

# Milestone Builder Holdings Limited

## 進階發展集團有限公司

(incorporated in the Cayman Islands with limited liability)

(於開曼群島註冊成立的有限責任公司)

Stock code 股份代號: 1667

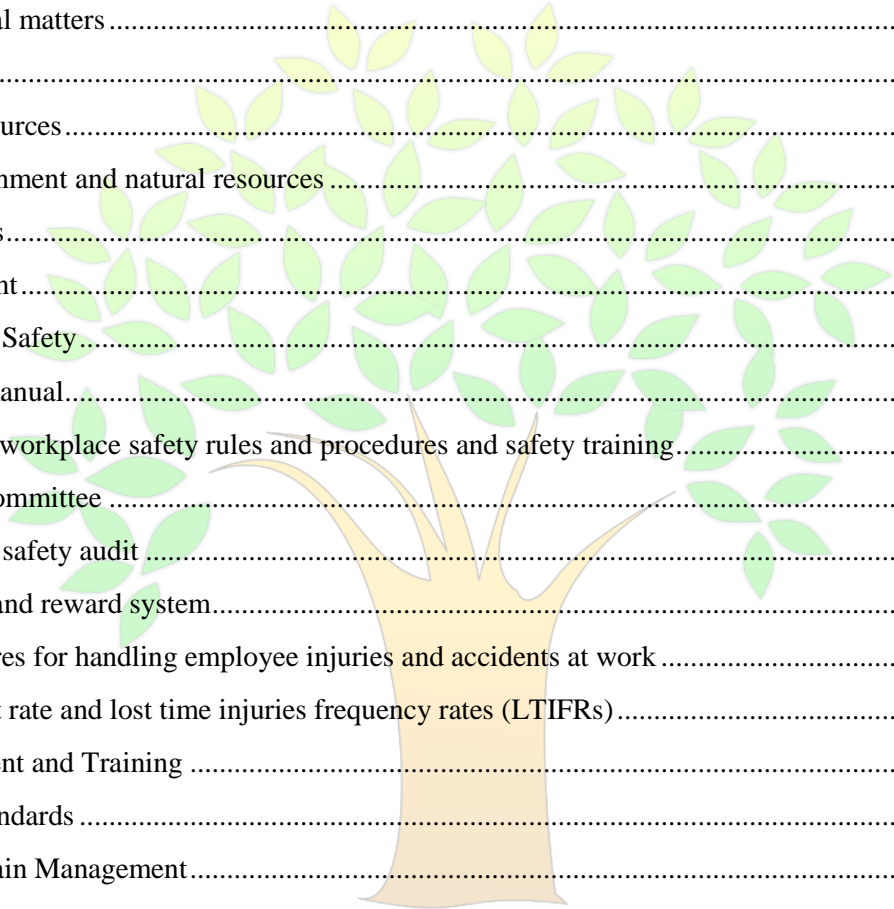


2016/17

Environmental, Social and  
Governance Report

環境、社會及管治報告

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## ABOUT THIS REPORT



This is the first Environmental, Social and Governance Report (“ESG Report”) published by Milestone Builder Holdings Limited (the “Company”, together with its subsidiaries, the “Group” or “we”). This Report was prepared in accordance with Appendix 27 to the Listing Rules “Environmental, Social and Governance Reporting Guide” (the “ESG Reporting Guide”). Data disclosed in this ESG Report are results of internal statistics and analysis of the Group.

The defined terms used in this report have the same meaning as those set out in the Group’s Annual Report 2016/17 published on 31 July 2017 (the “Annual Report 2016/17”), unless otherwise stated.

## SCOPE OF REPORT

The Group is principally engaged in (i) building construction services; (ii) alteration, addition and fitting-out building services; and (iii) repair and restoration of historic buildings. For the details of the aforesaid businesses, please refer to the Group’s Annual Report 2016/17.

Each of the business departments of the Group has participated in preparing the ESG Report in order to identify the impacts of the Group on the environment and society, and to evaluate its importance to the Group’s business and each stakeholder.

The ESG Report covers the policies of the Group on material environmental, social and governance issues in relation to the Group’s business and the compliance therewith.

## REPORTING PERIOD

The information published in this ESG Report covers the period from 1 April 2016 to 31 March 2017, unless otherwise stated, which is the same as the financial year covered in the Group's Annual Report 2016/17.

## ACCESS TO THIS REPORT

This ESG Report is released online only. The online version is available at the websites of the Stock Exchange at [www.hkexnews.hk](http://www.hkexnews.hk) and our Company at <http://milestone.hk>. This Report is released in Chinese and English version. Should there be any discrepancies between the two versions, the English version shall prevail.



## ENVIRONMENTAL MATTERS



### EMISSIONS

The Group aims at advocating energy saving and environmental protection with a focus on developing sustainable business. The Group adopts various management measures to fulfill its energy saving and environmental protection responsibilities and actively conducts relevant trainings.

Meanwhile, the Group actively supports and maintains its role in environmental protection, strives to improve its environmental protection awareness and reinforces the concept of environmental protection in the Group.

Our Group's operation at construction sites are subject to certain environmental requirements pursuant to the laws in Hong Kong, including primarily those in relation to air pollution control, noise control, water pollution control, waste disposal, environmental impact assessment and public health control. For details of the regulatory requirements, please refer to the section headed "Laws and Regulations" in the Company's Prospectus dated 22 March 2017. During the year ended 31 March 2017, the aggregate annual cost of compliance with applicable environmental laws and regulations in Hong Kong was approximately HK\$798,000 (31 March 2016: HK\$662,000) and primarily consisted of dumping charges for wasted materials.

It is the belief of our Directors that environmental protection is a management responsibility and our Group is committed to complying with the legal requirements and with other requirements relating to environmental aspects, prevention of pollution, reduction of construction waste and resources saving.

Our Group has recently obtained ISO14001:2004 in respect of our environmental management system. We require our employees and subcontractors to follow our environmental plan in order to ensure proper management of environmental protection and compliance with statutory requirements. Some of the measures include, among others:

Area	Measures
Air pollution control	<ul style="list-style-type: none"> <li>(i) Any vehicle or item used on site will be monitored for spillages caused by leakage of fuel, lubrication or hydraulic system.</li> <li>(ii) Cleaning of concrete and working areas will be carried out using wet vacuum or wash down methods to minimise dust.</li> <li>(iii) Excessive exhaust emissions from mechanical equipment will result in prohibition of use.</li> </ul>
Water pollution control	<ul style="list-style-type: none"> <li>(i) Waste water from any office, site canteen or toilet facilities are directed to foul sewer or to sewage treatment facilities either directly or indirectly by means of pumping.</li> <li>(ii) Chemical wastes are stored in secured containers, undercover to prevent ingress of rainwater and where liquids are involved, storage areas shall be bund with sufficient capacity to contain projected spill quantities.</li> <li>(iii) During periods of wet and muddy conditions, trucks and heavy vehicles shall not leave site unless effective wheel washing has been carried out.</li> </ul>
Waste disposal	<ul style="list-style-type: none"> <li>(i) The common user disposal containers will be for the deposit of controlled waste (i.e. non-hazardous industrial or special waste) and will be situated in both the construction and site establishment areas.</li> <li>(ii) Notice will be posted which clearly state which materials can or cannot be disposed of through the common user disposal skips.</li> <li>(iii) Waste skips and other receptacles will be checked during the routine safety &amp; environmental inspections/audits</li> </ul>

The Group has not identified any non-compliance with emissions during the Year.

## USE OF RESOURCES

The Group has made clear regulations on water, electricity, materials, paper and other resources used in business to ensure the effective use of resources, and it prohibits waste to maximise energy efficiency.

The Group uses renewable and recyclable materials when applicable. In addition, Milestone Builder has obtained the ISO 14001 applicable to building activities to keep, restore and improve the facilities of buildings and surroundings in Hong Kong.

## THE ENVIRONMENT AND NATURAL RESOURCES

The Group is highly concerned about the impacts of its business on the environment and natural resources. In addition to compliance with the relevant environmental regulations and international standards for conducting appropriate protection of the natural environment, the Group has also incorporated the concept of environmental protection into internal management and project implementation process.

With a view to minimising the environmental impacts, the Group regularly monitors the potential impacts of its business operations on the environment and promotes green office and production environment through four basic principles, namely reducing, reusing, recycling and replacing. At the same time, the Group authenticates the effective use of resources each year to ensure that such effective use can be improved continuously. The Group has also engaged the certification body to conduct regular authentication on its qualification of ISO 14001.

The Group has not identified any non-compliance with relevant environmental laws and regulations during the Year.



## SOCIAL MATTERS

### EMPLOYMENT



The Group is committed to creating a diversified environment and is proud of being an employer who believes in equal opportunities. All eligible job applications, internal transfers and promotions are regardless of factors such as race, colour, religion, sex, sexual orientation and age, so as to ensure equal opportunities and fair treatment for all employees and job applicants.

Our Group offers attractive remuneration package to our employees, which includes basic salary, bonuses and other cash allowances or subsidies. Our Group determines the salary of our employees mainly based on their qualifications, relevant working experience, position and seniority. Our Group conducts annual review on the salary levels and promotions based on the working performance of each employee. At the same time, a share option scheme was conditionally adopted pursuant to a shareholders' written resolution of the Company passed on 13 March 2017 for the purpose of recognising and motivating the contributions that the eligible participants have made or may make to the Group.

In addition to the statutory holidays, the Group satisfies the special needs of employees through a comprehensive leave system. In addition, according to the prevailing department's workload, employees can be compensated by means of alternative leave or overtime allowance for their overtime work.

We believe that continuous education and training is important to maintain the service quality of our Group, so we intend to use our best effort to attract and retain appropriate and suitable personnel to serve our Group. As part of the induction of new workers, they will receive training regarding construction site safety. Our Group also encourage relevant personnel to attend training courses to keep them up to date with the latest developments and best practices in the industry to enhance their work performance. Our Group assesses the available human resources on a continuous basis and will determine whether additional personnel is required to cope with our Group's business development.

Set out below is the breakdown of Directors and employees by function as at 31 March 2017:

<u>Function</u>	<u>Number of Staff</u>
Directors and senior management	7
Contract and project management	12
Technical staff	55
Safety and health	41
Quantity surveyor	7
Foreman	10
Administration, accounting and finance	24
Site workers	402
Total	558

During the Year, we have not experienced any significant problems with our employees or disruption to its operations due to labour disputes nor has our Group experienced any difficulties in retention of experienced staff or skilled personnel. The Group has not identified any material non-compliance with the relevant employment laws and regulations during the Year.

## HEALTH AND SAFETY

Our Group is committed to provide a safe and healthy working environment for both our employees and employees of our subcontractors and we treat their safety as one of our highest priorities. Our Group has established a safety management system which is certified to be in compliance with OHSAS 18001 as required by the relevant occupational health and safety laws, rules and regulations (details of which are set out in the section headed “Laws and Regulations” in the Company’s Prospectus dated 22 March 2017) and managed by our safety department for the benefit of our employees and that of our subcontractors.

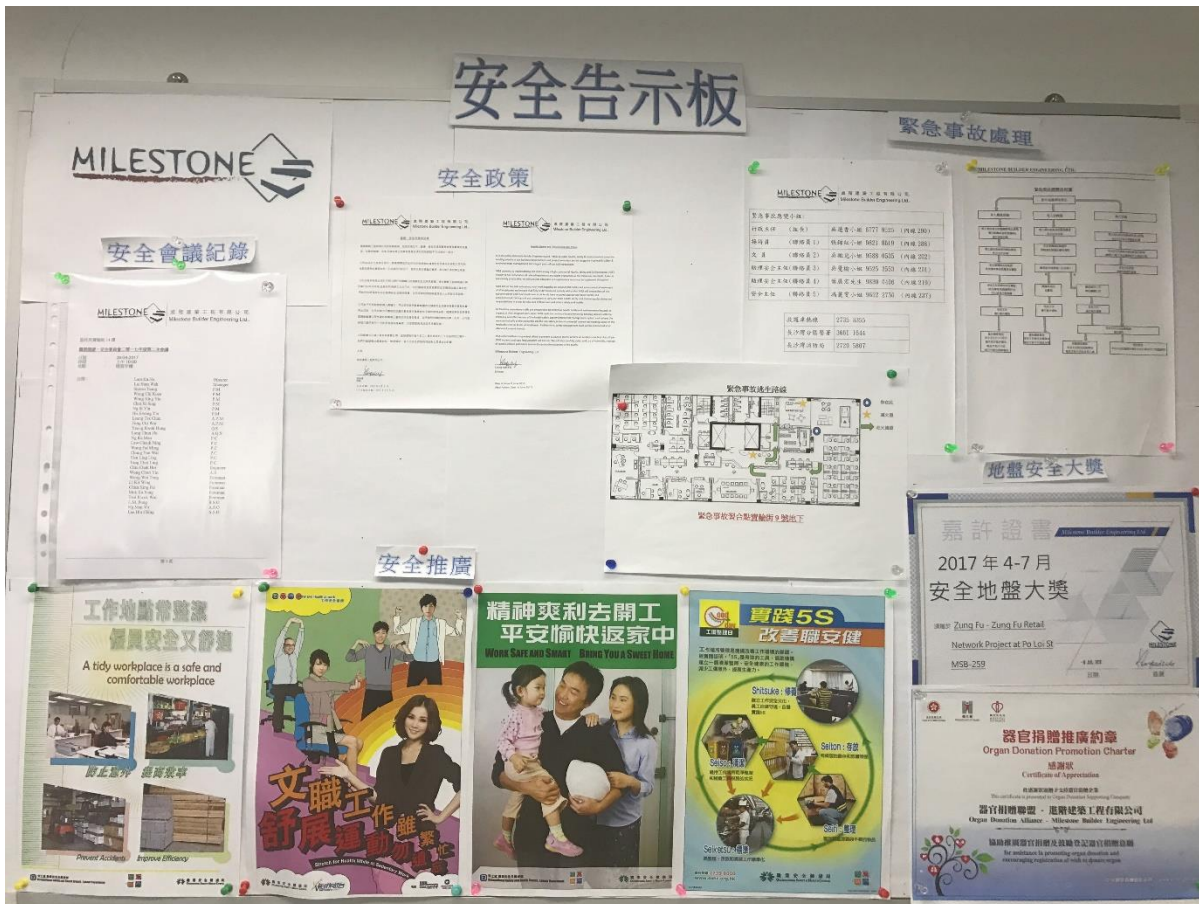
Set out below is a summary of the main aspects of our safety management system:

### SAFETY MANUAL

Our Group has a detailed safety manual which is reviewed at least once a year to incorporate the best industry practices and to address and improve specific areas of our system as part of the continuous improvement of our safety management system. The safety manual is distributed and applies to not only our employees but also to subcontractors.

### SPECIFIC WORKPLACE SAFETY RULES AND PROCEDURES AND SAFETY TRAINING

Our Group requires our employees and subcontractors’ employees to understand and follow our workplace safety rules as set out in the safety manual. Our workplace safety rules identify common safety and health hazards and the best industry practices to prevent or minimise adverse impact.



## SAFETY COMMITTEE

Safety committee is established to oversee and implement the safety management system, ensuring the system in place is in compliance with the relevant health, safety and environmental standards and considering feedback from employees and subcontractors concerning our current workplace safety measures. The committee is also responsible to enforce safety policies, review and assess safety policies, accident rates and any non-compliance with applicable laws and regulations as well as providing recommendations. Our safety committee members have obtained various related professional qualifications, such as (i) diploma in occupation health and safety, (ii) professional diploma in occupation safety and health, (iii) certificate of completion of construction safety supervisor course, or (iv) registration as a safety officer with the Labour Department; and have 1 to over 5 years of experience in safety supervision.

## EXTERNAL SAFETY AUDIT

In compliance with the Factories and Industrial Undertakings (Safety Management) Regulations (Chapter 59AF of the laws of Hong Kong), our Group engages an external auditor to perform an external safety audit and perform an inspection of required project sites semi-annually. The safety audit will evaluate the effectiveness, efficiency and reliability of our safety management system, and identify the strengths and weaknesses of the existing system and provide recommendations for improvement. There have not been any material findings in our latest safety audit.

Having considered that (i) the Group periodically engages external safety auditor; (ii) the external safety auditor reported no material findings in our latest safety audit; and (iii) our accident rate has been below the construction industry average rate, our Directors are of the view that our Group's safety measures are adequate and effective.

#### PENALTY AND REWARD SYSTEM

Fines may apply to subcontractors who fail to comply with our safety guidelines. A reward scheme has been implemented to reward employees to encourage compliance with safety guidelines.

#### PROCEDURES FOR HANDLING EMPLOYEE INJURIES AND ACCIDENTS AT WORK

Injuries are not rare in the construction industry due to potentially hazardous environment of work sites and therefore we may be subject to claims from employees for work-related injuries from time to time.

Our Group's administrative department and the registered safety officers are responsible for recording details of the claims and handling claims for accidents and injuries in relation to our Group's project. They are also responsible for liaising with the relevant insurance company, the claimant and in case of more serious claims as considered appropriate by our management of our Group, obtaining advice from external legal advisers. The registered safety officers, which are employees of our Group, have obtained various related professional qualifications, such as (i) diploma in occupational health and safety; or (ii) professional diploma in occupational safety and health. They have also been registered as a safety officer with the Labour Department for over three years. To ensure proper recording and handling of such claims, we have the following arrangements in place:

Steps	Actions
1. Report of site accidents/incidents and dangerous occurrences/near miss situations	<ul style="list-style-type: none"> <li>(i) The injured shall immediately report the injury to his supervisor or area foreman.</li> <li>(ii) The first aider will fill in the form "Injury/Incident Report" as a written record for each first aid treatment and inform the registered safety officer.</li> <li>(iii) After receiving notification of an injury or incident, the registered safety officer will carry out preliminary accident investigation.</li> <li>(iv) The reporting form submitted to the registered safety officer and safety department will have to be completed within 7 days of the date of injury.</li> <li>(v) Safety department shall complete the employee's accident report and report to Labour Department with 14 days of the date of injury.</li> <li>(vi) In case of death following serious bodily injury, our Group should report within 24 hours to the police station nearest to the place of accident and report to Occupational Safety and Health Branch, Labour Department</li> </ul>

Steps	Actions
2. Accident investigation	<p>(i) Registered safety officer should report all injury accidents, incidents or dangerous occurrences and carry out an initial investigation and complete an accident investigation report subsequent to any accident/incident.</p> <p>(ii) Registered safety officer, project manager and site agent shall follow up the recommendations in accident investigation report.</p> <p>(iii) Site safety committee and site safety management committee will also study accidents and prompt actions will be taken on the recommendations of the investigation so that incidents of similar nature may be prevented in the future.</p> <p>(iv) In case of any dangerous occurrences and injury accidents in which the injured needs to stay in hospital for over 24 hours, thorough investigation will be required immediately.</p>
3. Settlement or litigation	<p>(i) Our Group will report to the insurance company pursuant to the terms of relevant insurance policy.</p> <p>(ii) The insurance company should handle the matter if it falls within the coverage of relevant insurance policy. If the insurance company does not accept the liability, the matter may be litigated.</p>

During the Year, our Group has not encountered any fatal construction accident on construction sites and have not suffered from any removal, suspension, downgrading or demotion of our licences. Our Directors are of the view that our safety management system is adequate.

#### ACCIDENT RATE AND LOST TIME INJURIES FREQUENCY RATES (LTIFRS)

A table comparing the construction industry average rate against our Group in relation to accident rate per 1,000 workers and fatality rate per 1,000 workers is set out below:

	In construction industry (Note 1)	Our Group's construction sites (Note 2)
<b>Calendar year 2015</b>		
Accident rate per 1,000 workers	39.1	23.0
Fatality rate per 1,000 workers	0.200	0
<b>Calendar year 2016</b>		
Accident rate per 1,000 workers	34.5	27.3
Fatality rate per 1,000 workers	0.093	0

Notes:

- The figures are extracted from the Occupational Safety and Health Statistics 2015 and 2016 issued by Occupational Safety and Health Branch, Labour Department.
- Our Group's rates are calculated with reference to the number of injuries divided by the daily average site workers in our Group's construction sites during the calendar year and multiply the result by 1,000. The daily average site workers consisted of employees of our Group and our subcontractors.

A table showing our Group's lost time injuries frequency rate (LTIFRs) is set out below:

Calendar year 2015	0.77
Calendar year 2016	0.87

Notes:

- (i) LTIFR is a frequency rate that shows the number of lost time injuries (LTIs) occurred over a specified time (e.g. per 100,000 hours) worked in a period. The LTIFR is calculated by dividing the number of lost time injuries of our Group happened in the year by the number of hours worked by the workers of our Group and our subcontractors over that year. "Number of hours worked by the workers" means the total number of hours (assuming 10 hours per work day) worked by our Group's workers on a "working day" during that year. The number of working days of workers for the calendar year 2015 and 2016 were 297 days and 300 days respectively, and the number of workers worked on each working day may vary. A "working day" is defined as a day on which there is at least one worker of our Group working, irrespective of whether it is public holiday. Therefore, the total number of working hours worked by the workers varies every year, depending on the works progress and requirements of our projects.
- (ii) Our LTIs were determined based on the relevant medical certificates received by our Group.

Based on the above available information, our Directors consider that the accident rate of our Group is lower than the industry average. During the Year, our Group recorded no fatal injuries at our construction sites. The LTIFRs during the Year is in line with the accident rate per 1,000 workers as disclosed above. Having considered that our accident rates per 1,000 workers are lower than the industry average, our Directors are of the view that our occupational health and safety management system is effective.

Our Group has been in compliance in all material respects with all the relevant laws, rules and regulations relating to safety and health during the Year. Our Group will continue to deploy adequate resources and make an effort to maintain and enhance our safety management policy in order to mitigate our risks relating to safety issues.

## DEVELOPMENT AND TRAINING

We provide trainings and promotion prospects to our employees.

We believe that continuous education and training is important to maintain the service quality of our Group, so we intend to use our best effort to attract and retain appropriate and suitable personnel to serve our Group. As part of the induction of new workers, they will receive training regarding construction site safety. Our Group also encourage relevant personnel to attend training courses to keep them up to date with the latest developments and best practices in the industry to enhance their work performance. Our Group assesses the available human resources on a continuous basis and will determine whether additional personnel is required to cope with our Group's business development.

Every newly appointed Director has received formal, comprehensive and tailored induction on the first occasion of his/her appointment to ensure appropriate understanding of the business and operations of the Company and full awareness of Director's responsibilities and obligations under the Listing Rules and relevant statutory requirements. The Company held a training for all Directors and Senior Management to provide them with knowledge on the duties and responsibilities of the Directors and Senior Management before the Listing.

The above training programs emphasised on key professional and advanced technology to give strong support to the development of the Group and its talents.

## LABOUR STANDARDS

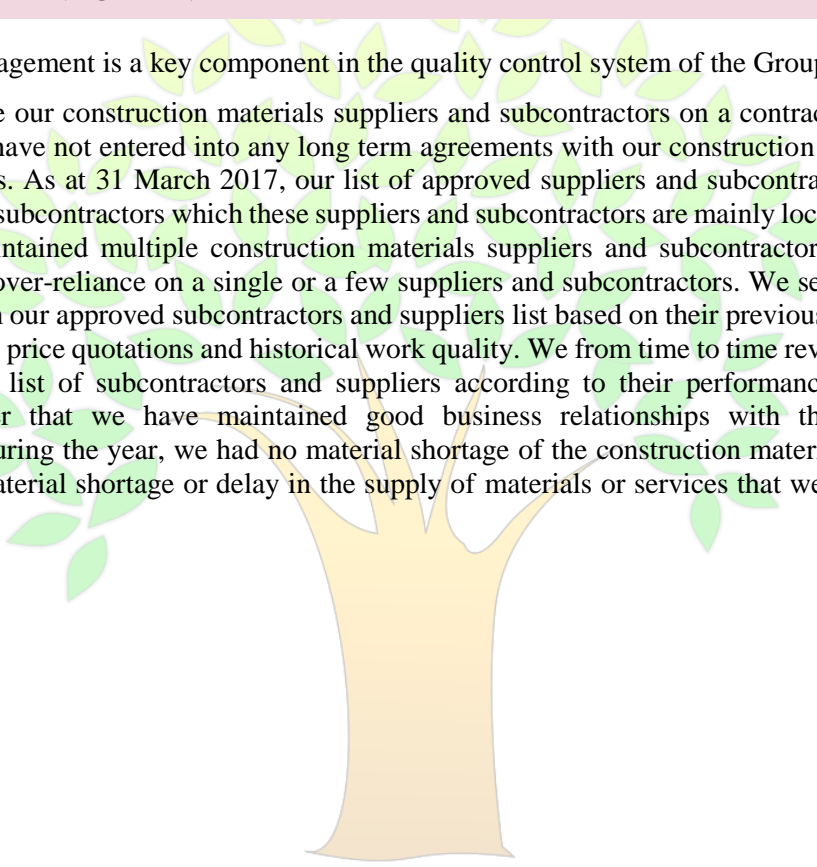
The Group strictly complies with the relevant requirements of the labour laws. All job applicants must conform to the age requirement specified by local laws. The Group forbids the recruitment of child and forced labours, for which a procedure of selection and recruitment is adopted. The Group conducts open recruitment for new employees based on the job requirements of different positions and will employ qualified candidates based on fair, open and voluntary principles.

Our Directors consider that our Group has established relationship with its employees. Our Directors confirm that our Group has no material non-compliance in respect of the applicable labour laws and regulations in Hong Kong.

## SUPPLY CHAIN MANAGEMENT

Supply chain management is a key component in the quality control system of the Group.

The Group engage our construction materials suppliers and subcontractors on a contract by contract basis and therefore we have not entered into any long term agreements with our construction materials suppliers and subcontractors. As at 31 March 2017, our list of approved suppliers and subcontractors had over 240 suppliers and 150 subcontractors which these suppliers and subcontractors are mainly located in Hong Kong. We generally maintained multiple construction materials suppliers and subcontractors for products and services to avoid over-reliance on a single or a few suppliers and subcontractors. We select subcontractors and suppliers from our approved subcontractors and suppliers list based on their previous experience, skills, present work load, price quotations and historical work quality. We from time to time review and update our internal approved list of subcontractors and suppliers according to their performance assessment. The Directors consider that we have maintained good business relationships with these suppliers and subcontractors. During the year, we had no material shortage of the construction materials and we did not experience any material shortage or delay in the supply of materials or services that we required from our subcontractors.



## PRODUCT RESPONSIBILITY

We provide our customers with high-quality and professional products and services, and establishes a good long-standing relationships with its customers. The Group has established good communication channels and have regular communications with our customers in order to have a sufficient understanding of their needs, and reflect their needs in the daily project management as far as possible so as to improve the quality of services.

In respect of work completion and acceptance, the Group is required to examine each item on the list of work completion and acceptance, and the customers will provide a report on work completion and acceptance subject to their satisfaction. Moreover, the Group offers well-established after-sales services to customers for work maintenance. The Group seeks customers' feedback from after-sales visits to improve its products in the future and thus to enhance the quality of services of the Group as a whole.

In addition, the Group has established a comprehensive management system. The Group has been awarded ISO 9001, ISO 14001 and the certification on occupational health and safety management system ("OHSAS 18001"). Meanwhile, the Group undergoes regular authentication from the certification body each year to ensure that all the Group's management measures comply with the relevant authentication requirements and standards.

The Group has not identified any non-compliance with the relevant laws and regulations in respect of product responsibility during the Year.



## ANTICORRUPTION

The Group has been adhering to its “open-minded, responsible and upright” principles. All staff are required to strictly follow the code on personal and professional conducts and the guidelines on anti-bribery and anti-corruption conducts as provided in the staff regulations of the Group as follows:

1. Soliciting or accepting advantages including gift, loan, fee, reward, office, employment, contract, service and favour etc. from customers, suppliers or any other person in connection with the Group’s interests is strictly prohibited. Acceptance of voluntarily given advantages may however be considered if:
  - (i) the acceptance will not influence the decision and behaviour of the recipient;
  - (ii) the recipient will not feel obliged to do something in return for the offer;
  - (iii) the recipient can openly discuss the acceptance without reservation; and
  - (iv) the nature and value of advantage (like advertising or promotional gift) are such that refusal could be regarded as unsociable or impolite.
2. Under no circumstances should staff offer bribes or similar advantages to any person or company in order to obtain or retain business, or to acquire confidential business information, or to seek for any other return of personal advantages.

The Group has not identified any non-compliance with anti-corruption laws and regulations during the Year.

## COMMUNITY INVESTMENT

The Group always attaches importance to corporate social responsibilities. Apart from commercial activities, the Group encourages its management and staff to participate in community services to contribute to society. In the meantime, it also motivated staff to actively participate in public welfare activities such as charitable donations and volunteer visits, all in a bid to contribute to society in multiple aspects.

Charitable and other donations made by the Group during the Year amounted to HK\$18,000.