



建福集團控股有限公司
KENFORD GROUP HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 00464

Environmental, Social
and Governance Report **2018**

Contents

	Page
1 Company Profile	2
2 Reporting Framework	2
3 Scope of Report	2
4 Stakeholder Engagement	3
5 Corporate Governance Report	4
6 Environmental	4
7 Social	7
8 Operating Practices	11
9 Community Investment	13
10 Reporting Access	13

Environmental, Social and Governance Report 2018

The Board of Directors of Kenford Group Holdings Limited (the “**Company**”) and its subsidiaries (collectively referred to as the “**Group**”) present its Environmental, Social and Governance Report (the “**ESG Report**”) for the year ended 31 March 2018 (the “**Year 2018**”).

1. COMPANY PROFILE

The Group was founded in 1984 and has been listed on The Stock Exchange of Hong Kong Limited since 2005. It is principally engaged in the design, manufacture and sale of electrical haircare products. The Group is headquartered in Hong Kong and has a manufacturing base in Dongguan, the People’s Republic of China (“**PRC**”).

The Group’s products are primarily sold on Original Design Manufacturing (“**ODM**”) and Original Equipment Manufacturing (“**OEM**”) bases. Its customers are mainly leading brand owners and importers who then resell the products to beauty supply retailers and wholesalers, chain stores, mass merchandisers, warehouse clubs, catalogues and grocery stores.

The Group’s customers conduct yearly audits on its Dongguan manufacturing plants, assessing workplace conditions, code of conduct and adherence to standards of ethical practice. During the reporting period, there was no major complaint or violation of relevant environmental protection laws and regulations noted.

2. REPORTING FRAMEWORK

The ESG Report is prepared primarily with reference to the Environmental, Social and Governance (the “**ESG**”) Reporting Guide under Appendix 27 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, and will be published annually.

3. SCOPE OF REPORT

This ESG Report focuses on the ESG performance of the Group in the Year 2018 in respect of its two major haircare appliances manufacturing subsidiaries in the PRC, namely, Dongguan Kenford Electrical Appliance Company Limited and Dongguan Kario Electrical Appliance Company Limited.

The preparation of this ESG Report includes identifying and ranking important stakeholders and major issues relating to ESG; deciding on the coverage of the ESG Report; and collecting relevant materials and receipts.

4. STAKEHOLDER ENGAGEMENT

The Group is committed to promoting sustainable development, which it deems as extremely important for creating long-term value for the Group's shareholders, clients, employees and other stakeholders, as well as the general public. The Group cares about the impact of its daily operation on the environment and society, and strives to set a good example for the public, while effectively conducting business operations. It makes every effort to address the interests of all stakeholders; contribute to the economy, environment and society; and promote good corporate governance – striving to achieve a fine balance while realising such objectives.

Stakeholders	Appeals and expectations for the Group	Communication and Response
Government	<ul style="list-style-type: none"> Compliance with laws and regulations Pay taxes according to law 	<ul style="list-style-type: none"> Continuously strengthen corporate compliance management to ensure compliance for the operation of the Group Pay taxes in a full and timely manner
Investors	<ul style="list-style-type: none"> Implement corporate governance and create value Information disclosure 	<ul style="list-style-type: none"> Optimise corporate governance and continuously improve corporate value Release operating data in due course, set up investor hotline
Customers	<ul style="list-style-type: none"> Product quality Protection of consumers' rights and interests 	<ul style="list-style-type: none"> Customer satisfaction survey Handling customer complaints and products return
Employees	<ul style="list-style-type: none"> Reasonable salary and welfare Employee promotion and development Occupational health and safety Care of employees 	<ul style="list-style-type: none"> Competitive remuneration package Transparent promotion channel Conduct regular occupational health and safety awareness training for staff Accommodation provided for employees
Community	<ul style="list-style-type: none"> Serve the community 	<ul style="list-style-type: none"> Proactively carry out and participate in charitable donation and social welfare activities
Public	<ul style="list-style-type: none"> Environmental protection Response to climate change Establish a resource saving and environmental protection mechanism in work process 	<ul style="list-style-type: none"> Classify and recycle hazardous waste Utilise low-carbon energy Environmental and energy-saving equipment was put into use

Environmental, Social and Governance Report 2018

5. CORPORATE GOVERNANCE REPORT

You can refer to the Group's Annual Report 2018 for detailed information about the Corporate Governance Report.

6. ENVIRONMENTAL

6.1. Emissions

The Group understands that the greenhouse gases, sewage, solid wastes and other pollutants generated in its daily operation cause damage to the environment. In order to protect the Earth from further damage, the Group is making an effort to reduce the emission of sewage, waste gases and noise in its production processes. All of the Group's waste is handled and disposed by qualified agencies.

The key environmental indicators of the Group's emissions in the Year 2018 is shown in the table below:

Environmental indicators	Year 2018
Emissions	
Nitrogen oxides (NO _x) emissions (kg)	2.33
Sulphur oxides (SO _x) emissions (kg)	0.12
Particulate Matter emission (kg)	0.17
Greenhouse gas emissions	
Total GHG emissions (kg of carbon dioxide (CO ₂) equivalent) ^(Note)	4,363,320
GHG emissions per unit produced (kg of CO ₂ equivalent)	1.66
Direct emissions (Scope 1) (kg of CO ₂ equivalent)	22,404
Indirect emissions (Scope 2) (kg of CO ₂ equivalent)	3,571,816
Other indirect emissions (Scope 3) (kg of CO ₂ equivalent)	769,100
Greenhouse gas removals	
Newly planted trees (number of additional tree)	20
Carbon dioxide removals (kg)	460
Waste	
Non-hazardous waste generated in total (kg)	7,090
Non-hazardous waste generated per unit produced (kg)	0.003
Hazardous waste generated in total (kg)	1,200
Hazardous waste generated per unit produced (kg)	0.0005

(Note):

Greenhouse gas emissions (direct and indirect) and its removal can be divided into the following three separate areas:

- Scope 1:* Direct greenhouse gas emissions from operations that are owned or controlled by the relevant company including: (i) greenhouse gas emissions from vehicles controlled by the relevant company; and (ii) greenhouse gas removal from tree planting by the relevant company during the Year 2018;
- Scope 2:* "Energy indirect" greenhouse gas emissions resulting from generation of purchased or acquired electricity, heating, cooling and steam consumed within the relevant company; and
- Scope 3:* All other indirect greenhouse gas emissions that occurred outside the relevant company, including both upstream and downstream emissions.

6. ENVIRONMENTAL (Continued)

6.1. Emissions (Continued)

The Group recognises the importance of achieving environmental sustainability as it relates to its products and operations. The Group strictly complies with national and local laws and regulations relating to environmental protection and pollutant emissions during its course of operation, including the Environmental Protection Law of the PRC (中華人民共和國環境保護法). In the Year 2018, the Group was not aware of any material non-compliance with the relevant laws and regulations relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste that have significant impact. In addition, in the Year 2018, there was no report of fines or non-monetary sanctions as a result of non-compliance of the relevant laws and regulations.

6.2. Use of resources

The Group incorporates the Reduce, Reuse and Recycle principle and implements environmental friendly measures in its operations to efficiently use resources, reduce waste and conserve energy. The Group remains steadfast in its support of environmental protection efforts, which is consistent with its commitment to being a good corporate citizen.

Environmental indicators	Year 2018
Use of resources	
Total energy consumption (kWh)	11,630,792
Energy consumption per unit produced (kWh)	4.41
Water consumption in total (m ³)	193,100
Water consumption per unit produced (m ³)	0.07

Environmental indicators	Year 2018
Packaging material consumption	
Total packaging material (paper) used for finished products (kg)	1,197,600
Amount of packaging material (paper) per unit produced (kg)	0.454
Total packaging material (plastic) used for finished products (kg)	102,100
Amount of packaging material (plastic) per unit produced (kg)	0.039

A series of environmental policies have been developed by the Group, and at the same time, efforts have been made in energy conservation and emission reduction in order to control and reduce the discharge of pollutants. The measures adopted by the Group are mainly reflected in the following areas:

- (1) Install new environmental protection and energy-saving equipment for various workplaces including but not limited to office and production floor, in order to reduce effectively the electricity consumption caused by the use of such equipment;
- (2) Use environmentally friendly raw materials and components in the Bills of Material for producing finished goods to reduce the environmental impacts of production and waste management of these raw materials;

6. ENVIRONMENTAL (Continued)

6.2. Use of resources (Continued)

- (3) Raise awareness among staff of the need to save water and conserve electricity by turning off lights, computers and air conditioners during non-office hours in order to reduce the electricity consumption;
- (4) Install "Air (Heat Pump) Hot Water Heater" central system in the dormitories for the employees' daily use to improve energy efficiency;
- (5) Employ electronic business process work flow management system and use double-sided printing and double-sided copying to reduce paper consumption;
- (6) Use video or telephone conferencing system to communicate with customers/overseas colleague so as to minimise use of public/private transport systems;
- (7) Appoint qualified recycling companies to handle all of the Group's hazardous and non-hazardous wastes; and
- (8) Install water purification system to avoid burdening the city's drainage system.

6.3 The Environment and Natural Resources

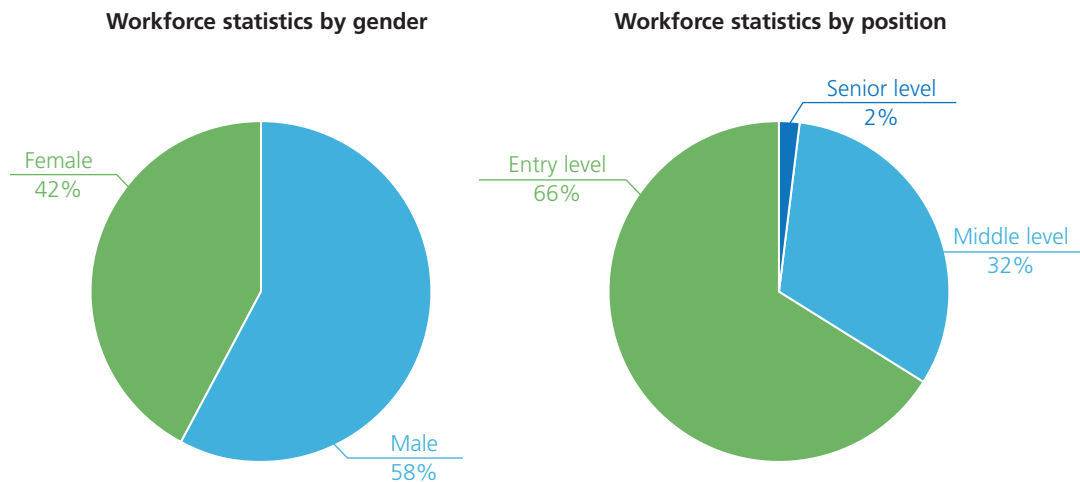
The Group's manufacturing site in Dongguan, PRC, has obtained ISO 14001:2004 certification, which is a standard pertaining to environmental management systems. The Group has developed Environmental Manual (環境手冊) on minimising its significant impact on the environment and natural resources and ensuring compliance with the environmental management systems.

The Group strictly regulates the manufacturing process of its business to ensure the compliance with local environmental laws and regulations. In the Year 2018, there was no case of material non-compliance with the Environmental Protection Law of the PRC (中華人民共和國環境保護法) and other relevant laws and regulations.

7. SOCIAL

7.1. Employment

As at 31 March 2018, the workforce of the Group by gender and positions are shown in the chart below:



The Group regards harmonious employment relations as an important cornerstone for its stable development. With this in mind, it has developed a number of internal controls to effectively protect the legitimate rights and interests of employees.

The Group looks for suitable job candidates according to its business development plans and human resources required. Each applicant will have an equal opportunity based on the requirements of the vacancy, such as educational level, working experience and personal ability. The Group will not decline any candidate because of their gender, age, race, religion, marital status or disability.

7. SOCIAL (Continued)

7.1. Employment (Continued)

Promotion is based on the availability of job vacancy. Departmental managers will evaluate a candidate's integrity, talent, competence, previous work experience and performance when conducting a work performance appraisal.

The Group's remuneration policy is underpinned by the principle of awarding equitable packages to employees, and which are based on individual performance, provides added incentive, and are competitive with market norms. Remuneration packages are normally reviewed on a regular basis. Apart from salary payments, the Group offers other benefits to staff, including share option schemes, performance-based bonuses, provident fund contributions and medical insurance coverage.

Employment contract with standard terms and conditions in compliance with relevant labor laws and regulations is signed between the Group and all of its employees before such individuals officially commence employment. Either on the job training or pre-work training is arranged. An exit interview is conducted with resigning staff in order to understand his/her reason(s) for departure, the findings of which are used to advance the Group's operation where possible.

In the Year 2018, the Group strictly complies with the Labour Law of the PRC (中華人民共和國勞動法), the Labor Contract Law of the PRC (中華人民共和國勞動合同法), Hong Kong's Employment Ordinance (僱傭條例) and other relevant laws and regulations in relation to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare that have significant impact. In addition, there was no report of heavy fines or sanctions as the result of non-compliance with relevant laws and regulations.

7.2. Health and Safety

Employees are the Group's most important asset, and we put the safety and health of our employees as our number one priority. The Group has developed a number of internal control policies on providing a safe working environment and protecting employees from occupational hazards.

7. SOCIAL (Continued)

7.2. Health and Safety (Continued)

The Group is not aware of any material non-compliance with the relevant laws and regulations including the Law of the PRC on Work Safety (中華人民共和國安全生產法) and the Regulations on Work-Related Injury Insurance of the PRC (中華人民共和國工傷保險條例) that have a significant impact on the Group relating to providing a safe working environment and protecting employees from occupational hazards in the Year 2018. The Group has taken a number of measures to protect the wellbeing of staff, including the following:

- (1) Post equipment safety procedures/signage and operation instructions in both the office(s) and workshops;
- (2) Provide appropriate protection equipment for employees whose duties involve relatively higher risks;
- (3) Acquire appropriate and adequate fire equipment and first aid supplies;
- (4) Establish designated outdoor smoking area;
- (5) Set up designated warehouse for hazardous materials;
- (6) Organise regular health and safety training courses and fire and evacuation drills; and
- (7) Arrange regular medical checkups for all workers.



Fire and evacuation drill in Dongguan, PRC

7. SOCIAL (Continued)

7.3. Development and Training

The Group has developed Employee Skill Training Program (員工技能培訓管制程序) to standardise the content of staff training. In the Year 2018, the Group provides suitable training courses for staff at different working stages and in different functional departments. Besides, the Group organises induction training for new recruits to provide them with guidelines for job specification. The Group provides training and education for its employees by means of offering opportunities to attend seminars either organised by external parties or in-house trainers.

7.4. Labour Standards

The Group recognises that the employment of child and forced labour is a serious violation of universal values. The Group has developed policies on preventing child including Staff Handbook (員工手冊), Juvenile and Child Labour Policy (未成年工及童工政策), Child Labor and Youth Workers Management Regulations (童工及青少年工管理規定) and Child Labour Remedy (童工補救措施).

The Group strictly complies with the Law of the PRC on the Protection of Minors (中華人民共和國未成年人保護法), the Provisions on the Prohibition of Using Child Labor (禁止使用童工規定), Hong Kong's Employment Ordinance (僱傭條例) and other relevant laws and regulations. In the Year 2018, the Group was not aware of any material non-compliance with the relevant laws and regulations relating to prohibiting the Group from employing child and forced labour. In addition, there was no report of heavy fines or sanctions as the result of non-compliance with relevant laws and regulations.

8. OPERATING PRACTICES

8.1. Supply Chain Management

The manufacturing site in Dongguan, PRC, has obtained ISO 9001:2008 certification, which is a standard relating to quality management systems (“QMS”). Its supply chain management system also complies with this QMS standard, and is regularly reviewed/audited by external independent examiner.

The Group has developed policies including Supplier Control Program (供應商管制程序) and Procurement Management Procedures (採購管理程序) in order to manage environmental and social risks of the supply chain.

8.2. Product Responsibility

The Group is fully committed to environmental sustainability, both in respect of its products and its operations. The implementation of the European Union’s Restriction of Hazardous Substances (“RoHS”) Directives in August 2005, which restricts European Union (“EU”) member states from the use of specific hazardous materials found in electrical and electronic products, directly impacted on the electrical and electronics industry. The Group consequently installed new equipment and established a comprehensive set of policies and procedures to ensure that its products completely satisfy the EU RoHS Directives and equivalent requirements for the rest of the world. The Group also made it mandatory for all vendors and business partners to comply with the RoHS Directives. In addition, the Group’s production process conforms to local environmental regulations.

The Group has developed Quality Manual (質量手冊) and Business Ethics Management Program (商業道德管理程序) covering health and safety, advertising, labeling and privacy matters relating to products provided and methods of redress.

The Group is actively pursuing opportunities to directly contribute to environmental protection, and remains steadfast in its support of efforts to protect the natural environment as this aligns with its overall commitment to being a good corporate citizen. The Group complies with the Advertising Law of the PRC (中華人民共和國廣告法) and the relevant laws and regulations.

8. OPERATING PRACTICES (Continued)

8.3. Anti-corruption

The Group has developed anti-corruption procedures (反貪污程序) in relating to bribery, extortion, fraud and money laundering.

Combating corruption and bribery are essential for creating a fair business environment. Appropriately, the Group has formulated relevant policies that are principally targeted towards the following staff:

- (1) Management – Management must be conversant with relevant anti-commercial bribery and integrity policies, such as the Prevention of Bribery Ordinance of Hong Kong (香港特別行政區防止賄賂條例) and the Criminal Law of the PRC (中華人民共和國刑法), in order to lead the Group's operating activities, strengthen supervision, and make improvements if loopholes are found.
- (2) Procurement and Sales and Marketing Staff – Given the nature of their work, the Group has provided anticorruption education and held thorough cases discussions with its procurement and sales and marketing staff to stress the importance of tackling corruption.
- (3) Accounting Personnel – The Group strives to instill a sense of integrity among accounting staff, as well as increase their understanding of the seriousness of falsifying accounts. Internal and external audits serve as an effective deterrent and are among the means by which fraud and other unscrupulous activities can be detected.

The Group has set up a reporting mechanism which enables all employees to report issues pertaining to bribery either by email or telephone. Such reports are investigated by the Administrative Manager, the results of which are then submitted to the Group's Managing Director and Chairman for further action. All cases are documented and handled in the strictest confidence.

In the Year 2018, the Group is not aware of any material non-compliance with the relevant laws and regulations.

9. COMMUNITY INVESTMENT

Contributing to society and working together to build a better environment are integral components of corporate social responsibility. Recognising this, the Group has participated in an event of voluntary non-remunerated blood donation in the Year 2018.



Voluntary non-remunerated blood donation

The Group is equally concerned about the physical and mental wellbeing of its employees. It will continuously organise bi-annual sports gala as well as invite doctors to conduct annual checkups for workers at its manufacturing site. Furthermore, the Group will participate in different types of sporting events organised by nearby community centers and government associations. The Group believes that such activities are not only beneficial to the health of staff, but are also conducive to bond building outside of the workplace, improving cross-departmental communications, and promoting camaraderie, leading ultimately to a more harmonious and productive working environment.

10. REPORTING ACCESS

This ESG Report is prepared in both English and Chinese languages. In case of any inconsistency, the English text of this ESG Report shall prevail over the Chinese text. The electronic version of this ESG Report is available at the following websites:

- (1) www.hkex.com.hk
- (2) www.kenford.com.hk

If you have any doubt or comment on this ESG Report, you can contact the Group at inform@kenford.com.hk.

Hong Kong, 20 July 2018