# LKS Holding Group Limited 樂嘉思控股集團有限公司

(Incorporated in the Cayman Islands with limited liability) Stock Code : 1867

Environmental, Social and Governance Report 2019

### 1. ABOUT THIS REPORT

#### 1.1. Reporting Period

This Environmental, Social and Governance ("**ESG**") Report illustrates and highlights the environmental and social performance of the Group from 1 April 2018 to 31 March 2019.

#### 1.2. Reporting Scope

This ESG report summarises the Group's policies, management approach and performance with respect to corporate social responsibility. This report focuses on the Group's core business in interior design and fitting-out for residential, commercial and industrial properties in Hong Kong. This report demonstrates the ESG performance of the Group in achieving sustainable development for the future.

#### 1.3. Reporting Framework

This ESG report has been prepared in accordance with the disclosure requirements as set out in the ESG Reporting Guide ("**ESG Guide**") contained in Appendix 27 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("**Listing Rules**") and has complied with the "comply or explain" provision in the Listing Rules.

Key Performance Indicators ("KPI") Reference Table

Reference KPI of the ESG Guide	Corresponding KPI in the sections of this report		
A. Environmental			
A1. Emissions	Emissions Policies and Compliance Carbon Footprint – Greenhouse Gas Emissions Air Emission Waste Reduction		
A2. Use of Resources	Resources Conservation		
A3. The Environment and Natural Resources	Emissions Policies and Compliance Resources Conservation		
B. Social			
Employment and Labour Practices			
B1. Employment	Employment Policies and Compliance		
B2. Health and Safety	Occupational Health and Safety Policies and Compliance		
B3. Development and Training	Employee Development and Training Policies		
B4. Labour Standards	Labour Practices and Compliance		
Operating Practices			
B5. Supply Chain Management	Supply Chain Management		
B6. Product Responsibility	Product Responsibility and Quality Assurance Process Protecting Intellectual Property Rights Consumer Data Protection and Privacy Policies		

Reference KPI of the ESG Guide	Corresponding KPI in the sections of this report
B7. Anti-corruption	Anticorruption Policies and Compliance Conflict of Interest Preventive Measures and Whistle-blowing Procedures
Community	
B8. Community Investment	Charity Donation and Community Care

#### 1.4. Stakeholders' Engagement

Stakeholders' engagement is essential for the Group to understand its stakeholders' concerns and it also helps to identify risks and opportunities with regards to sustainability. The Group communicates to its stakeholders throughout the year to inform them about the Group's business development and collect ideas and feedback that are valuable to its future growth. Internal and external stakeholders have been involved in various regular activities to discuss and share opinions regarding the Group's operation and performance. The Group will continue to communicate closely with stakeholders to understand their expectations.

#### 1.5. Stakeholders' Feedback

Your comments and feedbacks regarding the Group's performance and approach on ESG aspects are valuable to its continuous improvement, please send your questions, suggestions and recommendations to the Group as below:

Address: 21/F, Po Shau Centre, 115 How Ming Street, Kwun Tong, Kowloon, Hong Kong

Email: info@lksholding.com.

### 2. ENVIRONMENTAL PERFORMANCE

The Group is committed to conducting business in an environmentally friendly manner. Its environmental management system has been certified with the ISO 14001:2004 in 2012, reflecting its commitment in preventing pollution, reducing waste, and meeting applicable legal and environmental requirements. In response to the growing demand on green building certification in the construction industry, the Group continues to raise the bar for its environmental management policy to cope with the green building requirement by using energy efficient technologies and products in the green building schemes such as LEED and BEAM with some of its projects. Together with its employees and staffs from its subcontractors and suppliers, the Group's emissions and waste generation are strictly controlled and monitored.

#### 2.1. Emissions Policies and Compliance

The Group has obtained various international certifications which demonstrated its environmental commitment in developing its business sustainably. During the reporting period, the Group complied strictly with all relevant environmental laws and regulations of Hong Kong.

International Certifications	Environmental related Laws and Regulations
ISO9001	Waste Disposal Ordinance (Chapter 354 of the Laws of Hong Kong)
ISO14001	Waste Disposal (Charges for Disposal of Construction Waste) Regulation (Chapter 354N of the Laws of Hong Kong)
OHSAS18001	Air Pollution Control Ordinance (Chapter 311 of the Laws of Hong Kong)
	Noise Control Ordinance (Chapter 400 of the Laws of Hong Kong)
	Construction Industry Council Ordinance (Chapter 587 of the Laws of Hong Kong)
	Buildings Ordinance (Chapter 123 of the Laws of Hong Kong)
	Public Health and Municipal Services Ordinance (Chapter 132 of the Laws of Hong Kong

#### 2.2. Carbon Footprint – Greenhouse Gas Emissions

Carbon footprint generated by the Group will be disclosed in this report. Carbon footprint is defined as the total amount of direct and indirect emissions of greenhouse gas ("**GHG**") expressed in terms of equivalent amount of carbon dioxide ("**CO**,-e") emission.

The total net GHG emissions generated was 82.39 tonnes of carbon dioxide equivalent (" $tCO_2-e$ ") (mainly carbon dioxide, methane and nitrous oxide) (2018: 83.49 tCO<sub>2</sub>-e). With the Group's total operations area of 451.42 metre square (" $m^2$ "), (2018: 279.46 m<sup>2</sup>), the emission intensity was 0.183 tCO<sub>2</sub>-e/m<sup>2</sup> (2018: 0.299 tCO<sub>2</sub>-e/m<sup>2</sup>). The following table highlights the year on year comparison of the Group's carbon footprint.

Scope	ope Sources of GHG emissions 2019		<b>20</b> 1	2018		
		GHG* emissions (in tCO <sub>2</sub> -e)	Distribution	GHG* emissions (in tCO <sub>2</sub> -e)	Distribution	% change
1	Mobile – gasoline	39.83	48.34%	20.67	24.75%	92.68%
2	Purchased electricity	35.21	42.74%	58.12	69.61%	-39.42%
3	Disposal of paper waste	7.21		4.62		
	Fresh water processing	0.10	8.92%	0.06	5.64%	56.40%
	Sewage water processing	0.04		0.02		
	Total GHG emissions	82.39		83.49		-1.32%
	Emission intensity	0.183		0.299		-38.80%

\* The GHG is calculated according to the 'Guidelines to Account for and Report on Greenhouse Gas Emissions and Removals for Buildings (Commercial, Residential or Institutional Purposes) in Hong Kong' jointly published by Environmental Protection Department and Electrical and Mechanical Services Department.

It is noteworthy that the overall electricity and water usage cannot represent the actual GHG emissions of the Group, as some property owners would handle the related usage in project locations so that the related data was not available for calculation. Since the corresponding usage was significant to reflect the total GHG emissions, a more comprehensive data collection method with the help of the property owners shall be established in the future.

#### 2.3. Air Emission

Construction works performed must comply with the relevant Air Pollution Control Ordinance and its subsidiary regulations, particularly the Air Pollution Control (Construction Dust) Regulation. During construction and demolition processes, dust generated by various activities could make a significant contribution to local air pollution. High levels of dust, combined with other outdoor air pollutants, can cause respiratory problems to the employees at work and the members of the public. In addition, the Group's projects are usually conducted indoor, noxious odour and volatile organic compound ("**VOC**") are the major molecules emitted or evaporated from the liquid or solid materials (e.g. solvent, paint or other organic materials) that are used for construction related works; thus, the indoor air quality is being affected and so is the health of the employees working there.

With the Group's environmental management policy, the project manager is responsible for the effective administration and observation of preventive measures used to minimize the adverse effect caused by indoor air pollutants in project locations. Measures including the assurance of adequate indoor ventilation, provision of personal protection equipment ("**PPE**") to employees, and adoption of pollution mitigation procedures to control dust and potential VOC source are adopted.

Another major source of air emission was generated by the use of motor vehicles for employee commuting and transportation of goods. Motor vehicles emit a considerable amount of pollutants into the environment. The following table highlights the estimated air emission of the Group.

Types of Pollutants	Emission Data (kg)		
Nitrogen Oxides (NO <sub>x</sub> )	6.33		
Sulphur Dioxide (SO <sub>2</sub> )	0.22		
Particulate Matter	0.47		

#### 2.4. Waste Reduction

The environmental impact from the waste generated by construction and demolition is the most significant and critical emissions throughout the Group's operations. The overall impact not only relates to the amount of waste generated, but also relates to the impact or nuisance created from the working process. Waste including packaging materials, flooring (vinyl or wood), drywall such as wall board, gypsum or plastic board, concrete waste, carpeting materials is difficult to be recycled as they are generally collected together without source separation and ended up being disposed of at landfill. However, the Group would seek for more sustainable waste management plan to control, record, and monitor the overall waste generation and disposal.

During the reporting period, there were over 498.90 tonnes (2018: 532.16 tonnes) of waste being transferred to government waste disposal facilities. The following table summarised the amount and destination of the waste.

Government waste	Types of construction waste	Weight (in tonnes)		Variance
disposal facilities		2019	2018	
Public fill reception facilities	Consisting entirely of inert construction waste <sup>+</sup>	61.50	29.22	110.47%
Sorting facilities	Containing more than 50% by weight of inert construction waste *	135.40	196.14	-30.97%
Landfills	Containing not more than 50% by weight of inert construction waste +	302.00	306.80	-1.56%

Annual Total 498.90

532.16

-6.25%

Inert construction waste refers to rock, rubble, boulder, earth, soil, sand, concrete, asphalt, brick, tile, masonry or used bentonite

Paper waste and its related stationery were the only non-hazardous waste generated from office administration. It was recorded that approximately 1,503.21 kg of paper (2018: 962.99 kg) was used. Paper waste was collected by the property management for recycling and disposal. The Group has been using digital technology and recycling printed papers for reuse to reduce paper waste.

#### 2.5. Resources Conservation

The Group has advocated various energy resources conservation measures including the deployment of energysaving lightings, switching off idle lightings, computers and electrical appliances and equipment, monitoring water consumption, using of digital technology and recycled paper in the office.

#### **Fossil Fuel Consumption – Gasoline**

The air emission of motor vehicles may affect the people and neighbouring communities through its environmental impact. Approximately 14,707.62 litres of gasoline (2018: 7,632.00 litres) was used during the reporting period. The Group conducted regular maintenance on vehicles to ensure optimal performance and enhance energy use.

#### **Energy Consumption – Electricity**

The total electricity consumed was 68,022.00 Kilowatt-hour ("**kWh**") (2018: 74,517.00 kWh), and the energy intensity was 150.69 kWh/m<sup>2</sup> (2018: 266.65 kWh/m<sup>2</sup>)

#### Water Consumption

There was no issue in sourcing water that is fit for purpose. The total freshwater consumption was 227 cubic meters ("**m**<sup>3</sup>") (2018: 141.00 **m**<sup>3</sup>), and the water intensity was 0.503 m3/m2 (2018: 0.504 m3/m2). The Group is conscientious in water conservation as it is one of the most precious natural resources on earth.

### 3. EMPLOYMENT AND LABOUR PRACTICES

#### 3.1. Employment Policies and Compliance

The Group complies with all relevant laws and regulations related to its business including employment, health and safety, labour practice and workplace conditions. As at 31 March 2019, the total workforce of the Group was 64 (2018: 39), the employee composition is listed in the following table. The Group's employee handbook is designed to communicate important regulations and rules surrounding employment and labour standard, remuneration and welfare, leaves and holidays, training and development, and health and safety. It is an essential tool to define the expectations of the management, and to protect employees from unfair or inconsistent treatment and discrimination.

Human resources are one of the most important assets as they play a vital role in providing quality service experience to customers. Thus, a comfortable staff lounge is designed and provided at the Group's headquarters to encourage communication, innovation, continuous learning and to foster employee engagement.

The Group provides equal opportunities to employees in respect of recruitment, training and development, job advancement, and remuneration and benefits. Employees' remuneration is structured to encourage a sustainable workforce and to attract, retain and recognize employees. The objective of the Group's human resource management is to reward and recognise performing employees by reviewing their salaries and wages through the performance appraisal system based on employees' performance, experience and qualifications. Performance appraisal is conducted annually, and employees' remuneration is designed to attract, retain, and incentivise employees for maintaining a fair, productive and sustainable workforce.

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During the reporting period, there was no incidence of work stoppages, litigation, claims, administrative action or arbitration relating to labour disputes against the Group.

Employee Structure		2019
Total number of employees		64
By gender		
	Male	71.9%
	Female	28.1%
By age		
	18-25	15.6%
	26-35	23.5%
	36-45	40.6%
	46-55	17.2%
	56 or above	3.1%

#### 3.2. Occupational Health and Safety Policies and Compliance

The Group emphasizes the importance of employee well-being and strives to provide a safe and healthy working environment for them. Regular reviews and audits are performed in accordance with statutory and industrial requirements. Through adopting various occupational health and safety approaches such as trainings, briefings and notices, safety awareness and practices are promoted and enhanced among employees. Employees working on-site are provided with personal protective equipment such as helmets, eye and ear protectors, gloves and face masks for personal protection. During the reporting period, the Group did not violate any related occupational health and safety ordinance.

Occupational Health and Safety Data	2019	2018
Number of Work-related Fatalities	0	0
Work injury cases with leave of absence >3 days	1	0
Work injury cases with leave of absence <3 days	0	0
Lost days due to work injury	4	0
Work Injury rate	15.63	0

#### 3.3. Employee Development and Training Policies

The Group understands that the knowledge, experience and skills of employees are important and critical to its continued success and growth. To encourage and assist employees in developing their potential, external professional training is sponsored to support employees to further develop themselves and progress on their career paths. To support employees' long-term development, the Group provides employees with different learning opportunities to participate in personal and professional training to cope with emerging technologies in the business environment. The Group also provides on-job training to assist and support employees to improve their productivity and expertise. The Group also encourages the culture of sharing of knowledge and experience.

#### 3.4. Labour Practices and Compliance

The Group complies with the applicable laws and regulations on employment, child and forced labour practices. Recruitment of employees is strictly abided by the hiring guidelines so that suitable talents are recruited in accordance to job requirement, relevant laws, and candidates' expectation for a fair, positive and happy workforce. During the Reporting Period, the Group was not aware of any material non-compliance with related labour practice laws and regulations in Hong Kong that would have a significant impact on the Group.

### 4. SUPPLY CHAIN MANAGEMENT

The quality and safety of the final project works are one of the top priorities of the Group. To ensure product safety and service quality, various suppliers of products and materials as well as subcontractors are engaged for goods and services. To make sure goods and services are procured in an honest, competitive, fair, and transparent manner that delivers the highest cost performance, suppliers and subcontractors are selected based upon rational and clear criteria. There are over 500 suppliers (including materials suppliers and subcontractors) on the approved suppliers' list as renovation projects involve a wide range of supplies and products to cope with customers' specifications. The Group's procurement and project management team would regularly review the list and provide updates to its employees. The team also monitors, audits and manages processes regarding materials selection, quality management system, and work performance to ensure its supply chain is effective and efficient that guarantees the quality and standard of its projects.

### 5. PRODUCT RESPONSIBILITY AND QUALITY ASSURANCE PROCESS

The Group is committed to providing innovative and high-quality work to customers. During the reporting period, the Group has completed a total of 75 fitting-out projects and 113 renovation, alterations and additions projects, of which 33 were in the residential sector and 155 in commercial and industrial sector. By partnering with suppliers and subcontractors to ensure product quality and service stability, the Group periodically monitors the overall performance of suppliers and subcontractors by conducting on-site audit with documented report for continuous improvement and on-going cooperation.

The procurement and project management team evaluates, oversees and manages the quality of work performed by the Group's employees and subcontractors in terms of their regulatory requirement compliance, quality management system, time management, work standard, quality performance and workmanship, safety standard and performance, proper equipment usage and maintenance to ensure projects are completed timely with the required standard. During the reporting period, there was no significant complaint in service quality and delivery.

#### 5.1. Protecting Intellectual Property Rights

The Group registered its company logos and domain names as they are important to its brand and corporate image. The Group complies with the intellectual property ("**IP**") rights regulations. During the reporting period, there was no material infringement of the IP rights and the Group is confident that all reasonable measures have been taken to prevent any infringement of its own IP rights and the IP rights of third parties.

#### 5.2. Consumer Data Protection and Privacy Policies

The Group complies with the Personal Data (Privacy) Ordinance (Cap 486 of the Laws of Hong Kong), all personal data collected from the stakeholders are kept confidential. The Group's computers and servers are protected by highly encrypted access passwords. As stipulated in the Group's employee handbook on confidentiality, employees are obliged to ensure the safekeeping of all personal data and business information they have accessed to or collected from customers, suppliers and business partners.

### 6. ANTICORRUPTION POLICIES AND COMPLIANCE

The Group is committed to conducting business with the highest level of ethical standard and conduct. Directors and employees are required to observe the Group's code of conduct to ensure business activities are effectively conducted with integrity and fairness. To formalise the commitments, employees are required to read and understand the Group's rules and regulations and code of conduct. Fraudulent activities including the action to request, obtain, or provide an advantage or to avoid an obligation when dealing with the Group's business are strictly forbidden. The Group conducts periodic and systematic risk assessment and communicates related anti-fraud policy and procedures to its employees on a regular basis.

#### 6.1. Conflict of Interest

The Group requires its directors and employees to avoid the conflict between personal or financial interest and their official duties to act in the best interest of the Group. A situation in which directors or employees exercise authority, influence decisions and actions or gain access to valuable information when dealing with third parties with his profession to achieve financial and personal gain is strictly prohibited. Directors and employees are required to declare potential conflict of interest by completing the disclosure form on an annual basis.

#### 6.2. Preventive Measures and Whistle-blowing Procedures

The Group encourages whistleblowing whereas an employee or a third party could report any concern about suspected misconduct, malpractice or irregularity, and conflict of interest to the senior management in strict confidence. During the reporting period, communications were made to ensure employees understand the Group's ethical standard and there have been no non-compliance incidents related to bribery, extortion and fraudulent case reported against the Group.

### 7. COMMUNITY INVESTMENT

#### 7.1. Charity Donation and Community Care

The Group believes in giving back to the local community by making various monetary donations to various charities and non-profit organisations, including UNICEF, the Hong Kong Federation of Youth Group and the Yuen Long Town Hall Management Committee. The Group also provided non-monetary support to the community through various means, such as participated in the UNICEF Charity Run 2018, and the events organised by the Yuen Long Town Hall Management Committee that provides dynamic supportive services to the elderly and the youth living in the proximity. On the other hand, the Group continues to strive its best to conduct business in a manner to minimise potential impact rendered to the community and performs its works in an environmentally friendly and sustainable way.