

ENVIRONMENTAL, SOCIAL AND GOVERNANCE (ESG) REPORT

2016



Chinney Kin Wing Holdings Limited
(Incorporated in Bermuda with limited liability)
Stock code: SEHK01556

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1 ABOUT THIS REPORT

1.1 ABOUT THE COMPANY

Founded in 1994, Chinney Kin Wing Holdings Limited (along with its subsidiaries hereinafter called “the Group” or “Kin Wing”) is a renowned foundation construction company with operations spanning across Hong Kong and Macau. The Group is primarily involved in foundation works involving (i) piling construction and other ancillary services¹; and (ii) drilling and site investigation. The Group has been recognized by Hong Kong government’s Buildings Department, Works Branch of the Development Bureau (WBDB), and Housing Authority as a specialist contractor in the categories of foundation works, ground investigation field works, site formation work, and land piling.

The Group has been listed on the Main Board of The Stock Exchange of Hong Kong Limited (“the Stock Exchange”) since November 11, 2015 (Stock Code: 1556).

The Group is committed to integrate ESG considerations throughout its operations. Upon the greatest effort from all Kin Wing’s staff and its tenacious commitment, Kin Wing has been awarded the Caring Company Logo by the Hong Kong Council of Social Service for 2016-2017.



¹ Piling construction: bored piling, percussive H-piling, socketed H-piling, mini-piling, and sheet piling. Ancillary services: ELS works, site formation, and pile cap construction.

To efficiently manage the Group's operations, the Group has established its management systems in accordance with the international ISO standards as shown below.



1.2 REPORTING SCOPE

The Group is pleased to publish its first Environmental, Social, and Governance (ESG) report for the 2016 financial year (January 1, 2016 to December 31, 2016). The scope of the report covers the Group's operations in Hong Kong which consist of (i) piling construction and other ancillary services, and (ii) drilling and site investigation.

The Group's subsidiaries in Macau has been excluded from this report since their impact on the overall environmental and social aspects of the Group is minimal.

1.3 REPORTING FRAMEWORK

This report is prepared in accordance with the reporting principles of Materiality, Quantitative, Balance, and Consistency defined in Appendix 27 of the ESG Reporting Guide issued by the Stock Exchange.

The Group's corporate governance is addressed separately in the Group's annual report prepared in accordance with all applicable provisions as set out in Appendix 14 of the Main Board Listing Rules.

1.4 STAKEHOLDERS ENGAGEMENT & MATERIALITY ASSESSMENT

Kin Wing has maintained an ongoing dialogue with all its stakeholders to identify its key ESG issues. The Group has regularly engaged with its stakeholders through multiple communication channels, such as meetings, site visits, and internal surveys. For the 2016 reporting year, a survey was distributed among employees to rank the materiality of each aspect of the ESG Guide and to provide candid feedback on the Group's overall ESG Performance. The survey result has shown that employees have considered corruption prevention, health and safety, and communications as the vitals to the Group's sustainable development. The employees' feedbacks have provided valuable insights on areas for improvement in which the Group endeavours to achieve.

Employees' overall ranking of the relevant material aspects



In addition to reporting on the required disclosure provisions outlined in the ESG Guide, this report has also disclosed information on noise management which the Group considers as material due to its pertinency to the Group's piling activities.

2 LAYING THE FOUNDATION FOR ENVIRONMENTAL SUSTAINABILITY

Thinking beyond its business role as a foundation builder, Kin Wing views itself as a social constructor of the environment. Having such crucial role, it is the Group's inherent responsibility to protect earth's valuable resources through incorporating environmental protection measures in all aspects of its operations.

Kin Wing's environmental protection measures rely on a felicitous Environmental Management System (EMS) to direct the path to sustainable growth. The Group is committed to operate the EMS conforming to ISO 14001:2004 and complied with the standard in order to ensure environmental friendliness for the design and construction of foundation engineering works in the following manner:

- Protect the environment as an obligation to the society
- Include in the Group's scope of work the measures in pollution control, conservation of resources, and recovery and recycling of used materials as feasible
- Commit to comply with relevant environmental legislation and regulations and other requirements
- Set out environmental objectives, review those objectives and targets to strive for continuous improvement
- Provide training to staff to improve environmental awareness for continuous improvement
- Ensure the environmental policy be made available to the public and clearly communicated to all persons working for or on behalf of the company

To further ensure all projects commissioned by Kin Wing complies with the ISO 14001:2004, an Environmental Management Plan (EMP) is required for each project.

During the reporting period, the Group has complied with all relevant environmental laws and regulations related to air pollutant and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous wastes.

2.1 MANAGING EMISSIONS

Air Quality Control

Among other environmental priorities, the Group has taken proactive steps to limit its impact on air quality. The following measures have been implemented to reduce air emissions:

- Materials such as concrete and steels are sourced within 800km from construction site in order to minimize emissions caused by the transportation process
- Regular inspections on equipment to ensure gaseous emission comply with Hong Kong's Air Pollution Control Ordinance
- The use of Low-sulfur diesel that enables the vehicles and machineries to meet the same strict emission standards as gasoline-powered vehicles

Dust from construction can become airborne and will have a significant impact on the overall air quality in the surrounding areas. Acknowledging this potential threat, the Group has taken proactive steps to regulate dust emission. The following mitigation measures are implemented to the extent of their practicality for the duration of all construction works:

Watering program

- Main access roads and frequently travelled areas are watered daily
- Vehicles' wheels and exterior are washed prior to leaving the construction sites
- Exposed stockpiles are sprayed with water during dry and windy conditions

Covering of Stockpile and Piling Rig

- Exposed stockpiles are otherwise covered with tarpaulin covers
- Dump truck or lorry transporting stockpile is covered to the edges of its side and tail boards.
- The piling rig is shielded with impervious sheeting to avoid spreading of dust during boring
- Cement batching for grouting is conducted in an enclosed area

Limit the Dropping Height

- The height from which materials are dropped during loading and unloading is kept at a minimum

Control of Vehicle Speed

- All on-site vehicle movement is limited to 5km per hour to avoid dust emitted from unpaved road

To ensure the effectiveness of the measures, environmental officers and foreman are appointed to coordinate and conduct weekly surveillance of the implementation process.

Noise Management

In a compact city like Hong Kong where buildings are built in close proximity, noise pollution during construction is inevitable. However, as a responsible business, the Group is committed to reduce its noise pollution and bring forward noise-amelioration measures to lessen the noise impact of its operations on the neighbourhood.

Mitigation Measures

To minimize the construction noise pollution, the following mitigation measures have been applied to all applicable activities:

- Strategic scheduling of work to minimize or eliminate high noise level activities during noise sensitive hours
- Refraining from simultaneous operation of noisy equipment
- Erect noise barriers
- Strategic siting of facilities to reduce noise impact
- Quiet and low-noise generating equipment are adopted at neighbourhood with high noise sensitivity

Construction Noise Monitoring

Construction noise are monitored on a regular basis throughout the duration of all construction works to ensure noise levels comply with statutory and contractual requirements.

Wastewater Management

Construction activities may lead to wastewater discharge with higher suspended solids and higher pH levels. The Group has identified major sources of wastewater discharges at its construction sites such as:

- Surface runoff – water from rain or other sources that flows over the land surface
- Boring and Drilling Water – groundwater extracted during boring and drilling process
- Wheel washing water – wastewater from washing the dust off the vehicles
- General wastewater from construction – wastewater generated from general operations such as sewage

The wastewater generated during construction is discharged into the local storm water drains, and without proper treatment these wastewaters will likely have damaging effects on the nearby waterbodies. To prevent this from happening, the Group has obtained a discharge licence and ensures strict compliance with the Technical Memorandum Standards for Effluents Discharged into Drainage and Sewerage Systems, Inland and Coastal Waters. The Group has further equipped all construction sites with advanced water treatment facilities and implemented mitigation measures for proper wastewater management. Regular testing is conducted to ensure the wastewater discharged has met the regulation standards.

All construction sites have sump pits installed to collect all surface runoff before they are pumped to a sedimentation tank for treatment. The sedimentation tanks are equipped to neutralize the pH and reduce suspended solids before discharging.

2.2 EFFICIENT RESOURCES MANAGEMENT

Energy Conservation

The Group's commitment to protect the environment is well reflected in its continuous efforts to manage energy consumption throughout its operations. The Group has devised and implemented an Energy Management System (EMS) in accordance with ISO 50001:2011 Energy Management model. The EMS has helped the Group realize its energy goals by:

- Establishing attainable energy objectives and targets
- Developing relevant policies
- Identifying energy performance indicators to generate data to better understand and make decisions about energy use
- Appointing energy management team to overlook the implementation of the policy and review policy and energy performance
- Providing provisions for training programs aim to engage employees in energy savings practices
- Continually improve energy management

Aligning with the *3P Enhancement Program*'s² plant modernization initiative, the Group has invested in adopting new energy-efficient equipment. For example, the latest model of crawler crane, Liebherr 8130 uses the highly fuel-efficient V8 diesel engine that uses comparably less fuel, and thanks to the optimized hydraulic system, the Liebherr 8130 also offers more material handling capacity than its predecessor HS 885 HD. This implies that more energy is saved when less fuel is used for the same workload.

The diesel consumption records from July 2016 to December 2016

Crawler Crane Model	Average Daily Diesel Consumption (Liter)	Diesel Consumption Saved (Liter)	Energy Saved (%)
Liebherr HS 885 HD	322	26	8
Liebherr 8130	296		

² 3P Enhancement Program - namely Project management system, Production efficiency, and Plant modernisation.

Liebherr 8130 Crawler Crane



As part of the Group's effort to minimize energy usage, much considerations have been given to improve the lighting solutions at the construction sites and offices. For the construction sites, natural light is used to the fullest extent. The construction sites are set up in a way that allows natural lights to penetrate the entire working areas, while the lamp poles used at night are all solar powered. These innovative measures have eliminated the need for additional electricity. At the offices, LED lighting fixtures have been installed to further reduce energy consumption.

Solar Powered Lamp Poles



Water Conservation

The Environmental Management System has helped the Group reduce its overall water consumption by identifying useful ways for cutting back on unnecessary water use. Water is recycled as much as possible at the construction sites; for example, the wastewater collected at the sump pits are reused after treatment in dust suppression process and vehicle cleaning.

Raw Materials Management

The Group endeavours to reduce its environmental footprints by promoting efficient use of raw materials through taking full advantage of recycled materials. For instance, pulverized fuel ash (PFA) is a by-product of coal burning and is recycled for usage as filling material in concrete. Site fencing, scaffolding, and timber are reused wherever possible.

2.3 WASTE MANAGEMENT

The Group has required all construction sites to implement a Waste Management Plan (WMP) to better manage, record, and reduce wastes generated throughout the construction period. The construction and demolition (C&D) wastes are sorted into inert and non-inert waste, and are located at a far distance from each other to avoid contamination.

Inert C&D Waste

Inert waste is materials that are neither chemically or biologically reactive and will not decompose. These include excavated soil, concrete, and debris. Disposal of inert waste at sorting facilities or landfills has been the major approach for construction waste management. The Group has used inert waste as fill material at its construction sites and wastes such as excavated rock fragments are transported to local quarry and reused as aggregate in concrete production. Only the leftover materials are disposed at public filling areas.

Non-Inert C&D Waste

Non-inert waste constitutes of metals, wood, and general refuse generated from workers. These wastes are recycled for reuse when practical, while the remaining wastes are disposed at landfill. Chemical wastes produced during construction are usually from minor spills of oils and lubricants.

Office Refuse

Office refuse includes paper, plastics, and aluminum cans that are generated from food services and general office operations.

Monitoring

Regular inspections are carried out by the project manager who checks for records of waste disposal and the implementation of the mitigation measures. Once an environmental problem is identified, an ad hoc site inspection is further conducted to determine the appropriate solution.

2.4 CASE STUDY – SHATIN AREA 36C PROJECT SITE

To provide sustainable solutions for its customers as part of its endeavours, the Group strives to work with the building developers to assist them in obtaining the green building certification. Our project Foundation and Pile Cap Works for Subsidized Sale Project at Shatin Area 36C was registered for assessment under the Building Environmental Assessment Method Plus for New Buildings³ (BEAM Plus New Buildings).

To reduce the project's environmental impacts, a wide range of environmental measures were implemented:

Resources Consumption

- 14.3% of materials used were recycled materials
- Only FSC⁴ certified timbers were used
- Solar-powered Lamps were used as artificial lighting solutions

Air Quality

- 98.5% of the manufactured materials were sourced within a radius of 800km of the site, thus minimizing the Co2 and greenhouse gas emissions caused by transportation;
- Construction employees are provided with N95 anti-pollution masks

Noise Pollution

- A noise barrier was erected to reduce noise levels for the nearby school and the local community;

Wastewater Discharge

- Significantly reduced wastewater discharge through recycling

Waste Disposal

- Inert wastes were used on site before the remnants were disposed at landfills
- Site fencing, scaffolding, and timber were reused throughout construction

³ BEAM Plus New Buildings is a comprehensive Green Building Certification Label. The assessment of a building's performance is based on the following categories: site aspects, material aspects, energy use, water use, indoor environmental quality, and innovations and additions.

⁴ FSC is an international recognised certification to identify wood products that are originated from sustainable developed forests.

Noise barrier to reduce noise levels for the nearby school and the local community



All wastewater is directed to silt removal facilities or sedimentation tanks before discharge



2.5 THE ENVIRONMENT AND NATURAL RESOURCES

The Group has implemented several environmental protection measures to minimize its impacts on the environment and natural resources. All construction sites are surrounded with protection barrier to prevent dust dispersion and surface runoff. The dispersion of dust during the construction could have potential adverse effect on the neighbourhood's air quality. In its effort to limit the dispersion of dust, the Group has sprayed water on exposed stockpiles and frequent travelled unpaved areas. To prevent the contamination of nearby waterbodies, each construction site is equipped with a drainage system that directs wastewater to an on-site sump pit before the wastewater is treated and discharged to public drainage networks.

3 PAVING THE WAY FOR A BETTER SOCIETY

3.1 EMPLOYMENT AND LABOUR STANDARDS

The strength of a building lies in its foundation, and a good foundation work will provide the strong support needed for a building to withstand all environmental threats. Similarly, human capitals are the strong foundation required for building an unwavering business. Adhering to this belief, the Group is committed to foster an environment for employees to unleash their full potential.

In the competitive labour markets, much emphasis has been given to attract and retain suitable talents. The Group provides all its employees with competitive compensation packages, while establishing reasonable working hours and holidays to prevent employee burnout.

During recruitment and promotion, candidates are evaluated based on their qualifications and experience. Additional efforts have been made to offer employment opportunities to socially and physically disadvantaged individuals. Employees who have demonstrated outstanding performance are often recognized and selected for promotion.

The Group values diversity in its workforce and has a zero-tolerance policy towards discrimination. Race, gender, religion, nationality, age, marital status, disability, sexual orientation, or any other social attributes shall not be discriminated when deciding employees' employment and compensation causes.

Salary discrepancy between male and female employees is a prevailing problem in the construction industry. Since female employees are mostly assigned with supporting positions, their average salary is consistently lower in comparison to the male employees. To address this problem, the Groups seeks to provide female employees with more opportunities for promotion.

Labour Standards

The Group prohibits any violation on human rights. Age confirmation system is in place to prevent any employment of child and forced labour. The human resources department would conduct regular monitoring at each construction site to ensure zero violations.

In 2016, the Group is not aware of any incidents of non-compliance with laws and regulations that have a significant impact on the Group's employment and labour practices, relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, other benefits and welfares, and child and forced labour.

Promoting Unity in the Workplace

As a part of its effort to create a sense of belonging among all employees, the Group has organized team building activities in the forms of annual dinners and luncheons.



Kin Wing's 2017 Chinese New Year Dinner

Luncheon for Retired Employees



3.2 HEALTH AND SAFETY

All of Kin Wing's operations are carried out in a manner that protects the health and safety of all its employees, subcontractors, members of the public, and other stakeholders. Given the acknowledged high-risk nature of work in the construction workplace, the Group has prioritized its effort to keep the accident rate (AFR) at less than 22 reportable accidents per 1,000 workers, and great emphasis has been given to prevent workplace fatality. The Group strives for continuous improvement in its health and safety measures to achieve a high level of safety performance.

With a large team of employees, Kin Wing has rolled out the following health and safety initiatives:

- All employees and subcontractors are subjected to rigorous workplace health and safety trainings to enhance their awareness of workplace hazard and emergency preparedness
- Supplementary safety training courses to broaden workers' safety knowledge
- A Programme for Inspection of Hazardous Conditions has been put in place to set the provision for workplace safety inspection and to provide hazard reporting procedures
- Safety promotion program to encourage all workers to treat health and safety as a matter of highest priority
- Prior to assigning tasks, on-site workers are encouraged to address their perceived safety concerns during "Tool Box Talks"
- Safety Award is presented to individuals who have shown an outstanding safety performance
- Safety suggestion box is made available for employees to provide suggestion to improve the Group's health and safety performance
- Internal safety audits are conducted quarterly to check whether existing health and safety standards have fulfilled statutory requirements and identify remedial measures if needed

During the reporting year, there were no non-compliance issues related to the Group's occupational health and safety.

Health and Safety Training



Health and Safety Awards



*CEDD Innovation Award for
Site Safety
2015*



3.3 DEVELOPMENT AND VOCATIONAL TRAINING

The Group considers continuous learning as the key to a high performing workforce. Throughout the year, the Group has invested steadily in training and developing its workforce. A training scheme has been devised to assign employees to training programs corresponding to their job requirements and responsibilities. For new employees, an induction training course is provided for them to learn about Kin Wing's company culture and core values. Other internal trainings courses involving technical skills or structured trainings are conducted by senior management. Employees are also sent to attend external training programs to further enhance their job-related skills and knowledge. Training reviews are conducted regularly by the Group's Training and Development Department to ensure the training programs are in line with business development and career growth objectives.

Leadership Training 2017



3.4 SUPPLY CHAIN MANAGEMENT

The Group recognizes the importance of collaboration with its suppliers in delivering sustainable solutions for building constructions.

Much considerations have been given to environmental and social concerns during the procurement of machineries and vehicles. For instance, when procuring the generators and crawler cranes, the Group only select ones that carry the QPME label and meet the requirements of the Electrical and Mechanical Services Department (EMSD). A conscious decision is also made to choose ultra-low-sulfur diesel (ULSD) over regular diesel.

When procuring concrete and reinforcement bars⁵, the materials and raw materials have to fulfill Version 1.2 of Hong Kong's BEAM Plus New Buildings requirements which are as follows:

- The manufacturing distance is less than 800km from Hong Kong;
- The raw materials to produce concrete and reinforcing bars are from sources in close proximity to the suppliers' manufacturing plant and within 800km of Hong Kong.

The Group has a stringent Procurement Policy in place to ensure the materials and machineries have met its safety and quality requirements. The procurement department is delegated with the responsibility of

- Inspecting the quality of materials to ensure compliance with the building regulations;
- Collecting all relevant certifications, such as ISO and BEAM Plus, and submitting them to the Quality Assurance Department for verification;
- Taking into account the requirements set forth by the Health and Safety Department when sourcing and procuring all safety materials, facilities, and equipment.

The Procurement Policy also addresses the potential legal and ethical issues during procuring process. For instance, only gifts of small intrinsic value can be accepted from potential or existing suppliers. Valuable gifts should be reported and returned to the supplier. When there is a conflict of interest between suppliers, such conflicts should be reported to the management as soon as possible and steps may be taken to restore fair competition among all suppliers.

⁵ A reinforcement bar is a steel bar or rod used to reinforce concrete.

3.5 PRODUCT RESPONSIBILITY

Foundation building is the most crucial component in building constructions, the Group is highly dedicated to offering quality foundation works that meet the standard of construction mandated for safety and durability. To ensure it delivers consistently high quality services to its customers, Kin Wing has implemented a Quality Management System complying with ISO 9001:2008.

The Quality Management System sets the provision for the Group to:

- Meet customers' expectations both in technical and budget price
- Deliver services in a timely manner
- Ensure all planning activities and project operations meet the customers' expectation
- Establish and review quality objectives striving for continuous improvement
- Ensure that the quality policy is made available to the public and clearly communicated to all the people working for or on behalf of the Group
- Establish a provision in the Code of Conduct to guide all staff in protecting privacy information and company intelligences

In the reporting period, the Group has complied with all relevant laws and regulations concerning product responsibility, including health and safety, advertising, labelling and privacy matters.

3.6 ANTI-CORRUPTION

The Group has high expectations for its employees to act in an honest and trustworthy manner in all professional interactions. This is clarified to the employees in the Employee Handbook, which stipulates the procedures to follow for issues relating to anti-corruption, bribery, blackmail, money laundering and other fraudulent activities as well as measures to prevent bribery. This is further emphasized in the Code of Conduct, which has been established to guide all internal stakeholders' professional behaviours.

Moreover, all new employees are encouraged to participate in corruption prevention training program. The Group is also currently working with the Community Relations Department of the Independent Commission Against Corruption (ICAC) to roll out industry-specific corruption program.

The Group also requires its employees to sign an Acknowledgement and Agreement regarding conflicts of interests, while a communicate on anti-corruption is delivered to remind suppliers and subcontractors of the Group's anti-corruption regulations.

Any violation of the Group's anti-corruption regulations may subject to severe penalties and legal sanctions.

During the financial year, no corruption cases are found and the Group has complied with all the relevant laws and regulations in relation to anti-corruption, such as bribery, extortion, fraud and money laundering.

3.7 COMMUNITY INVESTMENT

Kin Wing well understands its social responsibility and spares no effort in giving back to its community. It holds firmly to the belief that prosperity is a collective effort, and no organization can thrive very long without a larger purpose. With this mindset, a number of initiatives have been launched to demonstrate our benevolence.

Corporate Responsibility Policy

The purpose of policy is to integrate social and environmental concerns into all aspects of Kin Wing's business operations. The Group hopes to create shared values for all our stakeholders.

The underpinning goals of the policy:

- Improving and upgrading its services and products continuously to meet customers' requirements;
- Enhancing the quality of products and engaging with communities;
- Fostering a company culture in which its staff can learn, grow and take pride;
- Providing staff training to ensure understanding, implementation and development of those principles throughout its operations; and
- Setting appropriate objectives through innovation and continuous improvements.

Nurturing the Youth

Youths are the building blocks of future and it's only through proper educations that they will perform to their full potential. The Group has put in place an internship program that allows students to see and experience several different career opportunities in the construction sector and gain skills to prepare them to join the workforce.

Community Volunteering

The Group has involved in various charity events and encourages its employees to participate in its effort to assist multiple underprivileged groups. During the reporting year, groups of volunteers have been organized to provide regular visits to elderly homes and support to patients suffering from pneumoconiosis.

A group of Kin Wing's volunteers



4 LOOKING FORWARD

Kin Wing endeavours to excel in all aspects and to strengthen its sustainability performance. The report brings to light its efforts and management strategies leading to sustainable development. During the reporting year, the Group has demonstrated due diligence towards environmental protection, employment condition, quality management, and contributed to the society. In the coming years, the Group will continue to uphold its sustainable endeavours and actively respond to stakeholders' needs.