

Cementing
stakeholders'
connection for a
Sustainable
Future



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MANAGING DIRECTOR'S MESSAGE

“K. Wah Construction Materials is delighted to present its performance in corporate social responsibility and environmental, social and governance. This year, we will issue our first Sustainability Highlights to cover the reporting boundaries of all our subsidiaries and thereafter annually to demonstrate our efforts to achieve excellence in sustainability. The full version of our Sustainability Report will continue to be published biennially, and in future to demonstrate our commitment to the environment, it will only be available on our website.”



BUSINESS ENVIRONMENT

Despite the competitive market landscape, K. Wah Construction Materials (“KWCM” or “the Company”) delivered a strong financial performance across our markets. KWCM’s focus on domestic market minimises our exposure to the global economic uncertainty. The resulting economic ripple effect is further mitigated through our diversified business portfolio.

In Mainland China, we benefited from the strong domestic demand for construction materials. The Central Government’s Belt and Road Initiative also helped to underpin demand for construction materials like cement in a number of geographies including Yunnan Province, where KWCM has several strategically-located production facilities.

In Hong Kong (“HK”), we saw stable demand for construction materials. Hong Kong Special Administrative Region (“HKSAR”) Government is continuing its commitment to launch major infrastructure works and building projects. We have confidence that the future demand for construction materials in HK will be promising. The Guangdong-Hong Kong-Macao Greater Bay Area Initiative also helps to underpin future demand for construction materials in this area.

CONNECTIONS WITH STAKEHOLDERS

Our Value Creation Model (“VCM”) embedded corporate social responsibility (“CSR”) into KWCM’s gene. In our VCM, one important stakeholder is the regulatory body. In the last couple of years, Mainland China has been pushing forward the “Blue Sky Initiative” and “Extra-low Emission Scheme”. Manufacturers that are underperforming will be forced to shut down. This change opens up the market to those who put continuous effort into improving their environmental performance, and will further sustain our company growth and image.

Supporting the Paris Agreement which was adopted by 189 countries in 2015, China has established its Emission Trading System two years ago. Since its coming into effect, KWCM has been pushing forward “coal-to-gas switch” to slash our carbon emission and to gain a competitive edge in this cap-and-trade system.

In addition, we connect proactively with the local community to establish a mutual-understanding to gain their confidence in our production facilities. Open days and factory visits were periodically organised for the local community, and air emission dashboards were displayed outside the production plants. All these efforts serve to provide openness and transparency to the communities and foster a closer connection with them.

GOING FORWARD

Since early 2020, the China-US politico-economic tension is heightened and the COVID-19 pandemic that is sweeping across the world has changed our way of life. With the world still recovering from the tragic blow of this pandemic, this will be a challenging year for many trade sectors, but also an opportunity for growth and expansion for those who have strong support from stakeholders.

KWCM has weathered storm after storm successfully. Amid the many challenges and uncertainties we encounter, I truly believe that a sustainable future cannot be accomplished by the business world alone. Such a sustainable future will undoubtedly require partnership across all sectors of society, and we have long cemented for a closer connection with governments, business partners and community to provide the innovative products and quality services needed to achieve sustainable goals locally and globally in order to make the world cleaner and greener.

Joseph Chee
Managing Director
K. Wah Construction Materials

ABOUT THIS REPORT

This is the fourth sustainability report published by KWCM, covering the period from 1 January 2018 to 31 December 2019. We have updated the reporting boundary in order to align with our financial definition to encompass all subsidiaries i.e. unless otherwise specified, the figures published in this report only cover our subsidiaries.

In future, we will continue to publish our sustainability report biennially supplemented with annual highlights that will provide a summary of our key sustainability performances. We welcome feedback on our report, reporting content and sustainability performance, please contact us at sustainability@kwcm.com.

REPORTING METHODOLOGY

All quantitative and qualitative information contained in this report conform with the requirements of the following international standards and guidelines:



Global Reporting Initiative ("GRI") Standards: Core option;



Environmental, Social and Governance ("ESG") Reporting Guide issued by HK Exchanges and Clearing Limited ("HKEX");



ISO 26000:2010 Guidance on Social Responsibility;



United Nations Sustainable Development Goals ("SDGs"); and



Business Environment Council's Handbook of Understanding Materiality for Environmental, Social and Governance Reporting.

The findings of our materiality analysis take into account stakeholders concerns and issues of material interest from our industry peers, and thus also form an essential element of this report.

INDEPENDENT EXTERNAL ASSURANCE

This report has been independently verified by the Hong Kong Quality Assurance Agency ("HKQAA") in accordance with GRI Standards: Core option, ISO 26000:2010 Guidance on Social Responsibility and HKEX ESG Reporting Guide to ensure its accuracy and reliability. For details on the verification statement, please refer to page 62 of this report.

2018-2019 PERFORMANCE HIGHLIGHTS



PEOPLE

957 direct employees in 2019

reduction in employee turnover rate **↓24%**

reduction in lost days due to work injury **↓23%**

Less than of the **20%** industrial injury rates in HK and Macao



ECONOMIC PERFORMANCE

over **HK\$ 2,800 million** revenue in 2018 and 2019 respectively

over **HK\$ 1,100 million** adjusted EBITDA in 2019



ABOUT K.WAH CONSTRUCTION MATERIALS

over **40** major construction projects over the past half-century

Production facilities in **17** cities

over **53** million tonnes production capacity annually

59 major awards and recognition in 2018 and 2019



COMMUNITY

over **4,100** hours in community service in 2018 and 2019

over **HK\$1,660,000** investment in community in 2018 and 2019

over **60** community programmes in 2018 and 2019



ENVIRONMENT

Less than **1** GJ/t energy consumption intensity in 2018 and 2019 respectively

Less than **0.25** tCO₂e/t greenhouse gas intensity in 2018 and 2019 respectively

ABOUT K. WAH CONSTRUCTION MATERIALS

BUSINESS LANDSCAPE

KWCM, a wholly owned subsidiary of Galaxy Entertainment Group Limited ("GEG"), is a vertically integrated resource based company supplying aggregates, ground granulated blastfurnace slag ("GGBS"), cement, and other downstream building materials. The Company is firmly focused on creating value for our stakeholders in a sustainable manner.

Through regional expansion and product diversification, KWCM has successfully transformed into a fully integrated environmental-friendly enterprise with more than 3,000 staff (including joint venture companies). Today, our production facilities have extended from HK to Macao, and a number of major cities and industrial strongholds in Mainland China, including Qianan, Sanhe, Nanjing, Maanshan, Tongling, Ezhou, Liupanshui, Anning, Baoshan, Puer, Qujing, Zhaotong, Shaoguan, Huidong and Shenzhen.

Conventional Products:

Aggregates: 16,000,000 tonnes (It includes the limestone in Yunnan cement plant)

① Huidong

Asphalt: 400,000 tonnes

② Hong Kong

Blocks & Pavers: 50,000,000 pieces

② Hong Kong

Precast Concrete Pipes: 120,000 tonnes

Precast Concrete Piles: 1,000,000 metres

③ Shenzhen

Ready Mixed Concrete: 4,000,000 cubic metres

② Hong Kong

④ Macao

⑤ Maanshan

Cementitious Products:

Cement: 12,000,000 tonnes

⑥ Zhaotong

⑦ Qujing

⑧ Anning

⑨ Baoshan

⑩ Puer

GGBS: 14,000,000 tonnes

⑤ Maanshan

⑪ Sanhe

⑫ Qianan

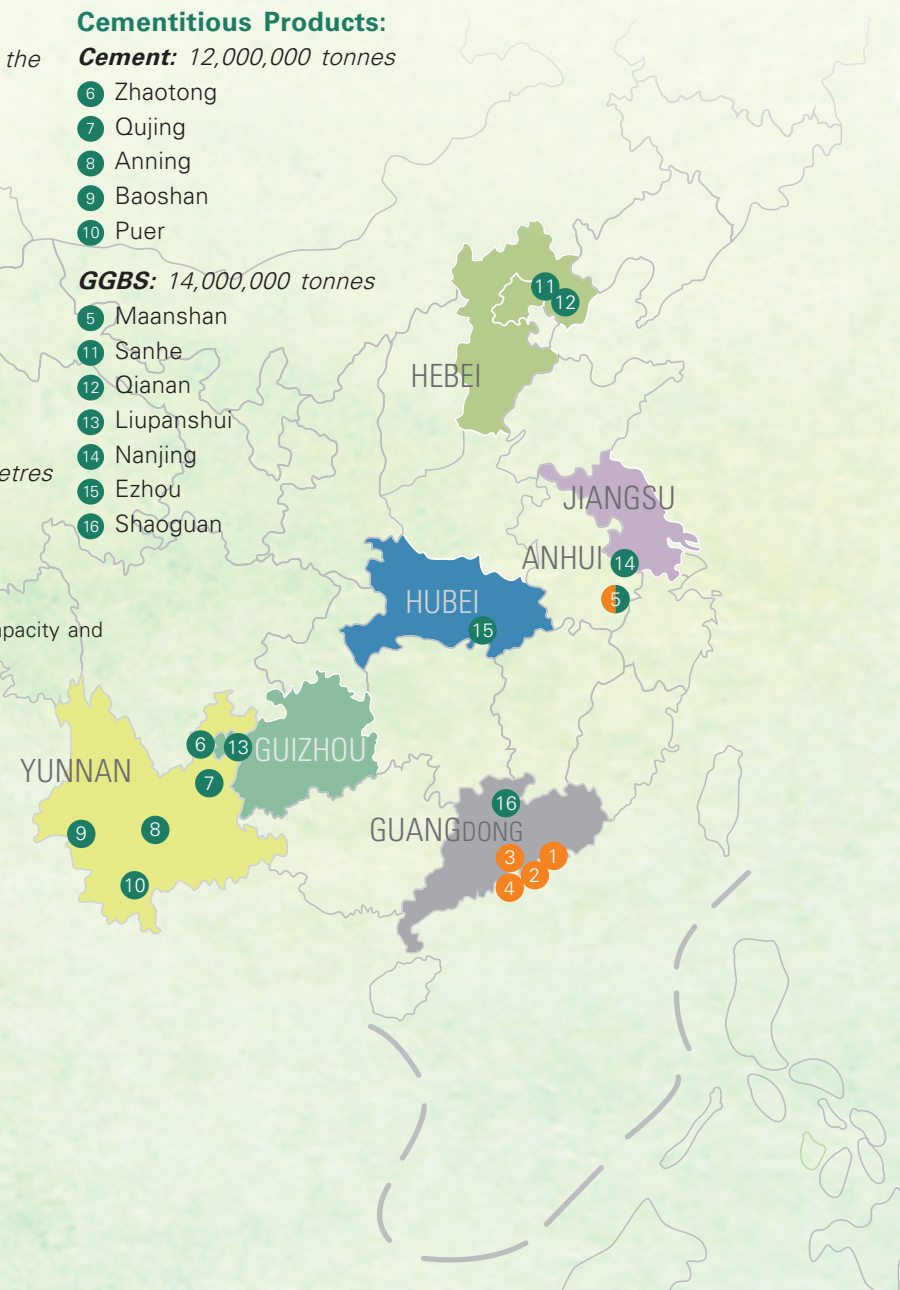
⑬ Liupanshui

⑭ Nanjing

⑮ Ezhou

⑯ Shaoguan

Note: The above figures are annual production capacity and they cover all joint venture companies.



BUSINESS HIGHLIGHTS



Aggregates KWCM reigns supreme as an aggregate supplier in HK and provides quality aggregates for the markets. We also strive to ensure sustainable habitats and improving biodiversity in our quarries. Over the last 60 years, we have successfully rehabilitated 5 quarry sites for providing land to local government for societal development.



Asphalt KWCM is a leading road surfacing contractor and asphalt supplier in HK. We supply a wide range of specialised and recycled asphalt products, which are suitable for motorways, roads, pedestrian walkways, airfield runways, car parks and sport fields. We also provide premium quality road surfacing and road marking services for the highway contracts of HKSAR.



Precast Concrete Blocks & Pavers Using the latest imported technology, KWCM produces a wide range of concrete blocks and pavers with different dimensions, strengths, textures and colours. HKSAR Government is keen to promote the use of our environmental product "EcoBlock" which is manufactured from recycled materials such as construction & demolition waste and glass waste.



Precast Concrete Pipes & Piles KWCM supplies a wide range of specialised concrete pipes including drainage pipes, jacking pipes and sewage pipes, as well as pre-stressed high strength concrete piles for civil engineering and building projects in Shenzhen and Macao.



Ready Mixed Concrete In addition to its standard concrete mixes, KWCM also provides various types of special mixed concrete, including early strength concrete, self-consolidating concrete, environmental-friendly slag mixed concrete and light-weight concrete for building and infrastructure projects in HK, Macao and Mainland China.



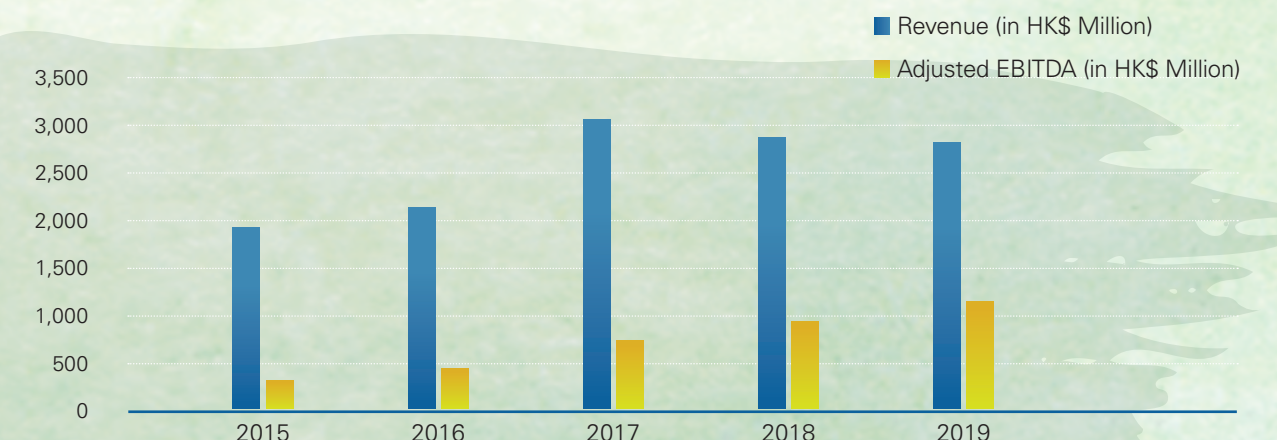
Cement KWCM has cement production strongholds in Yunnan Province with our strategic partner Kungang Cement Building Materials Co. Ltd. Apart from ISO 9001, ISO 14001 and ISO 45001 certificates, all our cement plants have also acquired ISO 50001 certificates and completed Greenhouse Gas ("GHG") emission verification.



GGBS GGBS, an environmental-friendly cementitious product, is made by recycling the by-product generated from the iron and steel production processes. It possesses the technical benefits of higher durability, corrosion resistance and lower permeability as compared to Ordinary Portland Cement ("OPC"). KWCM has formed strategic partnerships with prominent iron & steel groups to manufacture and supply GGBS in various provinces and cities across Mainland China.

Financial Highlights

Our wide geographical and product portfolio diversification enables us to sustain our revenue and ensure a strong track record of earnings growth.



Note: Joint venture companies' turnover is not included as required by statutory requirements.

Major Projects

Economic growth in Mainland China, HK and Macao has been booming over the past half-century, largely due to financial stimulus provided by Governments investing in infrastructure, property development and other public expenditure initiatives. KWCM remains at the forefront in providing innovative and eco-friendly construction materials for various construction projects, cementing the foundations for our societal development.

Hong Kong
Cross-Harbour Tunnel
HK International Airport Midfield Apron Development
HK - Shenzhen Western Corridor
HK - Zhuhai-Macao Bridge
Island Eastern Corridor & Eastern Harbour Crossing
Kai Tak Airport (Extension)
Liantang/Heung Yuen Wai Boundary Control Point
MTR: Shatin to Central Link
Route 3 Expressway
South and North Runway Resurfacing of the HK International Airport
Three-runway system of the HK International Airport
Tsing Ma Bridge
Tuen Mun - Chek Lap Kok Link
Western Harbour Crossing
Macao
Galaxy Hotel ™
One Oasis
Sai Van Lake (Embankment)
Sino-Portuguese Trade Center

Business Partners

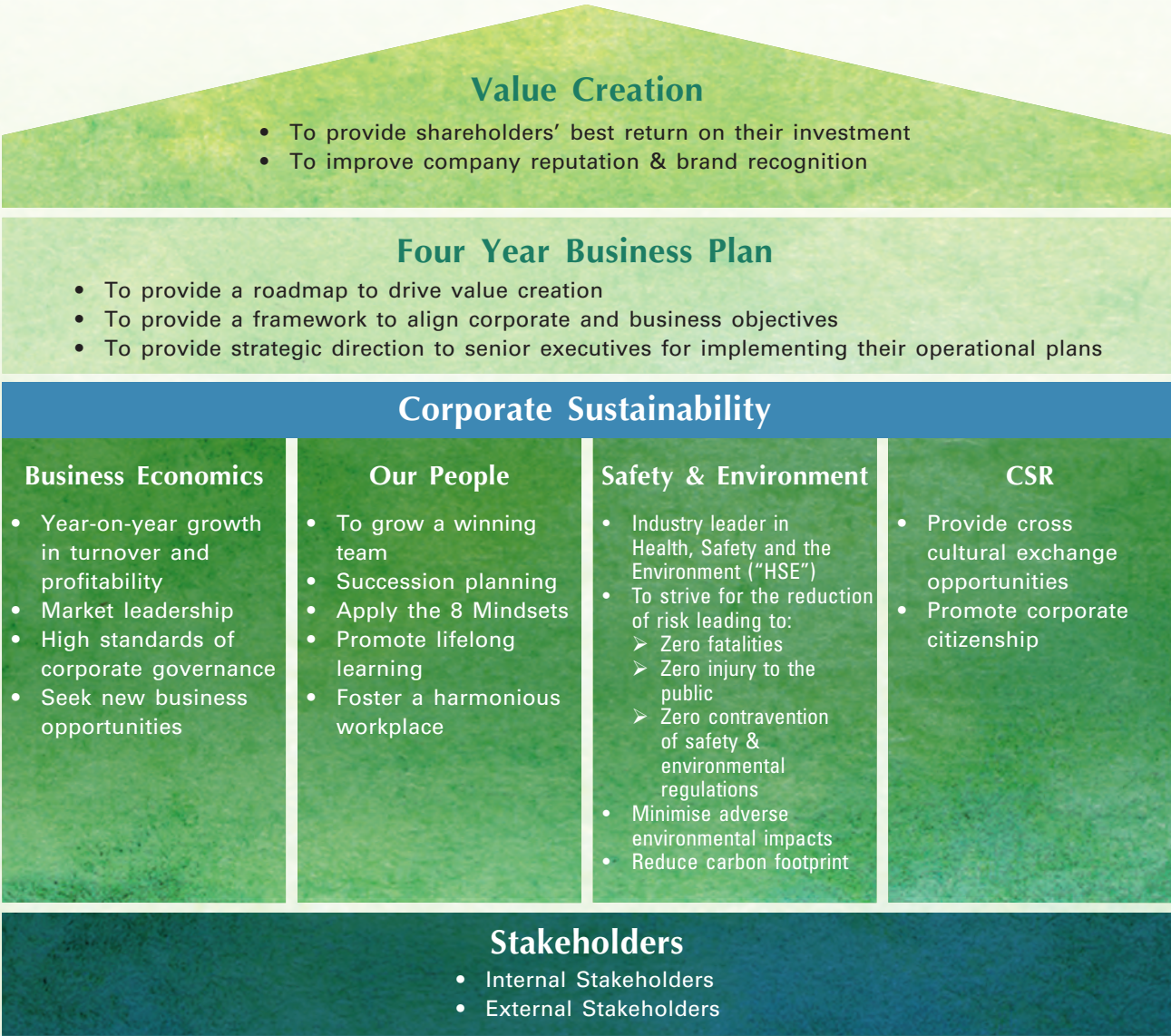
As part of its long-term growth strategy, KWCM has been entering strategic partnerships with a number of leading construction materials enterprises in different regions. This approach has enabled the Company to establish regional manufacturing footholds, develop new products, and capture new markets, ensuring its sustainable development and continuing success.

Major Joint Venture Partners	
Alliance Construction Materials Limited	Guizhou Shougang Shuicheng Iron & Steel Group
Anhui Haizhong Environmental Company Limited	Hip Hing Construction Company Limited
Asphalt Surfaces (International) Limited	Kunming Iron & Steel Group
Beijing Shougang Group	Nanjing Iron and Steel Group
China Baowu Steel Group	Sumitomo Osaka Cement Group
China Everbright Environmental Group	Taiwan Cement Corporation
China Resources Cement Holdings Limited	United E & P Pte. Limited

Mainland China
An Pu Highway
Anshun to Liupanshui Intercity Railway
Beijing New Airport Project Construction
Chengdu to Guiyang Railway
Construction of Beijing Tongzhou Sub-center
Dakaimen-Kasa Expressway
Dongdi to Dapingzi Class I Highway
Jinghong-Menghai Expressway
Lianyungang-Huaian-Yangzhou-Zhenjiang High-speed Railway
Mojiang-Lincang Expressway
Qian'an City Sponge Project
Renovation of Liupanshui Municipal Network Management
Shanghai Pudong International Airport
Shangqiu-Hefei-Hangzhou High-speed Railway
Shuicheng to Weining Expressway
Tangshan Fengrun Outer Ring Road Bridge and Leading Project
Yuxi-Mohan Railway
Zhenfeng Thermal Power Plant

VALUE CREATION MODEL FOR SUSTAINABILITY

Corporate Sustainability is our business approach to creating long-term shareholder value. Based on this forward-looking approach we have defined Corporate Sustainability as “our verifiable commitment to operating in an economically, socially and environmentally sustainable manner that is transparent and increasing satisfying to our stakeholders”. Corporate Sustainability is core to our business culture and an integral part of our operations and day-to-day activities. Our key objective is to create value; we have constructed a VCM that puts Corporate Sustainability at the heart of everything we do. The model depicts the goal of value creation being supported by four core pillars of CSR, Our People, Business Economics and Safety & Environment with our stakeholders as the foundation. The concepts of Corporate Sustainability will continue to drive KWCM to the next level of excellence. Our VCM promotes continuous innovation to sustain our competitiveness and enhance our market positioning.



CORPORATE GOVERNANCE



KWCM is a wholly-owned subsidiary of GEG, and is committed to the highest standards of corporate governance. Our full compliance with established policies, systems and guidelines enables us to create sustainable shareholder value, and at the same time, fulfilling our numerous obligations to different stakeholders.

To honour this commitment, we operate within a well-defined governance structure, which embraces accountability, integrity, and loyalty as our core values. These values shape our corporate culture, guide us while we make decisions and conduct our business, provide a foundation for sound corporate governance, and support our CSR endeavours and other sustainability initiatives.

Competition Policy

KWCM is committed to promoting a fair and effective competition environment and we strictly abide by all applicable regulations of the regions in which we operate, e.g. HK Competition Ordinance (“HKCO”).

During the reporting period, we facilitated the compliance of our new joiners with the provisions of the Ordinance Manual, and by arranging briefing sessions on HKCO and the KWCM HKCO Compliance Policy and Manual.

Number of Participants (Relevant New Staff) in HKCO Compliance’s Briefing	Number of Classes	Total Training Hours
23	3	39

Our KWCM HKCO Compliance Policy & Manual sets forth the substantive provisions of HKCO and those anti-competitive conducts which are absolutely forbidden. This clear policy is communicated to all employees so that KWCM will not engage in any form of anti-competitive collusion with competitors, including price-fixing, bid-rigging, market sharing, out-put or sales restrictions or collective boycotts against market players, nor unlawfully abuse any market power in relation to KWCM’s products or services.

Anti-Corruption Policy

KWCM is dedicated to running our business in an ethical manner and has deployed various controls to make informed and fair business decisions. We have established clear guidelines for Code of Business Conduct to help employees keep the highest standard of business ethics and avoid any activity or interest that might reflect unfavourably upon their own and the KWCM’s integrity.



Code of Business Conduct

The Code of Business Conduct sets out examples of common situations how employees should respond, and the way the Company’s policy mandates all employees should maintain good judgement in meeting high ethical standards and compliance with the Prevention of Bribery Ordinance. Employees are informed of the necessity in complying with the intent of the Code.



Report on Conflict of Interests

Conflict of interests arises when the personal interests of an employee competes or is in conflict with KWCM’s interests and such situation could at worst result in malpractices or corruption. In case of engagement in business or activities that might have existing or potential conflict with KWCM, employees are also informed of their responsibility to make full disclosure in writing to management for advice and consent at the earliest opportunity.

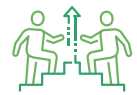
Our standpoint against corruption is clearly made to the external stakeholders through policy communication by various channels. There was no case of suspected or actual corruption reported in the reporting period.

IMS and CSR Committees

The IMS Management Committee in KWCM is responsible for making decisions on our strategies in management systems and policies and directing the IMS Working Committee to address issues across product and service quality, occupational health and safety, and environmental protection.

The CSR Committee ensures protection of the environment and allows us to demonstrate care for the community and reach out to those in need. The CSR Committee is responsible for making decisions on KWCM’s CSR strategies and policies and overseeing their execution, allowing us to fully deliver on our CSR commitments and contribute to the sustainable development of the economy, society and the environment.





STAKEHOLDER ENGAGEMENT

KWCM held its first formal stakeholder engagement exercise in 2013. Since then, we have been frequently building on our communications with various stakeholder groups and fine-tuning our sustainability commitments based on the feedback from them. The material matters identified in this sustainability report are reported in accordance with international and local standards so as to address the interests and concerns of all our stakeholders.

Built upon the material aspects identified by reviewing the results and comments from an inclusive stakeholder engagement exercise in our first sustainability report, we have unceasingly reviewed the suitability of materiality issues by engaging our stakeholders through diverse channels. When identifying and reviewing our material matters, we integrate the outcomes of our materiality analysis into the SDGs. Maintaining continuous exchange of ideas with our stakeholders is crucial to our long-term success in order to maintain our position as a leading integrated construction materials supplier. We gain valuable insights that empower us to define the boundaries of our current sustainability report, align our sustainability initiatives to stakeholder expectations and ensure we deliver value to society.

Stakeholders and Methods of Engagement



Shareholders

- Meetings
- Newsletters
- Website
- GEG's Annual and Interim Reports
- Sustainability Highlights and Reports



Employees

- Team-building and training activities
- Newsletters
- Surveys
- Business forum
- IMS committee meetings
- Performance appraisal
- "WeChat" mobile application
- Staff engagement workshops
- Email
- Recreational and volunteering activities



Business Partners

- Meetings
- Joint-operations



Customers

- Customer service mobile application
- Customer service hotline
- Surveys
- Website
- Email
- Social media



Suppliers

- Supplier assessments questionnaire
- Vendor communication workshop



Community/Non-Government Organisations ("NGOs")

- Community events
- Consultations



Regulatory Bodies/Government

- Working committees and consultation
- Site visits



Trade Associations/Academia

- Seminars
- Meetings
- Joint-projects



Media

- Public relations channels
- Interviews
- Press releases
- Social media
- Website

MATERIALITY ASSESSMENT

Consistent with the GRI materiality principles, KWCM produced a materiality matrix based on the frequency a particular matter was referenced in the categorised feedback collected in various stakeholder interactions. This feedback was then further reviewed by our senior management during the annual business forum.

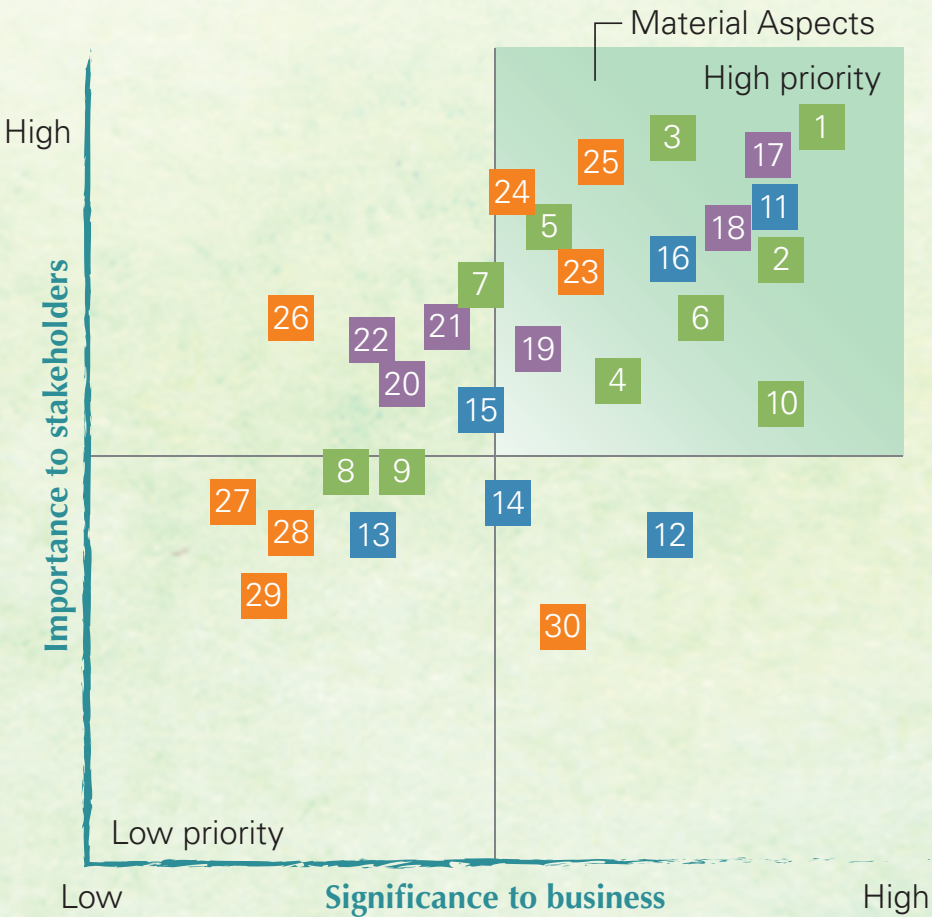
Disclosures regarding our management approach and the identification of material aspects were consolidated as supplements in the Performance Data Summary of this report, which begins on page 60. The material aspects of this report were based on, but not limited to:



After evaluation and detailed assessment, we proceeded to share more details with the associated stakeholders through further, more tailored, communications.

Material issues covered in this report were categorised according to our well-defined core value drivers, as described in KWCM’s VCM, and shown in the materiality matrix so as to allow stakeholders to understand our focus on sustainable development more clearly.

Materiality Matrix



Material Topics and their Respective Impact Boundary

Material Aspects	Chapter	Impact and Boundaries								
		Shareholders	Employees	Business Partners	Customers	Suppliers	Community/NGOs	Regulatory Bodies/Government	Trade Associations/Academia	Media
1. Occupational Health and Safety*	People	✓	✓	✓	✓	✓		✓	✓	
2. Energy*	Environment	✓		✓		✓				
3. Emissions*	Environment	✓		✓		✓	✓	✓		✓
4. Materials*	Environment	✓		✓		✓	✓			
5. Effluents & Waste*	Environment	✓		✓			✓	✓		✓
6. Transport*	Environment	✓		✓	✓	✓	✓	✓		
7. Water	Environment	✓		✓		✓	✓	✓		
8. Biodiversity	Environment	✓		✓			✓	✓		
9. Supplier Environmental Assessments	Value Chain	✓		✓		✓				
10. Environmental Products and Services*	Value Chain	✓		✓	✓	✓				
11. Economic Performance*	About K. Wah Construction Materials	✓	✓	✓				✓		
12. Market Presence	—	✓	✓	✓			✓			
13. Indirect Economic Impacts	—	✓					✓	✓		
14. Procurement Practices	Value Chain	✓		✓		✓	✓			
15. Product and Service Labelling	Value Chain	✓		✓	✓			✓		✓
16. Anti-competitive Behaviour*	About K. Wah Construction Materials	✓	✓	✓	✓	✓		✓	✓	✓
17. Training and Education*	People	✓	✓	✓						
18. Employment*	People	✓	✓	✓				✓		
19. Labour Management Relations*	People	✓	✓	✓						
20. Diversity and Equal Opportunity	People	✓	✓	✓				✓		
21. Equal Remuneration	People	✓	✓	✓						
22. Non-discrimination	People	✓	✓	✓				✓		
23. Local Communities*	Community	✓		✓			✓			✓
24. Compliances*	GRI Standards & HKEX ESG Reporting Guide Content Index	✓		✓				✓		
25. Anti-corruption*	About K. Wah Construction Materials	✓	✓	✓	✓	✓		✓		
26. Child Labour	—	✓	✓	✓		✓		✓		✓
27. Forced Labour	—	✓	✓	✓		✓		✓		✓
28. Supplier Human Rights	—	✓				✓				✓
29. Supplier Assessment	Value Chain	✓		✓		✓				
30. Marketing Communications	—	✓		✓	✓					✓

Note: * indicates material topics identified in the materiality assessment, topics 7, 8, 9, 12, 13, 14, 15, 20, 21, 22, and 30 were recategorised from material to immaterial as a result of our reassessment of materiality this year.

VALUE CHAIN

Through production capability of a wide range of construction materials, KWCM's value chain encompasses a series of upstream and downstream activities with our stakeholders in the construction industry.

Throughout our operational processes, we are committed to implementing environmental measures for the minimisation of negative impacts to the environment. These practices include environmental quarrying, efficient utilisation of energy, waste reduction in the supply chain, vendor assessment on responsible practices, as well as the adoption of green procurement practices whenever possible.

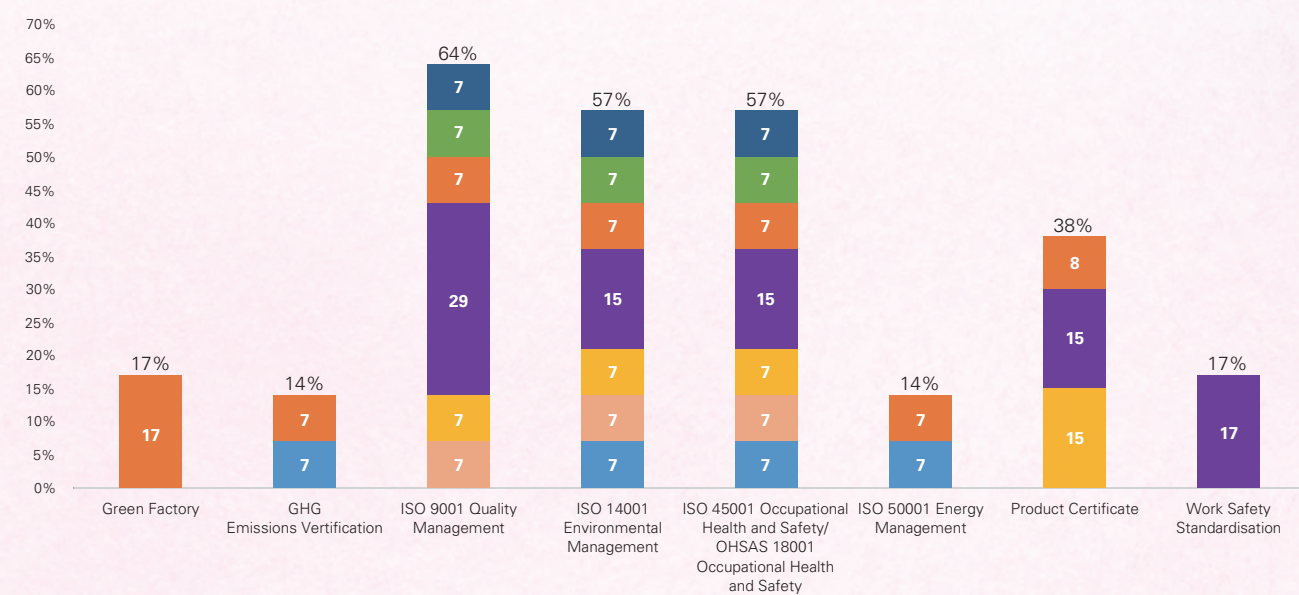
Over the years, KWCM has dedicated its supply lines to support infrastructure development in HK, Macao and Mainland China through the supply of construction materials to a wide range of infrastructure projects such as energy, transport, utilities and digital communication. Such projects are the backbone of a successful modern economy, which have long-term economic benefits, contributing to economic growth and productivity. On a local level, these projects support the economic growth of our suppliers and business partners, as well as benefitting those communities where our operations are located.



GIVING CONFIDENCE TO STAKEHOLDERS

KWCM is dedicated to maximising benefits for our stakeholders in the value chain and we are continually identifying opportunities for enhancement of our operations and services. External certification by recognised third-party institutions is the most assured way to implement appropriate measures that satisfy the interests of our stakeholders. For addressing the concerns of various stakeholders, we have acquired different management systems and products certification for the enhancement of our operational aspirations in terms of occupational health and safety, product quality, environmental protection, and energy saving, as follows:

Percentage of Subsidiaries with External Certification



■ KWCM Head Office ■ Quarry ■ Ready Mixed Concrete ■ Precast Concrete Product ■ Cement ■ GGBS ■ Asphalt

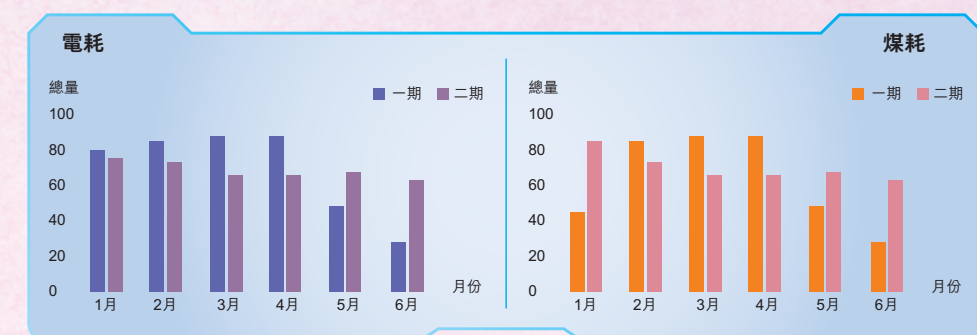
Remarks: Green Factory and Work Safety Standardisation are only applicable in Mainland China.

DIGITAL PROCESS AUTOMATION

Considering the complexities of our value chain associated with different types of construction materials, we believe there is a necessity to implement an effective business model for fulfilling the needs of various stakeholders, including customers, material suppliers, service providers and internal customers. As we are fully committed to maximising benefits for our stakeholders, considerable effort is dedicated to enhancing the efficiency, effectiveness and reliability of our business processes. Looking ahead, we have identified Digital Process Automation ("DPA") technologies as being one of the most effective ways to optimise our workflows, improve efficiency and reduce costs.

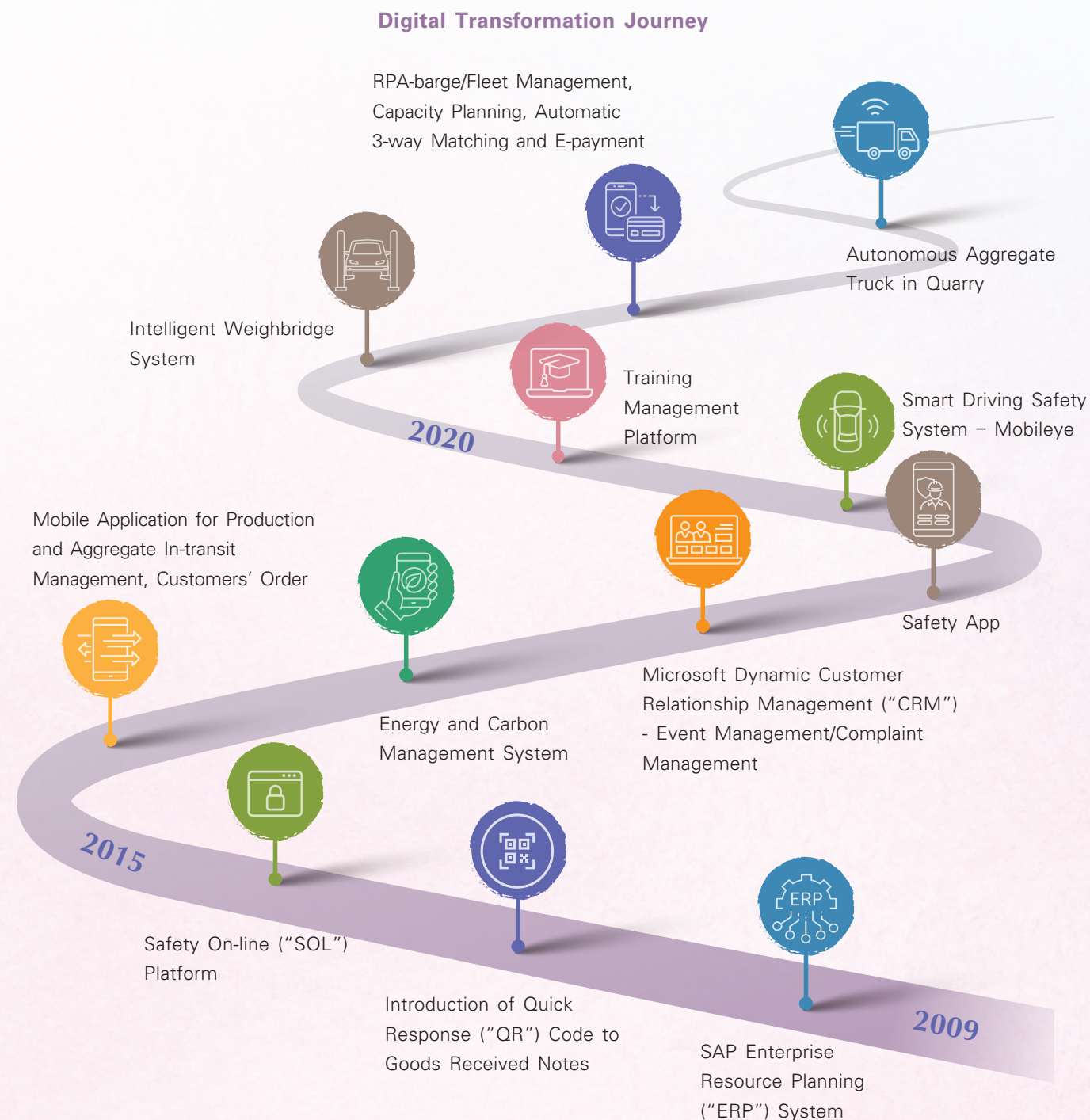


Our DPA project with particular focus on customer experience is best illustrated with the intelligent manufacturing system deployed at Nangang K. Wah New Materials Company Ltd. since 2019. This project deliverable is an integrated information platform for interconnecting the smart production system, energy management, sales, and logistics with Global Positioning System ("GPS") technology. With end-to-end traceability of customer orders, the DPA development has greatly improved customer services and user experience. Simply with the use of mobile phone, real time customer order and delivery information can be easily accessed, which not only optimises the information flow amongst various system processes, but also enhances customers satisfaction.



Roadmap of Digital Transformation

Over the last 10 years, KWCM has been allocating Information Technology ("IT") resources to develop and enhance various platforms in a well-planned and evolving pattern. In the early stages, we focused on how to streamline our business processes for increasing productivity. For example, SAP was deployed to establish a systematic and efficient platform for managing core business processes like finance and accounting. We enjoyed tangible benefits from working efficiency improvements after the simplification and elimination of unnecessary work-related tasks from our business processes. The initial focus for our digital transformation project was to address the needs and expectations of our customers by providing holistic product solutions and enhanced service. Through the ensuing seven years of digital transformation of our core processes, we have consistently maintained a competitive edge by creating long-term value for both internal and external stakeholders.



Since 2008, KWCM has adopted SAP ERP as its strategic approach to manage the enterprise resource planning processes of KWCM. Through the phased adoption of leading SAP System, KWCM has successfully identified modules in all business units of the Company that benefit from continuous process improvement. In just the recent 2-year reporting period from 2018 to 2019, a total of 28 projects have been completed, and another 12 projects are on track to meet the Company's productivity improvement objectives. In brief, the scope of projects for this reporting period are shown in the following table:

Digital Transformation Journey	Processes Control & Optimisation	Efficiency & Productivity Improvement	Responsive to Market and Customer Service	Cost Reduction	Quality Management Decision	Enterprise Risk Management	Corporate Governance
SAP ERP System	✓	✓			✓		✓
Introduction of QR Code to Goods Received Notes	✓	✓					
SOL Platform	✓	✓				✓	✓
Mobile Application for Production and Aggregate In-transit Management, Customers' Order	✓	✓	✓		✓		
Energy and Carbon Management System		✓					✓
Microsoft Dynamic CRM — Event Management/Complaint Management		✓	✓				
Safety App	✓	✓				✓	✓
Smart Driving Safety System — Mobileye	✓					✓	
Training Management Platform	✓	✓					
Intelligent Weighbridge System	✓	✓		✓			
RPA-barge/Fleet Management, Capacity Planning, Automatic 3-way Matching and E-payment	✓	✓					
Autonomous Aggregate Truck in Quarry	✓	✓					

“ We recognise the value of digital process automation to enhance competitive edge. Digital process automation can definitely improve our organisational competence and production efficiency. We strive to identify opportunities for organisational growth and it is a continual process for the integration of innovative technology into our business processes to create long-term value for our stakeholders. ”

Mr. Alan Tso
Chief Financial Officer



Story 1: Mobile Technology for Fleet Management — “Mobileye”

“Mobileye” is a sophisticated smart driving safety system that monitors real-time driver behaviour and road condition with video recording and data analysis functions such that instant danger alert will be prompted to drivers for unsafe situations.



Road safety is the key concern in fleet management and the system has pre-defined criteria for safe driving behaviour. For the monitoring of drivers' performance, the system will analyse data collected from the driving log, and calculate a weighted average safety score of individual drivers for benchmarking their performance.

Camera sensors are deployed within the system to detect traffic lights, read road signs, keep track of the position of the other vehicles and look out for pedestrians and obstacles on the road. In addition, the system is also equipped GPS devices for identifying the location of vehicles and the associated operations for the objectives of fleet management.

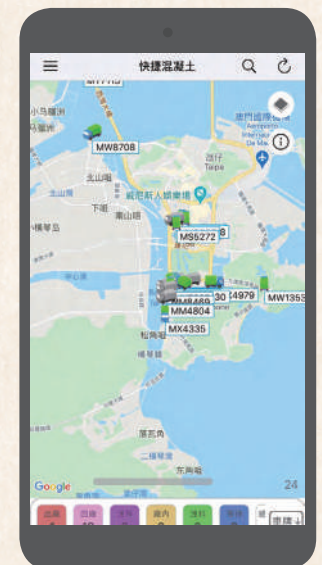


For the prevention of road accidents, the system will provide alert signals on dangerous driving behaviour in accordance with the pre-defined criteria, covering 6 types of pre-defined dangerous circumstances:



The monitoring system will also raise the safety consciousness of drivers and consequently assure their driving safety. We have also established an incentive scheme to reward those drivers with good safety performance scores calculated from the system. The effects from these combined efforts of robust monitoring and rewarding incentives has resulted in a remarkable achievement that the severity rate of road traffic accidents in Macao being driven down to zero in 2018 and 2019, following the implementation of the Mobileye Smart Driving Safety System.

In addition to safety management, the GPS functionality also enhances operational efficiency and improves customer service. One example is to track the location of concrete mixer trucks. Combined with the application of smart sensors (e.g. for detecting the concrete loading/unloading status), the operation team can smoothly communicate with customers for the excellence of concrete delivery services.



MANAGING SUPPLY CHAIN RESPONSIBLY

KWCM is constantly reviewing any impacts to our stakeholders along the supply chain, that may arise due to changes in our operations or operating circumstances. We are dedicated to responsible supply chain management practices, including areas such as environmentally responsible sourcing, ‘safety first’ service evaluation for contractors, and full lifecycle product disposal. Our approach, which ensures supplier consistency and compliance, is achieved through a rigorous assessment of new vendors, and periodic adhoc re-assessment of current vendors with approved status.


Vendor Assessment

As previously mentioned, all our facilities have been certificated to IMS standards, covering the aspects of occupational health & safety, product quality, environmental protection, and energy management. We regularly check to ensure adherence to the IMS requirements for our operations, including all aspects of our vendor partnering, supply of materials and services. Our assessment program is based on meeting specific performance aspects, as below:


Vender Performance Monitoring Aspects	Examples of Stakeholders (apart from vendors)
1. Compliance obligation	Government, Investors
2. Product/service quality	Customers, Employees
3. Health and safety performance	Employees
4. Environmental performance	Communities, NGOs
5. Co-operation and partnering manner	Customers, Employees
6. Frontline supervision	Customers, Employees
7. Progress control	Customers, Employees
8. Staff competency and training	Customers, Employees
9. Resource management	Communities, Employees, NGOs
10. Document control	Customers, Employees

It is the KWCM’s policy that only those vendors who are qualified for the assessment are entitled for procurement by our operation teams. We establish the relevant assessment criteria for verifying the competence of vendors with which we will have a contractual relationship. Whenever appropriate, terms and conditions including HSE agreements, will form part of the official supply contract.


The types of vendor assessment will be dependent on the impact of their supplied materials or services to our final products and services. Generally, a more stringent evaluation will be applied to those vendors with supplies of greater impact to KWCM and could proceed in the form of site assessment at the supplier facilities. In all cases an assessment questionnaire is used which covers the suppliers resources, capability, as well as adherence to the following management systems:




Certified **quality** management system




Certified **health and safety** management system



Certified **environmental** management system



Certified **energy** management system

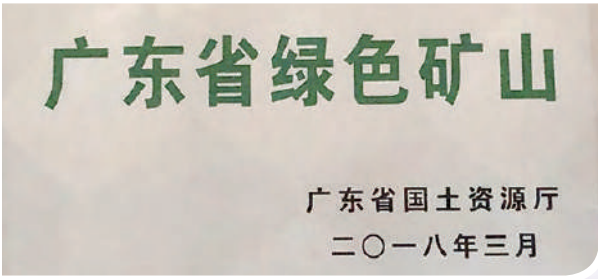


Implemented **social responsibility** management system, e.g. ISO 26000, Sustainability Report

Green Quarrying

Quarrying is a core business of KWCM, “Green Quarrying” is our operational principle to extract aggregate natural resources responsibly, and in an environmentally friendly manner.

In 2018, our Huidong Quarry achieved Green Mine certification from the local authority in Guangdong Province, demonstrating our dedication to environmental protection. The criteria for fulfilling the certification requirements cover 6 aspects of 90 applicable indicators which relate to protection of environment, and interests of different stakeholders particularly for nearby community groups. The certification assessment was score-based, and we were proud to achieve a total of 92% of the total score available.







Aspects of Green Mine Certification

- Quarry environment: appearance and green features of quarry
- Ways of resource exploitation: approaches for quarrying, processing, rehabilitation and backfilling
- Utilisation of resources: handling and exploring for recycling/reuse of solid wastes and wastewater
- Energy conservation and emission reduction
- Technological innovation and “Smart” quarry
- Corporate image management: management systems for corporate culture, enterprise operations, community harmony and corporate integrity



Green Procurement

Further to evaluations of our vendors being responsible to the environmental and social aspects, we are also striving to pursue procurement practices in a more responsible manner by prioritising use of goods and materials which are environmentally friendly. For example, our operation teams have established comprehensive specifications for the defined product categories in prioritising procurement of supplies with environmental features as illustrated below:

Examples of Green Procurement Requirements	Positive Impacts to Environment
<ul style="list-style-type: none">Use of Euro V engines, unleaded petrol and biodieselLimited Volatile Organic Compounds ("VOC") and no halogenated organic substancesNo Chlorofluorocarbons ("CFC") nor "control refrigerant" as defined under Ozone Layer Protection Regulation	<div> Less air pollution</div>
<ul style="list-style-type: none">No specified heavy metallic substances e.g. lead, in the specified parts of productsComponents in compliance with the Restriction of Hazardous Substances Directive ("RoHS")Limited amount of hazardous substances e.g. organic halides, Polychlorinated biphenyls ("PCBs"), formaldehydeDegradation in a reasonable period	<div> Less hazardous wastes</div>
<ul style="list-style-type: none">Compliance with power saving standardsAttainment of Energy Label of specified grade	<div> Reduced energy consumption</div>
<ul style="list-style-type: none">Use of renewable energy such as solar and windAttainment of forestry certifications or green labels awarded to supplied products, e.g. Forest Stewardship Council ("FSC")Specified proportion of recyclable material	<div> Use of recyclable/renewable resources</div>

Story 2: Taking Part in Circular Economy with GGBS

In addition to the aforesaid green procurement initiatives, since year 2000, KWCM started making significant contribution to the Circular Economy through partnerships with sizable iron and steel enterprises for GGBS production in Mainland China. We collaborate with iron and steel plants to transform their waste by-product "raw slags" into OPC supplement "GGBS".



By comparison with OPC, production process of GGBS consumes less energy and emits less carbon dioxide which is beneficial for environmental protection. In general, GGBS only accounts for less than 4% of embodied carbon of OPC. KWCM has 14 million tonnes of annual GGBS production capacity. The quantified environmental benefit to replace cement with such volume of GGBS is tabulated as follows:

Environmental Benefit	Unit
Reduction of carbon dioxide emission	12 million tonnes
Reduction of electricity consumption	672 million kilo-Watt-hours
Reduction of heat consumption	39,799 trillion joule

“The business of GGBS production demonstrates KWCM’s commitment to sustainable production and resources reduction. We are the pioneer in exploring the use of GGBS in Mainland China which was considered as wastes by the iron & steel producers 20 years ago. Today, we are one of the leading GGBS suppliers in Mainland China, and are proud of making significant contribution to the Circular Economy Policy that is being promulgated by the Central Government of China.”

Mr. Liu Yuan-zheng
General Manager — Regional Head (Eastern and Northern Region)



PEOPLE

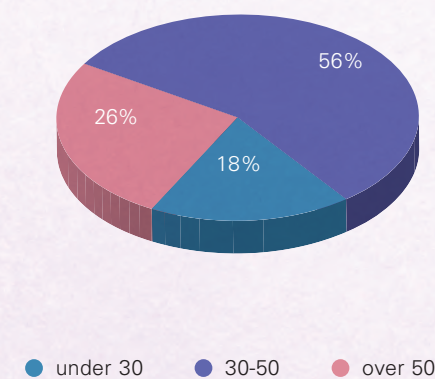
KWCM recognises that good health and well-being are the foundation for a highly-skilled contingent workforce. We strive to create a work environment in which our colleagues can achieve their full potential in a safe, healthy, enjoyable and respectful manner. We treasure our workforce and always aim to cultivate our people, such that they are not only contributing value to the Company, but also giving back to society by fostering a K.Wah family orientated culture.



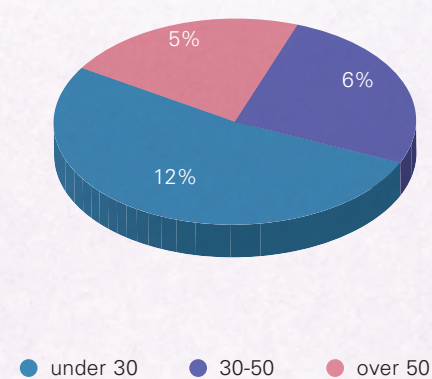
Human Capital Profile



BREAKDOWN OF WORKFORCE BY AGE IN 2019

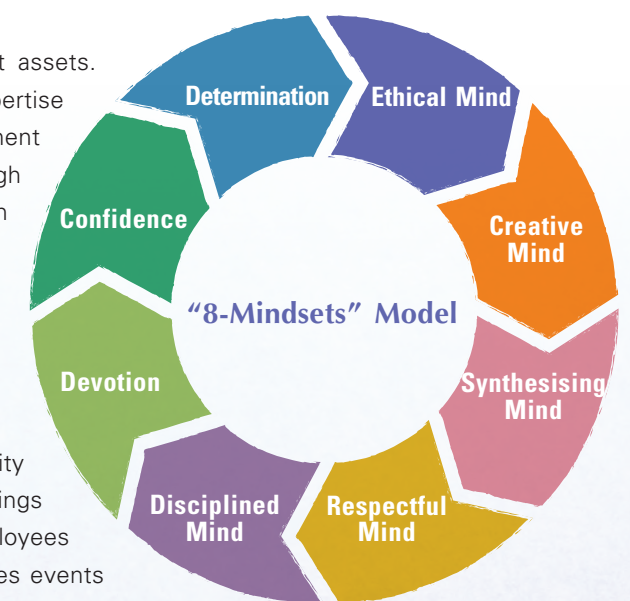


EMPLOYEE TURNOVER RATE BY AGE IN 2019



PEOPLE-ORIENTED MINDSET

KWCM believes that “our people” are our most important assets. We value their sense of belonging, enthusiasm and expertise as essential elements for our success. Senior management of KWCM advocate their personal development through self-cultivation of 8-Mindsets, and also strongly believe in the philosophy of “good people making good business”. We aim to maintain a harmonious workplace with our people, getting their respect, valuing and self-empowerment.



EQUALITY AND INCLUSIVENESS

KWCM promotes the values of respect, equality and diversity to colleagues through various activities. Colleague gatherings are arranged to provide a communication platform for employees from different backgrounds. The Company routinely organises events for colleagues at all levels, to create an atmosphere of gender and ethnic inclusiveness, as well as engendering mutual respect in the workplace.

We are committed to equal opportunities for our colleagues, eliminating gender and ethnic discrimination, and ensuring gender and ethnic pay equality through a fair and transparent bi-annual performance appraisal and assessment system for all staff.

“KWCM is my family – this is not a company slogan but a true story to me. I have been working in KWCM for more than 20 years and I am deeply impressed by the collaborative culture here. KWCM’s Social Club always organises different kinds of activities in which a great sense of bonding is created among colleagues. All of us appreciate ethnic differences and enjoy to working and playing altogether.

I would like to share my unforgettable work injury experience which happened several years ago. I felt immense gratitude to the care and thoughtfulness from my colleagues during my half-year rehabilitation period. Their support and encouragement was essential for my speedy rehabilitation after a series of physiotherapy programs.



Mr. Ali Furhad
Logistic & QC Manager
(K. Wah Quarry Co. Ltd.)

STAFF WELLNESS AND HEALTH

KWCM invests both time and resources to ensure the emotional, psychological, and social well-being of our staff. We believe that mental well-being can enhance productivity as colleagues feel valued and appreciated. This also results in an enjoyable workplace being cultivated which enhances staff loyalty and employee retention while reducing stress at work and reducing incidence of sick leave.

Over the last two years, KWCM has organised a series of wellness programs including Work-Life Balance Week, team building camp, and family tour with recreational activities. These types of programs provide the opportunity for our employees to socialise with their colleagues outside of the work environment, and have proven to strengthen friendships with them and their family members.

Welfare

In addition to standard corporate benefits such as medical cover, accident insurance and retirement protection schemes, KWCM also celebrates the individuals' notable occasions with personalised cards and gifts for events such as, birthdays, weddings, births and retirements.



Birthday card and gift to our employees

Work-Life Balance

A popular initiative, "Work-Life Balance Week" has now been held for two consecutive years in HK. This program comprises week-long immersive and experiential events, incorporating various topics on emotional health, healthy diet and illness prevention. Internal and external training providers deliver health seminars, stress management and emotional intelligence training, as well as neck massage techniques for stress relief.



Relaxing Massage



Healthy Breakfast Tuesday



Ice Cream Wednesday



Watermelon Event 2018

65
ACTIVITIES for
7000
PARTICIPANTS



Social Service



Leisure and Recreational



Environment Protection



Employee Care

Apart from wellness and health education events, KWCM also strives to cultivate a strong communal environment and healthy work-life balance by coordinating recreation and sports activities outside the working environment. Led by its CSR Committee, KWCM Social Club has organised over 65 activities, with over 7,000 participants during the period under review. KWCM Social Club activities comprise of four themes: Social Service, Leisure and Recreational, Environmental Protection and Employee Care which are underpinned by KWCM's CSR vision.



International Women's Day 2019



Mother's Day 2019



Lantern Festival 2019



KWCM Dragon Boat Racing Team



Floral Arrangement Class for Valentine's Day 2019



Two-day Macao and Zhuhai Tour

TALENTS FOR COMPANY GROWTH

KWCM continues to diversify its recruitment channels with an aim to secure new talents, in particular young talents, for company growth. Over the years, we have rolled out a variety of recruitment programs to connect young people in universities, colleges and other educational institutions in Mainland China and HK. KWCM's Management Associate Program ("MAP") is a signature youth talent development program that provides a platform for fresh graduates to develop their careers in the construction materials industry. Our management associates participate in a 24-month training scheme to nurture their management skill sets in terms of leadership, team-work, project management, communication and report writing. Upon successful completion of the MAP training scheme, they are assigned junior managerial roles together with an ongoing personalised professional development program to maintain their continuing professional development, while ensuring career progression opportunities.

“The KWCM MAP is a comprehensive training program which provides a structured job rotation to different departments within the Company. It not only helps me to have better understanding to the operation of the Company, but also cultivate my management skill set.

The most memorable thing of MAP is that it inspires me to learn more cement production knowledge. I am thankful to my mentor who spared no effort in developing my abilities throughout the training period, I successfully overcame the difficulties and developed the necessary management skill and industrial knowledge. In addition, I have improved my interpersonal and communication skills which would definitely benefit me in my career.



2012 MAP Intake — Yang Shuangsheng

HR & Admin Manager

(Puer Kungang & K. Wah Cement Construction Materials Co., Ltd.)



“The KWCM MAP is a valuable program which provides excellent and meaningful opportunities to explore different career paths. The intense and fulfilling 24-month apprenticeship filled with challenge, excitement, and tremendous opportunities for both career and personal growth.

I discovered my interest in mining during my job rotation, therefore, joined the mining development team. In addition, I had participated in other projects, such as a sewage management project. I enjoyed the exciting process of discovering my career interest and thankful to KWCM for providing me with valuable opportunities to develop my personal and job-related abilities.

2017 MAP Intake — Liu Zhouwen

Assistant Supervisor — Mining Development Department
(K. Wah Materials (Huidong) Limited)

Since 2018, we have participated in the undergraduate Summer Internship Programme — “Operation Zhang Qian” organised by the Maritime Silk Road Society, which aims to encourage undergraduates to re-capture the ancient spirit of adventure epitomised by Zhang Qian, the pioneer of the Silk Road in the Han Dynasty. The program provides excellent opportunities for students to capitalise on the developmental programs under “the Belt and Road Initiative”. Over the last two years, four students have joined the KWCM internship program through “Operation Zhang Qian”.



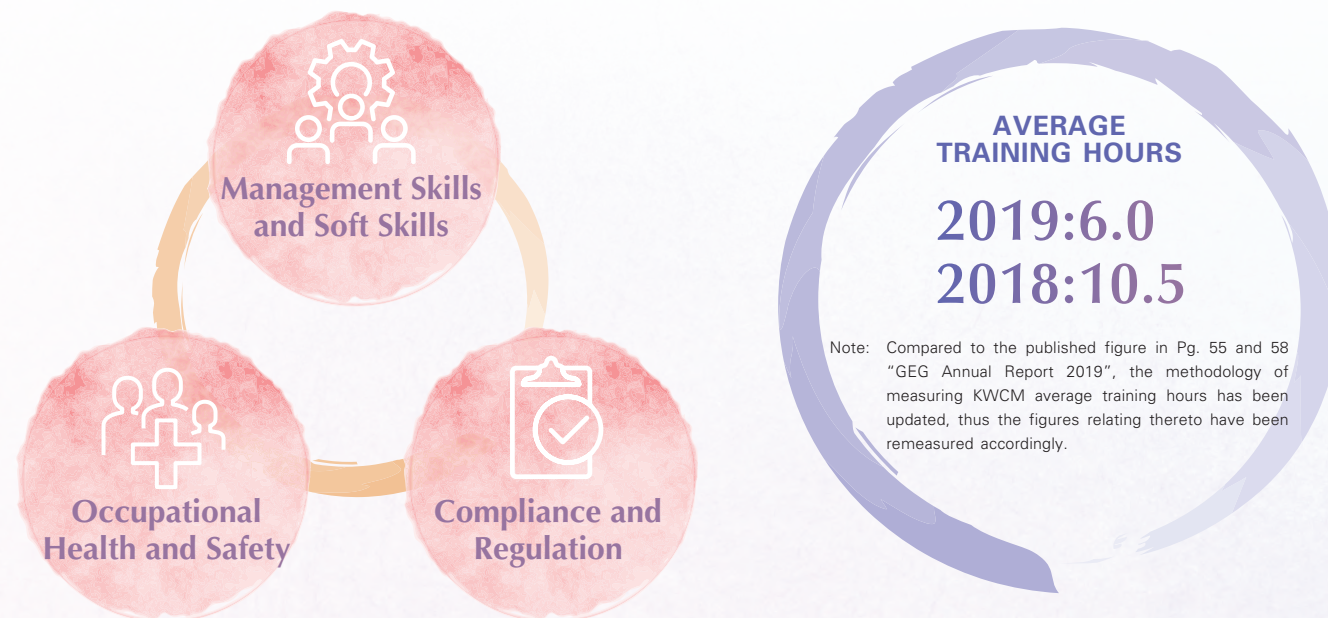
KWCM works with various local colleges to support youth development. We organised a two-week internship programme with Fung Kai No.1 Secondary School during the reporting period, a total of 13 students were assigned to different departments and production plants to receive “work-shadow” training, with the aim to expose them to the knowledge and skills required to be successful in the construction material industry.



TRAINING AND DEVELOPMENT

KWCM promotes a culture of lifelong learning and support our employees to reach their full potential. We offer internal and external training programmes which encompass among others, leadership development, occupational health and safety, and employee capability building.

KWCM's Three Training Pillars



The "KWCM Team Building Camp" is a flagship event of our operations in Mainland China. The 72-hour "Team Building Camp" aims to reinforce our KWCM culture, and through a series of mental and physical activities, positively embraces all our individual differences and similarities. It has successfully reinforced and raised cultural awareness, while creating a collaborative and immersive working and learning environment. During the period under review, three "KWCM Team Building Camp" have been arranged for our colleagues in Eastern, Northern and Southern regions, together comprising over 200 participants.



Team Building Camp 2019 — Eastern and Northern Region



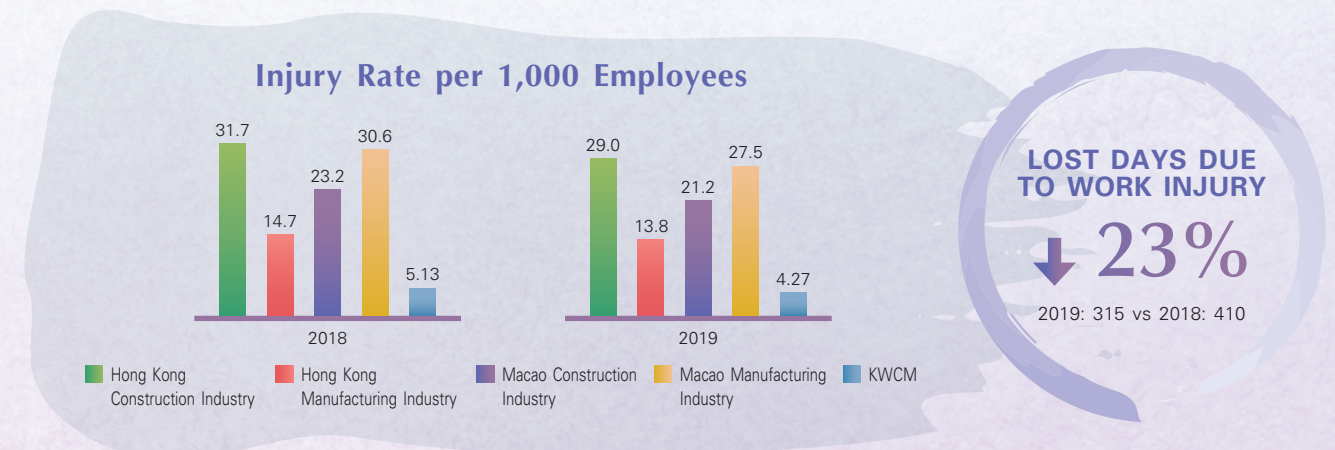
OCCUPATIONAL HEALTH & SAFETY

Safety at work is the number one priority for KWCM. We manage occupational health and safety collectively with environmental protection, product quality, energy saving and carbon footprint through a robust integrated management system. Being one of the core pillars in our VCM, we constantly pursue a working environment with zero harm and minimal impact to the community, and we are proud to maintain an industry leading position in safety management.

KWCM continually strives for safety improvement, and fully embraces state-of-the-art technology as being one medium to achieve this goal. With the aid of sophisticated information technology such as our proprietary Mobile Application together with a web-based platform, we are able to manage HSE matters in a more efficient, reliable and effective manner. Mechanical automation is also applied where appropriate, to mitigate the risks of operating plant and machinery, and through our "Safer-by-Design" process and procedures, we ensure our plant and equipment is intrinsically safe, and compliant with all applicable legislation and safety standards.



Thanks to our team cohesion to advance our safety performance, KWCM's injury rate and accident frequency rate are significantly lower than industrial averages by a large margin.



Note: The industrial safety statistics of Mainland China is not listed here as it is based on a different system which is incomparable to other statistics.



Story 3: Automation for Safety

KWCM strongly believes that automation is the most effective solution for intrinsic safety which can significantly mitigate the risks arising from unsafe behaviour. With the enthusiasm and innovation of our operation teams, we have successfully implemented the safety initiatives of "Auto Hatch at Cement Tanker", "Automated Lifting Frame" and "Auto Sweeper for Belt Conveyor" in our cement depot, concrete pipe production plant and GGBS plants respectively. These initiatives not only effectively mitigated the risks of working at height and the hazards of dangerous moving machinery, but also streamlined our production processes in less labour intensive ways.

Auto Hatch at Cement Tanker



Features/Benefits:

- ✓ Operate the loading hatch at ground level to eliminate working at height hazard
- ✓ Pneumatic self-locking with warning alarm system to eliminate the risk of the pressurised hatch bursting open
- ✓ Self-cleaning system at the sealing groove of the hatch to ensure total dust emission control
- ✓ Labour-saving and time-saving

Automated Lifting Frame



- ✓ Avoid manual rigging at height to eliminate working at height hazard and hand injury hazard
- ✓ Compatible with different lifting attachments for multi-pipes lifting
- ✓ Reduce labour intensive works and enhance working efficiency

Auto Sweeper for Belt Conveyor

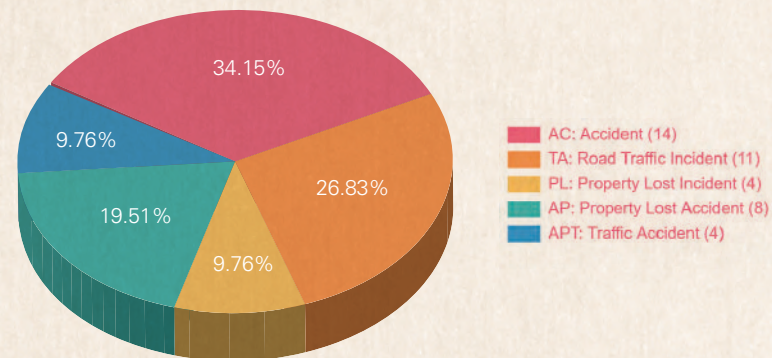


- ✓ Labour is no longer assigned for cleaning work near moving dangerous drums and rollers, which subsequently eliminates mechanical hazards
- ✓ Regular auto-cleaning for the removal of material seepage along the belt conveyor, increases mechanical availability and reduces plant downtime
- ✓ Labour-saving and time-saving

Story 4: HSE Mini Programs and Safety On-Line System



KWCM continues to apply the latest information technology available for day-to-day HSE management. Over the past few years, we have developed two IT platforms "WeChat HSE Mini-Program" and "Web-based SOL System" to assist our HSE personnel and operation team to manage HSE issues in a more effective and efficient manner.



Distribution of HSE Event in 2019

The purpose of WeChat HSE Mini-Program is to report and communicate site conditions instantly such that appropriate follow-up/improvement actions can be implemented without any undue delay. Currently, we have completed the modules of "HSE News", "Near Miss Reporting" and "Cross-Plant Works", with more modules to be developed over time. The SOL System is another powerful tailor-made web-based platform which facilitates the systematic management of HSE accident/incident handling, data reporting, licensing requirements and awards recognition. This platform is also equipped with an analytical function to monitor and analyse HSE performance, such that various performance dashboards can be generated for management review and subsequent formulation for strategy improvement.



SAFETY CULTURE

Safety culture is of utmost importance in the pursuance of safety excellence. KWCM believes that a positive safety culture can only be developed and maintained through visible safety leadership. As such, safety leadership workshops are regularly conducted among KWCM's senior management. In the workshop, the management formulate their own personal action plans, which are designed to increase visible safety leadership and promote improved safety awareness in their respective business units. The long-term aim is to nurture and secure our future safety leaders, who can in turn, ensure our colleagues achieve continual improvement in workplace safety excellence.

KWCM also continues to drive safety awareness through different kinds of safety promotion and communication programs at operational level. Over the years, safety promotion month and safety promotion day activities have been held in Mainland China, HK and Macao to convey safety requirements and messages to our colleagues. Safety training, safety competitions/quizzes and emergency drills are arranged during these promotional activities which help to reinforce safety awareness at work. We also maintain and continually develop our safety partnerships with contractors and suppliers. We communicate our HSE requirements and expectations with them through various means, including "Standard HSE Terms and Conditions of Contract", "Green Purchasing Specifications", "HSE Design Checklist" and "Field Control Briefing Template" before the commencement of works on our sites.



Emergency Drill



HSE Promotion Day



Safety Leadership Workshop



HSE Handbooks

COMMUNITY

A sustainable city underpins the long-term development of a resilient society and economy. KWCM continues its contribution and support to the United Nations SDGs by providing quality building materials to the construction sector. As such, our society can enjoy efficient public transport, schooling, hospitals, housing and recreation facilities. In fact, the case for sustainable urban development can be made in terms of inter-linked economic, social and environmental benefits. Economically the benefits include agglomeration economies, lower infrastructure costs and reduced congestion cost, while reducing carbon emissions and other environmental pressure.

COMMUNITY ENGAGEMENT

Adhering to the philosophy of “giving back to society”, KWCM’s CSR Committee values the fulfilment of civic responsibilities and have accordingly developed long-term CSR strategies to address community concerns. Over the last 15 years, with dedicated effort from our internal volunteering group, KWCM Social Club, we have organised many volunteering and philanthropic activities in collaboration with various government departments, district councils and non-governmental organisations with a different theme each year. Currently, we are focusing on a series of youth development programmes that target our caring initiatives to the next generation.

This year, it is our honour to receive the award of “15 Year Plus” Caring Company logo among 115 local companies and organisations in HK. We are also delighted to be awarded the Social Capital Builder Awards 2018, that recognises our social participation for building trust, solidarity and reciprocity in our society.



In KWCM, listening to and addressing community concerns is always synonymous with good business practice. We invest in activities and programs that focus primarily on economic development, education, and environment, reaching thousands of people in locations where we operate. We carry out most of these projects in partnership with local charities, and we are especially proud of the long-term relationship that has been built with them.



Note: Compared to the published figure in our Sustainability Highlights 2019, the figures for Investment in Community and Community Programmes in 2019 are adjusted after independent verification by certified body.

Major Community Programmes

Charitable Activities

- Charitable fundraising events of The Community Chest (2018, 2019)
- Donation to Liu's Ancestral Hall in Renshan Town (2019)
- Village road facilities reconstruction at Renshan Town (2019)
- KWCM-ELCHK Charity Walk (2018)
- KWCM 2-year Volunteer Programme (2019, 2020)
- Lifewire Run (2018, 2019)
- Pok Oi Cycle for Millions (2018, 2019)

Education and Culture

- HK Mine Challenge (2018, 2019)
- Sowers Action Challenging 12 Hours (2018)
- Final Year Project for Civil and Environmental Engineering students of The Hong Kong Polytechnic University (2018, 2019)
- Environmental Management and Technology Capstone Project for The Hong Kong University of Science and Technology (2018, 2019)
- KWCM 5-year education fund in Zhaotong (2018–2022)

Environmental Protection

- Sewage diversion renovation project at Renshan Town (2019)
- Tai Po Beach Cleaning Day (2019)

Story 5: Community Partnership

Evangelical Lutheran Church of Hong Kong ("ELCHK")

Tai Po Charity Walk

KWCM has been partnering with ELCHK for more than 10 years. In November 2018, we raised funds for a 2-year community charity program to support underprivileged families in Tai Po district. We organised a 5.8 km charity walk starting from our customer service centre at Tai Po concrete batching plant to ELCHK Tai Po study playground. With the strong support of more than 400 participants, over HK\$225,000 was raised from this meaningful event.



Group photo at ELCHK Tai Po study playground



KWCM – ELCHK Child Studies Programme

KWCM volunteer group rolled out a Child Studies Programme with ELCHK in Year 2019, with the aim of improving the learning environment for underprivileged children. Our volunteer colleagues delivered English lessons for children coming from 30 underprivileged families in Tai Po. In addition, the programme provided children a series of comprehensive activities including Science, Technology, Engineering and Mathematics ("STEM") workshops, family outings and a "Buddy Scheme" counselling service. We have been overwhelmed by the positive feedback from this CSR initiative, which has spurred our colleagues on to even greater efforts.

Parents of Po Lam:

Thank you for organising the programme which provides a great platform for learning. After taking the first class, she is more interested and confident in learning English. No matter if she is online or back to school, she speaks English more boldly and willing to communicate with her teachers. Moreover, she can complete all her homework by herself during this period of time, which proves that the teacher's teaching is so good.



Parents of Ka Yan:

Thank you for giving my child an opportunity to take an English course. Her English speaking skill has been improved a lot. Due to my financial situation, I cannot afford expensive tuition fee for my child. I deeply appreciate the enthusiasm from all volunteer teachers and wish them all happy family and good health.



Hong Chi Association

Floral-making Workshop

KWCM appreciates the value of equality for a harmonious society which led us in 2018 to organise a floral-making workshop with the Hong Chi Association. In this workshop, our colleagues not only learnt themselves, but also helped teach individuals with intellectual disabilities, how to make DIY flowerpots. After a very successful workshop, we donated a range of floral DIY supplies to the Hong Chi Association, so other groups could have the opportunity to benefit from our joyful experience.



Floral making workshop with Hong Chi Association

Intellectual disability is no longer considered as a barrier between people. With proper training and guidance, people with intellectual disabilities can also enjoy a meaningful life.

Universities Youth Career Development Programme

KWCM believes that our next generation is one of the future pillars for the society. Since 2014, we started the partnership with local universities to create a studies platform for undergraduates where they can learn valuable knowledge and experience related to occupational health and safety and environmental protection. Over the past six years, we have completed five joint research projects with The Hong Kong University of Science and Technology ("HKUST") and The Hong Kong Polytechnic University ("HK PolyU").

HKUST Capstone Project

In 2018, Capstone Project students from the HKUST Environmental Management and Technology Programme assessed the impacts of "China Emissions Trading Scheme" on our cement plants in Yunnan Province. Throughout the six-month research period, they gained useful experience and knowledge on carbon management, emission control initiatives and the national carbon management policies of Mainland China. This research not only provided the students with invaluable project management experience, but the real-world industrial context has allowed them to appreciate environmental issues in a wider perspective, from which they can better develop their careers.



HK PolyU Final Year Project

In 2019, final year students from the HK PolyU Environmental and Occupational Safety & Health Programme carried out a review of the safety management system of our concrete batching plant at Tai Po. During the review process, they gained practical knowledge and experience in the safety management processes of risk assessment, implementation of safety controls, safety performance monitoring and safety training.



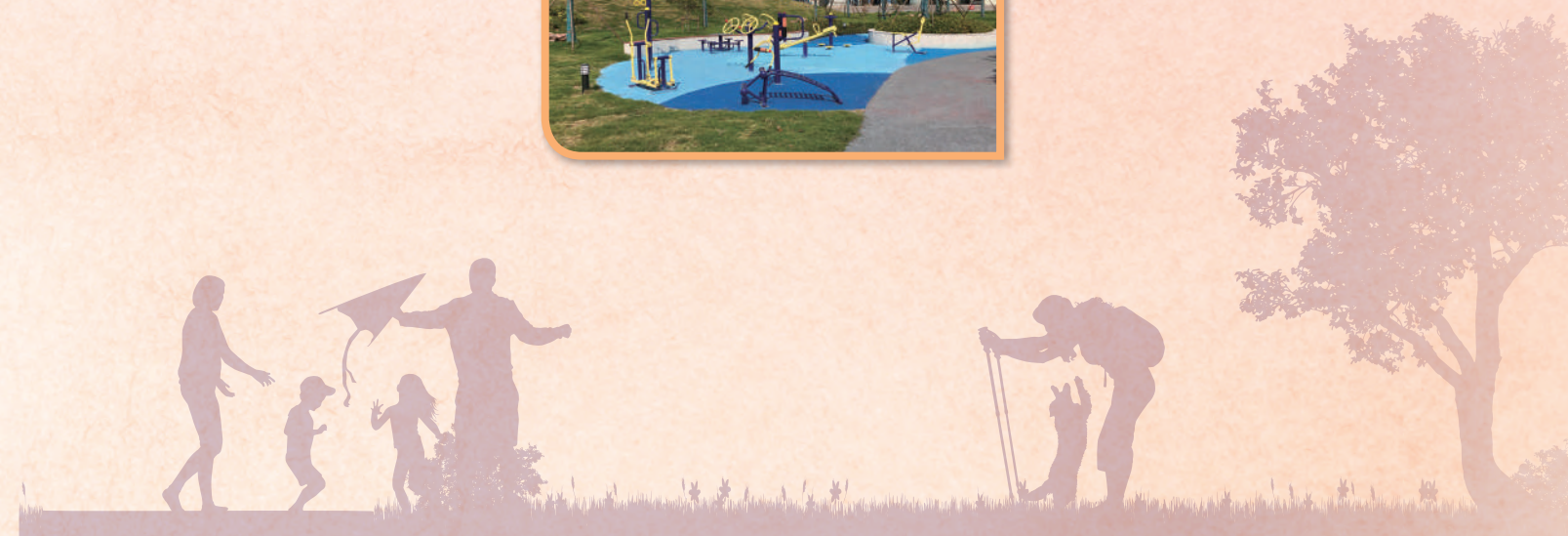
KWCM Zhaotong City Daguan County Education Assistance Foundation

In Zhaotong, Yunnan Province, KWCM has established a 5-year education fund which makes yearly RMB200,000 donations to the Communist Party of China Youth League of Daguan County Committee to facilitate, support and improve the learning environment for underprivileged undergraduates and secondary school students.



COMMUNITY CONNECTION

KWCM believes that wherever possible, the setting up of recreational areas at its production facilities, not only benefits the physical and mental well-being of our staff employed there, but also extends to the wider community. In Nanjing GGBS plant, for example, a part of our factory site has been landscaped to provide green spaces and leisure areas. Not only do the green spaces provide our colleagues room for leisure activities, but the sympathetic landscaping of the site with the surrounding area provides visual relief to the nearby residents, creating a positive impression of our operations.



ENVIRONMENT

The world's climate is changing rapidly. Many leading scientists, nation states and organisations agree that climate change is the biggest threat to humanity and natural ecosystems. Scientific studies indicate that extreme weather events are causing more frequent and intense drought, storms, heat waves, rising sea levels, melting glaciers and warming oceans, which can directly harm animals, destroy the places they live, and wreak havoc on people's livelihoods and communities. The health of human beings is also affected by climate change, either directly through changing weather patterns, or indirectly through changes in water, air, food, ecosystems, livelihoods and infrastructure.

There is a social cost that all of us need to bear for climate change, and as such, KWCM has adopted and developed a range of strategies to reduce the environmental impacts of its building materials business:



NATURAL RESOURCES CONSERVATION

- ❖ Minimise raw materials consumption, energy and water use
- ❖ Reduce, reuse and recycle wastes



EMISSION CONTROL

- ❖ Reduce GHG emission, air pollutant emission and carbon footprint



SMART USE OF ENERGY

- ❖ Adopt clean and renewable energy, and enhance energy efficiency



BIODIVERSITY

- ❖ Rehabilitate quarry to maintain the variety of plant and animal life in the ecosystem



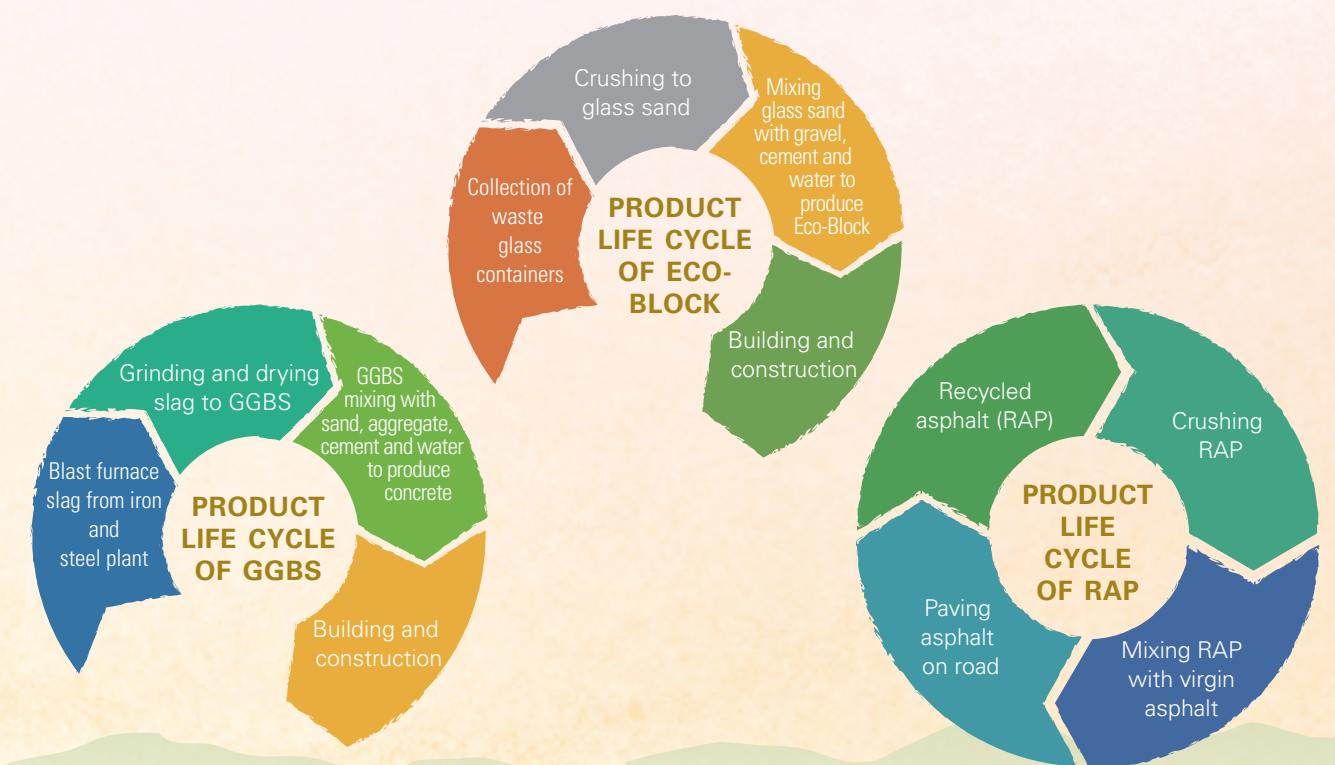
CIRCULAR ECONOMY

World population will reach 9.7 billion by 2050. This level represents an increase of more than 25% from 2020. As such, we should treasure our natural resources to enable a sustainable planet for the benefit of future generations. KWCM believes that reducing ecological footprint is a way to transform our society into a resource-efficient circular economy that will bring long-term sustainability.

KWCM applies the concept of circular economy by processing waste materials into raw materials for its construction material products. Our products of GGBS, Reclaimed Asphalt Pavement ("RAP") and Eco-Block put circular economy into practice and this green product strategy demonstrates how to perform resources conservation along the supply chain of construction materials.

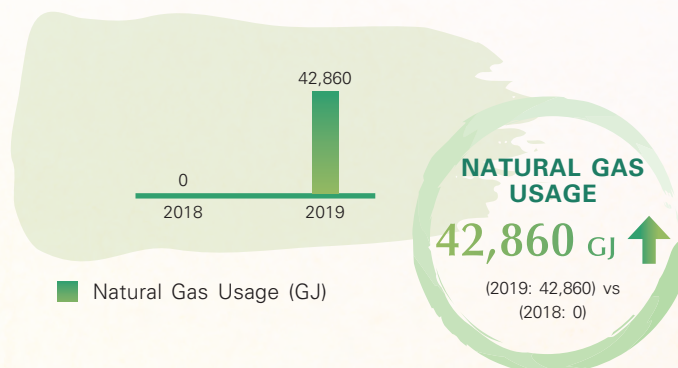


Secretary for the Environment, Mr. Wong Kam-sing visited K. Wah Eco-blocks plant in EcoPark.

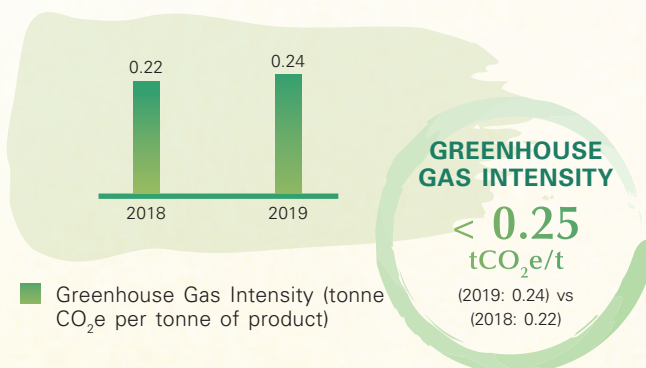


“COAL-TO-GAS SWITCHING” STRATEGY

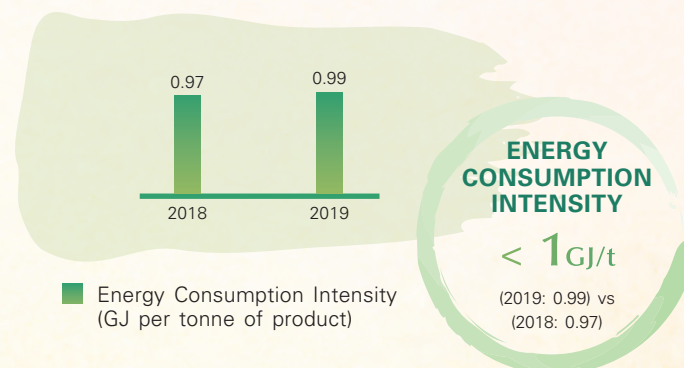
KWCM is proactively implementing a “Coal-to-gas Switching” environmental strategy so as to echo Mainland China’s environmental campaign of “3-Year Action Plan for Winning the Blue Sky War”. Currently, 75% of our GGBS plants in Mainland China are now using natural gas/blastfurnace gas for their furnaces. KWCM has adopted “Coal-to-gas Switching” as part of our long-term environmental strategy to slash air pollutant emissions, improve energy efficiency and reduce carbon footprint. We believe that its successful implementation can enable us to develop our edge in the emerging carbon emission trading market, while allowing us to enjoy the financial incentives available under the environmental taxation scheme in Mainland China.



■ Natural Gas Usage (GJ)



■ Greenhouse Gas Intensity (tonne CO₂e per tonne of product)



■ Energy Consumption Intensity (GJ per tonne of product)

Note: Compared to the published figure in Pg. 45 “GEG Annual Report 2019”, energy consumption intensity figure is adjusted after independent verification by certified body.

Story 6: Initiatives of Air Pollution Control

Coal-to-gas Switching in Egang

Being part of the national strategies, Mainland China has been intensifying environmental law enforcement in order to improve the ecological system. It is well known that the pollutants emitted by coal-fired boilers are one of the major sources of air pollution. Because of the low thermal efficiency of coal-fired boilers, particulates and harmful gases such as carbon dioxide and sulfur dioxide are released from the combustion process. As such, many local government authorities in Mainland China have started to implement the restriction and prohibition policy for the use of coal-fired boilers. Whereas, natural gas is a clean energy which can achieve complete combustion and its emission level of sulfur dioxide (“SO₂”) and nitrogen oxides (“NO_x”) is relatively low. In addition, the transportation of natural gas mainly depends on pipelines that can eliminate the associated air pollution arising from road transportation.



The “coal-to-gas switching” project of Egang K. Wah came into operation in 2019. The comparison of air pollutant emission and greenhouse gas intensity before and after the project is shown below:

	Before the Project (2018)	After the Project (2019)
Particular Matter (“PM”) (mg/m ³)	24.7	2.3
SO ₂ (mg/m ³)	Minimal	0
NO _x (mg/m ³)	20	11
Greenhouse Gas Intensity (tCO ₂ /t)*	0.04	0.02

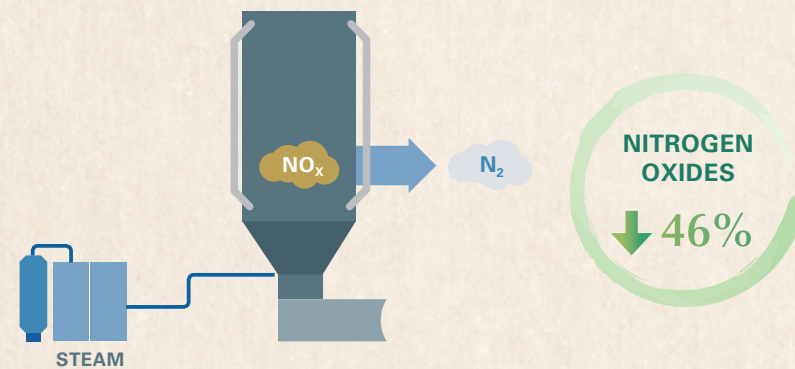
*Note:

- As Egang K. Wah started to use natural gas in March 2019, the emission data was compared on a year-on-year basis between March to December.
- This figure is the total emission of GGBS production lines before and after the “coal-to-gas switching” project.



The coal-fired boiler before the “coal-to-gas switching” project

Improved Selective Non-Catalytic Reduction ("SNCR") Denitrification Technology



The extreme high temperature inside dry-process cement kilns causes a high emission concentration of NO_x that contributes to negative environmental impacts. Cement plants usually adopt a combination of low-nitrogen combustion and SNCR technology to reduce NO_x emissions from cement kilns. However, the denitrification efficiency of SNCR technology is relatively low and comes with high operating costs. In addition, it causes secondary pollution and corrosion of equipment due to ammonia release. Hence, cement plants are required to take action to improve the denitrification efficiency, reduce operating cost and mitigate secondary pollution.

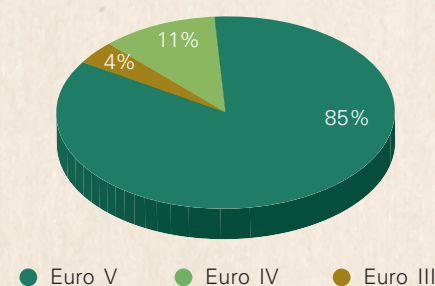
In view of this, and in order to demonstrate our environmental commitment, our cement plant in Puer, Yunnan Province, has proactively adopted state-of-the-art technology called saturated steam and coal gasification process. This process technology is effective in reducing NO_x emissions to pollution-free inert nitrogen while significantly reducing ammonia consumption.

Euro V Concrete Mixer Truck

Carbon monoxide ("CO") is a harmful air pollutant to the health of human beings. In HK, road transport is one of the major sources of CO emissions accounting for 50% of the total CO emissions in 2018. Between 2012 and 2018, the emission level of road transport decreased by 15% in HK, and KWCM is proud to have made its own contribution to the overall efforts for such air quality improvement. Over the last 10 years, we have been phasing out pre-Euro IV concrete mixer trucks in HK and have implemented a program of old truck replacement that is beyond the requirements of government air policy. As at December 2019, 85% of our concrete mixer trucks are now compliant with the Euro V emission standard with an intention to achieve full conversion by 2022.



EMISSION PERFORMANCE OF LOGISTIC FLEET

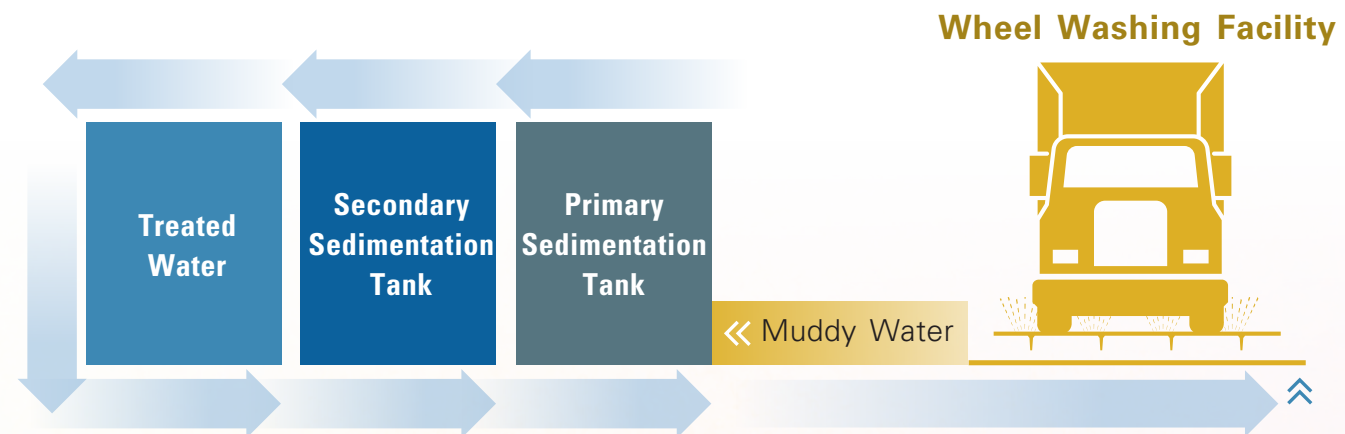


Energy Use

Mitigating and adapting to climate change are key challenges of the 21st century. At the core of these challenges is how efficient we use energy and our dependence on fossil fuels. To improve energy efficiency, KWCM has established the ISO 50001 Energy Management System for its Head Office with a view to obtain certification, and eventual implement of the system across all its business units. In addition, KWCM has started to implement clean energy in our production plants so that we can reduce the use of grid power, and subsequently improve our carbon footprint. For example, a photovoltaic system has been set up in our Huidong Quarry to supply power for road lighting and traffic warning signals.



WATER CONSERVATION



Fresh water is a limited resource. With the impacts of climate change, there is an increase in severe drought around the world, and the limited supply of fresh water is becoming one of our most precious resources. KWCM recognises the importance of water conservation for protecting the environment and we are committed to save and recycle water as far as possible.

In KWCM, most of our production plants are equipped with wheel washing facilities that operate on a wastewater recycling principle. That means a minimal amount of fresh water is used and the muddy water from wheel washing is sedimented, recycled and returned back to the system for wheel washing again.

Another good water saving example is the optimum moisture content control of slag in our GGBS plant at Qianan. With the aid of a computer controlled system, only the optimum amount of water is sprayed onto the raw slag for the control of moisture content before the drying process. This improvement not only saves water by avoiding excessive addition, but also saves the energy used for drying the slag. After implementation of this smart system, we are able to save close to 3,000 tonnes of water per annum.

BIODIVERSITY OF QUARRY

The primary impact of quarrying on biodiversity is through the removal of surface features during mineral extraction. Through this process, habitats can be altered or destroyed. Moreover, secondary effects of the quarrying process, such as noise, dust, pollution and waste removal can also impact plants and animals. Being a leading quarry operator in the region, KWCM fully integrates biodiversity in its rehabilitation management plan to maintain, and where possible, improve the ecosystem.

Having adopted state-of-the-art technology and global best practice, KWCM undertakes quarry blasting and landscaping in such a way as to conserve biodiversity to the greatest extent possible. In one example, at Huidong Quarry we have planted more than 10,600 trees on the quarry benches to create an improved habitat for supporting a variety of native species of plants and animals.



RECOGNITION AND COLLABORATION

Major Awards & Recognition in 2018 and 2019



Charters

Name of Charter / Pledge	Issuing Bodies
Charter on External Lighting	Environment Bureau
Good Employer Charter	Labour Department
Green Event Pledge	Environmental Protection Department
Joyful@Healthy Workplace Charter	Department of Health, Labour Department, Occupational Safety & Health Council
Occupational Safety Charter	Labour Department, Occupational Safety & Health Council
Workplace Hygiene Charter	Labour Department, Occupational Safety & Health Council

Memberships

Name of Association	Nature of Membership
Hong Kong Construction Materials Association	Founding Board Member
Hong Kong Concrete Institute	Member
Hong Kong Asphalt Pavement Association	Member
Hong Kong Green Building Council Limited	Institutional Member
Hong Kong Occupational Safety & Health Council	Green Cross Group Member
Business Environment Council	Corporate Member
China Concrete and Cement-based Products Association Slag Cement Concrete Branch	Member

GOVERNANCE, PERFORMANCE AND ASSURANCE

GRI STANDARDS & HKEX ESG REPORTING GUIDE CONTENT INDEX

GRI Standards Disclosure		HKEX ESG Reporting Guide — General Disclosure & KPIs			
		Description	Section/Reference	Page	
General Disclosure					
Organisational Profile	102-1	Name of the organisation	Cover Page	N/A	
	102-2	Activities, brands, products, and services	About K. Wah Construction Materials	6-8	
	102-3	Location of headquarters	Back Cover	N/A	
	102-4	Location of operations	About K. Wah Construction Materials	6	
	102-5	Ownership and legal form	About K. Wah Construction Materials	6-11	
	102-6	Markets served	About K. Wah Construction Materials	6-8	
	102-7	Scale of the organisation	About K. Wah Construction Materials	6-8	
	102-8	KPI B1.1	Information on employees and other workers	People	26-37
				Performance Data Summary	60-61
	102-9	KPI B5.2	Supply chain	Value Chain	16-25
102-10	Significant changes to the organisation and its supply chain		There was no significant change in the reporting period.	N/A	
	102-11	Precautionary principle or approach	Managing Director's Message	2-3	
			Corporate Governance	10-11	
	102-12	External initiatives	Charters	53	
	102-13	Membership of associations	Memberships	53	
	Strategy	102-14	Statement from senior decision-maker	Managing Director's Message	2-3
	102-15	Key impacts, risks and opportunities	Managing Director's Message	2-3	
			Stakeholder Engagement	12-13	
Ethics and Integrity	102-16	Values, principles, standards, and norms of behaviour	About K. Wah Construction Materials	9-11	
Governance	102-18	Governance structure	About K. Wah Construction Materials	10-11	

GRI Standards Disclosure		HKEX ESG Reporting Guide – General Disclosure & KPIs			Page	
Stakeholder Engagement	102-40		List of stakeholder groups	Stakeholder Engagement	12-13	
	102-41		Collective bargaining agreements	While none of our employees are covered by collective bargaining agreements, two-way communications between senior management and employees are available.	N/A	
	102-42		Identifying and selecting stakeholders	Stakeholder Engagement	12-13	
	102-43		Approach to stakeholder engagement	Stakeholder Engagement	12-13	
	102-44		Key topics and concerns raised	Stakeholder Engagement	12-15	
				Value Chain	16-25	
				People	26-37	
				Community	38-43	
				Environment	44-51	
Reporting Practice	102-45		Entities included in the consolidated financial statements	The entities and financial performance data of KWCM can be found in the annual financial report of Galaxy Entertainment Group (Hong Kong Stock Code: 27) http://www.galaxyentertainment.com/en/investor/financial-reports	N/A	
	102-46		Defining report content and topic boundaries	Materiality Assessment	14-15	
	102-47		List of material topics	Materiality Assessment	14-15	
	102-48		Restatements of information	There was no restatement of information in this Report.	N/A	
	102-49		Changes in reporting	Materiality Assessment	14-15	
	102-50		Reporting period	About This Report	4	
	102-51		Date of most recent report	Our Sustainability Report 2017 was published in October 2018	N/A	
	102-52		Reporting cycle	About This Report	4	
	102-53		Contact point for questions regarding the report	sustainability@kwcm.com	N/A	
	102-54		Claims of reporting in accordance with the GRI Standards	GRI Standards & HKEX ESG Reporting Guide Content Index	54-59	
	102-55		GRI content index	GRI Standards & HKEX ESG Reporting Guide Content Index	54-59	
	102-56		External assurance	Verification Statement	62	

GRI Standards Disclosure		HKEX ESG Reporting Guide — General Disclosure & KPIs		Description	Section/Reference	Page
Topic-specific Disclosures						
Economic						
Economic Performance	103–1, 103–2, 103–3			Management approach disclosure	About K. Wah Construction Materials	6–11
	201–1			Direct economic value generated and distributed	About K. Wah Construction Materials	7
					Performance Data Summary	60
	201–2			Financial implications and other risks and opportunities due to climate change	Environment	44–51
Procurement Practices	103–1, 103–2, 103–3	B5		Management approach disclosure	Value Chain	16–25
Anti-corruption	103–1, 103–2, 103–3	B7, KPI B7.2		Management approach disclosure	About K. Wah Construction Materials	6–11
	205–3	KPI B7.1		Confirmed incidents of corruption and actions taken	There were no confirmed incidents of corruption during the reporting period.	N/A
Anti-competitive Behaviour	206			Management approach disclosure	About K. Wah Construction Materials	6–11
	206–1			Legal actions for anti-competitive behaviour, anti-trust, and monopoly practices	There were no confirmed incidents of anti-competitive during the reporting period.	N/A
Environmental						
Materials	103–1, 103–2, 103–3	A3		Management approach disclosure	Environment	44–51
	301–2	A3		Recycled input materials used	Performance Data Summary	60
Energy	103–1, 103–2, 103–3	A2		Management approach disclosure	Environment	44–51
	302–1	KPI A2.1		Energy consumption within the organisation	Environment	49
					Performance Data Summary	60
Water	103–1, 103–2, 103–3	A2, A3, KPI A2.4, KPI A3.1		Management approach disclosure	Environment	44–51
	303–5	KPI A2.2		Water consumption	Performance Data Summary	60

GRI Standards Disclosure		HKEX ESG Reporting Guide – General Disclosure & KPIs		Description	Section/Reference	Page
Emissions	103–1, 103–2, 103–3	A1, A3, KPI A1.5, KPI A3.1		Management approach disclosure	Environment	44–51
	305–1	KPI A1.1, KPI A1.2		Direct (Scope 1) GHG emissions	Performance Data Summary	60
	305–2	KPI A1.1, KPI A1.2		Energy indirect (Scope 2) GHG emissions	Performance Data Summary	60
	305–4	KPI A1.2		GHG emissions intensity	Performance Data Summary	60
	305–5	KPI A1.5		Reduction of GHG emissions	Performance Data Summary	60
Effluents and Waste	103–1, 103–2, 103–3	A1, A3, KPI A1.5, KPI A3.1		Management approach disclosure	Environment	44–51
	306–2	KPI A1.3, KPI A1.4, KPI A1.6		Waste by type and disposal method	Performance Data Summary	60
Environmental Compliance	307–1			Non-compliance with environmental laws and regulations	There were three convictions in May 2018, and one conviction in December 2019. All of the convictions were in Mainland China. The convictions covered the following violations: 1) failure to use air pollution prevention and control measures properly, 2) using coal as fuel in prohibited areas, and 3) failure to take dust-suppression measures in the process of loading and unloading materials. We can confirm that all fines were settled and there have been no further violations of the specified process license conditions.	N/A
Supplier Environmental Assessment	103–1, 103–2, 103–3	B5, KPI B5.2		Management approach disclosure	Value Chain	16–25
	308–1	KPI B5.2		New suppliers that were screened using environmental criteria	Value Chain	16–25

		HKEX ESG Reporting Guide – General Disclosure & KPIs			
GRI Standards Disclosure			Description	Section/Reference	Page
Social					
Employment	103–1, 103–2, 103–3	B1	Management approach disclosure	People	26–37
	401–1	KPI B1.2	New employee hires and employee turnover	Performance Data Summary	61
	401–3		Parental leave	Performance Data Summary	61
Labor/Management Relations	402		Management approach disclosure	People	26–37
	402–1		Minimum notice periods regarding operational changes	When circumstance allows, a week’s notice is typically provided to employees and their representatives prior to the implementation of significant operational changes that could substantially affect them.	N/A
Occupational Health and Safety	103–1, 103–2, 103–3	B2, KPI B2.3	Management approach disclosure	People	26–37
	403–9	KPI B2.1	Work-related injuries	Performance Data Summary	61
Training and Education	103–1, 103–2, 103–3	B3	Management approach disclosure	People	26–37
	404–1	KPI B3.2	Average hours of training per year per employee	Performance Data Summary	61
	404–2	B3	Programs for upgrading employee skills and transition assistance programs	People	26–37
Diversity and Equal Opportunity	103–1, 103–2, 103–3	B1	Management approach disclosure	People	26–37
	405–1		Diversity of governance bodies and employees	Performance Data Summary	61
Non-discrimination	103–1, 103–2, 103–3	B1	Management approach disclosure	People	26–37
	406–1		Incidents of discrimination and corrective actions taken	There were no confirmed incidents of discrimination in the reporting period.	N/A
Local Communities	103–1, 103–2, 103–3	B8	Management approach disclosure	Community	38–43
	413–2		Operations with significant actual and potential negative impacts on local communities	No significant actual or potential negative impacts were identified during the reporting period.	N/A
		KPI B8.1	Focus areas of contribution	Community	38–43
		KPI B8.2	Resources contributed to the focus area	Community	38–43

		HKEX ESG Reporting Guide – General Disclosure & KPIs			
GRI Standards Disclosure			Description	Section/Reference	Page
Customer Health and Safety	103–1, 103–2, 103–3	B8	Management approach disclosure	Value Chain	16–25
	416–2		Incidents of non-compliance concerning the health and safety impacts of products and services	There were no confirmed incidents of non-compliance in the reporting period.	N/A
		KPI B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons	This KPI is not applicable to our business.	N/A
		KPI B6.4	Description of quality assurance process and recall procedures	Value Chain	16–25
Socioeconomic Compliance	103–1, 103–2, 103–3	B1, B2	Management approach disclosure	About K. Wah Construction Materials	6–11
	419–1		Non-compliance with laws and regulations in the social and economic area	We were not imposed any significant fine or sanctions for any noncompliance with laws and regulations in the social and economic area.	N/A

PERFORMANCE DATA SUMMARY

Economic

Indicator	Unit	2018	2019
Revenue	HK\$ Million	2,888	2,834
Adjusted EBITDA	HK\$ Million	940	1,162

Note: Joint venture companies' turnover is not included as required by statutory requirements.

Environmental

Indicator	Unit	2018	2019
Virgin raw materials for production	million tonne	4.7	5.3
Consumption of recycle materials	million tonne	4.9	5.1
Environmental paper consumption (Head office)	kg	3,081	2,582
NOx emissions	tonne	1,347	848
Sulfur oxides ("SOx") emissions	tonne	81	54
PM emissions	tonne	138	163
Total greenhouse gas emissions	tonne CO ₂ e	1,328,646	1,597,755
Greenhouse gas emissions (Scope 1)	tonne CO ₂ e	1,228,430	1,482,267
Greenhouse gas emissions (Scope 2)	tonne CO ₂ e	100,216	115,488
Total greenhouse gas emissions intensity	tonne CO ₂ e/tonne of product	0.22	0.24
Total hazardous waste produced	tonne	11	15
Total non-hazardous waste produced	tonne	20,449	23,419
Total energy consumption	GJ	5,842,017	6,558,970
Total direct energy consumption	GJ	5,158,160	5,920,305
Coal	GJ	4,965,995	5,741,009
Blastfurnace gas	GJ	0	0
Liquefied Petroleum Gas ("LPG")	GJ	0	0
Natural gas	GJ	0	42,860
Diesel	GJ	189,769	134,020
Petrol	GJ	2,396	2,416
Total indirect energy consumption	GJ	683,857	638,665
Purchased electricity	GJ	683,857	638,665
Total energy consumption intensity	GJ/tonne of product	0.97	0.99
Water Consumption (All regional offices)	m ³	5,080	5,077
Habitat restoration for quarries	%	100	100

Social

Indicator	Unit	2018	2019
No. of employee	number	1,000	957
Employee by age, <30	%	21	18
Employee by age, 30–50	%	54	56
Employee by age, >50	%	25	26
Employee by gender, senior management — Female/Male	ratio	7/43	7/41
Employee by gender, middle management — Female/Male	ratio	29/76	31/79
Employee by gender, general employee — Female/Male	ratio	172/673	158/641
Employee turnover	%	9	7
Employee turnover by age, <30	%	17	12
Employee turnover by age, 30–50	%	8	6
Employee turnover by age, >50	%	4	5
Total number of employees taking parental leave	number	23	26
Total number of employees taking parental leave — Return-to-work rate	%	100 (2017: 100)	100
Total number of employees taking parental leave — Retention rate	%	78 (2017: 67)	58
Permanent employee	%	55	58
Ratios of standard entry level wage — Overall	ratio	2.69	3.11
Ratios of standard entry level wage — Female	ratio	2.23	2.61
Ratios of standard entry level wage — Male	ratio	2.81	3.23
Man-days lost	man-day	410	315
Accident frequency rate	no. of accident per 100,000 man-hours	0.10	0.15
No. of training hour per employee	number	10.5	6.0
Volunteering hours	number	3,468	656

Note: Compared to the published figure in Pg. 55 and 58 "GEG Annual Report 2019", the methodology of measuring KWCM average training hours has been updated, thus the figures relating thereto has been remeasured accordingly.

VERIFICATION STATEMENT

Scope and Objective

Hong Kong Quality Assurance Agency ("HKQAA") was commissioned by K. Wah Construction Materials Limited ("KWCM") to undertake an independent verification for the Sustainability Report 2019 ("the Report"). The report covers the operations of KWCM's head office and all subsidiaries. The Report stated the sustainability performance of KWCM in the period of 1 January 2018 to 31 December 2019.

The aim of this verification is to provide a reasonable assurance on the reliability of the report contents. The Report has been prepared in accordance with the Global Reporting Initiatives ("GRI") Standards: Core option, Rule 13.91 and Appendix 27 "Environmental, Social and Governance Reporting Guide ("ESG Guide")" of the Main Board Listing Rules of The Stock Exchange of Hong Kong Limited, as well as referencing the ISO 26000 — Guidance on Social Responsibility.

Level of Assurance and Methodology

The process applied in this verification was based on the International Standard on Assurance Engagements 3000 (Revised), Assurance Engagements Other than Audits or Reviews of Historical Financial Information issued by the International Auditing and Assurance Standards Board. Our evidence gathering process was designed to obtain a reasonable level of assurance as set out in the standard for the purpose of devising the verification conclusion. The extent of this verification process undertaken covered the criteria set in the GRI Standards: Core option and the ESG Guide, as well as the ISO 26000 Guidance on Social Responsibility.

HKQAA's verification process included verifying the mechanisms for collecting, calculating and reporting the sustainability performance information, reviewing relevant documented information, interviewing responsible personnel with accountability for preparing the Report and verifying selected representative samples of data and information. Raw data and supporting evidence of the selected samples were also thoroughly examined during the verification process.

Independence

KWCM is responsible for the collection and preparation of the information presented. HKQAA is not involved in the collection and calculation of data or the compilation of the reporting contents where our verification activities were entirely independent and there was no relationship between HKQAA and KWCM that would affect the impartiality of the verification.

Conclusion

Based on the verification results and in accordance with the verification procedures undertaken, HKQAA has obtained reasonable assurance and is in the opinion that:

- The Report has been prepared in accordance with the GRI Standards: Core option and the ESG Guide, as well as referencing the ISO 26000 — Guidance on Social Responsibility;
- The Report illustrates the sustainability performance of KWCM, covering all material aspects, in a balanced, comparable, clear and timely manner; and
- The data and information disclosed in the Report are reliable and complete.

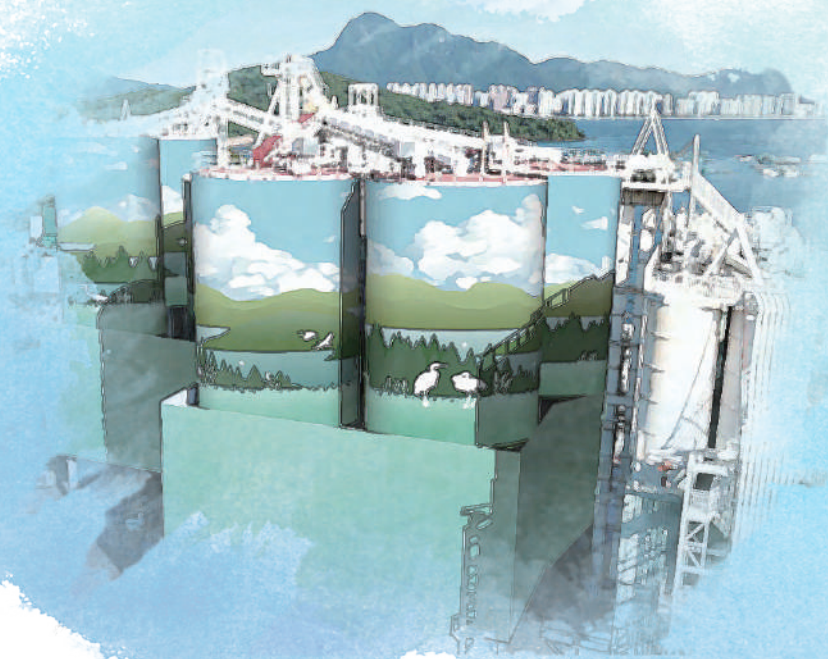
Based on the selected sustainability performance information and data contained in the Report, nothing has come to HKQAA's attention that causes us to believe that the information and data have not been prepared and presented fairly and honestly, in all material aspects, in accordance with the verification criteria.

In conclusion, the Report reflects truthfully of KWCM's sustainability performance that is commensurate with the sustainability context and materiality of the company.

Signed on behalf of Hong Kong Quality Assurance Agency



KT Ting
Director, Strategic Services Development
October 2020



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We appreciate your feedback. Kindly send us your comments or suggestions at sustainability@kwcm.com.