

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT 2016



九龍建業有限公司
KOWLOON DEVELOPMENT COMPANY LIMITED

Stock Code 股份代號: 34

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1. INTRODUCTION

CORPORATE PROFILE

Kowloon Development Company Limited (the “Company”) (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 pursuing a three-tier development strategy in the Greater China region, with its core property business in the Hong Kong and Mainland China markets, and carrying out its Macau property business through its 73.4%-owned listed subsidiary, Polytec Asset Holdings Limited (“Polytec Asset”) (Stock Code: 208).

Over the past ten years, the Group has built a sizeable and quality development landbank across these three markets, at a relatively competitive cost, with the gross floor area attributable to the Group amounting to approximately 5 million square metres as of 31 December 2016. The Board believes that by realising the inherent value of the landbank will enable a great and lasting enterprise to be built.



ABOUT THIS REPORT

The Company's Environmental, Social and Governance ("ESG") Report 2016 is prepared in compliance with the ESG reporting guide (the "ESG Reporting Guide") as set out in Appendix 27 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules").

The purpose of this report is not only to provide stakeholders with our management approach and performance, but also to comprehensively introduce our ongoing sustainable development activities directed towards the community and environment in which we operate. The Company considers sustainability essential to its long-term development.

REPORTING PERIOD AND SCOPE

The scope of this report includes data of activities from the Company and its subsidiaries in Hong Kong and Wuxi of Mainland China, comprising the headquarter's operation as well as the Group's businesses, mainly in development, construction, leasing and management of property. The ESG performance of Polytec Asset is reported in a separate ESG report.

This report is based on the Company's financial year from 1 January to 31 December 2016, supplementing the Company's Annual Report 2016 in respect of our ESG responsibility. For governance section, please refer to pages 33 to 47 of the Annual Report 2016. Subsequently, our ESG report will be issued on an annual basis.

Feedback

Your feedback is valuable for our continuous improvement. Please direct your feedback and comments to "enquiry@kdc.com.hk".

2. LETTER TO STAKEHOLDERS

Dear Stakeholders,

I am pleased to present the Company's ESG Report 2016.

As the Listing Rules regarding ESG disclosure have become effective in 2016, all Hong Kong listed companies are now required to "comply or explain" the provisions set out in the ESG Reporting Guide, implying higher stakeholders' requirements for sustainability disclosures. As a responsible property developer who continuously concerns about corporate social responsibilities, we are ready to take advantage of this opportunity to illustrate our dedications and efforts in addressing sustainability issues to our stakeholders in this report.

While we are striving to build up our business portfolio with a strong brand, we make every effort to increase the positive impacts of our operations on the society, including participation in various community activities. The Company, honoured with the accolade of the "5 Years Plus Caring Company" Logo, has been devoting itself to the community over the years.

The Group recognises the importance of good environmental stewardship and is committed to protecting the environment. Through implementing a wide range of measures, we strive to continually improve our environmental performance in line with local regulations and laws. At our construction sites, we communicate closely with our contractors and have implemented policies and measures to reduce our impact on the environment.

In addition, the Group takes workplace safety very seriously for its construction activities. During the reporting year, we endeavoured to comply with related laws and regulations in respect of occupational health and safety with no material non-compliance case being reported. Suppliers and contractors are selected based on our safety standards and requirements. Safety award scheme and safety training programmes are in place in Hong Kong to ensure a safe working environment.

To establish ourselves as a quality brand, the Group has implemented a variety of measures to keep control of the quality of our projects and services. We pay utmost attention to the feedback from our customers and promptly address any customer needs with the purpose to gain progressive improvement.

Our employees are the most valuable asset and their diligent efforts and continuous supports are crucial to the Group's success. We highly emphasise employees' personal growth and professional development so that they can realise their potentials and excel themselves at work. We provide various internal and external programmes as well as sponsorships in order to enhance their job competencies.

2. LETTER TO STAKEHOLDERS

As the Group continues to grow, we remain committed to fulfilling our responsibilities to stakeholders. The compilation of this report, which covers information on the Company and its subsidiaries in Hong Kong and Wuxi of Mainland China, has been a great opportunity for the Group to discuss and reflect where we stand in terms of sustainability. In the coming years, we will further enhance sustainable performance whilst we are continuing to deliver high quality projects and services to our customers. As we have started our journey in ESG reporting, we look forward to your invaluable feedback and unfailing support.



Lai Ka Fai

Executive Director

Hong Kong, 24 July 2017



3. ENVIRONMENTAL

The Group firmly believes that everyone is responsible for protecting our environment and we strive to become a responsible corporate citizen. This entails a strong commitment to conserving energy and water resources and reducing carbon emissions and waste.

HONG KONG

The Group has not received any report on material non-compliance with relevant environmental laws and regulations in Hong Kong nor significant fine or non-monetary sanction in 2016.

The Group's environmental policy involves conserving energy resources and reducing production of solid waste as much as possible in our daily operations. In this section, we mainly focus on reporting on the Group's resources consumption, carbon emissions and waste management for its major operations in Hong Kong which include property development, property management and construction businesses.

Resources Consumption

For the reporting year, electricity constituted the bulk of our energy consumption amounting to 12,575,925 kWh. Our property management operations at the Pioneer Centre, the Group's wholly-owned flagship and core investment property in Hong Kong with a total gross floor area of approximately 45,891 square metres, contributed the most to our electricity consumption. For our construction business in Hong Kong, energy consumption varies based on site activities as projects are at different construction stage throughout the year. In 2016, a new large scale construction project which has been moved from the foundation stage to the superstructure stage, was undertaken by the Group. Due to the intensive construction stage we reached, this resulted in a sharp increase in diesel usage on construction sites as compared to 2015.

	Unit	2016	2015	% Change
Electricity Consumption	kWh	12,575,925	12,249,434	2.7%
Petrol Usage	Litres	10,220	9,567	6.8%
Diesel Usage	Litres	19,368	10,681	81.3%
Water Consumption	m ³	65,952	64,878	1.7%

Carbon Emissions

Carbon emissions were mainly derived from fuel and electricity consumption. In 2016, the Group's total greenhouse gas ("GHG") emissions were 7,237 tonnes CO₂ equivalent in Hong Kong. The increase in direct emissions of 45.5% during the reporting year was mainly in line with the increase in petrol and diesel usage. As a socially responsible corporation, we share the growing concern towards global warming issues and have thus been finding our ways to contribute to emission reduction. To encourage the use of clean energy and environmental friendly cars, we have installed two sets of 63A 3 phase EV medium charger for electric cars at the Pioneer Centre.

GHG Emissions ¹	Unit	2016	2015	% Change
Direct Emissions (Scope 1)	tCO ₂ e	80	55	45.5%
Indirect Emissions (Scope 2)	tCO ₂ e	7,157	6,911	3.6%
Total Emissions	tCO ₂ e	7,237	6,966	3.9%

The offices of our Group have also been equipped with video conferencing systems as well as interactive presentation features so as to reduce GHG emissions produced by business travel.

Energy Conservation

At the Pioneer Centre, we have taken effective measures whereby efforts are constantly made to monitor the impact of our business on the environment and consequently reduce our environmental footprint.

In 2015, the Group initiated the installation of T5 energy saving light tubes and LED light tubes to conserve energy. In 2016, we made further progress by replacing over 1,500 T8 and fluorescent light tubes with more energy efficient LED light tubes at the Pioneer Centre. Moreover, electromagnetic ballasts were substituted with electronic ballasts which are 20% to 30% more energy efficient. The following table summarises the initiatives of the Group in reducing the consumption of electricity and water at the Pioneer Centre:

Resources Conservation Initiatives	
Electricity Conservation	<ul style="list-style-type: none"> Replacement of fluorescent tubes with more energy efficient LED light tubes. Replacement of electromagnetic ballasts with electronic ballasts to save electricity.
Water Conservation	<ul style="list-style-type: none"> Installation of flow controllers in water taps and water saving devices such as water efficient taps. Organisation of environmental awareness activities for tenants themed "Water is not for Games".

Environmental Protection

To demonstrate the Group's commitment to protecting the environment, we joined Ricoh Hong Kong Limited's "Ricoh Green Partners Program 2016". As the Group produced a specified number of prints with the digital copiers or laser printers, Ricoh Hong Kong Limited donated funds to support tree planting activities on behalf of the Group. Working hand in hand with our business partners, this initiative enabled the Group to reduce the impact of carbon emissions resulting from its daily business activities.



¹ According to the International GHG Protocol, Scope 1 emissions refer to the direct emissions of GHG from sources owned or controlled by the Group. This includes (i) transportation of materials, products, waste and employees – these emissions result from the combustion of fuels in mobile combustion sources; (ii) fugitive emissions which result from intentional or unintentional releases, such as hydrofluorocarbon emissions from refrigeration and air conditioning equipment; and (iii) generation of electricity, heating, cooling and steam, which result from combustion of fuels in stationary sources. Scope 2 emissions refer to the indirect GHG emissions resulting from the generation of the electricity and gas which the Group purchased or acquired from other organisations for its own consumption. Both scopes exclude any GHG trades, such as purchases, sales, or transfers of offsets or allowances.

3. ENVIRONMENTAL

Waste Management

Waste management and recycling are strongly encouraged in our business operations. As we continue to develop quality residential housing for our customers, we acknowledge the possible environmental impact that may arise from our construction works. For our construction business in Hong Kong, we have endeavoured to reduce the waste produced during our construction process and properly handle the waste as according to the relevant laws and regulations. In respect of the chemical waste materials, such as spent lubricating oil, spent alkaline electrolyte, spent mineral oil and surplus paint, we have obtained the relevant licence for disposal and appointed specialist contractor with appropriate qualification to handle the chemical waste. As for our property management business in Hong Kong, we have provided recycling bins for papers, aluminium cans and plastic bottles for several properties managed by the Group, such as Cadogan, Upper West and South Coast.

WUXI OF MAINLAND CHINA

For our business in Wuxi of Mainland China, the Group complied with the relevant environmental standards and regulations of the People's Republic of China, including but not limited to Integrated Emission Standard of Air Pollutants, Discharge Standard of Pollutants for Municipal Wastewater Treatment Plant and Noise Limits for Construction Site in 2016.

Resources Consumption

Electricity consumption increased by 42.2% in 2016, the actual increase was only 7,688 kWh in terms of power consumption which was mainly due to the overtime working hours incurred for strengthening communication with our residents, team-building activities and addition of information technology and office equipment. Although the electricity consumption of Wuxi office accounted for a slight proportion of the Group's total consumption, we have also taken a number of energy conservation measures to control future electricity consumption. On the other hand, our petrol usage decreased by 11.5% to 12,028 litres during the reporting year mainly due to increase in green travels and the strengthened control over the usage of vehicles.

	Unit	2016	2015	% Change
Electricity Consumption	kWh	25,919	18,231	42.2%
Petrol Usage	Litres	12,028	13,592	-11.5%

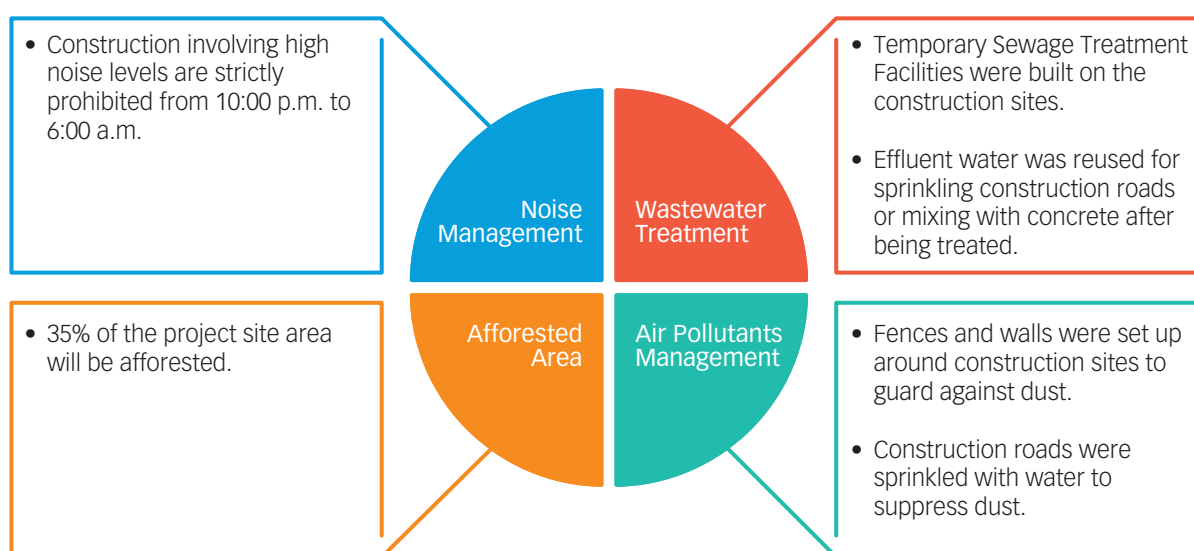
Carbon Emissions

Carbon emissions were mainly derived from petrol and electricity consumption. In 2016, total carbon emissions were 53 tonnes CO₂ equivalent in Wuxi of Mainland China. Decrease in direct emissions of 11.1% and increase of indirect emissions of 50.0% during the reporting year were mainly in proportion to the changes in petrol usage and electricity consumption respectively.

GHG Emissions ²	Unit	2016	2015	% Change
Direct Emissions (Scope 1)	tCO ₂ e	32	36	-11.1%
Indirect Emissions (Scope 2)	tCO ₂ e	21	14	50.0%
Total Emissions	tCO ₂ e	53	50	6.0%

Environmental Impacts Mitigation Measures

Acknowledging the environmental impacts of our property development projects, in particular with regards to soil erosion and noise pollution, a wide range of measures have been taken to tackle and manage such impacts. Some of our environmental impacts mitigation measures are listed below:



² According to the International GHG Protocol, Scope 1 emissions refer to the direct emissions of GHG from sources owned or controlled by the Group. This includes (i) transportation of materials, products, waste and employees – these emissions result from the combustion of fuels in mobile combustion sources; (ii) fugitive emissions which result from intentional or unintentional releases, such as hydrofluorocarbon emissions from refrigeration and air conditioning equipment; and (iii) generation of electricity, heating, cooling and steam, which result from combustion of fuels in stationary sources. Scope 2 emissions refer to the indirect GHG emissions resulting from the generation of the electricity and gas which the Group purchased or acquired from other organisations for its own consumption. Both scopes exclude any GHG trades, such as purchases, sales, or transfers of offsets or allowances.

4. SOCIAL

4.1 PEOPLE

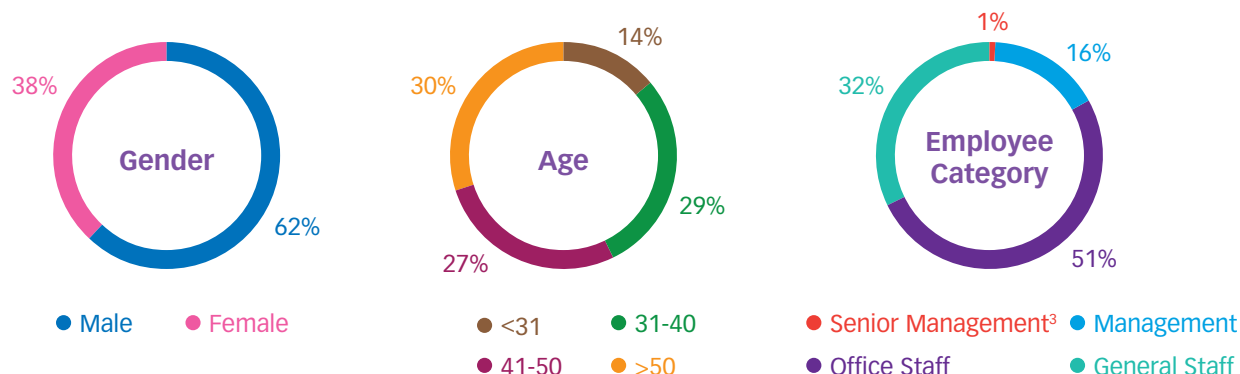
Developing and growing human capital is integral to the Group's business strategy. We have a human resources strategy in which our employees are provided with appropriate opportunities to perform well in their jobs and explore their potential for further career development.

HONG KONG

To the best of our knowledge, there is no material non-compliance or breach of labour laws and respective regulations for the reporting year. The Group is an equal opportunity employer and does not discriminate against any person for reasons of race, religion, gender, disability, family status or age. Any individual with the relevant qualifications, experience and know-how for a specific job position is welcome to become a part of our team.

The Group offers competitive remuneration which is reviewed annually to reflect each employee's performance and contribution as well as market conditions. Permanent employees of the Company are also provided with other fringe benefits including but not limited to medical insurance, life and accidental death and dismemberment insurance as well as shopping privilege offered by the Group member. In addition, the Group established a recreation club and held an annual dinner and a Christmas party for employees during the year to promote team spirit and loyalty and encourage communication between departments.

As at 31 December 2016, the total number of full time employees in Hong Kong, excluding employees of Polytec Asset, was 378. In the charts below, we have broken down the employee profile of the Group in Hong Kong by the following categories:



In 2016, due to the expansion of the Group's business and usual replacement of employees, total turnover headcount was 116 employees, among which 59% was from property management business, while 154 employees were newly employed, reflecting net addition in number of employees.

³ Senior Management refers to the Executive Directors of the Company.

Health and Safety

Our employees are our greatest asset. Thus, one of our priorities is to ensure, as far as is reasonably practicable, the health and safety at work of our employees and contractors, whether in the office or on construction sites. There was no work-related fatality among the Group's employees during the reporting year.

For every new project, our safety policy includes assessing the potential risks involved in construction activities and designing measures to reduce these risks to a minimum. For the reporting year, we were not aware of any material non-compliance with any statutory safety requirement on our construction sites.

As for our construction business in Hong Kong, a Site Safety Committee, which consists of the construction managers, safety officers and safety representatives of our major subcontractors, has been set up to regularly discuss, monitor and review safety-related issues on site. On our construction sites, we believe that devising health and safety measures at the earliest possible stage of a new project is crucial in reducing the risk of accidents and injuries.

A range of measures are also taken to promote a safe work culture. We have a monthly safety award scheme where a site worker who sets a good example of working safely is eligible for a monthly award. Other examples include displaying accident statistics such as prevailing accidents and frequency rates prominently at site entrances, and displaying a safety bulletin featuring safety news, notices, meeting minutes and emergency preparedness at a conspicuous place nearby the entrances. In case of an accident, the following steps are taken:

INVESTIGATION ▶	FOLLOW-UP ACTIONS ▶	ANALYSIS
An Accident Investigation Report containing the details of the accident and recommendations of safety precautions is written and distributed to our site management within 7 days of the accident occurred.	An Accident Improvement Plan specifies the details, name of the responsible person and target completion date for recommended actions. Recommendations are to be made within a specific period and improvement progress should be reported regularly.	An analysis of the corresponding accident is conducted by the safety officer and then reported to the Site Safety Committee. The committee then reviews, discusses and establishes relevant safety measures or training based on the analysis.

Safety trainings are provided to all our staff, workers and subcontractors to inform them of safety-related issues and high-risk work procedures. All newcomers are required to attend safety induction training when they first enter the site, where the safety officer explains relevant safety policies, special characteristics of the work and inherent hazards on the site, emergency procedures, etc. Regular "Toolbox Talk Training" and specific training for high-risk work procedures are held to further safeguard our employees' health and safety. With respect to our construction business in Hong Kong, an one-hour safety training was provided to 840 subcontractor workers and 25 Group's employees in 2016. The percentage of participation in this training was 100% for both our subcontractor workers and employees.

4. SOCIAL

In addition to our construction sites, we pay equal attention to the occupational health and safety of our employees in the office. In 2016, 3 training sessions were arranged by our subsidiary, Country House Property Management Limited ("Country House"), to disseminate knowledge of occupational health and safety and to teach different stretching exercises for relaxing muscles so as to raise our staff's concerns on their own health and minimise the risk of injuries at work.

In order to ensure hygienic working conditions, cleaning of air-conditioning systems and disinfection treatment of carpets in the office were also carried out at regular intervals during the year.



Training session for understanding occupational health and safety and learning stretching exercises

Training and Development

The Group encourages the training and career development of every employee. It not only contributes to the individual growth of our employees, but also to the future success of the Group. Apart from recruiting externally, we would also provide opportunities to staff with relevant qualification and competency by ways of promotion or internal transfer.

STAFF DEVELOPMENT FOR THE GROUP

For our new employees to quickly familiarise themselves with our Group's goals and culture, all new full time permanent employees are required to attend an orientation and induction programme where information about the Group's vision, values, business portfolio and organisational structure are provided in both Hong Kong and Wuxi of Mainland China.

Employees are encouraged to discuss their training requirements with their line manager and upgrade their professional competencies and skills by participating in programmes or seminars sponsored by the Group. To broaden the experience and advance the career path of employees, opportunities for job rotations or transfers within the Group are provided from time to time.

During the reporting year, the percentage of trained employees was 44%, while employees received 3.8 hours of training on average.

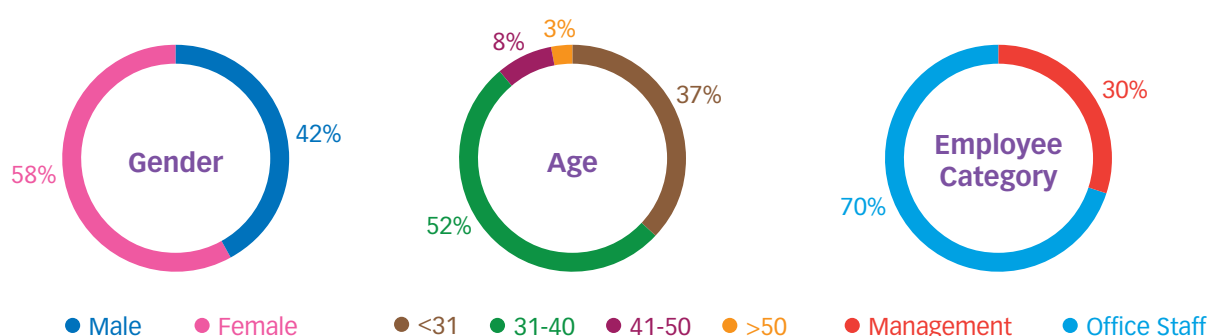
For our property management business, training is regularly conducted for our employees to ensure that customer service is more than satisfactory and that our residents and tenants are provided with safe and comfortable living and working environments. In 2016, Country House held a large variety of training workshops, sharing some customer service cases and teaching our employees how to react in case of emergencies such as burglaries and dropping objects from height, handle chemical products such as detergents and safeguard customer's personal data.

WUXI OF MAINLAND CHINA

At our business operations in Wuxi of Mainland China, we complied with the Labour Law of the People's Republic of China and the Labour Contract Law of the People's Republic of China in 2016. Child workers under the age of 16 are strictly prohibited in our recruitment.

To ensure that no child labour is involved in our operations, our subsidiary in Wuxi of Mainland China requires all new employees to present their identification documents when they first report to our office. In case of providing fake identification documents, respective employees would be immediately dismissed.

As at 31 December 2016, the total number of full time employees in Wuxi of Mainland China was 40. For the reporting year, total turnover headcount was 5 employees, while 9 employees were newly employed. In the charts below, we have broken down the employee profile of Wuxi of Mainland China by the following categories:



Training and Development

For our subsidiary in Wuxi of Mainland China, we have various development opportunities provided to our staff, including different forms of internal and external employee trainings, performance appraisals, worksite visits, job rotations and transfers either for a few weeks or up to half a year, etc. For the reporting year, the percentage of trained employees was 95%, while employees received 3 hours of training on average.



Training and team-building sessions held for our subsidiary in Wuxi of Mainland China

In order to respect and protect intellectual property rights, we have set up a policy to restrict all training course materials and related data being used should be solely for internal purpose. Employees are prohibited from copying, forging or forwarding course content without written permission.

4. SOCIAL

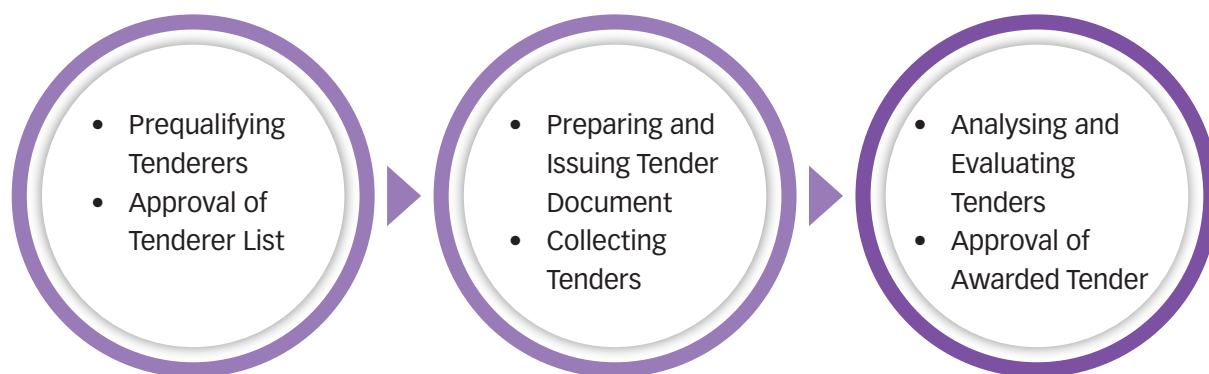
4.2 OPERATING PRACTICES

HONG KONG

Supplier and Contractor

Our suppliers and contractors play a major role in supporting our business operations. Treating our business partners with utmost fairness and honesty, we are committed to upholding the highest standards of integrity in our business dealings. To the best of our knowledge, no incident of material non-compliance with relevant laws, regulations and contractual obligations was noted by the Group for the reporting year.

For our construction business in Hong Kong, we adhere to certain important principles in our procurement and tendering activities while we endeavour to develop and secure long-term mutually beneficial relationships with our suppliers and contractors. The Group emphasises fair and open competition and is impartial in selecting suppliers and contractors. Our hire of services or purchases of goods is based mainly on the price, quality and need.



To prevent situations where potential collusion may happen during the tendering process, we include a “Notice to Tenderer” in our tender documents, explicitly warn the potential tenderers not to offer or give any consideration of any kind to any employee or representative of the Group as an inducement or reward for obtaining the tender contract. Such violation would result in immediate withdrawal of their tendering eligibility or termination of tender contract. In addition, we require our employees to decline an offer of advantage if acceptance could affect their objectivity in conducting the Group’s business or induce them to act against the interest of the Group, or acceptance will likely lead to perception or allegation of impropriety.

In order to ensure that we deliver reliable and high quality goods and services to our customers, we pay a lot of attention to the capability and reliability of our potential business partners. Therefore, a systematic tender procurement procedure has been well-established for our construction business in Hong Kong. During the tendering process, we require our tenderers to submit evidence that the tool, plant, equipment and materials supplied are complied with relevant statutory requirements, and ensure that all their workers have received proper training appropriate to the type and level of work undertaken. On the other hand, workers’ safety is something we highly value and thus in our selection process, we strive to ensure that the awarded tenderer is aligned with our values of work safety.

Quality Assurance

One of the Group's missions is to build a reputation of being a top-quality property developer and manager. To safeguard the rights of our property purchasers, we have complied with the requirements of the Residential Properties (First-hand Sales) Ordinance, in which our marketing materials, such as sales brochures and price lists, contain clear and thorough information of our properties.

In addition, we provide all property purchasers with a defect liability warranty, in which we undertake, at our own cost and as soon as reasonably practicable after receipt of a written notice served by the purchaser and within 6 months of the date of the completion of sale and purchase of the property, to remedy any defects to the property, or the fittings, finishes or appliances specified in the formal agreement, caused otherwise than by the act or neglect of the purchaser.

To further enhance customers' satisfaction, we have established a handover team in which we, from the customers' point of view, would check up whether the handover standard could meet what have been stated in the formal agreement for sale and purchase. Specifically, to ensure the handover quality of the premises, our handover team will take inspection first and record all defect items. Defect report will be submitted to project team for further rectification. At the time of premises handover, handover team will carry out site visit with the owners to identify defects, if any, and forward the defect record to project team to follow up. Once the defect is rectified, handover team will accompany the owners to perform acceptance check. Besides, we would conduct customer satisfaction survey with the purpose to further improve our service and quality.

As for our property management business in Hong Kong, in order to ensure a safe and comfortable environment is provided to our residents and tenants, we have developed policies and guidelines for our staff on important matters with regards to safety, building equipment function, and maintenance issues.

All of our building attendants conduct regular patrol on the property and its surrounding areas. During their patrols, they observe whether there is any property damage to be repaired, suspicious objects or people in the property, etc. Our building attendants are required to regularly report to their seniors or control centre to make sure the areas which they are responsible for are secure.

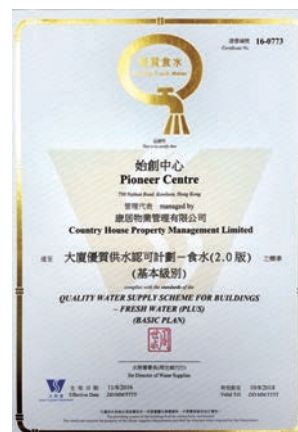


4. SOCIAL

A variety of prevention measures are carried out to lower the risk of the fire hazards. On their regular patrols, building attendants are required to check the conditions of the fire safety equipment and that all safety exits and emergency escape routes of the building are clear of obstruction. To prevent the occurrence of crimes such as robbery, all visitors are required to directly contact the residents that they are visiting through the building intercom before they can enter into the secured residential area. Furthermore, to make sure the follow-up and investigation procedures can be smoothly carried out in case of an incident, all visitors are required to register with our building attendants.

Excellent Water Quality

As we continuously strive to provide the best quality services to our tenants and customers, we maintain excellent water quality as one of our priorities. The Pioneer Centre, managed by our subsidiary, Country House, has been participating in the annual “Quality Water Supply Scheme for Buildings – Fresh Water”, held by the Water Supplies Department, since 2011. We have complied with the assessment criteria as set out in this scheme, such as (i) the internal plumbing system is inspected at least once every 3 months by qualified persons and is found to be in good physical condition; (ii) the water tanks are cleansed at least once every 3 months; (iii) water samples are taken in accordance with the required procedures and tested for items specified, at least once for renewal applications. For the period from 2014 to 2016, the Pioneer Centre was awarded a silver certificate, while in 2016, a gold certificate valid from 2016 to 2018 was awarded, in recognition of our dedication and commitment to providing high quality water to our tenants and customers.



Gold Certificate of Quality Water Supply Scheme for Buildings – Fresh Water awarded by Water Supplies Department

Data Protection

In accordance with the Personal Data (Privacy) Ordinance, the Group handles the personal data of our customers carefully by collecting only necessary personal data and making sure that the information is protected from unauthorised or accidental access. Our employees are constantly reminded the importance of respecting the privacy of personal and business data.

Code of Conduct

The Group adheres strictly to the principles of honesty, integrity and fair play. Therefore, we have formulated a Code of Conduct to guide our staff's behaviour. The Group has also adopted a Whistleblowing Policy to allow people to report suspected case of corruption. We believe that it is important for the Group and its employees to act in an ethical manner and hence all levels of staff are expected to refrain from dishonest, disloyal or corrupt acts when dealing with internal and external stakeholders.

All directors or employees are strictly prohibited from publishing or communicating any proprietary information, for instance relating to clientele databases, copyright materials, development layout plans, etc. Furthermore, they are expected to act in an impartial and professional manner when dealing with other individuals and organisations. Regarding the procurement of supplies and hire of services as mentioned in the previous section, these processes are expected to be carried out adhering to the Group's Code of Conduct. Adequate measures have been implemented and would be reviewed and adjusted from time to time to detect and prevent corruption or other malpractice.

In 2016, the Group also invited the Independent Commission Against Corruption (ICAC) to conduct a seminar for our employees across different grade levels, from office staff to senior management at our office in Hong Kong. During these sessions, anti-corruption messages, for instance, values like integrity and honesty, were emphasised to deter our employees from engaging in any unlawful acts. Furthermore, our employees were well informed of the relevant bribery and corruption laws in Hong Kong.



Anti-corruption talk provided by the ICAC

Regarding relationships with customers and investors, our employees are required to remain truthful about the Group's products and services, and refrain from any misrepresentation, exaggeration or overstatement. In case of any complaint, our employees are required to act in a timely manner and provide relevant remedial action to respond to customers and prevent these matters from occurring in the future. Whilst for our shareholders and investors, our employees are expected to familiarise themselves with the relevant disclosure controls and regulations and provide relevant information to our shareholders and investors as required by the statutory laws and authorities.

WUXI OF MAINLAND CHINA

Quality Assurance

For the reporting year, we were not aware of any material non-compliance with relevant laws and regulations relating to health and safety, advertising, labelling and privacy matters relating to the sale of our residential properties and property management services. In order to reassure our customers and tenants of the quality of our residential housing or commercial units, strict quality control policies have been implemented. For our property development business in Wuxi of Mainland China, we require all contractors to submit a range of documents such as their qualification certifications and relevant licences for specific works, and impose significant monetary fine if contractors do not comply with quality control requirements. Regarding after sales service, in case of any quality issue with the respective residential unit, we will fix the defect so as to ensure our product quality to meet the standards of what we guaranteed to our customer at the time of their purchase.



4. SOCIAL

Customer satisfaction surveys on presale and handover services as well as the quality of property units are distributed to our customers for getting their feedback so as to identify our strengths and weaknesses in term of quality assurance.

To build and maintain good relationships with our customers and provide enjoyable living experiences at our properties, we held a few workshops in 2016 for our property owners and their families in Wuxi of Mainland China. The following table features a few highlights of our events during the reporting year:

Description of Workshop	Number of Participants	Duration
DIY session for making small anti-mosquito bags	42	3 Hours
Baking session	100	4 Hours
Mooncake baking session	150	4 Hours

Data Protection

For our subsidiary in Wuxi of Mainland China, we have a well-established guideline on how to manage contracts with customers and suppliers. For instance, all contracts are sorted into three categories – internal use only, confidential and strictly confidential depending on their importance, nature and content. They are then carefully managed and regularly cleared up by the responsible departments.

Code of Conduct

In Wuxi of Mainland China, our Code of Conduct outlines the Group's behavioural expectation to the employees. We uphold the principle of complying with relevant laws and regulations and abide by the business ethics and operational best practices. The Group expects employees to safeguard its interests, without engaging in any activities of dishonesty, disloyalty or corruption. Once the Group discovers any such activities, disciplinary actions would be taken, which may lead to dismissal or report to relevant government authorities. During the year, we did not identify any material non-compliance with laws and regulations relating to bribery, extortion, fraud or money laundering.

The Group also prohibits all employees from the leakage of proprietary information, including but not limited to clientele and financial information, tenders and business development plans. While the Group encourages our business representatives to maintain close relationship with customers truthfully, we refrain our employees from receiving commissions or gifts from business partners privately. Employees are also required to report activities and relationships that may cause conflict of interest to their supervisors.

We strive to promote a disciplinary atmosphere in the occupational environment. Employees are expected to act righteously in executing business operations and are encouraged to discuss sensitive issues relating to business ethics with their supervisors and the human resources department.

4.3 COMMUNITY

HONG KONG

As the Group continues to develop and expand, we realise that it is equally important to contribute to the community and fulfil our corporate social responsibilities. Both the Company and Country House have been awarded “5 Years Plus Caring Company” Logo by The Hong Kong Council of Social Service in recognition of our achievement in corporate social responsibility.



The Company and Country House have been awarded “Caring Company” Logo since 2009 and 2010 respectively.

The Company is committed to enhancing corporate citizenship and has become a corporate member of WWF-Hong Kong since 2007. We continue to support their conservation and education work.



VOLUNTEERING AND DONATION OF THE GROUP

In 2016, we have participated in various volunteering activities with donation amounts of HK\$128,720 and RMB320,000 in Hong Kong and Wuxi of Mainland China respectively. Most of our donations in Hong Kong went to non-profit organisations dealing with issues like healthcare, environment and underprivileged whilst our donations in Wuxi of Mainland China were mainly for education programmes.

4. SOCIAL

The followings are some highlights of the community activities which the Group participated in 2016:



Earth Hour 2016

To show our support in creating a more sustainable environment and reducing energy consumption, we have taken part in "Earth Hour 2016" launched by WWF-Hong Kong by turning off our leasing signage for an hour on 19 March 2016.



The 12th "Best Buddies Hong Kong" Movement Electric Cooking Competition

Our employees teamed up with service users of Fu Hong Society and participated in the 12th "Best Buddies Hong Kong" Movement Electric Cooking Competition in May and June 2016. Our team performed well and was able to make it to the top 10 finals. By participating in this event, our employees were able to interact positively with mentally handicapped people and establish new friendships with them.



Madam Hong's Bakery

We continued to provide a venue for Fu Hong Society to organise its annual charity cookie sale to raise funds for their service users on 9 September 2016. The Group bought 110 boxes of cookies during the activity.



Dress Casual Day

To raise funds for social welfare agencies, the Group participated in "Dress Casual Day" held by The Community Chest of Hong Kong on 6 October 2016. In order to encourage participation, the Group has also donated the same amount equal to the total donations made by its employees.



The 13th Charity Walkathon

To raise fund for services for persons with intellectual disabilities, psychiatric disabilities or with autism, Country House sponsored 30 people with disabilities to form teams and participate in the 13th Charity Walkathon organised by Fu Hong Society on 10 December 2016, encouraging people with disabilities to participate in sports.