

# KELFRED

## HOLDINGS LIMITED

### 恒發光學控股有限公司



Incorporated in the Cayman Islands with limited liability  
Stock code: 1134



Environmental, Social and  
Governance Report **2020**

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# ABOUT THIS REPORT

Kelfred Holdings Limited (the “**Company**” together with its subsidiaries, hereinafter referred to as the “**Group**” or “**we**” or “**us**”) is pleased to present the second Environmental, Social and Governance Report (the “**Report**”) to summarise the Group’s policies, measures and performance on the key environmental, social and governance (“**ESG**”) issues.

## REPORTING PERIOD

The Report illustrates the overall performance of the Group regarding the environmental and social aspects from 1 January 2020 to 31 December 2020 (the “**reporting period**” or “**2020**”).

## REPORTING SCOPE AND BOUNDARIES

This Report discloses related policies and initiatives for the core and material businesses namely, manufacturing and sales in eyewear products in the People’s Republic of China (the “**PRC**” or “**Mainland China**”) and Hong Kong.

The disclosure of environmental key performance indicators (the “**KPI(s)**”) mainly covers our production bases in Shenzhen and Jiangxi, the PRC (collectively “**production base(s)**”) as well as our Headquarters and Design Laboratory in Hong Kong.

If the scope and boundaries of the specific contents vary, they are noted in the relevant section of this Report. Although the Report does not cover all the operations of the Group, we are committed to improving internal data collection procedures and gradually expanding the scope of disclosure.

## REPORTING BASIS AND STANDARDS

This Report is prepared in accordance with Environmental, Social and Governance Reporting Guide (the “**ESG Reporting Guide**”) as set out in Appendix 27 to the Rules Governing the Listing of Securities on the Main Board of the Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) (the “**Listing Rules**”). The Company has complied with all “comply or explain” provisions set out in the ESG Reporting Guide and followed the following reporting principles in the preparation of this Report: materiality, quantitative, balance and consistency.

- **Materiality**

The Group identifies material ESG issues based on their relevance to the Group’s business and stakeholders.

- **Quantitative**

Information is presented with quantitative measures, whenever feasible, including information on the standards, methodologies, assumptions used and provision of comparative data.

- **Balance**

This Report identifies the achievements and challenges faced by the Group.

- **Consistency**

This Report is the second ESG report of the Group. This Report will continue to use consistent methodologies for meaningful comparisons in the following years unless improvements in methodology are identified.

The information contained herein is sourced from internal documents and statistics of the Group, as well as the combined control, management and operations information provided by the subsidiaries in accordance with the Group’s internal management systems. This Report is prepared and published in both Chinese and English at the Stock Exchange’s website ([www.hkexnews.hk](http://www.hkexnews.hk)) and the Company’s website (<http://www.kelfred.com.hk>). In the event of contradiction or inconsistency between the English version and the Chinese version, the English version shall prevail.

## FEEDBACK

The Group respects your view on the Report. Should you have any opinions or suggestions, you are welcome to share with the Group at [customerservice@kelfred.com](mailto:customerservice@kelfred.com).

## ESG GOVERNANCE

The board of directors of the Company (the “**Board**”) supports the Group’s commitment to fulfilling its environmental and social responsibility and has overall responsibility for the Group’s ESG strategy and reporting. The Board oversees the ESG strategies, policies, objectives and targets. The Board has delegated the day-to-day responsibility of the implementation to the senior management and department heads. Senior management advises and supports the Board on ESG matters, strategies, policies, manages and monitors ESG performance and targets. Departments implement ESG policies and related initiatives. The Board regularly reviews the Group’s ESG performance and examines and approves the Group’s annual ESG report.

# STAKEHOLDER ENGAGEMENT

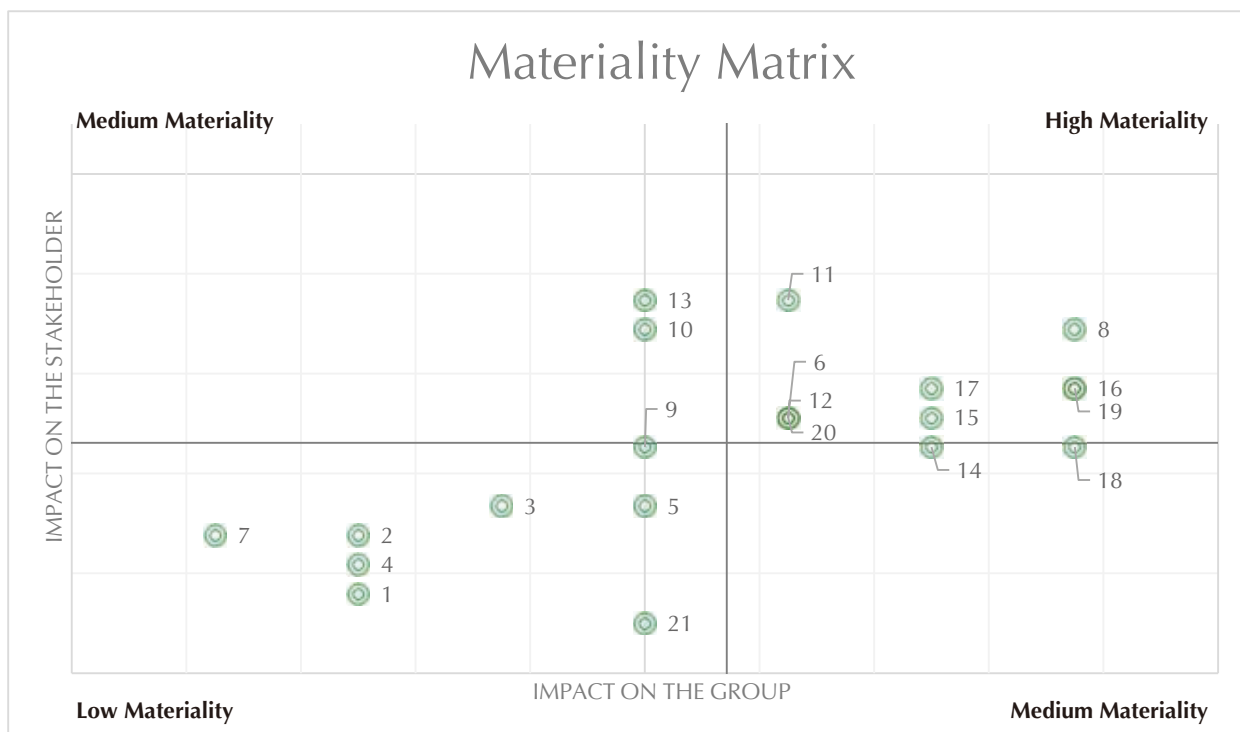
The Group understands the concerns of its stakeholders through day-to-day communications. Stakeholders' opinions are the solid foundation for the Group's sustainable development and success. They help the Group to develop a business strategy that meets the needs and expectations of stakeholders, enhance the ability to identify risk and strengthen important relationships. The Group communicates with its stakeholders through various channels, shown as below.

<b>Stakeholders</b>	<b>Communication Channels</b>
Government and regulatory agencies	<ul style="list-style-type: none"><li>• Annual reports, interim reports, ESG reports and other public information</li></ul>
Shareholders and investors	<ul style="list-style-type: none"><li>• Annual general meetings and other general meetings of shareholders</li><li>• Company website</li><li>• Press releases/announcements</li><li>• Annual reports, interim reports, ESG reports and other public information</li></ul>
Employees	<ul style="list-style-type: none"><li>• Training</li><li>• Meetings</li><li>• Employee organisations</li><li>• Performance evaluation</li><li>• Leisure activities</li></ul>
Customers	<ul style="list-style-type: none"><li>• Email and customer service hotline</li><li>• Product and service feedback</li><li>• Exhibitions</li><li>• Social media</li></ul>
Suppliers	<ul style="list-style-type: none"><li>• Annual performance assessment</li><li>• On-site visits</li></ul>

# MATERIALITY ASSESSMENT

The Group emphasises the participation of its stakeholders, including shareholders of the Company, staff, customers, suppliers etc. All of them have a substantial impact on the success of its business or activities.

The Group believes that stakeholder engagement has a significant level of influence in developing sustainable development strategies and fulfilling social responsibilities which is the basis for the Group’s strategy formulation and decision-making. A list of sustainability issues, which were potentially material to the Group, was decomposed in the context of its business and daily operation. A materiality assessment matrix was developed from the result of stakeholder engagement exercises conducted with internal and external stakeholders through an online survey. The Group identifies ESG Issues for disclosure in this Report by considering the relevance of each ESG Issue to the operations and stakeholders of the Group. The issues that fall within the top right-hand corner have relatively higher significance to both internal and external stakeholders as well as the Group’s business.



- |                                     |                                     |  |
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## SUBJECT AREA A. ENVIRONMENTAL

During the reporting period, the major emissions from the Group's manufacturing processes included air pollutants, solid wastes, wastewater etc. The Group has ensured that these emissions comply with applicable environmental laws, regulations and standards. The Group recognises the importance of environmental protection, and in recognition of our quality environmental management system, its production bases in Shenzhen and Jiangxi were accredited with GB/T24001-2016/ISO14001:2015 certifications.

### A1 EMISSIONS

#### Policies

The Group has developed a series of policies and procedures to control our emission, including but not limited to *Exhaust Gas, Wastewater and Greenhouse Gas Control Procedures* (廢氣、污水、溫室氣體管理制度) and *Waste Management Policy* (廢棄物管理制度).

The Group is committed to minimising any negative impact on the environment, which may be resulted from the production process, and we have adopted various measures to achieve this objective in our daily operation, including:

- encouraging reduction in wastewater, gas emission, dust, noise and solid wastes during the production process;
- recycling plastic scrap in our production process;
- engaging qualified third parties to dispose of solid wastes; and
- providing trainings to its employees to ensure that they work in an environmentally friendly and responsible manner.

#### Compliance information for relevant laws and regulations

The Group's business activities are subject to the local laws and regulations relating to environmental protection, including but not limited to:

- Environmental Protection Law of the PRC (中華人民共和國環境保護法)
- Administrative Regulations on Environmental Protection for Construction Project (建設項目環境保護管理條例)
- Environmental Impact Assessment Law of the PRC (中華人民共和國環境影響評價法)
- Law of the People's Republic of China on the Prevention and Control of Environmental Pollution from Solid Wastes (中華人民共和國固體廢物污染環境防治法)

To the best of our Directors' knowledge, the Group was not aware of significant non-compliance issues in this regard during the reporting period.



# SUBJECT AREA A. ENVIRONMENTAL

## Air emissions

### Air pollutants

The primary source of air pollutants generated by the Group was mainly from its production process. The Group's air pollutant emissions are as follows.

**Table 1 Air Pollutant Emissions<sup>1</sup>**

	Unit	2020	2019
Nitrogen oxides	Kilograms	15.50	27.35
Sulphur oxides	Kilograms	1.34	0.35
Acrylonitrile	Kilograms	100.00	200.00
Cooking fumes	Kilograms	210.00	300.00
Benzene	Kilograms	180.00	200.00
Total non-methane hydrocarbon	Kilograms	1,000.00	1,000.00
Particulate matter	Kilograms	1,360.71	1,500.51

### Greenhouse gas emissions

The Group's greenhouse gas (GHG) emissions are mainly from automobile gasoline, machinery and purchased electricity consumption. During the reporting period, purchased electricity (Scope 2) was the primary source of Greenhouse Gas emissions, accounting for approximately 98% of total Greenhouse Gas emissions. The Greenhouse Gas emissions<sup>2</sup> are listed in the following table:

**Table 2 Greenhouse Gas Emissions**

	Unit	2020	2019
Scope 1 <sup>3</sup>	Tonnes of CO <sub>2</sub> equivalent	84.49	112.65
Scope 2 <sup>4</sup>	Tonnes of CO <sub>2</sub> equivalent	3,640.82	4,880.95
<b>Total GHG emissions</b>	Tonnes of CO <sub>2</sub> equivalent	3,725.31	4,993.60
<b>GHG emission intensity</b>	Tonnes of CO <sub>2</sub> equivalent per million HK\$ revenue	10.52	12.08

### Air emission control

When the Group purchases equipment and fuels, the potential air emissions incurred from them would be one of our key consideration. Employees must strictly follow relevant procedures when operating machinery to prevent excessive emissions of hazardous gas and Greenhouse Gas due to inappropriate operation. Facilities Department is responsible for the following:

- daily monitoring of preventive measures against exhaust fumes, and greenhouse pollution;
- reporting any non-compliance of internal policies on prevention of pollution;
- implementing corrective actions timely.

<sup>1</sup> The calculation of air pollutant emissions refers to the "Technical Guide for the Preparation of Air Pollutant Emission Listing for Road Vehicles (Trial)" issued by the Ministry of Environmental Protection of the PRC, "The First National Survey of Pollution Sources on Urban Waste Source Discharge Coefficients Handbook" issued by The First National Survey of Pollution Sources Leading Group of the State Council.

<sup>2</sup> The calculation of greenhouse gas emissions is based on the "GHG Protocol Tool For Energy Consumption in China (Version 2.1)" published by World Resources Institute.

<sup>3</sup> Scope 1 : Emissions directly from business operations owned or controlled by the Group, GHG reductions from newly planted trees are not included.

<sup>4</sup> Scope 2 : "Indirect energy" emissions caused by internal consumption (purchased or acquired) of electricity, heat, refrigeration and steam within the Group.

<sup>5</sup> GHG emission intensity = Total GHG emissions/Revenue for the year ended 31 December 2020. The annual revenue of the Group in 2020 was approximately HK\$354,183,000.



# SUBJECT AREA A. ENVIRONMENTAL

## Waste Management

### Hazardous waste

The hazardous wastes generated are stored on-site and arranged qualified waste treatment company for collection annually. During the reporting period, there was a decrease in overall total hazardous waste produced as compared to FY2019, proving the effectiveness of our waste reduction initiatives.

**Table 3 Hazardous Waste**

	Unit	2020	2019
Chemical containers	Tonnes	0.41	0.53
Waste rag gloves	Tonnes	0.01	0.03
<b>Total wastes production</b>	Tonnes	0.42	0.56
<b>Waste production intensity</b>	Tonnes per million HK\$ revenue	0.001 <sup>6</sup>	0.001

### Non-hazardous waste

In general, the Group's production bases generate wastes, which are further recycled, sold to the scrap recycling companies, collected by designated local authorities or incinerated. During the reporting period, as there were additional procedures being introduced into our production processes to improve the quality of our products, which require extra usage of rollers for polishing, causing a significant increase in wood pallets waste. Such wastes are the main attribution of the solid wastes produced under the non-hazardous waste category.

**Table 4 Non-hazardous Waste**

	Unit	2020	2019
Solid wastes	Tonnes	37.22	10.45
Domestic waste	Tonnes	9.80	10.60
Construction waste	Tonnes	1.00	1.50
<b>Total waste production</b>	Tonnes	48.02	22.55
<b>Waste production intensity</b>	Tonnes per million HK\$ revenue	0.14 <sup>6</sup>	0.05

### Waste control

The Administration and Human Resources Department is responsible for the collection of the hazardous and non-hazardous wastes and monitors the implementation of waste pollution preventive control of the Group. We engage vendors with corresponding qualifications on waste disposal for waste treatment and recycling. Each department is responsible for ensuring the smooth implementation of waste management in their department, including the maintenance of record on waste types and quantities, tracing of waste items and ways of treatment, so that wastes can be removed and treated effectively.

All wastes must be properly labelled, including information on whether such wastes are recyclable or not. The Administration and Human Resources Department arranges cleaners to gather the scraps and allocate them separately by type into different areas in the garbage storage. All hazardous wastes must be put in designated rubbish bags and containers, and they must be kept in designated storage space in the garbage gathering area; non-hazardous wastes that are recyclable are kept in the storage space accordingly by types, and non-recyclable wastes are kept in rubbish bins.

## Wastewater

The Group implements the following measures for wastewater management:

- Waste oil and waste chemicals are strictly prohibited from being discharged into the drainage system. They should be stored in a designated container to be recycled by an external agency approved by the environmental protection department.

<sup>6</sup> Waste production intensity = Total waste produced/Revenue for the year ended 31 December 2020. The annual revenue of the Group in 2020 was approximately HK\$354,183,000.

## SUBJECT AREA A. ENVIRONMENTAL

- The water recycling system facilities have to be in good condition to increase the recycling of water usage, reducing the emission of water.
- Wastewater produced by workshops are arranged for water treatment, water quality has to be up-to-standard before discharging.

**Table 5 Wastewater**

Wastewater	Unit	2020	2019
Total	Tonnes	13,730.80	15,000.80

The Group has the responsibility to ensure that the concentrations of the contaminants in wastewater do not exceed the corresponding limits set by relevant regulations such as the Water Pollutant Emission Limit in accordance with the local standard of Guangdong Province. Wastewater is sampled and examined by testing laboratory regularly in order to ensure its quality meets the related standards.

### A2 USE OF RESOURCES

#### Policies

The Group has established the *Energy Resource Management Procedure*, which applies to water, electricity, paper, raw materials and any other resource consumptions that have an impact on the environment.

#### Energy Management

The Group has established the *Energy Management Policy* on strengthening energy management, to lower the amount of energy wastage and to boost the utility of energy resources. Signs with messages on conservation of energy and resources should be posted on the bulletin board and at the location where the energy and the resources are used as reminders to the employees.

As for electricity conservation initiative measures, it is required that all unnecessary lightings and air conditioning must be off to prevent wastage of electricity. The air conditioning system must have its temperature set at a suitable range, and regular maintenance is implemented on the air conditioning system and machinery to increase its efficiency and saving electricity.

The energy consumption of the Group's facility includes gasoline, liquified petroleum gas and purchased electricity. The details of energy consumption are as follows,

**Table 6 Energy Consumption**

	Unit	2020	2019
Gasoline	MWh	57.07	121.19 <sup>8</sup>
Liquified Petroleum Gas	MWh	109.62	173.71
Electricity	MWh	4,369.92	5,622.47 <sup>8</sup>
<b>Total energy consumption</b>	MWh	4,536.61	5,917.37
<b>Energy consumption intensity</b>	MWh per million HK\$ revenue	12.81 <sup>7</sup>	14.31

The overall energy consumption of the Group's facility has significant decrease compare to the energy consumption in FY2019 due to temporary close down of factories under the threat of COVID-19 pandemic situation as well as the successful implementation of energy saving initiatives during the reporting period.

<sup>7</sup> Energy consumption intensity = Total energy consumed/Revenue for the year ended 31 December 2020. The annual revenue of the Group in 2020 was approximately HK\$354,183,000.

<sup>8</sup> The figure of energy consumption was restated to include the energy consumption of Hong Kong office.

## SUBJECT AREA A. ENVIRONMENTAL

### Water Management

Water is supplied by municipal water network and the Group was not aware of any issues in sourcing water. As for water conservation initiative measures, cleaners of the Group would check the toilet flushing valves daily. In case if any water leakage or malfunctions are noted, they are required to report to the Administration and Human Resources Department timely for arrangements of follow up repairment. In case if there are water pipelines leakages discovered by factories staffs, they are required to report to the Facilities Department timely for repairment in order to prevent wastage of water resources. Responsible employees from the Facilities Department are required to maintain water usage records monthly. Any abnormal usage will be investigated and undergo analysis.

The Group's production bases use freshwater for domestic and industrial purposes. During the reporting period, the Group's total water consumption was 58,455.30 cubic meters which shows a significant decrease compare to such amount in FY2019 due to temporary close down of factories under the threat of COVID-19 pandemic situation as well as the successful implementation of water saving initiatives during the reporting period.

**Table 7 Water Consumption**

	Unit	2020	2019
Total water consumption	m <sup>3</sup>	58,455.30	73,989.2 <sup>10</sup>
Water consumption intensity	m <sup>3</sup> per million HK\$ revenue	165.04 <sup>9</sup>	178.98

### Packaging Materials

The Group endeavours to purchase more environmentally friendly products and prioritises the use of low-carbon and environmentally friendly raw and auxiliary materials to achieve the principle of material utilisation. Ash and leftover scraps materials produced during production are handed over to third-party recyclers for treatment. The total amount of packaging material consumption is as follows,

**Table 8 Packaging Material Consumption**

	Unit	2020	2019
Paper boxes	Tonnes	9.75	27.00
Plastic bags	Tonnes	2.60	8.60
Glasses cases	Tonnes	2.00	17.18
<b>Total packaging material consumption</b>	Tonnes	14.35	52.78
<b>Packaging material consumption intensity</b>	Tonnes per '000 units of products	0.007 <sup>11</sup>	0.02

The amount of packaging materials has a drastic decrease due to temporary close down of factories under the threat of COVID-19 pandemic situation which led to the decrease in production volume during the reporting period.

## A3 THE ENVIRONMENT AND NATURAL RESOURCES

The Group has established an internal environmental risks management procedure. The impact of environmental risks is determined based on a list of criteria. The Group's environmental impacts and the related actions taken have been illustrated in the sections headed "A1 Emissions" and "A2 Use of Resources" in this Report. The Group's production bases in Shenzhen and Jiangxi have been accredited with GB/T24001-2016/ISO14001:2015 certifications for the manufacturing of eyewear.

<sup>9</sup> Water consumption intensity = Total water consumed/Revenue for the year ended 31 December 2020. The annual revenue of the Group in 2020 was approximately HK\$354,183,000.

<sup>10</sup> The total amount of water consumption in FY2019 was restated to include the water consumption of Hong Kong office.

<sup>11</sup> Packaging material consumption intensity = Total packaging material consumption/Total production volume of the Group in 2020. The total production volume of the Group in 2020 was 2,044,819 units

# SUBJECT AREA B. SOCIAL

## EMPLOYMENT AND LABOUR PRACTICES

### B1 EMPLOYMENT

#### Policies

Talents are one of the critical success factors in our vision and ambition to hold a leading and reputable position in the industry and society. The quality of our staff is a determining factor for our success, and this holds true for both technical and support staff of all levels. We consider human resources the most valuable asset, and we put staff development on top of the list while fulfilling the Group's sustainability journey. To meet the needs of the Group's sustainable growth and business development, it regularly assesses the developmental needs of its employees to ensure everyone, including the top management, has the support to achieve their top potential and self-actualisation.

The Group has developed a comprehensive human resource management system and policies to set out its management approach on compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare.

#### *Remuneration and Compensation*

The remuneration payable to our employees includes basic salaries, allowances and discretionary bonuses. The ability to recruit and retain experienced and skilled labour is crucial to our business development and growth. The basic salaries of its employees are generally determined by the employees' rank, position, qualification, experience and performance. The discretionary bonuses are paid on an annual basis, depending on the duration of services and performance of the individual staff and the profit of the Group in the preceding financial year. In order to attract and retain its employees, it assesses the remuneration package offered to its employees on an annual basis to determine whether any adjustment to the basic salaries and bonus should be made.

Employees may be required to work overtime depending on production needs, the Group will compensate employees that are required to work overtime by adjusting their working hours to ensure sufficient rest period is provided to each employee every week.

#### *Recruitment and Dismissal*

The recruitment is carried out based on the principles of fairness, equity and equal opportunity. A candidate is treated equally regardless of race, social class, nationality, religion, age, disability, gender, sexual orientation, group membership or political affiliation. As the Group considers the quality of employees is crucial, during the recruitment process, each candidate is required to pass the written test, face to face interview, background checking and body checking before they are being accepted to join the Group. The dismissal of an employee has strictly followed the laws and regulations.

#### *Promotion*

The Group is committed to providing career development opportunities to its employees. When there is a vacancy, the Group will consider internal promotion as first priority rather than external hiring. The promotion of employees mainly based on their capabilities and performance.

#### *Working hours and rest periods*

The Group implements standard working hours for most departments, which is 40 working hours per week on average, however some departments may alter depending on their job nature. Employees enjoy statutory holidays according to the provisions of laws and regulations and other paid leaves, including marriage leave, sick leave, maternity leave, industrial injury leave, bereavement leave, nursing leave, breastfeeding leave.

#### *Diversity, Equal Opportunities and Anti-discrimination*

As stated in the Group's anti-discrimination policy, its employees shall not be discriminated based on their race, social class, nationality, age, religion, physical ability, disability, gender, sexual orientation or political affiliation, in the matters of hiring, compensation, training opportunities for advancement. Coercive, threatening, abusive or exploitative behaviour towards employees is strictly prohibited under any circumstances, including posturing, language, and practical exposure. The employee may complain in writing or orally to a management representative of the plant about the discrimination he or she has suffered.

### *Employees' benefits and welfare*

The Group is people-oriented and cares for employees in different ways, such as renovating canteens and dormitories to create a pleasant working environment for employees so that employees feel the warmth of "home" when they are at the Group. The Group provides benefits, including labour insurance supplies benefits, meal allowance, housing benefits, medical kit supplies, birthday parties, health checks. Benefit plans not only care about individual employees but also cover employees' family members, such as giving red packets to new-born babies of employees, providing free accommodation arrangements for family members of employees who came for visiting. For employees with financial difficulties, the Group organises fundraising activities, so that donations can be made to those employees in need.

Under the relevant laws and regulations in Mainland China, the Group is required to make contributions to various employee social welfare plans for its employees. Related plans, including social insurance contributions and housing provident fund contributions. According to the social insurance system in Mainland China, the Group is required to make five types of insurance contributions for its employees, including basic endowment insurance, basic medical insurance, work injury insurance, unemployment insurance and maternity insurance. The Group also makes housing provident fund contributions for its employees.

### Compliance information for relevant laws and regulations

The Group's business activities are subject to the local laws and regulations relating to employment, including but not limited to:

- Employment Ordinance (Chapter 57 of the Laws of Hong Kong)
- Employees' Compensation Ordinance (Chapter 282 of the Laws of Hong Kong)
- Mandatory Provident Fund Schemes Ordinance (Chapter 485 of the Laws of Hong Kong)
- Minimum Wage Ordinance (Chapter 608 of the Laws of Hong Kong)
- Labour Law of the PRC (中華人民共和國勞動法)
- Labour Contract Law of the PRC (中華人民共和國勞動合同法)
- Social Insurance Law of the PRC (中華人民共和國社會保險法)

To the best of the Group's Directors' knowledge, the Group was not aware of significant non-compliance issues in this regard during the reporting period.

## B2 HEALTH AND SAFETY

### Policies

Employees' health and safety are one of the Group's core values. The Group strives to create a safe and healthy work environment. In recognition of the Group's occupational health and safety management system, its production bases in Jiangxi and Shenzhen have been certified with GB/T45001-2020 and ISO45001:2018. The Group has set up policies and procedures regarding workplace safety and a healthy work environment as follows, including but not limited to:

- Occupational disease prevention responsibility policy
  - The policy stated the responsibilities of different departments and the obligations of employees on the prevention of occupational diseases. If any departments are found failed to fulfil their responsibilities, responsible staff might have to face executive, civil, or criminal penalties.

## SUBJECT AREA B. SOCIAL

- Occupational disease hazardous warning and notification policy
  - The policy states the responsibilities of different departments on spreading and educating the messages of occupational diseases prevention to employees. It also stated the monitoring methodology and penalties of non-compliance cases.
- Occupational disease protective equipment management policy
  - The policy states the usage of different protective equipment under different conditions. It also stated the stock management of the protective equipment and the penalty of non-compliance of policies on purchase and usage of protective equipment.
- Occupational disease monitoring and evaluation management policy
  - The policy states the hazardous evaluation implementation and reporting procedures. It also stated the penalty of non-compliance of the policies on monitoring and making occupational hazardous rating evaluation.

### *Compliance information for relevant laws and regulations*

The Group's business activities are subject to the local laws and regulations relating to occupational health and safety, including but not limited to:

- Law of the PRC on the Prevention and Treatment of Occupational Diseases (中華人民共和國職業病防治法)
- Law of the PRC on Work Safety (中華人民共和國安全生產法)

To the best of our Directors' knowledge, the Group was not aware of significant non-compliance issues in this regard during the reporting period.

### *Occupational health and safety measures*

- In case if needed, the Group will establish an occupational hygienic management leading group to make decisions on the implementation of measures on preventing occupational diseases and hazards.
- Human Resources Department is responsible for notifying employees on any occupational hazards that he/she might encounter, the measures are taken by the Group to counter those hazards verbally and by stating on the employment contract.
- Environmental Health and Safety Department is responsible for setting up the bulletin board at eye-catching positions in the Group announcing the occupational diseases prevention regulations, operating procedures and emergency rescue measures of occupational diseases.
- Environmental Health and Safety Department is required to post warning signs in accordance with relevant regulations at eye-catching positions of all workplaces and facilities that may have occupational hazards as reminders to employees.
- Environmental Health and Safety Department is required to announce the results of workplace occupational hazards assessments to employees timely.
- The occupational hygienic management leading group will inspect the implementation of the occupational hazards notification progress, and whether it is in compliance with relevant regulations, the responsible department will be penalised for any non-compliance to relevant regulations.
- Our staff handbook contains guidelines for operation and safety control procedures which are distributed to all employees;
- We provide our employees with protective equipment such as gloves, dust masks, and dustproof goggles;

## SUBJECT AREA B. SOCIAL

- We conduct the inspection and maintenance of our equipment and machinery regularly to identify and eliminate safety hazards;
- We maintain our health and work safety compliance records at our office; and
- We provide training to our employees to raise their awareness of occupational safety.

### *Precautionary measures against COVID-19*

- All employees and visitors are required to check and record their body temperature before entering into the offices;
- All employees and visitors are required to wear face masks properly at all times in workplace;
- Ensure employees must have green Health Code before accessing the workplace;
- Meetings are replaced by video conferencing and notifications, or announcements are made via instant messaging application;
- Social distancing is implemented;
- Workplaces are sanitised frequently on a regular basis;
- Educating employees on anti-pandemic knowledge against COVID-19

## B3 TRAINING AND DEVELOPMENT

### Policies

As the Group is in the manufacturing industry, the training and development of employees are extremely important to enable employees to improve their professional capabilities and develop their strengths during their employment. Apart from improving the quality of their products and services, they also enhance the Group's competitiveness. Details of the policies relating to training and development are as follows:

- Training provided is classified into three main types, including the induction training, job skills training and self-development.
- The induction training is mainly for new joiners of the Group to obtain a basic understanding of the Group such as the background information of the Group, the human resources and salary systems of the Group, labour ethics, occupational health and safety, fire safety, on-site management, quality management, etc.
- Job skills training is designed based on the Group's development planning and departmental work demands for current employees to attend, training can be categorised as Expatriate training and Internal training.
- Self-development refers to the training that employees attend outside of work which is encouraged by the Group as long as they do not interfere with employees' regular work.
- The Group assesses employees on their performance on the understanding of the training content, and employees are allowed to fulfil their jobs' duties only when they have passed the assessments of the training sessions they attended.



## SUBJECT AREA B. SOCIAL

### Training activities

The Group has established an annual training plan covering a wide range of training activities organised by our Administration and Human Resources Department, Facilities Department and Quality Department. We provide various training to our employees, including but not limited to:

- chemical handling training;
- training on access control and counter-terrorists for security staffs;
- awareness of hygiene training for cleaners;
- training on hazardous identification and risk assessments control procedures;
- training on facilities maintenance for electricians; and
- training on quality checking procedures and facilities testing.

The training stated above is conducted via in-class learning except for the training on quality checking procedures and facilities testing, which included operational practical sessions for trainees as well.

Participants will be assessed verbally via random questioning and oral examinations to ensure that they have obtained a thorough understanding of the training delivered.

### B4 LABOUR STANDARDS

#### Policies

In order to protect both mental and physical health of the underaged as well as to promote the implementation of voluntary education, so as to ensure that the legal rights of the underaged are safeguarded properly; the Group has established policies to prohibit from employing the underaged. The Group's Social Responsibility Management Policy states that we strictly prohibit the employment of child labour or forced labour. The Human Resources Department will pay close attention to the application situation. All applicants must provide their identification documents at the hiring process so that their age is calculated and confirmed that they can work legally to ensure compliance with local labour practices.

The labour union is responsible for monitoring the Group to ensure no underaged labours are employed. If the Group is discovered to have employed underaged labours, the union can report such incidents to the Labour department of the local authority. Apart from the labour union, the Human Resources Department is also responsible for the reporting of any underaged labour employment incidents discovered to the Labour Department of the local authority.

Underaged labours would be ceased from work immediately. The Group would be responsible for the costs incurred from the health check of the underaged labour as well as providing sufficient wages. Administrative penalties would be applied to employees who were responsible for the employment of the underaged labours.

#### Compliance information for relevant laws and regulations

The Group's business activities are subject to the local laws and regulations relating to labour standards, including but not limited to:

- Provisions on the Prohibition of Using Child Labour (禁止使用童工規定)
- Provisions on Special Protection for Juvenile Workers (未成年工特殊保護規定)
- Labour Contract Law of PRC (中華人民共和國勞動法)

To the best of our Directors' knowledge, the Group was not aware of significant non-compliance issues in this regard during the reporting period.

### OPERATING PRACTICES

#### B5 SUPPLY CHAIN MANAGEMENT

##### Policies

We generally procure the raw materials used in our production process from suppliers based in the PRC. In addition to suppliers, we also engage subcontractors to manufacture entire eyewear products or perform part of our production process, if necessary, with the consent of our customers. To manage the environmental and social risks in our supply chain, the Group has established a set of *Suppliers' Ethical Standards* listing out the ethical requirements that suppliers are required to comply in different aspects, including compliance of labour standards, health and safety, environmental requirements, professional, ethical requirements, protection of natural species which the raw materials originated from, disclosure of the place of origin of the raw materials, etc.

In order to specify the Group's supplier chain management, so as to ensure the quality of the materials procured or services provided are up to standard by selecting high-quality suppliers; the Group has established policies governing the selection processes of suppliers. Furthermore, the Group has also established policies to manage the procurement process so as to ensure the Group can purchase materials or services economically as well as to ensure the purchases made are in the Group's best interest. The details of the policies relating to supply chain management are as follows.

- *Suppliers Management Policy* has defined responsibilities of different working levels at the procurement department of the Group with purchasing staffs being responsible for background data collection of the newly targeted suppliers, and also conduct performance evaluations for the existing suppliers whilst the Procurement Manager is responsible for reviewing and approving the selections of the qualified suppliers. The Group has in place a set of selection criteria for suppliers of raw materials for production and sporadic procurements.
- *Procurement Management Policy* has defined the responsibilities of different departments taking place in the procurement process and the processes of procurement by types of procurement items.

##### Supplier Engagement

According to the *Supplier Management Policy*, when engaging new suppliers, the Procurement Department would require new suppliers to provide qualification documents such as Business Licenses, Tax Registration Certificates, etc. Procurement staff then complete the *Supplier Background Survey*. Physical inspections are in place for new suppliers that are responsible for crucial materials supply. *Supplier Background Survey* must be reviewed and approved by the Procurement Manager and Finance Supervisor. Procurement Department, Quality Control Department, Construction Department and Finance Department is required to evaluate new suppliers and fill in their comments on the survey. The Procurement Manager will then review such comments. The Enterprise Resources Planning ("**ERP**") Department would record the qualified suppliers into the *ERP Qualified Suppliers List*.

##### Supplier Monitoring

Procurement Department, Quality Control Department, Construction Department and Finance Department would assess annually on the performance of suppliers that have frequent cooperation. The results of the assessments are documented on the *Suppliers Assessment Form*. The assessment criteria included but not limited to the quality of delivered materials, price, goods delivery period, service quality, etc. Staff responsible for the assessments must sign on the completed form and pass it to the Procurement Manager for review. The ERP Department would update the *Qualified Suppliers List* regularly based on the assessment results of the suppliers, any suppliers with low ratings would be removed from the *Qualified Suppliers List* and such suppliers would be deactivated in the ERP system. Procurement Manager is required to print the *Qualified Supplier List* for the General Manager to review.

## SUBJECT AREA B. SOCIAL

### B6 PRODUCT RESPONSIBILITY

We produce and sell a wide range of spectacle frames and sunglasses mainly through ODM<sup>12</sup> and OEM<sup>13</sup> business models. Our integrated and customised services offering includes product design and development, raw materials procurement, production, quality control, packaging and delivery.

#### Product Health and Safety/Quality

We believe that the reliability, health and safety and quality of our products and services are crucial to the success of the Group. As such, we have implemented quality control policies and procedures covering all aspects and stages of our production process, from the procurement of raw materials to the delivery of products and/or the construction of production lines, to ensure the consistent production of products and/or services with quality.

Our Quality Control Department is responsible for maintaining and operating our quality control system to ensure our products meet our customers' expectations and international industry standards. Our Group has established a quality management system which is certified to be in compliance with the requirements of ISO 9001:2015. Quality testing is conducted on the raw materials, work in progress and finished products.

#### Quality Control on Raw Material

To ensure that the quality of raw materials complies with our specifications and requirements, we inspect and perform incoming quality control tests on the raw materials. Our Warehouse and Quality Department's personnel checks the specifications, type, quantity and quality of the raw materials on a sampling basis. Sub-standard raw materials will be returned to the suppliers for exchange. In addition, we keep an approved supplier list, and we would assess our potential suppliers on their quality of raw materials prior to accepting them as our suppliers.

#### Quality Control on Finished Product

Our quality control staff will closely monitor the production of each of our products (including those manufactured/handled by our subcontractors) to ensure strict compliance with our standard operating procedures. They will regularly inspect the quality of the semi-finished products at each stage of the production process on a sampling basis and conduct checking on each finished product to ensure that the product quality adheres to product specifications and requirements provided by our customers. Sub-standard semi-finished products and finished products will be returned to the production department or the subcontractor for repair.

We currently set up one laboratory in each of our production bases in Shenzhen and Jiangxi to conduct testing on our raw materials, work in progress and finished products as part of our quality control process. We possess different types of machinery to carry out various kinds of tests on our products (including but not limited to resistance to perspiration, dimension discrepancy, frame structure test and salt spray fogging test), with our test reports being accepted by one of our major customers as a qualified third party report.

#### Complaint Handling

The Group values close communication with customers relating to their opinion on our products. When customers lodged complaints to us, our Business Department is responsible for receiving customers' complaints and recording relevant details on the *Customer Compliant Form*. The completed form is then sent to Quality Control Department and other related departments via email. Quality Control Department will investigate and analyse the reasons behind, the Production or other relevant departments may be requested to take part in the investigation if necessary. A *Correction/Preventive Action Plan* will be established with a designated person in charge and an expected completion date of follow-up actions.

<sup>12</sup> Acronym for original design manufacturing, where a manufacturer designs and manufactures a product according to customer's specifications and eventually sold under the brand name of the customer

<sup>13</sup> Acronym for original equipment manufacturing, a business whereby a manufacturer solely manufactures the products based on the design and specifications provided by its customers who came up with the design. The products will then be sold under the brand name of its customers with the design

## SUBJECT AREA B. SOCIAL

If the Group is found to be responsible for the complaint, our Quality Control Department will send the *Correction/ Preventive Action Plan* to the department responsible for follow-up actions. The Quality Control Department will then be responsible for the monitoring of the implementation of the follow-up actions and taking preventive measures in relevant procedures to mitigate the possibility for reoccurrence of similar incidents.

### Advertising and Labelling

As our business operations mainly focused on eyewear products manufacturing, we do not rely heavily on marketing, advertising and labelling activities. Yet we understand the importance of the role on advertising and labelling plays in terms of products marketing and selling. From time to time, we will attend local and international industry exhibitions, such as the Hong Kong Optical Fair to understand the market trend as well as advertising strategy of the products which not only, may inspire us on developing new products but may also help us to understand the methodology on how optical products are being advertised and labelled. We will continue to observe the prevailing legal requirements for product advertising and labelling in the future. We strive to ensure that our marketing materials do not misrepresent our products, so that customers can access unbiased, accurate and adequate information on the economic, environmental, and social impacts of our products.

### Intellectual Property and Privacy Protection

The Group values the protection of customers' intellectual properties and privacy. We have established internal procedures to identify, verify, protect, and safeguard customer property while it is in the Group's control.

As stipulated in the Employee Handbook, all employees have obligations to keep all business secrets confidential, including customers' information, any form of information leakage is strictly prohibited. If such information has to be copied due to working purpose, it can only be done upon approval granted by the General Manager or designated department supervisors. In case if there are any leakages on business secrets, staff who discovered the leakage should take immediate practical measures to prevent the leakage from spreading and report to the General Manager immediately. The Group has established Non-Disclosure Agreement in which all employees who get in contact with business secrets must understand the scope of confidentiality, rights, obligations, terms and liability of breach of contractual terms before signing the agreement.

### Compliance information for relevant laws and regulations

The Group's business activities are subject to the local laws and regulations relating to product responsibility, including but not limited to:

- Consumer Goods Safety Ordinance (Chapter 456 of the Laws of Hong Kong)
- Sale of Goods Ordinance (Chapter 26 of the Laws of Hong Kong)
- Import and Export Ordinance (Chapter 60 of the Laws of Hong Kong)
- Trade Descriptions Ordinance (Chapter 362 of the Laws of Hong Kong)
- Product Quality Law of the PRC (中華人民共和國產品品質法)
- Trademark Law of the PRC (中華人民共和國商標法)
- Advertising Law of the PRC (中華人民共和國廣告法)
- laws and regulations relating to product liability in the United States, such as the Consumer Product Safety Improvement Act of 2008 and the Federal Trade Commission Act
- laws and regulations relating to product safety in the European Union, such as General Product Safety, Directive 2001/95/EC, Consumer Rights Directive 2011/83/EU

To the best of our Directors' knowledge, the Group was not aware of significant non-compliance issues in this regard during the reporting period.

## SUBJECT AREA B. SOCIAL

### B7 ANTI-CORRUPTION

#### Policies

The Group is proactively promoting anti-corruption and anti-bribery work in business activities. We strengthen our internal control and monitoring mechanism, establish and maintain an overall honest culture for the Group, with respect to fair competition and ensure that the Group conducts business with a high degree of integrity. The Code of Conduct also states the ethical standards we expect of our employees. We have established related internal policies and procedures. The details are as follows.

- The Group has developed the *Anti-Bribery Management Policy*. The policy covers raw material purchase, outsourced processing, constructions of facilities, trade sales, procurement and maintenance of facilities, financial management, quality monitoring, etc. As for external parties, this policy also covers all parties of the Group with business relationships, such as customers, suppliers, service providers, contractors, etc.
- According to the policy, in order to establish business cooperation or gain profits out of business cooperation, money, kickbacks, gifts, services, travelling offers provided by the employees or the external party, will be treated as bribery, except for gifts with a low market price that are given showing business courtesy, or offering recreational activities such as meals, accommodation, travel to the external party in accordance with the signed business cooperation contracts.
- Human Resources Department should arrange trainings for new employees to attend on anti-corruption and anti-bribery and prepare written attendance records.
- In case of any non-compliance with the policy, the whistleblower must report the incident to the Human Resources Manager or the Deputy General Manager who is in charge of Human Resources, as well as providing evidence to support the accusation.
- The Group encourages employees to report any corruption or bribery acts. All reports are confidential, including the receipt of the report, investigation and the personal information of the whistleblower. For any factual reports, whistleblowers will be rewarded by the Group depending on the importance of the reporting information.

#### *Compliance information for relevant laws and regulations*

The Group strictly abides by the laws and regulations relating to bribery, extortion, fraud and money laundering in the regions of operations, including but not limited to:

- Prevention of Bribery Ordinance (Chapter 201 of Laws of Hong Kong)
- Criminal Law of the PRC (中華人民共和國刑法)
- Ant Unfair Competition Law of the PRC (中華人民共和國反不正當競爭法)

During the reporting period, to the best of our Directors' knowledge, the Group was not aware of any significant non-compliance cases or concluded legal cases regarding corrupt practices brought against the Group or our employees.

## SUBJECT AREA B. SOCIAL

### COMMUNITY

#### B8 COMMUNITY INVESTMENT

##### Policies

The Group believes that community contribution is important for sustainable development as it helps to establish a harmonious society. The Group aims to develop long-term relations with stakeholders based on mutual trust, respect and integrity. The Group also seeks to make contributions to programmes which have a positive impact development of children and youngsters. Employees are encouraged to volunteer and work through collaboration with strategic giving as well as capacity-building initiatives to try and create a positive impact in the community. Moving forward, we will continue to provide support to youth in need.

##### Our Contribution

In previous years, we donated some of our products to children and youngsters as well as making donations to the poor. Yet, during the reporting period, we have shown our concerns to the labour needs of the eyewear manufacturing industry, the Group has participated in the eyewear manufacturing industry consultation meeting in Yujiang (余江眼鏡行業集體協商) which helps to provide insights into the industry and making contributions to future product development that ultimately creating benefits to the society. We have had six of our employees contributing 8 hours to the activity.

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KPI A1.1	The types of emissions and respective emissions data Emissions – Air Emissions
KPI A1.2	Greenhouse gas emissions in total (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility) Emissions – Air Emissions
KPI A1.3	Total hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility) Emissions – Waste Management
KPI A1.4	Total non-hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility) Emissions – Waste Management
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Aspect A2 Uses of Resources General Disclosure	Uses of Resources
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KPI A2.1	Direct and/or indirect energy consumption by type (e.g. electricity, gas or oil) in total (kWh in '000s) and intensity (e.g. per unit of production volume, per facility) Uses of Resources – Energy Management
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# ESG REPORTING GUIDE CONTENT INDEX

Subject Areas, Aspects, General Disclosures and Key Performance Indicators (KPIs) (Note 1)	Section/Statement
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KPI A2.5 Total packaging material used for finished products (in tonnes) and, if applicable, with reference to per unit produced	Uses of Resources – Packaging Materials
Aspect A3 The Environment and Natural Resources General Disclosure Policies on minimising the issuer’s significant impact on the environment and natural resources	The Environment and Natural Resources
KPI A3.1 Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them	The Environment and Natural Resources
B. Social Employment and Labour Practices Aspect B1 Employment General Disclosure	Employment
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.	
Aspect B2 Health and Safety General Disclosure	Health and Safety
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Aspect B3 Development and Training General Disclosure	Development and Training
Policies on improving employees’ knowledge and skills for discharging duties at work. Description of training activities.	

# ESG REPORTING GUIDE CONTENT INDEX

Subject Areas, Aspects, General Disclosures and Key Performance Indicators (KPIs) (Note 1)	Section/Statement	
Aspect B4 Labour Standards 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 or forced labour	Labour Standards
Operating Practices Aspect B5 Supply Chain Management General Disclosure	Policies on managing environmental and social risks of supply chain	Supply Chain Management
Aspect B6 Product Responsibility 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 relating to products and services provided and methods of redress	Product Responsibility
Aspect B7 Anti-corruption 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	Anti-corruption
Community Aspect B8 Community Investment General Disclosure	Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests	Community Investment