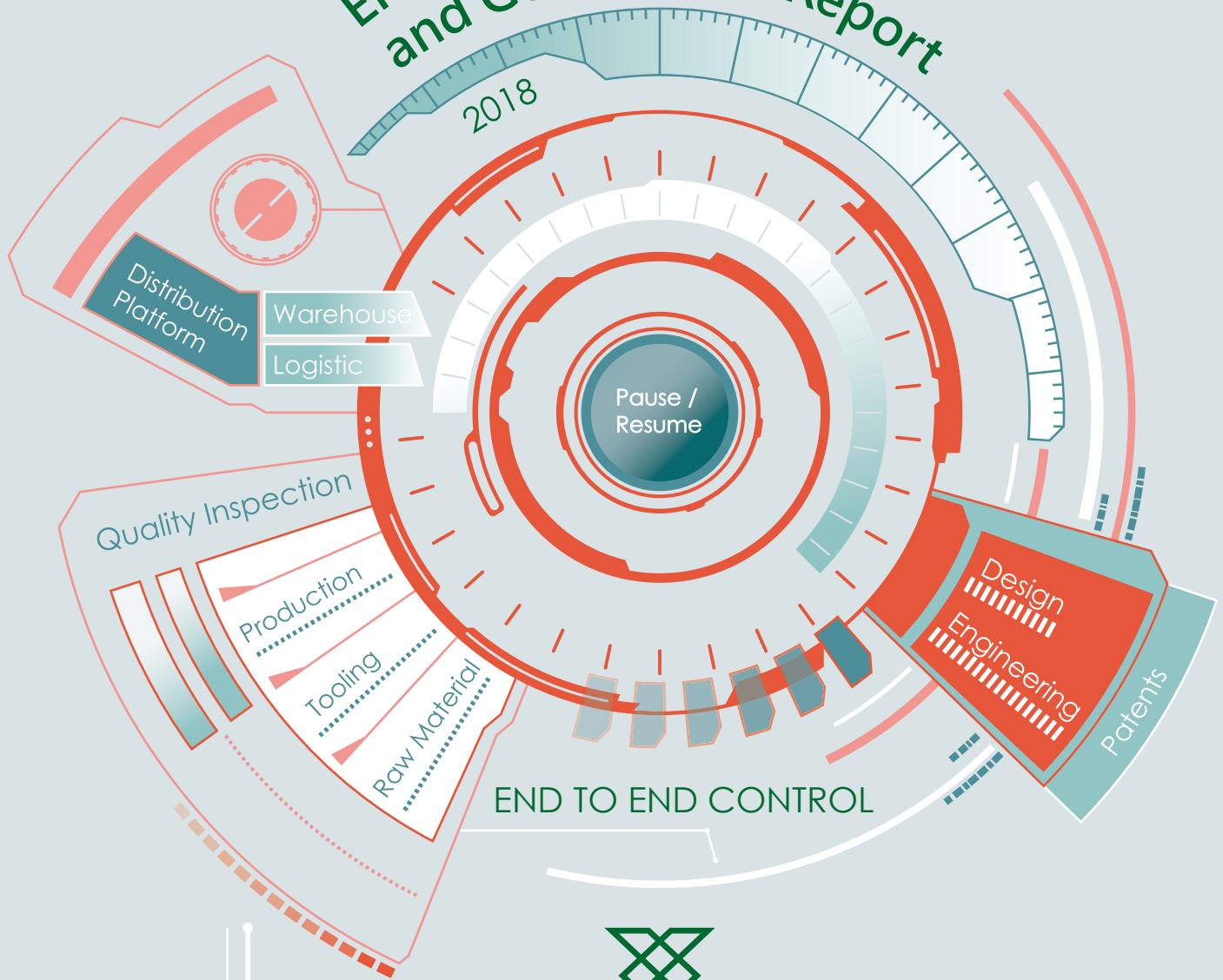


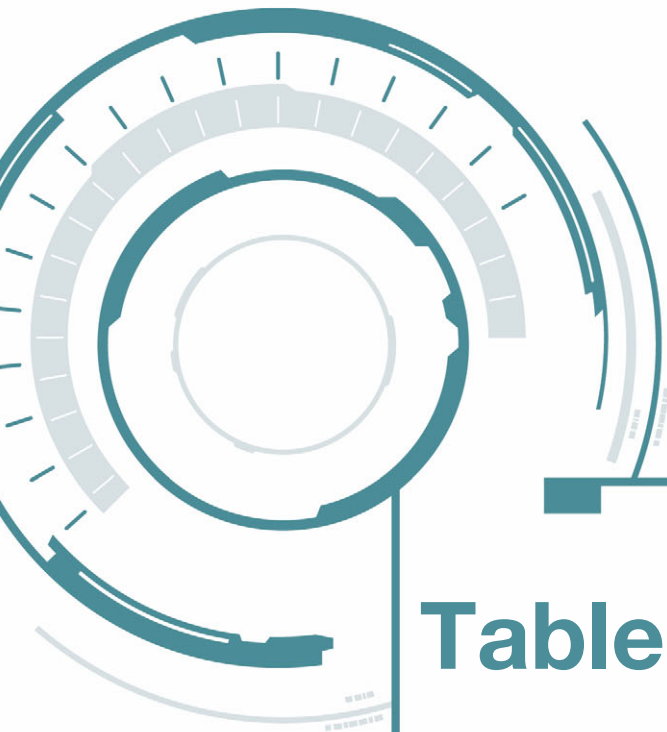
# Environmental, Social and Governance Report



King's Flair International (Holdings) Limited

科勁國際(控股)有限公司

Incorporated in the Cayman Islands with limited liability **Stock Code : 6822**



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# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

## ABOUT THE COMPANY

King's Flair International (Holdings) Limited (the "Company", together with its subsidiaries, "KFI" or the "Group") is an one-stop kitchenware and household product solution provider, and is dedicated to providing differentiating customized services that meet the needs of various customers. Headquartered in Hong Kong, the Group's businesses cover aspects including market research, concept creation, product design and development, raw material sourcing, production engineering as well as quality assurance, order tracking and logistics. The Group renders end-to-end service for its customers from raw material selection, product design, production engineering, supply chain management to retail service in China, assisting them in procedures of dealing with research and development of product design and supply chain management.

The Group offers diversified products, including kitchen tools and gadgets, drinkware, bakeware and accessories and food preparation and storage products and accessories. In 2018, the Group launched toddler products to expand product portfolio. The Group has established customer network in Asia-Pacific region, such as Mainland China, Taiwan, Thailand and Japan, as well as in North America, Australia and Europe.

In order to grasp opportunities in the growing PRC market, the Group will continue to establish strategic partnership with brand owners and expand emerging sales and distribution channels which possess potential. Moreover, the Group will also grasp the opportunities created by the increasing demand for products in each region through continuous development and the launch of product series that satisfy local demand.

### ABOUT THIS REPORT

The Company hereby publishes its third Environmental, Social and Governance Report (“Report”), aiming to allow all stakeholders to understand the progress and development direction of the Group’s sustainable development issues by annually reporting the policy, measure and performance in respect of environment, social and governance of the Group. This Report is prepared in both Chinese and English, and has been uploaded to the websites of Hong Kong Stock Exchange and the Company ([www.kingsflair.com.hk](http://www.kingsflair.com.hk)).

### Scope of report

This Report focuses on the operation<sup>1</sup> of the Group’s business segment of kitchenware and household products during the period from 1 January to 31 December 2018 (the “Year”), such segment accounted for approximately 90% of the total revenue of the Group. In line with the report of last year, this report covers the operation of the following three offices in Hong Kong (“head office and branch offices”):

Head office  
in Sheung Wan

Sheung Wan  
Branch

Tsuen Wan  
Branch

The Group continues to optimize the information collection procedure by requiring each operating unit to collect, record and report information about environmental and social performance properly. As the information collection system improves, the Group expects to expand the scope for disclosure so as to allow stakeholders understand the work and performance of the Group’s sustainable development more comprehensively.

### Reporting standards

This Report is prepared in accordance with the Environmental, Social and Governance Reporting Guide (the “Guide”) in Appendix 27 to the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited, and based on the four reporting principles, namely materiality, quantitative, balance, and consistency. In order to allow shareholders to fully understand the environment, social and governance performance of the Group, this Report not only discloses key performance indicators about environmental aspect in compliance with the “Comply or Explain” provisions, but also reports certain key performance indicators about social aspect as stated in “Recommended Disclosures” in the Guide.

### Confirmation and approval

The information contained in this Report has been sourced from official documents and statistical data of the Group. This Report has been confirmed by the Sustainable Development Committee of the Group and approved by the board of directors of the Company in June 2019.

### Feedback

The Group highly values the opinions of its stakeholders on KFI’s environmental protection and social responsibility. If you are in doubt or have any recommendations concerning the content or form of reporting of this Report, you are welcome to contact the Group by way of the following:

Address: 12/F, Yardley Commercial Building, 3 Connaught Road West, Hong Kong  
Email: [ir@kingsflair.com.hk](mailto:ir@kingsflair.com.hk)

<sup>1</sup> The operation of the Hong Kong Head office and Branches includes King’s Flair International (Holdings) Limited, Manweal Development Limited, King’s Flair Development Limited, Homespan (HK) Limited, Aegis Global Resources (HK) Limited, Wonder Household Limited, Gloxis Development Limited, SIM Design Limited and King’s Flair Resources Limited.

### MESSAGE FROM THE MANAGEMENT

The rapid growth of economy and population has significant impact on the earth's natural environment and resources. The United Nations has put forward 17 sustainable development goals, calling for earth protection while promoting economic growth across the world.

To cope with the risks and opportunities arisen from sustainable development issues, KFI has named sustainable development issues as a business development direction. The Group has established Sustainable Development Committee, which comprises of the management and each department head, and has set specific terms of reference for the committee and each member. The committee, authorized by the board, is responsible for identifying risks relating to environment, social and governance matters, formulating governance measures and monitoring the effectiveness of the work to ensure the sustainable development policy has been effectively implemented and to monitor the performance of such measures.

The adoption of sustainable consumption and production model is essential to the global sustainable development. Sustainable consumption and production is an overall guiding principle to raise the quality of people's lives and, at the same time, minimize the negative impacts on environment created by the consumption and production system. The Group understands that, instead of being passive, enterprises should anticipate the demand of consumers for sustainable consumption, which in turn would introduce more sustainable products to the local market. Therefore, the Group strives to enhance environmental efficiency of the products by the adoption of strict standards and supervision on raw material selection, manufacturer management and quality control, so as to fulfill the needs of the customers while helping society transform to an economic model that conforms to sustainable development.

As a one-stop kitchenware and household product solution provider, the Group has strong and reliable supplies, production and distribution network with different expertise. The Group attaches great importance to establishing long-term relationship based on mutual trust with every stakeholder in the supply chain, including raw material suppliers, manufacturers and brand customers. The Group takes initiative to communicate with the stakeholders and makes improvement based on their needs and expectations of the Group in respect of sustainable development.

The Group will continue to dedicate resources to reducing the impacts on environment caused by the operation, review and strengthen risk management of environment, social and governance matters, and grasp the opportunities brought by sustainable development. With the support from business partners, customers and other stakeholders, KFI will insist on improving environmental and social performance and lead the industry to a future where development is more sustainable.

King's Flair International (Holdings) Limited  
**Wong Siu Wah**  
*Chairman and Chief Executive Officer*

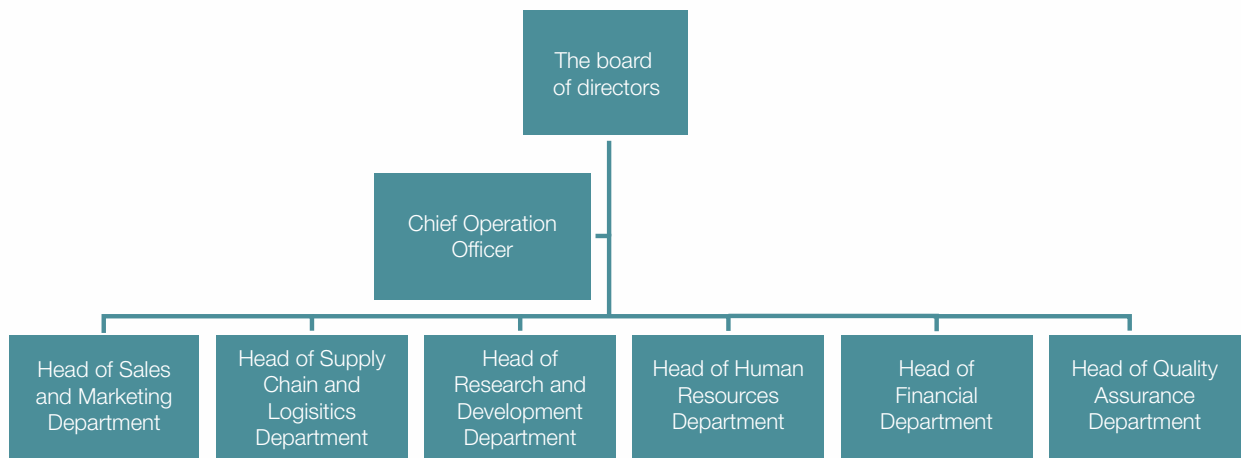
## SUSTAINABLE DEVELOPMENT AND GOVERNANCE

The Group is committed to maintaining good corporate governance with high standards and believes that a comprehensive governance mechanism can help the Group to grasp opportunities and cope with challenges in the ever-changing environment.

### Sustainable Development Committee

Sustainable development issues cover various areas of the Group's operation. In order to effectively incorporate the concept of sustainable development into business decisions, the board of directors has established Sustainable Development Committee and determined its authority, scope of work and resources by setting the terms of reference of the committee. This provides a sound basis for the Group to formulate and implement the sustainable development strategies in the future.

Sustainable Development Committee, which comprises of Chief Operation Officer and heads of each major department, is responsible for planning and monitoring the sustainable development work and performance of the Group, and shall report to the board of directors on a regular basis.



Duties of the Sustainable Development Committee include the following areas:

- Executing and updating the policies on product safety, environmental protection, social responsibility management and corporate governance of the Group;
- Reviewing and assessing the risks relating to health, safety, environment and social aspects of the Group, and identifying matters which have a material impact on the operation of the Group and the interests of other important stakeholders; and
- Monitoring the performance of the Group in the aspects of health, safety, environmental protection, social and employer's responsibility.

### **Environmental, Social and Governance Risk Management**

The board of directors is dedicated to managing risk efficiently to protect the interests of stakeholders and the sustainability of business operation. The board of directors has established the Audit Committee and Risk Management Committee which are responsible for the review and monitoring of the matters in relation to the risk management and internal control of the Group. The main duties of Audit Committee are assisting the board of directors to review and monitor the effectiveness of the financial reporting procedures, internal control and risk management system, and providing independent opinions on such matter, monitoring the audit procedures and performing other duties appointed by the board of directors. The main duties of Risk Management Committee are reviewing the risk management policies and standards of the Company and monitoring the Company's risk relating to legal sanction.

The Group notes that the current risk management and internal control system have not covered the sustainable development issues fully. Looking forward, the Group will include the environmental and social issues in the risk management system in order to identify the risks in a timely manner and formulate corresponding solutions.

## COMMUNICATE WITH STAKEHOLDERS

As an integrated solutions provider, stakeholders of the Group come from different sectors and professions from product design, material procurement to production and sales. Their opinions can help the Group understand the risks and opportunities in which our business faced in different perspectives. The Group hopes to promote sustainable development in its business value chain by having a close cooperation and communications with them.

### Communication Activities with Stakeholders

The Group emphasizes the sincere communications with stakeholders. The Group firmly believes that the communications with stakeholders enable them to understand the Group’s progress and performance in sustainable development, and also allow the Group listens to their opinions and recommendations. The Group communicates with each major stakeholder through daily operation and different communication channels. The major ways of communication are as follows:

Suppliers	Customers	Employees
<ul style="list-style-type: none"> <li>Performance evaluation for suppliers</li> <li>Factory visits</li> <li>Form for specification of each product</li> <li>Management meetings</li> </ul>	<ul style="list-style-type: none"> <li>Cooperative satisfaction survey</li> <li>Customers’ complaint mechanism</li> <li>Industry activities</li> </ul>	<ul style="list-style-type: none"> <li>Social gathering for employees</li> <li>Employee training</li> </ul>
Shareholders	Investors and Analysts	The Community
<ul style="list-style-type: none"> <li>General meetings</li> <li>Annual report and financial report</li> <li>Corporate communications</li> </ul>	<ul style="list-style-type: none"> <li>Investor presentations</li> <li>Business development meetings</li> </ul>	<ul style="list-style-type: none"> <li>Understand the needs of the communities through participating different social activities organized by social organization</li> </ul>

### Materiality Analysis

During the Year, the Group has appointed an independent consultant to assist the preparation of the environmental, social and governance report. In the course of preparation, the consultant assisted the Group to review the environmental, social and governance issues as stated in the Guide issued by the Stock Exchange, and to identify the material issues according to its importance towards the stakeholders and the level of impact of the Group on the society and environment. Based on the review results, the management considered that material issues for the Year are:





### KFI AND ITS EMPLOYEES

#### Employment

The Group believes that talents is the core to its operation. It strives to create a friendly, equal, healthy and safe working environment for its employees. The Group has stipulated policies relating to employment in the Employee Handbook, such as remuneration, dismissal, working hours, holidays, anti-discrimination, other benefits and welfare, such that employees are aware of their rights and obligations.

The Group believes that all employees should not be treated differently due to gender, race, religion and disability. In order to create and maintain an equal working environment, the Group has set out in the Employee Handbook that discrimination and harassment are improper conducts. If the employees are suspected in being mistreated, they can file a complaint to the departmental manager or general manager. If the case is substantiated, the Group will handle the case pursuant to the disciplinary procedures and related guidelines as stated in the Employee Handbook, employees who violate the code are subject to disciplinary actions including dismissal.

#### **Training case: Voiceless workshop**

The Group strives to promote a corporate culture of inclusion, diversification and respect. During the Year, the Group organized “Dialogue Experience”, a corporate training workshop, and invited all employees to join such that they could learn to respect differences and rethink the ways to work as a group through interactive games. The workshop was led by professional trainers of “Dialogue Experience”, a social enterprise. Participants were required to complete a series of designated missions and challenges in a voiceless environment. After the activities, the trainers led a group discussion which allowed the participants to share their feelings with each other.

#### **“Dialogue Experience”**

*Based on the concept of “Engaging people of differences to create social impact”, “Dialogue Experience” brings new perspectives of inclusion, diversity and equality to society through different learning and training workshops.*

The Group has been implementing a fair and transparent employment mechanism. In order to continuously optimize its employment mechanism, the Group plans to improve the employment policies in the future, including clearly setting out the guidelines relating to recruitment and promotion in the Employee Handbook, and explicitly enhancing the equal opportunity and commitments in employee diversity in order to promote a harmonious corporate culture.

### Development and Training

Corporate development and growth of employees complement each other. The Group believes that continuous training is an integral part in enhancing the expertise of the employee and their occupations and personal development. The Group has set out its development and training policies of human resources in the Employee Handbook. The Group provided its employees with training courses tailor-made for their roles, for instance, providing technical training for production engineers in relation to engineering of kitchenware products and production process. Furthermore, the Group regularly arranges its employees to attend kitchenware design and trade exhibitions, so as to update them the latest development trend of the industry. During the Year, the Group has cooperated with the Federation of Hong Kong Industries to arrange different types of training for its employees in different positions, including:

Training items	Skill trainings for the management team	Social training for career
<b>Training target</b>	Management	Employees with promotion potential
<b>Training contents</b>	The trainings covered five main themes including highly-effective leadership, assignation of duties, nurturing talents, performance management and personnel management. Through trainings, employees are able to master and apply the management skills at work.	Training workshops were conducted on a highly-interactive basis, such as lectures, group activities, technical practices and video analysis. The content of trainings included social skills for career and general interpersonal interaction skills.

Employees shall complete a report and give feedback upon finishing the courses. The Group will enclose the opinions of the employees as important considerations when it plans the courses in the future.

In order to promote a continuous learning culture in the company, the Group has a continuous education/training scheme to subsidize employees who continue to perform outstandingly at work for their further studies. Details of the scheme are as follows:

Programmes	Master or bachelor degree programmes	General training or professional certificate programmes
<b>Quota</b>	2 people per year	5 people per year
<b>Application qualifications</b>	Managerial or above level employees who have worked for over 2 years for the Company	All levels of employees who have worked for over 2 years for the Company
<b>Maximum subsidized amount</b>	HK\$150,000	HK\$30,000

During the Year, all employees of the Group’s head office and branch offices have been assessed on their performance and career development. Looking forward, the Group will set up a comprehensive mechanism for evaluation on the performance of employees to provide the management with guidelines for evaluation on work performance of the employees and for planning the employees’ career development. It also serves to give the employees a clearer idea about the promotion standards and to enhance the transparency of the employment mechanism.

87% of employees has received training

100% of employees has received performance assessment

### Health and Safety

The Group values the health and safety of its employees, and has explicitly stated its responsibility in protecting its employees' health and safety in the "Environmental, Health and Safety Policies". In respect of the office operation of its head office and branches, the Group has implemented the following measures:

- arrange a cleaning company for carpet cleaning and pest control to ensure clean and hygienic environment at the workplace;
- check first-aid boxes for the items and their expiry dates on a regular basis to ensure the availability of rescue;
- place air purifiers to improve indoor air quality;
- encourage the participation of fire drills to enhance the emergency response capability of the employees; and
- check and maintain the equipment on a regular basis to ensure a safe working environment.

The Group cares about the physical and mental health of the employees. It organizes entertainment activities from time to time, aiming at encouraging employees to develop a habit of physical exercise to stay happy and relaxed.

### Labour Standards

The Group prohibits the hiring of child labour or engagement of forced labour in any form. To prevent from hiring of child labour, the Group collects personal information of the candidates to verify their actual ages and other qualifications. The Group also respects the fair relationship between the employer and employees. It signs employment contracts which prescribe employment terms with all employees to protect their interests. The Code of Business Conduct formulated by the Group sets out requirements in safeguarding the human rights of its employees, which prohibits suppliers from engaging forced labour and child labour. Looking into the future, the Group plans to formulate relevant internal policies to ensure that those principles are complied with at any given time, and each of our employees is treated with respect.

The Group complies with laws and regulations in relation to employment, including but not limited to the Employment Ordinance, the Occupational Safety and Health Ordinance, and the Employees' Compensation Ordinance. During the Year, the operations of our head office and branch offices of the Group did not identify any cases of breaches in relation to employment, health and safety, child labour, forced labour or other labour standards, or cases in relation to work-related injuries and casualties.

## KFI AND PARTNERS

### Supply chain management

The Group outsourced its production process to third-party factories. Therefore, the performance of suppliers in respect of product responsibility, environmental protection, and social care is the key to the Group in fulfilling its commitment in sustainable development. The Group has established and implemented the Quality Handbook for Suppliers' Products (《供應商產品質量手冊》), and the Supplier Code of Conduct (《供應商行為守則》), in order to regulate the performance of suppliers, and to reduce potential environmental and social risks in the supply chain.

All partners including suppliers shall comply with the Code of Business Conduct (《商業行為守則》) of the Group to conduct business in a professional, safe, ethical and responsible manner, fulfilling the environmental and social responsibilities as a corporate. The Group requires our partners to properly manage their performance in aspects such as human resources, occupational safety, environmental impact, professional ethics, intellectual property rights, as well as prohibiting the hiring of child labour or engagement of forced labour, and to strictly comply with local laws, in order to reduce the social and environmental risks in its supply chains.

100% of our suppliers complies with such practices

Processes	Measures	Descriptions
Screening of suppliers	Selection of suppliers	<ul style="list-style-type: none"> <li>Requiring new suppliers to submit application forms for plant information</li> <li>Reviewing relevant information such as equipment lists, raw material management, production processes, inventory control and management process, and their international standard certifications</li> <li>Arranging designated personnels to visit the production plants of suppliers</li> </ul>
	Approving the suppliers	<ul style="list-style-type: none"> <li>Specifying the specifications and requirements of products in cooperation agreements, including specific raw materials, the acceptance and safety standards as required by customers</li> </ul>
Production Cycle Inspection	Inspection during production cycle	<ul style="list-style-type: none"> <li>Conducting irregular sampling for product inspection</li> <li>Conducting inspection on finished/semi-finished products in supplier's workshops, and also inspecting the relevant workshops to see if they have met the requirement</li> </ul>
	Inspection of the finished products	<ul style="list-style-type: none"> <li>The customers' requirements and product acceptance standards are set out in the letter of product inspection standards</li> <li>Suppliers shall conduct a test on a small number of products for quality inspection</li> </ul>
	Handling unqualified products	<ul style="list-style-type: none"> <li>Requiring the suppliers to remake until they have been certified as qualified for official production</li> <li>Destroying unqualified finished products in the presence of the Group or the customers</li> <li>Requiring the suppliers with higher unqualified product rate to investigate the causes of the problem, and to formulate short-term and long-term improvement plans, so as to verify the effectiveness of those improvement plans by the Group</li> </ul>
	Assessing the suppliers	<ul style="list-style-type: none"> <li>Conducting a systematic assessment of suppliers on a quarterly basis, including engineering and product development, quality control and logistics management</li> </ul>

The Group pays regularly visits to the suppliers' facilities to understand the supplier's compliance and performance in terms of their employees' remuneration, working hours, wages, operations or related disciplines, so as to assess the suppliers' compliance with the Code of Business Conduct. The Group may terminate the cooperation with, or take legal actions against, the suppliers violating the Code.

## Product safety

The health and safety of our consumers is an important consideration for the Group. The Group attaches great importance to the selection of raw materials for its products, and implements quality management in the production process, striving to meet the highest quality and safety standards in each and every production process.

Processes	Measures and requirements for the protection of the health and safety of products
Selection of Raw Materials	<ul style="list-style-type: none"> <li>Suppliers shall provide a list of materials, a certificate of analysis for the relevant raw materials, and a certificate of approval for raw materials</li> <li>A product specification list, a material safety data sheet, a REACH<sup>2</sup> inspection report, and a food grade compliance certificate shall be inspected when selecting new materials</li> <li>If raw materials need to be replaced temporarily, the suppliers are required to provide the reason for the replacement, and the documents of the related materials. No production shall be proceeded until they are confirmed</li> <li>Suppliers are required to regularly deliver raw materials for inspection to ensure that the raw materials used before and after production meet the requirements</li> <li>Regularly contacting the suppliers of raw materials or the third-party notary to ensure that the materials selected are compliant with applicable local regulations</li> </ul>
Regulated Production	<ul style="list-style-type: none"> <li>Separate machines are allocated to produce BPA-free raw materials</li> <li>Appoint over 90 quality assurance professionals to station in the production plants in China or adjacent regions to monitor the production processes</li> </ul>
Warehousing Management	<ul style="list-style-type: none"> <li>Suppliers are required to implement the first-in, first-out warehousing management system to prevent the goods from deteriorating due to prolonged storage or transportation</li> <li>Sensitive materials such as polycarbonate (PC) shall be stored away from other materials</li> </ul>
Product Inspection	<ul style="list-style-type: none"> <li>Products shall pass the production, safety and health standard inspection of the respective place of production prior to delivery</li> </ul>

The Group complies with the Federal Food, Drug, and Cosmetic Act in the United States, the General Product Safety Directive, and REACH<sup>2</sup>, as well as the Product Quality Law in the PRC (《中國產品質量法》). During the Year, the Group did not identify any cases of illegality or breaches in relation to the health and safety of the products, nor did the products have to be recalled for any safety and health reasons.

## Intellectual Property Rights and Customers' Privacy

The product design team of the Group values the intellectual property rights of products and customers' privacy. The Group has set out relevant guidelines in the Employee Handbook, and the Code of Business Conduct (《商業行為守則》), stipulating that employees and suppliers must abide by the confidential principles. For the products with successful patent application, our engineering team will adopt confidential measures during the process of sample production, such as engaging a number of suppliers to produce different spare parts to prevent leakage of design layout. In addition to participating in international forums on protection of intellectual rights and patents, the Group also organizes internal seminars, in which lawyers are invited to conduct case study and share relevant knowledge, on a regular basis.

The Group has formulated the Policy on IT Access Control and User Access Management (《IT訪問控制和用戶訪問管理政策》), specifying the authority for its staff and business partners to access the data in the system according to their respective responsibilities. The Group regularly reviews the relevant authority to identify and deactivate accounts with excessive authorities. In addition, cooperation agreements and confidential agreements are entered into between the Group and its suppliers, requiring suppliers to keep customer information in strict confidence to prevent it from being leaked.

<sup>2</sup> "REACH" stands for Registration, Evaluation and Authorization of Chemicals.

**Handling of customers' complaints**

To properly handle customers' complaints, the Group has formulated the Process of Handling Customers' Complaints (《客戶投訴處理流程》), specifying the responsibilities of relevant departments, and specifying the handling process for different categories of complaints, and the requirements on the response time.

Information reported	Analysing the reasons for complaints	Products recall
Marketing manager is immediately notified when the information about customers' complaints is received	Marketing department analyses the reasons for the complaint, and classifies it among six categories, including design problem, customers' abuse/misuse, manufacturing defect, to be returned, transport/ wrong delivery problem, according to its nature	If the complaint is confirmed, the customer concerned will be immediately notified by the marketing department, and remedial measures will be taken with explanation

The Group complies with the laws and regulations including the Personal Data (Privacy) Ordinance and the Copyright Ordinance. During the Year, the operations of our head office and branch offices of the Group did not identify cases of illegality or breaches in relation to advertising, labelling and privacy matters.

**Anti-corruption**

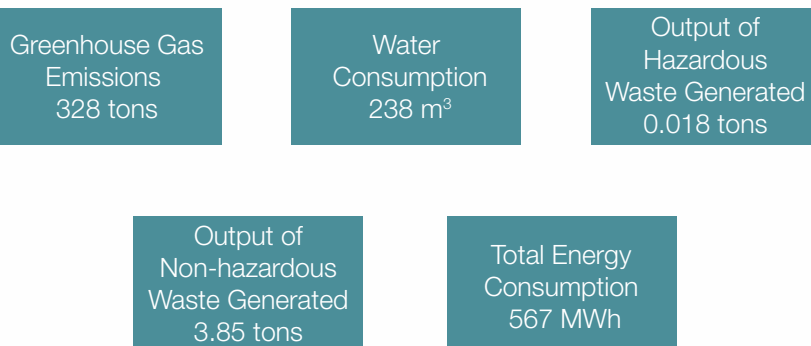
The Group is committed to pursuing a business philosophy of integrity and honesty, adopting a zero tolerance policy for any form of corruption. The Group has formulated the Employee Handbook that sets out the code of conduct and regulations in relation to the prevention of corruption. The Group requires its partners to abide by the Code of Business Conduct (《商業行為守則》) and has, in the cooperation agreements entered into with suppliers, stated its principles of anti-corruption of suppliers and to conduct business on a business-ethical basis.

The Group encourages its employees and the relevant third parties (such as customers, suppliers and persons affiliated with the Company) to report any improper conduct, fraud and non-compliance in relation to the Group. The whistle-blowing policy and specific implementation guidelines are detailed in the Employee Handbook. The Group has established a whistle-blowing committee to ensure that whistle-blowers and reported content are kept confidential, and that investigations are conducted in a fair manner and appropriate actions are taken.

The Group complies with the laws and regulations such as the Prevention of Bribery Ordinance. During the Year, the operations of the head office and branch offices of the Group did not identify corruption or litigation cases in relation to its operations or employees.

## KFI AND ENVIRONMENT

Environmental protection is an important part of the Group's fulfillment of social corporate responsibility. The Group has formulated and implemented the Policies on Environmental, Health and Safety (《環境、健康與安全政策》), which sets out the Group's commitment in pursuing a more environmentally-friendly performance. The Group pursues the principles of improving energy and natural resource efficiency, reducing waste production, and minimising the negative impacts on the environment, and properly manages the environmental impact caused by our business activities.



### Greenhouse gas and waste air emissions

During the Year, an independent consultant has been continued to be commissioned by the Group to conduct carbon assessment, and to calculate greenhouse gas emissions generated from operation. It refers to Guidelines to Account for and Report on Greenhouse Gas Emissions and Removals for Buildings (Commercial, Residential or Institutional Purposes) in Hong Kong prepared by the Environmental Protection Department and the Electrical and Mechanical Services Department in Hong Kong, as well as the international standards, such as ISO14064-1 and Greenhouse Gas Protocol (溫室氣體盤查議定書).

Scope*	Greenhouse Gas Emissions	
	Emissions (tonnes, CO <sub>2</sub> e)	
	2017	2018
Scope 1: direct greenhouse gas emission	81.9	<b>102.2</b>
Scope 2: indirect greenhouse gas emission	136.4	<b>153.0</b>
Scope 3: other indirect greenhouse gas emission	62.2	<b>73.0</b>
<b>Total greenhouse gas emission</b>	<b>280.5</b>	<b>328.2</b>
Greenhouse gas intensity(per square foot)	0.025	<b>0.029</b>

\* Scope 1 includes emissions produced directly from combustion of fuels in mobile sources;  
 Scope 2 includes emissions caused by purchasing electricity from power companies;  
 Scope 3 includes greenhouse gas emissions from disposal of waste paper, use of drinking water, discharge of sewage, and business trips.

During the Year, the total greenhouse gas emission of the head office and branch offices of the Group was 328 tons, which were mainly derived from the carbon emissions generated from the purchased external electricity consumption, which accounted for approximately 47% of the total emissions. It is followed by the carbon emissions from the combustion of fossil fuels, which accounted for 31% of the total emissions. The total carbon emissions of the Year have increased by nearly 17% as compared with that of last year. The reasons for the increased carbon emissions include an increased number of employees of the Group, and an increase in electricity consumption as a result of business expansion, vessels were used more frequently and an increase in the number of business trips.

During the Year, the Group has arranged its staff to participate in a carbon audit seminar to understand the latest developments in carbon auditing through the experiences shared by professional institutions and the government. The Group will discuss and formulate specific carbon reduction measures as soon as possible, such as replacing business trips with video conferencing, and replacing appliances with the ones with higher energy-efficiency, and organize activities that strengthen employees' awareness of energy conservation.

**Waste management**

KFI proactively promotes waste reduction at source, and proper management of waste, with an aim to reducing its impacts on the environment. This report covers office of an operations nature with main wastes including waste paper, domestic waste and scrap metal.

During the Year, the Group’s head office and branch offices produced 0.018 tons of hazardous waste, representing an increase of nearly 64% than last year. It was mainly due to the replacement of 124 old fluorescent tubes by implementing the LED Hazardous tubes plan in head office and branches to enhance the performance in energy efficiency of the office, during the Year. The hazardous waste from the Group centralized for sorting and collection by a property management company was 3.85 tons, similar to that of last year. The non-hazardous waste, the Group has installed waste separation bins in the office to collect plastic bottle, metal and waste paper, which were regularly recorded by the administration and personnel department, and arranged for recycling by recyclers.

Types	Waste	
	Amount of wastes generated (tons)	
	2017	2018
Hazardous waste	0.011	<b>0.018</b>
Non-hazardous waste	3.83	<b>3.85</b>

The Group understands that the disposal of waste has become a major environmental issue in Hong Kong. In order to prepare for the recent local solid waste and related policies, the Group will carefully study and analyze the waste origin, and the amount of wastes generated, so as to carry out and implement specific waste reduction measures.

**Use of Resources**

The Group is committed to reducing waste of resources in its daily operations. The resources used in the head office and branches of the Group mainly include electricity, petrol, diesel and water. During the Year, the total consumption of energy has increased by approximately 21% as compared to that of last year, mainly due to the increased use of vehicles and vessels and electricity in the office.

During the Year, the lightings in the head office and branch offices of the Group were replaced with LED lighting system to achieve a higher energy efficiency. The Group also encouraged its colleagues to set the temperature of air-conditioners to not lower than 25.5°C.

The consumption of water resources increased during the Year as compared to that of last year, which was mainly due to the newly installed washing machines used for product testing in engineering and product development phases. The Group records the water consumption of the washing machines as soon as possible in order to identify water saving measures. In terms of water saving in daily life, the Group has posted water-saving reminder labels and will consider installing water-saving devices.



## Environmental, Social and Governance Report

Type	Use of Energy	
	Consumption (MWh)	
	2017	2018
Petrol	131.1	<b>141.2</b>
Diesel	147.4	<b>206.4</b>
Electricity	191.4	<b>219.8</b>
Total Energy Consumption	469.9	<b>567.4</b>
Energy Density (per square foot)	0.042	<b>0.050</b>

Water Consumption	Use of Water Resources	
	Consumption (m <sup>3</sup> )	
	2017	2018
Total Water Consumption	156	<b>238</b>
Water Consumption Density (per square foot)	0.014	<b>0.021</b>

The Group will review the effectiveness of the conservation measures as soon as possible, and formulate more targeted improvement measures and objectives.

### Environment and natural resources

The Group is committed to promoting green supply chain and formulating the Quality Handbook for Suppliers' Products and the Supplier Code of Conduct, which standardize the responsibility of the suppliers in respect of environmental management, and manage the areas of transportation, wastes and chemicals management, aiming at reducing the significant impact on the environment and natural resources that is caused by the upstream and downstream activities along the supply chain.

A good product design not only makes the product more durable, but also reduces the consumption of resources in the production process. The Group conducts life test for products using different material parts to identify the most durable materials, and selects durable materials when designing products to extend product life cycle.

In the future, the Group is committed to improving the environmental management mechanism to assist the Group in managing risks related to environment, including:

- managing key environmental factors properly, such as carbon emissions and waste management;
- setting and implementing clear goals to monitor;
- Specifying the internal management functions; and
- Strengthening environmental awareness of staff through trainings.

The Group complies with the law and regulations such as "Waste Disposal Ordinance", "Water Pollution Control Ordinance" and "Product Eco-responsibility Ordinance". During the Year, the operations of the head office and the branch offices of the Group have complied with relevant laws and regulations that may have a significant impact on the environment and natural resources in relation to waste air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste.

### KFI AND COMMUNITY

As a company that promotes innovation and research and development, the Group is particularly concerned with the development of education. During the Year, the Group has donated nearly HK\$1.88 million to different types of charitable and community projects, including supporting universities in promoting corporate sustainable projects, the sports games among universities in Asian region and various activities in secondary schools.

In terms of environmental conservation, the Group has been involved in tree planting activities in China. In the past eight years, the Group has planted 1,800 acres of woodland in Heyuan, Guangdong Province, implementing green and sustainable social responsibility with practical actions.

In the future, the Group will continue to focus on the needs from community, and improve its policies on community investment, so as to enhance the performance in respect of community investment.

Sponsored Charitable/Community Projects by the Group during the Year	Sponsorship (HK\$)
Salesian English School Foundation	500,000
The Chinese University of Hong Kong Centre of Business Sustainability	500,000
Buddhist Ho Nam Kam College – Supporting robotics team activities	350,000
Chi Heng Foundation 2018 Charity Dinner Party – raising funds to provide education to those children suffered from AIDS in China	234,520
The Community Chest Hong Kong and Kowloon Walk for Millions	50,000
Walk & Run 2018	50,000
Haven of Hope Christian Service	50,000
Parent-teacher association of Hong Kong Red Cross John F. Kennedy Centre	50,000
Parent-teacher association of Plan International Hong Kong Limited	26,400
Hong Kong Seeing Eye Dog Services – Supplements and medicines for dogs	45,000
WiseGiving Charitable Trust	10,500
Hong Kong Young Industrialists Council	10,000

## OVERVIEW OF KEY ENVIRONMENTAL AND SOCIAL INDICATORS

Key Environmental Performance Indicators		2017	2018	Unit
<b>Aspect A1: Emissions</b>				
<b>The types of emissions and respective emissions data<sup>3</sup></b>				
A1.1	Nitrogen oxides	7.92	8.38	Kilogram
	Sulphur oxides <sup>4</sup>	0.44	0.23	Kilogram
	Respirable suspended particles	0.58	0.62	Kilogram
<b>Total greenhouse gas emissions and density</b>				
	Total greenhouse gas emission	280.5	328.2	Tons of carbon dioxide equivalent
	Range 1	81.9	102.2	Tons of carbon dioxide equivalent
A1.2	Range 2	136.4	153.0	Tons of carbon dioxide equivalent
	Range 3	62.2	73.0	Tons of carbon dioxide equivalent
	Greenhouse gas density (by area)	0.025	0.029	Tons of carbon dioxide equivalent/square foot
<b>Total hazardous waste produced and density</b>				
A1.3	Total hazardous waste produced	0.01	0.02	Tonnes
	Hazardous waste density (by area)	0.001	0.002	Tonnes/thousand square foot
<b>Total non-hazardous waste produced and density</b>				
A1.4	Total non-hazardous waste produced	3.83	3.85	Tonnes
	Non-hazardous waste produced (by area)	0.34	0.34	Tonnes/thousand square feet
<b>Aspect A2: Use of Resources</b>				
<b>Total direct/indirect energy consumption by type and density</b>				
A2.1	Total energy consumption	469.9	567.4	Megawatt hour
	Direct energy consumption	278.5	347.7	Megawatt hour
	Indirect energy consumption	191.4	219.8	Megawatt hour
	Energy Density (by area)	0.042	0.050	Megawatt hour/square foot
<b>Total water consumption and density</b>				
A2.2	Total water consumption	156	238	Cubic meter
	Water consumption intensity (by area)	0.014	0.021	Cubic meter/square foot
A2.5	<b>Total packaging material used for finished products and intensity</b>			
	Note: The operations of the office of the Group does not involve the use of packaging materials.			

<sup>3</sup> In addition to the sulphur oxide emissions in 2017, other emissions data only includes emissions from vehicles.

<sup>4</sup> The emissions of sulphur oxides in 2017 includes sulphur oxide emissions from the use of diesel in vessels and vehicles. The emissions of sulphur oxides in 2018 only calculates the sulphur oxide emissions caused by the use of diesel in vehicles.

## OVERVIEW OF KEY ENVIRONMENTAL AND SOCIAL INDICATORS

	Gender	Under 30	31-40	41-50	Above 50	Total	Gender Ratio of Employees	Average Remuneration Ratio for Both Gender
Number of Employees (By Gender and Age)	Male	11	27	14	12	104	1.6: 1	1.9: 1
	Female	8	18	11	3			

	Gender	Level-C Senior Management	Senior Management	Middle Management	General Staff	Total
Number of Employees (By Gender and Rank)	Male	6	14	8	36	104
	Female	1	7	4	28	

	Gender	Full time	Part time	Total
Number of Employees (By Gender and Rank)	Male	64	0	104
	Female	40	0	

	Gender	Under 30	31-40	41-50	Above 50	Total	New Employees Ratio
New employees (By Gender and Age)	Male	5	4	6	1	24	23%
	Female	3	4	1	0		

## Environmental, Social and Governance Report

	Gender	Number of Employees	Total	Ratio	Working days		Days of Absence	Rate of Absence*
					lost due to work injury	Working days lost Ratio		
Employees Suffered from Work-related Casualty and/or Injury (By Gender and Age)	Male	0				0%	274	1.17%
	Female	0	0	0	0	0%	213	1.48%

\* The number of calendar days is used to calculate the number of working days. The number of “working days” should be the number of employees x 365 days, which is used to calculate the loss of working day ratio and the rate of absence.

Trainings (By Gender and Rank)	Gender	Level-C Senior Management	Senior Management	Middle Management	General Staff	Total	Percentage of Employees Trained
Number of Employees Trained	Male	5	14	7	30	90	
	Female	1	7	4	22	90	
Total Training Hours	Male	58	127	35	221	685	86.53%
	Female	10	82	24	128		
Average Training Hours per Employee	Male	11.6	9.1	5	7.4	/	
	Female	10	11.7	6	5.8		

Review on Performance and Professional Development (By Gender and Rank)	Gender	Level-C Senior Management	Senior Management	Middle Management	General Staff	Total	Percentage of Employees Reviewed
Number of Employees Reviewed	Male	6	14	8	36	104	100%
	Female	1	7	4	28		

**ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORTING GUIDE INDEX**

Subject Areas	Content	Page index
<b>A1 Emissions</b>		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste.	14, 16
A1.1	Types of emissions and relevant emission data	18
A1.2	Total Greenhouse gas emission and intensity	14, 18
A1.3	Total hazardous waste generated	15, 18
A1.4	Total non-hazardous waste generated	15, 18
A1.5	Description of measures to reduce emissions and results achieved	15
A1.6	Description of methods for managing hazardous and non-hazardous waste, measures to reduce production and results achieved	15
<b>A2 Use of Resources</b>		
General Disclosure	Policies on efficient use of resources including energy, water and other raw materials.	14
A2.1	Direct and/or indirect energy consumption by type in total and intensity	16, 18
A2.2	Total water consumption and intensity	16, 18
A2.3	Description of energy use efficiency initiatives and results achieved	15
A2.4	Description of whether there is any issue in sourcing appropriate water, water use efficiency initiatives and results achieved <sup>5</sup>	/
A2.5	Total packaging material used for finished products with reference to per unit produced <sup>6</sup>	/
<b>A3 The Environment and Natural Resources</b>		
General Disclosure	Policies on minimising the issuer’s significant impact on the environment and natural resources	16
A3.1	Description of the significant impacts of activities on the environment and natural resources and actions taken to manage them	16
<b>B1 Employment</b>		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare.	8, 10
B1.1	Total employees by gender, employment type, age group and geographical region	19
B1.2	Employee turnover rate by gender, age group and geographical region	19

5 As water was supplied by municipal authorities, the Group did not encounter any problems in relation to obtaining water sources

6 the Group did not consume any packaging materials

Subject Areas	Content	Page index
<b>B2 Health and Safety</b>		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to providing a safe working environment and protecting employees from occupational hazards.	10
B2.1	Number and proportion of work-related fatalities	19
B2.2	Working days lost due to work injury	19
B2.3	Description of measures adopted for occupational health and safety, how they are implemented and monitored.	
<b>B3 Development and Training</b>		
General Disclosure	Policies on improving employees' knowledge and skills for discharging duties at work; description of training activities.	9
B3.1	The percentage of employees trained by gender and employee category (e.g. senior management, middle management)	20
B3.2	The average training hours completed per employee by gender and employee category	20
<b>B4 Labour Standards</b>		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child labour and forced labour.	10
B4.1	Description and review of measures concerning recruitment practice, to avoid child labour and forced labour	10
B4.2	Description of steps taken to eliminate such practices when discovered	10
<b>B5 Supply Chain Management</b>		
General Disclosure	Policies on managing environmental and social risks of the supply chain.	11
<b>B6 Product Responsibility</b>		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labelling and privacy matters of products and services provided and remedies.	12, 13
B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons.	12
B6.2	Number of products and service related complaints received and how they are dealt with	13
B6.3	Description of practices relating to protecting intellectual property rights.	12
B6.4	Description of quality assurance process	12
B6.5	Description of consumer data protection and privacy policies, how they are implemented and monitored	12

Subject Areas	Content	Page index
<b>B7 Anti-corruption</b>		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering.	13
B7.1	Number of concluded legal cases regarding corruption practices brought against the issuer or its employees during the reporting period and the outcomes of the cases	13
B7.2	Description of preventive measures and whistle-blowing procedures, how they are implemented and monitored	13
<b>B8 Community Investment</b>		
General Disclosure	Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its business activities taking into consideration the communities' interests.	17
B8.1	Focus areas of contribution (e.g. education, environmental issues, labour demand, health, culture, sports)	17
B8.2	Resources contributed (e.g. money or time) to the focus area	17