

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT 2018



九龍建業有限公司
KOWLOON DEVELOPMENT COMPANY LIMITED

Stock Code 股份代號: 34

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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 exposure to property development in Macau currently through its 70.8%-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.

The board of directors of the Company (the “Board”) has been engaged in the Environmental, Social and Governance (“ESG”) Report (the “Report”)’s preparation process and has reviewed all associated ESG-related risks. For the year under review, we were not aware of any material non-compliance with any local laws and regulations with regard to environment, labour and anti-corruption in all our operational activities. In the Board’s and senior management’s continual expedition to improve business and ESG performances, the Group has embarked a long-term journey to elevate sustainable operations and create values for stakeholders.



INTRODUCTION

Reporting Standard, Period and Scope

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

The reporting framework is prepared in accordance with the ESG Reporting Guide set out in Appendix 27 to the Rules Governing the Listing of Securities on the Stock Exchange (the “ESG Reporting Guide”). The Report adheres to the reporting principles of Materiality, Quantitative, Balance and Consistency as set out in the ESG Reporting Guide. Information regarding the Group’s Corporate Governance is addressed more in depth in the Annual Report 2018.

This Report covers the Group’s ESG performance, achievements and highlights from 1 January 2018 to 31 December 2018 (the “Reporting Year”) including its major businesses as follows:

- The Headquarters’ operation in the Pioneer Centre, Hong Kong;
- Property investment and development business in Hong Kong;
- Construction business operated by Kowloon Development Engineering Limited (“KDE”) in Hong Kong;
- Property management business operated by Country House Property Management Limited (“Country House”) in Hong Kong; and
- Property development business in Wuxi and Shenyang, Mainland China.



Stakeholder Engagement

In the journey of building on a sustainable operation, the Group prioritises on pinpointing the upmost important issues to its long-term development. To do so, the Group highly values stakeholders' expectations and concerns as they are the pillars that support its ongoing business and sustainable development.

Through effective communication, the Group is able to grasp a more in-depth understanding of different stakeholders' perspectives to align business approaches and directions with their points of view. To facilitate stakeholder engagement, the Group has set up several communication channels for various stakeholder groups:

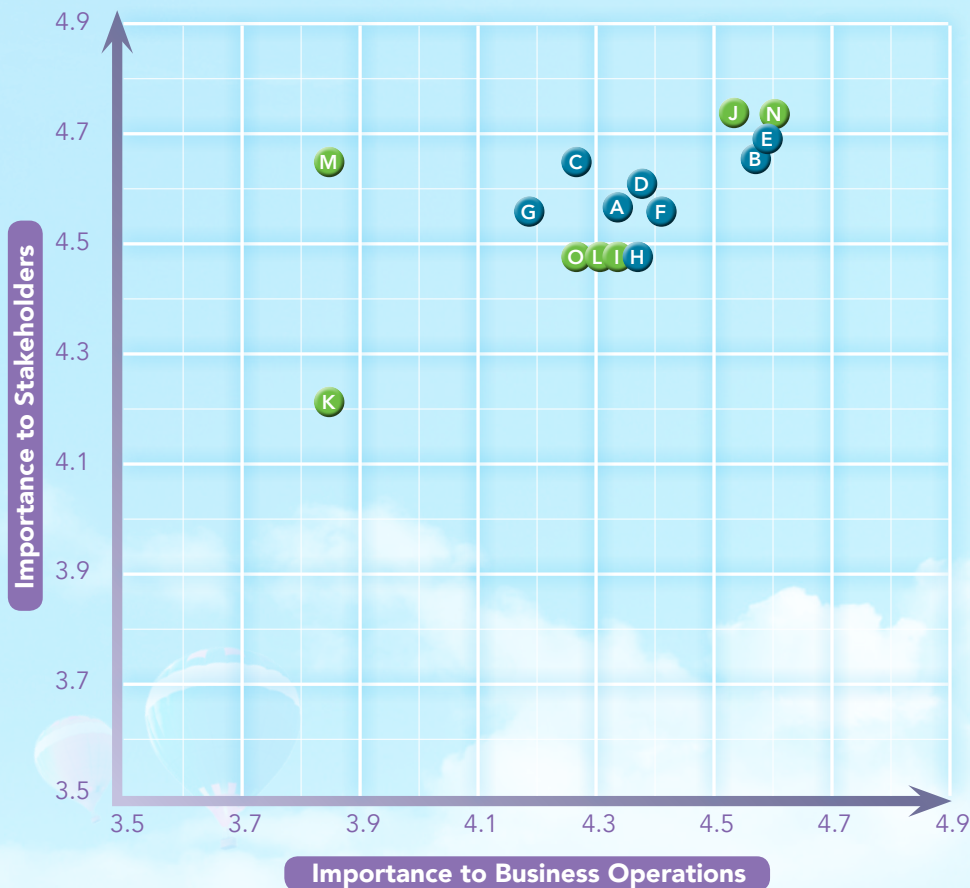


INTRODUCTION

Materiality Assessment

As the foundation for materiality assessment, the Group has conducted the ESG survey to assess and analyse material issues more thoroughly. In the process, the Group has distinguished a list of 15 ESG-related issues relevant to its long-term development. In the past 2 years, 136 targeted stakeholders including employees, management, vendors, contractors/subcontractors and service providers had rated the importance of each issue on a scale of 1 to 5 (where 1 being the lowest and 5 being the highest).

Through identifying and ranking the ESG-related issues, the Group is able to build a materiality matrix based on the consolidated survey results for the past 2 years. The matrix demonstrates the relative importance of each ESG-related issue to the Group's stakeholders and business operations.



Environmental Aspect

- A Use of Materials
- B Greenhouse Gas and Air Pollutants Emissions
- C Resource Consumption
- D General Waste Management
- E Hazardous Waste Management
- F Wastewater Discharge and Management
- G Noise Pollution
- H Use of Renewables

Social Aspect

- I Employment Practices
- J Occupational Health and Safety
- K Community Investment
- L Procurement Practices
- M Contractor/Subcontractor Quality
- N Ethics and Integrity
- O Whistleblowing Policy

From the materiality matrix, the Group has identified the top 3 material environmental and social issues to its stakeholders and business operations.

Environmental Aspect	Social Aspect
1. Hazardous Waste Management	1. Ethics and Integrity
2. Greenhouse Gas and Air Pollutants Emissions	2. Occupational Health and Safety
3. Wastewater Discharge and Management	3. Employment Practices

Regarding these top material issues, the Board shall evaluate their levels of relevance and importance and plan for the integration of future ESG approach and risk management into its operational practices. Moving forward on its sustainability journey, the Group shall set up a systemic management framework to oversee these key material issues.

In response to stakeholders’ concerns, the management approaches of the top material issues are addressed thoroughly in the Report. The Group shall continuously engage different stakeholder groups to construct a more comprehensive materiality assessment. From a long-term developmental standpoint, the Group shall regularly update the listed material issues and review its sustainability approach to better align with stakeholders’ perspectives.

Contact Details

We welcome any comments or suggestions from our stakeholders.
If you have any comments, please contact:

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WORDS TO STAKEHOLDERS

Building a Sustainable Future by Upholding Standards; Creating Competitiveness through Reinforcing Human Capital.

Dear Stakeholders,

I am pleased to present the Company's ESG Report 2018. In an era of emerging sustainability challenges, we have started our journey toward building up a sustainable property profile and bringing in positive influences to the environment and communities. Along this journey, we hope to outline and share our blueprint to cast a sustainable future. The reporting theme of "Building a Sustainable Future by Upholding Standards; Creating Competitiveness through Reinforcing Human Capital." is constructed to communicate our visions, engagements and achievements in our focus areas and to address the material issues.

Upholding Standards

Ever since our humble inception, we have embedded quality projects and environmental stewardship in our ongoing mission. Following this mission, we have been pursuing stringent standards to reinforce and expedite business development from an operational and environmental standpoint. Other than our baseline standards to maintain daily operation, we have acquired professional personnel with rich experience to board our Quality Assurance team (the "QA Team") and Electrical and Mechanical team (the "E&M Team") to raise the bar of building standards. The Group has continued to receive a number of property management-related awards as the achievement of our thriving and improving performance. When it comes to setting environmental standards, the Pioneer Centre, the Group's wholly-owned flagship and core investment property in Hong Kong, has showcased our environmental approaches and set forth standards for our future and current projects. Pursuing the Pioneer Centre's path, our major property buildings have, step by step, participated in more and more environmental campaigns and some of them have launched their individual recycling system to resolve the identified environmental issues.

Reinforcing Human Capital

To underpin the competitiveness, we have been expanding our talented teams and shaping and promoting a caring corporate culture. In this end, we are inspired to promote and construct shared values in not only the society, but also in our valuable human capital. With a focus of building talents, we have established an internal lecturer programme in the Wuxi office to broaden employees' knowledge and interests. For the first time this year, we have been awarded the Family-Friendly Employers Award and the Employees Retraining Board ("ERB") Manpower Developer Award as the tributes to our devotion of promoting work-life balance and developing talents.

Last but not least, I would like to take this opportunity to show my sincere gratitude towards our dedicated management team and employees. As we set sail on this journey, we look forward to conquering the current and future challenges and adapt to the surfacing trends in order to ground our sustainable development. Through our collaborative efforts, we believe that we are one step closer to achieving a sustainable future.



Lai Ka Fai

Executive Director

Hong Kong, 24 July 2019

BUILDING ON A SUSTAINABLE OPERATION

With a long history in the property development sector, the Group understands that a solid foundation of its extensive portfolio and landbanks relies on the endeavour to uphold standards in various aspects. In order to sustain the continuous growth in its property development, construction and management businesses, the Group has enforced systematic oversight on the operational and environmental standards of different topics as it embarks on the sustainability journey.



BUILDING ON A SUSTAINABLE OPERATION

Upholding Operational Standards

With a focus of making the Company more sustainable, the Group emphasises on the improvements and enhancement of its operational practices as well as the associated impacts. In the continuum to thrive as a sustainable developer, the Group has been reinforcing its operational standards on vendors and contractors, building and service quality as well as business integrity.

Managing Vendors and Contractors

The first step of ensuring operational standards begins at the selection of vendors and contractors. During the selection process, the Group holds high regard in full compliance with the industries' standards. For property development and construction businesses, the Group strictly requires all vendors and contractors to fulfil all relevant local laws and standards with regard to quality control, occupational health and safety and environmental control.

In consideration of the relatively higher safety risks and the prevailing environmental issues during construction activities, the Group requires outsourced contractors to implement a range of measures.



Assuring Building Quality

As a responsible property developer in both Hong Kong and Mainland China, the Group is committed to delivering residential units with the highest quality standards. In achieving this commitment, the Group has recruited experienced professionals to board the QA Team and the E&M Team in the Reporting Year.

Under the quality management system, the Group standardises the quality work procedures and quality assurance manual of construction projects based on international framework. The QA Team and the E&M Team follow the system to oversee all phases of the Group's construction projects. With an aim to construct quality buildings, the QA Team takes initiatives to perform the following tasks:



Conduct selective checks on-site during construction and look for improvement areas regarding construction quality



Organise construction quality talks and quality workshops regularly to enhance building standards among employees and contractors



Host the quality assurance meeting regularly to evaluate the efficiency of the quality management system



Participate in the site-operation meeting to provide quality-related suggestions and review the existing contractors' performance



Modify the rating system of handover checks to increase handover standards and further ensure unit quality



Review and update the Group's standards and requirements for contractors' works regularly

Upon the completion of each construction project, the E&M Team conducts a thorough technical check on the unit's Electrical and mechanical items, such as air conditioning, flushing system, drainage device, etc. Afterwards, the QA Team carries out a final sample audit inspection in accordance with its new rating system to ensure building conditions and all recorded defects are rectified. During handover, the Group's handover team (the "Handover Team") also performs an acceptance check carefully alongside the customers to guarantee unit condition. In order to further advance project and service quality, the Handover Team collects customer satisfaction surveys to identify potential improvement areas.

BUILDING ON A SUSTAINABLE OPERATION

Assuring Service Quality

In the dedication to deliver satisfaction to customers and tenants, the Group focuses on enhancing communication, experience and building condition across all the properties it manages.

Under the effective complaint handling mechanism, the Group has standardised procedures to record, resolve and review complaint cases. All complaints are designated to the responsible team(s) or department(s) to handle in a timely and professional manner.

As regards property condition, the Group has been enhancing customers' and visitors' satisfaction through assuring security, hygiene and cleanliness. In this instance, Country House performs patrols and cleaning in premises on a routine basis. In the Reporting Year, Country House underwent numerous trainings on a wide-ranging of property management topics such as security training, facility maintenance workshops, hygiene and cleanliness standards and case sharing.

The Pioneer Centre and its carpark, Padek Palace and Upper West under Country House's management were awarded respectively in the "2018 Kowloon West Best Security Services Awards Presentation Ceremony" held in May 2019.

Pioneer Centre

Honourable Managed Property Award



Padek Palace

Honourable Managed Property Award



Pioneer Centre Carpark

Outstanding Managed Public Carpark Award



Upper West

Outstanding Managed Property Award





CASE STUDY

Quality Water Supply

To reflect the endeavour in quality service and proper maintenance, the Group has been providing safe and reliable potable water to customers and visitors. As an iconic building with multiple restaurants and eateries, the Pioneer Centre has voluntarily participated in the Water Supplies Department ("WSD")'s "Quality Water Supply Scheme for Buildings" since 2011. During the Reporting Year, the building management team has regularly conducted internal plumbing system inspections, cleaned water tanks and examined water samples in compliance with the WSD's standards and has obtained the "Quality Water Supply Scheme for Buildings – Fresh Water (Management System) (Gold)" recognition.



BUILDING ON A SUSTAINABLE OPERATION

Upholding Business Integrity

Business integrity is the key to reflect the effectiveness of the Group's sound corporate governance. Thus, the Group sets out guidelines and stringent policies to uphold good standards of ethics and integrity throughout operation.

Anti-corruption

In light of upholding integrity, the Code of Conduct outlines policies and guidance for employees to avoid unethical and unlawful activities. Under the code, the Group prohibits any bribery, extortion, fraud and money laundering activities. Employees are solicited to declare any conflicts of interest or acceptances of advantages during the discharge of official duties.

In addition, the Group engaged with the Independent Commission Against Corruption (ICAC) to regularly conduct seminars for employees from different levels to provide guidance on ways to prevent or notify any incidents. For instance, the Group's whistleblowing mechanism allows employees and other stakeholders to report on any suspected business misconduct, malpractice or impropriety through the established whistleblowing channels. In case of any report, the Group shall investigate and undertake disciplinary actions or inform the appropriate local authorities as necessary.



Data Protection

As another valuable aspect to demonstrate integrity, the Group values data protection as to build trust and long-term business relationships. Therefore, the Group safeguards the privacy of its customers, subcontractors, employees and interested stakeholders.

As stated in the Code of Conduct, the Group requires employees to collect only necessary personal data and ensure the information obtained is protected from unauthorised or accidental access. The Group also screens all outgoing documents and requires all used confidential documents to be shredded as a prevention of any information leakage.

To remind its employees of the importance to respect data security and privacy, the Group organised a cyber security awareness seminar in the Reporting Year. The seminar sets out guidelines for employees to prevent information leakage and cyber security attacks.

In the Reporting Year, the Group complied with all relevant local laws and regulations and there was no material non-compliance related to anti-corruption or data protection.



Upholding Environmental Standards

In terms of day-to-day operations, the Group has gradually integrated and upgraded the sustainability approaches into the standards of the key environmental topics in response to stakeholders' concerns and to reduce the associated impacts.

To strengthen such standards, the Company collaborates with various entities with shared commitment of bringing a sustainable future. In this instance, the Group has also become a corporate member of World Wide Fund – Hong Kong ("WWF") since 2007 in support of their conservation and education programmes. The WWF constantly provides the Group with insights of the upcoming sustainability-related events and encourages employees' participation. In light of this close partnership, the Group looks up to the WWF as one of the most iconic standards to tackle the relevant and emerging sustainability issues.



Monitoring Energy Consumption and Greenhouse Gas Emissions

Energy consumption is the key factor of the Group's carbon footprints as it leads to the emissions of carbon as well as other greenhouse gases ("GHG"). In this regard, the Group strives to set out standards for energy reduction and efficiency via involvements, implementations and monitoring.

As one of the landmarks in the Kowloon area, the Pioneer Centre has taken a leading step to accelerate the Group's sustainability movement by transforming itself into a benchmark of other properties under the management. In the Reporting Year, the Pioneer Centre has participated in the following energy-saving campaigns:



After the success of taking part in the "Demand Response Programme" last year, the Pioneer Centre has once again partnered with CLP Holdings Limited ("CLP") and has participated in the "Peak Demand Management" Programme 2018. Through its participation, the building has met CLP's customised electricity reduction targets during peak hours and thereby reduced carbon emissions.

BUILDING ON A SUSTAINABLE OPERATION



The Group has signed up for the "Charter on External Lighting" organised by the Environment Bureau and received the Platinum Award under the Charter. With a target to minimise light nuisance and reduce energy use, the Pioneer Centre has set up a daily practice of turning off unnecessary external lights from 11:00 pm to 7:00 am.



With the engagement in the "Energy Saving Charter" launched by the Environment Bureau, the Pioneer Centre maintained an indoor temperature within 24 to 26 degrees Celsius in the summer months, switched off electric devices when not in use, purchased energy efficient appliances and encouraged employees to adopt these practices.



In support of the WWF's Earth Hour campaign, the Pioneer Centre switched off the leasing signage for one hour on 24 March 2018 and committed to proactively conserving electricity consumption.

The Pioneer Centre has also implemented various electricity optimising measures to promote energy reduction. For example, the building has been adjusted the operating hours of the escalators to reduce unnecessary electricity wastage during off-peak hours. Furthermore, the Group has renewed several lighting fixtures to promote electricity efficiency. The new replacement of light emitting diodes (LEDs) in the building's cargo loading area is estimated to save up to 80% of electricity per day. As to encourage the use of cleaner energy alternative, the building has been installed two sets of 63A 3 phase EV medium charger for electric cars at the carpark.



CASE STUDY

Energy Saving Campaign

Through its ongoing contributions in energy saving involvements and implementations, the Pioneer Centre's practices have become the carbon reduction standards of other major buildings under its management. The Group envisions to improve its energy and emission performances by steadily applying similar practices in the Group's other major buildings.

For instance, MacPherson Place collaborated with Friends of the Earth and participated in the "Power Smart Energy Saving Contest". Through this contest, the Group turned off some decorative lighting at the carpark and adjusted the switch-off hours of some public lighting to minimise electricity wastage, resulting in electricity reductions of up to 13.39% and 9.81% in the residential and the commercial areas, respectively. With higher than 3% of annual electricity reduction in all common areas, MacPherson Place has received the "Progress Award (Property Management)" to acknowledge its continuous efforts to support this meaningful campaign.



BUILDING ON A SUSTAINABLE OPERATION

The Group regularly monitors its energy consumption and consequential GHG emissions in the offices, property management and construction premises. Following the Pioneer Centre's footsteps, the other major buildings under management have also put in efforts to systemically collect and analyse energy usage data to monitor respective consumptions and emissions. The data and performances will be utilised in planning for future energy and GHG reduction.



Energy Consumption in Hong Kong ^(Note 1)

	Unit	2018	2017
Total electricity consumption ^(Note 2)	kWh	13,473,024	13,466,284
	Gigajoules ("GJ") ^(Note 3)	48,503	48,479
Total fuel consumption ^(Note 4)	Diesel, Litres ("L")	88,740	200,073
	Diesel, GJ	3,512	7,921
	Petrol, L	12,143	11,684
	Petrol, GJ	415	400
Total energy consumption	GJ	52,430	56,800
Total energy intensity	GJ/Total floor area (m ²) ^(Note 5)	0.24	0.29

Note 1: The 2018 data is inclusive of the headquarters in the Pioneer Centre, eleven other property management premises and three construction sites. The 2017 data is inclusive of the headquarters in the Pioneer Centre, eleven other property management premises and two construction sites.

Note 2: Due to the Group's continuous efforts placed on electricity conservation in the properties under its management, a decrease of 4% electricity consumption was noted in the property management business. However, the increase of total electricity consumption was mainly attributable to the increased electricity usage for the construction project, namely One East Coast, in Lei Yue Mun and the commencement of the new construction project, namely 63 Pokfulam, in Pok Fu Lam Road.

Note 3: 1 kWh = 0.0036 GJ.

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

Note 5: Total floor area represents the sum of (i) gross floor area ("GFA") of the properties under management and (ii) the estimated construction floor area of the construction projects in Hong Kong in the respective years.



Energy Consumption in Mainland China ^(Note 1)

	Unit	2018	2017
Total electricity consumption	kWh	725,028	835,175
	GJ	2,610	3,007
Total fuel consumption ^(Note 2)	Diesel, L	0	22,920
	Diesel, GJ	0	885
	Petrol, L	27,381	27,499
	Petrol, GJ	936	940
Total energy consumption	GJ	3,546	4,832
Total energy intensity	GJ/GFA (m ²) ^(Note 3)	0.62	0.89

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

Note 2: Fuel consumption is inclusive of company-owned mobile vehicles. Due to the reason that the Group has sold the diesel-consuming vehicle, there was no consumption of diesel in the Reporting Year.

Note 3: GFA represents the total GFA of Shenyang and Wuxi offices.



GHG Emissions within the Group ^(Note 1)

	Unit	2018	2017
Direct GHG emissions (Scope 1) ^(Note 2)	Tonnes CO ₂ equivalent ("tCO ₂ e")	339	690
Indirect GHG emissions (Scope 2) ^(Note 2)	tCO ₂ e	7,893	7,950
Total GHG emissions	tCO ₂ e	8,232	8,640
Total GHG emissions intensity	tCO ₂ e/Total floor area (m ²) ^(Note 3)	0.037	0.042

Note 1: The emission of air pollutants, such as particulate matters, nitrogen oxides and sulphur dioxides, is insignificant to the Group. Therefore, relevant figures are not disclosed.

Note 2: Scope 1 GHG emissions refer to direct emissions 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 3: Total floor area represents the sum of (i) GFA of the properties under management in Hong Kong, (ii) the estimated construction floor area of the construction projects in Hong Kong and (iii) the total GFA of Shenyang and Wuxi offices in the respective years.

BUILDING ON A SUSTAINABLE OPERATION

Reducing Waste

From office operation, property management to construction, the Group produces different types of waste. To relieve burden on landfill capacities and address stakeholders' concerns, the Group actively implements relevant policies and measures to improve waste reduction standards.

Domestic Waste Management

With a number of buildings under its management, the Group has been looking into the feasibility to launch waste recycling systems. As of the end of the Reporting Year, over half of the Group's major properties have set up recycling facilities to segregate and recycle domestic waste such as glasses, electronic devices, lighting equipment and clothing items. In consideration of the newly established recycling system, the Group anticipates to disclose the relevant data as it matures.



CASE STUDY

Waste Reduction Programmes

In addition to merely setting up recycling facilities, Country House has also participated in various recycling schemes held by different authorities and organisations.

MacPherson Place has joined the "Commendation Scheme on Source Separation of Domestic Waste" and the "Waste Electrical and Electronic Equipment Recycling Collection Service", both organised by the Environmental Protection Department, to promote recycling habit among tenants and visitors.



Cadogan has also partnered with Friends of the Earth in the "Used Clothes Recycling Programme" to reduce household waste while donating clothes to people in need. As one of the first properties to commence recycling activities, Cadogan has received the well-recognised "Wastewi\$e Certificate – Good Level" from the Hong Kong Green Organisation Certification, demonstrating the ongoing effort of minimising waste.



Construction Waste Management

The construction activities of the Group are accounted for the majority of its waste source. Although the construction and demolition waste is generated by the subcontractors, the Group has established policies to require implementation of waste sorting and proper disposal while complying with relevant local laws and regulations. In the Reporting Year, 59% of the construction and demolition wastes were transported to be recycled or reused in either public fill or sorting facilities.



Waste Discharged for Hong Kong Construction Projects ^(Note 1)

	Unit	2018	2017
Construction and demolition waste disposed to landfill	Tonnes	2,767	1,589
Construction and demolition waste recycled	Tonnes	3,949	3,544
Total construction and demolition waste ^(Note 2)	Tonnes	6,716	5,133
Total construction and demolition waste intensity	Tonnes/Floor area (m ²) ^(Note 3)	0.13	0.15

Note 1: The 2018 construction and demolition waste figures included the waste generated by the subcontractors working in the three construction sites in Hong Kong, while the figures of 2017 represented wastes generated from two construction sites.

Note 2: The increase in construction and demolition waste was due to the new commencement of construction project, namely 63 Pokfulam.

Note 3: Floor area represents the estimated construction floor area of the construction projects in Hong Kong in the respective years.

For non-disclosure of office and property management waste figures, the relevant data is not available as the Group currently does not have an established mechanism for gathering the statistics of all the waste figures at its headquarters, offices and property management premises in Hong Kong and Mainland China.

BUILDING ON A SUSTAINABLE OPERATION

Optimising Water Consumption

Due to its business nature, the Group does not consume a significant amount of water. However, the Group sees water as a valuable natural resource to conserve. The Group's most substantial footprint in water consumption is attributed to its construction activities and thus, the Group requires the outsourced contractors to reuse water as far as practicable onsite.

As a way to enhance water resource efficiency and reduce operational cost in the office, the Group has endeavoured to optimise water usage. In this endeavour, the Group has provided guidelines for employees on water saving measures, installed water-efficient fixtures and monitored water usage. In addition, the Group regularly reviews its water usage to identify any abnormal trend and to look for improvement areas. For instance, the Group has identified and repaired the leakage in MacPherson Place's water tank to prevent further water wastage.



Water Consumption in Hong Kong ^(Notes 1 & 2)

	Unit	2018	2017
Water consumed ^(Note 3)	m ³	105,235	88,950
Water intensity ^(Note 3)	m ³ /Total floor area (m ²) ^(Note 4)	0.49	0.45

Note 1: Water consumption data in the offices in Mainland China is not material to the Group and the associated water costs are included in the monthly property management fee. Moreover, water consumption of the property development projects in Mainland China is paid and monitored by the main contractors. Therefore, the relevant figures are not disclosed.

Note 2: The Group sourced its water from the WSD and has no issue in sourcing water.

Note 3: The increase in water consumption and intensity was mainly attributable to the increased water usage for the construction project, namely One East Coast and the commencement of the new construction project, namely 63 Pokfulam. The property management business contributes to a slight increase of water consumption and intensity, which was mainly attributable to the new maintenance and cleaning purposes in the premises.

Note 4: Total floor area represents the sum of (i) GFA of the properties under management in Hong Kong and (ii) the estimated construction floor area of the construction projects in Hong Kong in the respective years.



By ways of the continuing devotion to uphold standards of these topics, the Group has grounded the framework of its sustainability journey.

CREATING COMPETITIVENESS

As stakeholders are the contributors to business sustainability, the Group values all stakeholders and strives to maintain long-term relationships with them. By identifying the related social challenges, the Group seeks solutions to mitigate the underlying impacts and invests in the communities along the sustainability journey. Hence, the Group is devoted to creating social values via preserving a corporate culture that supports and protects its human capital and contributing back to the society.

Preserving the Corporate Culture

The Group respects its employees and considers them as the driving force for continuous business growth. In order to increase competitiveness for employees of the Company, the Group takes initiatives to cultivate talents by preserving the corporate culture via promoting their rights, well-being, communication and development opportunities.



CREATING COMPETITIVENESS

Talent Acquisition, Fair and Equal Workplace

As an equal opportunity employer, the Group respects every employee and upholds the value of equality and fairness for them. Thus, the Group places an emphasis on acquiring and retaining talented staff while adhering to all local employment laws.

As stated in the internal policies, the Group forbids all forms of discrimination on gender, religion, race, family status, disability and age at all time during recruitment, promotion, internal transfer and resignation. All operation departments in the Group comply with all applicable laws and regulations relating to employment practices and strictly forbid the employment of child and forced labour.

In effort to build a diverse and inclusive team, the Group focuses on talents acquisition to actively engage suitable candidates. The Group hosts and participates in regular career talks and recruitment events to showcase the Company culture as well as the career prospects. In addition to looking for candidates with suitable qualifications, the Group also provides equal employment and practice opportunities to the disabled person, middle-aged candidates, new migrants, retired athletes, university interns and candidates with less relevant work experience.



The Group has participated in the Hong Kong Athletes Career Fair 2018, organised by the Hong Kong Athletes Career & Education Programme (HKACEP), to support the career prospect of retired athletes.



To promote work-life balance, the Group has redefined and incorporated family values in the workplace through setting family-friendly policies and holidays. In acknowledgement of this contribution, the Home Affairs Bureau and the Family Council have recognised the Company as a "Family-Friendly Employer" that supports employees' well-being from the family perspective.

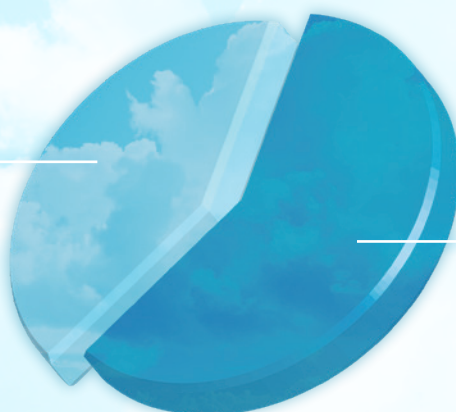
In accordance with the local laws and regulations, the Group grants all employees with paid holidays and welfares while ensuring reasonable working hours. During the Reporting Year, the Group was not aware of any material non-compliance with regard to employment or labour laws, regulations and standards in Hong Kong or Mainland China.

As at the end of the Reporting Year, the total number of full time employees in Hong Kong and Mainland China was 571. The breakdown of employees by different categories is listed as follows:

By Gender

Female

41%



Male

59%

By Employee Category

General Staff

25%

Office Staff

60%

Senior Management ^(Note)

1%

Management

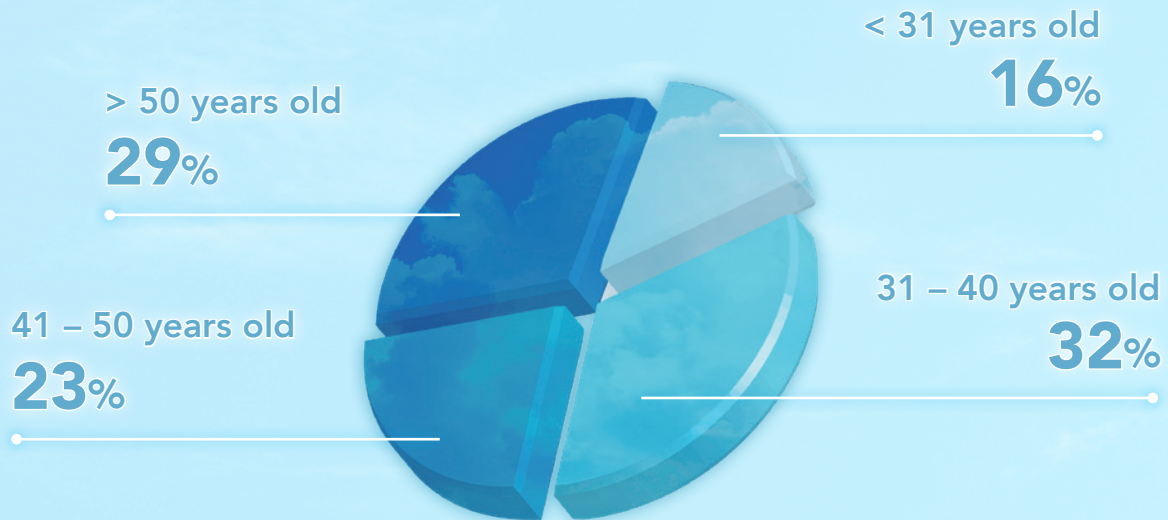
14%



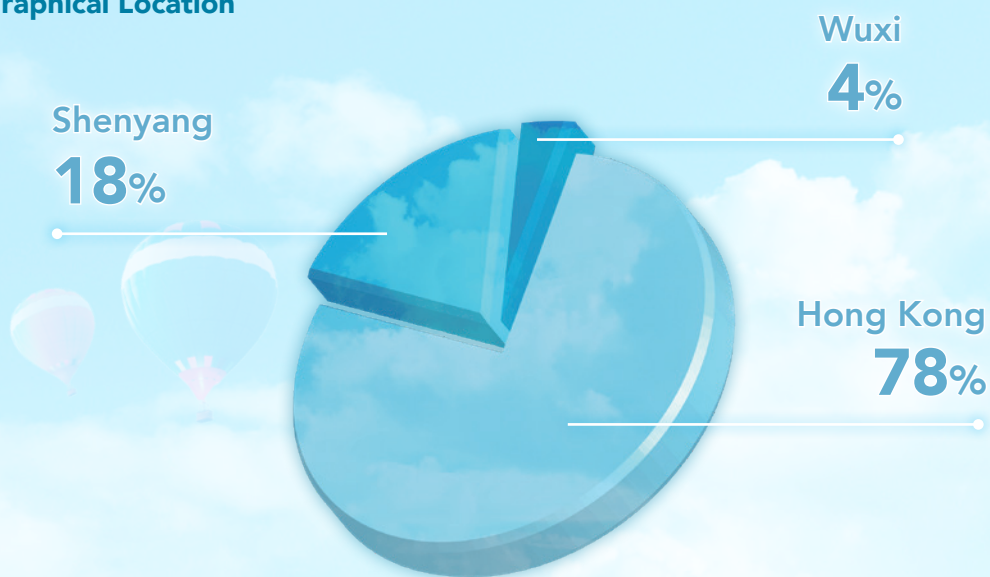
Note: Senior management of the Group is the Executive Directors of the Company.

CREATING COMPETITIVENESS

By Age Group



By Geographical Location



During the Reporting Year, the total turnover headcount was 209 employees. This high turnover headcount was mainly attributable to the Hong Kong property management and construction businesses which normally have a higher turnover rate due to their business nature.

Interactive Communications

To promote effective and interactive communications among employees and to build up an interconnected culture, the Group has introduced technological advancement as the new communication platform. "PolyConnect" is a new enterprise information portal built to increase commercial security and internal communications proficiency which was launched in the beginning of the Reporting Year. Through this portal, the Group establishes multiple communication features, such as publishing company newsletter, for employees to keep up with the Group's news and activities. As the portal develops, the Group looks forward to integrating more features to enhance internal communications.

Supporting Fair Trade

To keep up with the changing trends, the Group has begun to integrate fair trading values into its corporate culture. The Group has launched the Soda Mall in the Pioneer Centre in December 2018. Soda Mall is a brand new retail store with the philosophy of "Heath", "Affordability" and "Experience" to enhance customers' shopping experience and provide affordable healthy food, household items, organic products, etc. In alignment with Fair Trade Hong Kong's commitment, the Group is devoted to promoting equality and labour rights, supporting fair trading of products and increasing awareness of fair trading internally and externally. In recognising this devotion, the Group's subsidiary which operated Soda Mall has received the "Fair Trade Corporate Label – Silver Award."



CREATING COMPETITIVENESS

Team Building Activities

The Group is eager to build a value-added culture and an inclusive workforce. The Group constantly shows care to support work-life balance and praise employees' hard work.

During the Reporting Year, the Group organised several staff activities for employees to enhance their sense of belonging and strengthen team building.

Annual Dinner in
Hong Kong



Annual Dinner in
Shenyang

Annual Meeting in
Wuxi





Puff Pastry Egg
Custard Mooncake
Workshop
(Parent-child)
in Hong Kong

Konica Minolta Green
Concert 2018 & Grand
Cycle Challenge Prix in
Hong Kong



Company outing to
Nha Trang, Vietnam
for Wuxi staff

CREATING COMPETITIVENESS

Building Talents

The Group believes that employees' capacity and career building is the key to excel job performance and succeed business operations. In light of this, the Group encourages all employees to participate in trainings to develop their all-rounded competency. In this connection, the Group allows subsidies and paid leaves for employees to attend training courses and relevant examination.

In consideration of its diverse business nature, the Group tailored-made trainings to employees according to their roles and duties. During the Reporting Year, the Group has offered the following trainings:

Company/Business Unit	Business Nature	Training Summary
Country House	Property Management 	<ul style="list-style-type: none"> • Security training • Hygiene and cleanliness standards and case sharing • Customer service training • Building facility maintenance workshop
KDE	Construction 	<ul style="list-style-type: none"> • Green card training • Quality assurance briefing
Mainland China	Property Development 	<ul style="list-style-type: none"> • Taxation laws training • Corporate value chain management and application training • Risk assessment and management training

**CASE STUDY****The Internal Lecturer Programme in Wuxi**

To facilitate the building of capacity and competitiveness, the property development business in Wuxi has constructed a new platform for knowledge sharing among employees – the Internal Lecturer Programme (the “Programme”).

The Programme invites employees to apply as internal lecturers to share knowledge and insights on topic(s) that they are familiar with. The newly established Internal Lecturer Committee and the Human Resources and Administration (“HR&A”) Department select, evaluate, promote and incentivise lecturers based on their qualification, expertise and lecture quality.

As the first year launching the Programme, a few lectures have been held successfully, including Cantonese workshop, new outlook on sales of commercial property, building foundation knowledge workshop, individual income tax knowledge sharing and responsibility and execution seminar. Through the Programme, employees were able to have a better understanding of different business-related topics and to discover interests in new areas.



CREATING COMPETITIVENESS

After each training session, the Group collects the evaluation forms from every participated employee to review the course content and the lecturer's performance. Through these trainings, the Group hopes to help employees to build capacity and climb the career ladder in return of contributing to the success of the Company. With this in mind, the Group constantly looks for and introduces suitable training opportunities for employees. The Group conducts performance reviews with all employees twice a year as a platform to evaluate their performance, the effectiveness of trainings received and their training needs for developing training plan in the upcoming year.

As a milestone of the Group's achievement in constantly enhancing and developing employees' training programmes, the ERB has presented the honour of "Manpower Developer" to the Company in the Reporting Year. When designing training plans, the Group has placed an emphasis on the enrichment of employees' skills and satisfaction. With this emphasis, the Group has offered sufficient learning materials, adopted a structured training framework and periodically reviewed the training programmes provided. Throughout the Reporting Year, the Group has provided over fifty different training programmes and employees have received an average of 2.6 hours of training, marking the Group's continuous effort in cultivating a learning culture and dedicating resources for building talents.



Safeguarding Employees

As occupational health and safety implicates the responsibility towards valuable employees, the Group always holds high regard on protecting their well-being and safety. In this connection, the Group is committed to guaranteeing safety standards when building a safe working environment.

Construction Business

For the construction business in Hong Kong, the Group pays close attention to the occupational health and safety of its employees and subcontractors' workers. To ensure a safe and smooth operation, the Group adopts a Health and Safety Policy in compliance with the local government regulatory requirements. The Group establishes proper operational procedures in the policy to provide a safe working environment and allocates sufficient resources to promote safety awareness of the employees.

The Group has formed a Site Safety Committee to monitor the health and safety performance across all construction sites. The Site Safety Committee carefully analyses the Accident Investigation Reports, initiates the Accident Improvement Plans for safety precautions and updates the existing Health and Safety Policy whenever necessary. As a result of the Accident Improvement Plans, the Group has instituted various preventive measures, for example regularly removing the small material placed on the external scaffold to prevent falling objects from height.

Active awareness of work hazard is the foundation of a safe construction. In the pledge of promoting “safe building”, the Group provides mandatory induction safety training for all new employees and subcontractors’ workers. Throughout the Reporting Year, 35 employees and 4,474 subcontractors’ workers have participated in the trainings on the relevant policies and regulations, safety procedures, past accident cases and safety inspection walks. In addition, the Group has set up a Site Safety WhatsApp Group for instant communication on immediate onsite safety issues.

During the Reporting Year, there were six convicted cases relating to safety issues at the Group’s construction project, namely One East Coast. To address the incidents, the Group has undertaken rectification works and upgraded the on-site equipment to further protect workers’ safety in according with the relevant laws and regulations.

Property Development Business

As a property developer in Mainland China, contractors’ safety is also important. The Group requires all contractors to conduct construction activities in compliance with the local laws and regulations in regard to construction health and safety. In addition, contractors were required to conduct occupational health and safety training on a regular basis for themselves and their subcontractors.

Office Operations

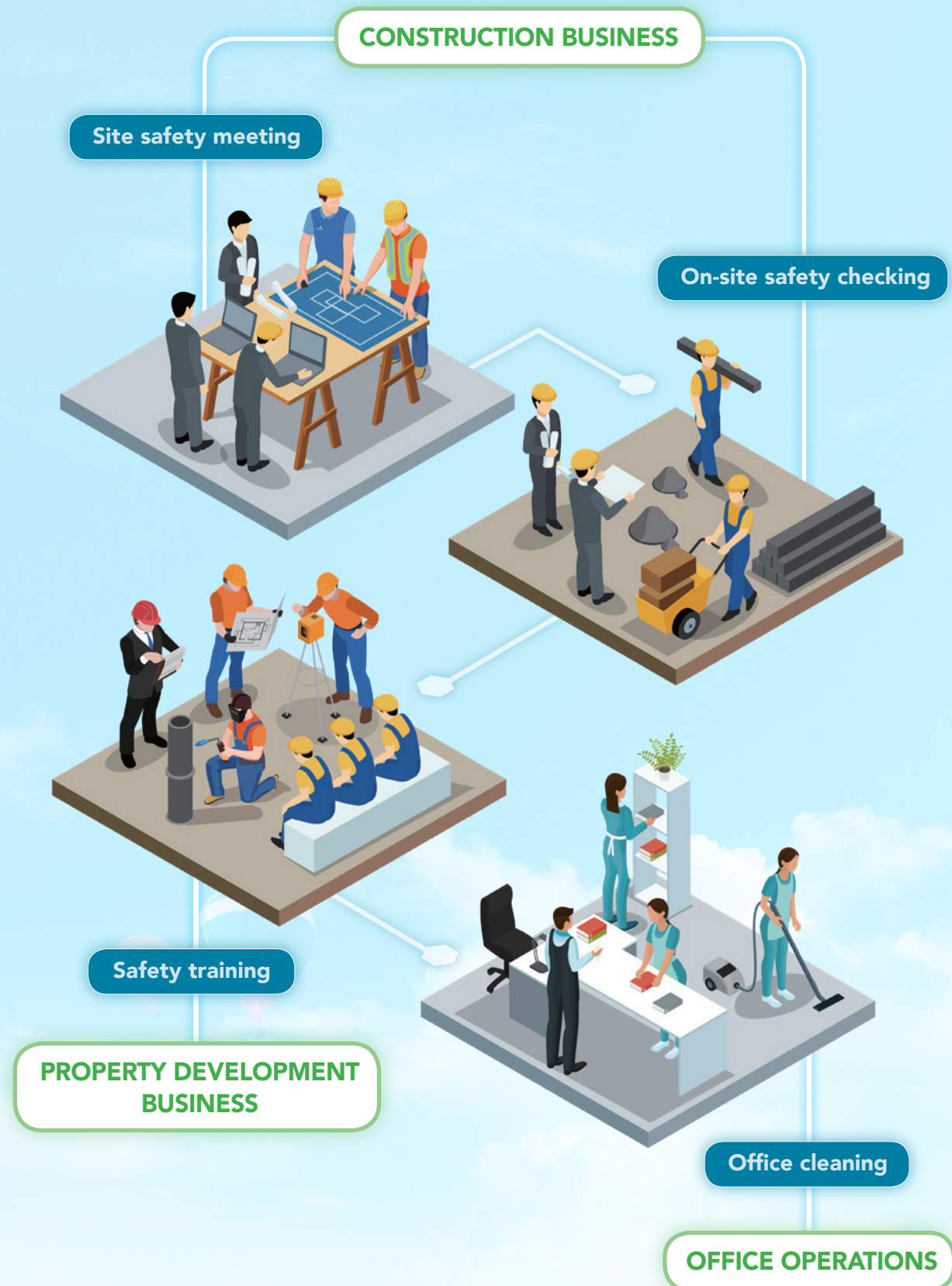
In the offices settings, the Group is dedicated to building an ideal and comfortable working condition. In consideration of long working hours in the office, the Group offers regular stretching classes for employees of Country House to learn how to relax their muscles to prevent office injuries. In order to guarantee workplace cleanliness and hygiene, the Group regularly cleans the air-conditioners and disinfects the carpets in the offices. Besides, the Group provides relaxation areas for employees to rest and take a break from work.

Showing care toward employees’ health, the Group organised the “Health Lounge” event in the headquarters to promote employees’ well-being. The event provided free onsite health screening services for employees to better understand their health conditions.

By ways of the Group’s attentions placed on occupational health and safety, there was no work-related fatality among the Group’s employees during the Reporting Year.



CREATING COMPETITIVENESS



Investing in the Society

Since its inception, the Group has been enthusiastic about creating values in the society through community investment and engagement. The Group has been participating in a wide range of projects, activities, services and donations as ways to spread its care across the communities in where it operates.

With almost a decade of continued society investment contributed by both KDC and Country House, they have been awarded the "Caring Company" Logo since 2009 and 2010, respectively.



With a caring mindset to help, the Group has been continuing to invest resources to those in needs.



Charity Cookies

The Group has again partnered with Fu Hong Society in support of the disabled people. Employees purchased cookies baked by Madam Hong's Bakery (established by Ngai Shing Workshop of Fu Hong Society) as a contribution to support the organisation's education, training and rehabilitation services. A bag of "Charity Cookies" has also been presented to each shareholder who had attended the 2018 Annual General Meeting.

CREATING COMPETITIVENESS



14th Fu Hong Society "Best Buddies Hong Kong" Movement Electric Cooking Competition

To promote the positive images of persons with disabilities, the Group has also collaborated with Fu Hong Society in the 14th Fu Hong Society "Best Buddies Hong Kong" Movement Electric Cooking Competition. The Group's employees teamed up with people with special needs to cook and compete together in this event.

The Community Chest Dress Casual Day 2018

As support for the Community Chest – Dress Casual Day 2018, the Group encouraged employees' generous donations by committing to donate the same amount of funds raised by employees. The Group's collective donation would be used to support the Community Chest's services to assist the less privileged.



In the Reporting Year, the Group (excluding PAH) had actively participated in numerous activities and made charitable donation with a total of HK\$106,700 and RMB122,000 in Hong Kong and Wuxi respectively to support the vulnerable groups, conservation and healthcare sectors, contributed to the betterment of the society.

LOOKING FORWARD

In pursuance of a sustainable future, the Group has been exploring opportunities to enlarge its sustainability footprints while expanding the portfolio of its property-related operations. With more stringent standards and talent development, the Group is hopeful to build upon this solid foundation to elevate its sustainability achievements. In the promising years ahead, the Group will continue to strive in the journey of moving towards a long-term sustainability development for not only the Company but also for the livelihood of the environment and society.



PERFORMANCE TABLE

Indicator	Unit	2018	2017
Energy Consumption in Hong Kong ^(Note 1)			
Total electricity consumption ^(Note 2)	kWh	13,473,024	13,466,284
	GJ ^(Note 3)	48,503	48,479
Total fuel consumption ^(Note 4)	Diesel, L	88,740	200,073
	Diesel, GJ	3,512	7,921
	Petrol, L	12,143	11,684
	Petrol, GJ	415	400
Total energy consumption	GJ	52,430	56,800
Total energy intensity	GJ/Total floor area (m ²) ^(Note 5)	0.24	0.29
Energy Consumption in Mainland China ^(Note 6)			
Total electricity consumption	kWh	725,028	835,175
	GJ	2,610	3,007
Total fuel consumption ^(Note 7)	Diesel, L	0	22,920
	Diesel, GJ	0	885
	Petrol, L	27,381	27,499
	Petrol, GJ	936	940
Total energy consumption	GJ	3,546	4,832
Total energy intensity	GJ/GFA (m ²) ^(Note 8)	0.62	0.89
GHG Emissions within the Group ^(Note 9)			
Direct GHG emissions (Scope 1) ^(Note 10)	tCO ₂ e	339	690
Indirect GHG emissions (Scope 2) ^(Note 10)	tCO ₂ e	7,893	7,950
Total GHG emissions	tCO ₂ e	8,232	8,640
Total GHG emissions intensity	tCO ₂ e/Total floor area (m ²) ^(Note 11)	0.037	0.042
Waste Discharged for Hong Kong Construction Projects ^(Note 12)			
Construction and demolition waste disposed to landfill	Tonnes	2,767	1,589
Construction and demolition waste recycled	Tonnes	3,949	3,544
Total construction and demolition waste ^(Note 13)	Tonnes	6,716	5,133
Total construction and demolition waste intensity	Tonnes/Floor Area (m ²) ^(Note 14)	0.13	0.15
Water Consumption in Hong Kong ^(Notes 15 & 16)			
Water consumed ^(Note 17)	m ³	105,235	88,950
Water intensity ^(Note 17)	m ³ /Total floor area (m ²) ^(Note 18)	0.49	0.45

- Note 1: The 2018 data is inclusive of the headquarters in the Pioneer Centre, eleven other property management premises and three construction sites. The 2017 data is inclusive of the headquarters in the Pioneer Centre, eleven other property management premises and two construction sites.
- Note 2: Due to the Group's continuous efforts placed on electricity conservation in the properties under its management, a decrease of 4% electricity consumption was noted in the property management business. However, the increase of total electricity consumption was mainly attributable to the increased electricity usage for the construction project, namely One East Coast, and the commencement of the new construction project, namely 63 Pokfulam.
- Note 3: 1 kWh = 0.0036 GJ.
- Note 4: Fuel consumption is inclusive of construction machinery and company-owned mobile vehicles, conversion rates for diesel used for construction, diesel used for mobile vehicles and petrol used for mobile vehicles are 39.6 Megajoules ("MJ")/L, 38.6 MJ/L and 34.2 MJ/L respectively.
- Note 5: Total floor area represents the sum of (i) GFA of the properties under management and (ii) the estimated construction floor area of the construction projects in Hong Kong in the respective years.
- Note 6: Data is inclusive of two offices in Shenyang and one office in Wuxi.
- Note 7: Fuel consumption is inclusive of company-owned mobile vehicles. Due to the reason that the Group has sold the diesel-consuming vehicle, there was no consumption of diesel in the Reporting Year.
- Note 8: GFA represents the total GFA of Shenyang and Wuxi offices.
- Note 9: The emission of air pollutants, such as particulate matters, nitrogen oxides and sulphur dioxides, is insignificant to the Group. Therefore, relevant figures are not disclosed.
- Note 10: Scope 1 GHG emissions refer to direct emissions 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 11: Total floor area represents the sum of (i) GFA of the properties under management in Hong Kong, (ii) the estimated construction floor area of the construction projects in Hong Kong and (iii) the total GFA of Shenyang and Wuxi offices in the respective years.
- Note 12: The 2018 construction and demolition waste figures included the waste generated by the subcontractors working in the three construction sites in Hong Kong, while the figures of 2017 represented wastes generated from two construction sites.
- Note 13: The increase in construction and demolition waste was due to the new commencement of construction project, namely 63 Pokfulam.
- Note 14: Floor area represents the estimated construction floor area of the construction projects in Hong Kong in the respective years.
- Note 15: Water consumption data in the offices in Mainland China is not material to the Group and the associated water costs are included in the monthly property management fee. Moreover, water consumption of the property development projects in Mainland China is paid and monitored by the main contractors. Therefore, the relevant figures are not disclosed.
- Note 16: The Group sourced its water from the WSD and had no issue in sourcing water.
- Note 17: The increase in water consumption and intensity was mainly attributable to the increased water usage for the construction projects, namely One East Coast, and the commencement of the new construction project, namely 63 Pokfulam. The property management business contributes to a slight increase of water consumption and intensity, which was mainly attributable to the new maintenance and cleaning purposes in the premises.
- Note 18: Total floor area represents the sum of (i) GFA of the properties under management in Hong Kong and (ii) the estimated construction floor area of the construction projects in Hong Kong in the respective years.