



HUNG FOOK TONG

Hung Fook Tong Group Holdings Limited
鴻福堂集團控股有限公司



(Incorporated in the Cayman Islands with limited liability)
(於開曼群島註冊成立的有限公司)

Stock Code 股份代號 : 1446



2016

**ENVIRONMENTAL, SOCIAL
AND GOVERNANCE REPORT**
環境、社會及管治報告



The Hung Fook Tong brand stands for a friendly, accessible and positive attitude that sets us apart from other food and beverage (“F&B”) brands. Our 30-year heritage drives us to embrace a healthy lifestyle and to always maintain high quality standards in our operations, our products and our people.

As a leading F&B brand in Hong Kong, we are committed to act responsibly. Corporate social responsibility is core to our strategy and is deeply embedded within our operations and our culture. It is the Group’s essence to continuously improve the well-being of the environment and the society in which it operates.



Caulis Perillae



Chrysanthemum



Radix Peucedani



Cortex Ilicis Rotundae



Plantain Herb



Rhizoma Smilacis Glabrae





Herbal Lifestyle Sustainable Future

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2016 HIGHLIGHTS

Highlighted below are certain key data on our focused Environmental, Social and Governance aspects during the reporting year:

5,211 CO_2
EQUIVALENT (TONNES)
Greenhouse Gas Emissions



103 **TONNES**
of food waste recycled

120,000+

in-kind products or coupons donated
to NGOs, schools and associations



72,000+

tortoise herbal jelly containers recycled

288

key suppliers





1,438
EMPLOYEES

942

in Hong Kong

496

in Mainland China



135
RETAIL STORES

116

in Hong Kong

19

in Mainland China



262,961 m³

water consumed

Obtained

ISO22000

and **HACCP**

certifications



371 HOURS

of staff training

including **109 COURSES**

Contributed

458
SERVICE HOURS

to the community





ABOUT THIS REPORT



This is the first Environmental, Social and Governance ("ESG") report of Hung Fook Tong Group Holdings Limited and its subsidiaries (collectively, the "Group", "HFT" or we) for the financial year ended 31 December 2016 (i.e. from 1 January 2016 to 31 December 2016). In line with the Group's dedicated undertaking for ESG development, this report details the ESG values and initiatives it developed and implemented across its business units and its operations. The Group upholds its obligation to the community to provide positive and sustainable ESG results.

Taking into account our stakeholders' point of view, this report focuses on the specific ESG issues which are believed to be significant to the Group. The Group's achievements, progresses and challenges faced in the journey of ESG development are presented in this report.

REPORTING SCOPE

The report highlights the Group's ESG performance in the reporting period from 1 January 2016 to 31 December 2016. This report covers the Group's manufacturing of products, as well as retail and wholesale businesses in its two principal sectors in Hong Kong and Mainland China. The environmental data presented covers its production facilities and office buildings in Hong Kong and Shenzhen as we consider these have the most significant environmental and social impacts and influences to our business and various stakeholders.

This report is prepared and complied in accordance with the Appendix 27 ESG Reporting Guide of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "HKEx"). The report presents the material aspects and indicators that reflect the relevant environmental and social impacts from the Group's businesses in relation to environmental protection, workplace quality, operating practices and community investments.



MESSAGE FROM THE CHAIRMAN

2016 marks the Group's 30th anniversary and this has also been a significant year to the Group in the context of sustainability efforts. As ESG is part of the overall business strategy, more ESG programs and initiatives were created to further centre our commitment in creating long-term value for our key stakeholders and for our overall sustainable development.

Addressing the importance of sustainability through this first ESG report is in line with our commitment to move towards greater transparency in creating sustainable products and to foster a sustainable environment for future generations. We continue to see an increasing interest from our stakeholders and the society on issues commonly faced by our industry, which include food safety and environmental matters such as climate change, water scarcity and pollution. Our efforts to improve the well-being of the communities we serve, the environment and people have received widespread recognition. In particular our full commitment to product quality has earned us international accreditations such as ISO22000, Hazard Analysis and Critical Control Points (HACCP) and Good Manufacturing Practice (GMP) for our Tai Po plant in 2016.

HFT has established a strong brand within this industry and in the locations we serve our clients. Moving forward, we are committed to continue to implement strategies through systematised efforts as demonstrated by the sustainable development programs and ESG policies in place to achieve long-term sustainable development targets with reference to existing data and results collected, HFT will strive to improve performance in those material areas, and further enhance transparency by exploring possibilities to increase coverage on various Key Performance Indicators ("KPI") aspects in the following years. We believe that we can maintain our leading position in the industry whilst continue to create a sustainable business.



AWARDS AND RECOGNITIONS

The Group is widely recognised as a brand that has continued to work towards being socially responsible. This is evidenced by the numerous awards earned during the year 2016 (details per the list below).

These awards and recognitions demonstrate the Group's overall performance as a sustainable F&B enterprise. They also exhibit the group's continuous efforts in improving customer and employee satisfaction, and engaging in community collaboration.

Issuer of Award	Award
Recognition on Environmental Efforts	
The Hong Kong Women Professionals and Entrepreneurs Association and The Hong Kong Productivity Council	FoodEver WasteNever Award – Silver Class
Recognition on Brand Management and Customer Service	
The Federation of Hong Kong Industries	The Hong Kong Q-Mark Service Scheme
East Week	Hong Kong Service Awards 2016
Superbrands	Superbrands 2016
Hong Kong Brand Development Council & The Chinese Manufacturers' Association of Hong Kong	Hong Kong Top Brand Ten Year Achievement Award
GS1 Hong Kong	GS1 Consumer Caring 5 Years Award
7-Eleven	2015 Outstanding Sales Performance Awards within a category – Beverages
PARKnSHOP	PARKnSHOP Super Brands Award 2015 – Healthy Drinks
MTR Corporation Limited	2016 My Favourite MTR Shops – Delightful Food & Beverage Award
Recognition on Talent Development	
The Family Council	Family-Friendly Employers 2015/2016 – Special Mention (Gold)
The Hong Kong Productivity Council	Happiness-at-Work 2016
Employees Retaining Board	ERB Manpower Developer Award Scheme: Manpower Developer 2011-2017
Recognition on Community Investment	
The Hong Kong Council of Social Service	Caring Company 2006-2016
Labour and Welfare Bureau	Social Capital Builder 2016-2018






ABOUT HUNG FOOK TONG

Established in the year 1986, HFT, or the “Group” as principally described in this report, is a leading manufacturer, retailer and wholesaler of Chinese herbal products in Hong Kong. Over the year, the Group has built a powerful brand reputation under the name “Hung Fook Tong (鴻福堂)”.

The Group’s revolution from a traditional Chinese herbal tea shop to a modern wellness concept food and beverage enterprise has enabled us to diversify our product offerings from herbal tea and tortoise herbal jelly to more categories including Chinese-style soups, non-herbal drinks and other healthy food products.

BUSINESS OVERVIEW

The Group offers a diverse range of products from Chinese herbal to non-herbal food and beverages. The Group also places a lot of emphasis in new product development to satisfy the ever evolving consumers’ tastes and preferences. Above all, the Group is committed to adhere to its belief in the benefits of a healthy diet and the use of natural ingredients, as reflected in its motto “Naturally Made, Wholeheartedly Good (真心製造，自然流露)”. The Group has adopted a “No additive (無添加)” approach in conjunction with stringent quality control measures for its production process.



“No Additive Principle” – No MSG and preservative


Strictly select fresh and natural ingredients

Carry forward traditional Chinese herbal culture

Care about customers “like mother would”

Value of Hung Fook Tong brand

The Group’s products are manufactured at its own production facilities located in Tai Po, Hong Kong, as well as Shenzhen and Suzhou in Mainland China. The products are sold through the two principal business channels: retail and wholesale, to all over the world.



Retail

The retail sector of the business has continued to show a steady increase in sales year on year. Hung Fook Tong brand's freshly made products including Chinese herbal and non-herbal drinks, Chinese-style soups, tortoise herbal jelly products, as well as snacks, desserts, rice, noodles, and other fresh and seasonal products are principally sold through our retail stores.

As at 31 December 2016, the Group has 116 retail stores in Hong Kong, which are strategically located at prime locations in MTR stations, shopping malls and residential areas. Meanwhile, in Mainland China, there are 19 retail stores in Guangzhou in operation.

Number of HFT retail stores as of 31 December 2016



Wholesale

The wholesale business represents sales of Hung Fook Tong brand's long shelf-life drinks products to distributors as well as third-party retailers, including supermarkets, convenience stores, and grocery stores, in Hong Kong, Mainland China, Australia, Britain, Canada, Macau, Malaysia, Netherlands, New Zealand, Philippines, Spain, Singapore, Taiwan and the United States. The long shelf-life drinks product line was launched in 2002, which consists of a variety of Chinese herbal drinks and non-herbal drinks that are ready-to-consume with convenient packaging.

Mainland China possesses huge potential for our wholesale business and therefore is the Group's key market to tap. As at 31 December 2016, the Group's wholesale business has expanded into 50 cities in 17 provinces, largely in the Guangdong Province in Mainland China. With a key focus on the Mainland China market, the Group intends to continue its efforts in expanding its distribution networks to penetrate further into the market and capture the growth potential.





OUR VISION AND FOCUS ON ENVIRONMENTAL, SOCIAL AND GOVERNANCE

ESG is embedded within the Group's mission, culture and values. The Group has created comprehensive programs and policies to set the framework for managing our ESG commitments.

With the Group's commitment to making a difference in the community, it recognises that creating a long-term value for all of its key stakeholders is the most important sustainable development activity. The Group's ESG efforts include different initiatives and activities in relation to the environment, community and its own people. Through these undertakings, the Group strives to reduce the impacts its internal operations have on its key stakeholders, the environment and the society.

Core Values and Guiding Principles of HFT



Sustainability Approaches





STAKEHOLDERS ENGAGEMENT

The interests of our stakeholders play a significant role in the establishment of the Group's ESG vision, policies and practices. The Group, with the support from an independent third party consultant, has engaged a number of stakeholders to gain an objective and impartial view of our current ESG performance and the potential challenges our business is facing.

The Group's internal and external stakeholders, include the employees, customers, vendors or suppliers, business partners, industry associations, non-governmental organisations ("NGO"), media and the community at large have contributed to the materiality assessment. We have received over 475 responses from the survey. Their responses on the material ESG aspects of the Group's operations this year has been fully reviewed and analysed in line with the requirements of the HKEx's ESG Reporting Guide.

The information gathered was analysed in an effort to realign the Group's strategies and principles to ensure that outstanding sustainable outcomes are delivered. The Group acknowledged that the stakeholders regard "Hung Fook Tong" brand as a leading brand in product safety and quality in the industry and local community.



The Group acknowledges that the stakeholders regard the Hung Fook Tong brand as **a leader in product safety and quality in the local community.** The Group **takes its ESG to heart,** and **is fully committed to make a difference for its employees, community and the common good.**





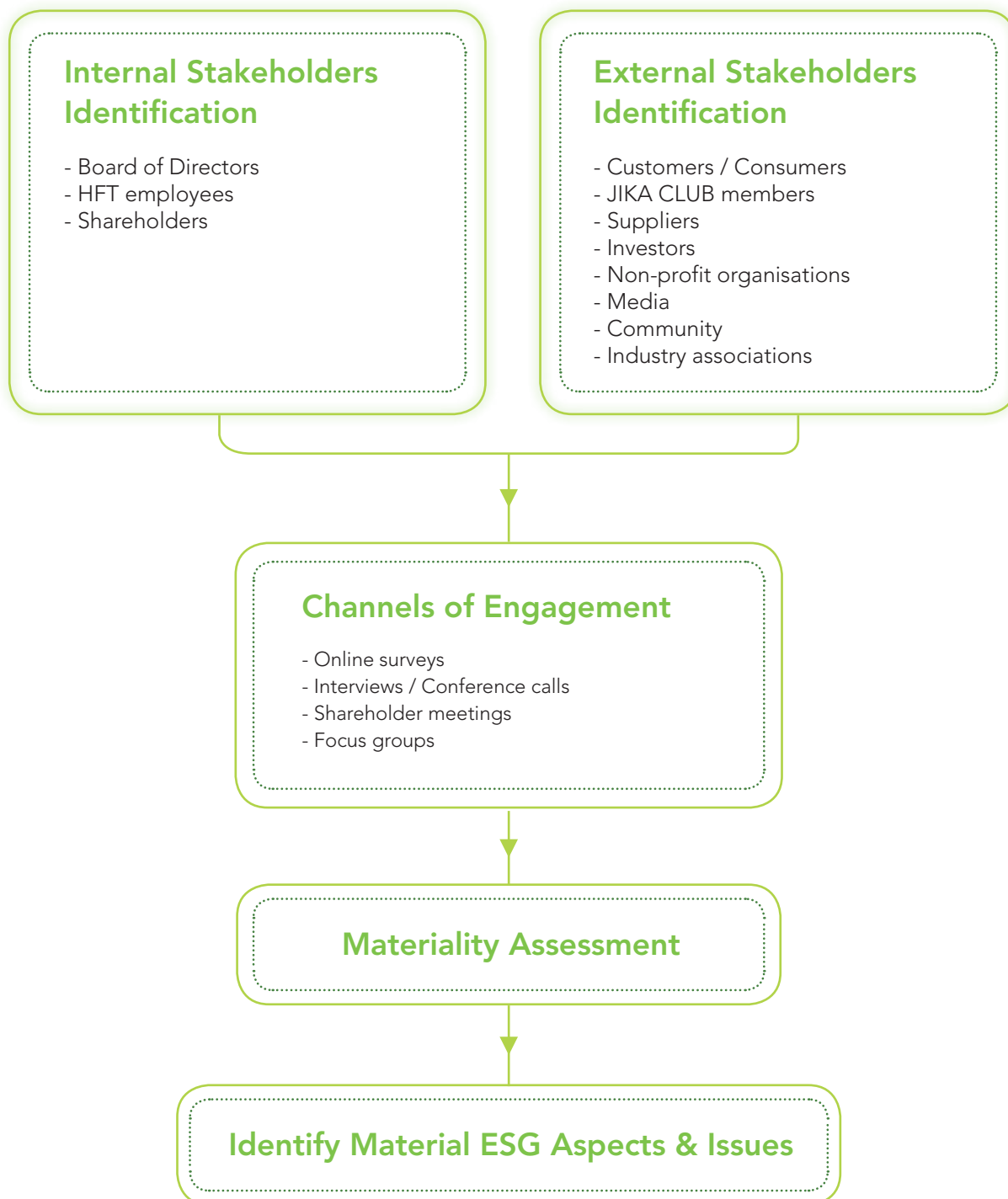
The Group proactively communicated with each of the key stakeholders group through different channels as follows:



Stakeholders	Method of engagement	Ways of communications
HFT Employees	Online Survey Interviews	<ul style="list-style-type: none"> • Meeting • Intranet • Suggestion Box • Recreational activities
Customers/JIKA CLUB members	Online Survey Customer satisfaction surveys	<ul style="list-style-type: none"> • Retail stores • Customer service hotline • The Company's website • Mobile Application • Electronic direct mailing
Investors/Shareholders/Analysts	Online Survey	<ul style="list-style-type: none"> • Investor meetings and forums • Financial reports • The Company's website • Shareholders meetings • Media reports
Suppliers/Contractors/ Service providers/Business Partners	Online Survey	<ul style="list-style-type: none"> • Audits and assessments • Ongoing direct engagements • Meetings
NGOs/Industry Associations/ Community organisations	Online Survey	<ul style="list-style-type: none"> • Meetings • Seminars • Corporate social responsibility projects and activities
Other external stakeholders	Online Survey	<ul style="list-style-type: none"> • Enquiry hotline



Our approach from stakeholders engagement to materiality assessment is illustrated as follows:

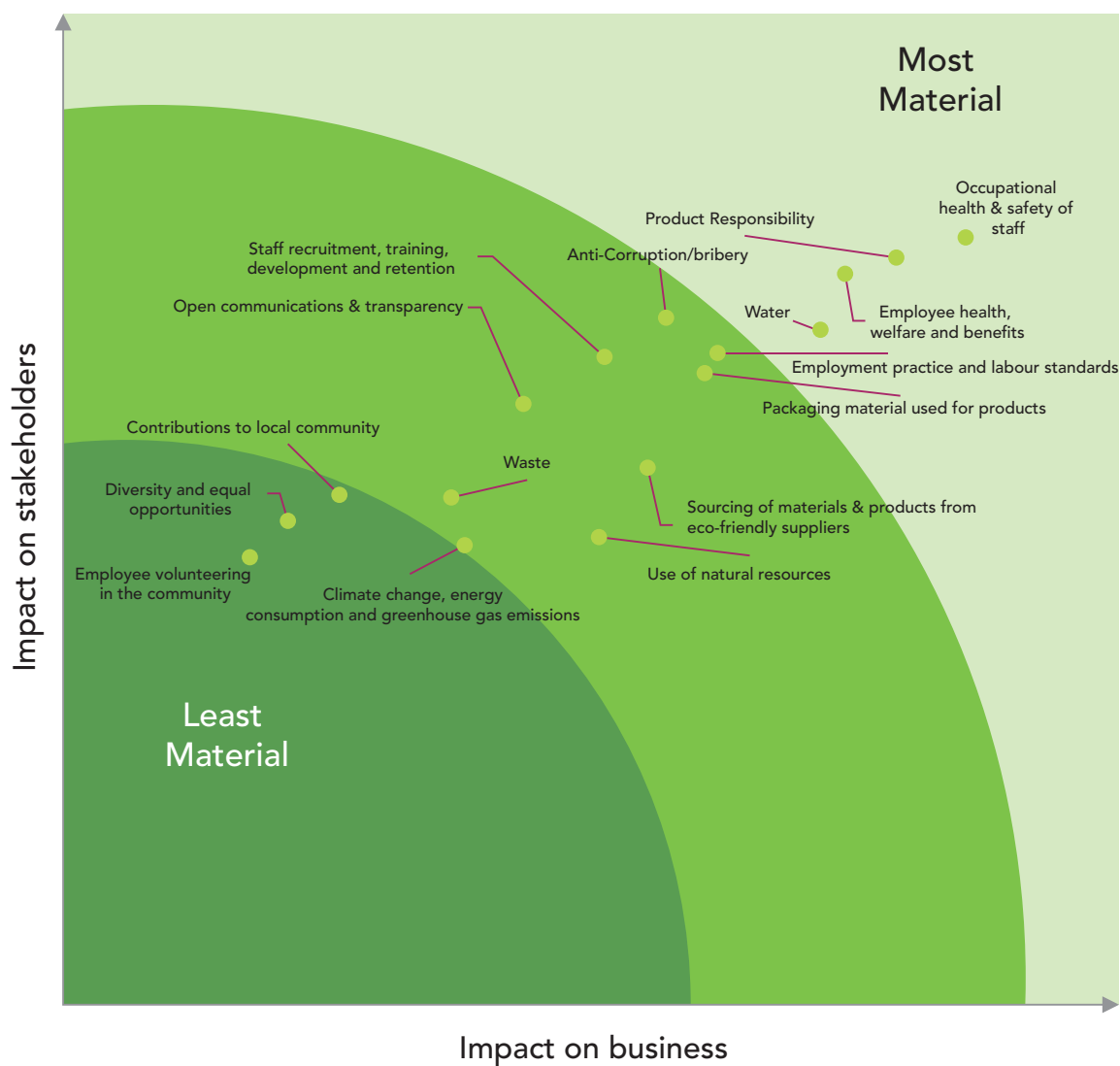




MATERIALITY ASSESSMENT

This matrix summarizes the feedback received from the abovementioned stakeholders' engagement exercise, which has been mapped in line with the topics covered by the HKEx's ESG Reporting Guide to establish and prioritise the Group's disclosure of KPIs. The matrix represents both external and internal stakeholders' viewpoints and provides a mapping of material sustainability issues to HFT.

Material issues are defined as the top most concerned issues to the Group and to external stakeholders. Priorities are ranked based on the likelihood and potential impact of issues on the opportunity for environmental and social improvement to our operations.



ENVIRONMENTAL

As a firm supporter of environmental protection, we strive to improve our policies and practices for the benefit of our stakeholders and the community.

CLIMATE CHANGE AND RESOURCE MANAGEMENT

Our commitment to address the issue of global warming has encouraged us to act responsibly to reduce our energy consumption and greenhouse gas (GHG) emissions. This has provided us with a win-win situation as reducing energy consumption also means reduction in operating costs.

HFT retail stores' concept and equipment are designed to align with our focus on sustainability. The power consumed in the retail stores is mainly for lighting, heating, air conditioning and chiller system.

To reduce electrical consumption for lighting, the Group has installed LED lighting in most of our retail stores and we intend to adopt this at our newly opened retail stores in the future. In addition, around 20% of HFT retail stores have signed the "Charter on External Lighting" launched by the Environment Bureau in 2016 with an aim to help minimise energy consumption and light nuisance. The external lighting installations of those stores were switched off at the pre-set time as a support to combat climate change under the Charter.

As a further means to reduce energy waste, an increasing number of fridges at HFT retail stores are now equipped with sliding doors or plastic curtains. Currently, around one-fifth of the fridges are door-closed, while we have been equipping more fridges with plastic curtains. Moreover, clear guidelines on temperature recording and reporting procedures are set and provided for frontline staff to closely monitor the fridge temperature – not only to raise their environmental awareness, but also in line with the Group's stringent standards on food safety assurance.

The energy consumption and GHG emission data as shown below covers the Group's production plants and office premises in Hong Kong and Shenzhen, where we consider have created the most significant environmental impact across our value chains.

ENERGY CONSUMPTION

Electricity Consumption	6,189,981 kWh
Natural Gas Consumption	863,924 m ³
Town Gas Consumption	4,359,552 MJ
Petroleum Consumption	573,102 litre

To reduce energy consumption, a "Heat Recovery System" is used in the Multifunction Chiller plant to recycle the heat energy to a pre-heat water storage tank. "A Steam Condensate Recovery System" is also used to collect and recycle the heat energy from steam pipelines.

A Win-Win Solution



As a move to help advancing the development of local renewable energy in Hong Kong, HFT is one of the first companies to support WWF-Hong Kong's first-ever Renewable Energy Certificate (REC) scheme. These certificates allow companies to purchase energy that is guaranteed to be 100% solar – generated from WWF's "Solarizing Communities Project" in Tai O. This initiative has enabled the Group to offset a small part of its carbon footprint. In 2016, 400 kWh of the Group's electricity consumption is from renewable source.



GREENHOUSE GAS (GHG) EMISSION

To reduce GHG emissions, the Group has arranged registered technicians to perform monthly checks and maintenance for our steam boilers for production in compliance with "The Boilers and Pressure Vessels Ordinance (Chapter 56)".

Scope 1: Direct Emissions	1,734 CO ₂ e (tonnes)
Scope 2: Energy Indirect Emissions	3,365 CO ₂ e (tonnes)
Scope 3: Other Indirect Emissions	112 CO ₂ e (tonnes)

Note:

Scope 1: Direct GHG emissions from operations that are owned or controlled by the Group.

Scope 2: Energy Indirect GHG emissions resulting from generation of purchased or acquired electricity, heating, cooling and steam consumed by the Group.

Scope 3: Other Indirect GHG emissions from sources not owned or directly controlled by the Group but related to our activities.

*The emission factors used for calculations of the above figures were based on the "Guidelines to Account for and Report on Greenhouse Gas Emissions and Removals for Buildings (Commercial, Residential or Institutional Purposes) in Hong Kong" (2010 edition) which was published by the Hong Kong Special Administrative Region Government Environmental Protection Department and Electrical and Mechanical Services Department, as well as relevant guidelines issued from the National Development Reform Commission in Mainland China.



REDUCE CARBON EMISSION THROUGH RECYCLING

Food waste recycling is proven to be an effective means to minimise waste and reduce carbon emission. In 2016, we have reduced **23 CO₂e (tonnes)** of Greenhouse Gas Emission from recycling of **103 tonnes** of food waste.





USING WATER WISELY

As water is a key component of our products and water use is also a key component of the production process, we have identified a range of water saving initiatives to all operations as part of our facilities upgrade as well as new potential development projects in the future. Our monthly record also helps us to closely monitor our water usage and to determine the effectiveness of the measures we have put in place. During the reporting year, we had used 262,961 m³ of municipal water in production facilities and offices in Hong Kong and Shenzhen.

WASTE MANAGEMENT

Given the nature of our business, the major types of waste produced from our production processes are food waste, cartons, wooden pallets, plastic waste and metal waste, etc. We endeavour to reduce such waste we produce and divert as much waste as possible to other uses by managing our resources more wisely.

Waste Generation	Tonnes
Food Waste	1,328
Carton	61
Wooden Pallet	65
Plastic Waste	9
Metal Waste	5

Our operation units keep respective records of the abovementioned types of waste produced. This has helped us to thoroughly understand the nature and amount of resources we used and the waste generated in order to derive improvement plans on these aspects. Waste disposal methods are selected based on the available solutions and needs of the community where we operate.

The Group constantly endeavours to adopt and invest in timely, efficient and value-adding technologies and processes which can improve the production process of the business, especially the utilisation of packaging materials and plastic bottles.



MANAGING WASTE THOUGHTFULLY

Being one of the leading F&B manufacturers in Hong Kong, the Group is aware that its business operations produce waste including food garbage, cartons, wooden pallets, plastic waste and metal waste. As such, the Group is committed to undertaking any all practical steps to reduce its waste production.

For example, the Group has been utilising technology which compresses plastic bottles and aluminium cans for recycling with a specific compelling machine at office premise. Regarding use of papers, the Group continues to promote its electronic e-coupons (e券) to reduce the use of paper coupons and vouchers. The Group also used the Forest Stewardship Council ("FSC") certified papers for corporate publications such as financial reports and installed recycling bins to collect used papers to minimise the negative impact to the environment.



TURNING WASTE INTO RESOURCES BY RECYCLING

Since 2015, the Group has been implementing food recycling initiatives including conversion of part of the food waste produced, such as eggshells and unwanted soup ingredients, into animal feeds. In order to do so, the Group liaised with a qualified contractor for food waste handling and recycling activities and is also working with another contractor to manage recycling other waste materials produced through the Group's business operations including scrap metal, plastic and paper.



DONATING SURPLUS FOOD TO REDUCE FOOD WASTE AND SUPPORT THE COMMUNITY

Hong Kong is facing a mounting problem in managing municipal solid waste as its existing landfills are expected to be full by 2018. About 3 million tonnes of municipal solid waste, with more than a third being food waste, are disposed to landfill each year. We all need to play a part in managing our waste responsibly.

The Group has been working with a number of food banks including Food Angel and Food Grace, etc. It is a long-term partner of People Service Centre (民社服務中心), which conducts daily collection of surplus food at selected HFT retail stores and redistribute to people in need. In 2016, HFT donated over 27,000 units of surplus food items such as drinks, rice and soup packs to various food banks and NGOs. The Group received the "FoodEver WasteNever Award – Silver Class" awarded by the Hong Kong Women Professionals and Entrepreneurs Association and The Hong Kong Productivity Council for its continuous effort and support in reducing food waste in Hong Kong.



ENCOURAGING PLASTIC RECYCLING

As a further means of encouraging recycling to all stakeholders, the Group continued to offer advantage points, principally to its JIKA CLUB members who cleaned and returned their plastic tortoise herbal jelly containers to the HFT retail stores for recycling. In 2016, over 72,000 containers from more than 20,100 members were collected under this scheme.

The Group has also sponsored its discount coupons as incentives for a number of plastic bottles recycling machines located across different areas in Hong Kong.

RAISING ENVIRONMENTAL AWARENESS

The Group is keen to promote environmental awareness among its employees. For example, shark fin-free menu is used in annual dinner to raise awareness among our employees to protect the environment.





MANAGING WASTE THOUGHTFULLY (Continued)

Support Green Education for the Next Generations



Realising the importance of advocating green awareness among the youth, HFT has been supporting environmental education projects organised by the Chinese YMCA of Hong Kong by donating all the plastic bag levy charges it collected since 2013.



The Group is not aware of any material non-compliance with relevant standards, rules and regulations related to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous wastes, etc. during the reporting period.

SOCIAL

EMPLOYMENT AND LABOUR

Our people are at the heart of our business and our brand. Their dedication, commitment and creativity going above and beyond the expectations of our customers define the excellence that the Hung Fook Tong brand stands for.

Our long-term success hinges on talented people and an engaging work force. Our aspiration is to be a sustainable, caring employer, and in maintaining long-term relationships with our employees. We are committed to developing and supporting our people, and strongly believe in creating opportunities for their individual development, enabling them to pursue their career paths – together with HFT.

Moreover, sustainable leadership also means adapting work life balance to the changing circumstances of our employees' personal life. We believe that good work-life balance ultimately impact the performance of our employees. Therefore, we are always striving to achieve the best solutions for both sides which was recognised by The Hong Kong Productivity Council that awarded us the "Happiness-at-Work" award for four consecutive years.



HAPPY 開心企業
COMPANY





THE PEOPLE IN HFT

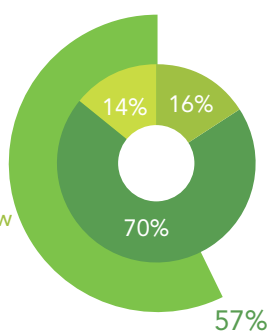
As of 31 December 2016, the Group welcomed a total of **1438** staff members with **942** in Hong Kong and **496** in Mainland China. A majority of staff i.e. **66%** are female, and **34%** are male. Excluding contractual and part-time staff, there are a total of **986** employees in non-managerial positions supporting retail stores operation, production and back office and **264** team members handle managerial roles. We continue to drive for diversity, this can be seen at our managerial level position, where there is almost an equal distribution of men and women employees, **57%** and **43%** respectively.

490

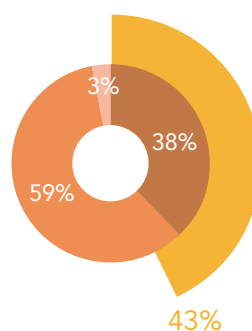
employees are male

- Aged 30 or below
- Aged 31-50
- Aged over 50

Managerial level
(Full-time staff)



150 employees



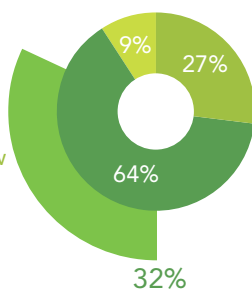
114 employees

948

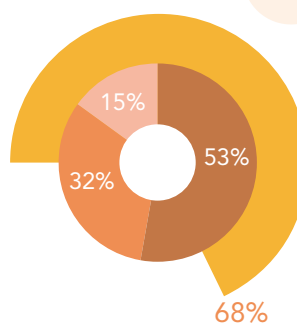
employees are female

- Aged 30 or below
- Aged 31-50
- Aged over 50

Non-managerial level
(Full-time staff)



311 employees

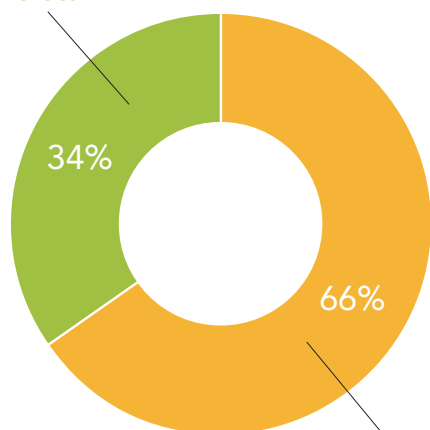


675 employees

Equality and anti-discrimination are parts of the HFT's Code of Conduct which states that every HFT employee must be treated with respect and dignity. Our colleagues are treated equally regardless of their nationality, gender, religion, disability, age or sexual orientation. Any violations of our Code of Conduct would be rigorously investigated to protect all employees at HFT. To support this, our management have implemented a confidential whistle-blower hotline to focus on reporting and handling these violations. As part of our drive to support equality and anti-discrimination, HFT has also collaborated with Hong Chi Association to provide job opportunities to mentally challenged individuals.

Total workforce by geographical locations

Mainland China:
496 staff



Male in
Mainland China: 329
Hong Kong: 161



Female in
Mainland China: 167
Hong Kong: 781



Hong Kong:
942 staff

DEVELOPMENT AND TRAINING

Investment in our people is critical to the Groups' commitment in ensuring continuous streams of talented individuals are attracted and retained in the company. The Group promotes life-long learning among its employees, and is committed to providing development opportunities to motivate and upskill our existing talent.



Hung Fook Tong Management Institute Limited, a wholly owned subsidiary of the Company, was established in December 2005 to offer on-the-job learning and various training programmes to enhance employees' abilities and specialised skills, which are tailored to addressing their knowledge and skill gaps. In 2016, 371 hours of staff training were conducted for staff from all levels, including 109 training courses involving a total of 2,886 attendance.

Driven by its "People-Oriented Principle", the Group is also highly devoted to cultivate a healthy and cordial working culture for its staff members to foster a positive attitude towards their work and teammates. The Group's self-developed "Star Journey" programme covers various hard and soft skills to enhance the staff members' work quality and efficiency as well as engaging them to strive for their personal growth and development in the following areas:

- customer service;
- herbal knowledge;
- food safety;
- communication skills;
- work-life balance;
- management insights via "Hung's Conference";
- emotion management; and
- team building (through "Beyond a Team" programme).

In addition, in Hong Kong, through the annual event, "Moments of Truth", the Group also encourages cross divisional sharing of experience, for example providing opportunity for back-office team members to experience front-line business operations in our retail stores, as well as, production and logistics operations in our Tai Po factory and warehouse. The Group was awarded the *ERB Manpower Developer Award Scheme: Manpower Developer (2011-17)* by the Employees Retaining Board.

In recognising the value of its workforce and their contributions, the Group also provides benefits beyond the compensations mandated by the law. For example, the Group has introduced new benefits in 2016 such as granting paid leave to employees to attend special family occasions and extending the nuptial leave from three to five days. A nursing room is also provided for mothers at the Tai Po office. The Group also organises excursions with team building activities, conduct annual dinner gatherings and story sharing sessions as well as community participation events.



The following new or enhanced staff benefits were introduced in 2016:

- extended marriage leave (from 3 days to 5 days)
- extended paternity leave (from 3 days to 5 days)
- fully paid maternity leave
- anniversary leave
- paid leave for body check
- leave for staff to take care of their children during new school term

OCCUPATIONAL HEALTH AND SAFETY

The health and safety of our employees and people in our communities are paramount to the economic and social success of the Group. Safety underpins the fundamental way we do our business. Apart from fulfilling our legal obligations on health and safety, the Group also takes extra steps to provide a safe environment to team members minimising threats that may lead to injuries. The Group has policies in place to maintain an occupational hazard free workplace and has implemented pre-emptive measures to prevent occurrences of such hazards. For example, the Group's work safety guide stresses the importance of applying correct posture for lifting heavy objects and the significance of maintaining a tidy workplace. During the reporting year, there was no work-related fatalities within the Group.

Nurturing Our Talent – Staff Sharing



Mr. Cheng has joined HFT since 2004. During the past 13 years, he has been working for our retail stores and steadily climbed the career ladder:

Store Trainee → Senior Store Assistant → Store Supervisor → Assistant Store Manager → Store Manager → Assistant District Officer → District Officer → Senior District Officer

"I have been with HFT for 13 years, from Store Trainee to Senior District Officer. I am grateful to the Group for providing different training opportunities including herbal certificate course by the Hong Kong University, management courses, practical Putonghua course, etc. These enhanced my daily work knowledge. Moreover, HFT regularly holds large-scale training activities such as "Hung's Conference", shares different positive messages to us, enhances friendly relationship among us and increases the sense of belonging to the Group. In HFT, I have gained much more than I have expected."





LABOUR STANDARDS

Our employees work in either Hong Kong or Mainland China. The Group safeguards the rights of our employees by strictly complying with the requirements of the relevant Labour Law.

In Hong Kong, we provide medical insurance, disability and invalidity coverage, maternity leave and paternity leave, etc. to all our full-time employees. We have also participated in the Mandatory Provident Fund (MPF) Scheme, as prescribed by the Mandatory Provident Fund Schemes Ordinance (Chapter 485 of the Laws of Hong Kong). The Group also reviews the corporate policy of

employment and labour regularly to ensure that the Group has fully complied with the related legislations and regulations. We have strictly followed the Provisions on the Prohibition of Using Child Labour to prohibit the use of child and forced labour.

In Mainland China, we have participated in various welfare schemes including pension insurance, unemployment insurance, maternity insurance, occupational injury insurance and medical insurance in compliance with the local regulations including the Regulations on the Administration of Housing Provident Funds and the Social Insurance Law.

OPERATIONS

As a testament to its aspiration to provide high quality product and services, the Group has received numerous awards which include:



Superbrands 2016
Superbrands



香港名牌十年成就獎
Hong Kong Top Brand Ten Year
Achievement Award

Hong Kong Top Brand
Ten Year Achievement Award
Hong Kong Brand
Development Council &
The Chinese Manufacturers'
Association of Hong Kong



Hong Kong Q-Mark
Service Scheme

Hong Kong Q-Mark
Service Scheme
The Federation of
Hong Kong Industries



Hong Kong Service Awards 2016
East Week



GS1 Consumer Caring
5 Years Award
GS1 Hong Kong



CORPORATE GOVERNANCE

Corporate governance plays an instrumental role in the Group's sustainability development. The Board of Directors (the "Board") is committed to maintaining the highest standards of corporate governance in all areas of business operations to build trust with the stakeholders. Details are shown in our Corporate Governance Report on page 39 to 46 of our 2016 Annual Report.

SUPPLY CHAIN MANAGEMENT

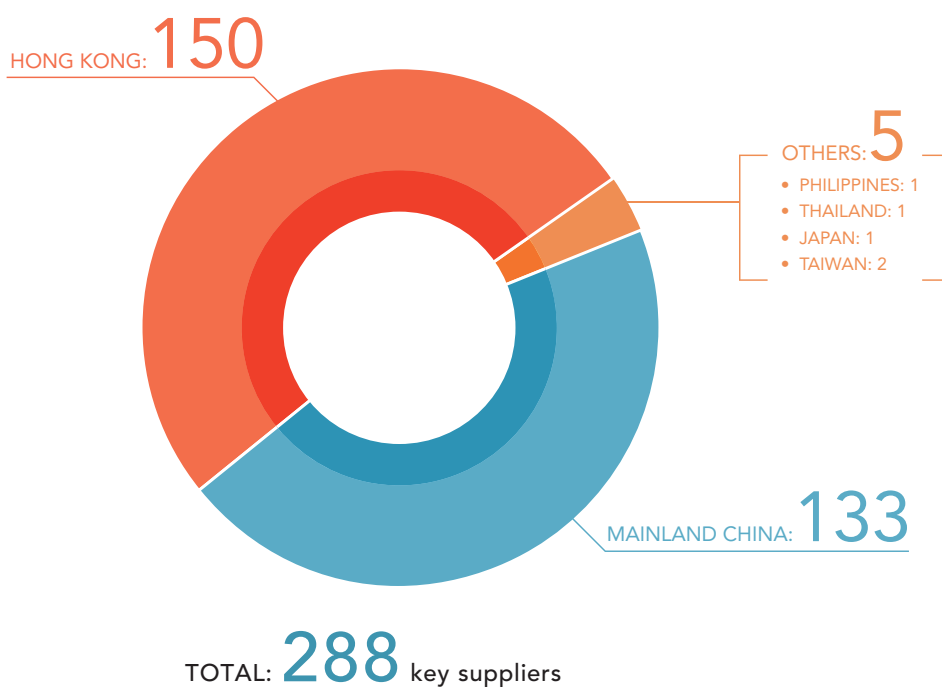
Effective supply chain management is vital in ensuring the needs of consumers are satisfied whilst minimising ESG risks. The Group's supply chain management policies are clearly communicated to its suppliers and sub-contractors prior to acquisition of their goods and services. Suppliers are required to provide all relevant documents such as business registration certificates and all relevant licenses before guaranteeing their selection. The Group's policy is mandated by the procurement department, research & development department, and quality assurance department. These three departments are responsible for screening and sourcing suppliers under general written procedure. Suppliers must comply with the Group's procurement policy by providing their credentials and product specifications such as price, supply stability, payment term as well as product origin and packaging. Upon careful consideration, selected supplier will be

confirmed and informed. Given the nature of our business, these strict selection and ongoing monitoring procedures also applied to our third party logistic partners and other service providers.

We believe in having open communication with our suppliers. Regular meetings are in place with major suppliers to communicate on the supply of critical materials and pricing trend that allows us to take a more proactive approach in managing suppliers. We also share with our suppliers our ongoing supplier monitoring process, which measures their performance through areas such as arrival time, quantity variance, and quality problem. Their performance forms part of our future decisions in retaining the use of specific suppliers.

In order to enhance trading conditions and to promote business sustainability among the Group and its business partners, only suppliers who have implemented practices in alignment with our procurement process will be considered. The Group currently has a total of 288 key suppliers largely providing raw materials and packaging materials, and most of which are based in Hong Kong and Mainland China while some suppliers are located in other countries as illustrated in the following chart. In the selection of suppliers, their adoption of practices recommended by the World Fair Trade Organization is one of our considerations.

Geographical breakdown of key suppliers of Hung Fook Tong (as of 31 December 2016)





FOOD SAFETY MANAGEMENT AND PRODUCT QUALITY ASSURANCE

Food safety is one of the Group's top priorities. The Group maintains and implements stringent quality control and safety assurance procedures to ensure that its food production system operates in line with international standards. Through its initiatives, the Tai Po production facility obtained ISO22000 food safety management system, "HACCP" (Hazard Analysis Critical Control Point) management system and "GMP" (Good Manufacturing Practice) certifications in 2016. Our Shenzhen production plant has also obtained ISO22000 food safety management system accreditation since 2007. This further underpins the Group's ability to identify and control food safety hazards, and that its management and production system aligns with global standards. In addition, the Group provides training to employees regularly to communicate proper food safety measures and to introduce good practices in performing food handling activities including:

- Food materials receiving, storing and issuing practices;
- Food preparation and production management; and
- Sanitation and safety practices including waste management.

The food safety and good practices guidelines is a KPI for HFT's employees. Employees in charge of food handling and production are expected to follow the Group's policies such as utilisation of air shower prior to and after food production related activities, as well as abiding by the rules for using changing room and personal hygiene.

The Group is not aware of any material non-compliance with relevant standards, rules and regulations on health and safety, advertising, labelling and privacy matters related to products and services provided during the reporting period.



Our Hong Kong plant in Tai Po adopts stringent quality control



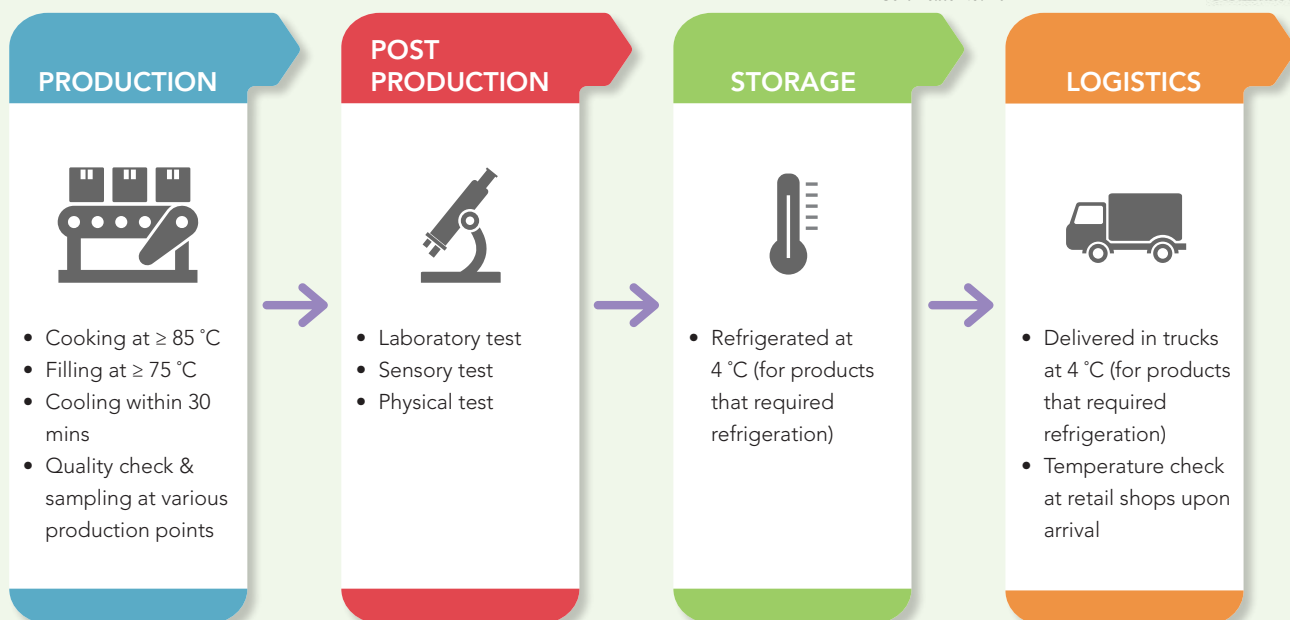
ACI-HACCP
Certificate No:H072



ISO 22000:2005
Certificate No:F072



ACI-GMP
Certificate No:GMP012



* The above flowchart is largely applicable to production of freshly made products available in HFT retail stores in Hong Kong.



CUSTOMER SATISFACTION

Our customers' feedback is a key driver in our effort to continuously develop and improve our products. The Group has multiple channels of communication with our customers to evaluate customer satisfaction on their experience with the products. Established in 2008, our loyalty membership programme JIKA CLUB is one of the most important channels of customer engagement. In order to satisfy different customer needs and enhance customer satisfaction, the Group continues to expand the JIKA CLUB programme. There were over 637,000 members as at the end of 2016. The Group is highly attentive to the needs of its members, and conducts regular surveys (including questionnaire, focus groups and tastings) to understand their experiences and comments, as well as provides exclusive privileges and services to members.

Customer feedback and complaints are clearly documented and communicated to the Group's representatives in order to ensure that each case is addressed in a timely manner. Customer Feedback and Complaints Handling Procedure and Customer Service Phone and Email Handling Procedure are developed to provide standardised procedural guidance to employees.

The Group is not aware of any significant complaints related to products and services during the reporting period. We consider issues that are significant to be those related to material non-compliance with relevant standards, rules and regulations on health and safety, advertising and labelling, and intellectual property rights, etc.



INTELLECTUAL PROPERTY RIGHTS

The Group regularly reviews its internal policies and systems to ensure that intellectual property rights are observed and protected.

PRIVACY AND INFORMATION SECURITY

To gain the trust from our stakeholders, governance over security of personal information is important to us. The Group is compliant in safeguarding data privacy in accordance with the Personal Data (Privacy) Ordinance. The Group has put in place strict company confidential information and personal data protection policies. Specifically, the Group warrants all directors and employees to protect any confidential information such as consumer data, employee data, operating procedures and computer information from leakage. Employees who are authorised to access or manage such information must take adequate security measures in order to prevent misuse of confidential information for personal gains.

ANTI-CORRUPTION

The Group has its own code of ethics in place which includes preventive measures against corruption within the business. Preventive measure includes whistle blowing procedures as well as setting a limit of HK\$300 to all employees for accepting symbolic promotional or festive gifts. The code covers a range of topics including data privacy, protection of copyright, anti-corruption and anti-competitive behaviour. Company procedures are in place to ensure that the code is clearly communicated to everyone, including newly joined staff members, and correctly imposed on the Group's directors, officers and employees. In this reporting period, there was no concluded legal cases of corrupt practices brought against the Group or our employees.

COMMUNITY INVESTMENTS

The Group commits to be a responsible and proactive member of the local community with an aim to leave a positive mark in the society. A number of awards and recognitions have been granted to the Group as appreciation for its sustainability efforts and positive influences. The Group has received the "Caring Company" logo awarded by the Hong Kong Council of Social Services for 10 consecutive years, demonstrating its continued social initiatives to create positive impact to the people, communities and environment. The Group is committed to continue its social sustainability practices with the aim to contributing to the community's welfare.



COMMUNITY CONTRIBUTIONS

The Group is actively involved in supporting the community through charity work, promoting healthy living, and caring for the underprivileged. Progress and feedback of these initiatives are tracked to ensure that the value created is optimised.

CHARITY DONATIONS AND SPONSORSHIPS

The Group gives back to the society through sponsorships and partnership with other non-profit organisations. The Group provided in-kind products, coupons and cash sponsorship to around 200 NGOs, schools and associations in 2016. It also supported fund-raising initiatives by placing donation boxes and distributing promotional leaflets in over 90 retail stores across Hong Kong.

In 2016:

- **120,000+** in-kind products or coupons donated to NGOs, schools and associations, with a retail value exceeding **HK\$1,107,000**
- **HK\$180,000+** cash donation

Major charity events sponsored by the Group in 2016 include:

- The **Skip Lunch Day**, was launched in collaboration with The Community Chest of Hong Kong seven years ago. The Group sponsored tens of thousands of food coupons for redemption of selected Hung Fook Tong products as a token of appreciation for lunch money donated to the scheme. In 2016, the event raised HK\$2.0 million for the Community Chest.



- The Group has been the food sponsor for **Oxfam Trailwalkers** at one of the checkpoints since 2015. The food booth received overwhelming responses from the participants, serving 3,500 packs of soup and 30,000 pieces of siumai in 2016.





VOLUNTEERING

The Group has established its own "Hung Fook Tong Volunteers Team" to encourage its employees to participate in social and community activities. The Hung Fook Tong Volunteers Team has organised a number of activities to support community services and events. Complementary personal leave (公益假) is granted to staff to encourage them to participate in community services or charity competitions such as "Oxfam Trailwalker", "The Standard Chartered Hong Kong Marathon", "St. James' Cup Kin-ball Charity Tournament" and "AXA Hong Kong Streetathon".

In 2016, its employees took part in various charity events or voluntary services:

- Involved a total of **113** attendances
- Contributed a total of **458** service hours to the community

Together We Reduce Food Waste



Hung Fook Tong Volunteers Team participated in a series of food recycling related voluntary work in 2016. They prepared and distributed hot meal boxes to elderly at Food Angel's community canteen. At another service with Food Friend Action of People Service Centre, the volunteer team collected and distributed recycled food to elderly and family-in-need.





ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORTING GUIDE INDEX FROM THE STOCK EXCHANGE OF HONG KONG LIMITED

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KPI A1.3	Total hazardous waste produced (in tonnes) and, where appropriate, intensity.	–
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KPI A1.5	Description of measures to mitigate emissions and results achieved.	13-17
KPI A1.6	Description of how hazardous and non-hazardous wastes are handled, reduction initiatives and results achieved.	16
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Subject areas, aspects, general disclosures and key performance indicators ("KPIs")		Page number
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Subject areas, aspects, general disclosures and key performance indicators ("KPIs")		Page number
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