

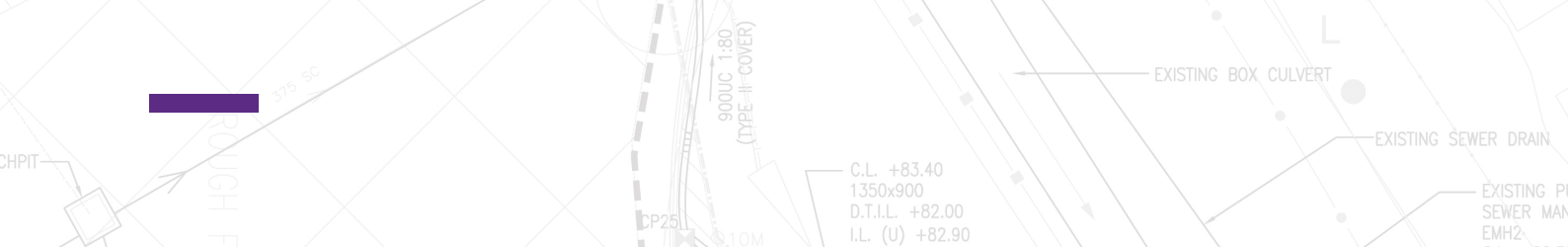


Affluent Foundation Holdings Limited 俊裕地基集團有限公司

(incorporated in the Cayman Islands with limited liability)

Stock Code : 1757

2018-19 ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT



INTRODUCTION

Affluent Foundation Holdings Limited (the “Company” or, together with its subsidiaries, the “Group”) is pleased to present our annual Environmental, Social and Governance (the “ESG”) report for the year ended 31 March 2019 (the “Reporting Period”).

Basis of Preparation

The ESG report is prepared based on the Environmental, Social and Governance Reporting Guide in Appendix 27 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited with related topics and data reported according to their importance with the principals of quantification, balance and consistency.

Scope and Reporting Period

The operating subsidiary of the Group was founded in 1996. Collectively, the Group has extensive experience in the construction industry. It focuses on providing high standard of works and satisfying services to its clients and establishing long-term relationships with them.

The Group is dedicated to protecting the environment as demonstrated by the eco-friendly initiatives below. It also cares for its employees and extends this care to the Hong Kong society with its charity policy.

The ESG report covers the Group’s major operations in Hong Kong, being the provision of services in relation to foundation works in Hong Kong, and which is the key area of focus for our ESG management.

Information, data and content extracted in the ESG report have taken into account the documentation, statistics as well as other information available in relation to the Group. Details of our ESG strategies, policies and measures in different aspects are stipulated below.



INTRODUCTION (Continued)

Stakeholder Engagement

To achieve sustainable development, the Group maintains close relationships and continuously communicate with its stakeholders. The communications enable the Group to accurately assess the potential impacts of its business activities in terms of ESG. The table below highlights the Group's key stakeholders as well as the Group's methods in engaging them:

Stakeholder Groups	Specific Stakeholders	Methods of Communication
Investors	Shareholders	Corporate website Annual financial report
Employees	Senior management Employees Potential recruits	Training, seminars Face-to-face meetings Independent focus groups and interviews
Customers	Real estate developers Main contractors	Face-to-face meetings Interviews
Suppliers/Contractors	Material suppliers Contractors	Supplier assessments Daily work reviews Site inspection/meeting with contractors
Government	Government Regulatory authorities	Written or electronic correspondences



I. ENVIRONMENTAL (Continued)

Greenhouse Gas (GHG) Emissions

The Group is committed to maintaining the quality of the environment, using clean energy, reducing pollution and waste during operation to reduce and even eliminate the adverse impact on the environment from operating activities and emissions. Over the years, the Group has been committed to environmental protection and has adopted a number of measures and monitoring methods to mitigate emissions and ensure that its responsibility for environmental protection has been fulfilled. In accordance with the Air Pollution Control Ordinance (Cap.311) laid down by the Environmental Protection Department, all of the Group's machinery uses fuel with sulphur content not exceeding 0.005% during industrial processes.

During the Reporting Period, the Group did not use any liquefied petroleum gas or gas and had produced nil hazardous wastes from its operations. Therefore, it has no relevant GHG emissions to report.

The construction wastes of the Group mainly comprised of non-hazardous wastes including soil and sand.

The following presents the Group's GHG emissions for the Reporting Period:

GHG emissions from use of vehicles:

Aspects 1.1	Unit	2019	2018
Nitrogen oxides	gram	792,777.51	833,100.35
Sulphur oxides	gram	770.18	1,001.92
Respiratory suspended particles	gram	60,715.89	63,084.63

GHG emissions from mobile combustion sources:

Aspects 1.2	Unit: kg (CO ₂ equivalent)	2019	2018
Scope 1			
Carbon dioxide	kg	124,550.9	162,139.41
Methane	kg	145.28	172.61
Nitrous oxide	kg	7,408.14	8,340.20

Indirect GHG emission resulting from the generation of purchased electricity and water processing:

Aspects 1.2	Unit	2019	2018
Scope 2			
Indirect GHG Emissions	kg (CO ₂ equivalent)	29,284.86	13,955.56
Indirect GHG Emissions intensity	kg (CO ₂ equivalent)/office	29,284.86	13,955.56



I. ENVIRONMENTAL (Continued)

Greenhouse Gas (GHG) Emissions (Continued)

Non-hazardous wastes produced:

Aspects 1.4	Unit	2019	2018
Non-hazardous waste disposal	Tonnes	494,460	277,940
Non-hazardous waste intensity	Tonnes/construction project	44,950.90	9,584.14

Due to the business nature of our Group, certain construction waste is generated in our construction process. The construction waste is disposed of at landfills or sold for recycling purposes. Our Group always tries our best endeavor to recycle practicable construction material in our design and construction process.

In summary, to the best of our Directors' knowledge, there was no material non-compliance with the applicable local rules and regulations relating to air emissions, GHG emissions, water and land discharges, and generation of hazardous and non-hazardous wastes in all material aspects during the Reporting Period.

Use of Resources

The Group has implemented a series of measures to enhance the awareness of environmental protection among employees with the aim to save energy, fully utilise resources and recycle wastes in the Group's operations.

The Group encourages employees to use recycled papers for printing and other operational use, and to reconsider the necessity of printing copies of electronic files during work. At its office, the Group has adopted LED lightings and would require employees to turn off the lights whenever vacating the office area.

Most of the electrical appliances at the Group's office are energy efficient. When using air conditioning, employees are advised to set the temperature at an eco-friendly level of 25.5 degrees Celsius.

As the Group's operations are based in Hong Kong, we believe that there is no material issue in sourcing water that is fit for purpose.

The following presents the Group's direct energy and water consumption for the Reporting Period:

Direct energy consumption in total and intensity

Aspects 2.1	Unit	2019	2018
Electricity usage	kWh	46,278	21,964
Electricity usage intensity	kWh/office	46,278	21,964

Water consumption in total and intensity

Aspects 2.2	Unit	2019	2018
Water consumption	cubic metre	226	206
Water consumption intensity	cubic metre/office	226	206



II. SOCIAL

Employment and Labour Standards

Our employees are our invaluable assets. The HR policies of the Group are in line with the employment laws in Hong Kong. The policies cover the Group's standard in respect of compensation and dismissal, recruitment and promotion, working hours, rest periods and other benefits and welfare. Directors and senior management would participate in formulating remuneration packages for the entire employees which would correspond to their positions, job nature, qualifications and experiences. Remunerations are subject to annual review and would be adjusted appropriately based on performance appraisals. Internal promotions would be prioritized over external recruitment whenever there are development opportunities within the Group.

The Group fully complies with laws and regulations prohibiting unfair discrimination, including the Sex Discrimination Ordinance (Cap.480), the Race Discrimination Ordinance (Cap.602) and the Disability Discrimination Ordinance (Cap.487). As an equal opportunity employer, the Group treats all employees on an equal footing in matters related to recruitment, promotion, appraisals, discipline, remuneration and benefits. An employee's age, gender, family status, sexual orientation, physical disability, ethnicity and religion would not affect his or her career with us.

To prevent any hiring of child labour or illegal labour, the Group's human resources department is instructed to pay particular attention to such illegal practices and follow the Group's standardized recruitment procedures. The interviewer is responsible to check the personnel identification documents of the job applicant to ensure the applicant is over the legally authorised working age. For foreign workers, the interviewer would check if the applicant holds an eligible working visa to work in Hong Kong.

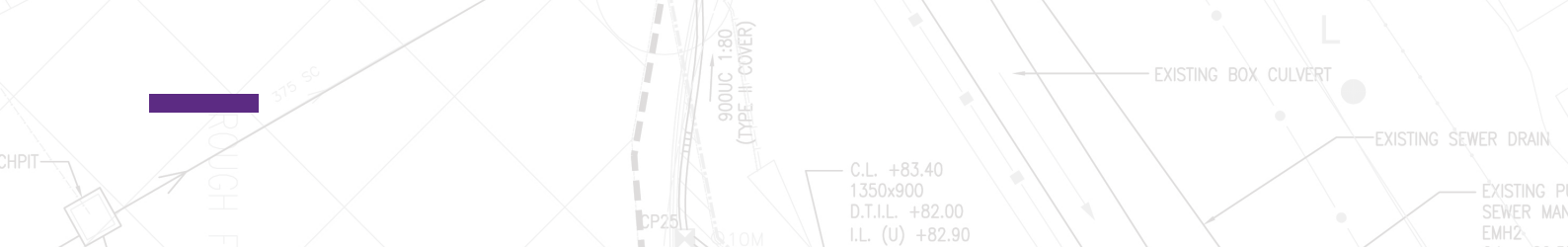
To prevent forced labour practices, sufficient rest days are given to employees according to the Employment Ordinance (Cap.57). The Group would not force any employees to work overtime against their will.

To the best knowledge of our Directors, during the Reporting Period, the Group did not identify any material breaches of relevant laws and regulations relating to prevent in child and forced labour.

The Group maintains high standards of business ethics and require its employees and subcontractors to abide by the Group's code of conduct.

During the Reporting Period, to the best of the Group's knowledge, there were no non-compliance cases regarding violation of any employment related laws and regulations, including, but not limited to:

- Employment Ordinance (Chapter 57 of the Laws of Hong Kong);
- Mandatory Provident Fund Schemes Ordinance (Chapter 485 of the Laws of Hong Kong); and
- Minimum Wage Ordinance (Chapter 608 of the Laws of Hong Kong).



II. SOCIAL (Continued)

Protecting employee's health and safety

The Group is committed to providing both its employees and subcontractors with a safe and healthy working environment.

For each construction project, sufficient risk assessments and a safety plan would be conducted to ensure the safety of personnel working at the project site.

Specifically, the following safety measures are adopted:

- establishing the induction scheme which new construction workers will have an induction safety training provided by the main contractor or the Group within the first day in the respective construction site to equip with adequate knowledge with regards to safety and their work and/or relevant risk and hazard on work site;
- establishing a training scheme for construction workers without any experience working in a construction site within the first day in respect of the construction site safety, risks and hazards as well as knowledge with respect to the construction site and the Group's working relationship with the main contractor;
- providing sponsorship for employees to attend seminars and training sessions with respect to safety and skills development;
- arranging talks with construction workers after the occurrence of industrial accidents which workers are allowed to express their opinion in relation to the safety topics in the respective tool box talks;
- promoting workers' safety awareness in manual lifting; against fall from height and falling object; and to prevent "slip and trip" and improving on site cleanliness and tidiness; and
- setting up a drill program with the execution of emergency drill from time to time to maintain workers' safety awareness.

Although the Group has implemented a safety plan to mitigate safety risks, the occurrence of accidents at construction sites cannot be completely eliminated due to the work nature in the construction industry. During the Reporting Period, there were no fatal cases recorded and 3 injury cases were reported. The fatality rate and injury rate for every 100 employees were 0 and 1.1, respectively while it was noted that there were 1,800 working days lost due to injury cases.

The Group was not aware of any material non-compliance with the health and safety related laws and regulations during the Reporting Period.

Training and Development

To allow employees to excel at their career, while at the same time to ensure their safety at work, the Group provides them with adequate support and on-site training.

The Group arranges training workshops or courses for its employees in relation to the skills and techniques required for carrying out the Group's construction services, as well as knowledge on occupational health and safety, which are to be conducted either through internal training or by external parties such as other training authorities through sponsorship of admission fees.

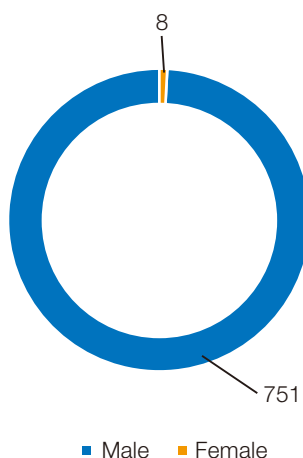


II. SOCIAL (Continued)

Training and Development (Continued)

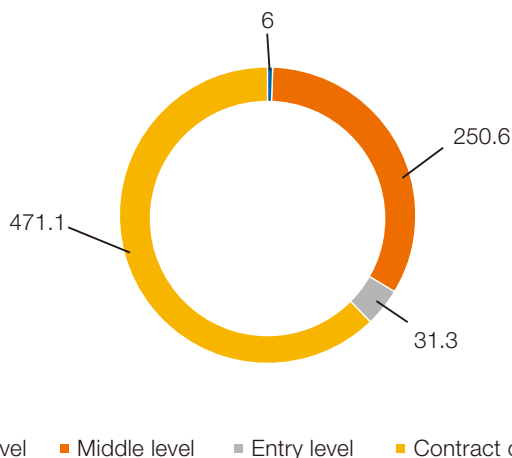
In particular, the Group ensures sufficient safety training would be provided to employees. Total hours for safety training organised for employees during the Reporting Period were approximately 759 hours. The following presents the statistics over hours of safety training attended by employees based on gender and employment categories:

Breakdown of training hours by gender

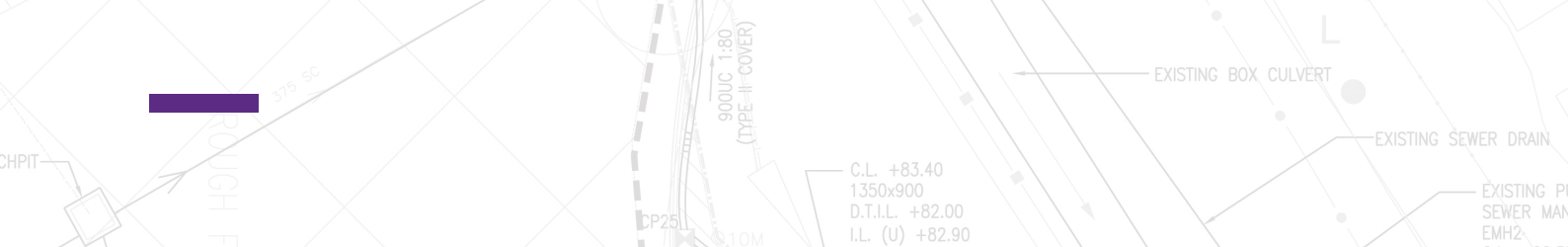


As at 31 March 2019, the Group employed 127 employees, of which 117 were male and 10 were female. On average, each male and female employee attended approximately 6 hours of safety training and 1 hour of safety training, respectively.

Breakdown of training hours by employment category



Classifying by employment categories, namely "Senior level", "Middle level", "Entry level" and "Contract or short-term", numbers of employees for each category were 6, 23, 15 and 83, and average training hours attended were approximately 1.00, 10.90, 2.09 and 5.68, both respectively.



II. SOCIAL (Continued)

Supply Chain Management

To support the Group's commitment to delivering the best services to customers and adding value to the Group's stakeholders in terms of ESG, the Group's operation department practices thorough supply chain management.

Specifically, approved lists of suppliers and subcontractors are maintained.

The Group's suppliers are selected based on the following factors:

- Environmental compliance of products supplied;
- Quality of materials; and
- Any background issues concerning potential conflict of interests in supplying goods to the Group.

The Group would only purchase from approved suppliers to ensure quality of its purchases. Further, with reference to the quality requirement of its construction projects, the responsible project team or the directors would communicate with suppliers the quality requirements. At reception of goods at project sites, the foremen would be responsible to inspect the delivered goods to ensure they conform with the quality requirement.

For subcontractors, the following factors would be considered:

- Past safety records;
- Quality of works delivered to customers;
- Environmental compliance;
- Complaint records by customers;
- Labour practices, in particular the hiring of illegal labour; and
- Any background issues concerning potential conflict of interests in providing services to the Group.

Regular inspection on the quality and progress delivered by subcontractors would be performed by the responsible project team. The Group has made it clear to subcontractors that it is a must to comply with related laws and regulations when handling safety and employment matters at construction sites.

Service pledge to customers

The cornerstone to the Group's success has been the trust built between itself and its customers. Accordingly, customer communication channels have been set up, including office hotline and construction site representatives, for handling customers enquiries and complaints. The Group pledges to resolve any enquiries and complaints to the satisfaction of its customers and deliver the best construction services available.

During the Reporting Period, legal liabilities arising from defective construction works, disputes with customers, or customer data protection issues were not noted.



II. SOCIAL (Continued)

Anti-Corruption

Over the years, the Group witnessed nil suspected or actual bribery, extortion, fraud and money laundering activities occurring within the Group. The Group stands firmly by its anti-corruption policies and procurement practices as stated in its internal manuals. Acceptance of kickbacks, commissions or any forms of benefits are strictly prohibited during any procurement, contract negotiations or other business dealings.

The manuals also outline guidance over conflicts of interest, intellectual property rights, privacy and information confidentiality, bribery and corruption, and equal opportunities.

There is also a gift policy in the Group's internal manuals which clearly states the required process and procedure for handling and accepting gifts and advantages.

To the best knowledge of our Directors, we did not identify any material breaches in relevant laws and regulations relating to bribery, extortion, fraud and money laundering during the Reporting Period.

Community Involvement

Donation to The Community Chest of Hong Kong

The Group has always been encouraging its employees to participate in charitable activities to the community and thus the Group is willing to allow its employees to join various charity events whenever possible.

The Group is also delighted to have donated to The Community Chest of Hong Kong during the Reporting Period. The non-profit organisation prides itself in raising funds on behalf of over 160 local member agencies in six major areas of services: children & youth, elderly, family & child welfare, medical & health, rehabilitation & aftercare, and community development. To contribute to the organisation's effort, the Group donated 1 million HKD to it during the Reporting Period.