

king fook holdings limited 景福集團有限公司

Stock Code: 280



Environmental, Social and Governance Report

2017

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1. GUIDELINES ON THE PREPARATION OF THE REPORT

Environmental, Social and Governance Report of King Fook Holdings Limited (the "Company") and its subsidiaries (the "Group") for the year ended 31 March 2017 (the "Report") is prepared in accordance with the relevant provisions of the Environmental, Social and Governance Reporting Guide set out in appendix 27 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

2. REPORT SCOPE

The Report set out the environmental, social and governance ("ESG") policies and practice of the Group for the year ended 31 March 2017. The main subsidiaries of the Company in Hong Kong (the principal place of the Group's operation) have been included in the Report.

3. RESPONSIBILITY OF THE BOARD

The Board of Directors of the Company (the "Board") acknowledges that it is responsible for the Group's ESG strategy and reporting; and evaluating and determining the Group's ESG-related risks, and ensuring that the appropriate and effective ESG risk management and internal control systems are in place. This responsibility is primarily undertaken by the ESG Committee on its behalf. The ESG Committee consists of a director of the Company, one member from the senior management and an ESG workgroup formed by members of the staff.

Based on the review by the ESG Committee, the Board confirms, and the management has also confirmed to the Board, that the Group's ESG risk management and internal control systems are appropriate and effective.

4. THE PARTICIPATION OF STAKEHOLDERS AND ITS IMPORTANCE

We identify stakeholders as individuals and/or organizations that interact with the Group and are influenced by, and have an influence on or have a vested interest in the Group. The key stakeholder group refers to the stakeholders who have significant vested interest or immediate interest and have substantial influence on the most important affairs of the Group.

The Group aims to maintain open and effective communication with stakeholders. Various engagement methods are adopted, taken into consideration the various types of stakeholders, objectives, existing communication mechanisms and their functions.

In addition to carrying out engagement activities with stakeholders, the Group also actively participates in external communication platforms and events, such as committees of industry organizations and professional bodies. In May 2016, the Group held a meeting to consult with stakeholders (including shareholders, employees, department heads and store managers who contact with customers/vendors/chambers of commerce at regular intervals) or their representatives, identified the list of the Group's major stakeholders, and communicated with major stakeholders through various channels to understand their main concerns and prepared the "Influences of Stakeholders — Dependency Matrix" as follows:



Details of the key stakeholder groups, their respective key interests and the regular engagement methods are as follows:

Stakeholder Group	Key Interests	Engagement Methods
Shareholders	 Planning and Development Business Continuity Planning Operational Issues Financial Situation After-sales Service Ethics and Integrity 	 Regular and Ad Hoc Meetings Annual & Interim Results Announcements Telephone
Customers	 Planning and Development Business Continuity Planning Service Pledge & After-sales Service Market Information Shopping Experience Product Warranty/Enquiry Legal Compliance Ethics and Integrity Offers and Incentives 	 Front-line Staff Customer Service Hotline Company's Website/Email Service Satisfaction Survey Communication Applications (e.g. WhatsApp) Social Communication Platforms
Contractors/Vendors	 Business Continuity Planning Operational Issues Legal Compliance Financial Situation Corporate Governance and Internal Controls Ethics and Integrity Service Pledge & After-sales Service Market Information Staff Remuneration, Benefits and Well-being Product Enquiry Environmental Management Occupational Health and Safety 	 Regular and Ad Hoc Meetings Briefings and Workshops Announcements E-mail Correspondence Telephone

Stakeholder Group	Key Interests	Engagement Methods
Industry Associations and Professional Bodies	 Corporate Governance and Internal Controls Market Information Legal Compliance Ethics and Integrity Operational Issues Shopping Experience After-sales Service Company Development Business Continuity and Strategic Planning Financial Situation 	 Participation in Associations/ Professional Committees Regular and Ad Hoc Meetings Announcements/Memorandums
Employees	 Business Continuity and Strategic Planning Corporate Governance and Internal Controls Environmental Management Ethics and Integrity Legal Compliance Occupational Health and Safety Operational Issues Staff Remuneration, Benefits and Well-being 	 Regular and Ad Hoc Meetings Committees and Task Groups Briefings and Training Workshops Circulars, Manuals and Policies and Procedures Award and Recognition Schemes Employee Relation Activities Performance Appraisal
Legal Authorities/ Government	 Corporate Governance and Internal Controls Market Information Legal Compliance Operational Issues Ethics and Integrity Company Development Business Continuity and Strategic Planning Financial Situation 	 appendix 27 to the Listing Rules Schedule 5 to the Hong Kong Companies Ordinance Related Rules and Regulations

The Group conducted an internal assessment determined by the ESG workgroup and an external assessment (participants including stakeholders or their representatives) in May 2016 to identify the key interest of stakeholders. From the perspective of stakeholders or business, the importance of each area of interest was assessed using a scale from 0 to 5, where 0 denotes "not relevant" and 5 denotes "crucial". The "Importance Matrix" was developed on the basis of the scores from the survey. Issues scored 3 or above in both internal and external assessments were regarded as "important aspects".

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Important aspects and their performance indicators are located in the upper right quadrant of the matrix as follows:

_		Materiality I	Matrix_				
	Crucial 6		•B7 Anti-corruption				
olders)	3	• B3 De	B5 Supply Chain Management B6 Product Responsibility B1 Employment B2 Health and Safety				
External assessment (impact on stakeholders)	2	 waste produced and non-hazardous wastes are handled A1.2 G A1.5 M emission A2.1 E consum A2.2 V A2.3 E initiative A2.4 Is is fit for initiative A3.1 S activitie A3.1 S activitie activitie activitie natural taken to 	virect and/or indirect energy ption by type Vater consumption inergy use efficiency s ssue in sourcing water that purpose, water efficiency				
	Not relevant	waste produced					
		0 1 2 Not relevant	3 4 5 Crucial				
	Internal assessment (impact on business)						

According to analysis of the "Importance Matrix", anti-corruption is of the greatest concern to stakeholders among all the aspects and their performance indicators. Supply chain management, product responsibility, employment, labour standards, development and training, and health and safety are also deemed to be important. As a result, the Group will address and report on the management and relevant situations of all these important areas in the Report in response to stakeholders' concerns and expectations.

5. ENVIRONMENT

5.1 Emissions Control and Management

The Group recognises the importance of environmental protection. A comprehensive environmental protection policy has been formulated by the Group to promote environmental management. The Group has also taken comprehensive measures in respect of exhaust gas and greenhouse gas emissions, discharges into water and land, as well as the generation of hazardous and non-hazardous wastes in order to reduce harm to the environment caused by its business process:

- Comply with relevant environmental laws and regulations;
- Simplify operational procedures and examine operations that are likely to give rise to emissions regularly;
- Prioritize the engagement with suppliers and business partners who have implemented environmental protection measures; and
- Allocate sufficient resources into promoting and educating the employees the environmental awareness of reducing energy consumption and waste.

				Total of Scope	Intensity
	Scope 1	Scope 2	Scope 3	1 and Scope 2	(carbon dioxide
	(carbon dioxide	(carbon dioxide	(carbon dioxide	(carbon dioxide	equivalent, ton/
Year	equivalent, ton)	equivalent, ton)	equivalent, ton)	equivalent, ton)	square feet)
2015/16	20.37	529.04	13.72	549.41	0.018
2016/17	9.46	416.71	18.33	426.17	0.014

Greenhouse Gas Emissions¹

Note 1: Scope 1 refers to direct greenhouse gas emissions. The emission sources of the Group are mobile combustion source and fugitive emission source. Scope 2 refers to energy indirect emissions which resulted only from the generation of the Group's purchased electricity. Scope 3 refers to other indirect greenhouse gas emissions. The Group chose to disclose the emissions associated with the electricity used for processing fresh water and sewage by the Water Supplies Department and Drainage Services Department, and business air travel.

Note 2: 3 retail stores of the Group were closed in May 2016, September 2016 and March 2017 respectively.

According to the actual total amount of greenhouse gas emissions (including Scope 1 and Scope 2) and their intensities, the amount of greenhouse gas emissions for the year ended 31 March 2017 decreased by 22.4% as compared with the previous year.

To minimise exhaust gas emissions, the Group implements policy to reduce business trips. Employees are encouraged to replace overseas business trips with video and telephone conferences, if possible, and to use public transport. These measures reduce exhaust gas and greenhouse gas emissions generated from private cars and planes.

Total amount of greenhouse gas emissions = the emissions of carbon dioxide (CO₂), methane (CH₄), nitrous oxide (N₂O), hydrofluorocarbons (HFCs), perfluorocarbon (PFCs) and sulfur hexafluoride (SF₆).

All construction wastes generated by renovation and closure of retail stores were transported, handled and disposed in accordance with the Waste Disposal Ordinance (Chapter 354, Laws of Hong Kong) and the relevant regulations, which minimise the impact of such waste on the environment. Paper recycling bins are located throughout the office to facilitate the reusing and recycling of paper, while wastes that cannot be reused or recycled are disposed appropriately.

During the year under review, the Group had complied with all relevant laws and regulations relating to environmental protection.

5.2 Use of Resources

The Group aims to use and manage resources effectively in order to reduce energy consumption, water consumption and waste disposal.

In terms of energy consumption, the major electricity consumption sources are lighting fixtures and air-conditioning systems in stores and offices due to the retail business nature of the Group. Therefore, while replacing office lighting equipment, energy efficient and electricity-saving modulator tubes are the first choice. The Group also strongly supports the "Charter on External Lighting" launched by the Environment Bureau, minimizes energy consumption and light nuisance during non-business hours by installing an automatic switching system for the outdoor signboards of retail stores.



To reduce electricity consumption, the Group always selects products with most efficient grade energy label or better energy efficiency performance. Air-conditioning system is cleaned and air filters are replaced regularly in order to improve the operational efficiency. Room temperatures are maintained at energy efficient levels.

Electricity Consumption

Year	Total (kWh)	Intensity (kWh/square feet)
2015/16	707,056	22.66
2016/17	539,364	17.28

Note: 3 retail stores of the Group were closed in May 2016, September 2016 and March 2017 respectively.

According to the actual electricity consumption and its intensity, the emissions for the year ended 31 March 2017 decreased by 23.7% as compared with the previous year.

Due to the nature of retail industry, the Group mainly runs its business in leased offices and department stores, where water supply is managed by the corresponding management company of the property. To increase the awareness of employees on water conservation, "Save the Water" labels are widely posted on taps. Regular leakage tests on taps and concealed piping are carried out by the Group to ensure timely repair. The water supply system is turned off at night and on holidays.

Water Consumption

Year	Total (cubic meter)	Intensity (x10 ³ cubic meter /square feet)
2015/16	33.42	1.07
2016/17	11.67	0.37

Note: The only outlet that used fresh water supplied by the Water Supplies Department was closed in May 2016.

According to the actual water consumption and its intensity, the emissions for the year ended 31 March 2017 decreased by 65.1% as compared with the previous year.

In terms of product packaging, the Group reviews the appropriateness of the total volume and/or per unit occupied volume of the packaging materials at regular intervals and actively involves in the selection of environmentally-friendly materials and design of the packaging.

The Weight of Total Packaging Materials for Jewellery, Gold and Clock/Watch Products

	Total Weight of
	Packaging Materials
Year	(ton)
2015/16	5.29
2016/17	3.72

Note: The packaging materials include all the accessories, such as wood, paper, cloth, metal and plastic.

5.3 Protection of Environment and Natural Resources

The Group is devoted to maintaining the balance between efficient operation of its retail business and protection of the ecosystem for achieving sustainable development. It prudently reviews its daily operations to minimize negative impacts on the environment and natural resources, and progressively promotes eco-awareness to staff of the Group by education.

6. EMPLOYEES

6.1 Employment

To achieve sustainable development, the Group has adopted strategic human resources management policies to retain talent at all levels. During the year ended 31 March 2017, the Group focused on the overall review of its human resources management system, effective framework and management of talent and training.

The Group has developed a comprehensive policies and procedures in respect of recruitment, dismissal, performance assessment, promotion, talent cultivation and equal opportunity, and commits to offer an equal, anti-discrimination, harassment-free, non-slanderous and safe workplace to employees and to establish a harmonious employment relationship. The employment contracts of staff set out the working hours, and appropriate rest periods are provided to staff. The Group endeavours to ensure all employees are being respected. Any direct or indirect discrimination based on gender, pregnancy, disability, marital status, family status or race will not be tolerated. Under no circumstances will any illegal behaviour such as sexual harassment, disability harassment, racial harassment, vilification or victimisation be tolerated. A mechanism for handling complaints is well-established by the Group to ensure all complaints are handled with impartiality and objectivity, and all relevant documents, information and interview records are kept confidential.

To attract and retain talent, the Group has built an all-round remuneration system, which includes job analysis, performance assessment, pay survey and establishment of a remuneration structure. The Group offers remuneration, including salary, commissions, various allowances and rewards to its employees in accordance with relevant laws and regulations. Moreover, to maintain the Group's competitiveness, the Group reviews and adjusts its remuneration and benefits system with reference to the market and multinational enterprises regularly to ensure the system is in line with the market. The Group also adopts family-friendly employment practices to promote employees' work-life balance.

The Group ensures all employees are legally eligible for employment under relevant laws and regulations. No child or forced labour is allowed by the Group.

During the year under review, the Group had complied with all relevant laws and regulations relating to labour.

		Number of Ordinary	Number of Employees at		
		Employees	Manager Level	Total	
Year	Gender	(person)	(person)	(person)	
2015/16	Male	72	8	80	
	Female	83	11	94	
2016/17	Male	55	10	65	
	Female	62	10	72	

Employees' Ranks and Gender Distribution

Average Monthly Turnover Rate of Employee²

		Percentage
Year	Gender	(%)
2015/16	Male	1.31
	Female	2.31
2016/17	Male	0.57
	Female	1.51

Note: The statistics above include the full-time employees from the following subsidiaries of the Company: Mario Villa Limited, Tincati (Hong Kong) Limited and Young's Diamond Corporation (International) Limited, and all full-time employees from King Fook International Money Exchange (Kowloon) Limited and King Fook Jewellery Group Limited. Involuntary turnover employees and temporary employees are not included in the number of resignation employees and turnover rate.

6.2 Occupational Safety and Health

The Group is devoted to protecting the health, safety and welfare of employees. It strictly complies with all the relevant laws and regulations relating to occupational safety and health and actively develops a hazard free and safe working environment so as to achieve "Zero Accident".

The Group has adopted a series of management measures in offices and retail stores (including risk management measures) to enhance the overall health and safety standard for its employees. Relevant measures are summarized as follows:

- Install air purifiers to improve indoor air quality;
- Provide sufficient personal protective equipment, such as masks, hand sanitizers and alcohol disinfectant wipes;
- Arrange disinfestation for pest control regularly;
- Implement emergency response management, such as providing sufficient and proper firefighting and first-aid equipment, organizing regular fire drills and arranging regular maintenance of firefighting equipment to keep them in good working condition;
- Perform safety inspections periodically; and
- Organize seminars on health and safety regularly.

The Group aims to establish a positive culture of health and safety for its employees. Employees are encouraged to report any potential dangers regarding occupational health and safety for the Group's timely monitoring and rectification.

During the year under review, there was no occurrence of occupational fatality, injury or loss, and the Group had complied with all relevant laws and regulations relating to occupational health and safety.

Involuntary turnover employees and temporary employees are not included in the calculation of the above turnover rate. Turnover rate is calculated on the following basis: The number of resigned employees/(the number of employees of this gender at the beginning of the relevant fiscal year + the number of this gender at the end of the relevant fiscal year)/2.

6.3 Development and Training

The Group believes that the key to the success of sustainable development is the development and exploration of employees' potential. All employees must possess relevant knowledge about the industry and professional qualifications to provide professional advice for customers and respond to internal queries.

The Group offers intensive on-the-job training and mentorship scheme for new employees, who are guided by experienced employees until they are able to work independently. Moreover, the Group promotes the employees' personal development, supports their career planning and encourages them to participate in various training courses, such as product knowledge, new product/brand introduction and management knowledge according to their needs and potentials.

Training of Full-time Employees

Year	Course Type	The Manager Level or Above (rank 7 or above) (person)	The Supervisor Level (rank 4–6) (person)	Below The Supervisor Level (rank 1-3) (person)	Percentage of Employees in Training ³ (%)
Tear		(person)	(person)	(person)	(70)
2015/16	Product Knowledge and Customer Service	8	26	71	58.33
	Laws and Regulations/ Professional Knowledge	15	12	10	20.56
	Staff Development and Management Skills	3	4	1	4.44
	Others	0	0	2	1.11
2016/17	Product Knowledge and Customer Service	5	29	54	56.59
	Laws and Regulations/ Professional Knowledge	19	17	8	28.30
	Staff Development and Management Skills	1	6	7	9.00
	Others	17	19	30	42.44

³ Percentage of the employees in training = number of the employees participating in this training course/((total number of the employees at the beginning of the fiscal year + total number of employees at the end of the fiscal year)/2)x100%.

		The Manager Level or Above (rank 7 or above)	The Supervisor Level (rank 4–6)	Below The Supervisor Level (rank 1−3)
Year	Course Type	(hours)	(hours)	(hours)
2015/16	Product Knowledge and Customer Service	40.25	244.15	499.95
	Laws and Regulations/Professional Knowledge	97.50	43.40	66.00
	Staff Development and Management Skills	7.50	15.75	37.50
	Others	0	0	4.00
2016/17	Product Knowledge and Customer Service	18.00	229.00	282.50
	Laws and Regulations/Professional Knowledge	96.20	52.50	29.90
	Staff Development and Management Skills	5.45	107.00	21.50
	Others	45.50	43.50	110.50

Average Completed Training Hours of Full-time Employees

Note: The statistics above include the following subsidiaries of the Company: Mario Villa Limited, King Fook Jewellery Group Limited, Tincati (Hong Kong) Limited and Young's Diamond Corporation (International) Limited. Other training courses held during the year ended 31 March 2016 included Professional Knowledge Enhancement, Code of Conduct, and Competition Law. Other training courses held during the year ended 31 March 2017 included Brief Introduction to Employee Benefits, workshop for Mission and Vision of the Enterprise and English Conversation course.

7. OPERATING PRACTICES

7.1 Supplier Management

The retail business of the Group engages with suppliers from various regions and fields. Therefore, good communication and collaboration are conducive to business development and effective management of the supply chain environment and social risk.

Relevant departments of the Group are required to make inquiries of the suppliers about their business status, operating practices and an overview of the product before ordering any product or service. Our suppliers are being assessed by the relevant department heads annually based on 4 aspects: basic information, on-site investigation, overall performance, and ESG conditions.

7.2 Product Responsibility

The Group aims to provide customers with products of high safety, quality and reliability standards. The Group does not make any false, exaggerated or inflated statements.

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All products of the Group are subject to strict quality control, and go through a careful and strict quality inspection process upon receipt from suppliers. The Group takes responsibility for any product that is defective in terms of safety and quality. The Group provides channels for customers' enquiries, complaints or expression of views with regard to its goods and services by phone, email or visits to the stores.

The Group's advertisement contents, sketches and labels, which are produced based on its marketing plan, conform to the Trade Descriptions Ordinance (Chapter 362, Laws of Hong Kong) and are used to provide correct information to protect consumers' interests.

The Group has adopted policy for protection of customers' personal data and privacy. It collects, holds, employs and processes customer data according to the requirements of relevant laws and regulations. Before collecting customers' personal data, customers are well-informed of the purpose of collection, use of data and class of transferees. All employees authorised to use or manage such personal data are responsible for taking necessary precautionary measures to prevent the data from being disclosed, abused or misused. Furthermore, employees are forbidden from disclosing, selling or discussing any of the data.

The Group respects third party intellectual property rights and does not permit any infringement whatsoever.

During the year under review, the Group had complied with the relevant laws and regulations relating to product responsibility and privacy.

7.3 Anti-corruption

The Group conducts its business with integrity and promotes fair competition. It has implemented a policy of warning all employees on potential misconduct. Solicitation or acceptance of any advantage from customers, suppliers or other business partners by taking advantage of one's position or power is strictly forbidden by the Group. Under no circumstances should any employees be involved in any bribery, extortion or fraud.

Before employment, a new recruit is required to complete the Group's "Individual Interest Declaration Form" to fully disclose actual or potential conflicts of interest including their immediate relatives, if any. To reduce the risk of the Group and its employees getting involved in insider trading, employees who have bought, held or sold securities of the Group are obliged to declare the details in the "Individual Interest Declaration Form".

The Group absolutely prohibits any money laundering. To avoid the risk of receiving illegal funds, the Group adopts monitoring measures to confine its business dealings with creditable individuals or companies only.

The Group has formulated a whistle-blowing policy and provides channel for shareholders, investors, customers, suppliers, contractors and employees to report any improper behaviour regarding the Group.

The Company strictly complies with all relevant laws and regulations relating to bribery, extortion, fraud and money laundering.

8. COMMUNITY INVESTMENT

For community engagements, the Group proactively participates in volunteer activities organized by district social welfare organizations and promotes sustainable development. Employees are encouraged to participate in volunteer work through the Group's "Community Service Participation" plan to cultivate a culture of mutual care and support. During the year ended 31 March 2017, the Group had implemented a day-off rewarding scheme in which employees who had participated in volunteer works for 30 hours or blood donation twice annually were rewarded an extra day-off.

The Group has signed the "External Lighting Charter" launched by the Environment Bureau in April 2016. It switches off external lighting installations for decorative, promotional and advertising purposes from 11 p.m. to 7 a.m. and from 12 p.m. to 7 a.m. to reduce light nuisance and energy wastage.

In order to support organ donation, the Group participated in the signing ceremony of the "Organ Donation Promotion Charter" convened by the Committee on Promotion of Organ Donation in January 2017. The Group is committed to support promotional activities on organ donation, and to encourage its employees to participate in these activities.



9. PERFORMANCE INDICATORS

Environmental Performance	Unit	For the year ended 2016/17	For the year ended 2015/16
Greenhouse Gas Emissions			
Scope 1: Greenhouse gas emissions and removals are mainly from the following activities:			
 (i) Greenhouse gas emissions from the fuel combustion of private cars 	kg carbon dioxide equivalent	9,459.73	20,374.99
(ii) Greenhouse gas emissions from fire extinguishers	kg carbon dioxide equivalent	1.00	0.00
Scope 2: Energy indirect greenhouse gas emissions (mainly from the electricity/gas purchased)	kg carbon dioxide equivalent	416,708.56	529,039.99
Scope 3: Other indirect greenhouse gas emissions			
(i) Methane gas generation at landfill due to disposal of paper waste	kg carbon dioxide equivalent	0.00	—
 (ii) Greenhouse gas emissions due to electricity used for fresh water processing and sewage processing by governmental departments 	kg carbon dioxide equivalent	6.91	19.95
(iii) Greenhouse gas emissions due to employees' business travel by air	kg carbon dioxide equivalent	18,326.20	13,703.60
Total Amount of Greenhouse Gas Emissions (total amount of Scope 1, Scope 2 and Scope 3)	kg carbon dioxide equivalent	444,502.40	563,138.53

Densities of energies directly and/or indirectly consumed divided by type

Annual electricity consumption intensity	kWh/square feet	17.28	22.66
Annual total water consumption intensity	x10 ³ litre/square feet	0.37	1.07
Packaging materials used	x10 ⁻⁶ ton/piece	432	482