









ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT 2019



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 was 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 aiming to transit itself into a developer of properties with the finest quality in Hong Kong, Mainland China and Macau since 2006, with the exposure to property development in Macau through KDC’s 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, oil production and financial investment.

In the preparation of this Environmental, Social and Governance (“ESG”) Report (the “Report”), the board of directors of the Company (the “Board”) has been engaged in the Report’s preparation to review the ESG-related topics and disclosures. During the year under review, the Group was 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 recognition of the Board’s and senior management’s dedication to drive environmental and social stewardship from inside and out, the Group has been promoting sustainability through its value chain.



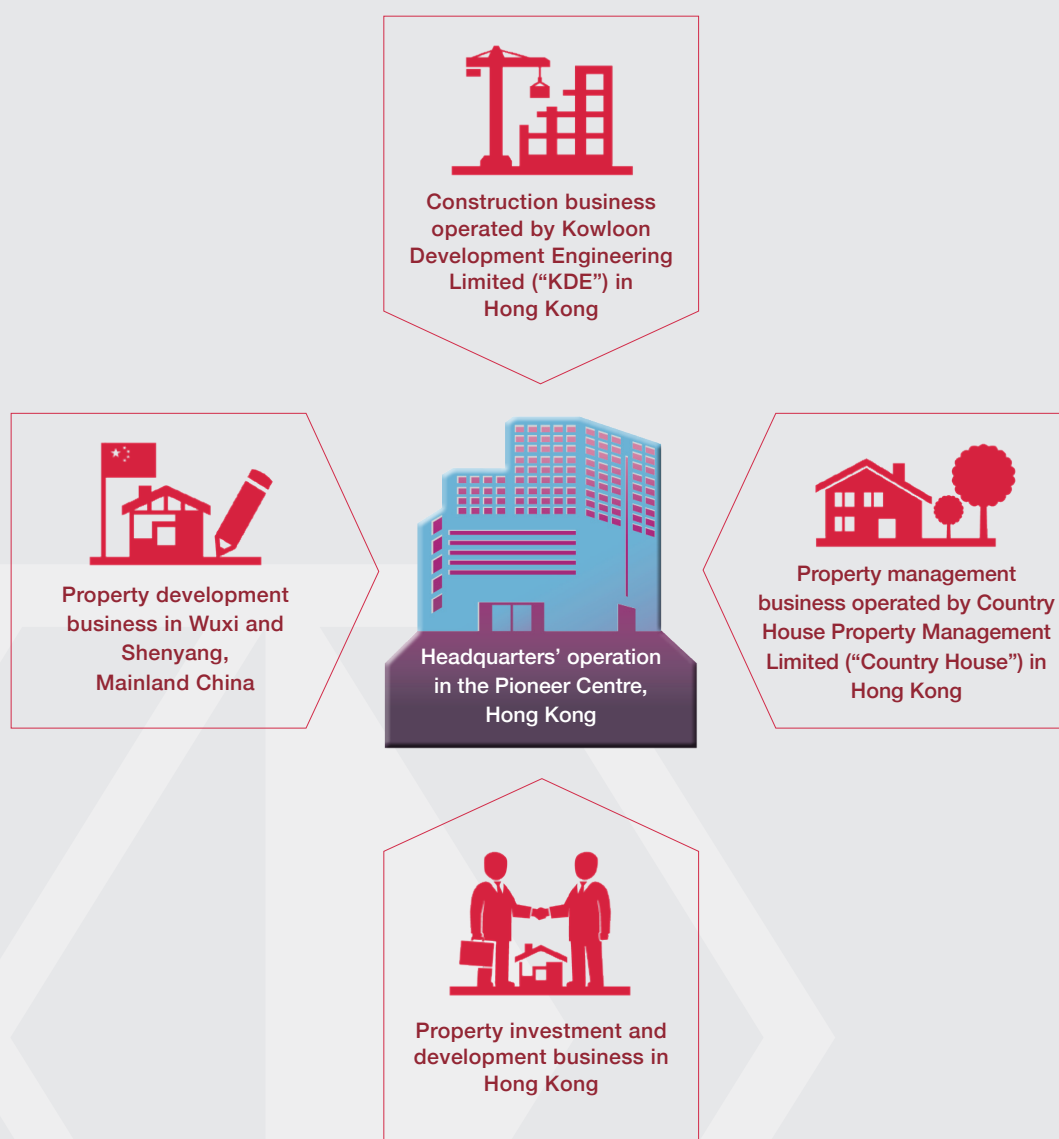
INTRODUCTION

Reporting Standard, Period and Scope

KDC hereby presents its fourth standalone Report, while PAH separately publishes 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 Company’s Annual Report 2019.

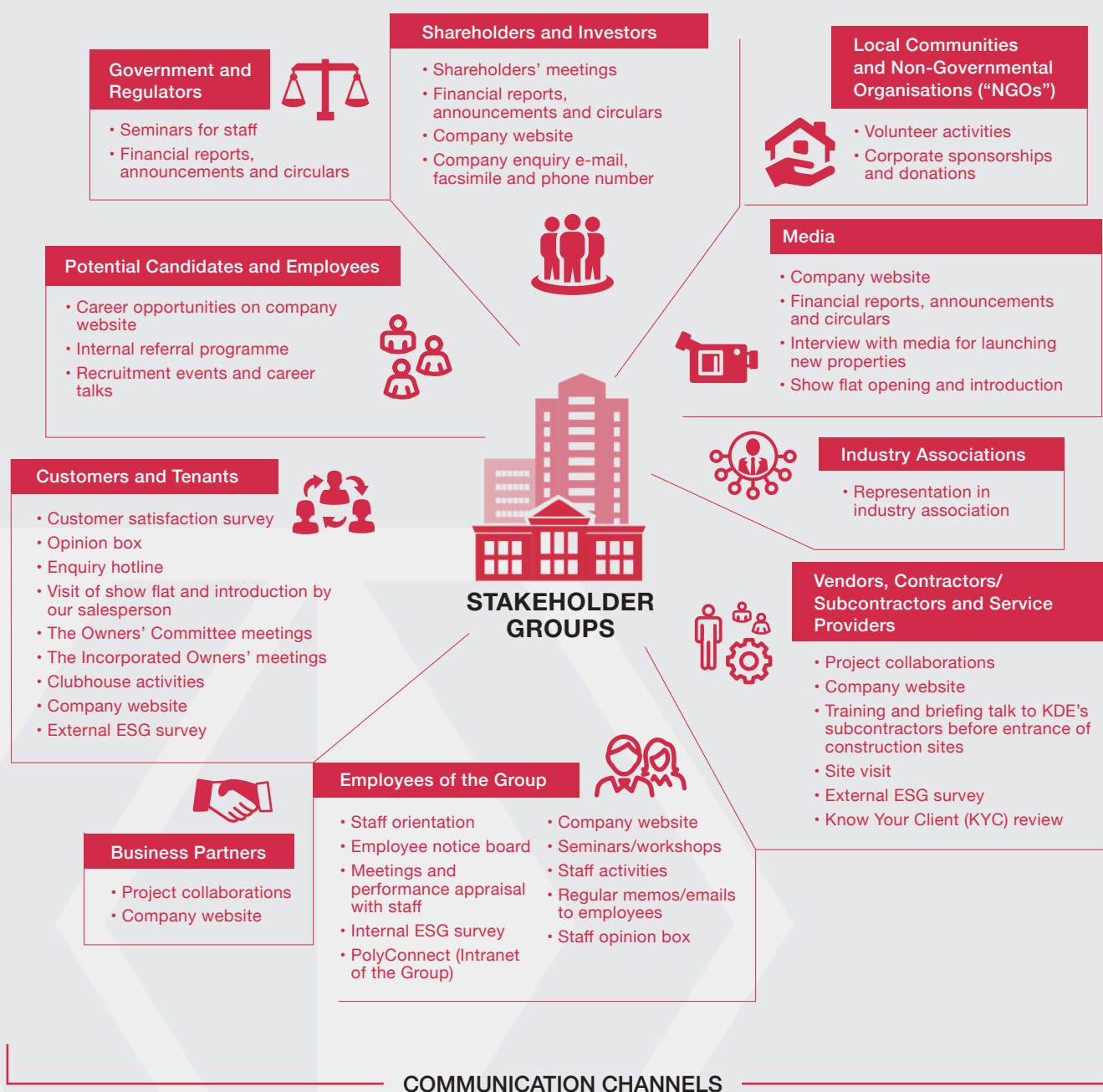
The Report covers the Group’s ESG performance, activities and highlights from 1 January 2019 to 31 December 2019 (the “Reporting Year”) including the following major business operations:



In August 2019, the Group acquired an additional 7.9% of the equity interest in Easy Living Consultant Limited (“Easy Living”), a company principally engaged in the provision of building surveying, property management and guarding services, which has become a subsidiary of KDC. Due to the short ownership period, the ESG-related information undertaken by Easy Living has not been disclosed in the Report. The Group shall review its business operations in determining the reporting boundary. Any further updates on the reporting scope shall be explained in future ESG reports.

Stakeholder Engagement

Maintaining active stakeholder engagement has been a key focus of the Group's sustainability framework. Paving the way to develop sustainable residential and commercial buildings, the Group values stakeholders' feedback as to steer management approach on ESG-related topics. To maintain transparent communication with stakeholders, the Group has established whistleblowing channels as foundation of its corporate governance and stakeholder engagement. The Group has continued engaging various stakeholder groups through the following communication channels to further promote open dialogue with stakeholders:



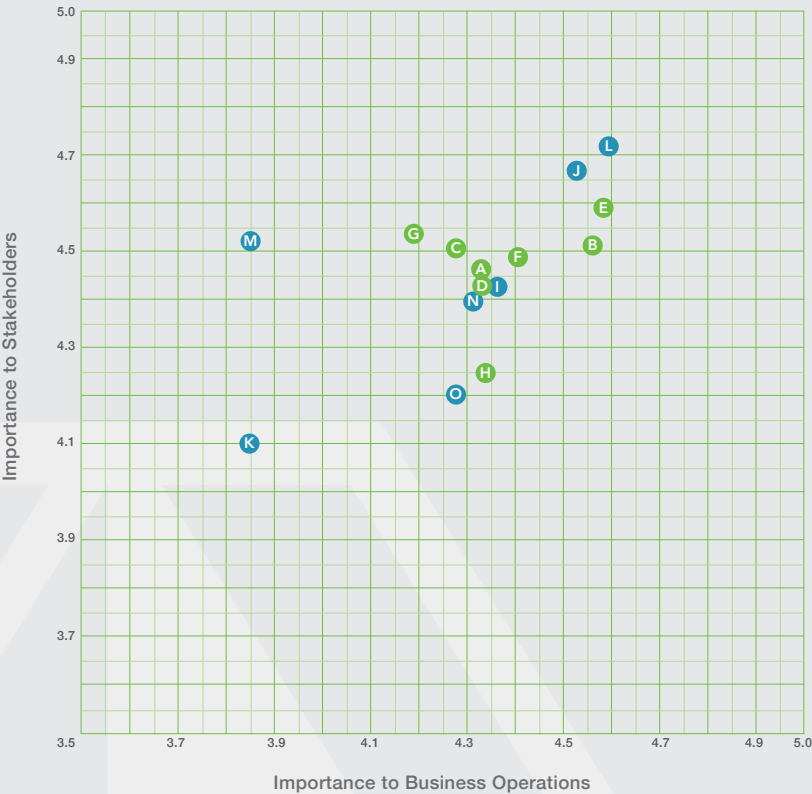
INTRODUCTION

Materiality Assessment

The Group views stakeholder engagement as the pathway to channel stakeholders’ concerns and stays alert to market trends. In particular, the Group has been conducting stakeholder surveys to refine materiality exercise since 2017. To gauge a more holistic understanding on the relevant material ESG topics, the Group has continued to expand the pool of surveyed stakeholders. The Group has consulted the perspective from one of its key stakeholders, tenants, in the Reporting Year.

With an aim to polish materiality assessment, the Group has engaged its tenants to review the materiality of various ESG topics via stakeholder survey. In the past three years, a total of 157 stakeholders from a broad set of stakeholder groups have participated in the Group’s materiality practice. The following materiality matrix has shown the reflection of stakeholders’ priorities, outlining the material ESG topics to the Group.

Materiality Matrix



Environmental Aspect

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

Social Aspect

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

The following environmental and social topics have been identified by stakeholders as the top material topics to the Group's long-term business development:

Environmental Aspect

- 1 Hazardous Waste Management
- 2 Greenhouse Gas and Air Pollutants Emissions
- 3 Wastewater Discharge and Management

Social Aspect

- 1 Ethics and Integrity
- 2 Occupational Health and Safety
- 3 Employment Practices

According to stakeholders' priorities, the Group has disclosed the management approach, key performance indicators and relevant data mainly based on the identified material topics. With a better understanding on stakeholders' perspective, the Board shall review the Group's current standing on each prioritised ESG topic and assess the necessity and timeframe to strategise risk management and management approach in the relevant aspect. With an objective to progressively embed sustainability factors into its business operations, the Group envisages to gradually enhance the materiality approach. As the materiality assessment matures gradually, the Group hopes to leverage the identified topics to shape a more focused sustainability framework.

In light of the growing ESG market, the Group aspires to explore opportunities of adopting recent trends and development in the sustainability area. Through two-way communication channels, the Group shall constantly convey corporate and sustainability updates to stakeholders.

Contact Details

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

Kowloon Development Company Limited

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

Telephone : (852) 2396 2112

Facsimile : (852) 2789 1370

E-mail : enquiry@kdc.com.hk



WORDS TO STAKEHOLDERS

Dear Stakeholders,

I am pleased to present the Company's ESG Report 2019. 2019 was a fruitful year as we witnessed the collaborative effort in embedding values of sustainability into our buildings and operations. The Report captures the essence of our endeavour in elevating the ESG performance to build a cohesive and green community that the Company thrives together with our stakeholders at large.

Developing Sustainable Properties

As one of the responsible property developers in Hong Kong, the Company shoulders the responsibility of delivering longstanding buildings that encourage interactive engagement and environmental stewardship. In light of this, we take an active role in upgrading our buildings and participating in local environmental campaigns. As a result of our dedication to pursue quality properties, we have been recognised as a developer of the "Five Stars Residency for the Year 2019 — Upper East" and the "Five Stars Residency for the Year 2019 — One East Coast" by the Hong Kong Professional Building Inspection Academy ("BIA").

Developing Sustainable Operations

Long before the commencement of our sustainable journey, we had been reinforcing the Company's risk management and ESG management approach. Through integrative management framework to identify risks and opportunities, we hope to expedite the Company's long-term sustainable development.

Most importantly, I would like to express my appreciation towards our professional and enthusiastic management team and staff members for their unceasing support throughout the journey to seek sustainability. Forging close engagement and partnership with stakeholders, we look to bring in sustainability values from within and without.



Lai Ka Fai

Executive Director

Hong Kong, 21 July 2020

DEVELOPING SUSTAINABLE PROPERTIES

Expediting the sustainable development of the Group and the society, the Group strives to develop sustainable buildings that not only uphold high quality, but also promote environmental consciousness. To do so, the Group has steered the approach for building up the sustainability of its properties.

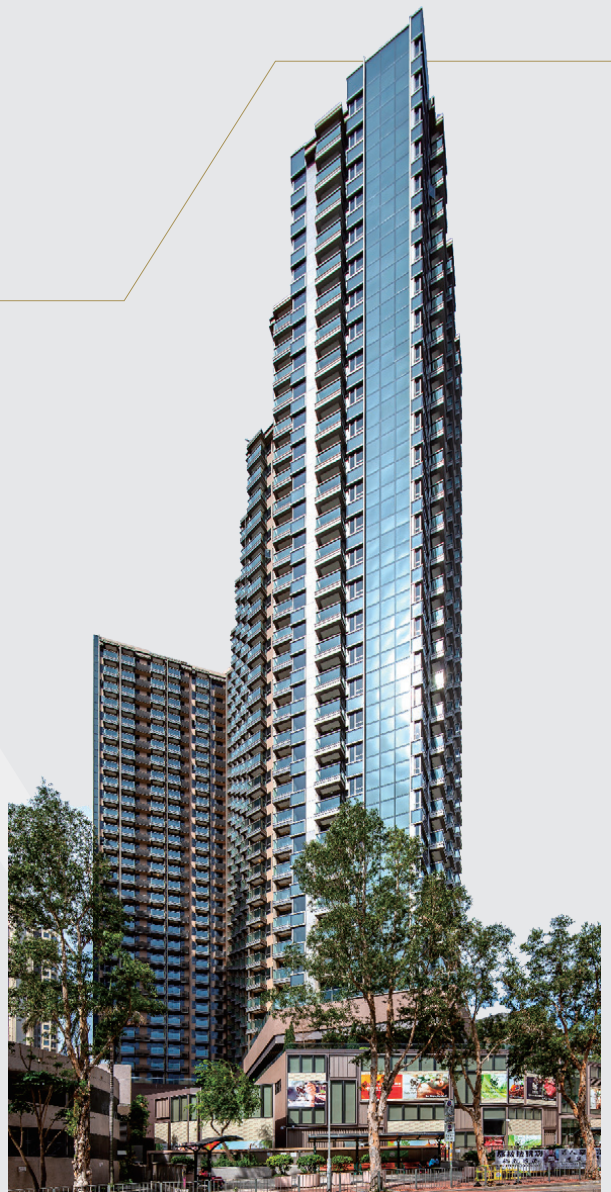
Building with Quality

With the commitment to building a safe and sustainable society, the Group endeavours to incorporate the concept of sustainability and quality into every stage of its projects. In this regard, the Group continues reinforcing its operation practices at all development stages from supplier selection to quality assurance.

Overseeing the Supply Chain

Recognising supply chain as the bedrock of high quality buildings and services, the Group aims to build lasting and close relationships with its business partners in the supply chain, such as suppliers of building materials and contractors of construction works. The Group requires all suppliers and contractors to comply with applicable local laws and regulations corresponding to quality control, employment and labour practices, occupational health and safety and environmental control. The Group also conducts qualification assessment to evaluate suppliers' level of experience and financial standing, so as to ensure the quality and reliability of their products and services.

As a sustainable property developer, the Group strives to promote corporate social responsibility throughout the supply chain. The Group considers that the adoption of international management system, such as ISO 9001 Quality Management System, ISO14001 Environmental Management System and OHSAS 18001 Occupational Health and Safety Management System, as one of the prequalification when selecting vendors, contractors and subcontractors.



DEVELOPING SUSTAINABLE PROPERTIES

Providing Quality Products and Services

On top of supply chain oversight, quality assurance is another critical factor for provision of top-quality properties. The Group has developed a Quality Operation Manual (the “Manual”) with reference to international standards. The Manual consists of three parts, namely quality work procedure, quality assurance manual and safety manual, to provide guidelines and procedures for employees and contractors to follow during all phases of construction projects.

Prior to construction



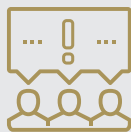
Under the Manual, the Group requires each project team to prepare a project planning handbook, organise pre-construction meeting and conduct sample check to ensure the optimal status for the commencement of construction works.

During construction



In order to ensure the Manual is well implemented in the construction sites, the Quality Assurance (“QA”) team carries out regular site audits and inspections to evaluate the effectiveness of the procedures set out and workers’ adherence to the procedures. The project teams arrange routine quality assurance meetings and safety meetings with relevant parties, including the QA team, contractors and safety supervisor, to report and discuss on-site issues and mitigation measures.

Post-construction



In the post-construction stage, the Electrical and Mechanical (“E&M”) team performs a series of technical checks to examine that the building E&M equipment and facilities, such as Heating, Ventilation, and Air Conditioning (HVAC) system, have complied with contract requirements and safety standards. Before handover, the QA team utilises an internally adopted rating system to conduct unit assessment for further ensuring the building quality has met the predetermined standards and recorded defects have been rectified.

Handover



Based on results of unit assessment and customer satisfaction survey, the Handover team suggests improvement recommendations regarding the building quality and modifies the Group’s standards and the Manual to maintain and boost the quality of future development projects.

Engagement



After handover, the Group continues to facilitate communication with tenants and owners through establishing active engagement programmes. The Group conducts yearly customer survey to evaluate their needs, concerns, suggestions and satisfaction on the building and management services. In the Reporting Year, twelve properties under management have taken the survey with a high satisfactory ratio. Based on the results and feedback, the Group aims to improve brand reputation through enhancing their satisfaction.

In the Reporting Year, the Group was not aware of any material non-compliance with the relevant laws and regulations relating to health and safety, advertising and labelling in the products and services provided by the Group.

DEVELOPING SUSTAINABLE PROPERTIES

In recognition of the building quality and excellent service, the Group has received various awards by the BIA Award for 2019 and the Kowloon West Best Security Services Award 2019 in the Reporting Year:



Corporate/Staff Award	Awarded Property/Staff
The BIA Award for 2019	
<p>Five Stars Residency</p>  <p>Main Contractor of the Five Stars Residency Property Management of the Five Stars Residency</p>	Upper East
<p>Quality Building Main Contractor of the Quality Building Five Stars Residency Main Contractor of the Five Stars Residency Property Management of the Five Stars Residency</p>	One East Coast
Spirit of the Year	Mr Lam Chi Fung
Kowloon West Best Security Services Award 2019	
Honourable Managed Property Award	Pioneer Centre
Outstanding Managed Public Carpark Award	Pioneer Centre Carpark
Outstanding Managed Property Award	Gardenia
Outstanding Managed Property Award	MacPherson Place
Honourable Managed Property Award	Padek Palace
Best Managed Property Award	Upper East
Best Managed Public Carpark Award	Upper East Carpark
Outstanding Managed Property Award	Upper West
Best Security Personnel Award	Mr Tin Chi Hoi
Best Security Personnel Award	Mr Tam Pak Shing

DEVELOPING SUSTAINABLE PROPERTIES

In addition to creating quality units and buildings, the Group is committed to addressing the needs of building occupants, especially tenants, and delivering superior services through KDC's property management subsidiary, Country House. To enhance their satisfaction, the Group values their opinions and regards every comment as an opportunity to improve business development. The Group has established a standardised complaint handling mechanism to record, resolve and review complaint cases and suggestions. For each complaint case, the corresponding department shall follow the mechanism to handle the case professionally and suggest improvement plan to prevent the similar occasions.

In acknowledgement of the collective effort in property management, the Pioneer Centre, MacPherson Place and Upper West have participated in the Water Supplies Department ("WSD")'s "Quality Water Supply Scheme for Buildings — Fresh Water (Management System)" and attained a "Gold" and two "Blue" grades respectively during the Reporting Year.



Building with Environmental Stewardship

To develop sustainable properties and operations, the Group has incorporated values of environmental stewardship into daily routine to raise the stakeholders' awareness on conservation and minimise the environmental impacts arising across the operations. For instance, the Group has enforced environmental control measures in construction sites to optimise resource consumption, treat effluent and reduce light, air and noise pollution.

Monitoring Energy Consumption and Greenhouse Gas Emissions

Energy consumption and the subsequent greenhouse gas ("GHG") emissions are the primary sources of the Group's carbon footprint. In pursuing a sustainable development, the Group has implemented a number of mitigation plans and initiatives related to enhancement of energy efficiency across the properties under management.



Charter on External Lighting – Platinum Award 2019

To reduce light pollution and energy consumption, the Group has signed up for the "Charter on External Lighting" launched by the Environment Bureau and received Platinum Award. In support of the initiative, the Pioneer Centre has set up a daily practice of turning off unnecessary external lights from 11:00 pm to 7:00 am.

Earth Hour 2019

In response to the call from WWF-Hong Kong, the Group has again supported the Earth Hour event. Several properties under Country House's management, such as the Pioneer Centre, MacPherson Place, Upper West, Mount East, La Maison Du Nord, Padek Palace, South Coast and Upper East switched off the non-essential electric lights for one hour on 30 March 2019 to conserve energy and promote sustainable living.



Peak Demand Management Programme 2019

Partnering with CLP Holdings Limited (CLP) to drive energy efficiency, the Pioneer Centre has again participated in the "Peak Demand Management Programme" for 2019 to achieve electricity saving during peak hours.

Energy Saving Charter 2019

Participating in the Environment Bureau's Energy Saving Charter 2019 has marked the Group's ongoing commitment towards energy reduction. Under this charter, the Pioneer Centre continued to drive energy reduction through optimising the use of electric devices and purchasing energy efficient appliances.



DEVELOPING SUSTAINABLE PROPERTIES

To enhance energy efficiency and achieve energy reduction, the Group has been progressively upgrading the buildings under management. The Group has integrated an automatic Building Management System (BMS) in Upper East to monitor and analyse the performance of various building systems, such as electricity-supply system, air-conditioning system, fire service system and pump system.



Energy Consumption in Hong Kong ^(Note 1)

	Unit	2019	2018
Total electricity consumption	kWh	14,293,271	13,473,024
	Gigajoules ("GJ") ^(Note 2)	51,456	48,503
Total fuel consumption ^(Note 3)	Diesel, Litres ("L")	68,353	88,740
	Diesel, GJ	2,705	3,512
	Petrol, L	12,378	12,143
	Petrol, GJ	423	415
Total energy consumption	GJ	54,584	52,430
Total energy intensity	GJ/Total floor area (m ²) ^(Note 4)	0.21	0.24

Note 1: The 2019 data consists of the headquarters in the Pioneer Centre, twelve other property management premises and four construction sites. The 2018 data consists of the headquarters in the Pioneer Centre, eleven other property management premises and three construction sites.

Note 2: 1 kWh = 0.0036 GJ.

Note 3: 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 4: 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	2019	2018
Total electricity consumption	kWh	762,094	725,028
	GJ	2,744	2,610
Total fuel consumption ^(Note 2)	Petrol, L	26,295	27,381
	Petrol, GJ	899	936
Total energy consumption	GJ	3,643	3,546
Total energy intensity	GJ/GFA (m ²) ^(Note 3)	0.63	0.62

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.

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

DEVELOPING SUSTAINABLE PROPERTIES



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 resulting from the business operations as described under the ESG reporting scope, which include (i) vehicular transportation and (ii) construction machinery usage; Scope 2 GHG emissions refer to energy indirect GHG emissions resulting from the generation of the electricity purchased by the business operations as described under the ESG reporting scope. The relevant Scope 2 energy indirect GHG emissions data in 2018 is modified based on the updated emission factors according to the applicable electricity provider.

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.

With an objective to promote environmental consciousness, the Group seeks to advocate responsible waste stewardship and consumption pattern. To achieve this objective, the Group endeavours to implement sustainable waste management from properties under management, office to construction sites.



The Group has installed recycling facilities for papers, plastic bottles, aluminium cans, glasses, toys, light bulbs, hangers and clothing items in many of its major properties. Besides, Country House has joined different recycling programmes organised by government bodies and NGOs such as Peach Blossom Trees Recycling Programme after the Chinese New Year.

To build up employees' habit of recycling, the Group has set up recycling facilities in the offices. The headquarters in Hong Kong has posted the Environmental Protection Department's poster to educate employees on the proper way to recycle papers.



DEVELOPING SUSTAINABLE PROPERTIES

Construction Business

Apart from domestic waste, the Group has been exploring opportunities to minimise its construction and demolition waste, as well as wastewater. Although waste is mostly generated by the contractors, the Group has developed stringent guidelines for contractors to recycle wherever practical and dispose waste in compliance with the local laws and regulations. To prevent water contamination, the Group also requires all construction sites to set up temporary drainage and wastewater treatment system.

**Waste Discharged for Hong Kong Construction Projects** (Notes 1 & 2)

	Unit	2019	2018
Construction and demolition waste disposed to landfill	Tonnes	3,492	2,767
Construction and demolition waste recycled	Tonnes	29,060	3,949
Total construction and demolition waste	Tonnes	32,552	6,716
Total construction and demolition waste intensity	Tonnes/Floor area (m ²) (Note 3)	0.88	0.13

Note 1: The 2019 construction and demolition waste figures included the waste generated by the subcontractors working in the four construction sites in Hong Kong, while the figures of 2018 represented waste generated from three construction sites. The increase in construction and demolition waste was mainly due to the commencement of a large scale construction project in Tseung Kwan O. In addition, starting from the Reporting Year, as the relevant data being available, the total construction and demolition waste included solid waste generated by our subcontractors during the foundation, excavation and lateral support processes at the Tseung Kwan O project.

Note 2: 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.

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

Optimising Water Consumption

As the majority of the Group's business is not water intensive, water consumption is not a material issue to the Group's operation. Nevertheless, the Group continues placing efforts in enhancing water efficiency. Acknowledging construction activities as the major portion of the Group's water usage, the Group requires contractors and subcontractors to recycle and reuse water on-site as far as practicable.

On the other hand, the Group strives to improve water efficiency and minimise wastage in the properties it manages. As one of the ongoing measures, the Group monitors and analyses water consumption to identify any abnormal usage. Country House performs routine maintenance on the plumbing and flushing systems of the premises to prevent water leakage and to ensure water quality.



Water Consumption in Hong Kong (Notes 1 & 2)

	Unit	2019	2018
Water consumed	m ³	92,437	105,235
Water intensity	m ³ /Total floor area (m ²) (Note 3)	0.35	0.49

Note 1: Water consumption data in the offices in Mainland China is not material to the Group. Moreover, water cost/consumption of the property development projects in Mainland China is paid/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: 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.

In the Reporting Year, the Group was not aware of any material non-compliance with the applicable and relevant environmental laws, regulations and requirements in its property development and management businesses in Hong Kong or Mainland China.

DEVELOPING SUSTAINABLE PROPERTIES

Raising Environmental Awareness

In the journey to drive sustainable development, the Group has established and maintained partnership with a number of organisations to drive towards sustainability. For example, the Group has become a corporate member of WWF-Hong Kong since 2007 to support their work in conservation and educational programmes.



Activities in Hong Kong



Visit to Hoi Ha Marine Life Centre

The Group believes environmental awareness of the employees serves as the foundation of the sustainable development of the business. To reinforce employees' awareness on environmental protection, the Group has partnered with WWF-Hong Kong to organise a visit to Hoi Ha Wan Marine Park during the Reporting Year. Employees and their family members had the opportunity to appreciate marine species through the glass-bottomed boat ride while enriching their knowledge on marine conservation.

Green Council Green Run 2019

Through taking part in and supporting Green Run 2019 by the Green Council, the Group looked to promote eco-friendly awareness and practices.



Hong Kong Construction Association Shoreline Cleanup Day

Collaborating with the Hong Kong Construction Association, the Group joined the cleanup event for a cleaner and greener shoreline environment.



DEVELOPING SUSTAINABLE OPERATIONS

Recognising the inseparable linkage between business success and community well-being, the Group realises that its long-term business development is also closely linked to the communities of which it operates in. Taking this into account, the Group looks to bring out shared sustainability value from its caring corporate culture to the surrounding community.

Operating with Heart

Seeing every staff member as the valuable growth factor that sprouts sustainability, the Group adopts a people-oriented approach to perpetuate a close-knit culture and help employees to reach their full potential.

Employment Practices

In accordance with applicable local employment laws, the Group's employment policy is developed under the principles of integrity, equality and fairness. To provide candidates and employees with equal opportunities at all time, the Group envisages maintaining a discrimination-free workplace. Regardless of gender, religion, race, family status, disability or age, the Group has zero tolerance on any form of discrimination or harassment during recruitment, promotion, internal transfer and resignation.

As a supporter of human rights, the Group stringently prohibits the recruitment of child, forced or other illegal form of labour by assigning responsible personnel to verify new employees' identification documents before official appointment. The Group did not discover any employment of child or forced labour in the Reporting Year.

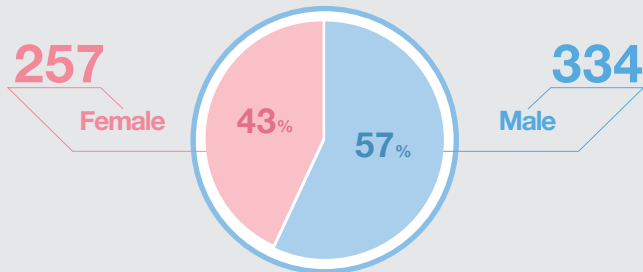
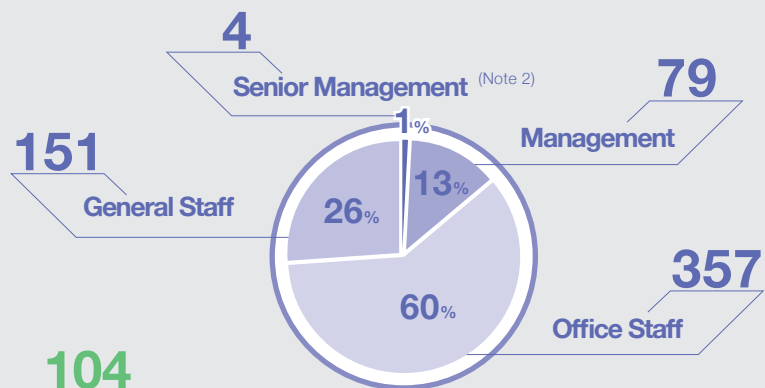
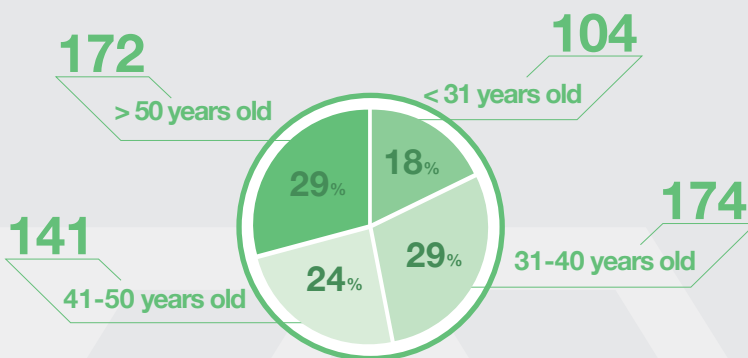
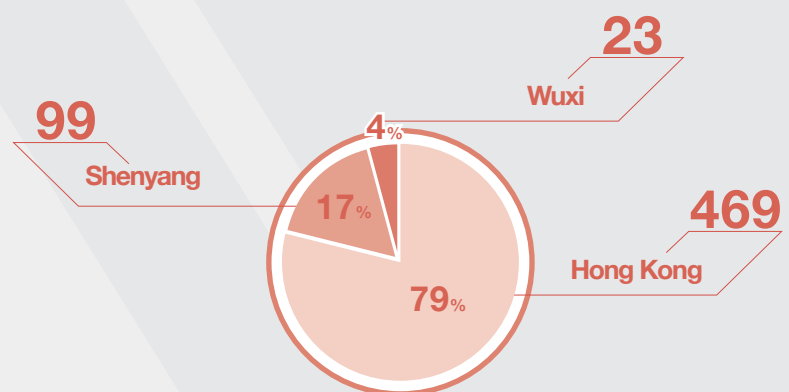
In compliance with the local employment laws and regulations, the Group has competitive compensation package and ensures employees' reasonable working hours. In the Reporting Year, the Group was not aware of any material non-compliance regarding employment or labour laws, regulations and standards in Hong Kong or Mainland China.

In endeavour to encourage employees' productivity and retain employees, the Group values the welfare of each and every employee. Driven by its people-oriented approach, the Group has been stipulating policies and measures to establish a work environment that balance work and family responsibilities. In this connection, the Group was awarded the Family-Friendly Employers Award as the testimony of its effort to create a close-knit team.



DEVELOPING SUSTAINABLE OPERATIONS

As at the end of the Reporting Year, the total number of full time employees under the ESG reporting scope in Hong Kong and Mainland China was 591. Below is an analysis of the Group's workforce by gender, employment category, age group and geographical location:

By Gender (Note 1)**By Employee Category****By Age Group****By Geographical Location**

Note 1: The disclosed number of employees in the Report only covers the business operations as described under the ESG reporting scope. Hence, the disclosed number of employees in the Report is different from that in the Company's Annual Report 2019.

Note 2: Senior management of the Group is the Executive Directors of the Company.

During the Reporting Year, the total turnover headcount was 185 employees. The turnover headcount has decreased by approximately 11% when compared to that of the previous year. In spite of the decreased turnover headcount, the Group persists to implement measures to retain its employees.

DEVELOPING SUSTAINABLE OPERATIONS

Anti-corruption

As a group that places high regard on business integrity, the Group strictly forbids any misconduct or violation on its corporate governance framework. The Group's Code of Conduct instructs employees to evade any unethical or unlawful behaviour, such as bribery, extortion, fraud and money laundering. The Code of Conduct also informs employees to declare any conflicts of interest or acceptance of advantages during the discharge of official duties to instill awareness among employees.

The Group has launched a whistleblowing channel for employees and other stakeholders to report any suspected business misconduct, malpractice or impropriety. The Group shall handle and investigate any reported incident impartially and inform the appropriate local authorities as necessary. In the Reporting Year, there was no non-compliance with relevant local laws and regulations and no material violation or misconduct related to anti-corruption noted by the Group.

**Data Protection**

Safeguarding stakeholders' confidential data has been the Group's focus to demonstrate business integrity and responsibility. Thus, the Group is devoted to handling stakeholders' private information with great care. As stated in the Code of Conduct, employees are required to collect merely necessary personal data while ensuring that only authorised personnel would have access to the data. To prevent leakage of any confidential data, employees are required to thoroughly screen all documents to be sent out and shredded all used confidential documents.



CASE STUDY



In a bid to strengthen employees' awareness on data protection, the Group has arranged Security Awareness Campaigns in the Reporting Year. The campaigns introduced cyber security training sessions and competition to award employees who have successfully completed the challenge.

By way of the stringent measures on data protection, the Group hopes to sustain mutual relationships with stakeholders in the long-term. In the Reporting Year, there was no material non-compliance with relevant local laws and regulations or material misconduct related to data protection noticed by the Group.

Corporate Culture

To cultivate a corporate culture that amplifies social well-being and connectedness, the Group has put a strong focus on reinforcing internal communication and team building. Through the "PolyConnect" portal, the Group frequently shares its news and promotes staff activities. In addition, the Group posts its policies, corporate communications and industry news.

During the Reporting Year, the Group organised a number of activities for employees to enhance communication and collaboration.

Annual Dinner in Hong Kong



Christmas Lucky Draw in Hong Kong

DEVELOPING SUSTAINABLE OPERATIONS

Konica Minolta Green
Concert 2019 in Hong Kong



Annual Dinner in Shenyang

Team Building Activities in Wuxi



Lake Tai Walkathon in Wuxi



Beverly Round Lihu Lake International
Half Marathon in Wuxi

DEVELOPING SUSTAINABLE OPERATIONS

Training and Development

In the belief that investing in human resources is the key to unlock long-term business continuity and success, the Group has specialised programmes and arrangement to support employees' training and development. To encourage employees to acquire and strengthen skills and knowledge, in return of personal and career development, the Group allows subsidies and paid leaves for employees to attend training courses and examination relevant to their positions and duties.

Other than supporting external learning opportunities, the Group is eager to organise internal training courses for employees. During the Reporting Year, employees have attended the following training courses:

**Information Technology**

- Cyber Security Awareness

**Property Management**

- Emergency Response Plan
- Fire Safety Training
- Building Management System (BMS)
- Automated External Defibrillation (AED) Certificate

**Construction**

- Green Card Training
- Quality Assurance Briefing
- On-Site Safety Training
- Site Safety Inspection

**Property Development of Mainland China**

- Enterprise Internal Control and Risk Management
- Training on Tax Policies

In recognition of the ongoing effort to improve the training programmes for talent development, the Group has received the Manpower Developer Award from the Employees Retraining Board (ERB). In support of employees' ongoing study, the Group aims to nurture them a lifelong learning mindset.



Throughout the Reporting Year, the employees have received an average of

2.14 hours

of training in over sixty diverse training courses.

Health and Well-being

As a group that cares deeply about its employees, the Group attaches high importance on their safety, well-being and health. Thus, the Group looks to comply with applicable laws and regulations in this regard. Based on the diversified nature of the Group's business operations, distinguished sets of safety policies, procedures and measures have been implemented to safeguard stakeholders.



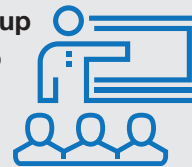
Construction Business

In consideration of workers' exposure to potential hazards in the construction sites, the Group is committed to ensuring the proper implementation of safety measures and safety awareness on-site. In compliance with the local government regulatory requirements, the Group has stipulated an Occupational Health and Safety Policy with specific operation procedures for on-site workers to follow. The Occupational Health and Safety Policy is updated periodically with reference to up-to-date industry trends and conveyed to on-site workers on a timely basis. As a way to facilitate instant circulation of messages regarding safety issues among on-site workers, the Group has also set up a Site Safety WhatsApp Group.

To promote safety awareness, the Group has a strict policy of requiring each and every new employee and subcontractor to undergo ample training on a wide range of safety-related matters, including occupational laws and regulations, the Occupational Health and Safety Policy and case studies of reoccurring on-site accidents.

**In the Reporting Year, the Group
has provided safety training to**

**58 employees and
3,777 subcontractors.**



The Group has conducted a safety audit in the Reporting Year to assess the safety level in its construction sites. As a result of the rigorous safety training provided and safety measures enforced, the Group has achieved satisfactory results in the audit, demonstrating that a safety management system is in place in the construction sites.

Site Safety Committee

The primary duty of the Site Safety Committee is to monitor the health and safety performance and issues in all construction sites. In addition to monitoring the on-site condition and assessing the Accident Investigation Reports, the Site Safety Committee also takes the responsibility of developing Accident Improvement Plans to mitigate the incidence of safety hazards.

During the Reporting Year, there was no convicted case related to safety issues in the construction sites and the Group was not aware of any material non-compliance with the relevant laws and regulations concerning occupational health and safety. However, the Group has noted a conviction case in relation to hygiene issue at one of its construction sites. In response to the incident, the Group has taken immediate measure to rectify works to minimise the risks of reoccurrence.

DEVELOPING SUSTAINABLE OPERATIONS

**Property Development Business**

As for the Group's property development business in Mainland China, construction activities are outsourced to contractors. Regardless, the Group's safety approach extends to outsourced contractors. As such, the Group has required all contractors to regularly take part in safety training and to perform construction works in compliance with the respective laws and regulations relating to construction health and safety.

Property Management Business

With several properties under Country House's direct management, the Group is dedicated to maintaining building condition and protecting occupants' health and security through carrying out regular patrol, maintenance and environmental monitoring in the premises. In this connection, the Group has provided trainings with regard to security, facility maintenance and environment to the property management teams.

**Office Operations**

To safeguard office-based staff, the Group takes initiatives to preserve a pleasant workplace. The Group has set out cleaning procedure to guarantee workplace cleanliness and hygiene. The air-conditioners and carpets are cleaned and disinfected regularly under this procedure. In addition, the Group has arranged regular health check-up for employees in Mainland China.

As a result of the cautious measures to promote workplace health and safety, the Group was not aware of any work-related fatality in the Reporting Year.

Operating with Care

Community care has always been one of the Group's core values ever since inception. Therefore, the Group never ceases to show support for the society through active participation in community and charity events.

KDC and Country House were honoured to have received the "Caring Company" Logo for the eleventh and tenth consecutive year respectively. In addition, KDE has received the "Caring Company" Logo for the first time, showcasing the Group's long-term commitment to extend care to the community.



Bringing the value of community care to fruition, the Group has continued to give a helping hand to the disadvantaged and those who inhabit in where the Group operates.

Activities in Hong Kong



Charity Cookies

To nurture contribution of employees, the Group promoted the charity cookies made by Madam Hong's Bakery (established by Ngai Shing Workshop of Fu Hong Society) for employees to purchase. All proceeds were contributed to support social welfare groups.

Christmas Charity Cookies

The Group participated in the volunteering activity organised by the Urban Peacemaker Evangelistic Fellowship to bake and give out Christmas cookies to underprivileged children, sending them care and love during the festival.



DEVELOPING SUSTAINABLE OPERATIONS



Extending employees' awareness on community care, the Group has taken part in various charity events launched by The Community Chest in the Reporting Year, including Dress Casual Day, Skip Lunch Day and Love Teeth Day. To encourage employees' donations in support of the underprivileged, the Group has donated the same amount of funds raised by employees during the Dress Casual Day campaign.

The Community Chest Charity Events



15th Fu Hong Society Movement Electric Cooking Competition

In support of persons with disabilities and foster social inclusion, the Group has again joined the Fu Hong Society Movement Electric Cooking Competition to partner side-by-side with those require special needs.

Training Workshop for Understanding Dementia

Taking part in the workshop convened by the Construction Industry Council, the Group was able to enhance understanding on the dementia disease and promote awareness on this aspect.



On top of community investment activities, the Group (excluding PAH) has donated

HK\$ 111,110 and **RMB 30,000**
in Hong Kong in Wuxi
in the Reporting Year.

The charitable donation was dedicated to green groups and non-profit organisations in support of their programmes which promote conservation and assist those in need.

LOOKING FORWARD

As the Group expands property portfolio across the Greater China, it looks to sprout seeds of sustainability throughout its value chain. Looking ahead, the Group will continue to develop sustainable properties and operations along the way of its sustainable development.



PERFORMANCE TABLE

Indicator ^(Note 1)	Unit	2019	2018
Energy Consumption in Hong Kong ^(Note 2)			
Total electricity consumption	kWh	14,293,271	13,473,024
	GJ ^(Note 3)	51,456	48,503
Total fuel consumption ^(Note 4)	Diesel, L	68,353	88,740
	Diesel, GJ	2,705	3,512
	Petrol, L	12,378	12,143
	Petrol, GJ	423	415
Total energy consumption	GJ	54,584	52,430
Total energy intensity	GJ/Total floor area (m ²) ^(Note 5)	0.21	0.24
Energy Consumption in Mainland China ^(Note 6)			
Total electricity consumption	kWh	762,094	725,028
	GJ	2,744	2,610
Total fuel consumption ^(Note 7)	Petrol, L	26,295	27,381
	Petrol, GJ	899	936
Total energy consumption	GJ	3,643	3,546
Total energy intensity	GJ/GFA (m ²) ^(Note 8)	0.63	0.62
GHG Emissions within the Group ^(Note 9)			
Direct GHG emissions (Scope 1) ^(Note 10)	tCO ₂ e	284	339
Energy indirect GHG emissions (Scope 2) ^(Note 10)	tCO ₂ e	8,258	7,868
Total GHG emissions	tCO ₂ e	8,542	8,207
Total GHG emissions intensity	tCO ₂ e/Total floor area (m ²) ^(Note 11)	0.032	0.037
Waste Discharged for Hong Kong Construction Projects ^(Notes 12 & 13)			
Construction and demolition waste disposed to landfill	Tonnes	3,492	2,767
Construction and demolition waste recycled	Tonnes	29,060	3,949
Total construction and demolition waste	Tonnes	32,552	6,716
Total construction and demolition waste intensity	Tonnes/Floor Area (m ²) ^(Note 14)	0.88	0.13
Water Consumption in Hong Kong ^(Notes 15 & 16)			
Water consumed	m ³	92,437	105,235
Water intensity	m ³ /Total floor area (m ²) ^(Note 17)	0.35	0.49

PERFORMANCE TABLE

- Note 1: Packaging material is not material to the Group's operations. Thus, the relevant figures are not disclosed.
- Note 2: The 2019 data consists of the headquarters in the Pioneer Centre, twelve other property management premises and four construction sites. The 2018 data consists of the headquarters in the Pioneer Centre, eleven other property management premises and three construction sites.
- 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 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.
- Note 8: The denominator 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 resulting from the business operations as described under the ESG reporting scope, which include (i) vehicular transportation and (ii) construction machinery usage; Scope 2 GHG emissions refer to energy indirect GHG emissions resulting from the generation of the electricity purchased by the business operations as described under the ESG reporting scope. The relevant Scope 2 energy indirect GHG emissions data in 2018 is modified based on the updated emission factors according to the applicable electricity provider.
- 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 2019 construction and demolition waste figures included the waste generated by the subcontractors working in the four construction sites in Hong Kong, while the figures of 2018 represented waste generated from three construction sites. The increase in construction and demolition waste was mainly due to the commencement of a large scale construction project in Tseung Kwan O. In addition, starting from the Reporting Year, as the relevant data being available, the total construction and demolition waste included solid waste generated by our subcontractors during the foundation, excavation and lateral support processes at the Tseung Kwan O project.
- Note 13: 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.
- 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. Moreover, water cost/consumption of the property development projects in Mainland China is paid/monitored by the main contractors. Therefore, the relevant figures are not disclosed.
- Note 16: The Group sourced its water from the WSD and has no issue in sourcing water.
- Note 17: 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.