



**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 : 8415*

**Environmental, Social and Governance Report 2017**

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

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# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

## 1. ABOUT THIS REPORT

In this very first Environmental, Social and Governance (ESG) Report, LKS Holding Group Limited (together with its subsidiaries, the “Group” or “LKS”) will demonstrate the efforts it put into achieving the performance in the two ESG subject areas, namely, Environment and Social for the sustainable development of the Group’s business operations in Hong Kong for the reporting period from 1st April 2016 to 31st March 2017 unless otherwise stated.

## 2. VISION AND MISSION ON ENVIRONMENT, SOCIAL AND GOVERNANCE

With a colourful portfolio of interior fitting-out and renovation services experience for residential, industrial and commercial properties, LKS’s vision is to provide comprehensive yet flexible and project base service to customer who prefers the one-stop shop idea with the short-term project flexibility rather than long-term contracts. In turn, the Group’s business development is sustainable and profitable that provides healthy and long-term returns to both investors and shareholders.

Being an active business operator in the construction industry, LKS’s mission is to expand its portfolio by developing its business with a green and sustainable mindset to attract more sizeable projects from well-known customers. By incorporating environmental conscious thinking into the decision-making processes that evolve around daily operations, it would result in the improvement of the Group’s environmental protection performance in resources consumption, materials and waste recycling and reduction, energy saving, pollution prevention, and lower carbon emission to benefit the Group and the community in the long term.

The Group also focuses on minimizing the impact of its operations to the environment by implementing various green measures, including responsible use of resources, energy saving program, waste management and pollution prevention, and carbon emissions reduction so as to reduce its environmental impact to the Hong Kong community.

## 3. STAKEHOLDERS’ ENGAGEMENT

Long-term and stable relationship with stakeholders is important in understanding their views and expectation, as well as communicating to them regarding the Group’s business development plan and strategies. By conducting regular meetings and communication events, the Group can obtain information, ideas, and comments which are valuable in the course of its future development. The following chart highlights the channels of the Group’s stakeholders’ engagement exercises.

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## Community

- Media coverage and press releases
- Corporate website

## Customers

- Service Contracts
- Customer service hotline
- Comments and complaint channels
- Corporate website

## Employees

- Trainings and briefings
- Company sponsored informal gathering
- Performance appraisals

## Investors and Shareholders

- Annual general meeting and notices
- Annual reports, financial statements and announcements
- Investors briefings

## Subcontractors/Suppliers

- Service contracts
- Site inspection
- Suppliers guidelines

## 4. ENVIRONMENTAL PERFORMANCE

### 4.1. Industry Segment

LKS's principal operating subsidiary is one of the leading construction companies focusing on integrated building and engineering solutions with interior fitting-out works, renovation works, and alternation and addition (A&A) works in its service portfolio. The Group is registered as a Registered General Building Contractor under the Building Authority since 2006 and is approved to carry out construction works under the Building Ordinance. The Group has completed a total of 74 fitting-out and renovation projects and 132 A&A projects during the reporting period, of which 51 were in the residential sector and 155 were in the commercial and industrial sector. With the growing awareness of environmental protection in the community, the Group has been implementing policies in improving the environmental awareness of its employees and the environmental performance of the Group.

LKS is in compliance with the following environmental related laws and regulations of Hong Kong and has obtained various international certifications to signify its environmental commitment in the development of its business in a sustainable manner.

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## International Certifications

ISO9001

ISO14001

OHSAS18001

## Environmental related Laws and Regulations

Waste Disposal Ordinance (Chapter 354 of the Laws of Hong Kong)

Waste Disposal (Charges for Disposal of Construction Waste) Regulation (Chapter 354N of the Laws of Hong Kong)

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

The Group's environmental management system has been awarded with the ISO 14001:2004 accreditation in 2012, reflecting the Group's commitment in preventing pollution, meeting applicable legal and environmental requirement, and continuously enhancing its environmental management system in order to achieve improvement in its overall environmental performance.

On the other hand, in respond to the growing demand on green building certification in the construction industry, the Group will continue to raise the bar for its environmental management policy to cope with the green building features and the requirement of using energy efficient technologies and products in the green building schemes such as LEED and BEAM. Together with its employees and staffs from its subcontractors and suppliers, the Group's emission and waste generation will be strictly controlled and monitored in an environmental conscious manner.

## 4.2. Emissions and Waste Generations

To provide meaningful information for this ESG report, the Group is systematically collecting its carbon footprint data for disclosure. The 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<sub>2</sub>) emission.

Comprising the Group's headquarter office and active projects for the reporting period, the Group's operations in Hong Kong covered a total floor area of 156.63 m<sup>2</sup> and accounted for 100% of the Group's emissions.

### 4.2.1. Greenhouse Gas Emission

There were 90.57 tonnes of carbon dioxide equivalent (tCO<sub>2</sub>-eq) GHG (mainly carbon dioxide, methane and nitrous oxide) emitted from the Group's operation during the reporting period. With the total operation area of 156.63 m<sup>2</sup>, the total emission intensity due to energy usage was 0.578 tCO<sub>2</sub>-eq/m<sup>2</sup>.

Over 93% of the Group's GHG emission was generated by the use of electricity originated from electrical appliances including lightings, air conditioning, and office and construction use equipment in the office and construction projects locations. Another source of GHG emission was from the disposal of paper waste that contributed to 5.57 tCO<sub>2</sub>-eq.

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Scope	Greenhouse gas emissions	Emission sources	Emission (in tCO <sub>2</sub> -eq)	Distribution
1	Direct Emission	Nil	0	0%
2	Indirect Emission	Consumption of Purchased Electricity (108,455.36 kWh)	84.60	93.41%
3	Other Indirect Emission	Disposal of Paper Waste (1160.76 kg)	5.57	
		Water Usage and Sewage Treatment (673 m <sup>3</sup> )	0.40	6.59%
		<b>Total</b>	<b>90.57</b>	<b>100.00%</b>

During the reporting period, the GHG emissions generated by electricity and water usage in some of the project locations were not collected since it is a common practice for the property owners to handle the electricity and water bills within the project period. However, as the corresponding electricity and water usage also reflect the Group's carbon footprint, LKS is planning on collecting more information in its future projects to enhance its carbon footprint disclosure.

Besides, the Group is planning to devise a plan in the collection of GHGs data from other possible emission sources as stated below:

- emission from the transportation of material/waste by vehicles;
- emission from the biogenic waste being disposed at landfill;
- emission from the disposal of refrigerants from air conditioners or refrigerators during operation.

## 4.2.2. Air and Water 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 projects of the Group are usually conducted indoor, noxious odour and volatile organic compound (VOC) are the major molecules that emitted or evaporated from the liquid or solid materials (e.g. solvent, paint or other organic materials) used for construction related works that would affect the indoor air quality (IAQ) and also the health of the employees working indoors.

With the implementation of the Group's environmental management policy, the corresponding project management employees on project site are responsible for the effective administration and observation of preventive measures used to minimize the adverse effect caused by indoor air pollutants. 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 administered.

Furthermore, green building concept has been adopted by the Group, two common green building certification schemes, LEED and BEAM were registered in some projects completed by the Group during the reporting period. As a result, the relevant air emission and IAQ requirement have become part of the project plans which needed more environmental protection consideration in the design, building, renovation, and operation phases of the projects.

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## 4.2.3. Solid and Chemical Waste from Construction and Demolition

The environmental impact from the waste generated by the construction and demolition processes is the most significant and critical emission throughout the Group's operations. The overall impact not only relates to the total amount of waste generated, but also relates to the impacts or nuisance created from the working process. Under the Waste Disposal Ordinance, LKS is considered a construction waste generator who is subjected to the Construction Waste Disposal Charging Scheme that was enacted in 2005, construction related waste generated from operations is required to be transferred to the landfill and is charged by weight. It was recorded that a total of 965.37 tonnes of solid waste were generated and disposed of at landfill.

There were numerous types of materials being used in the Group's projects including but not limited to lighting, furniture, finishes, electrical equipment, metal-ware, windows, kitchenware, timber products, tiles, wallpaper, carpet, paints and glass. LKS will consider to building a material inventory list with respect to different projects which not only helps to better manage the use of resources, but also helps to reduce the amount of waste generation.

The types of waste included packaging materials, flooring (vinyl or wood), drywall such as wall board, gypsum or plastic board, concrete waste, carpeting materials. There is currently no specific ready-made recycling process for the above solid waste because they are collected in a single stream without separation at source so they are eventually disposed of at landfill. However, the Group is planning to adopt a more sustainable waste management plan including environmental monitoring and auditing to record, control and monitor total waste generation and disposal with the following aspects:

- Waste elimination at project design stage leading to better and greener material selection;
- Waste minimization at project locations resulting from better sorting and recycling process;
- Waste reuse/recycle during operation;
- Use of recyclable materials.

## 4.2.4. Non-hazardous Waste

Non-hazardous wastes produced by the Group's operations mainly consisted of used paper (e.g. office papers, posters, marketing materials), and packaging materials (e.g. carton boxes).

The record showed that 1160.76 kg of papers were used for office operations and marketing purposes during the reporting period; while the carton boxes were neatly separated, they were collected by the building's cleaning management for recycling purposes.

## 4.3. Use of Natural Resources

Electricity consumption is identified as a significant impact on the environment and natural resources. The total electricity consumption by the Group was 108,455.36 Kilowatt-hour (kWh), with the total operation area of 156.63 m<sup>2</sup>, the energy intensity was 692.43 kWh/m<sup>2</sup>.

The total fresh water consumption was 673 cubic meters (m<sup>3</sup>) during the reporting period, but it could not represent the actual water use as the water usage was included in the management fee of the headquarter office, and the water usage data in some project locations was not provided by the projects' property owners. Being an environmentally responsible corporation, the Group is conscientious in the conservation of water as it is one of the most precious natural resources on earth.

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## 5. SOCIAL ASPECTS PERFORMANCE

### 5.1. Employment

As at 31st March 2017, the total number of employees employed by the Group was 32. To attract, retain and motivate employees, the Group has formulated a competitive remuneration and benefit package to encourage a stable labour force. Apart from the basic package, for instance, severance payment, mandatory provident fund, employment compensation insurance, medical insurance, annual leave, sick leave, additional compensation and benefits such as annual bonus, education sponsorship, wedding leave, compassionate leave, overtime compensation, travelling allowances and staff canteen are provided to the employees.

The Group has devised an employee handbook for its employees to understand important information such as company policies and procedures and remuneration and benefits. It also communicates important laws and work ethics surrounding employment, and occupational health and safety guidelines. It is an essential tool in helping to define the expectations of both the management and the employees, and also to protect them from unfair and/or inconsistent treatment and discrimination.

The employees employed under the construction worker job title are protected under the Construction Workers Registration Ordinance (Chapter 583 of the Laws of Hong Kong). In other words, the Group only employs registered construction workers for its projects. The Group also demands its subcontractors to comply with the related laws to protect the interest of Hong Kong's workers.

Employees' remuneration is commensurate with their job responsibilities, qualifications and experience. Salaries and wages are normally reviewed annually based on performance appraisals and market surveys. The Group encourages internal promotion, job opportunities are offered to existing staffs and selection is based on performance, experience and skills.

### 5.2. Employee Health and Safety

The safety and health protection of employees in the construction industry is of ultimate importance and priority to the Group, thus, various occupational health and safety measures are adopted in maintaining the well-being of employees. Guidelines on health and safety procedure are developed to maintain a healthy and safe working environment for employees.

The Group's management is committed to the overall safety and hygiene performance of employees to ensure work safety. As stipulated in the The Construction Sites (Safety) Regulations of the Factories and Industrial Undertakings Ordinance (Chapter 59 of the Laws of Hong Kong), and Occupational Safety and Health Ordinance (Chapter 509 of the Laws of Hong Kong), the Group complies with ensuring the health and safety at work of employees employed for the constructional services. The Group is practising the provision and maintenance of its work systems that they do not endanger safety or health; making arrangements for ensuring safety and health in connection with the use, handling, storage and transport of articles and substances; providing all necessary information, instructions, training and supervision for ensuring safety and health; providing and maintaining safe access to and egress from the workplaces; and providing and maintaining a safe and healthy working environment.

The Group follows the Construction Workers Registration Ordinance to practice the provision of designated workers for designated skills to warrant safe and proper work practice. Furthermore, the Group acts in accordance with the requirement of the Pneumoconiosis Compensation Fund established by the Pneumoconiosis and Mesothelioma (Compensation) Ordinance (Chapter 360 of the Laws of Hong Kong) for the compensation of workers suffering from the disease.

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During the reporting period, the Group has not violated any related safety and health ordinance and provisions.

## Occupational Safety and Health Data

Work related Fatality	0
Work injury cases >3 days	0
Work injury cases <3 days	0
Lost days due to work injury	0
Work injury rate	0

There was no work-related injury occurred during the reporting period but the Group will continue to provide health and safety trainings, safety tips and briefings, and displaying posters in construction projects locations to promote and enhance safety awareness and practice among employees.

### 5.3. Employee Training and Development

The Group understands that human resource is important and critical to its continued success and growth; thus, the management ensures its practice to recruit, identify, train and retain suitable, skilled and qualified employees, including management personnel with the requisite industry expertise. As construction services require precision to the required standard and timely completion to fulfil customer needs, the Group is committed to ensure its employees are registered, experienced, and well-qualified. Newly recruited employees are required to attend Employee Orientation allowing them to understand the Group's company structure and mission, corporate culture, working atmosphere and some ground rules. The Group also encourages employees to further develop themselves by sponsoring external training programs and seminars. For instance, the Construction Industry Safety Training Certificate program is one of the most preferred training programs attended by employees who are responsible for the on-site supervision and inspection works of the Group's projects.

### 5.4. Labour Standards

There is no child, forced, nor illegal labour in the Group's operations as it is in compliance with the Employment Ordinance, Employees' Compensation Ordinance, immigration Ordinance of Hong Kong in terms of employment management. The recruitment process is strictly abided by the guidelines of the Group's Human Resources Department, an employment application document is used to collect personal information from job applicants, and as such the proper and right candidate would be hired in accordance with the job requirement as well as the skill set and expectation of the applicant for a satisfactory, productive and sustainable workforce.

### 5.5. Equal Opportunity

The Group provides equal opportunities for employees in respect of recruitment, training and development, job advancement, and remuneration and benefits. The employees would not be discriminated or deprived of such opportunities on the basis of gender, ethnicity, marital status, religion, disability, pregnancy or any other discrimination prohibited by the laws of Hong Kong. The Group also appreciates cultural diversity in the development of the Group, as the experience, skill set and techniques from different culture can be exchanged and shared for a friendly and harmonious workforce.

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## 5.6. 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 and standard, the Group's supply chain management is to ensure all goods and services are procured in an honest, competitive, fair, and transparent manner that delivers the best value for money results. The Group's project design, materials used and final products are among its top priorities, its procurement and project management team oversees and manages processes from materials selection, quality management system, and the work on project locations. The Group is committed to ensure its supply chain is operating as efficient as possible to ensure the Group's final products are safe and standardized. In other words, to ensure that its materials suppliers maintain the desired quality of production and engage in ethical business practices, transportation vendors deliver goods and products timely with protocols controlled, and employees work safely to ensure the quality of service provision.

### 5.6.1. Group Procurement and Project Management

The Group categorizes material suppliers and subcontractors as its product and service suppliers. The material suppliers primarily supply materials such as lighting, furniture, finishes, electrical equipment, metal ware, windows, kitchenware, timber products, tiles, wallpaper, carpet, paints and glass, while subcontractors provide job related skills technicians and employees for different construction projects and service (interior fitting-out, renovation and A&A works, building works, structural steel works, electrical works and stone works). There are over 500 suppliers (including materials suppliers and subcontractors) on the approved suppliers list. The Procurement and Project Management Team would regularly review the list and provide updates to the Group and its employees.

### 5.6.2. Procurement planning

The procurement of equipment, materials, and services requires a strict tendering process to get the best supplier available for the Group's particular needs. The request for tender is well planned in the annual budgeting process and prepared by responsible departments which abided by the Group's code of conduct.

### 5.6.3. Suppliers Selection and Selection Standards

Suppliers are selected based upon rational and clear criteria, the Procurement and Project Management Team would evaluate, oversee and manage the quality standard of suppliers in terms of their regulatory requirement compliance, labour standard, labour qualification, reputation, quality and workmanship, quality management system, time management standard, price, safety standard and performance, raw materials selection, equipment used, transportation arrangement, timely delivery of materials or services, stable stock control and past cooperation experience. The Group also monitors the overall performance of selected suppliers by conducting on-site audit with documented report to substantiate the selection and on-going cooperation.

## 5.7. Anti-corruption

The Group is committed to conducting all business without undue influence. The Group has regarded integrity and effectiveness as its core value that must be upheld by all directors and employees of the Group at all times. To formalize the commitments, the Group's Code of Conduct clearly stated the requirement expected of all employees, and the Group's policy on various issues when dealing with the Group's business.

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With regards to corruption, theft, fraud and embezzlement, employees are required to promptly report any suspected cases to management through their department manager or the Administration manager. Neither directors nor employees shall commit in any kind of fraudulent activities including the action to request, obtain, or provide an advantage to customers, contractors, suppliers, or people with business relationship with the Group or to avoid an obligation that will cause a loss to other parties. All suspected frauds will be fully investigated by the Audit Committee confidentially. Management will take corrective actions immediately to resolve substantiated frauds. The Group will also conduct periodic and systematic risk assessment and communicate related anti-fraud policy and procedures to employees on a regular basis. During the reporting period, there was no related legal cases concluded against the Group in Hong Kong.

## 5.8. Conflict of Interest

The Code of Conduct stated that all directors, officers, employees and volunteers should avoid the conflict between personal financial interest and the professional official duties in the Group. A situation in which an employee exercises authority, influences decisions and actions or gain access to valuable information over the contractual or transactional activities of the Group's with his/her profession to achieve financial and personal gain is strictly prohibited. The policy also requires employees to review a copy of the policy and acknowledge in writing to substantiate their understanding. Annual declaration of any potential conflict of interest to the Group is required by completing the Basic Conflict of Interest Disclosure Form. The Group encourages whistleblowing whereas an employee or a third party could report suspected conflict of interest conduct or irregularity. During the reporting period, there was no related legal cases concluded against the Group in Hong Kong.

## 5.9. Data Protection

The Group properly manages and protects the data of its employees, customers, subcontractors, suppliers to ensure their privacy and confidentiality. All sales contracts, service contracts, related licenses, employees' personal data are neatly organized and archived. The Group is in compliance with the Personal Data (Privacy) Ordinance in the collection, disclosure, usage, retention, and storage of data to ensure data integrity and safety. Employees are instructed of their responsibility to ensure data is collected, stored and handled properly, and secured appropriately.

## 5.10. Community Investment

Although LKS was not involved in charity or community events during the reporting period, the Group is committed to conducting business in every aspect to minimize any potential environmental impact to its stakeholders such as its employees and the community members. Since construction projects are being conducted in every corner of Hong Kong, LKS will strive to be the role model in its industry sector by continuously considering the community and performing its works in an environmental friendly and sustainable way.

## 6. CONSIDER THE FUTURE OF SUSTAINABLE DEVELOPMENT

There are many challenges ahead of the Group in the sustainable development of its business with the increasing concern over the impacts of construction activity on the environment. The construction industry is under severe pressure in order to adopt environmentally friendly approaches and environmental responsibility is getting favouritism to win in the industry's fierce competition. In view of the situation, the Group will continue to leverage on its compliance and executive experience from the various colourful projects in their portfolio to explore the possibility on procuring better and greener selection of material at the project design stage, changing common practice at the operation stage and promoting green building concept in its overall marketing and business development strategy.

## 7. STAKEHOLDERS' FEEDBACK

Stakeholders' comments and feedbacks regarding the Group's performance and approach on environment, social and governance aspects are welcomed and valued, questions, suggestions and recommendations could be sent via email at [info@lksholding.com](mailto:info@lksholding.com).