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Environmental, Social and Governance Report 2017

The Board of Directors of Kenford Group Holdings Limited (the “**Company**”) and its subsidiaries (collectively referred to as the “**Group**”) present the first Environmental, Social and Governance Report (the “**ESG Report**”) for the year ended 31 March 2017 (the “**Year**”).

1. COMPANY PROFILE

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

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

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

2. REPORTING FRAMEWORK

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

3. SCOPE OF REPORT

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

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

4. STAKEHOLDER ENGAGEMENT

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

5. CORPORATE GOVERNANCE REPORT

You can refer to the Group's 2017 Annual Report for detailed information about the Corporate Governance Report (the "CGS Report").

6. ENVIRONMENTAL

6.1. Policies

The Group recognizes the importance of achieving environmental sustainability as it relates to its products and operations. It is fully committed to complying with relevant environmental standards and policies relating to its business operations in the PRC and Hong Kong. Correspondingly, the Group's manufacturing site in Dongguan, PRC, has obtained ISO 14001:2004 certification, which is the standard pertaining to environmental management systems. The Group incorporates the Reduce, Reuse and Recycle principle and implements environmental friendly measures in its operations to efficiently use resources, reduce waste and conserve energy. The Group remains steadfast in its support of environmental protection efforts, which is consistent with its commitment to being a good corporate citizen.

6.2. Emissions and waste management

The Group understands that the greenhouse gases, sewage, solid wastes and other pollutants generated in its daily operation cause damage to the environment. In order to protect the Earth from further damage, the Group is making an effort to reduce the emission of sewage, waste gases and noise in its production processes. All of the Group's waste is handled and disposed by qualified agencies. A series of environmental policies have been developed by the Group, and at the same time, efforts have been made in energy conservation and emission reduction in order to control and reduce the discharge of pollutants. The measures adopted by the Group are mainly reflected in the following areas:

- (1) Install new environmental protection and energy-saving equipment for various workplaces, including but not limited to the office and production floor;
- (2) Use environmental friendly raw materials and components in the Bills of Material for producing finished goods;
- (3) Raise awareness among staff of the need to save water and conserve electricity by turning off lights, computers and air conditioners during non-office hours;
- (4) Install "Air (Heat Pump) Hot Water Heater" central system in the dormitories for the employees' daily use;
- (5) Employ electronic business process work flow management system and use double-sided printing and double-sided copying to reduce paper consumption;
- (6) Use video or telephone conferencing system to communicate with customers/overseas colleague so as to minimize use of public/private transport systems;
- (7) Appoint qualified recycling companies to handle all of the Group's hazardous and non-hazardous wastes; and
- (8) Install water purification system to avoid burdening the city's drainage system.

7. SOCIAL

7.1. Employment Standard

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

The Group also strictly complies with relevant local laws and regulations, including Hong Kong's Employment Ordinance and the PRC's Labor Law, Labor Contract Law, and Law on the Protection of Minors.

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

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

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

7.2. Remuneration Policy and Benefit

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

7.3. Development and Training

The Group will provide training and education for its employees by means of offering opportunities to attend seminars either organized by external parties or in-house trainers.

7. SOCIAL (Continued)

7.4. Health and Safety

Ensuring the health and safety of employees is always a priority for the Group. It has taken a number of measures to protect the wellbeing of staff, including the following:

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

8. OPERATING PRACTICES

8.1. Supply Chain Management

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

The standard and procedure for selecting suppliers are well defined and listed in the ISO document.

8.2. Product Responsibility

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

The Group is actively pursuing opportunities to directly contribute to environmental protection, and remains steadfast in its support of efforts to protect the natural environment as this aligns with its overall commitment to being a good corporate citizen.

During the reporting period, none of the products delivered by the Group were recalled on grounds of safety and health.

8. OPERATING PRACTICES (Continued)

8.3. Anti-corruption

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

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

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

9. COMMUNITY INVESTMENT

Contributing to society and working together to build a better environment are integral components of corporate social responsibility. Recognizing this, the Group has participated in several charity events and donated goods, including dinner for the elderly, community market sale and Christmas party for the underprivileged living in Sham Shui Po. The Group is also one of the members of the Organ Donation Promotion Charter in Hong Kong and the Women's Commission.

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

10. REPORTING ACCESS

This ESG Report is prepared in both English and Chinese languages. In case of any inconsistency, the English text of this report shall prevail over the Chinese text.

The electronic version of this report is available at the following websites:

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

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

Hong Kong, 28 September 2017