间，中国乐思携手人力资源和社会保障局、龙江镇慈善基金会，开展“乐思有爱”慈善活动，向511户低收入家庭发放慰问金238万元。

With the 2018 Spring Festival approaching, China Lesso has joined hands with the Bureau of Human Resources and Social Security of Longjiang Town and Longjiang Charity Foundation to organize a charitable activity with the theme "Lesso Love" and distributed gifts valued at RMB 238 each to 511 registered low-income families in Longjiang. Furthermore, China Lesso and Longjiang Charity Foundation divided into two teams and visited 7 poverty-stricken families in Tanxi, Xixi and Paisha, and presented them with money and gifts. Through such activities, the poverty-stricken families in Longjiang Town felt that they have been cared for, and a great atmosphere for poverty alleviation has been created to spread positive social energy.

2018  
511

238  
3 7

2018



## COMMITTING TO VOLUNTARY SERVICE

In improving the establishment of a voluntary service system, the Group has formed the Lesso Volunteer Team, encouraged and assisted employees to take an active part in caring for the elderly and visiting the community, promoted harmonious development of the community, and sowed positive social energy.

### 53D;@9 8ADF: 7 7>67D>K

To carry forward the social virtue of respecting the elderly, the Group has organized and participated in a series of activities, where we sent the elderly social care and entertainment.



### EZai [ Y >ahW&ds' V 5WWTdSf[ Y ? afZWde 6Sk i [fZ fZW7^VWk

On May 13, 2017, the eve of Mother's Day, China Lesso worked with the government of Longjiang Town to organize and conduct a "caring for and brining warmth to the elderly" event. On the day, ten members of the China Lesso Volunteer Team and relevant officers from the government of Longjiang Town prepared brilliant performances and abundant gifts and wished the elderlya happy Mother's Day. China Lesso Volunteer Team have showed their care for the elderly and enriched the later years of their life in a pragmatic way.



2017 5 13  
10



Actively supporting public welfare activities, the Group has carried forward China's charity culture and assisted in developing a rich atmosphere of positive social customs and charitable kindness.

Actively supporting public welfare activities, the Group has carried forward China's charity culture and assisted in developing a rich atmosphere of positive social customs and charitable kindness.



53E7

On September 3, 2017, the Shunde Philanthropy Week officially started. As a sponsor, China Lesso made full use of its own strengths to support the activities relating to the Shanneng Training Camp. During the activities, lively games such as Interesting Experiences in Eco-friendly Bottles, Riding Ignites the Future, In My Arms and Growing Camp enabled participants to experience the value of recycling waste, deepen understanding of public welfare, charity and environmental protection and learn to live with love for humanity, and the Group drove more people to get involved in public welfare, and gave an impetus to the transformation of modern public service.



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On the day of "Pay a Tribute to Public Welfare Practitioners: Salute to Shunde Philanthropy and Inaugural Ceremony of Shunde Charity Federation 2017", China Lesso was named a "Society-friendly Enterprise".

2017 9 3

+1



On the "International Volunteer Day" (December 5), the Group's volunteer team was rated an "Outstanding Volunteer Organization".

12 5

— 2017



Although the Lesso Volunteer Team is newly established, we always take an active part in various voluntary services and are committed to giving love back to society. Our aim is to infect every person in Lesso with love and invite more colleagues to join our team.

"Although the Lesso Volunteer Team is newly established, we always take an active part in various voluntary services and are committed to giving love back to society. Our aim is to infect every person in Lesso with love and invite more colleagues to join our team."

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## SUPPORTING EDUCATIONAL CAUSES

In supporting the development of educational causes in poverty-stricken areas, the Group has participated in post-disaster teaching assistance, and promoted the balanced allocation of cultural and educational resources to poverty-stricken areas.



53E7

“>ahWS` V 7VgUSf[a` S^3ee[efS` UW, 3 H[e]f fa KSiS` %o

In order to further improve the faculty strength of Qijiacun Primary School, Ya'an after the earthquake, Shunde Charity Fund commenced the annual teaching-assistance program "Love and Educational Assistance". In November, 2017, China Lesso cooperated with Shunde FM901, Foshan Radio in arranging key teachers from Jianhai Primary School, Daliang to assist Qijiacun Primary School, Sichuan. During the visit, volunteer teachers taught students from Qijiacun Primary School through lively activities and exchanged their teaching experience with local teachers. Such activities not only broadened the minds of students, but further improved the teaching skills.

901

2017 11



# CARING FOR EMPLOYEES AND SHARING DEVELOPMENTAL RESULTS



68 PROTECTING EMPLOYEES' RIGHTS AND INTERESTS

70 PROMOTING OCCUPATIONAL HEALTH

72



Considering employees as the most valuable resources and treasure of the Group, we respect and protect employees' rights and interests, promote the development of employees' occupational health, actively encourage employees to grow in an all-round way, take the initiative in caring about employee's livelihood, enable the results of the Group's development benefit staff, and achieve the mutually beneficial improvement of employees and the Group.

2,542 employee training sessions organized throughout the Year

2,542

263,923 hours in Total Spent on Employee Training

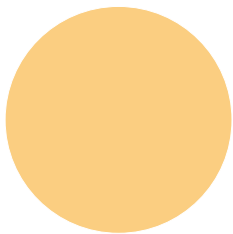
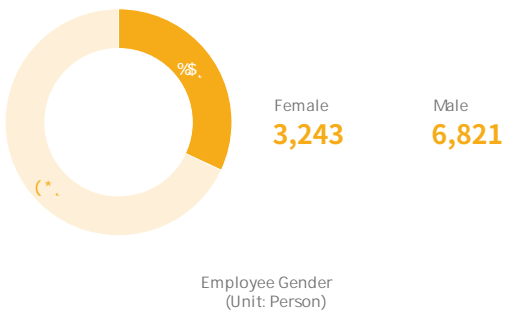
263,923

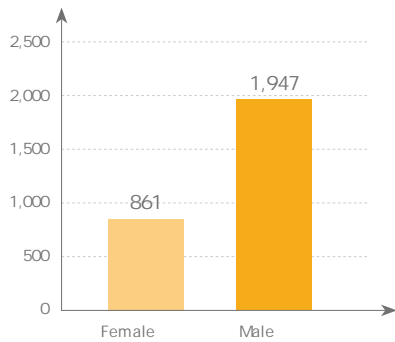
100% Physical Examination Rate for Occupational Diseases

100%

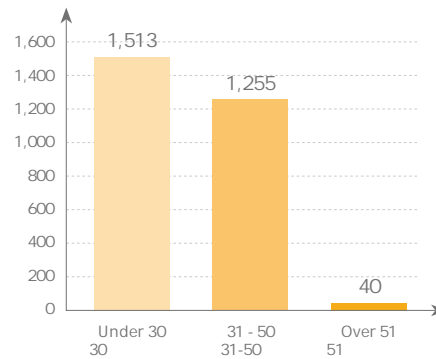
## PROTECTING EMPLOYEES' RIGHTS AND INTERESTS

Paying great importance to employees' rights and interests, the Group has recruited talent in strict compliance with the requirements of relevant laws and regulations, continued improving remuneration and benefit systems, actively promoted democratic management, and fully assured employees of their legitimate rights and interests.





Employee Turnover by Gender  
(Unit: Person)



Employee Turnover by Age Group  
(Unit: Person)

### >3I 8G> 3@6 7CG3> 7? B>AK? 7@F

Advocating an employment policy that values equality and non-discrimination, the Group selects and appoints talent through various means in an open and transparent manner, treats employees fairly and impartially regardless of their nationality, ethnicity, race, gender, age, religious belief or cultural background, opposes forced and child labor, and strives to create a fair and lawful working environment for employees.

### ;? BDAH;@9 F: 7 D7? G@7D3F;A@ 3@6 47@78;F EKEF 7?

The Group has formulated the *China Lesso Remuneration Management Regulations*, guaranteeing employee remuneration shall not be lower than the regional average. The package is based on the industrial level of remuneration and benefits and the Group's profitability etc. Therefore, the increase in employee income is in sync with the development of the Group.

In strict compliance with relevant requirements of the *Social Insurance Law of the People's Republic of China*, the Group has paid social insurance and housing funds for employees, established occupational pension and supplementary medical insurance systems, and enhanced employees' sense of happiness.



100% Social Insurance Coverage

100%



100% Employment Contracts Signed

100%

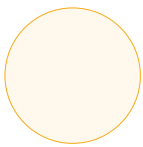
### 5A@6G5F;@9 67? A5D3F;5 5A? ? G@;53F;A@

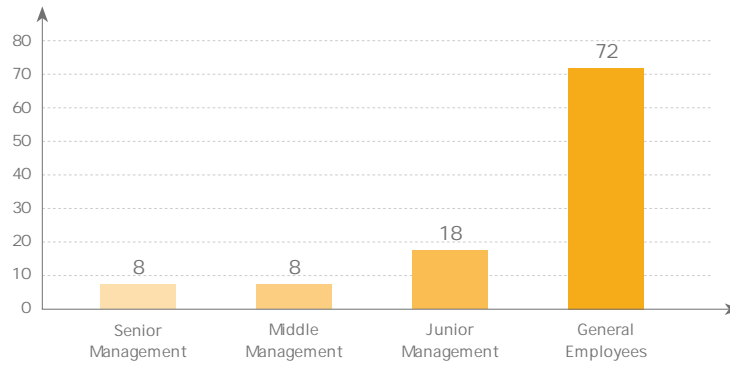
In actively promoting democratic management, the Group has enhanced the communication and exchange with employees by employee satisfaction surveys, democratic meetings, staff congress and other means, to listen to the voice of employees, understand their demands and solve the issues which concern them.

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## PROMOTING OCCUPATIONAL HEALTH

Prioritizing the health and safety of employees, the Group has enhanced its management of occupational safety in strict compliance with relevant requirements of the *Law of Occupational Disease Prevention and Control of the People's Republic of China* and the *Law of Work Safety*

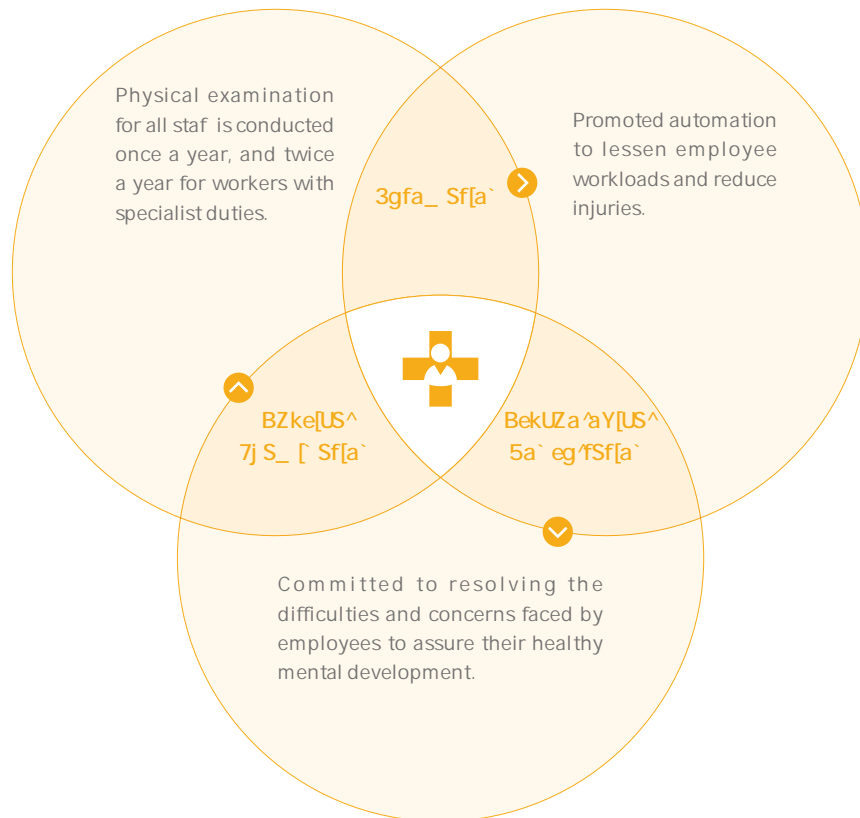




Employee Health and Safety Training Hours (Unit: Hour)

## 7? B>AK77 : 73>F:

Paying attention to the physical and mental health of employees at work, the Group safeguards employees by promoting automation, increasing the number of physical examinations for workers with specialist duties and helping employees resolve their difficulties and concerns.



# ESTABLISHING A PLATFORM FOR GROWTH

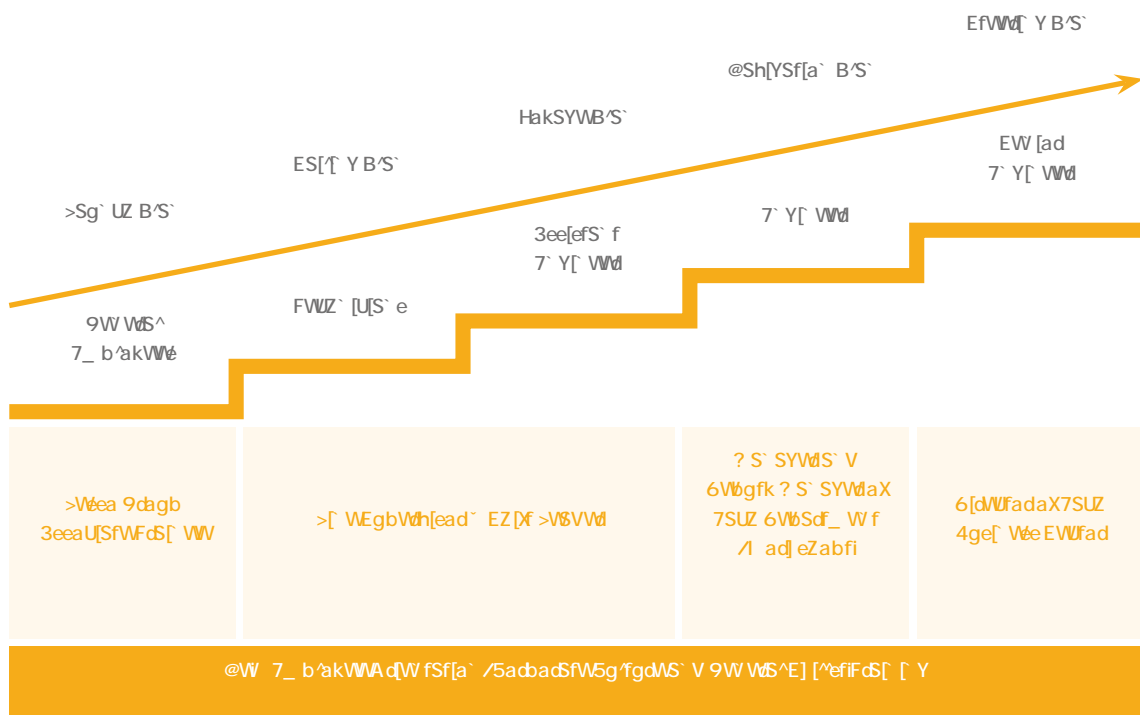
By establishing a sound training system and career path, the Group provides employees with a broad platform to improve their occupational competitiveness.

Employee Training Data	Gender		Employee Type			
	Female	Male	Senior Management	Middle Management	Junior Management	General Employees
Employees Trained / People	7,127	16,591	195	678	2,353	20,492

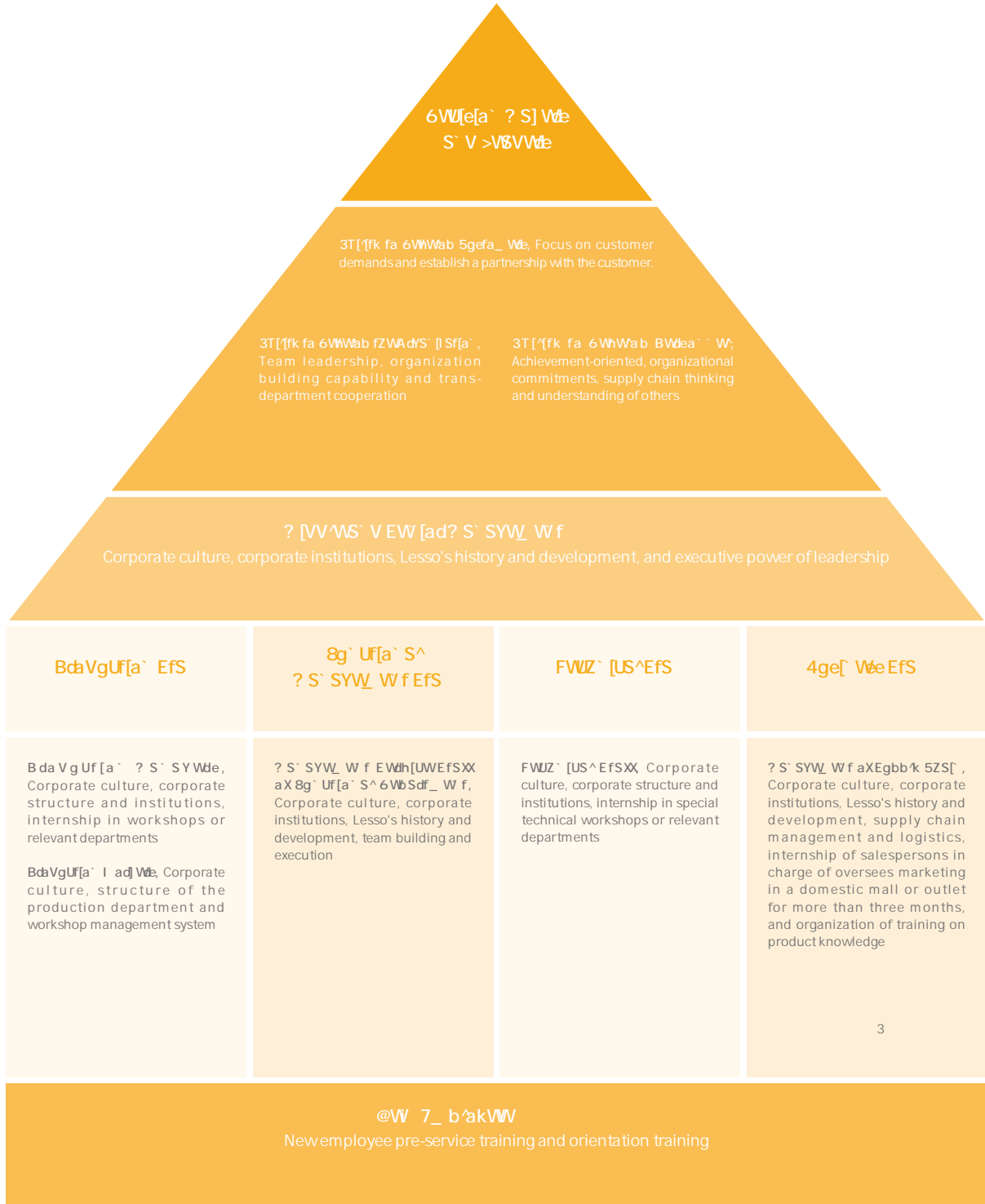
## 7? B>AK77 FD3;@;@9

The Group has established a training and management system for employees' occupational development, developed various training courses based on employee demands for occupational development, and satisfied the demands of different types of employees with different posts for their growth. In 2017 we conducted a total of 110 training courses.

110

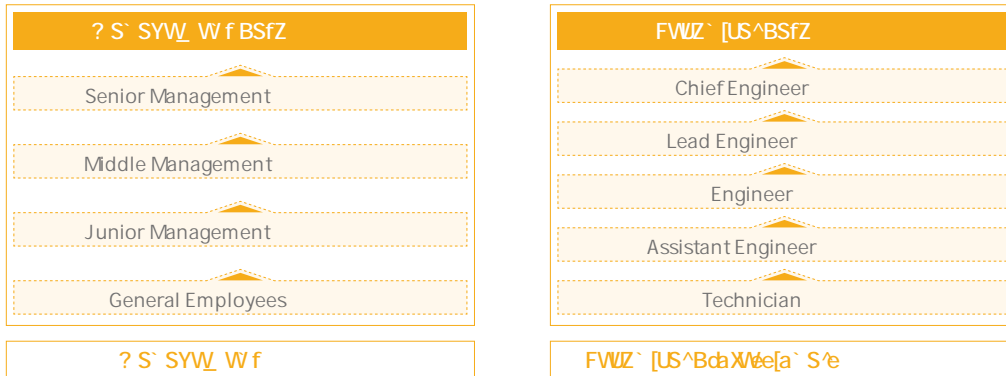


Lesso Training Development System



## OCCUPATIONAL DEVELOPMENT

The Group has provided employees with a variety of choices concerning their occupational development by promoting a dual-path based on employee demands, cooperated with South China University of Technology to actively provide adult education, to offer employees educational opportunities and improve their educational background as well as expertise and skills, and gave academic and technical support to employees' occupational development.



## CARING FOR EMPLOYEES

Caring for employee welfare, the Group has supported poverty-stricken employees, female employees and other vulnerable groups, organized rich and varied staff activities, balanced the professional and personal lives of employees, and enabled employees to feel the warmth and care from the Group.

### 7@D;5: ;@9 7? B>AK77 >;H7E

The Group has held a series of recreational and sports activities including Mid-Autumn Performance, staff sports events, family days and Christmas events that are enjoyed by employees and enrich their spare time and create a sound corporate cultural atmosphere.



CREATE A RELAXING  
LIFE WITH EXCELLENT  
QUALITY

HIGH STANDARDS OF  
SERVICE TO ACHIEVE  
A BETTER LIFE

WIN-WIN COOPERATION  
INCREASES THE VALUE OF  
RESPONSIBILITIES

GREEN DEVELOPMENT  
CALLS FOR BUILDING ECO-  
FRIENDLY HOMES

A HARMONIOUS SOCIETY  
EMBRACES A BETTER  
FUTURE

CARING FOR EMPLOYEES  
AND SHARING  
DEVELOPMENTAL RESULTS

# OUTLOOK

Upholding the brand concept of "build a relaxing life for home builders with quality Lesso products", China Lesso will continue to provide general users with quality products and one-stop considerate service. Following the "Belt and Road Initiative", China Lesso has designed its global market by establishing overseas channels and services, enabled the brand "Made in China" to go global and the products made by China Lesso to enter tens of thousands of families at home and abroad, and assures every customer of high-quality and relaxing life.

nsid

# ESG PERFORMANCE

# ESG

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E LabWáX; V[LSfad		; V[USfadBWáq_ S` UW	
Aspect A1: Emissions		A1	
<p>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 nonhazardous waste.</p> <p>(a) (b)</p>		Disclosed in "Improving Environmental Management"	
KPI A1.1	A1.1	The types of Gas emissions and respective emissions data.	Disclosed in "Gas Control and Treatment"
KPI A1.2	A1.2	Greenhouse gas emissions in total (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	
KPI A1.3	A1.3	Total hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	Disclosed in "Waste Treatment"
KPI A1.4	A1.4	Total nonhazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	

ElabWáX; V[USfad		; V[USfadBWáad_ S` UW	
KPI A1.5	A1.5	Description of measures to mitigate emissions and results achieved.	Disclosed in "Gas Control and Treatment"
KPI A1.6	A1.6	Description of how hazardous and non-hazardous wastes are handled, reduction initiatives and results achieved.	Disclosed in "Waste Treatment"
<b>Aspect A2: Resource Utilization A2</b>			
		Policies on the ef cient use of resources, including energy, water and other raw materials.	Disclosed in "Improving The Utilization Ef ciency of Resources"
KPI A2.1	A2.1	Direct and/or indirect total energy consumption by type (e.g. electricity, gas or oil) (in 1,000 KWH) and intensity (e.g. per unit of production volume, per facility).	Disclosed in "Improving The Utilization Ef ciency of Resources"
KPI A2.2	A2.2	Water consumption in total and intensity (e.g. per unit of production volume, per facility).	Disclosed in "Implementing Water Resource Management"
KPI A2.3	A2.3	Description of energy use efficiency initiatives and results achieved.	Disclosed in "Improving The Utilization Ef ciency of Resources"
KPI A2.4	A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency initiatives and results achieved.	Disclosed in "Implementing Water Resource Management"
KPI A2.5	A2.5	Total packaging materials (in tonnes) used for finished products and with reference to per unit produced where applicable.	Disclosed in "Waste Treatment"

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Aspect A3: Environment and Natural Resources		A3	
Policies on minimizing the issuer's significant impact on the environment and natural resources.		Disclosed in "Waste Treatment" and "Implementing Green Offices"	
KPI A3.1	A3.1		

EA 5;3> B7D8AD? 3@57

ElabWäX;` V[USfad		; V[USfadBWAäd_ S` UW	
Aspect B1: Employment		B1	
Information on the policies and compliance with relevant laws and regulations /			

Employee Turnover Rate		Employee Turnover Rate by Gender, Age Group and Geographical Region	
KPI B1.2	B1.2	Employee turnover rate by gender, age group and geographical region.	Male/Female: 24.73 % / 22.78 % / 24.73 % / 22.78 % Under 30/ 30-50/ Over 50: 29.33 % / 20.22 % / 14.13 % 30 / 30 50 / 50 29.33 % / 20.22 % / 14.13 % South China/Central China/North China/East China/Southwest China/ Northwest China/Northeast China/ Hong Kong, Macau, Taiwan & Other Countries: 21.01 % / 28.28 % / 38.10 % / 58.72 % / 22.58 % / 43.65 % / 34.40 % / 16.67 % / / / / / / : 21.01 % / 28.28 % / 38.10 % / 58.72 % / 22.58 % / 43.65 % / 34.40 % / 16.67 %
<b>Aspect B2: Health and Safety B2</b>			
		Information on policies and their compliance with relevant laws and regulations that have a significant impact on the issuer, in regards to the provision of a safe working environment and protection of employees from occupational hazards. (a) (b)	Disclosed in "Promoting Occupational Health"
KPI B2.1	B2.1	Number and rate of work-related fatalities.	0/0 %
KPI B2.2	B2.2	Lost days due to work injury.	Disclosed in "Promoting Occupational Health"
KPI B2.3	B2.3	Description of occupational health and safety measures adopted, how they are implemented and monitored.	Disclosed in "Promoting Occupational Health"
<b>Aspect B3: Development and Training B3</b>			
		Policies on improving employees' knowledge and skills for fulfilling work duties. Description of training activities.  Note: Training refers to vocational training including internal and external programs paid by the employer.	Disclosed in "Establishing a Platform for Growth"
<b>Aspect B4: Labour Standards B4</b>			
		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 labour. (a) (b)	Disclosed in "Lawful and Equal Employment"

Elaboration of the indicator		Indicator description	Disclosure
KPI B4.1	B4.1	Description of measures to review employment practices to avoid child and forced labour.	Disclosed in "Lawful and Equal Employment"
KPI B4.2	B4.2	Description of steps taken to eliminate such practices when discovered.	Disclosed in "Lawful and Equal Employment"
<b>Aspect B5: Supply Chain Management</b>		<b>B5</b>	
Policies on managing environmental and social risks of the supply chain.		Disclosed in "Creating a Socially Responsible Supply Chain"	
KPI B5.1	B5.1	Number of suppliers by geographical region.	Disclosed in "Enhancing Supplier Management"
KPI B5.2	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 in "Enhancing Supplier Management"
<b>Aspect B6: Product Responsibility</b>		<b>B6</b>	
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 in "Highlighted Issues of Responsibility", "Optimizing Product Quality" and "Protecting Customers's Privacy"	
	(a)	(b)	
KPI B6.1	B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons.	No product and service recycling events that have significant impact on the operation of the Group during the reporting period.
KPI B6.2	B6.2		

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KPI B6.3	B6.3	Description of practices relating to observing and protecting intellectual property rights	Disclosed in "Innovation Drives Development"
KPI B6.4	B6.4	Description of quality assurance process and recall procedures.	Disclosed in "Optimizing Product Quality"
KPI B6.5	B6.5	Description of consumer data protection and privacy policies, how they are implemented and monitored.	Disclosed in "Protecting Customers' Privacy"
<b>Aspect B7: Anti-corruption</b>		<b>B7</b>	
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. (a) (b)		Disclosed in "Corporate Governance"	
KPI B7.1	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 in "Corporate Governance"
KPI B7.2	B7.2	Description of preventive measures and whistle-blowing procedures, how they are implemented and monitored.	Disclosed in "Corporate Governance"
<b>Aspect B8: Community Investment</b>		<b>B8</b>	
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 in the opening of "A Harmonious Society Embraces a Better Future", "Sincere Devotion to Poverty Alleviation", "Committing to Voluntary Service" And "Support to Educational Causes"	

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# HONOURS

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Heshan Lesso Industrial Development Co., Ltd.	Outstanding Unit of Work Safety 2016	Heshan Association for Management of Work Safety
Changchun Lesso Industrial Co., Ltd.	Level III Standardization of Work Safety Enterprise	Changchun Office of Assessment and Management of Work Safety Standardization
Lesso Technology Development (Guiyang) Co., Ltd.	Outstanding Organization and Ingenuity Enterprise in Guizhou Province	The Economic & Information Commission of Guizhou Province, Guizhou Provincial Department of Commerce, Department of Housing and Urban-Rural Development of Guizhou Province, Guizhou Administration of Work Safety, Guizhou Provincial Administration of Press, Publicaiton, Radio, Film and Television, and Qingzhen Municipal Commission Of ce of Work Safety
Urumqi Lesso Technology Development Co., Ltd.	Level III Standardization of Work Safety Enterprise	Urumqi Association for Work Safety
Henan Lesso Industrial Co., Ltd.	Advanced Unit of Work Safety 2017	Management Committee of Huaiyang Industrial Cluster

## BDA 6G5F CG3&gt;;FK: A@ADE

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Guangdong Liansu Technology Industrial Co., Ltd.	Member of Guangdong Association for Quality	Guangdong Association for Quality
Guangdong Liansu Technology Industrial Co., Ltd.	CNAS Accredited Lab Certification	China National Accreditation Service for Conformity Assessment
China Lesso Group Holdings Limited	Merit Manufacturing Enterprise in Guangdong Province Bronze Award	Guangdong Manufacturers Association and Guangdong Association for the Promotion of Industrial Development
China Lesso Group Holdings Limited	Top 50 Manufacturing Enterprises in Guangdong Province 50	Guangdong Manufacturers Association, Guangdong Research Institute for Industrial Development, and Guangdong Academy of Social Sciences and Enterprise Competitiveness Research Centre
Guangdong Liansu Technology Industrial Co., Ltd.	The Second Science and Technology Award of Guangdong Province (Technical R&D and Commercialization of PVC-U Pipes and Pipe Fittings) PVC-U	The People's Government of Guangdong Province
China Lesso Group Holdings Limited	Integrated Elaborate Decoration Service Brand Preferred by Top 500 Chinese Real Estate Development Enterprises 2017 Certification and Bronze Award 2017 500	China Real Estate Association, Shanghai E-house Real Estate Research Institute, and China Real Estate Appraise Centre

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China Lesso Group Holdings Limited	Pipe and Pipe Fitting Supplier Preferred by Top 500 Chinese Real Estate Development Enterprises 2017 Certification and Bronze Medal 2017 500	China Real Estate Association, Shanghai E-house Real Estate Research Institute, and China Real Estate Appraise Centre
China Lesso Group Holdings Limited	2016 Excellent Partners Bronze Medal 2016	China Real Estate Association
Guangdong Liansu Technology Industrial Co., Ltd.	AAA Quality Credit Level Enterprise in China Certification AAA	China Society of Inspection and Quarantine Credibility and Integrity Committee
Guangdong Liansu Technology Industrial Co., Ltd.	Excellent Enterprise of the Light Industry with Quality Management Group Works in China	Quality Branch of China National Light Industry Council
Guangdong Liansu Technology Industrial Co., Ltd.	Construction Industry Scientific and Technological Achievement Appraisal Certification	Technology Development and Promotion Centre of Ministry of Housing and Urban-Rural Development
Guangdong Liansu Technology Industrial Co., Ltd.	Top Ten China Plastic Enterprises of Light Industry (Plastic Pipes)	China National Light Industry Council and China Plastics Processing Industry Association
Guangdong Liansu Technology Industrial Co., Ltd.	Chinese Quality Product	China Association for Quality of Construction and Building Materials

## EA5;3&gt;: A@ADE

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Guangdong Liansu Technology Industrial Co., Ltd.	Longjiang Charity Foundation (Longjiang Philanthropy) Crystal Mount	Foshan Shunde District Longjiang Charity Foundation
China Lesso Group Holdings Limited	Social Contribution(Charity Unit) Bronze Medal	The People's Government of Longjiang Town, Shunde District, Foshan
China Lesso Group Holdings Limited	GoldenBee Growth Enterprise	<i>China WTO Tribune</i> WTO
Guangdong Liansu Technology Industrial Co., Ltd.	Top 100 Enterprises of the Light Industry in China	China National Light Industry Council
Guangdong Liansu Technology Industrial Co., Ltd.	Top 500 Chinese Private Enterprises and Top 500 Chinese Private Manufacturing Enterprises 500	All-China Federation of Industry and Commerce
China Lesso Group Holdings Limited	Top 500 Manufacturing Enterprises in Guangdong Province 2017 2017 500	Guangdong Manufacturers Association, Guangdong Research Institute for Industry Development, and Guangdong Academy of Social Sciences and Enterprise Competitiveness Research Centre

# READER FEEDBACK

Dear Madam / Sir,

Thanks for taking time out to read this report. We look forward to receiving your opinions and suggestions so as to improve the compilation of the report and to enhance our performance in the fulfillment of corporate social responsibility.

	Very Good	Good	Acceptable	Bad	Very Bad
Structure of the Report					
Information Disclosure					
Layout Design					
Readability					
Overall Evaluation					

### 3. Which part(s) of this report that you find most useful to you? (2 Options Most) 2

- Chairman's Message
- Corporate Governance
- Highlighted Issues of Responsibility
- Socially Responsible Management of Business
- Create a Relaxing Life with Excellent Quality
- High Standards of Service to Achieve a Better Life
- Win-win Cooperation Increases the Value of Responsibilities
- Green Development Calls for Building Eco-friendly Homes
- A Harmonious Society Embraces a Better Future
- Caring for Employees and Sharing Developmental Results



