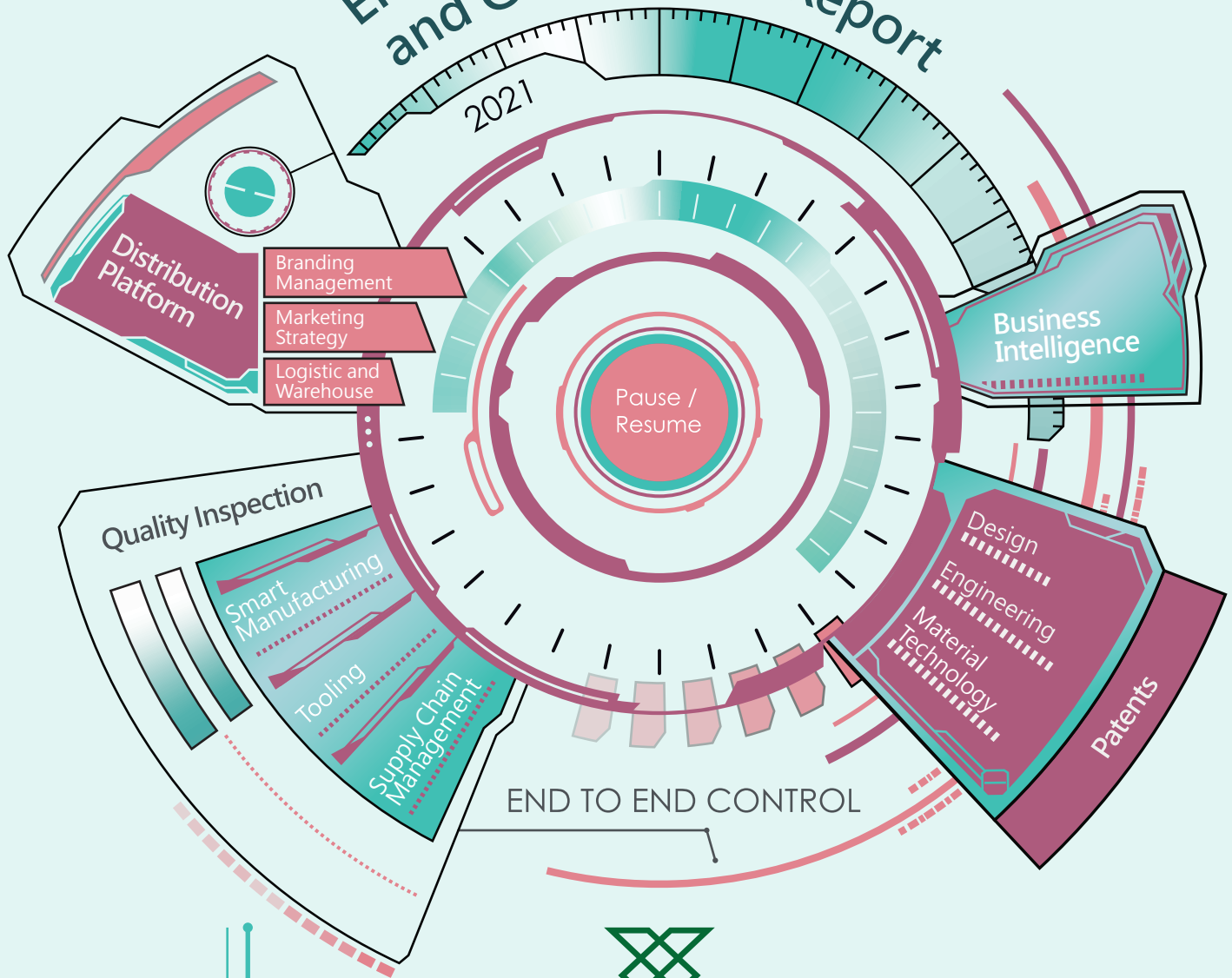


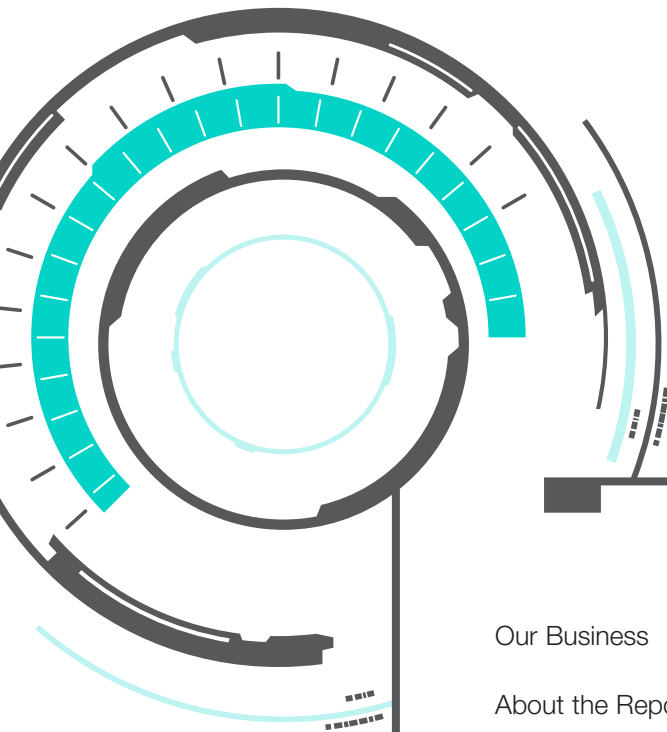
Environmental, Social and Governance Report



King's Flair International (Holdings) Limited

科勁國際(控股)有限公司

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



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ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

OUR BUSINESS

Since its establishment in 1989, King's Flair International (Holdings) Limited (the "Company", together with its subsidiaries, "King's Flair" or the "Group") has been an integrated one-stop kitchenware and household product solutions provider, providing quality services including production engineering, supply chain management and warehousing, to renowned kitchenware and household product brands from North America, Europe, and Asia. The Group aims to deliver five core values through its services, including:

Trust

Earning customers' trust and building long-term relationships by providing professional advice, market insights and quality production services.

Extra Care-and-Control

Anticipating potential problems and effectively managing risks in the supply chain through stringent control and deep knowledge in the production process.

Extra Creativity

Providing value-added services to the traditional ODM model with distinctive design solutions.

Speed

Thriving in a fast-paced environment without sacrificing quality.

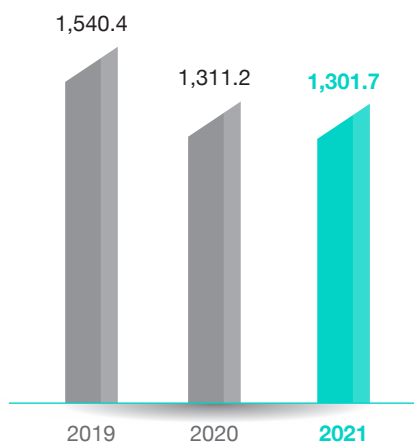
Expertise

Tirelessly learning and adapting to the rapidly-evolving market, in order to continually hone its entrepreneurial edge.

The Group posted solid revenue results of HK\$1,301.7 million during the year ended 31 December 2021, mainly attributable to the gradual recovery in sentiment and orders, especially after the gradual rollout of COVID-19 vaccination plan in the Group's target markets in Asia, Europe and Canada. However, this was offset by the conservatism among brand owners in the United States, as products were facing a higher logistics costs given the disruption of global supply chain, and there were fresh uncertainties in product demand due to the new COVID-19 variants, leading to hesitancy in placing orders.

Revenue Analysis

HK\$ million



ABOUT THE REPORT

The Environmental, Social and Governance (“ESG”) Report (“Report”) published by King’s Flair presents the policies, measures and performance of the Group from a sustainability perspective for the financial year from 1 January to 31 December 2021 (“2021” or the “Reporting Year”). The aim of the Report is to fulfil the information needs of various stakeholders, allowing them to better understand the progress and development direction of the Group. The report is available for viewing in both Chinese and English on the websites of The Stock Exchange of Hong Kong (“SEHK”) and King’s Flair (www.kingsflair.com.hk), and has been confirmed by the ESG Committee of the Group and approved by the Board of Directors (the “Board”) on 21 March 2022.

Reporting Year and Scope

This ESG Report focuses on the operation of the Group’s primary business segment of trading of kitchenware and household products during the Reporting Year, representing for approximately 91% of the total revenue of the Group. The Report focuses on King’s Flair 5 offices in Hong Kong (“head office and brand offices”), namely its headquarter office in Sheung Wan, and its offices in Sheung Wan, Tsuen Wan, a laboratory in Shatin, as well as a factory in Tai Po. It is worth noting that the Shatin branch is a new inclusion within this Reporting Year’s boundary versus the year prior, and that the Group’s Sheung Wan office was relocated during the Reporting Year to a different address within the same district.

While this ESG Report has not covered all operations of the Group, King’s Flair is planning to expand its reporting boundary in the future, in order to better reflect the Group’s impact on the environment and society.

Reporting Standards and Principles

This Report is prepared in accordance with the “mandatory disclosure” requirements and the “comply or explain” provisions of the Environmental, Social and Governance Reporting Guide (the “ESG Reporting Guide”) under Appendix 27 of the Rules Governing the Listing of Securities on SEHK, and adheres to the following reporting principles in developing the content:

Materiality

King’s Flair focuses on issues that are important to its stakeholders, and have a significant impact on its business, the environment and society. Material issues were identified through a stakeholder engagement survey, followed by a materiality assessment of key issues.

Quantitative

The Group ensures the Key Performance Indicators (“KPIs”) are measurable and accompanied by a narrative explaining its purpose, impacts and calculation methodology. The Group has also commissioned an independent consultant in assessing emissions and other environmental KPIs in accordance with local and international guidelines.

Balance

The Report strives to provide an unbiased picture of the Group’s performance and avoids presentation formats that may inappropriately influence a decision or judgement by the report readers.

Consistency

The Group adopts consistent data collection and calculation methodologies, and provides historical data where appropriate to allow meaningful comparison of data over time. In order to allow shareholders to fully understand the Group’s ESG performance, this Report discloses the KPIs of both environmental and social aspects in compliance with the “Comply or Explain” provisions of the ESG Reporting Guide. There has been no change versus the previous years in the methods or KPIs used to prepare this report.

The Group welcomes any questions or feedback from stakeholders for continuous improvement via email (ir@kingsflair.com.hk).

BOARD STATEMENT

Over the past years, sustainability has been a key part of King's Flair's development strategy. It has long recognised its significant impact on the environment and society. Consequently, the Group aspires to take its sustainability leadership to the next level, not only to minimize risks and negative impacts, but also to create value for the local community and its stakeholders. With notable challenges ahead, such as climate change and the ongoing COVID-19 pandemic, the Group will continue to innovate and adapt, in order to live up to the increasingly stringent demands from customers as well as the general public.



Leading the Group's sustainability strategy and practices is the Board, who oversees all relevant ESG issues. In order to improve its environmental and social performance, an ESG Committee has also been established, with the appointment of a Board member as its head to efficiently manage ESG issues that have significant impacts on the environment and society. Based on an assessment of the Group's ESG landscape in the prior year, King's Flair continues to focus on its three pillars of action, namely the environmental pillar, social pillar and governance pillar, to govern and guide ESG development and progress. Targets were set against these pillars, supplemented by a series of initiatives that would be executed consistently to ensure sustainability progress.

King's Flair aims to constantly act in the best interest of its shareholders and all other stakeholders, and is driven by the belief that proper management of ESG-related topics will drive long-term shareholder returns, as well as mitigate sustainability-related risks. These topics include honest and high-quality operating practices, fair labour practices, rigorous environmental stewardship, and supportive engagement with local communities.

Far from simply mitigating risks, King's Flair also recognises how sustainable practices would allow the Group to meet changing expectations and capture opportunities in the dynamic market. Going forward, King's Flair will continue to improve its ESG performance through further development and execution of relevant initiatives. The Group will keep leveraging its strengths to serve its customers, partners, and shareholders, and looks forward to sharing its future success with all of its stakeholders.

SUSTAINABILITY GOVERNANCE

King's Flair believes that high standards of governance, combined with a rigorous, transparent approach to reporting is central to running its business sustainably and with integrity. Over the years, the Group continued to strengthen its management of ESG issues, and under the Board's management, it has made efforts to incorporate ESG considerations into its business strategies whenever possible.

Governance Structure

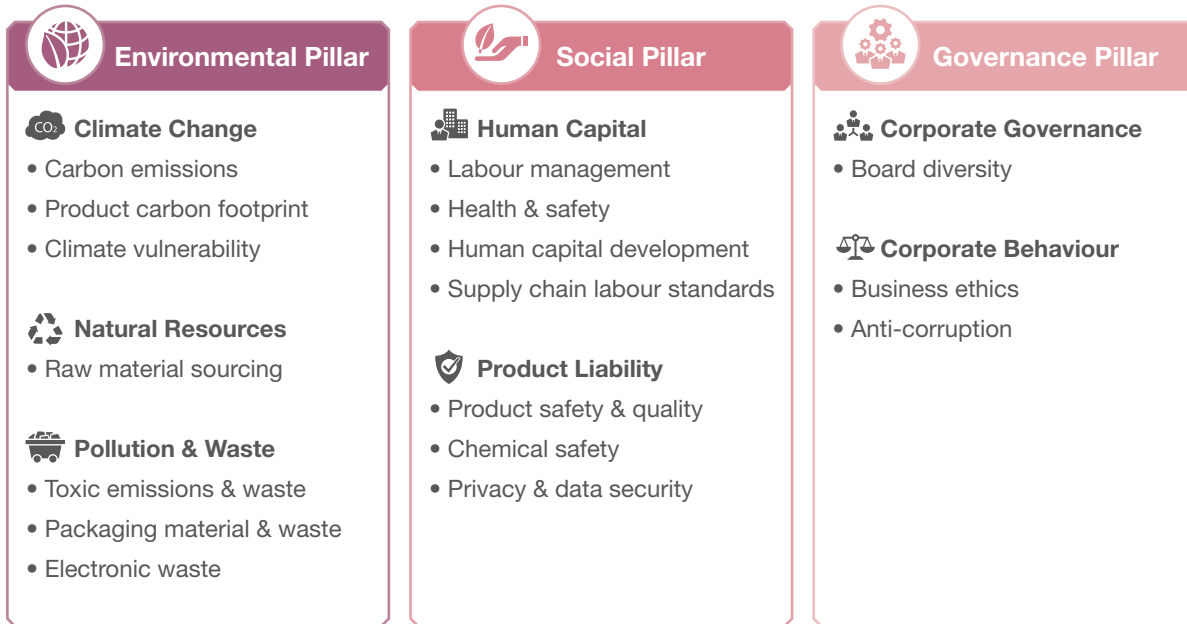
King's Flair's Board of Directors (the "Board") is responsible for the overall stewardship of the Group's delivery against its sustainability strategy. Its responsibilities include to ensure adherence to the required policies and procedures, to comply with ESG-related regulations, to provide appropriate training for employees as needed, as well as to review ad hoc ESG matters on an incident driven basis. To ensure diversity, a nomination committee will review the Board's composition based on age, background, gender and skills on an annual basis.

Furthermore, a committee has been formed to better support the board in managing ESG-related issues. The ESG Committee (the "Committee") will be headed by a Board Member, with five other key management members making up its team. The Committee is delegated with the authority from the Board to be primarily responsible for overseeing ESG related issues that are significant to the Group's operation and the interest of its stakeholders. The Committee meets four times a year, while the Board is engaged in ESG performance monitoring once a year. The Committee meets to discuss the following issues in relation to ESG management:

- The overarching ESG policy;
- Key ESG risks and opportunities faced by the Group;
- Key ESG KPIs reported at Board level and performance monitoring.

During the Reporting Year, King's Flair has assessed its ESG landscape and identified the following issues related to the Group's activities that have significant impact on the environment and society. Based on the below identified pillars, the Group will prioritise the most material aspects, and implement measures to increase performance in these areas.

ESG Landscape of King's Flair



Risk Management

In managing sustainability-related risks, King's Flair reviews its business operations as well as its products and value chain, focusing on where the Group can have the biggest impact. A rigorous risk management system has been put in place in order to enable King's Flair to strengthen its resilience against ESG risks, such as climate-related risks, health and safety-related risks and risks in relation to supply chain labour practices. As part of King's Flair risk management framework, risks reviews are collated by a compliance officer and risk managers on a quarterly basis. ESG risks identified as having high impact would be captured in the Group's risk inventory, and are conveyed to the ESG committee for review. Key sustainability risks that have been incorporated into King's Flair's inventory during the Reporting Year include:

Table 1: ESG Risks Identified in 2021

Risk Type	ESG Risks Identified in 2021	The Group's Response
Policy & Legal	Tightening government policy on environmental protection	Continual monitoring for any new government policy on environmental protection
	Increased emissions reporting requirements	Continual updates and compliance with new reporting requirements
	Increased regulations of existing products or services	Continual communication with customers on product development and compliance with regulations
	Increased permitting restrictions and hence increase in production cost from suppliers	Continual communication with suppliers regarding first-hand feedback on new restrictions, with oversight from the Quality Team
Technology	Failure of new technology, resulting in loss of investment	Continual exploration of the feasibility of raw materials improvement and investment in research and development
	Product substitution for lower emissions products (and therefore reduced demand for existing products)	Continual raw material innovation (i.e. coffee-ground based products) to address the increasing demand of low-emissions products
	Increased stakeholder concern and negative external feedback with regards to keeping pace with industry innovation	Continue to monitor adverse feedback and seek opportunities for technological breakthroughs
Climate change	Increased frequency and severity of extreme weather events and disease related instances	Continual review of current operating procedures and implement precautionary measures

Compliance Management

Compliance with all relevant local and international laws and regulations is a minimum requirement for the Group's operation. A framework has been established to manage internal controls and business risk management processes, under which the Group has identified the laws and regulations that are significant to its operation. Management policies and measures are established to ensure the Group is compliant with all relevant laws and regulations at all times. Thus, risks of repercussions such as enforcement actions, fines, penalties and lawsuit due to non-compliance with relevant laws and regulations are then minimised. There were no incidents of non-compliance with relevant laws and regulations from King's Flair during the Reporting Year.

The following lists out laws and regulations that have significant impacts on King's Flair's operations categorised in aspects:

Table 2: Relevant Laws and Regulations

Aspect	Relevant laws and regulations significant to the Group's operation
Environment	Air Pollution Control Ordinance, Waste Disposal Ordinance, Water Pollution Control Ordinance, Product Eco-responsibility Ordinance, Motor Vehicle Idling (Fixed Penalty) Ordinance
Employment	Employment Ordinance, Minimum Wage Ordinance, Employees' Compensation Ordinance
Health and safety	Occupational Safety and Health Ordinance, Dangerous Goods Ordinance
Product responsibility	<p>USA Federal Food, Drug, and Cosmetics Act</p> <p>PRC General Product Safety Directive, Registration, Evaluation and Authorisation and restriction of Chemicals, Product Quality Law</p> <p>Hong Kong Personal Data (Privacy) Ordinance, Copyright Ordinance, Trade Descriptions Ordinance, Registered Design Ordinance</p>
Anti-corruption	<p>USA Foreign Corruption Practices Act</p> <p>Hong Kong Prevention of Bribery Ordinance</p>

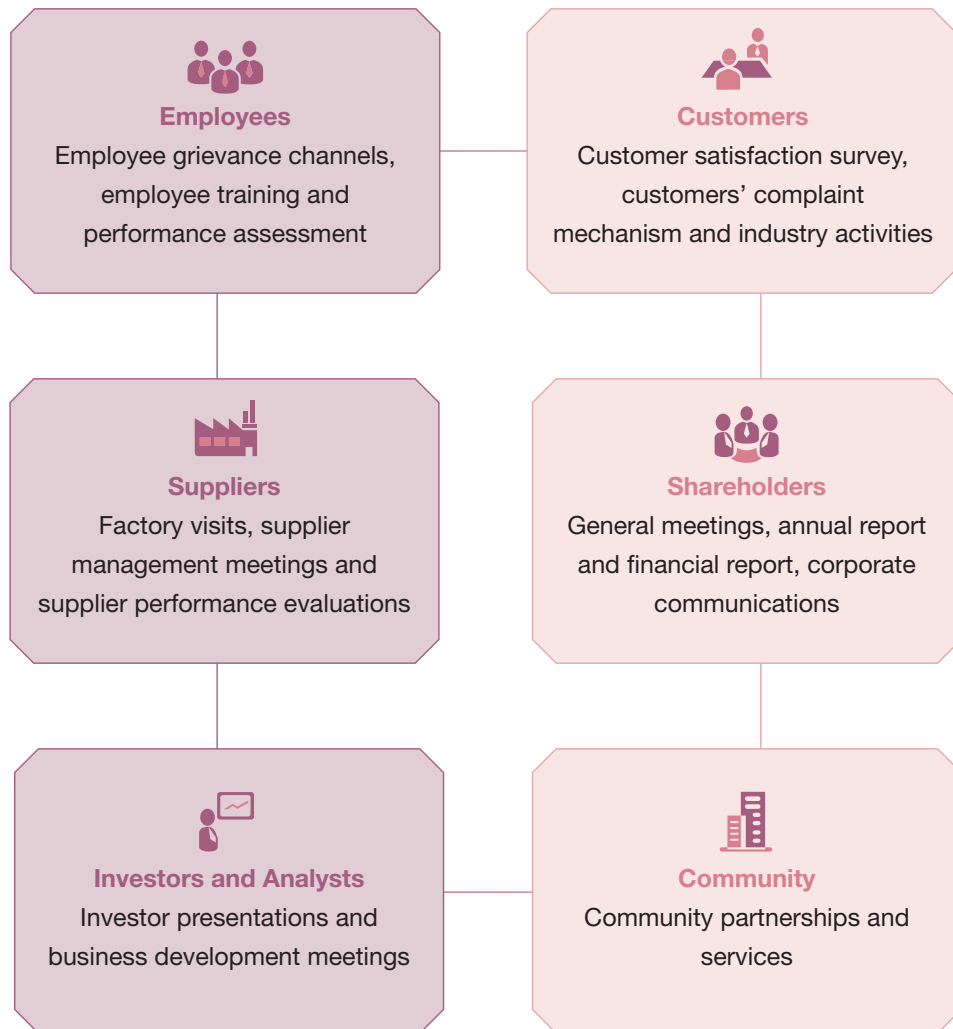
STAKEHOLDER ENGAGEMENT

Ongoing dialogue with stakeholders helps King’s Flair to define and deliver its targets, as well as to keep ahead of market trends and developments. The Group understands that its customers, consumers, employees and shareholders are key contributors to its success, and therefore, strives to improve its environmental, social and governance performance through regular engagement with these stakeholders. To take stakeholders’ insights into consideration, King’s Flair collects feedback and opinion from various sectors, including internal stakeholders such as directors and employees, as well as external stakeholders, such as customers and suppliers, in order to ensure a holistic understanding of the needs of its community at large.

Communication with Stakeholders

King’s Flair’s continual communication with its stakeholder through various channels feeds into its decision-making which would strengthen the Group’s strategy and response. Through such dialogue, King’s Flair seeks to better understand stakeholder feedback on the Group’s environmental, social and governance performance, in order to further tailor and optimize its ESG strategies to meet rising expectations.

Engagement Channels of Key Stakeholders



Materiality Analysis

During the Reporting Year, an internal stakeholder survey was conducted in order to understand stakeholders' view on the sustainability issues that are most material to King's Flair's business and operations. A third-party consultant supported the Group in identifying 18 relevant sustainability topics based on industry trends and international reporting standards. Stakeholders were then invited to complete an online survey for feedback collection, providing their view on each topic's importance to themselves and to the impacts on the environment and society. Based on the 60 responses received, a materiality analysis was then conducted to identify nine material aspects, of which labour and operational practices proved to be the most relevant areas to the Group's stakeholders. The results of the materiality analysis were subsequently acknowledged and confirmed by the Group's Board.

Figure 1: King's Flair 2021 materiality matrix

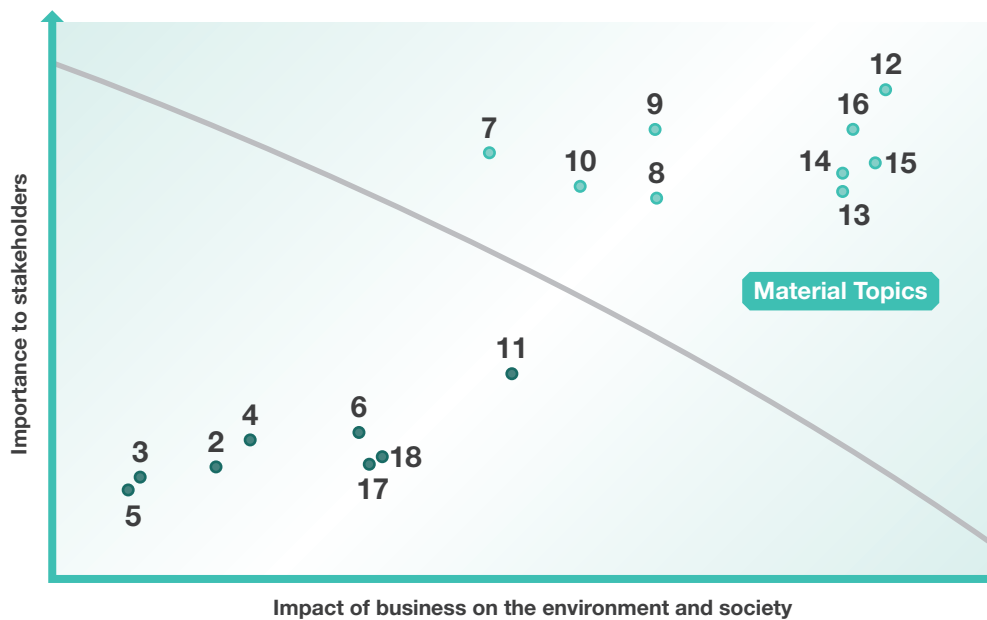


Table 3: Identified sustainability topics

Environmental Aspects	<ol style="list-style-type: none"> 1) Air pollutant/greenhouse gas emissions management 2) Energy saving/efficiency 3) Wastewater/water management 4) Hazardous waste management 5) Non-hazardous waste management 6) Coping with climate change
Labour Practices	<ol style="list-style-type: none"> 7) A sound employment management system¹ 8) Equality, diversity & anti-discrimination in the work environment¹ 9) A healthy and safe work environment¹ 10) Training and development¹
Operational Practices	<ol style="list-style-type: none"> 11) Managing environmental/social risks in the supply chain 12) Protecting customer data & privacy¹ 13) Product quality management¹ 14) Customer health & safety¹ 15) Protection of intellectual property rights¹ 16) Prevention of bribery, extortion, fraud & money laundering¹ 17) Consideration of community needs & interests 18) Investing in the community



¹ Topic that has been identified as material

OPERATING PRACTICE

King's Flair continues to make efforts in integrating ESG considerations into its operations, and commits to upholding the highest standard of business integrity within the Group. It is the Group's aim to strive for continuous improvement, making King's Flair a safe, efficient and ethical place of business. Such practices, along with maintaining close relationships with both customers and suppliers throughout the production process, allow King's Flair to continue producing top quality products to meet market demand.

Fair and Honest Operations

As one of the most material topics of the Reporting Year, King's Flair upholds high standards for anti-corruption in which suppliers and business partners are also expected to live up to. As guided in the Staff Handbook, corruption activities and conflict of interest are strictly prohibited throughout the Group's operation. Moreover, the Group requires its business partners to abide by the Code of Business Conduct at all times, in order to ensure ethical business practices throughout its processes.

The Group has a Whistleblowing Policy in place, which allows employees and partners to report any improper conduct, fraud and noncompliance activity. Reports are then handled by a designated Whistleblowing Committee to ensure that the investigation is conducted in a fair manner, and to ensure that whistleblowers' identities are kept confidential. The Group also believes that raising awareness and building understanding is an effective way to prevent corruption. Based on ICAC guidance that anti-corruption training should be performed every two years, such training was provided in 2020, and will also be arranged in the subsequent year of 2022.

King's Flair is committed to protecting and respecting intellectual property rights and customers' privacy at all times. The Code of Business Conduct and Staff Handbook sets out policies to safeguard the rights of the Group and customers. To prevent the leakage of the designs of patented products, confidentiality measures are strictly implemented, such as the signing of confidentiality agreements for all potential suppliers submitting quotations. While product development is controlled solely by the Group, the production process is segmented and distributed across various suppliers, so that no single external party has access to the full process and raw material information of the Group's patented product designs.

In addition, the Group's Policy on IT Access Control and User Access Management safeguards customers' intellectual property and data. The policy restricts access of employees and business partners to customers' data in the Group's system, and requires the Group to review employees' authority to data access regularly to avoid excessive authorities.

Managing Suppliers' Performance

A transition to more environmentally and socially sustainable practices is not possible without the cooperation of the Group's partners. As such, King's Flair strives to ensure that all its suppliers live up to its high expectations.

The Group understands that the service quality of suppliers is crucial to customer satisfaction, and has been working in close tandem with its suppliers to produce quality products for its customers. During the Reporting Year, King's Flair has established the Supplier Selection, Approval and Evaluation Procedure in the Standard Operating Procedures ("SOP"), where suppliers' environmental and social performance is continually evaluated.

Procedures of Supplier Management

King's Flair places great importance in the control of its supplier network, and has a stringent process in terms of selecting, approving and evaluating its partners, as documented in the Group's Standard Operating Procedure ("SOP") developed in 2020.

Supplier Selection

The Group draws references from industry sources including relevant regulatory agencies, international trade organisations, and manufacturers for new supplier proposals, and assesses suppliers based on their quotation, their engineering and product development capabilities, how well they are able to perform, and quality of the materials delivered. Due to the Group's business nature, quotations from suppliers may require disclosure of confidential customer information. Therefore, the Group also requires all suppliers to sign a Confidentiality Supplier Agreement before the quotation process begins.

Approving Suppliers

All new manufacturing suppliers are required to complete the Factory Evaluation Form, including supporting documents to prove its capability in providing services as listed in the quotation. The authorization and approval of the supplier rests with the Supply Chain Manager and the top management of the Group. In the case of sustained unsatisfactory performance, the Supply Chain Department and Quality Department are authorized to withdraw the approval, and refuse the use of certain suppliers, after which the disapproved supplier will need to resubmit for approval if it is to be engaged again.

Supplier Evaluation

The Group has an established rating system to assess supplier performance. At least once a year, the Group evaluates existing suppliers according to their engineering and product development capabilities, as well as reviewing the supplier's quotations, purchasing policies, shipping and logistics approach, quality control measures and financial performance.

For suppliers that receive a "Poor" rating, improvement measures are required to be provided, and performance will be monitored quarterly by the Group until improvement has been observed. For suppliers that receive lower rating, no new projects will be awarded and King's Flair will seek alternative sourcing.

As driving players within the Group's value chain, suppliers are required to follow the Quality Handbook for Suppliers' Products and the Code of Business Conduct. The two policies were formulated in order to regulate supplier performance, and to help the Group reduce potential environmental and social risks along its supply chain. In the Code of Business Conduct, the Group has specified its expectation on suppliers in managing social issues such as human rights, the prohibition of child or forced labour, occupational health and safety, environmental compliance and business integrity.

Review of Suppliers ESG Performance

The Group also conducts ad-hoc supplier audits, in order to ensure that all suppliers are diligently following the Code of Business Conduct. Over the Reporting Year, the Group conducted an audit with a supplier in Shenzhen for its performance on environmental compliance and occupational health and safety, for which the supplier was graded a rating of C.

Product Quality Improvement

King's Flair is proud of the products that it launches to the market, and consistently makes efforts to pursue continual quality improvements. As stipulated in its Supplier Quality Manual, the Group has listed its requirements and expectations with regards to quality, health and safety during raw material selection, production, warehousing management and inspection processes.

As per the Supplier Quality Manual, King's Flair works closely with its suppliers to ensure a strict adherence to the mandated local and international health and safety requirements. In the selection of raw materials, a list of qualified raw materials is provided by the supplier, where all materials used for production have to be certified under the list of raw materials. Prior to production, the product specification list, material safety data sheet, REACH² report, and the food-grade compliance certificate are inspected before production is allowed to proceed.


During production, the Group's quality assurance professionals are appointed to the station in the production plants to monitor the production processes. The Group has also assigned separate machines to produce BPA-free materials to ensure that they are not contaminated by other materials. Prolonged storage of finished goods is prevented using the first-in, first-out warehousing management system, and sensitive materials such as polycarbonate, are separately stored in a designated location in the warehouse. Throughout the production process, the Group keeps close contact with the suppliers to ensure the products are in compliance with applicable laws and regulations. In case of safety issues, the Group also has a clear product recall process in place, and has outlined measures such as the evaluation of risks and causes, investigation procedures, communications and instructions to customers and associated parties, the consideration of replacement products, and others. There were no product recalls observed over the Reporting Year.

To further improve the quality of its products and the efficiency of its processes, the Group would actively consider all customer feedback received, and has a Customer Feedback Handling Procedure in place within its SOP to ensure the valuable input is properly processed, managed and utilized. The Group observed no customer complaints related to its products or services over the Reporting Year.



² Registration, Evaluation, Authorisation and Restriction of Chemicals

Customer Feedback Handling Procedure

 **Cause Identification**

Upon receiving complaints from customers, the Group immediately categorises the complaint and identifies its cause.

Complaint Category:

- Operation
- Customer services
- Cost
- Product quality
- Engineering

 **Investigation**

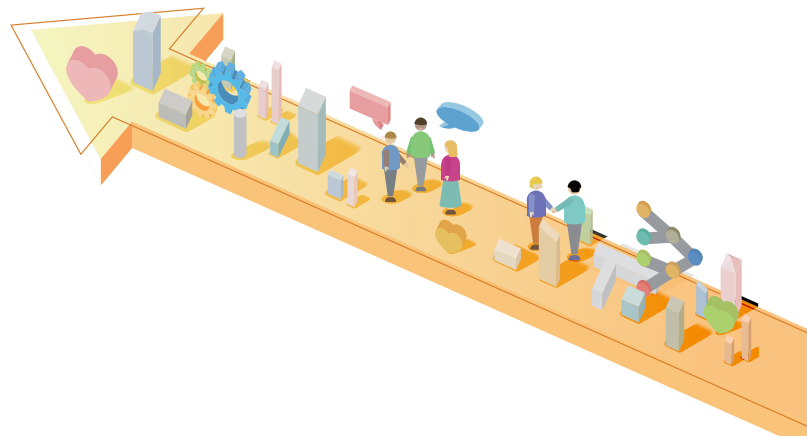
The Group then appoints the relevant department to investigate the cause of the issue.

 **Correction**

The Group requires the relevant department to address the customers' concern with a workable solution within 72 hours upon receiving the complaint.

 **Communication**

Throughout the entire process, the Group shall maintain active communication with customers to keep them updated on the progress, and ensure the complaining issues are settled with a satisfying solution.



LABOUR PRACTICE

An ethical, fair and safe workplace is one that King's Flair seeks to provide to all its employees, and the Group seeks to earn the trust of all those who are impacted by its operations, demonstrating its commitment to ethics and human rights.

Caring for Employees

King's Flair has stipulated policies relating to remuneration, recruitment and promotion, dismissal, working hours, holidays, anti-discrimination, benefits and welfare in the Staff Handbook, and encourages all employees to refer to the Handbook to review their rights and obligations. The Group further encourages its employees to flag any potential breaches through a dedicated hotline, by email or in writing through a reporting form, after which an official file will be logged and appropriately investigated, with disciplinary action to follow if deemed necessary. The identity of the informant would be kept confidential throughout the process.

Remuneration

The remuneration of employees is set in accordance with market standards and is also based on individual performance

Working Hours and Holidays

The Staff Handbook sets out guidance on the working hours and leaves system. In addition to statutory holidays, employees can enjoy paid annual leave, wedding leave, maternity leave, paternity leave, birthday leave and other holidays according to their rank and service years.

Anti-Discrimination and Anti-Harassment

The Group is committed to creating a discrimination and harassment free working environment. Guidance on anti-discrimination and anti-harassment have been set out in the Staff Handbook for employees to follow. In case of reported discrimination or harassment incidents, the Group's senior management will participate in the incident investigation.

Benefits and Welfare

The Group aims to support employees, their families, as well as their future generations in pursuing tertiary education. King's Flair has established an interest-free loan for employees' children for educational purposes. Each employee who has worked with the Group for ten years or more is eligible to apply for a loan of up to HK\$200,000 for this purpose.

Labour Standards

The Group verifies the age and other profile statistics through the collection of candidates' personal information during recruitment. The Group ensures alignment with employees on issues including human rights, employees' interests with employment contracts and the Code of Business Conduct, with the Staff Handbook developed based on prevailing international labour regulations and guidelines on employment equality, labour rights, and health and safety standards. Additionally, the Group has in place agreements with all new suppliers to ensure its suppliers operations are also in compliance with the relevant local and international labour regulations.

Equal Opportunity

The Group is committed to treating all employees equally, regardless of their gender, race, religion, illness, mental or physical disability, family status, sexual orientation or political status, and strives to ensure that its entire recruitment process adheres to the principles of equal opportunities.

Occupational Health and Safety

King's Flair has Environmental, Health and Safety Policies in place, which outline the Group's commitment in safeguarding employee health and safety. To meet this objective, the Group has implemented measures such as the installation of air purifiers to improve indoor air quality, fire drill engagements, and regular inspections of safety equipment at the head office and branch offices. In case of work-related injury incidents, employees are encouraged to report injury cases to supervisors immediately. The department head has the discretion to decide or assess the severity of the accident, and to arrange proper treatment for the employee. All employees also receive safety training to ensure responsible practices within factory operations, in addition to general safety guidance with relation to laboratory work.

Over the course of the pandemic, the Group's priority remains to protect the health and safety of its employees. In the Reporting Year, the Group has continued to follow its contingency plan, allowing employees who are pregnant or those with chronic diseases to work from home, thus lowering their risk of infection. For employees exhibiting COVID-19 symptoms, work from home is recommended until they have been tested negative. In addition, the Group also distributes face masks regularly and requires all employees to keep their face masks on while in the work environment.

The Group recognises that apart from physical safety, the mental well-being of its employees is also critical in promoting a healthy and productive workplace environment. As an office-based operation, the Group cares for the mental health of the employees. Aside from providing birthday leave since January 2020, King's Flair seeks to maintain constant and open channels for employee feedback, in order to establish a healthy, two-way employer-employee relationship, as well as a collaborative work culture through the values of partnership, transparency, respect and diversity. Although well-being activities are restricted in the Reporting Year due to the pandemic, the Group hopes to initiate further activities once pandemic conditions have improved to encourage a work-life balanced environment.

Supporting Employee's Career Advancement

King's Flair is a staunch supporter of employee career advancement and encourages continuous learning for all its people. The Staff Handbook outlines the Group's commitment and guidelines regarding training, and has set out programmes for employees to pursue continuous professional education. Furthermore, the Group offers sponsorship for master's or bachelor's degree programmes to employees who have worked at the Group for two years or more, for an eligible amount of up to HK\$150,000.

Due to the continued impact of the COVID-19 pandemic and tightened social distancing measures stipulated by the government, the Group had reduced the frequency of training during the Reporting Year, with total employee training hours of the Group amounting to 29 hours. Training included courses such as quarterly training for new joiners, general safety training for laboratory work, Know Your Customer training, amongst others. King's Flair plans to ramp up its training and development with employees in the following year once the pandemic situation sees improvement and social distancing measures have eased.

A performance management system has been put in place for the purpose of driving employees career development. The system has been designed in three stages: namely planning, execution and review.

Performance Management System



Planning

Employees discuss directly with their direct managers or supervisors to set out specific, measurable, achievable, relevant and time-bound goals.



Execution

Throughout the year, employees are supervised and given feedback for continuous improvement. Their performance is tracked and recorded to support the subsequent review phase.



Review

Annual performance appraisals will be conducted by the employees themselves, as well as by their supervisors. A future plan will be developed in accordance to each employee's individual needs, while rewards will be given to the top-performing employees to incentivise diligent and responsible work.



ENVIRONMENTAL STEWARDSHIP

King's Flair is committed to minimising its environmental impact on the value chain, and for this purpose, it has engaged in a number of strategies and initiatives in order to properly manage sustainability-linked risks and opportunities. The Group's policies related to energy efficiency, water efficiency and waste management are detailed within its Environmental, Health and Safety Policy Statement, while its policies related to GHG emissions is detailed within its Climate Change Policy.^{3,4}

Emissions Reduction

King's Flair seeks to maintain its carbon emissions at a reasonable level, and will continue to monitor its performance closely on a monthly basis. Emissions of the Group's operation mainly come from the use of electricity at the head office and office branches. Hence, the Group strives to reduce emissions by managing its electricity usage, and has also implemented energy saving tactics in the office such as the installation of LED lighting in all offices that have undergone recent renovations. Further details on the measures implemented to conserve energy are described in the "Conserving Resources" section. The Group also understands that a reliable quantification of greenhouse gas ("GHG") emissions would enable King's Flair to compare emissions on a year-on-year basis, and thus, evaluating the effectiveness of measures implemented. As a result, the Group commissioned a professional sustainability consultant to conduct carbon assessment during the Reporting Year. King's Flair understands that there is the potential for further reduction of its GHG emissions, and plans to set targets in line with the Hong Kong government's Climate Action Plan 2050 in later years to further drive its sustainability performance.

In the Reporting Year, the total GHG emissions of the head office and office branches was 218.2 tonnes of CO₂-e. The major source of emissions was Scope 2 emissions from purchased electricity, which accounted for 152.0 tonnes of CO₂-e, or 70% of total emissions. It is followed by Scope 1 emissions of combustion of fossil fuels, which accounted for 59.7 tonnes of CO₂-e, or 27% of total emissions. Scope 3 emissions include paper waste disposal and electricity used for freshwater and sewage processing, which accounted for 6.4 tonnes of CO₂-e, or 3% of total emissions.

Table 4: GHG Emissions in 2021 vs 2020

Scopes	GHG Emissions	
	Emissions (tonnes of CO ₂ -e)	
	2021	2020
Scope 1: Direct GHG emissions	59.7	24.8
Scope 2: Indirect GHG emissions	152.0	136.9
Scope 3: Other indirect GHG emissions	6.4	14.6
GHG emissions in total	218.1	176.3
GHG intensity (per square foot floor area)	0.010	0.018

³ Air emissions are considered relatively insignificant to King's Flair's operations, and hence no corresponding policies and targets have been developed.

⁴ Discharges into water and land are considered relatively insignificant to King's Flair's operations, and hence no corresponding policies and targets have been developed.

Environmental, Social and Governance Report

As compared to 2020, total GHG emissions was increased by 24%, while GHG intensity per square foot was reduced by 43%. Both changes were in part due to an adjustment of the physical boundary in the current Reporting Year, which now includes the factory in Tai Po. Due to continued impact from the COVID-19 pandemic, the Group did not engage in any business air travel in the Reporting Year, utilising instead video and teleconferencing technologies to facilitate day-to-day operations and meetings. This contributed to a 56% reduction of Scope 3 emissions.

The usage of mobile vehicles generates air emissions such as nitrogen oxides, sulphur oxides and respirable suspended particles. In the Reporting Year, the Group emitted 380.7 kg of nitrogen oxides, 5.7 kg of sulphur oxides and 30.4 kg of respirable suspended particles. King's Flair understands that the current maintenance of a comparatively low level of air emissions is due to the minimal volume of customer visits to Hong Kong as a result of the travel quarantine restrictions. However, the Group will continue to seek measures to avoid drastic increases in emissions even after business travel resumes once more.

Waste Management

The proper management of waste is a critical consideration within King's Flair approach to sustainable development, and as such, the Group has implemented a number of different waste management processes designed to reduce waste throughout its operations. The Group currently does not have a waste reduction target, but plans to set a target once the operations of its advanced manufacturing centre have been properly assessed in later years.

During the Reporting Year, the Group generated 0.175 tonnes of hazardous waste and 20.28 tonnes of non-hazardous waste. The amount of hazardous waste has increased versus the prior year due to the fact that more staff was working in office as well as the change in reporting boundary, resulting in more domestic and plastic waste, in addition to the inclusion of paper waste within this Reporting Year's waste calculations, which had not been accounted for in 2020. All hazardous waste is collected by a vetted, dedicated hazardous goods treatment supplier.

Table 5: Waste Generation in 2021 vs 2020

Waste Types	Waste generation (tonnes)	
	2021	2020
Hazardous waste	0.175	0.057
Hazardous waste intensity (per 1,000 square foot floor area)	0.008	0.006
Non-hazardous waste	20.28	4.699
Non-hazardous waste intensity (per 1,000 square foot floor area)	0.975	0.492

Waste separation bins sorting plastic bottles, metal and wastepaper are installed on-site at the head office as well as branch offices, while computer equipment waste is also disposed responsibly through donation to relevant recycling organisations. All such processes are recorded by the administration and personnel department.

During last year, there continued to be an increase in takeaway meal packaging waste due to the restriction of dining in at restaurants. To manage this issue while keeping in mind the practical necessities under COVID-19 conditions, the Group will continue to promote the "reduction of waste at source" culture in its offices by replacing disposable utensils with reusable utensils, as well as promoting the use of reusable food and drink wares. Any domestic waste is also collected by dedicated staff in order to ensure proper and responsible disposal.

Resource Conservation

At King’s Flair, the major resources consumed at the head office and branch offices are electricity, petrol, diesel, paper and water. The Group works tirelessly to preserve resources whenever possible, and seeks to manage such resources in a responsible manner through measures such as sending out regular reminders for employees to switch off lights, air conditioning systems, computers and other electronic equipment when not in use, as well as moving towards a paperless environment through the implementation of an Enterprise Resource Planning (“ERP”) system, which aims to integrate multiple platforms into one, redefining and optimising internal operations and processes. Water consumption over the Reporting Year decreased due to the Group’s increased promotion of environmental awareness amongst their staff, as well as a decrease in activities requiring major water consumption. The Group has not currently set water and energy efficiency targets, but plans to put in place these targets once the Group’s expansion of operations have stabilised.

During the Reporting Year, the Group’s total energy consumption was 503.0 MWh, an increase of 43% compared to the previous year, once again due to the change in the report’s physical boundary, while the energy intensity was 0.02 MWh per square foot floor area. To conserve energy, the Group also changed to using LED lighting, reduced employee overtime hours spent in the office, and promoted changes to employees working habits, such as the increase of employees working from home, as well as individual participation of energy conservation tactics as suggested by the Group.

Table 6: Paper Waste in 2021 vs 2020

Use of Paper	Paper waste (kg)	
	2021	2020
A4	1,496.9	1,452.0
A3	44.9	29.9
Coloured Paper	10.0	64.9

King’s Flair recognises that it uses a significant amount of paper during its operations. To combat this issue, the Group encourages customers’ to accept electronic copies for design documents as often as possible, encouraging employees to avoid unnecessary paper usage in the offices, as well as the implementation of an ERP system as described above. During the Reporting Year, a volume of 1,619.5 kg of waste paper was recorded, of which 307.8 kg of used paper was collected, treated, and recycled by certified recyclers.

Impact on the Environment

Introducing a new product to the market involves a design process and a production process, both of which have respective impacts on the environment, and would require a strong supply chain management system in place for efficient management. King’s Flair aims to use more environmentally-friendly materials during the design process, and is also investing in the research of more sustainable raw materials, such as the use of spent coffee grounds for the development of new material. Furthermore, the Group adheres to its Quality Handbook for Suppliers’ Products and Supplier Code of Conduct to guide the raw materials used, transportation methods, waste and chemical management as well as production emissions of its suppliers’ plants. The guidelines aim to reduce the impact on the environment caused by products during their entire life cycle. King’s Flair also aims to reduce the carbon footprint of its products by reinforcing the importance of sustainability with its suppliers, through engagement activities such as supplier workshop to brainstorm sustainability-related ideas for implementation.

Addressing Climate Change

King's Flair also understands that climate change poses risks on its operations and supply chain, such as extreme weather events that could interrupt supply chain logistics, which could potentially lead to delays in project delivery and subsequent financial losses. As such, the Group has set in place a Climate Change Policy to address the aforesaid risks. The Group also conducts regular reviews of environmental standard and regulations, while closely monitoring climate and disease-related incidents, in order to proactively minimize its risks. The policy outlines mitigation measures such as adopting industry best practices to improve energy efficiency, communicating with its stakeholders to reduce daily carbon emissions wherever practicable, and incorporating climate change considerations into the Group's procurement process. Through the implementation of this policy, the Group seeks to incorporate climate change as part of its overarching corporate risk management process. The Climate Change Policy will be reviewed once every three years or from time-to-time as needed, whichever comes first.

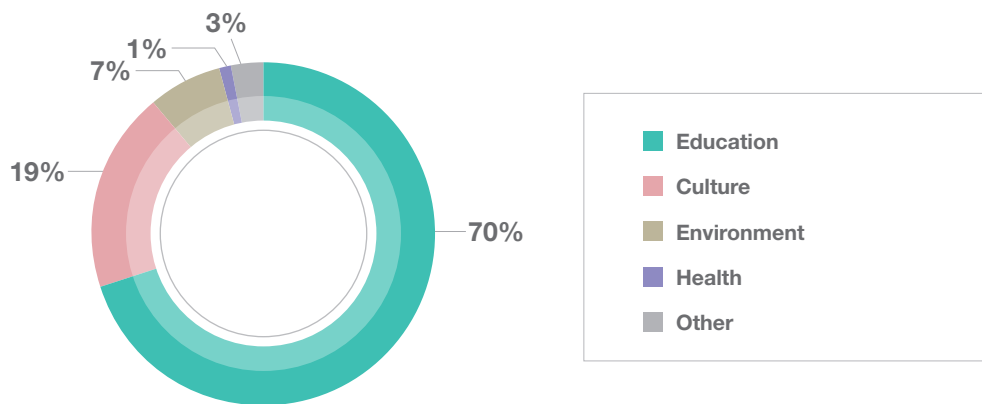


COMMUNITY INVESTMENT

King's Flair understands that investment in the community is part of the duties of a responsible corporate citizen, and as a result, the Group has made it a priority to continue making contributions towards the education, health, culture and environmental sectors, in the form of monetary contributions as well as participation in activities such as youth mentorships, scholarship, and industry insight sharing.

In the Reporting Year, a total of over HK\$5.59 million was donated to organisations for the benefit of meaningful causes. As previously planned, the major focus area of this Reporting Year was education, which includes monetary donations to The Chinese University, The Hong Kong University of Science and Technology, the Swinburne University of Technology in Melbourne, Australia, as well as to a number of secondary schools and college institutions across Hong Kong. The Group currently does not have a Community Investment Policy in place, and bases their community investment activities on their internal budgeting processes.

Figure 2: Monetary Contributions by Focus Area



Recognising the importance of heritage and history, the other focus area of contribution for King's Flair was culture during the Reporting Year. Contributions that were made included donations to organisations such as The Dragon Foundation, a non-profit organisation committed to nurturing creativity and facilitating the exchange of ideas of Chinese youth worldwide, as well as the Kwun Yam Shan Ling Wan Monastery.



KEY PERFORMANCE INDICATORS SUMMARY

Environmental Key Performance Indicators

Environmental Data	2021	2020	2019	Unit
Emissions				
Types of emissions and respective emissions data⁵				
Nitrogen oxides ("NOx") emissions	380.7	257.2	781.8	kg
Sulphur oxides ("SOx") emissions	5.7	3.9	11.6	kg
Respirable suspended particulates ("RSP") emissions	30.4	20.6	62.5	kg
Total GHG emissions and intensity				
GHG emissions in total	218.2	176.4	285.1	tonne(s) CO ₂ -e
Scope 1	59.7	24.8	90.3	tonne(s) CO ₂ -e
Scope 2	152.0	136.9	119.1	tonne(s) CO ₂ -e
Scope 1 & 2	211.7	161.7	209.4	tonne(s) CO ₂ -e
Scope 3	6.4	14.6	75.7	tonne(s) CO ₂ -e
Greenhouse gas intensity	0.010	0.018	0.027	tonne(s) CO ₂ -e/square foot floor area
	1.67	1.52	1.51	tonne(s) CO ₂ -e/employee
Hazardous and Non-Hazardous Waste and Intensity				
Total hazardous waste	0.175	0.057	0.019	tonne(s)
Hazardous waste intensity	0.008	0.006	0.002	tonne(s)/square foot floor area
Total non-hazardous waste	20.28	4.699	3.988	tonne(s)
Non-hazardous waste intensity	0.975	0.492	0.382	tonne(s)/thousand square foot floor area
Use of Resources⁶				
Total direct/indirect energy consumption by type and intensity				
Total energy consumption ⁹	503.0	351.8	487.1	MWh
Direct energy consumption	206.6	150.0	312.3	MWh
Petrol	112.1	85.9	116.1	MWh
Diesel/Gas Oil ⁷	94.6	64.1	196.3	MWh
Indirect energy consumption	296.4	201.8	174.7	MWh
Purchased electricity	296.4	201.8	174.7	MWh
Energy intensity	0.024	0.037	0.047	MWh/square foot floor area
	3.8	3.0	4.2	MWh/employee
Total water consumption and intensity				
Total water consumption	227.6	300.5	188.0	m ³
Total water consumption intensity	0.011	0.031	0.018	m ³ /square foot floor area
	1.7	2.6	1.6	m ³ /employee

⁵ Emissions from vehicles and vessels included, emissions were calculated in accordance with the Guidelines to Account for and Report on Greenhouse Gas Emissions and Removals for Buildings (Commercial, Residential or Institutional Purposes) in Hong Kong compiled by the Environmental Protection Department and Electrical and Mechanical Services Department of Hong Kong.

⁶ No packaging materials was used in the operation of the Group's offices.

⁷ Note that for direct energy consumption, diesel and gas oil was calculated for 2021, whereas only diesel was accounted for in 2020 and 2019.

Social Key Performance Indicators

Employment^{8,9}

Number of Employees ¹⁰		2021	
By Gender	Male	78	
	Female	52	
By Rank	Level C Senior Management	3	
	Senior Management	28	
	Middle Management	67	
	General Staff	32	130
By Age Group	30 and below	31	
	31-40 years old	49	
	41-50 years old	33	
	Above 50 years old	17	
By Employment Category	Full-time	126	
	Part-time	4	
Gender Ratio (male to female)		1.5:1	
New Hire ¹¹		2021	
By Gender	Male	25	
	Female	21	
By Age Group	30 and below	26	46
	31-40 years old	10	35%
	41-50 years old	5	
	Above 50 years old	5	
Employee Turnover ¹²		2021	
By Gender	Male	24	31%
	Female	19	37%
By Age Group	30 and below	21	68%
	31-40 years old	8	16%
	41-50 years old	6	18%
	Above 50 years old	8	47%
By Geographical Region	Hong Kong	43	33%

⁸ Based on employees as at 31 December 2021.

⁹ Other than employees employed by the Group, the Group also has workers that provides services for King's Flair and work at the Group's office from time to time. Other workers include consultants, courier staff, auditors, contractors and other maintenance staff. As the Group does not directly employ nor directly manage the activities of such other workers, it does not have records of the exact number of relevant workers, therefore could not be reported.

¹⁰ All of the Group's employees are located in Hong Kong.

¹¹ New hire rate = number of new employees during the Year/number of employees as at 31 December 2021.

¹² Turnover rate = number of employee turnovers/number of employees as at 31 December 2021.

Health and Safety

Fatality or injury rate		2021	
Employees suffering from work-related fatality ¹³ or injury	Male	0	0
	Female	0	0
Lost days due to work injury	Full-time	0	0
	Part-time	0	0

Training

Number and percentage of employees trained ¹⁴				2021	
By Gender	Male	24	57%		
	Female	18	43%		
By Rank	Level C Senior Management	0	0%	42	32%
	Senior Management	14	33%		
	Middle Management	21	50%		
	General Staff	7	17%		

Average training hours (hours) ¹⁵			2021	
By Gender	Male		1.0	
	Female		0.8	
By Rank	Level C Senior Management		0.0	0.9
	Senior Management		0.7	
	Middle Management		1.0	
	General Staff		0.9	

Supply Chain Management

Number of suppliers ¹⁶		2021
By Geographic Region	Mainland China	173

¹³ No employees of the Group suffered from work-related fatalities in the past three years.

¹⁴ Percentage of employees trained = total trained employees of that particular category/total number of employees of the particular category.

¹⁵ Average training hours = total training hours of the particular category/total number of employees of the particular category.

¹⁶ All of the Groups suppliers are based in Mainland China, and are manufacturing suppliers.

REPORT CONTENT INDEX

Material Aspect	Content	Page Index/Remarks
Mandatory Disclosure Requirements		
Governance Structure		
Board statement	A disclosure of the board’s oversight of ESG issues	4-5
	The board’s ESG management approach and strategy, including the process used to evaluate, prioritise and manage material ESG-related issues (including risks to the issuer’s businesses)	4-6
	How the board reviews progress made against ESG-related goals and targets with an explanation of how they relate to the issuer’s businesses	4-5
Reporting Principles		
Description of the application of the Reporting Principles	<p>Materiality: The ESG report should disclose: (i) the process to identify and the criteria for the selection of material ESG factors; (ii) if a stakeholder engagement is conducted, a description of significant stakeholders identified, and the process and results of the issuer’s stakeholder engagement.</p> <p>Quantitative: Information on the standards, methodologies, assumptions and/or calculation tools used, and source of conversion factors used, for the reporting of emissions/energy consumption (where applicable) should be disclosed.</p> <p>Consistency: The issuer should disclose in the ESG report any changes to the methods or KPIs used, or any other relevant factors affecting a meaningful comparison.</p>	3, 9-11 3 3
Reporting Boundary		
Description	A narrative explaining the reporting boundaries of the ESG report and describing the process used to identify which entities or operations are included in the ESG report.	3

Material Aspect	Content	Page Index/Remarks
Comply or Explain Provisions		
A. Environmental		
A1 Emissions		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste.	8, 19 Air emissions and discharges into water and land are considered relatively insignificant to King's Flair's operations, hence no corresponding policies have been developed.
A1.1	The types of emissions and respective emissions data.	19, 24
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).	19, 24
A1.3	Total hazardous waste produced and, where appropriate, intensity.	20-21, 24
A1.4	Total non-hazardous waste produced and, where appropriate, intensity.	20, 24
A1.5	Description of emissions target(s) set and steps taken to achieve them.	19
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.	20
A2 Use of Resources		
General Disclosure	Policies on the efficient use of resources, including energy, water and other raw materials.	19 King's Flair does not have a raw material policy, given that their business model reflects that of a service provider rather than a manufacturer, therefore deemed to be not material.
A2.1	Direct and/or indirect energy consumption by type in total and intensity.	21, 24
A2.2	Water consumption in total and intensity.	24
A2.3	Description of energy use efficiency target(s) set and steps taken to achieve them.	21
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.	No issues in sourcing water during the Reporting Year.
A2.5	Total packaging material used for finished products and, if applicable, with reference to per unit produced.	No packaging materials was used in the operation of the Group's offices.

Material Aspect	Content	Page Index/Remarks
A3 The Environment and Natural Resources		
General Disclosure	Policies on minimising the issuer’s significant impact on the environment and natural resources.	19
A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	21
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.	22
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.	22
B. Social		
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.	16 8
B1.1	Total workforce by gender, employment type, age group and geographical region.	25
B1.2	Employee turnover rate by gender, age group and geographical region.	25
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.	17 8
B2.1	Number and rate of work-related fatalities occurred in each of the past three years including the reporting year.	26
B2.2	Lost days due to work injury.	26
B2.3	Description of occupational health and safety measures adopted, how they are implemented and monitored.	17

Material Aspect	Content	Page Index/Remarks
B3 Development and Training		
General Disclosure	Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.	17
B3.1	The percentage of employees trained by gender and employee category.	26
B3.2	The average training hours completed per employee by gender and employee category.	26
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 and forced labour.	16 8
B4.1	Description of measures to review employment practices to avoid child and forced labour.	13, 16
B4.2	Description of steps taken to eliminate such practices when discovered.	16
B5 Supply Chain Management		
General Disclosure	Policies on managing environmental and social risks of the supply chain.	13, 21
KPI B5.1	Number of suppliers by geographical region.	26
KPI B5.2	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, and how they are implemented and monitored.	12-14
KPI B5.3	Description of practices used to identify environmental and social risks along the supply chain, and how they are implemented and monitored.	13
KPI B5.4	Description of practices used to promote environmentally preferable products and services when selecting suppliers, and how they are implemented and monitored.	13-14

Material Aspect	Content	Page Index/Remarks
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.	8, 12, 14, 17 Product advertising and labelling considered insignificant to King's Flair's operations, so corresponding policies have not been developed.
B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons.	14
B6.2	Number of products and service related complaints received and how they are dealt with.	14-15
B6.3	Description of practices relating to observing and protecting intellectual property rights.	12
B6.4	Description of quality assurance process and recall procedures.	14
B6.5	Description of consumer data protection and privacy policies, how they are implemented and monitored.	12
B7 Anticorruption		
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.	12 8
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.	There were no legal cases regarding corrupt practices brought against the Group in the Reporting year.
B7.2	Description of preventive measures and whistle-blowing procedures, how they are implemented and monitored.	12
B7.3	Description of anti-corruption training provided to directors and staff.	12
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.	23
B8.1	Focus areas of contribution	23
B8.2	Resources contributed to the focus area.	23