

KELFRED

HOLDINGS LIMITED
恒發光學控股有限公司

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

2022

Environmental,
Social and
Governance
Report



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BOARD STATEMENT

Dear Stakeholders:

On behalf of the Board (the “**Board**”) of Directors (the “**Director(s)**”) of Kelfred Holdings Limited (the “**Company**” together with its subsidiaries, hereinafter referred to as the “**Group**” or “**we**” or “**us**”), I hereby present the 2022 Environmental, Social and Governance (“**ESG**”) Report (the “**Report**”), providing an overview of the Group’s management on significant matters (including ESG matters) that have impacts on our operation.

The Board has always been committed to promoting sustainable development and implementing ESG policies and measures across business segments continuously. The Board enjoins senior management and external independent consultants to identify, monitor and review ESG and climate-related risks and opportunities, and is committed to maintaining a high level of corporate governance. We lead our departments to implement related policies and measures, and continuously optimise the Group’s sustainable development strategies and performance.

Stakeholder engagement is an indispensable part of sustainable strategies. It helps us respond to existing and potential risks and opportunities (including climate-related issues) in the market, and is also the basis for strategy formulation and decision making. In addition to daily communication with stakeholders, we conducted a materiality assessment during the reporting period and invited major stakeholders to prioritise the identified issues in the form of survey to establish the most concerned sustainable development issues, thereby adjusting resources allocation and formulating more appropriate policies and measures to respond to the needs and expectations of stakeholders and make this Report more targeted.

The operational activities of the Group inevitably cause environmental impacts. We advocate waste reduction and improve the efficiency of use of resources in our business operations, based on the interests of stakeholders. In order to promote the sustainable development of the Group, we are committed to retaining talents to ensure the soundness of our business. We retain employees by measures like improving welfare conditions, caring for the needs of employees and regularly reviewing employee treatments, etc. We recognise the importance of managing environmental and social impacts of our supply chain, protecting the interests of the local communities in which we operate, and ensuring that all operating units comply with local laws and regulations.

Positive findings on the gradual recovery of the eyewear industry are perceived and moderate growth is expected in the following five years. The easing travel restrictions and social distancing measures by some countries, most of the international optical trade fairs were or to be held, indicating a relatively positive prospect of the eyewear market. The Group remains to be committed to the development and optimisation of its eyewear business, being the core business of the Group.

Looking ahead, the Group will adhere to the pursuit of a better society, commit itself to the common prosperity of enterprises, the society and the environment, create a win-win situation for all stakeholders, and continue to be a force for social stability and upward improvement.

Kwok Kwan Fai

Chairman of Kelfred Holdings Limited

Hong Kong

30 March 2023

ABOUT THE GROUP

Kelfred Holdings Limited is an established eyewear manufacturer in Hong Kong and the People's Republic of China (the "PRC" or "Mainland China"). Since the commencement of our business in 1986, the Group produces and sells a wide range of spectacle frames and sunglasses mainly through original design manufacturing ("ODM") and original equipment manufacturing ("OEM") business models. Our integrated and customised services offering include product design and development, raw materials procurement, production, quality control, packaging and delivery.

In addition to the traditional OEM and ODM business models, the Group also offers its original brand manufacturing ("OBM") products under the brand "Miga". Our products can be categorised into spectacle frames and sunglasses, which are generally made of metal, acetate, injection and a combination of them. At the requests of our customers, we may add customised materials to the surface of spectacle frames and sunglasses, such as crystal and denim, to give our eyewear products some special textures. Leveraging on over 30 years of experience in the eyewear industry, the Group prides itself on its broad network of renowned and trusted customers worldwide (who are primarily international eyewear retailers, trading companies and licensed brand owners). It has produced quality eyewear products under its customers' designated brand names and sold the same to over 35 countries in the past few years, among which Europe accounted for the largest market of the Group. Around 70% of our market locate in Europe, around 5% in America and the rest in other regions.

ABOUT THIS REPORT

The Group is pleased to present the fourth ESG Report to summarise the Group's policies, measures and performance on the key ESG issues.

REPORTING PERIOD

The Report illustrates the overall performance of the Group regarding the environmental and social aspects from 1 January 2022 to 31 December 2022 (the "reporting period" or "2022").

REPORTING SCOPE AND BOUNDARIES

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

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 fourth 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 Report has complied with all "comply or explain" provisions outlined in the ESG Reporting Guide.

ABOUT THIS REPORT

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) 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.

REVIEW AND APPROVAL

The Board of Directors acknowledges its responsibility for ensuring the integrity of the ESG Report and to the best of their knowledge, this Report addresses all relevant material issues and fairly presents the ESG performance of the Company. The Board of Directors confirms that it has reviewed and approved the Report on 30 March 2023.

FEEDBACK

The Group respects your view on the Report. Should you have any opinions or suggestions, you are welcome to share with the Group via the following channels:

Address: Room 1606, 16/F, Block B, New Trade Plaza, 6 On Ping Street, Sha Tin, New Territories, Hong Kong
Email: customerservice@kelfred.com
Attention: Chairman of the Board and the Company Secretary

ESG GOVERNANCE

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.

The Audit Committee is responsible for overseeing ESG-related issues and have held internal meetings three times to review the Group's ESG performance and to report relevant information to the Board during the reporting period. The Group is currently considering the establishment of the ESG Working Group. The ESG Working Group will compose of core members of the Group and are going to be responsible for facilitating the adoption of ESG strategies and policies throughout the Group, collecting information related to ESG and other relevant tasks. The ESG Working Group reports to the Board on the implementation of ESG initiatives and the performance of its sites of operations regularly.

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.

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

MATERIALITY ASSESSMENT

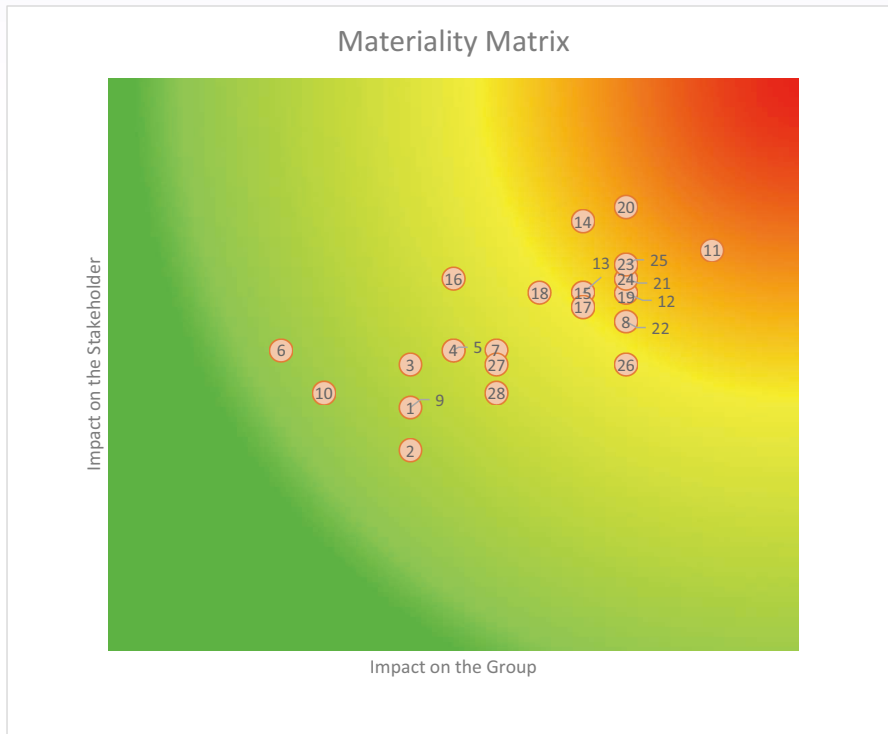
The Group emphasises the participation of its stakeholders, including shareholders of the Company, staff, customers, suppliers etc. All of them have a substantial impact on the success of its business or activities.

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 has been developed from the results of the 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 relevancy and significance 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.

Based on the materiality assessment results, we believe the top 10 pertinent sustainability issues include the following:



MATERIALITY ASSESSMENT



- | | | |
|--|--|--|
| 1 Air Emissions | 10 Climate Change | 19 Compliance with Regulations on Marketing, Product and Service Labelling |
| 2 Greenhouse Gas ("GHG") Emissions | 11 Employment Practices | 20 Customers' Privacy and Confidentiality |
| 3 Effluent Management | 12 Diversity and Equal Opportunities | 21 Customer Satisfaction |
| 4 Waste Management | 13 Anti-discrimination | 22 Intellectual Property |
| 5 Energy Efficiency | 14 Staff Occupational Health and Safety | 23 Safety of Services and Products |
| 6 Water Efficiency | 15 Staff Development and Training | 24 Quality of Services and Products |
| 7 Use of Raw Materials and Packaging Materials | 16 Prohibition of Child Labour and Forced Labour | 25 Business Ethics |
| 8 Environmental Regulations Compliance | 17 Responsible Supply Chain Management | 26 Anti-corruption training for management and employees |
| 9 Land Use, Pollution and Restoration | 18 Environmental Friendliness on products or service purchased | 27 Contributions to the society |
| | | 28 Communication and connection with local community |

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 base was accredited with GB/T24001-2016 and ISO14001:2015 certifications.

To help achieving and securing a sustainable future, the Group also advocates carbon reduction, and is committed to achieving sustainable operations. To this end, we have set clear emission reduction targets, compared with the 2021 baseline year, and strive to achieve the following targets by 2026:

- reduce air emission by 3%;
- reduce energy consumption per MWh of square feet by 3%;
- reduce water consumption per approximate tonne of employee by 3%; and
- reduce waste disposal by 3%.

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 Management Procedures (廢氣、污水、溫室氣體管理制度), Exhaust Gas, and Greenhouse Gas Control Procedures (廢氣、及溫室氣體管理制度) and Waste Management Policy (廢棄物管理制度).

The Group is committed to minimising any adverse impact on the environment, which may be resulted from the production process, and we have adopted various mitigation 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.

SUBJECT AREA A. ENVIRONMENTAL

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);
- Law of the People's Republic of China on the Prevention and Control of Atmospheric Pollution (中華人民共和國大氣污染防治法);
- Administrative Regulations on Environmental Protection for Construction Project (建設項目環境保護管理條例) of the PRC;
- Soil Pollution Prevention and Control Law of the People's Republic of China (中華人民共和國土壤污染防治法);
- Law of the People's Republic of China on Prevention and Control of Water Pollution (中華人民共和國水污染防治法);
- Environmental Impact Assessment Law of the PRC (中華人民共和國環境影響評價法); and
- 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 any significant non-compliance issue in this regard during the reporting period.

Air and Other Pollutants Emissions

The primary source of air pollutants generated by the Group was mainly from its production process. The Group's air pollutant emissions¹ are as follows.

Air Pollutant Emissions	Unit	2022	2021
Nitrogen oxides ("NOx")	Kilograms	55.97	62.59
Sulphur oxides ("SOx")	Kilograms	0.33	0.36 ²
Particulate matter ("PM")	Kilograms	979.93	356.36

The decrease of NOx and SOx mainly derived from the decrease in usage of private cars and a medium goods vehicles of the Group for the purpose of materials and products delivery during the reporting period, whilst the drastic increase of PM was mainly due to increase in production volume.

¹ 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.

² The figure has been restated.

SUBJECT AREA A. ENVIRONMENTAL

On the other hand, we have engaged third party specialist for testing of our emissions to ensure the current standards are in compliance with relevant local laws and regulations. The Group confirms that there were no significant non-compliance cases or complaints regarding the discharge that have undergone such testings.

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 99% of the total GHG emissions. The GHG emissions³ are listed in the following table:

GHG Emissions	Unit	2022	2021
Scope 1 ⁴	Tonnes of CO2 equivalent	58.98	64.17
Scope 2 ⁵	Tonnes of CO2 equivalent	4,447.44	4,715.49 ²
Total GHG emissions	Tonnes of CO2 equivalent	4,506.42	4,779.66 ²
GHG emission intensity	Tonnes of CO2 equivalent per million HK\$ revenue ⁶	9.69	6.03

The decrease in Scope 1 and 2 GHG emission was mainly due to a number of company vehicles have been replaced by electric or hybrid cars, as well as increasing the utilisation of LED lightings, cutting down the amount of electricity consumption during the reporting period.

Air Emission Control

When the Group purchases equipment and fuels, the potential air emissions incurred from them would be one of our key considerations. 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 daily monitoring of preventive measures against exhaust fumes, and GHG pollution; whilst all departments are responsible for the following:

- reporting any non-compliance of internal policies on prevention of pollution; and
- implementing corrective actions timely.

³ 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.

⁴ Scope 1: Emissions directly from business operations owned or controlled by the Group, GHG reductions from newly planted trees are not included.

⁵ Scope 2: Indirect energy" emissions caused by internal consumption (purchased or acquired) of electricity, heat, refrigeration and steam within the Group.

⁶ GHG emission intensity = Total GHG emissions/Revenue for the year ended 31 December. The annual revenue of the Group in the reporting period and Financial Year 2021 ("FY2021") were approximately HK\$465 million and HK\$793 million respectively.

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 slight increase in the overall total hazardous waste produced as compared to FY2021, due to the resume of normal operations which contributed to the increase in production volume.

Hazardous Waste	Unit	2022	2021
Chemical container	Tonnes	0.208	0.105
Waste rag gloves	Tonnes	0.02	0.01
Waste mineral oil	Tonnes	0.02	0.1
Total wastes production	Tonnes	0.248	0.215
Waste production intensity	Tonnes per million HK\$ revenue ⁷	0.0005	0.0003

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, the Group strives to reduce non-hazardous wastes by recycling and reuse paper and paper boxes and implement double-sided printing if possible.

Non-hazardous Waste	Unit	2022	2021
Solid wastes	Tonnes	3.02	5.68
Domestic waste	Tonnes	7.30	6.00
Construction waste	Tonnes	0.00	0.00
Total wastes production	Tonnes	10.32	11.68
Waste production intensity	Tonnes per million HK\$ revenue ⁷	0.02	0.01

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.

⁷ Waste production intensity = Total waste produced/Revenue for the year ended 31 December. The annual revenue of the Group in the reporting period and FY2021 were approximately HK\$465 million and HK\$793 million respectively.

SUBJECT AREA A. ENVIRONMENTAL

Wastewater

The Group implements the following mitigation 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.
- The water recycling system facilities have to be in good condition to increase the recycling of water usage, reducing water discharges.
- Wastewater generated from workshops are treated properly to comply with relevant standards and requirements before discharging.

Wastewater	Unit	2022	2021
Total	Tonnes	475.00	109.80

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 criteria of Water Pollutant Emission Limits 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 relevant standards. To enhance the hygienic standards of our production process, the Group has implemented detailed process on racks cleaning which resulted in a drastic increase of wastewater generated during the reporting period.

A2 USE OF RESOURCES

Policies

The Group has established the Energy Resource Management Procedure (能源管理制度), 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 Procedure on strengthening energy management, to reduce energy wastage and to optimise the utility of energy resources. Notices of conservation of energy and resources are 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, employees are required to ensure that all unnecessary lightings and air conditioning must be switched off to prevent wastage of electricity. The temperature of the air conditioning system must be set at a suitable range, as well as regular maintenance in place to maintain the operating performance and increase the efficiency of the air conditioning system and machinery.

SUBJECT AREA A. ENVIRONMENTAL

The energy consumption of the Group's facilities includes gasoline, liquified petroleum gas ("LPG") and purchased electricity. The details of energy consumption are as follows,

Energy Consumption	Unit	2022	2021
Gasoline	MWh	147.89	181.88
LPG	MWh	32.51	45.31
Diesel	MWh	60.49	49.67
Electricity	MWh	5,343.75	5,671.43
Total energy consumption	MWh	5,584.64	5,948.29
Energy consumption intensity	MWh per million HK\$ revenue ⁸	12.01	7.50

The overall energy consumption of the Group's facility has slight decrease compared to the energy consumption in FY2021 due to a number of company vehicles have been replaced by electric or hybrid cars, as well as increasing the utilisation of LED lighting, cutting down the amount of electricity consumption during the reporting period.

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 found, 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 leakage discovered by factories staff, they are required to report to the Facilities Department timely for repairment in order to prevent wastage of water resources. Dedicated employees from the Facilities Department are responsible for maintaining 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 has shown a decrease compared to such amount in FY2021 due to the promotion of water conservation awareness amongst the Group by reusing water and limiting water consumption at our canteen during the reporting period.

Water Consumption	Unit	2022	2021
Total water consumption	m ³	65,685.59	72,370.00
Water consumption intensity	m ³ per million HK\$ revenue ⁹	141.26	91.26

⁸ Energy consumption intensity = Total energy consumed/Revenue for the year ended 31 December. The annual revenue of the Group in the reporting period and FY2021 were approximately HK\$465 and HK\$793 million respectively.

⁹ Water consumption intensity = Total water consumed/Revenue for the year ended 31 December. The annual revenue of the Group in the reporting period and FY2021 were approximately HK\$465 and HK\$793 million respectively.

SUBJECT AREA A. ENVIRONMENTAL

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 created during production are handed over to third-party recyclers for treatment. The total amount of packaging material consumption is as follows,

Packaging Material Consumption	Unit	2022	2021
Paper boxes	Tonnes	3.86	4.77
Plastic bags	Tonnes	0.10	0.01
Glasses cases	Tonnes	0.00	1.50
Total packaging material consumption	Tonnes	3.96	6.28
Packaging material consumption intensity	Tonnes per '000 units of products ¹⁰	0.001	0.002

The amount of packaging materials consumption has a significant decrease due to stringent packaging materials control management and reusing of packaging materials during the reporting period.

A3 THE ENVIRONMENT AND NATURAL RESOURCES

The Group has established an internal environmental impact management procedure (環境因素的評價與控制程序). The impact of environmental risks is determined based on a list of criteria, such as significant environmental impact caused by generation of pollutants from operations, process of energy and materials consumption and storage, etc. We have also established an Environmental Contingency Plan to define respective mitigation measures to be taken in order to minimise the impact to the environment depending on the scale of incidents took place resulted from our business operations. 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 base has been accredited with ISO14001:2015 (Environmental Management System) certifications for the manufacturing of eyewear.

A4 CLIMATE CHANGE

Climate change is one of the biggest global challenges faced by the society nowadays, and we must act now for our climate and our communities. In recent years, extreme weather, such as strong winds and heavy rainfall, as well as tides and floods, have become the focus of news. Logistics and supply chains, which are highly relevant to the Group's business, are particularly vulnerable. Heavy rainfall, rising tides, and floods can cause serious damage to assets such as buildings, warehouses, and goods in storage, resulting in financial losses. Although such incidents are beyond everyone's control, the Group believes that all stakeholders should work together to address climate change, which will also be regarded as one of the most significant risks to the world in the next five years.

The COVID-19 pandemic has presented many new challenges in recent years, but it has not changed our commitment to climate action. The pace of change has expedited around the world, underscoring the importance for us to accelerate its transition to a low-carbon economy.

¹⁰ Packaging material consumption intensity = Total packaging material consumption/Total production volume of the Group during the reporting period or FY2021. The total production volume of the Group in the reporting period and FY2021 were 3,620,320 units and 2,772,032 units respectively.

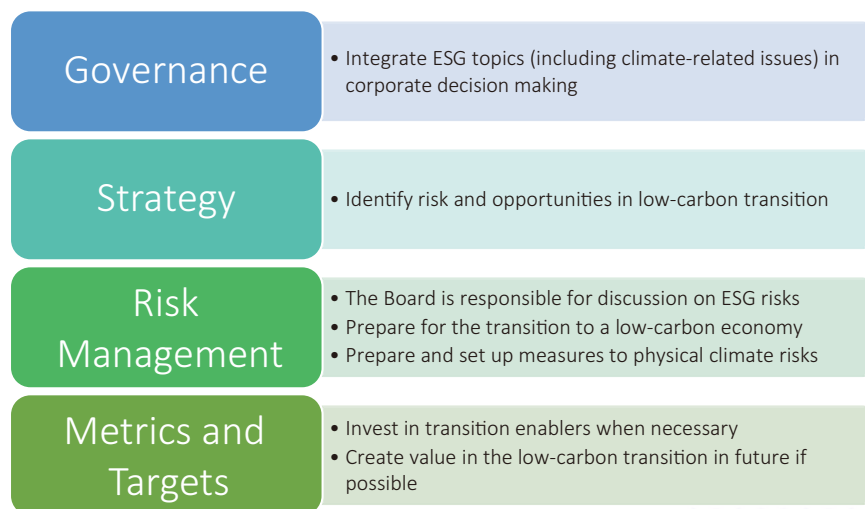
SUBJECT AREA A. ENVIRONMENTAL

The Group essentially plans to respond to local government initiatives and follow local governments' emission reduction requirements. We aim to reduce emissions by around 3% by 2026 and ensure the Group's GHG emissions will comply with the local requirements on or before 2030. Our target is to achieve carbon neutrality by 2050 in Hong Kong region and by 2060 in PRC. We are committed to continuously improving our energy efficiency, applying professional knowledge to improve on-site efficiency and maintain efficient management support, in order to safeguard the Group's reputation.

Over the years, we have been grasping different opportunities to expand our business, accelerate the transformation and make the Group smarter, more environmentally friendly, and safer for employees and users (such as automation, and utilising digital platforms for online conference to reduce carbon footprint in transportation during the pandemic). These measures have made our facilities becoming more sustainable and fulfil our commitment to resource management and environmental protection.

Action on climate change

Action on climate change is embedded in the Group's business strategy and reflected in the governance and management processes of the Company. The index table below outlines where to find the core elements of how the Group responds to the Stock Exchange's recommendations on ESG (including climate-related issues).



SUBJECT AREA A. ENVIRONMENTAL

The Group has identified a series of climate-related risks and opportunities relevant to our assets and services which are significant to us. These transition and physical risks are discussed in the sections below.

	Risks	Opportunities
Short term (0–1 year)	<ul style="list-style-type: none"> Physical risks from extreme weather events Securing the skills and capability required to implement climate strategy 	<ul style="list-style-type: none"> Technologies to enhance the performance of operation and energy efficiency
Medium term (5 years)	<ul style="list-style-type: none"> Transition risks — Implementation of low-carbon policies for the operations Transition risks — Supply and demand for certain commodities, products and services may change as climate related risks and opportunities are increasingly taken into account. 	<ul style="list-style-type: none"> Transitioning to low carbon economy market to meet government decarbonisation targets
Medium to long term (5+ years)	<ul style="list-style-type: none"> Transition risks — Potential new regulation and policies Transition risks — Development and use of emerging technologies may increase the operational costs, and reduce the Groups' competitiveness Transition risks — the Group's reputation may be impacted due to changing customer or community perceptions of said the Group's contribution to or detraction from the transition to a low carbon economy. 	<ul style="list-style-type: none"> Transitioning to low carbon economy market to meet government decarbonisation targets Opportunities arising from transition enablers To work as a pioneer in the industry and build up the relevant reputations

Physical climate risks can potentially damage the Group's assets or directly interrupt our service delivery to customers. The Group has already set up a range of measures in place to enhance the reliance of its operations, including contingency plan for extreme weather or emergency conditions.

Transition risks have the potential to increase the operational cost and legal risk due to change of policy, technology development, digitalisation, relevant risk affected to supply and demand, and reputation due to public perceptions. The Group has already identified the relevant risks and keep monitoring the market and policy updates. The Group has also planned to invest according to the market needs and take this as an opportunity for long term development.

SUBJECT AREA A. ENVIRONMENTAL

Over the years, a series of measures have been adopted to put in place along the Group's value chain to help the Company prepare for climate events. These measures are deployed for the different geographies, taking into account the asset type, location and relevance. These are summarised in the table below:

Relevant part of the value chain	Relevant measures
Supply chain	Diversify materials supply from multiple suppliers, sources and countries.
Operation	<p>Monitor and inspect assets regularly</p> <ul style="list-style-type: none"> — Maintenance of a Contingency Plan for our major facilities <p>To address extreme heat and increased temperature:</p> <ul style="list-style-type: none"> — Maintain cooling equipment in good conditions <p>To address the risk in case of water shortage and drought:</p> <ul style="list-style-type: none"> — To maintain water tank(s) in facilities if possible — Purchase drinking water with sufficient storage <p>To address flooding risks:</p> <ul style="list-style-type: none"> — Deploy anti-flooding measures suitable for the assets, including drainage systems, flood gates and flood barriers, if necessary
Retails	Through engagement events, inform customers of the initiatives already undertaken to increase system resilience
Services	<ul style="list-style-type: none"> — Establish a typhoon response protocol and coordinating system, including effective communication network and workforce arrangements as well as establishment of emergency response unit to ensure smooth execution of contingency plans — Utilise the emergency restoration system, enabling rapid construction of temporary masts that can shorten the restoration of power supply — Enhance the communication capacity of customer services, in particular post-incident customer communication

Investing transition enablers

Investment in a broad range of transition enablers is required to transform the business to low-carbon economy. The Group will invest more resource to purchase Electric vehicle (EV) to replace the old fossil fuels vehicles in future if possible.

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 as the most valuable asset, and we put our staff development on top of the list while fulfilling the Group's sustainability journey. To fulfil the needs of the Group's sustainable growth and business development, we regularly assess the developmental needs of our 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, such as the Employee Handbook, 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 our employees, we assess 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 relevant tests, face to face interview and background checking prior to our offer of acceptance as new recruits of the Group, whilst some candidates might be required to have body checking before they are being accepted to join the Group.

Unless otherwise stipulated in the employment contract, employment with the Group may be terminated by either the Group or employee by giving the other party written notice in advance or in some cases, payment in lieu of notice is also acceptable. Exit interviews might be organised between the department head of the employee, Human Resources Manager and the employee before the termination of the employment to collect feedbacks for improvements on our operation and resources management system. The dismissal of an employee has strictly followed relevant laws and regulations in Hong Kong and the PRC.

SUBJECT AREA B. SOCIAL

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 as well as other paid leaves, including but not limited to annual leave, marriage leave, sick leave, maternity leave, industrial injury leave, bereavement leave, nursing leave, and breastfeeding leave.

Diversity, Equal Opportunities and Anti-discrimination

The Group has recruited employees with different background, abilities, and skills to fulfil respective job duties. 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. We also attach great importance to the wellbeing of our employees, during the reporting period, the Group has organised a Marathon event for our employees to enable relaxation outside of work. 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. The Group has arranged donation on voluntary basis for medical care of an employee's family member who was injured in a car accident during the reporting period.



Marathon event



Marathon awards ceremony

SUBJECT AREA B. SOCIAL

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, 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.

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); and
- 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 any significant non-compliance issues in this regard during the reporting period.

Employment Profile

Our employment profile during the reporting period is as follow,

Workforce	As at 31 December	
	2022	2021
By Gender		
Male	507	466
Female	468	425
By Age Group		
Below 30	121	124
30–50	789	728
Over 50	65	39
By Employment Type		
Full-time	974	890
Part-time	1	1
By Geographical Region		
Hong Kong	21	18
The Mainland China	954	873
Total	975	891

SUBJECT AREA B. SOCIAL

Employee Turnover

During the reporting period, the employee turnover rate is as follows,

Turnover Rate ¹¹	2022	2021
By Gender		
Male	17.2%	21.0%
Female	12.7%	15.7%
By Age Group		
Below 30	21.4%	25.7%
30–50	14.1%	16.6%
Over 50	14.5%	27.8%
By Geographical Region		
Hong Kong	4.5%	0.0%
The Mainland China	15.3%	18.9%
Overall	15.1%	18.6%

B2 HEALTH AND SAFETY

Policies

The health and safety of our employees are always 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 base has been certified with GB/T45001–2020 and ISO45001:2018 (Occupational Health and Safety management system). 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 states 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.
- *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 states the monitoring methodology and penalties for non-compliance cases.

¹¹ Turnover rate = number of departures during the reporting period or FY2021/(number of departures during the reporting period or FY2021 + number of employees at the end of the reporting period or FY2021). The Group had a total of 173 and 124 employees turnover during the reporting period and in FY2021 respectively.

SUBJECT AREA B. SOCIAL

- *Occupational disease protective equipment management policy*
 - The policy states the usage of different protective equipment under different conditions. It also states the stock management of the protective equipment and the penalty for 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 states the penalty for non-compliance of the policies on monitoring and making occupational hazardous rating evaluation.

The number and rate of work-related fatalities and lost days as a result of work-related injury cases in the past three years are as follows,

	2022	2021	2020
Number of work-related fatalities	0	0	0
Rate of work-related fatalities	0.0	0.0	0.0
Number of work injuries	0	0	0
Lost days due to work injury	0	0	0

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); and
- 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 any significant non-compliance issues in this regard during the reporting period.

SUBJECT AREA B. SOCIAL

Occupational health and safety measures

The Group has implemented various occupational health and safety measures to avoid accidents and to protect our employees, including but not limited to:

- 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 Employee 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;
- 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.

SUBJECT AREA B. SOCIAL

Precautionary measures against COVID-19

To protect our employees and society from COVID-19, the Group has implemented a series of precautionary measures such as,

- all employees and visitors are required to check and record their body temperature before entering 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;
- free COVID-19 test kits are provided to all employees in Hong Kong office, employees are required to conduct testing on a weekly basis before work to minimise the risk of contracting the virus; and
- educating employees on anti-pandemic knowledge against COVID-19.

B3 TRAINING AND DEVELOPMENT

Policies

As the Group is in manufacturing industry, 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 the products and services, they can 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 background information of the Group, 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;

SUBJECT AREA B. SOCIAL

- self-development refers to training that employees attend outside of work which is encouraged by the Group as long as they do not interfere with employees' regular work; and
- the Group assesses performance of the employees on understanding of the training content, and employees are allowed to fulfil their jobs' duties only when they have passed the assessments of the relevant training sessions.

During the reporting period, the percentage of employees who have received training and their average training hours are as follow,

Percentage of Employee Receiving Training¹²	2022	2021
By Gender		
Male	99.0%	99.4%
Female	97.4%	97.9%
By Employment Category		
Senior Management	90.9%	90.0%
Middle Management	93.8%	90.2%
General Staff	98.9%	99.4%
Overall	98.3%	98.7%
Average Training Hours¹³	2022	2021
	hours/employee	hours/employee
By Gender		
Male	15.4	10.3
Female	15.3	10.0
By Employment Category		
Senior Management	11.8	7.3
Middle Management	16.6	9.1
General Staff	15.3	10.3
Overall	15.4	10.2

¹² Percentage of trained employee = Total number of employees received training during the reporting period or FY2021/Total number of employees as at the end of the reporting period or FY2021. The Group had a total of 958 and 879 employees who received training during the reporting period and FY2021 respectively.

¹³ Average training hours = Total training hours during the reporting period or FY2021/Total number of employees as at the end of the reporting period or FY2021. The Group had a total of 14,972 and 9,061.5 training hours during the reporting period and in FY2021 respectively.

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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:

- Annual Director's Training
- safety protection and knowledge about fire prevention;
- safety operation of facilities;
- facilities maintenance skills training;
- quality assurance standards training;
- chemical handling and management training; and
- line production responsibility training.

The training stated above is conducted via in-class learning except for the training on facilities maintenance skills, safety operation of facilities, chemical handling and management training and knowledge about fire prevention, 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. Labour relationship can only be established upon consent of both the employer and the candidate. The Human Resources Department continues to 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.

In cases where child labour is found to be present at the workplace, 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); and
- 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 any significant non-compliance issues in this regard during the reporting period.

SUBJECT AREA B. SOCIAL

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, we also engage subcontractors to manufacture entire eyewear products or perform part of our production process, if necessary, with the consent of our customers. During the reporting period, the Group had a total of 29 suppliers and 2 subcontractors, with 25 suppliers from the PRC, 3 suppliers from Hong Kong and 1 supplier from Italy; whilst the 2 subcontractors were from the PRC. Both the suppliers and subcontractors were managed under the practices as described below in this section. 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 with 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 staff being responsible for background data collection of the newly targeted suppliers, and also conducting 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. Suppliers' fulfilment of the environment (such as the promotion of environmentally preferable services and products), health and safety requirements of the Group are relevant factors which will be taken into account by the Group in our supplier selection process.
- 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 the Group is engaging new suppliers, the Procurement Department would require the new suppliers to provide qualification documents such as Business Licenses, Tax Registration Certificates, etc. and our Procurement staff is required to complete the Supplier Background Survey. Physical inspections are in place for the 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 are required to evaluate the 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.

SUBJECT AREA B. SOCIAL

Supplier Monitoring

Procurement Department, Quality Control Department, Construction Department and Finance Department would assess annually the performance of suppliers that have frequent cooperation. The results of the assessments are documented on the Suppliers Assessment Form. The assessment criteria including 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 (合格供應商名錄) 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.

B6 PRODUCT RESPONSIBILITY

We produce and sell a wide range of spectacle frames and sunglasses mainly through ODM¹⁴ and OEM¹⁵ 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 and care for health and safety of our customers. During the reporting period, we did not have any products sold or shipped subject to recalls for safety and health reasons.

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 Management System). The Quality Management System is used to assist us with conducting quality testing on raw materials, work in progress and finished products.

Quality Control and 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 maintain a Qualified Supplier List, and we would assess our potential suppliers on their quality of raw materials prior to accepting them as our suppliers.

¹⁴ 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.

¹⁵ 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.

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Quality Control and 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.

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 ("CAP/PAP") will be established with a designated person in charge and an expected completion date of follow-up actions will be set.

If the Group is found to be responsible for the complaint, our Quality Control Department will send the CAP/PAP 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. During the reporting period, we did not receive any complaints after sales from our customers.

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. During the reporting period, we have established an Advertisement Publishing Management Policy (廣告投放管理規定) to define and control advertising expenses and enhance the effectiveness of our advertisement. Operation department is responsible for engagement of the advertisement publishment request by submitting a completed advertisement publishment application form, listing out the reason(s), costs and benefits of the advertisement publishment for each advertisement publishment request. Only requests approved by the Head Office are allowed to proceed and all advertisements published are subject to evaluation on their effectiveness semi-annually.

SUBJECT AREA B. SOCIAL

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 future. The Group 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. During the reporting period, the Group has established a Product Labelling Management Procedure (產品標籤管理制度) to define and control the printing procedures, including stringent monitoring on the number of labels printed, to prevent any misuse of our labels.

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. Given the importance of the Group's brand to the business, we have already registered our company logo in Hong Kong for which the Group is the registered proprietor and the trademark of "miga studio" in the PRC, Hong Kong, European Union, the America, New Zealand, Australia and the United Kingdom which is owned by Optical Farm HK Limited, one of the Company's subsidiaries. In addition, the Group has one domain name which is material to the business, namely "kelfred.com.hk" for which the Group is the registered proprietor. Looking ahead, we will continue to invest in developing innovative techniques and skills in our business operations, to strengthen the ability as well as to promote the awareness of intellectual property protection.

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 of 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);

SUBJECT AREA B. SOCIAL

- 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; and
- 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 any significant non-compliance issues in this regard during the reporting period.

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, and contractors, etc.
- According to the policy, in order to establish business cooperation or gain profits out of business cooperation, money, kickbacks, gifts, services, and 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 and travel to the external party in accordance with the signed business cooperation contracts.
- Human Resources Department have arranged trainings for new and existing employees as well as directors to attend regarding the Group's practices on anti-corruption and anti-bribery. We have maintained written attendance records for the training.
- In case of any non-compliance with the policy, the whistle-blower 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.

SUBJECT AREA B. SOCIAL

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); and
- Anti-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.

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. During the reporting period, we have established a Corporate and Community Enhancement Guidance Policy (企業與社區共建指導政策) and we have set enhancement targets and missions that we aim to achieve, and we are committed to facilitate communication between the Group and the community and investing resources wisely in order to help us reaching our goals. Looking ahead, we will continue to provide support to youth in need.

SUBJECT AREA B. SOCIAL

Our Contribution

In previous years, we donated some of our products to children and youngsters as well as making donations to the poor and the needed. During the reporting period, we have shown our concerns to the elderly and the local society, the Group has participated in two elderly visiting events, two of our employees contributed a total of 32 hours to the event. Also, 18 staff in the PRC have committed to serve the local public by volunteering themselves as helpers in the local COVID-19 testing and vaccination programme for 432 hours. On the other hand, we also made donations to the elderly we visited with food and anti-pandemic supplies. Whilst Hong Kong office has provided voluntary optometry assessments to the elderly and students as well as making donations of 1,000 optical frames to them. 6 of our employees have committed 45 hours in total on the aforementioned events.



Elderly visits



Volunteering in the local COVID-19 testing and vaccination programme



Thank you letter from S.K.H St Benedict's School



Certificate of appreciation from the Tai Po integrated services for senior citizen of the Salvation Army and Ellen Li District Elderly Community Centre of Hong Kong Young Women's Christian Association

THE STOCK EXCHANGE “ESG GUIDE” CONTENT INDEX

Subject Areas, Aspects, General Disclosures and Key Performance Indicators (KPIs)	Section/Statement	
<p>A: Environment Aspect A1: Emissions General Disclosure</p>	<p>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.</p>	Emissions
KPI A1.1	The types of emissions and respective emissions data.	Emissions — Air Emissions
KPI A1.2	Direct (Scope 1) and energy indirect (Scope 2) greenhouse gas emissions (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
KPI A1.5	Description of emissions target(s) set and steps taken to achieve them.	Emissions — Waste Management
KPI A1.6	Description of how hazardous and non-hazardous wastes are handled, and a description of reduction target(s) set and steps taken to achieve them.	Emissions — Waste Management

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Subject Areas, Aspects, General Disclosures and Key Performance Indicators (KPIs)		Section/Statement
Aspect A2: Use of Resources		
General Disclosure	Policies on efficient use of resources, including energy, water and other raw materials.	Use of Resources
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).	Use of Resources — Energy Management
KPI A2.2	Water consumption in total and intensity (e.g. per unit of production volume, per facility).	Use of Resources — Water Management
KPI A2.3	Description of energy use efficiency target(s) set and steps taken to achieve them.	Use of Resources — Energy Management
KPI A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency target(s) set and steps taken to achieve them.	Use of Resources — Water Management
KPI A2.5	Total packaging material used for finished products (in tonnes) and, if applicable, with reference to per unit produced.	Use 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
Aspect A4: Climate Change		
General Disclosure	Policies on identification and mitigation of significant climate-related issues which have impacted, and those which may impact, the issuer.	Climate Change
KPI A4.1	Description of the significant climate-related issues which have impacted, and those which may impact, the issuer, and the actions taken to manage them.	Climate Change

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Subject Areas, Aspects, General Disclosures and Key Performance Indicators (KPIs)		Section/Statement
B: Social		
Employment and Labour Practices		
Aspect B1: Employment		
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.	Employment
KPI B1.1	Total workforce by gender, employment type (for example, full-or part-time), age group and geographical region.	Employment
KPI B1.2	Employee turnover rate by gender, age group and geographical region.	Employment
Aspect B2: Health and Safety		
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.	Health and Safety
KPI B2.1	Number and rate of work-related fatalities occurred in each of the past three years including the reporting year.	Health and Safety
KPI B2.2	Lost days due to work injury.	Health and Safety
KPI B2.3	Description of occupational health and safety measures adopted, and how they are implemented and monitored.	Health and Safety

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Subject Areas, Aspects, General Disclosures and Key Performance Indicators (KPIs)		Section/Statement
Aspect B3: Development and Training		
General Disclosure	Policies on improving employees’ knowledge and skills for discharging duties at work. Description of training activities.	Training and Development
KPI B3.1	The percentage of employees trained by gender and employee category (e.g.: senior management, middle management).	Training and Development
KPI B3.2	The average training hours completed per employee by gender and employee category.	Training and Development
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
KPI B4.1	Description of measures to review employment practices to avoid child and forced labour.	Labour Standards
KPI B4.2	Description of steps taken to eliminate such practices when discovered.	Labour Standards
Operating Practices		
Aspect B5: Supply Chain Management		
General Disclosure	Policies on managing environmental and social risks of the supply chain.	Supply Chain Management
KPI B5.1	Number of suppliers by geographical region.	Supply Chain Management
KPI B5.2	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, how they are implemented and monitored.	Supply Chain Management
KPI B5.3	Description of practices used to identify environmental and social risks along the supply chain, and how they are implemented and monitored.	Supply Chain Management
KPI B5.4	Description of practices used to promote environmentally preferable products and services when selecting suppliers, and how they are implemented and monitored.	Supply Chain Management

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Subject Areas, Aspects, General Disclosures and Key Performance Indicators (KPIs)		Section/Statement
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
KPI B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons.	Product Responsibility
KPI B6.2	Number of products and service-related complaints received and how they are dealt with.	Product Responsibility
KPI B6.3	Description of practices relating to observing and protecting intellectual property rights.	Product Responsibility
KPI B6.4	Description of quality assurance process and recall procedures.	Product Responsibility
KPI B6.5	Description of consumer data protection and privacy policies, how they are implemented and monitored.	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
KPI B7.1	Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the reporting period and the outcomes of the cases.	Anti-corruption
KPI B7.2	Description of preventive measures and whistle-blowing procedures, how they are implemented and monitored.	Anti-corruption
KPI B7.3	Description of anti-corruption training provided to directors and staff.	Anti-corruption

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Subject Areas, Aspects, General Disclosures and Key Performance Indicators (KPIs)		Section/Statement
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
KPI B8.1	Focus areas of contribution (e.g. education, environmental concerns, labour needs, health, culture, sport).	Community Investment
KPI B8.2	Resources contributed (e.g. money or time) to the focus area.	Community Investment