

上諭集團控股有限公司
**SHEUNG YUE GROUP
HOLDINGS LIMITED**

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 1633)

**ENVIRONMENTAL, SOCIAL,
GOVERNANCE REPORT
YEAR 2018**

1. Introduction and Reporting Scope

This is the second year for the Group to prepare a report covering the Environmental, Social and Governance (“ESG”) highlighting information as well as performance for SHEUNG YUE GROUP HOLDINGS LIMITED (the “Company”) and its subsidiaries (together referred to as the “Group”). This report has been prepared in accordance with the requirements of the “ESG Reporting Guide” under Appendix 27 of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the “Stock Exchange”).

Foundation works are still being the Group’s most important business segment and principally undertaken by our key operating subsidiary, Simon & Sons Engineering Limited. The scope of this ESG report (“Report”) covers the Group’s head office and activities both in Hong Kong and Macau.

This Report covers the period from 1 April 2017 to 31 March 2018, which coincides to the Group’s latest published annual report for the financial year ended 31 March 2018. Our Group keeps striving to identify, manage and improve our standard of ESG and strictly complied with statutory requirements as well as ordinances, regulations and other legislative requirements. The Group will keep strengthening our performance in environmental and social aspects as part of our business development.

2. Stakeholders’ Engagement

Stakeholders’ perspective on ESG include owners, government authorizes, customers, bankers, investors, employees, business partners, sub-contractors, suppliers, unions, various kinds of media and the community organizations in general.

The Group realizes that communication with stakeholders is still important. An effective communication shall be achieved via diverse range of continuous assessments and feedback collection through our internal meetings and external meetings with our stakeholders. Various communication channels include but not limited to the annual general meeting, employee suggestion box, site visits, client satisfaction surveys, telephone enquiry, periodical sub-contractor and supplier evaluation as well as inviting them to participate the meeting and consultation from them.

3. Environmental Protection and Management Systems

Our Group is engaged in undertaking foundation works and some environmental impacts may cause emissions and wastes during operation. We have taken various measures including but not limited to “Design and Planning, Reuse and Recycle, On-Site Sorting, Air Pollution and Carbon Emission, Wastewater Pollution and Noise Pollution” to mitigate and/or avoid such impacts as mentioned in our first report prepared for the year 2017.

By taking those measures in an effective manner, our Group has thoroughly implemented the Integrated Management Systems covering quality, environmental, safety and energy in both management level and operational level. Our key operating subsidiary, Simon & Sons Engineering Limited has been certificates granted, i.e. “ISO 9001:2008 – Quality Management Systems, ISO 14001:2004 – Environmental Management Systems, OHSAS 18001:2007 – Occupational Health and Safety

Management Systems and EnMS 50001:2011 – Energy Management Systems” from the accredited Certification Body in compliance with the international standard requirements. In addition, our Group is committed to operate those management systems conforming the latest edition criteria of the standards once they are being updated. Ensuring those changes are substantially reviewed before put into our current management systems for implementation.

Having consulted various parties regarding the upcoming changes of the latest international standard requirements, we notice that “Understanding the Organizational Context, Organizational Knowledge, Risk and Opportunity” will be the key elements for us to address and to be integrated into the management systems by considering any issues that may have affected or influenced the development of our Group both internally and externally.

Understanding the Organizational Context to Risks and Opportunities Identification

Our Group is committed to defining our position in the marketplace and understanding how relevant factors arising from legal, political, economic, social and technological issues influencing our strategic direction and our organizational context.

We identify, analyse, monitor and review factors that may affect our ability to satisfy the interested parties including “Customers, Communities, Suppliers/Subcontractors, Regulators, Non-Governmental Organizations, Owners/Stakeholders/Investors/Employees”, as well as; factors that may adversely affect the stability of our process in terms of environmental pollutions or wasted material, or our management system’s integrity.

To ensure that our management systems are aligned with our strategy, whilst taking account of relevant internal and external factors (as shown in below table); we initially collate and analyze pertinent information in order to determine potential impact on our context and subsequent business strategy.

Then we monitor and review this information to ensure that a continual understanding of each requirement is derived and maintained. To facilitate the understanding of our context, we regularly consider issues that will be influencing our context through management meetings and to be conveyed via minutes and business planning documents.

Internal Issues (Organization and employees)	External Issues (International, national, regional or local)
Values	Legal (Regulatory & statutory)
Culture	Cultural
Knowledge	Competitor
Performance	Social and economic environments
Capacity	Market
Innovation	Technological

The output from this activity is evident as an input to the consideration of risks and opportunities, and the actions that we take to address them in the “Risk and Opportunities Register” covering the “ESG Risk”.

Understanding the Needs and Expectations of Interested Parties

Our Group recognizes that there is always an unique set of interested parties whose needs and expectations change and develop over time, and furthermore. To ensure that our products and processes continue to meet all relevant requirements, we identify and assess the potential impact of any relevant needs and expectations that may be elicited from the interested parties. The followings have been determined:

- The interested parties that are relevant to our management systems;
- The relevant needs and expectations (i.e. requirements) of those interested parties;
- Which of those needs and expectations become our compliance obligations.
- Where appropriate, to ensure that our processes are aligned to deliver the requirements of our interested parties; we convert relevant needs and expectations into requirements which become inputs to our management systems and finally to our product and service deliverable.

Such needs and expectations generally include those being shown in the table below.

Interested Parties	Needs & Expectations
Customers	Price, reliability & value, less waste generation and energy saving
Communities	Safe & harmony, less pollution to the society
Suppliers/Subcontractors	Beneficial relationships, less re-works and double handling
Regulators	Compliance & reporting
Non-governmental organizations	Funding & supporting to handle and mitigate the pollution and waste generation
Owners/Shareholders/Investors	Profitability & growth, sustainability, compliance obligation
Employees	Shared values & security, environmental friendly and healthy environment

Actions to Address Risks & Opportunities

The overall aim of risk and opportunity management within our Group is to ensure that organizational capabilities and resources are employed in an efficient and effective manner to take advantage of opportunities and to mitigate risks.

Our Board Management Members are responsible and engaged for incorporating risk based thinking into our organization’s culture. This includes the establishment of risk management policies and targets to ensure effective implementation of risk and opportunity management principles and activities by:

- Providing sufficient resources to carry out risk and opportunity management activities;
- Assigning responsibilities and authorities for risk and opportunity management activities;
- Reviewing information and results from audits and risk and opportunity management activities.

The risk and opportunity management process includes the assessment of the internal and external issues, and the assessment of the needs and expectations of any interested parties as mentioned above. Risk and opportunity management is undertaken as part of our day-to-day operations and is captured at the following hierarchy:

Business Hierarchy	Risk/Opportunity
Strategic level	Budgets and cost of sustainability
Programme level	Performance and efficiency
Department level	Resources and targets
Process level	Evaluation and assurance

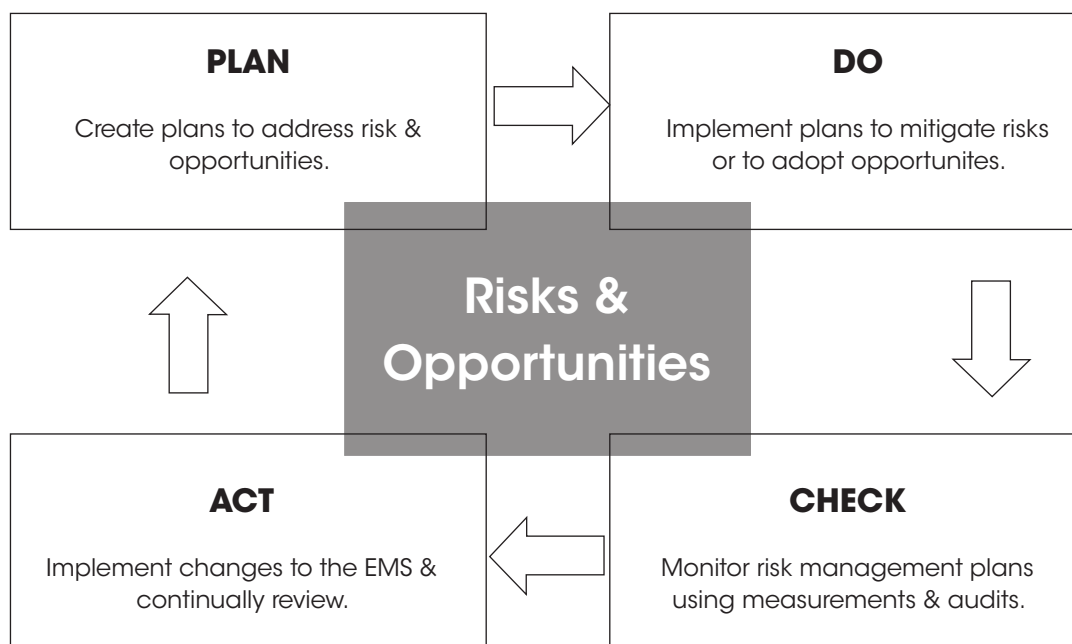
Establishing such a hierarchy for capturing risk and opportunity ensures that each is managed at the most appropriate level within our organization. We have classified “risk appetite” as the amount of risk that we are willing to accept in pursuit of an opportunity or the avoidance of risk where each pertains to product and/or system conformity.

Determination of Risks & Opportunities in relation to the ESG

Our Group determines the risks and opportunities related to our environmental aspects, social compliance obligations, company governance and other issues or requirements that need to be addressed to:

- Give assurance that our management system can achieve its intended outcomes;

- Prevent or reduce undesired effects, including the potential for external environmental and social conditions to affect the organization, e.g. procurement priority and portion of building materials to be manufactured locally and amount of using recycled materials as per assessment requirements under the Building Environmental Assessment Method Plus for New Buildings (BEAM Plus New Buildings);
- Achieve continual improvement via “Plan – Do – Check – Act (PDCA Cycle)” as shown in the below diagram.



Continual Improvement

Interested parties’ satisfaction, internal audit data, process and performance data, and the cost of rectifying poor control are then compared against our set objectives to identify if any additional opportunities for improvement will be required and to be further addressed in the risk & opportunities register as shown in below table for result monitoring and effectiveness review.

Risk and Opportunity Register

Item	Risk Type	Interested Party	Internal/ External		Reason for Interest	Issue of Concern	Process Owner Being Affected	Priority	Action to address risks and opportunities	Relevant Documented Information/ Supporting
			Internal	External						
1	Governance & Management	Director	Internal		Top Management incapacitated due to severe illness or accident To comply with regulators requirements	Monitoring and management process might have been affected without Top Management's decision and supervision	Project Team and Administration Team	High	Internal communication and briefing to staff of handling methods before in case of happening	Instruction and Training
2	Financial Risk	Company Owner and Employees	Internal		Sound financial position can sustain the development and growth of the Company Supportive to company development in environmental and safety Profit making	Insufficient credit control leading to cash flow issues	Company Owner	Medium	Ensure the financial control is healthy and steady	Director shall monitor the financial status with Administrative/Finance Manager
3	Compliance Risk	Sensitive Recipient	External/Internal		Information sending to wrong recipient	E-mailing sensitive or confidential information which could jeopardies/ influence the outcome of an adjudication or dispute	Each Staff Member	High	Double check for errors and addresses	Reminder and instruction to staff after being drafted
4	Legal (Regulatory & Statutory)	Regulator	External		Comply with legal requirement	Process might have to be updated based on latest legal requirements as per Government's gazette Complied with legislative requirement	Project Team and Administration Team	High	In-house rules, Memo, Internal Circulation	www.elegislation.gov.hk Information given by various Government Departments

Item	Risk Type	Interested Party	Internal/ External	Reason for Interest	Issue of Concern	Process Owner Being Affected	Priority	Action to address risks and opportunities	Relevant Documented Information/ Supporting
5	Cultural/Social Environments	Contractor, Sub-contractors, Visitors, Occupants and Property Management	External	Failure, malfunction and faulty operation of our products could impact on public safety	Installation processes must be well instruction given to interested parties with better communication Prioritize local job opportunities local worker to secure jobs, less foreign workers	Project Team and Administration Team	Medium	Client feedback and degree of satisfaction	Client Feedback Record/ Satisfaction Survey Collect staff suggestion through different channel (phone, WhatsApp, email, memo, etc.) Proactive to communicate with communities To have different communication channels
6	Competitor, Market and Economic Environments, Innovation and Technological Promotion	Director, Manager and Engineer	External	Understanding the competitor's services offering to position our scope of services in the market	Adaptation of lower tender price strategy may lead to vicious market competition For better control of construction progress. To upgrade existing management system and improve company image Expand different sector; gov & private sector	Project Team and Administration Team	Medium	Always update market information/ trend in order to have a technological knowledge advantage in market competition	Promotion of advance technology information in different occasions by partnership with professional organizations

Item	Risk Type	Interested Party	Internal/ External	Reason for Interest	Issue of Concern	Process Owner Being Affected	Priority	Action to address risks and opportunities	Relevant Documented Information/ Supporting
7	Values	Company Owner and Potential Clients	Internal	Values in terms of vision, job reference, response rate will affect our reputation in market as well as job opportunity	To purchase new machinery (better efficiency and energy saving) to enhance company competitiveness in awarding new contracts.	Top Management and Project Team	Medium	Project reference and other media of publication	Update of Company profile and job reference. Organizing or joining seminar, symposium and exhibition for promotion
8	Company Culture	Internal Staff	Internal	Morale and synergy of the team will affect the efficiency and effectiveness of the whole operation	Our Company staff were noted satisfactory of our current working environment. Caring and empathetic management style Extra annual leave for staff	Top Management and Project Team	Low	Collection of internal staff feedback at any time if any	Staff feedback

Item	Risk Type	Interested Party	Internal/ External	Reason for Interest	Issue of Concern	Process Owner Being Affected	Priority	Action to address risks and opportunities	Relevant Documented Information/ Supporting
9	Knowledge	Internal Project Team	Internal	Thoughtful and comprehensive knowledge in providing services and products	Lack of information or in-comprehensive knowledge may affect the effectiveness and efficiency of the service and product provision and ultimately lower the reputation on the Company as well as the values and competitiveness in the market.	Top Management and Project Team	Medium	Internal Staff attend various trainings, seminars, symposiums and exhibitions can extend the knowledge extent for handling daily challenges	External and internal training records with referencing materials as part of the database for the Company to become organizational knowledge
10	Performance	Vendors (Suppliers/ Sub-contractors)	Internal	Monitoring on Indirect work done by external providers	Encourage / subsidy staff to attend different training / seminar To ensure their performance in line with our requirements of core business and service provision. Top management meeting for project coordination, management review, technology	Top Management and Project Team	Medium	Supply chain management, vendor performance assessment	Vendor performance assessment reports Long term partnership To be listed on approved suppliers list On time payment, fulfill payment terms

Item	Risk Type	Interested Party	Internal/ External	Reason for Interest	Issue of Concern	Process Owner Being Affected	Priority	Action to address risks and opportunities	Relevant Documented Information/ Supporting
11	Capacity	Company Owner and Internal Staff	Internal	Our capacity of handling current and upcoming project, work loads, and buffer of more project making	Availability of skilled workforce in handling project is checked enough at the stage	Top Management and Project Team	Medium	Top Management reviews actual workload and spare workload of respective fee earning project	Identification of Fee Earning project Invitation to tende (Check fulfillment of customer needs and expectations)
									Receive appreciation letter from client for the works
									Requirements listed on contracts
									Tender interview for review company capability to achieve customer needs and expectations

4. Human Resources and Community

4.1 Stable and Fair Working Environment

Our Group believes a stable workforce is crucial to the development of the Group especially in the competitive labour markets nowadays. Thus we creates and keeps a fair employment environment to our employees with reasonable working hours and extra holidays to prevent their burnout. Overtime work is not encouraged in our Group. However, if it is necessary for our staff to work beyond the set working hours, compensatory leave will be granted in return.

Being part of our Group's new recruitment and promotion process, every candidate or staff is being evaluated based on the non-discrimination principle of gender, age, race, marital status, sexual orientation and religious belief, etc. In addition, we prohibits any violation on human rights and accept zero tolerance towards using forced labour, child labour and illegal workers.

The Group offers variety of job opportunities and promotion for staff depending on their performance and talent after annual review. Any staff has demonstrated outstanding performance, he/she will then be recommended to promote or reward.

4.2 Safety and Health Monitoring

Our Group always put safety and health at first priority in any workplace. Full time Safety Officer has been engaged in our Group to provide safety induction training, toolbox talk and other relevant safety training to all frontline workforce, supervisory staff, suppliers, sub-contractors and visitors before entering the site for works.

Safety procedures with policies are established at workplace with regular review by Our Board Management Members among the other staff members in the "Safety and Health, Environmental and Energy Committee".

Our Safety Officer ensures the effectiveness of the safety management system of the Group by performing regular safety inspection and responsible for coordinating various kinds of safety aspects with result monitoring and takes prompt action if any issues being identified.

Safety meetings and site inspections are held regularly to monitor the safety and health performance of our staff. Participation and feedback by them are welcomed for our whole system improvement.

4.3 Safety Equipment

Adequate and applicable Personal Protection Equipment including safety helmets, harness, masks, ear plugs, shoes, goggles, gloves and reflective waistcoats are always kept in stocks and provided to our staff before working on site. Those machines and vehicles will be checked regularly with certificates granted before use.

Our Safety Officer should conduct noise assessment to determine the noise level of the plant, equipment, tools and construction process on site and prepare noise assessment report. A new assessment will be conducted whenever there are new equipment or plants introduced, or the working environment has changed which may affect the noise emitted.

5. Governance

5.1 Product Responsibility

Despite of various types of foundation works need different kinds of methodologies and materials, they all have one critical requirement in common which is the product

standard quality. No matter how good the super-structure is, high quality foundation works that meet the construction standards is still the fundamental element to support the whole structure, the Group believes a strong interrelationship with customers, stakeholders and other interested parties throughout the whole construction stages, i.e. “design, procurement, installation, maintenance” shall enhance the degree of overall performance. An open communication channel is always dedicated to our responsible staff for handling any queries or feedback promptly. For any feasible and practical improvement action to our operation being received, the possible solutions will be identified, recorded and follow-up with result monitoring.

5.2 Anti-corruption

Our Group accepts zero tolerance of any kind of bribery, extortion, money laundering, false declaration, corruption and fraud. Our staff are encouraged to attend the talk organized by the Community Relations Department of the Hong Kong Independent Commission Against Corruption in order to let them having a clear picture when facing any issue which may be constructed to corruption during their daily works.

All of our staff are required to disclose and report to the management of any situation that may reasonably be implicated to a suspected case or give rise to a conflict of interest. Any violation to the anti-corruption regulations shall be subject to legal discretion. During the last whole year, zero corruption case was noted and we will stay clean and keep complying the statutory requirements as always.

5.3 Supply chain management

Our Group always keeps track on monitoring the work done by our suppliers and sub-contractors, and conducts annually selection process determining whether they are going to be kept or removed from the approved list after performance assessment. The selection criteria include but not limited to their experience and past performance, willingness to match our management systems covering quality, environmental, safety and health, and energy management.

By considering the procurement of machineries, Quality Powered Mechanical Equipment labelled and Ultra Low Sulfur Diesel shall be selected at first priority with the advantages of low noise and less pollution generated during operation.

5.4 Community Investment

Our Group contributes more and more to the community and work towards building a caring society. Our Group has donated to the following charities supporting a wide range of services to the society.

Name of Charity	Donation Amount (HK\$)	Date of Donation
Tsing Yi Hop Chung Tong Dragon-Boat Association	30,000.00	24/04/2017
Medecins Sans Frontieres	4,200.00	02/06/2017
Rainbow Foundation Ltd.	30,000.00	15/08/2017
K&K Charity Limited	80,000.00	05/09/2017
Children’s Cancer Foundation	10,000.00	15/12/2017
Rainbow Foundation Ltd.	30,000.00	02/02/2018
Total:	184,200.00	