



九龍建業有限公司
KOWLOON DEVELOPMENT COMPANY LIMITED

Stock Code 股份代號: 34

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT 2017



CONTENT

INTRODUCTION 2

Business Review
Reporting Standard, Period and Scope
Stakeholder Engagement
Contact Details

WORDS TO STAKEHOLDERS 6

SUSTAINABLE OPERATIONS 8

Strategy and Management Approach
Case Study: South Coast
Case Study: Pioneer Centre
Case Study: Property Management
Energy Consumption and Greenhouse Gas Emissions
Waste Management
Water Resources
Environmental Impacts Mitigation Measures

PEOPLE DRIVEN CULTURE 20

Corporate Culture
Acquiring Talents
Developing Talents
Occupational Health and Safety of Employees

COMMUNITY CONTRIBUTIONS 28

LOOKING FORWARD 34

PERFORMANCE TABLE 35

INTRODUCTION

BUSINESS REVIEW

Kowloon Development Company Limited (the "Company" or "KDC") (Stock Code: 34) was established on 24 January 1961 and listed on the main board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 4 July 1995. The Group (throughout the report, the term "Group" refers to the Company and its subsidiaries unless otherwise stated) has been pursuing a property development strategy in Hong Kong, Mainland China and Macau since 2006, with its Macau property business currently being carried out through its 73.4%-owned listed subsidiary, Polytec Asset Holdings Limited ("PAH") (Stock Code: 208). The principal activities of the Company are property investment and investment holding. Its subsidiaries are principally engaged in investment holding, property development, property investment, property management and oil production.

Over the past ten years, the Group has built a sizeable and quality development landbank across these three markets, at a relatively competitive cost, with the gross floor area attributable to the Group amounting to approximately 4.3 million square metres as of 31 December 2017.

The board of directors of the Company (the "Board") has been engaged in the environmental, social and governance ("ESG") report preparation process and evaluated all associated ESG-related risks. For the reporting year, we were not aware of any material non-compliance with any local laws and regulations with regards to environment, labour, and anti-corruption in all our operational activities. The Board and senior management of KDC continued to seek ways to improve business operations and enhance transparency of ESG-related issues.

REPORTING STANDARD, PERIOD AND SCOPE

KDC hereby presents its second standalone ESG Report, while PAH will publish its own ESG report.

The reporting framework referenced to the ESG Reporting Guide set out in Appendix 27 to the Rules Governing the Listing of Securities on the Stock Exchange. The contents of the report adhered to the Reporting Principles of Materiality, Quantitative, Balance and Consistency in accordance with the ESG Reporting Guide.

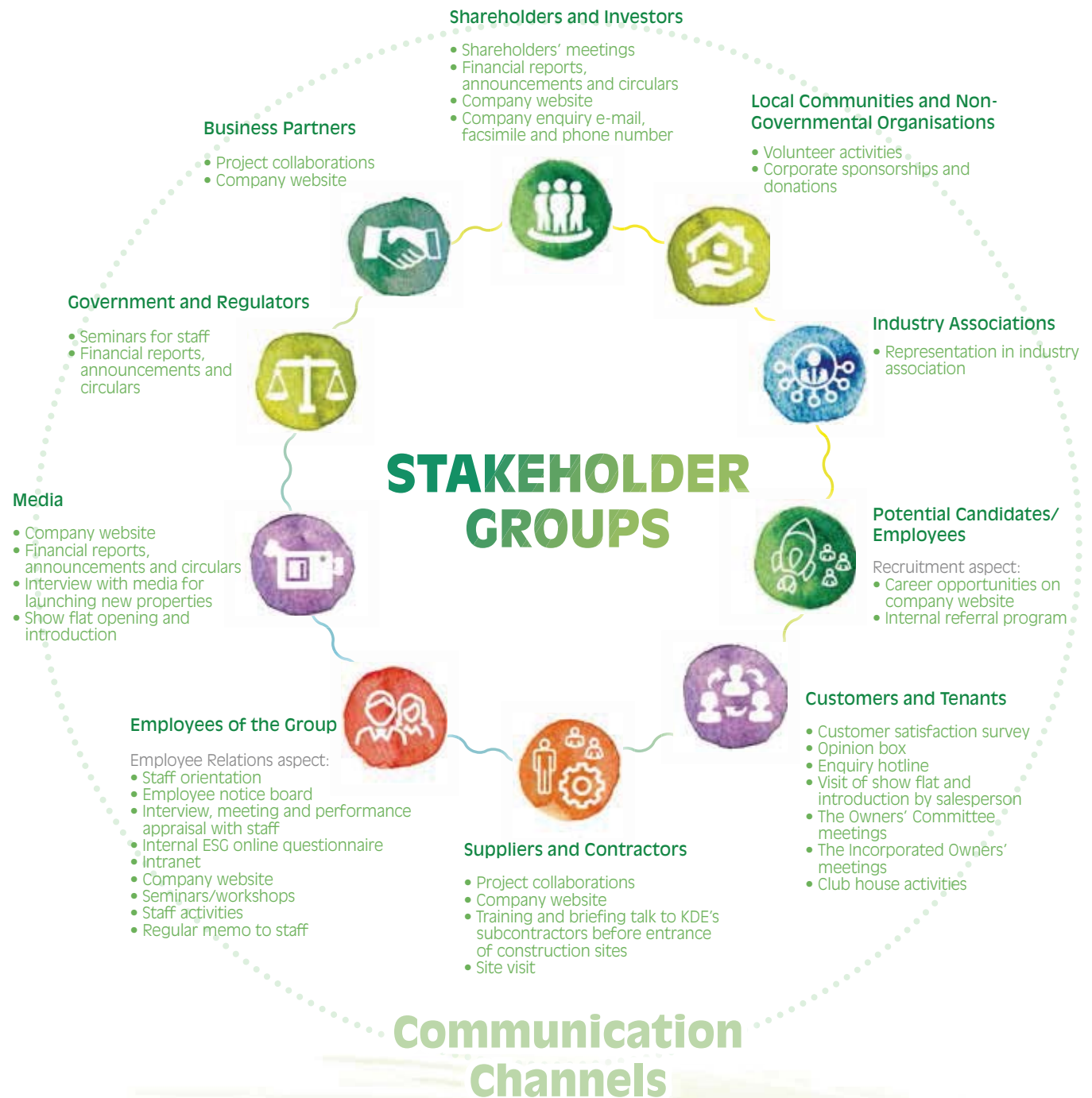
This report covered the Group's progress on ESG aspects from 1 January 2017 to 31 December 2017.

This report covered the headquarters' operation as well as the businesses of the Company and its subsidiaries in Hong Kong which comprised of property investment in the Pioneer Centre, the Group's wholly-owned flagship and core investment property; property development; property management business operated by Country House Property Management Limited ("Country House"); and construction business operated by Kowloon Development Engineering Limited ("KDE"). In addition to last year's reporting of Wuxi's business operations, the scope of reporting for Mainland China operations has included Shenyang this year.

INTRODUCTION

STAKEHOLDER ENGAGEMENT

Stakeholder engagement exercises were essential in determining ESG material issues specific to the Group's operations. Through various channels and interactions, the Group was able to initiate two-way communication to listen and understand the needs and valuable feedbacks from stakeholders, and to formulate future strategies for improvement measures. The infographic below highlighted the various communication channels with stakeholder groups:



INTRODUCTION

Additionally, the Group has conducted a round of internal stakeholder engagement, whereby ESG questionnaire was issued for all staff's inputs. The questionnaire served as a preliminary engagement with staff on issues pertaining to environmental and social aspects. Based on satisfactory participation, the Group looked to address some of the environmental and social issues raised from the questionnaire.

The internal questionnaire consisted of environmental and social aspects. Our employees had participated and were asked to rate each aspects from 1 to 5, where 1 represents the lowest importance and 5 represents the highest importance. As a result of the materiality assessment, we have identified the following top three material issues for each aspect:

Environmental Aspect

Social Aspect

1

Hazardous Waste Management

Anti-corruption

2

Air Pollutants Emissions

Occupational Health and Safety

3

Climate Change

Employee Benefits and Welfare

INTRODUCTION

Regarding the environmental aspect, the top three material issues are rather on a macro-scale level. The findings may reflect internal stakeholders' awareness of the health and well-being implications should these environmental aspects were not addressed properly.

Regarding the social aspect, the top three material issues reflect and reinforce how KDC as a well-established property development and management entity could sustain its reputation and growth in the future through prevention of corruption cases, raising awareness of occupational health and safety and employee welfare.

The questionnaire results serve as a preliminary engagement with staff on issues pertaining to environment and social aspects. Based on the results, the Group shall strategise and allocate resources accordingly to promote environmental and social issues, and address other concerns presented in the questionnaire. Additionally, the Group continues to look for ways to engage in various stakeholders such as investors, customers or suppliers, so as to gain a wider understanding of material ESG issues.

CONTACT DETAILS

We welcome any comments or suggestions from our stakeholders. If you have any comments, please contact the Company and its contact details are set out below:

Kowloon Development Company Limited
23rd Floor, Pioneer Centre, 750 Nathan Road,
Kowloon, Hong Kong

Telephone : (852) 2396 2112
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WORDS TO STAKEHOLDERS

Enhancing Communications and Product Quality, Building a Sustainable Future

To Stakeholders,

I am pleased to present the Company's ESG Report 2017.

Sustainable development has emerged in recent decade as a popular topic that has global to corporate implications. Not only are organisations expected to report on their financial performance, aspects on environmental protection and social investments have become necessary disclosures to ensure efforts are placed in resource conservation, fair employment and labour practices, responsible operations and community contributions. These disclosures enable organisations to be more transparent and to communicate a message to the public in respect of our responsibility to the people and the environment in which we operate.

The theme for this year's report is "Enhancing Communications and Product Quality, Building a Sustainable Future". Since the inception of the Stock Exchange's ESG reporting requirements, the Group has sought various channels to engage stakeholders, enhance operations, and enrich the community. The Group launched a new enterprise information portal, namely "PolyConnect", to enhance internal communications and work efficiency. From an ESG materiality perspective, in the reporting year, we have appointed a third-party consultant to conduct a questionnaire to understand material issues from the perspectives of employees. The Group looks to build upon the findings in order to refine a Group-specific materiality assessment, and to consistently address the material issues in future reports.


From an operations standpoint, it is the Group's mission to ensure quality projects and services, while balancing environmental stewardship and employee satisfaction. The testament of the Group's commitment towards quality and excellence has been acknowledged through the award of Quality Building of the Year 2017 for the development project, namely South Coast. Furthermore, our property management team, as a quality service provider, has recently been recognised by the public with various premises and personnel security awards from "2017 Kowloon West Best Security Services Awards Presentation Ceremony".

WORDS TO STAKEHOLDERS

In addition, the Group has reviewed its policies in place, established necessary metrics, and implemented specific measures to ensure ESG issues had been carried out in accordance with relevant laws and regulations. The review of policies and performance would allow the Group to have a better understanding and assessment of incorporating more eco- and social-friendly policies in the future.

The Group has long been a keen supporter for community investments. The Company and Country House have been awarded “5 Years Plus Caring Company” Logo by The Hong Kong Council of Social Service over the years in recognition of our commitment and achievement in corporate social responsibility. The Group has donated and participated in various activities as it continuously commits to enhancing the image of a corporately responsible enterprise.

The rich history and experience of the Group is the foundation of its sustainable development. The Group endeavours to excel and to seek ways to adapt to the ever-changing trends that the world brings. The contents of this report would shed light on the performance and actions which the Group has undertaken to promote a culture of sustainability. Finally, I would like to express my gratitude to our management team and staff for their contributions and commitment to the sustainable growth of our business.



Lai Ka Fai

Executive Director

Hong Kong, 24 July 2018

SUSTAINABLE OPERATIONS

STRATEGY AND MANAGEMENT APPROACH

In order to sustain the Group's growth in the property development, construction and management businesses, policies were set in place to guide decision-making respectively. As quality control is core to the Group's mission, assessment had to begin at supplier selection and maintained throughout the Group's operations.

For the construction and development projects in Hong Kong, suppliers and contractors were required to comply with the Group's policies on environment, occupational health and safety and quality control. Contractors were required to submit documents upon the tendering process to demonstrate that the tool, plant, equipment and materials used and supplied were in compliance with statutory requirements. Periodic monitoring and inspections were carried out during construction to ensure compliance with relevant environmental and occupational health and safety requirements, while action plans were implemented in case of any necessary mitigation measures. Finally, upon completion of construction, quality check procedures were in place to ensure units were in good condition before handing over to future tenants. Customer satisfaction surveys were conducted after handover to enhance two-way communication between the property developer and building user, and improve upon the Group's product quality control policies and methods.

As a responsible property developer in Mainland China, the Group has outsourced construction works to local contractors, and had strictly required all contractors to fulfil relevant laws and regulations. Contractors were required to submit a range of documents such as qualification certificates and licenses for specific works to ensure all safety, quality and legal requirements were in order. Regular monitoring and quality check on contractors were carried out throughout construction stage. Prior to handover, the units would be checked to ensure the building conditions had met standards. Following the handover, customers were engaged in a customer satisfaction survey to give feedback to the Group that would assist in the consideration for further improvement on service and quality.

For the property management business in Hong Kong, the quality of the Group's services was evident in the policies implemented for the safety and comfort of occupants. Staff were trained and well-versed on the duties and responsibilities to safeguard property premises and occupants' privacy matters, carry out routine patrols and observe for any property damage that needs repair, conduct regular equipment maintenance procedures, and react in emergency situations.

During the reporting year, the property management business has received several distinctive awards related to security services. Pioneer Centre, Upper West, Padek Palace, Pioneer Centre Carpark and Padek Palace Carpark under Country House's management and three Country House staff received respective awards in the "2017 Kowloon West Best Security Services Awards Presentation Ceremony" held in May 2018. These awards reflect the Group's commitment to quality service, while also reassuring tenants and building occupants that safety and comfort are of utmost importance in the Group's sustainable operations.

SUSTAINABLE OPERATIONS

CASE STUDY: South Coast

South Coast is the first development project constructed through KDE, a wholly-owned subsidiary of the Company. The construction of development projects through KDE is to ensure the quality of our development projects with closer monitoring and better management.



KDC, as the property developer, and KDE, as the main contractor, were awarded the **"Quality Building of the Year 2017"** and **"Quality Contractor of the Year 2017"** Certificates respectively for South Coast, the first development project constructed through KDE. The Quality Building Award was organised by the Hong Kong Professional Building Inspection Academy in recognition of the outstanding performance in quality, environmental and safety of the buildings.



South Coast served as a prime example of the Group's commitment to quality. From project planning to design, construction, and current operational management, the Group had served its customers "With heart, to excellence", and managed each phase of the project with diligence and care.



SUSTAINABLE OPERATIONS

In addition to the implementation of quality control measures, the Group has been exploring ways to adopt more energy-efficient and resources-optimising designs, equipment, and operations. A responsible corporation shall consider the protection of the environment by minimising pollutant emissions, be they direct or indirect, and maximising resource re-use in day-to-day activities. The Group has endeavoured not only to meet compliance requirements on relevant laws and regulations, but to engage in eco-friendly practices that ultimately leads to reduce operating cost and improve brand image. One of the prime example of these endeavours was implemented in the Pioneer Centre, a property premise as the Group's headquarters and the precedent to future property projects.

CASE STUDY: Pioneer Centre

Pioneer Centre served as the demonstration of the Group's commitment to strive for more energy-efficient and resources-optimising designs, equipment, and operations. The Group has invested a dedicated amount of resources in technically improving, managing, and monitoring resource usage.



SUSTAINABLE OPERATIONS

Reduce Electricity Consumption

Since 2015, the Group has initiated the replacement of old fluorescent light tubes with more energy efficient T5 and light emitting diode (LED) light tubes, and the replacement of electromagnetic ballasts with electronic ballasts. Comparing 2017 public lighting electricity usage with 2015, this initiative has led to a saving of 4.8% energy consumption annually, effectively reducing operating costs.

In addition to hardware replacement, Pioneer Centre has also participated in CLP Holdings Limited ("CLP")'s Demand Response Programme (the "DR Programme") since 2017, in continuous efforts to find ways to reduce electricity consumption on its premises. The concept of the DR Programme was to provide financial incentives for customers in reducing electricity usage during peak hours. This programme provided a win-win-win situation: it reduced the peak electricity generation cost at CLP; reduced carbon emissions as a result of reduced electricity generation; and customers received financial incentives and reduced electricity charge. Through the participation of the DR Programme, the Group not only met the tailor-made peak demand target established by CLP and earned financial pay-backs, it has also been aware of and begun to explore different ways to reduce electricity consumption on a regular basis.



Ensure Water Quality

In light of recent years' incidents pertaining to the quality of drinking water at public rental housing estates, Pioneer Centre has voluntarily participated in Quality Water Supply Scheme for Buildings – Fresh Water (Plus) (Basic Plan), held by the Water Supplies Department ("WSD") since 2011, and is committed to providing safe potable water to users. The building management team has regularly coordinated internal plumbing system inspections by qualified persons, cleaned water tanks and taken water samples to be examined in compliance with WSD standards.



Other Environmental Initiatives

Pioneer Centre has signed up for the “Charter on External Lighting” launched by the Environment Bureau as an initiative to minimise light nuisance and reduce energy wastage. Country House has been given the Platinum Award in 2017, in recognition of switching off external lighting from 11:00 pm to 7:00 am.

In support of energy saving initiatives, KDC and Pioneer Centre have engaged in the Government’s Energy Saving Charter 2017 programme to commit energy saving practices. The Group has committed to:

- maintaining average indoor air temperature between 24 °C and 26 °C during the summer months of June to September in 2017;
- switching off electrical appliances and systems when not in use and procure energy efficient electrical appliances and systems from June 2017 to May 2018;
- engaging staff to adopt the above energy saving practices together with the Group.



Apart from the above, KDC (23rd Floor of the Pioneer Centre) and Country House (the Pioneer Centre) both received “Energy Saving Charter” Participation Certificates in recognition of disseminating the message of energy saving in the reporting year.

To encourage the use of clean energy and environmental friendly cars, we have installed two sets of 63A 3 phase EV medium charger for electric cars at the carpark of the Pioneer Centre.

The property management team at the Pioneer Centre has laid the foundation to managing resources in a sustainable way. The key to success has been to raise awareness, monitor usage, and apply mitigation measures. The example set forth by the Pioneer Centre could then be referenced and replicated in other business units.



SUSTAINABLE OPERATIONS

CASE STUDY:

Property Management

Pioneer Centre, Upper West, Padek Palace, Pioneer Centre Carpark and Padek Palace Carpark under Country House's management and three Country House staff were awarded respectively in the "2017 Kowloon West Best Security Services Awards Presentation Ceremony" held in May 2018.



最佳保安服務選舉頒獎典禮 West Best Security Services Awards Presentation Ceremony



SUSTAINABLE OPERATIONS

Corporate Awards:



Pioneer Centre
Five-Star Managed Property Award



Upper West
Best Managed Property Award



Padek Palace
Honourable Managed Property Award



Pioneer Centre Carpark
Outstanding Managed Public Carpark Award



Padek Palace Carpark
Outstanding Managed Public Carpark Award

Staff Awards:



Mr Yuen Kwok-hang
Outstanding Security Personnel Award



Mr Tong Chi-shing
Best Security Personnel Award



Mr Chan Chi-kwong
Best Security Personnel Award

SUSTAINABLE OPERATIONS

ENERGY CONSUMPTION AND GREENHOUSE GAS EMISSIONS

The Group regularly monitored the use of electricity and fuel consumption at offices, property management and construction premises respectively. The Group has a systematic method in collecting relevant energy usage data, and will utilise the data in planning for future energy reduction. The summary of energy consumption and the subsequent calculations for direct and indirect greenhouse gas ("GHG") emissions have been listed in the tables below.

Energy Consumption in Hong Kong



	Unit	2017 (Note 1)	2016 (Note 2)
Total electricity consumption	kWh	13,466,284	12,575,925
	Gigajoules ("GJ") (Note 3)	48,479	45,273
Total fuel consumption (Note 4)	Diesel, Litres ("L")	200,073	19,368
	Diesel, GJ	7,921	767
	Petrol, L	11,684	10,220
	Petrol, GJ	400	350
Total energy consumption	GJ	56,800	46,390
Total energy intensity	GJ/Total floor area (m ²) (Note 5)	0.29	0.28

Note 1: 2017 data inclusive of headquarters at the Pioneer Centre, eleven property management premises and two construction sites.

Note 2: 2016 data inclusive of headquarters at the Pioneer Centre, ten property management premises and one construction site.

Note 3: 1 kWh = 0.0036 GJ.

Note 4: Fuel consumption inclusive of construction machinery and company-owned vehicles, conversion rates for diesel used for construction, diesel used for automotive, and petrol used for automotive are 39.6 Megajoules ("MJ")/L, 38.6 MJ/L, and 34.2 MJ/L respectively.

Note 5: Total floor area represented the sum of (i) gross floor area ("GFA") of properties under management and (ii) the estimated construction floor area in Hong Kong during the year under review.

In 2017, one more new large scale construction project was undertaken by the Group. Due to the intensive construction stage we reached, this resulted in a sharp increase in energy consumption on construction sites as compared to 2016.



Energy Consumption in Mainland China

	Unit	2017 (Note 1)	2016 (Note 1)
Total electricity consumption	kWh	835,175	825,962
	GJ	3,007	2,973
Total fuel consumption	Diesel, L	22,920	20,886
	Diesel, GJ	885	806
	Petrol, L	27,499	32,420
	Petrol, GJ	940	1,109
Total energy consumption	GJ	4,832	4,888
Total energy intensity	GJ/GFA (m ²) (Note 2)	0.89	0.90

Note 1: Data inclusive of two offices in Shenyang, and one office in Wuxi.

Note 2: It represented total GFA of Shenyang and Wuxi offices.



GHG Emissions within the Group

	Unit	2017	2016 (Note 2)
Direct GHG emissions (Scope 1) (Note 1)	Tonnes of CO ₂ equivalent ("tCO ₂ e")	690	223
Indirect GHG emissions (Scope 2) (Note 1)	tCO ₂ e	7,950	7,758
Total GHG emissions	tCO ₂ e	8,640	7,981
Total GHG emissions intensity	tCO ₂ e/Total floor area (m ²) (Note 3)	0.04	0.05

Note 1: Scope 1 GHG emissions refer to direct emission of GHG from sources owned or controlled by the Group, which include (i) transportation and (ii) construction machinery usage; Scope 2 GHG emissions refer to indirect GHG emissions resulting from the generation of the electricity which the Group purchased.

Note 2: 2016 figures restated due to inclusion of Shenyang data.

Note 3: Total floor area represented the sum of (i) GFA of properties under management in Hong Kong, (ii) the estimated construction floor area in Hong Kong and (iii) total GFA of Shenyang and Wuxi offices.

SUSTAINABLE OPERATIONS

WASTE MANAGEMENT

As construction business in Hong Kong faced the imminent challenge of rising waste generation and limited mitigation options, our subcontractors are required to conduct proper waste management as according to the Group's policy. The Group's construction business has implemented waste sorting and proper disposal in order to reduce impact on the landfill capacities. On a property management level, the Group has undertaken stepwise procedures to begin observing and recording the wastes generated as a result of operations.

Waste Discharged for Hong Kong Construction Projects



	Unit	2017
Construction and demolition waste disposed to landfill <i>(Note 1)</i>	Tonnes	1,589
Construction and demolition waste recycled <i>(Note 1)</i>	Tonnes	3,544
Total construction and demolition waste	Tonnes	5,133
Total construction and demolition waste intensity	Tonnes/ Floor area (m ²) <i>(Note 2)</i>	0.15

Note 1: Construction and demolition waste included the waste generated by our subcontractors worked in our construction sites in Hong Kong.

Note 2: Floor area represented the estimated construction floor area in Hong Kong during the year under review.

For non-disclosure of general waste and intensity, the relevant data is not available as the Group currently does not have an established mechanism for gathering the statistics of general waste at its headquarters, offices and property management premises in Hong Kong and Mainland China. Furthermore, construction wastes for our property development projects in Mainland China are not accounted for as it was the main contractors' responsibilities to monitor and dispose the construction wastes. However, the Group placed close monitoring towards the waste management of the main contractors, especially for the compliance of relevant local laws and regulations.

SUSTAINABLE OPERATIONS

WATER RESOURCES

The Group has endeavoured to find ways to manage and reduce water consumption under business operations. Since 2012, the Group has started installing water-flow restrictors at faucets inside the restrooms of the Pioneer Centre on B1 and 1st to 3rd Floors. The installation technically would lead to a water reduction of 30%, as the flow restrictors minimised the amount of water used.

Water Consumption in Hong Kong



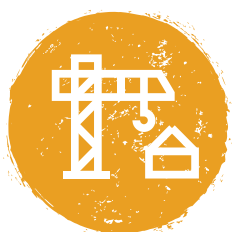
	Unit	2017	2016
Water consumed	m ³	88,950	65,952
Water intensity	m ³ / Total floor area (m ²) (Note 1)	0.45	0.39

Note 1: Total floor area represented the sum of (i) GFA of properties under management and (ii) the estimated construction floor area in Hong Kong during the year under review.

The increase in water consumption in the reporting year was mainly attributable to the increased water usage for the two construction projects in Hong Kong as compared to only one project in year 2016. The water consumption for our construction projects in Mainland China is not accounted for as it was the main contractors' responsibilities to monitor and pay for the water used in the construction sites. However, main contractors had to fulfil the Group's requirements in respect of water consumption for construction usage. On the other hand, the water consumed in our offices in Mainland China is considered as immaterial and the associated water costs has been included in the monthly property management fee.

ENVIRONMENTAL IMPACTS MITIGATION MEASURES

For property development in Hong Kong and in Mainland China, the Group has required contractors to implement a range of environmental protective measures in order to reduce environmental impact of sensitive receivers. Some of the implemented environmental measures include:



Prohibit major construction works during sensitive hours of the day/night



Provide temporary drainage and wastewater treatment systems on construction sites



Reuse water as far as practicable on site



Erect hoarding or fences and walls around construction site to reduce dust emission out of construction sites



Watering of unpaved road within construction sites to suppress dust

SUSTAINABLE OPERATIONS

In line with the vision of sustainability, the headquarters have adopted the green office concept and implemented initiatives such as the replacement of green and efficient printers and copiers. The new upgraded printers have incorporated the following environmental friendly and efficiency enhancement features:



Contain recycled materials in toners



Various energy saving modes and technologies



Paper-saving copy and print preview settings



User verification and "print anywhere" system



"Digital Doctor" which automatically contact technical support centre and resolve the issue when necessary

The above have multiple benefits that promotes green and sustainable office including increasing security and efficiency while saving energy and improving user experience.

PEOPLE DRIVEN CULTURE

CORPORATE CULTURE

Part and parcel of the Group's long and rich history and experience in the industry had to be attributed to the talents gathered and nurtured over the years. By creating a people-driven culture, staff were empowered to work as a cohesive unit in implementing and executing the vision set forth by management. Effective communications have been one of the crucial elements in building a successful and sustainable enterprise.

Internal Communications

The Group has been able to utilise the advancement of technology over the years of its operations in enhancing communications. Recently, KDC has introduced a new enterprise information portal that has conveniently assisted in increasing the commercial security and internal communications proficiency.

The new enterprise information portal was officially named "PolyConnect", a name initiated through an internal employee engagement campaign and chosen by senior management. It contained new features such as work-related applications, online contact list and company newsletter channel. These enabled staff to keep up-to-date about the Group's latest news, and to engage in internal communications efficiency.



"PolyConnect" served as a tool in creating a more people-oriented network. Apart from holding presentations and giving out guidance to introduce how to use the portal effectively, employees were encouraged to actively propose new ideas to introduce more viable features for product enhancement.

PEOPLE DRIVEN CULTURE

Staff Activities

The Group is dedicated to creating a harmonious work environment. Apart from corporate communication, the Group also cares about praising the work of its employees and rewarding their efforts. In this respect, various staff activities including annual dinner, Christmas party and company outing have been held consistently to strengthen the bond among staff.



Wuxi – Company outing: Movie Night

PEOPLE DRIVEN CULTURE



Wuxi – Company outing:
Maoshan and the New Fourth Army Memorial Hall Day Trip



KDC's 2017 Annual Dinner in Shenyang

PEOPLE DRIVEN CULTURE

Ethical Corporate Image

Beyond building a competent and connected team internally, the Group is committed to enhancing standards of probity for an ethical corporate image. The Group strictly forbids any bribery, extortion, fraud and money laundering activities. A Whistleblowing Policy has been adopted with reference to local laws for related case prevention. Employees and third parties may wish to report any suspected misconduct to the headquarters. In the case that corruption is found, the Group shall investigate and undertake disciplinary actions or report the case to the Independent Commission Against Corruption (ICAC) or the appropriate authorities as necessary.

The Group's Code of Conduct required that all employees to declare any conflict of interest and any acceptance of advantage including gifts and discounts offered during the discharge of official duties. As an internal corporate policy, all staff including senior management should decline any related offers if the acceptance could influence one's objectivity in conducting the Group's business or induce one to act against the interest of the Group. Employees should also avoid those offers if the acceptance will likely lead to perception or allegation of impropriety.

For the reporting year, we were not aware of any material non-compliance with any relevant laws and regulations with regard to anti-corruption.

We also held high regards to our customers' and suppliers' rights to privacy. For operations in Hong Kong and Mainland China, the Group has adopted respective policies and procedures in compliance with relevant local laws and regulations, with reference of the Hong Kong Personal Data (Privacy) Ordinance and Cybersecurity Laws of the People's Republic of China. Employees have been constantly reminded of the importance of respecting the privacy of personal and business data, and to conduct themselves in a manner that would uphold the Group's corporate image.

ACQUIRING TALENTS

Acquiring talented human capital is integral to the Group's business strategy. Applicants were assessed based on their qualifications, experience and attitude regarding to the job nature. Recruitment policies promoted equal opportunity and diversity and prohibited all forms of discrimination on gender, religion, race, disability, family status or age. By way of these employment policies and practices, the Group would be able to nurture a culture of inclusivity and diversity.

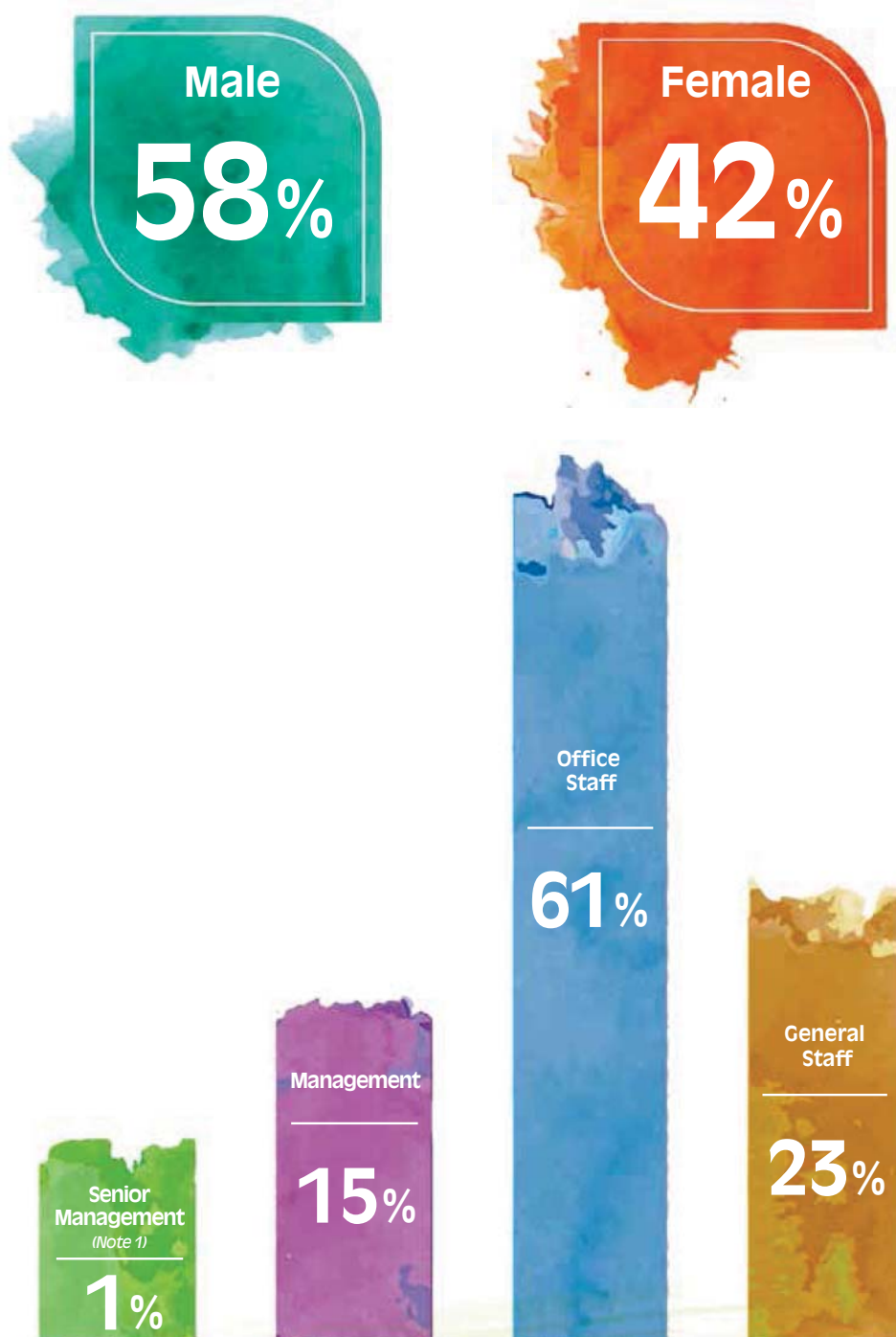
Throughout the reporting year, the Group had maintained fair recruitment practice, which it cooperated with Hong Kong Institute of Vocational Education (IVE) and offered career opportunities to appropriate candidates. The Group has also hired a hearing-impaired person to the right position as to promote the culture of equal opportunity and anti-discrimination.

The Group standardised the recruitment procedures, part of which was to ensure no child labour or forced labour was involved in its business operations, and efforts undertaken to ensure all suppliers and subcontractors to follow the same. All new employees were asked to present their valid identification documents for age verification. During the reporting year, there was no material non-compliance with regards to employment laws in Hong Kong or Mainland China.

In accordance with respective local laws, the Group provides its employees with paid holidays, maternity and paternity leaves and ensures reasonable working hours.

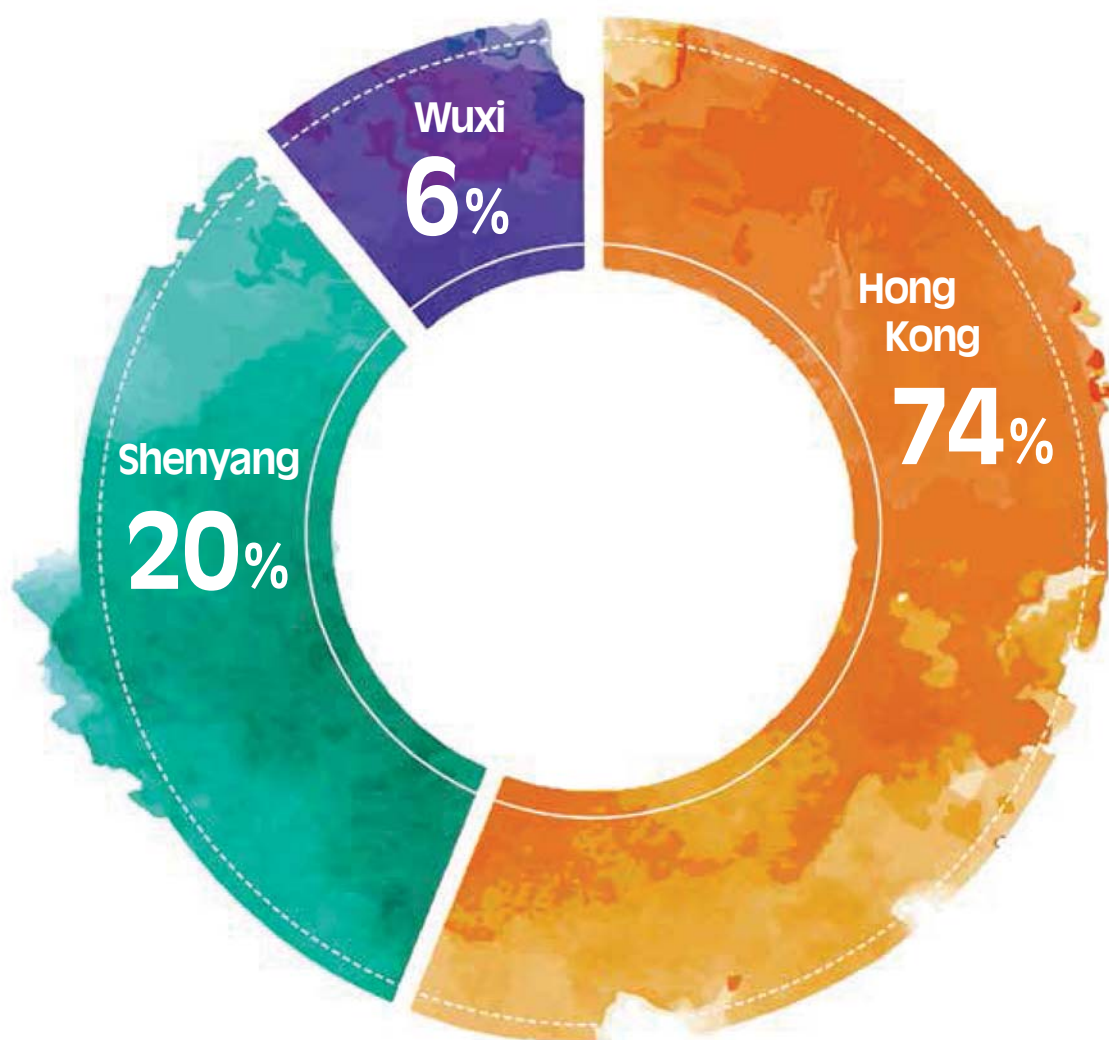
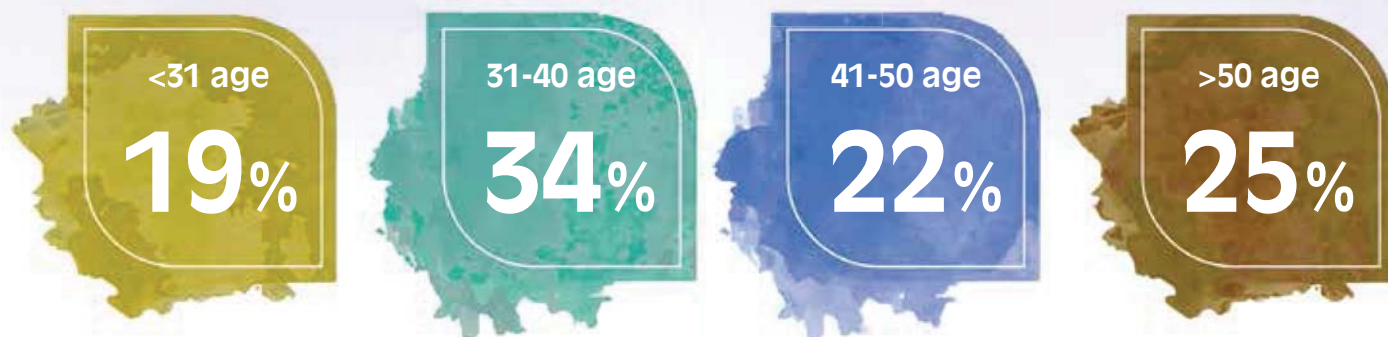
PEOPLE DRIVEN CULTURE

As of 31 December 2017, the total number of full time employees in Hong Kong and Mainland China was 561, the breakdowns by different categories are listed as below:



Note 1: Senior Management refers to the Executive Directors of the Company.

PEOPLE DRIVEN CULTURE



During the reporting year, the total turnover headcount was 164 employees, mainly attributable to our Hong Kong property management business which normally has higher turnover headcount due to its business nature, while the keen demand for staff in the Mainland China property development market also contributed to the high turnover headcount.

PEOPLE DRIVEN CULTURE

DEVELOPING TALENTS

As suitable employees get on board, the Group would provide ample opportunities for staff to foster interpersonal and business growth. The Group has provided numerous trainings throughout the reporting year to staff at various ranks, seeking to develop all-rounded employees.

Country House which operated the property management business in the Group has been providing all aspects of trainings to staff including security, English and Mandarin classes, customer service and equipment usage. Moreover, workshops were conducted to enhance customer service, which resembled an important aspect of the business. Through these workshops, case studies were shared and investigated to enable staff to visualise and learn how to properly handle similar cases and improve the Group's service to tenants and customers.

Property development related trainings included taxation laws, project budgeting and product introduction were also provided to Mainland China offices to ensure employees were aware of proper corporate management and able to deliver professionalism when presenting products to clients.

In Hong Kong, the Equal Opportunities Commission (EOC) had been invited to further elaborate anti-discrimination laws in Hong Kong in order to educate staff on creating an inclusive working culture. This training was aimed to deliver the liabilities and concepts of anti-discrimination to managerial staff to promote employment diversity and prevent discrimination related matters in the workplace.



During the reporting year, the percentage of trained employees was 57%, while employees received 2.7 hours training on average.

PEOPLE DRIVEN CULTURE

OCCUPATIONAL HEALTH AND SAFETY OF EMPLOYEES

Another priority within the Group was to hold the occupational health and safety of employees, whether in offices or construction sites, to the highest regard. For our construction business in Hong Kong, we have adopted a Health and Safety Policy in compliance with the local government regulatory requirements. Particular efforts were paid to ensure safety, for example, a Site Safety Committee has been placed to in-charge of monitoring occupational health and safety performance within the construction sites.

In order to increase the workers' awareness of work hazards, we have committed to providing sufficient information, instruction, training and supervision to all levels of staff to guarantee their occupational health and safety at work. All new workers are required to attend work safety trainings including emergency procedures and safety policies organised by the safety officers to minimise the inherent risks of work-related accident. We also pledge to allocate adequate resources to fulfil the safety requirements and promote "safe building". With respect to our construction business in Hong Kong, safety briefing was provided to 3,390 subcontractor workers and 60 Group's employees in 2017.

For the property development business in Mainland China, the same emphasis on safety was placed on contractors. All contractors were required to carry out construction activities in compliance with local laws and regulations. Additionally, contractors were required to conduct occupational health and safety training on a regular basis for themselves and their subcontractors. Constant reminders and monitoring the implementation of safety measures would be carried out in order to raise awareness for safety.

In case of workplace accidents in Hong Kong, respective employee or supervisor has to fill an Accident Investigation Report within seven days of the accident occurrence. An Accident Improvement Plan which contains any safety precautions or related recommendations will then be proposed based on the accident's fact. The Site Safety Committee will then review the case and establish relevant safety measures or modify existing Occupational Health and Safety Policy if necessary. In addition, the Group strived to take care of and provide an ideal safe and comfortable work environment for employees. Aware of office occupational health and safety concerns such as long hours sitting or standing, the Group has offered stretching classes for employees to learn how to relax their muscles to prevent office injuries. Air-conditioners were regularly cleaned and office carpets were applied disinfection treatment to ensure office hygiene.

During the reporting year, there was one convicted case relating to safety issue at the Group's construction site in Hung Hom. Following the incident, the Group has undertaken rectification works and measures to raise awareness and safeguard employees and contractors in order to comply with relevant laws and regulations. There was no work-related fatality among the Group's employees during the reporting year.

COMMUNITY CONTRIBUTIONS

Beyond normal business operations, the Group dedicated resources to serve and contribute to the community.

The Group has engaged in a number of social activities in the reporting year as it continued to uphold its caring company image.



Both KDC and its subsidiary – Country House, have been awarded “Caring Company” Logo since 2009 and 2010 respectively.

The Group has partnered with Fu Hong Society to contribute to people with disabilities. During the reporting year, Madam Hong's Bakery (established by Ngai Shing Workshop of Fu Hong Society) was invited to bake cookies, and KDC's staff were introduced to the organisation and encouraged to purchase the cookies as a support. All profits made would be used for supporting their education, training and rehabilitation services.



Cookies baked by Madam Hong's Bakery

COMMUNITY CONTRIBUTIONS



Photos of our staff (with General Manager of Country House) and committee members of Fu Hong Society

Apart from the above, the Group purchased cookies from Madam Hong's Bakery as gifts and distributed to its shareholders during the 2017 Annual General Meeting of KDC. This activity showed our support to the vulnerable group, while promoting the idea of contributing to society.



COMMUNITY CONTRIBUTIONS

The Group had also participated in the 13th Fu Hong Society “Best Buddies Hong Kong” Movement Electric Cooking Competition, to express our dedication of promoting positive images of persons with intellectual disabilities. This event facilitated social inclusion through teaming up with people with special needs to cook and compete together.



COMMUNITY CONTRIBUTIONS

Country House has formed a volunteer team to serve and contribute to various charity organisations. During the reporting year, the volunteer team had organised numerous elderly visits to deliver care and respect to the elderly in the community.



COMMUNITY CONTRIBUTIONS

As the Group is committed to driving sustainable business practices, the Group has been closely working with WWF-Hong Kong sustainability advisors to ensure staff has access to related knowledge and support. The Group is devoted to supporting WWF-Hong Kong by providing support to expand the conservation and education programmes, which intend to bring a sustainable future for the present and future generations.



The Company is committed to enhancing corporate citizenship and has become a corporate member of WWF-Hong Kong since 2007.

As continuation of support for WWF-Hong Kong initiated activities, the Group had also participated in the “Earth Hour” event for the sixth consecutive year. The Group switched off leasing signage at the Pioneer Centre for an hour in support for reducing energy consumption and greenhouse gas emissions.



COMMUNITY CONTRIBUTIONS

The Group had also participated in the “Dress Casual Day” organised by The Community Chest for the eleventh consecutive year. Employees were encouraged to participate and raise funds for the needy in the community, with the Group’s commitment to donate the same amount equal to the total donations made by the employees. An increase of 40% in donations from previous year was observed as staff demonstrated goodwill and contributed to The Community Chest which would benefit various social welfare agencies in Hong Kong.



In the reporting year, the Group (excluding PAH) had actively participated in numerous activities and make charitable donation with a total of HK\$100,900 and RMB30,000 in Hong Kong and Wuxi respectively to support the vulnerable groups, conservation and healthcare sectors, contributed to the betterment of the society.



LOOKING FORWARD

The Group will continue to uphold the commitment to quality services, responsible operations, and conduct business with integrity and excellence. As the Group's property development portfolio expands and the quality of the Group's property management services becoming more recognised on the market, the Group strives to capitalise on the strong foundation established and integrate more sustainability issues into business operations. In areas of environmental protection, resource consumption and social contributions, the Group will continue to seek improvement measures in order to generate more value for the society as a whole.



PERFORMANCE TABLE

	Unit	2017	2016
Energy Consumption in Hong Kong (Notes 1 & 2)			
Total electricity consumption	kWh	13,466,284	12,575,925
	Gigajoules ("GJ") (Note 3)	48,479	45,273
Total fuel consumption (Note 4)	Diesel, Litres ("L")	200,073	19,368
	Diesel, GJ	7,921	767
	Petrol, L	11,684	10,220
	Petrol, GJ	400	350
Total energy consumption	GJ	56,800	46,390
Total energy intensity	GJ/Total floor area (m ²) (Note 5)	0.29	0.28
Energy Consumption in Mainland China (Note 6)			
Total electricity consumption	kWh	835,175	825,962
	GJ	3,007	2,973
Total fuel consumption	Diesel, L	22,920	20,886
	Diesel, GJ	885	806
	Petrol, L	27,499	32,420
	Petrol, GJ	940	1,109
Total energy consumption	GJ	4,832	4,888
Total energy intensity	GJ/GFA (m ²) (Note 7)	0.89	0.90
GHG Emissions within the Group			
Direct GHG emissions (Scope 1) (Notes 8 & 9)	Tonnes of CO ₂ equivalent ("tCO ₂ e")	690	223
Indirect GHG emissions (Scope 2) (Notes 8 & 9)	tCO ₂ e	7,950	7,758
Total GHG emissions (Note 9)	tCO ₂ e	8,640	7,981
Total GHG emissions intensity	tCO ₂ e/Total floor area (m ²) (Note 10)	0.04	0.05
Waste Discharged for Hong Kong Construction Projects			
Construction and demolition waste disposed to landfill (Note 11)	Tonnes	1,589	-
Construction and demolition waste recycled (Note 11)	Tonnes	3,544	-
Total construction and demolition waste	Tonnes	5,133	-
Total construction and demolition waste intensity	Tonnes/Floor area (m ²) (Note 12)	0.15	-
Water Consumption in Hong Kong			
Water consumed	m ³	88,950	65,952
Water intensity	m ³ /Total floor area (m ²) (Note 5)	0.45	0.39

Note 1: 2017 data inclusive of headquarters at the Pioneer Centre and eleven property management premises, and two construction sites.

Note 2: 2016 data inclusive of headquarters at the Pioneer Centre and ten property management premises, and one construction site.

Note 3: 1 kWh = 0.0036 GJ.

Note 4: Fuel consumption inclusive of construction machinery and company-owned vehicles, conversion rates for diesel used for construction, diesel used for automotive, and petrol used for automotive are 39.6 Megajoules ("MJ")/L, 38.6 MJ/L, and 34.2 MJ/L respectively.

Note 5: Total floor area represented the sum of (i) gross floor area ("GFA") of properties under management and (ii) the estimated construction floor area in Hong Kong during the year under review.

Note 6: Data inclusive of two offices in Shenyang, and one office in Wuxi.

Note 7: It represented total GFA of Shenyang and Wuxi offices.

Note 8: Scope 1 GHG emissions refer to direct emission of GHG from sources owned or controlled by the Group, which include (i) transportation and (ii) construction machinery usage; Scope 2 GHG emissions refer to indirect GHG emissions resulting from the generation of the electricity which the Group purchased.

Note 9: 2016 figures restated due to inclusion of Shenyang data.

Note 10: Total floor area represented the sum of (i) GFA of properties under management in Hong Kong, (ii) the estimated construction floor area in Hong Kong and (iii) total GFA of Shenyang and Wuxi offices.

Note 11: Construction and demolition waste included the waste generated by our subcontractors worked in our construction sites in Hong Kong.

Note 12: Floor area represented the estimated construction floor area in Hong Kong during the year under review.

Note 13: In accordance with Key Performance Indicator A2.5 of the ESG Reporting Guide, usage of packaging material has to be disclosed. However, as the Group is mainly engaged in property development, property investment and property management, packaging material is not applicable to the Group's businesses and not disclosed accordingly.