



**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**





Naturally Made,  
Wholeheartedly Good





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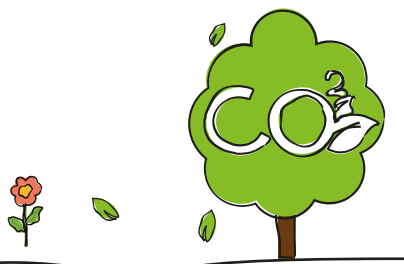




## 2017 HIGHLIGHTS

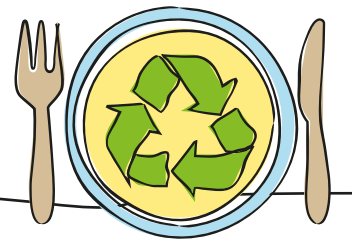
For the financial year ended 31 December 2017/as at 31 December 2017, Hung Fook Tong Group Holdings Limited had:

**9,653** TONNES  
of CO<sub>2</sub>-e of Greenhouse Gas Emissions



**104.5** TONNES  
of food waste recycled, reduced

**23.5** TONNES  
of CO<sub>2</sub>-e of Greenhouse Gas Emissions



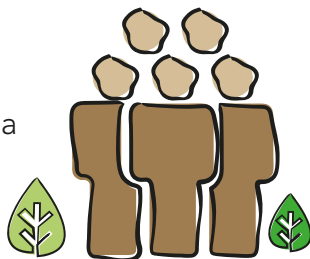
**106,313** m<sup>3</sup>  
of water consumed



**1,366** EMPLOYEES

**891**  
in Hong Kong

**475**  
in Mainland China



**170**

key suppliers







130 RETAIL STORES

115  
in Hong Kong

15  
in Mainland China

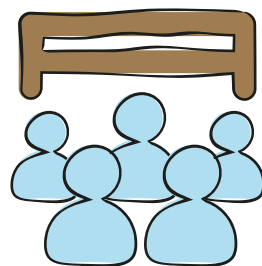


150

training courses,  
involving

2,210

attendances



Cash, in-kind products or coupons  
donated to over

210

NGOs, schools and  
associations



Contributed

548 SERVICE HOURS

to the community



Received Hong Kong Awards for  
Environmental Excellence 2017:  
Shops And Retailers –  
Silver Award and  
Green Organisation Recognition



香港環境卓越大獎  
Hong Kong Awards for Environmental Excellence



23 shops received  
"GOLD AWARD"  
following the signing of the  
"CHARTER ON EXTERNAL  
LIGHTING"





## ABOUT HUNG FOOK TONG

Hung Fook Tong Group Holdings Limited ("HFT" or the "Company") and its subsidiaries (collectively, the "Group") are principally engaged in the production and sales of a variety of natural, healthy and additive-free food and beverage products such as Chinese herbal drinks and non-herbal drinks, Chinese-style soups, tortoise herbal jellies and other food items under the Hung Fook Tong brand.

The products are sold through two principal business channels: retail and wholesale. For the retail business, the Group's freshly made products are sold through its own retail network. As at 31 December 2017, the Group has 115 self-operated shops in Hong Kong and 15 retail shops in Mainland China. Hung Fook Tong remains the largest herbal retailer in Hong Kong based on retail network size, with its shops mainly located at MTR stations and shopping malls.

For the wholesale business, the Group's long shelf-life drinks are primarily supplied to third-party retailers and distributors around the world. In Hong Kong, as validated by Nielsen, the Group has maintained its No.1 position in the Wellness Drink Category for the fifteenth consecutive years by capturing 37.3% of market share in terms of sales value in 2017. In Mainland China, it has partnered with 73 distributors and 20 key accounts as at 31 December 2017, covering 18 provinces and 53 cities. The Group's long shelf-life drinks are also sold to overseas distributors in Macau, the United States, Canada, Malaysia, Australia, Singapore, Taiwan, the Philippines, New Zealand, Britain, Netherlands, etc.

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 Group focuses on promoting a brand value of living a natural and healthy lifestyle, while promulgating the Chinese herbal wisdom. With over three decades of operation, it has transformed from a traditional Chinese herbal tea shop to a leading food and beverage brand with diversified products. Consistent with its brand values, the Group is committed to performing duties of a responsible corporate citizen and bringing contributions to the society and environment.





## MESSAGE FROM THE CHAIRMAN



**Mr. Tse Po Tat**  
Chairman and  
Executive Director



To our stakeholders,

Standing by the motto of “Naturally Made, Wholeheartedly Good”, HFT has dedicated itself to promoting a modern concept of wellness through our rich product offerings. Putting sustainability at the heart of decision making, the Group focused its sustainability efforts on effective use of resources, employee health and safety, product responsibility and anti-corruption. In the Group’s second Environmental, Social and Governance (“ESG”) Report, HFT strives to increase its transparency and report on our performance more comprehensively.



The board of directors (the “Board”) is dedicated in addressing our stakeholders’ concerns on the impact of HFT’s business on the environment and the community. It regularly reviews and evaluates the Group’s ESG performance and examines related risks during board meetings. The Board oversees that comprehensive and proper risk management and internal control mechanisms are in place for effective corporate management of various ESG aspects.

At the core of our business and our brand is our people. The Group’s performance is attributed to our employees’ dedication and support for our values. Strongly believing in the importance of building a long-term relationship with our employees, the Group devotes itself to providing a safe and healthy working environment through execution of comprehensive safety policies.

Putting customer satisfaction first, the Group has adopted effective quality control procedures that covers every stage from production to logistics to ensure the quality and safety of our products. In 2018-2019, our production plant is due for relocation from Guanlan, Shenzhen to Kaiping, Guangdong. The new production facilities in Kaiping will be equipped with higher level of automation, which will provide additional capacities and facilitate cost-effective production with enhanced quality control mechanism.

To encourage a healthier diet, the Group responded to the government’s call for reduction of salt and sugar content with the aim of setting a standard for the industry. Research and development works on the application of zero-calorie Rare Sugar (稀少糖) in some of our beverage products began in 2017. This new line of products has been rolled out since spring 2018, providing healthier options to our customers.

The Group has been widely recognised by its external stakeholders for its endeavours on corporate social responsibilities. During the reporting year, it has received the “Shops and Retailers – Silver Award” and the title of “Hong Kong Green Organisation” from the Hong Kong Awards for Environmental Excellence 2017, organised by the Environmental Campaign Committee. Meanwhile, the Group has also been named “Best in ESG” in the “Small Market Capitalisation” category of the BDO ESG Awards.

Despite its determination and recognitions, the Group’s pursuit of sustainability is not without challenges. The management is aware of the increasing concerns on municipal solid waste management including the recycling of plastic materials. With plastic being one of our key packaging materials, the Group has continued its support to a number of plastic bottles recycling machines across Hong Kong, while a series of plastic waste reduction initiatives, such as “No Straw” campaign, have been implemented at the shops since June 2018. Continuous efforts are also placed on exploring possibilities of expanding our resources recycling initiatives including plastic recycling. Positioning itself as a sustainability leader, the Group will dedicate more resources to manage and coordinate its sustainability efforts more efficiently.

**Tse Po Tat**  
*Chairman and Executive Director*  
Hong Kong, 18 July 2018







## AWARDS AND RECOGNITIONS

Award	Issuer of Award
Recognition on Brand Management and Customer Service	
The Hong Kong Q-Mark Service Scheme & Q-Mark Elite Brand Awards 2017	The Federation of Hong Kong Industries
Hong Kong Service Awards 2017 & Outstanding Honorary Award	East Week
Superbrands 2017	Superbrands
2017 Hong Kong Top Brand	Hong Kong Brand Development Council & The Chinese Manufacturers' Association of Hong Kong
GS1 Consumer Caring 5 years+	GS1 Hong Kong
2017 Quality E-Shop	Hong Kong Retail Management Association
2017 My Favourite MTR Shops – Delightful Food & Beverage – Award of Excellence	MTR Corporation Limited
PARKnSHOP Super Brands Award 2016 – Healthy Drinks	PARKnSHOP
Recognition on Environmental Efforts	
Hong Kong Awards for Environmental Excellence 2017: Shop and Retailers – Silver Award	Environmental Campaign Committee
Hong Kong Green Organisation	Environmental Campaign Committee
BDO ESG Awards 2018: Best in ESG – Small Market Capitalisation	BDO Limited, Hong Kong
Charter on External Lighting Award (Gold Award)	The Environment Bureau
Recognition on Community Investment	
Caring Company 2006-2017	The Hong Kong Council of Social Service
Social Capital Builder 2016-2018	The Labour and Welfare Bureau
2015/16 Y-Care CSR Scheme (Bronze Partner)	Chinese YMCA of Hong Kong
Recognition on Talent Development	
Happiness-at-Work 5 years+	The Hong Kong Productivity Council
ERB Manpower Developer Award Scheme: Manpower Developer (2011-2019)	Employees Retaining Board
Smiling Enterprise Award & Smiling Employer Award 2017-2018	Hong Kong Mystery Shopper Service Association





## ABOUT THIS REPORT

This is the second Environmental, Social and Governance Report (the "Report") published by the Group. By reporting the policies, measures and performances of the Group in ESG, it allows all stakeholders to better understand the progress of the Group towards sustainability.

This report is available in both Chinese and English, which has been uploaded to the websites of the Group ([www.hungfooktongholdings.com](http://www.hungfooktongholdings.com)) and the Stock Exchange of Hong Kong Limited ("SEHK") respectively.

## REPORTING BOUNDARY

The Report focuses on the Group's business segments of retail and wholesale<sup>1</sup>, covering the operation of retail shops in Hong Kong ("Hong Kong retail shops"), as well as offices and factories in Hong Kong and Shenzhen ("Hong Kong office", "Hong Kong factory", "Shenzhen office" and "Shenzhen factory" respectively) for the financial year ended 31 December 2017 (the "Reporting Year"). The environmental Key Performance Indicators ("KPIs") of Hong Kong retail shops presented has been newly included in this Report, which the figures and related calculations had not been covered in HFT's 2016 ESG Report. Although this Report does not cover all of the Group's operations, the aim of the Group is to consistently focus on areas that have the most significant environmental and social impacts and influences on its stakeholders. The Group is considering the feasibility to enhance the internal data collection procedure and to expand the scope of disclosure gradually.

## REPORTING STANDARD

This Report is prepared in accordance with the 'comply or explain' provisions of ESG Reporting Guide (the "ESG Reporting Guide") contained in Appendix 27 of the Rules Governing the Listing of Securities on the SEHK. The four reporting principles: materiality, quantitative, balance and consistency form the backbone of this Report. Also, the Report includes selected KPIs that are categorised by the ESG Reporting Guide as 'recommended disclosures' for enhanced reporting. A complete index is inserted in the last chapter for reader's easy reference.

To ensure the accuracy of environmental KPIs, the Group's greenhouse gases ("GHG") emissions from its operations were quantified through carbon assessment conducted by an independent professional consultancy.

## CONFIRMATION AND APPROVAL

Information documented in this report is sourced from the official documents, statistical data, management and operation information of and collected by the Group and its subsidiaries according to the policies of the Group. The Report has been approved by the Board of Directors on 18 July 2018.

## OPINION AND FEEDBACK

The Group values the opinion of stakeholders. If you have any questions or suggestions regarding the content or format of the Report, please contact the Group via the following channels:

Hung Fook Tong Group Holdings Limited  
Address: 11 Dai King Street, Tai Po Industrial Estate,  
Tai Po, New Territories, Hong Kong  
Email: [enquiry@hungfooktong.com.hk](mailto:enquiry@hungfooktong.com.hk)  
Telephone: (852) 3651 2000  
Fax: (852) 3651 2265

<sup>1</sup> The principal subsidiaries of the Company relevant to production are Taclon Industries Limited and Hung Fook Hong Health Food (Shenzhen) Company Limited\*, the business segments of retail and wholesale are Hung Fook Tong Franchise System Management Limited, Quality of Life Products Company Limited, Hung Fook Tong (China) Development Limited, Hung Fook Tong (Guangzhou) Trading Company Limited\*.

\* The English names of the subsidiaries represent the best effort by the management of the Company in translating their Chinese names as they do not have official English names.

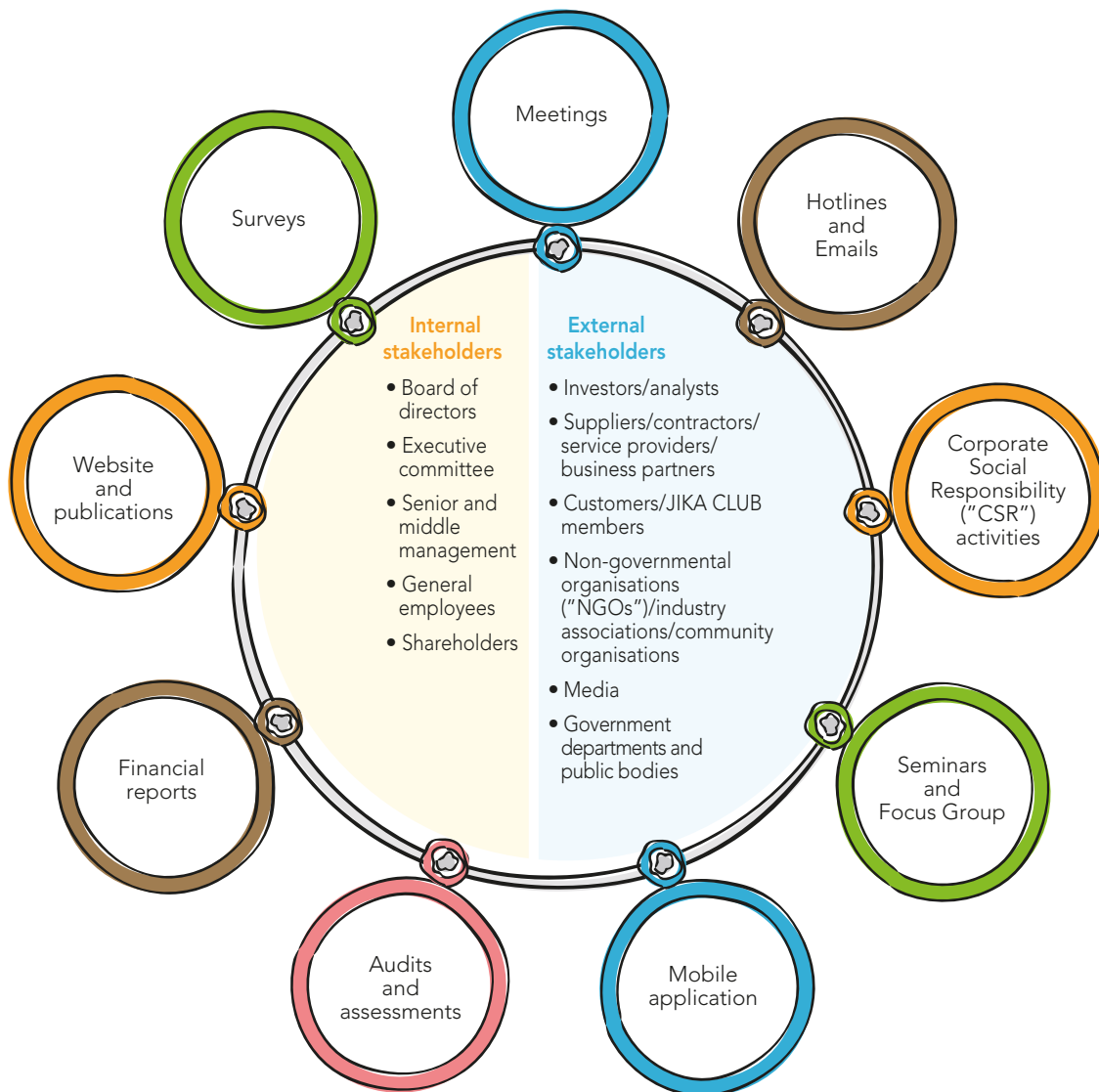


## STAKEHOLDER ENGAGEMENT

As a key in the business management of the Group, stakeholder participation helps the Group review potential risks and business opportunities. Communicating with stakeholders and understanding their views allow the Group to better fulfil their needs and expectations with its business practices and manage different stakeholders' opinions. The Group constantly communicates with key internal and external stakeholders via various channels. This ensures that they have the opportunity to learn about the Group's development and operation directions and offers the Group a chance to listen to them in order to identify the priority of issues and develop corresponding policies.

### MAIN MEANS OF STAKEHOLDER ENGAGEMENT

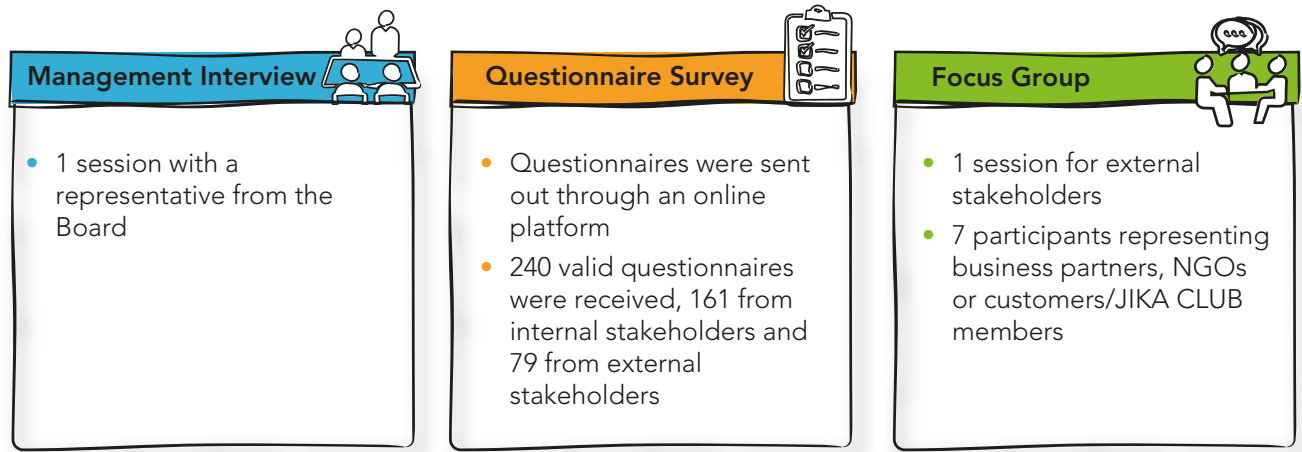
The graph below presents key stakeholders of HFT and explains the engagement channels through which HFT communicated with them during the reporting year.





# MATERIALITY ASSESSMENT

While preparing the Report, the Group commissioned Carbon Care Asia Limited, an independent consultancy, to conduct a materiality assessment. Through management interview, focus group and questionnaire surveys, both qualitative and quantitative information concerning stakeholders' views were collected to determine the relative materiality on various ESG issues.

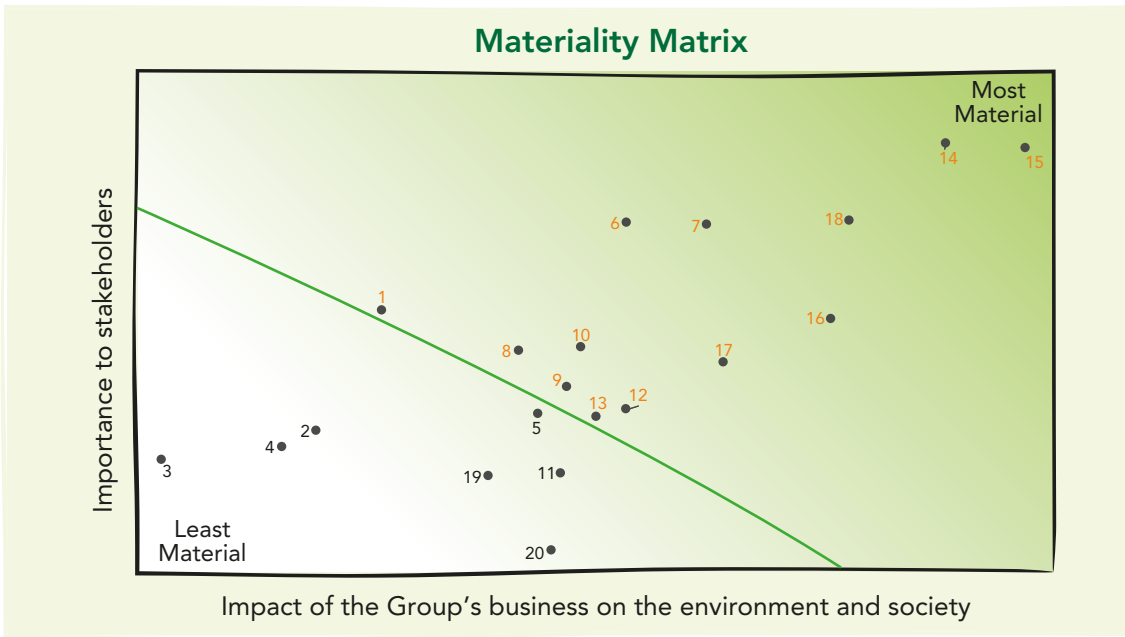


## MANAGEMENT INTERVIEW

To understand the Group's vision and goals in sustainability, an in-depth interview was conducted with an executive director of the Company.

## QUESTIONNAIRE SURVEY

In the questionnaire survey, various stakeholders were requested to rate 20 issues according to their level of impact in HFT's business on environment and society, and their importance to the stakeholders themselves respectively. The ratings were organised and analysed to form the materiality matrix below with a fitted line drawn based on the average ratings by the stakeholders. The green line acted as a threshold so that issues lying on or above the green line were defined as material issues.







As a result, 13 material issues (as listed below) were identified from the materiality matrix, representing the issues that were of higher importance to both HFT's business and its stakeholders. These 13 issues, together with an issue on community investment<sup>2</sup>, guide the focus of this Report in addressing various aspects of the ESG Reporting Guide.

Number	Identified Material Issues
15	Quality management and after-sales service
14	Protection of customer information and privacy
18	Prevention of bribery, extortion, fraud and money laundering
7	A safe and healthy working environment
16	Fair and responsible marketing communication and information
6	Employment management system
17	Protection of intellectual property rights
10	Prevention of child labour or forced labour
8	Training and development
12	Assessing and managing the negative impact on the environment through the supply chain
9	Elimination of discrimination, supporting employee diversity and providing equal opportunities
13	Assessing and managing the negative impact on social issues through the supply chain
1	Use of resources

## FOCUS GROUP

Based on the discussion in the focus group, most of the participating external stakeholders considered HFT as the leader of sustainability in its industry. They anticipated HFT to adopt more ambitious sustainability measures and bring forward changes in the industry through leveraging its leadership. Suggestions from stakeholders at the focus group will be detailed in relevant sections of the Report.

## ANALYSIS AND IMPLICATION

Both qualitative and quantitative information collected through the materiality assessment will guide the focus of the Report and the formulation of HFT's future sustainability roadmap.

Going forward, to ensure the effectiveness of stakeholder engagement, the Group dedicates itself to establishing communication mechanisms for transparency, integrity and accuracy and providing timely response on an ongoing basis. The Group will strengthen its interaction with stakeholders to create mutually beneficial relationships.

<sup>2</sup> Issue with number 19: Understanding needs of the community and managing the impact of operation on the community.

## ENVIRONMENTAL ASPECTS

### PROTECTING THE ENVIRONMENT

Sustainability and environmental awareness are gaining momentum in the business world and are directly related to the interests of the communities where the Group operates. By adopting the Environmental, Social and Corporate Governance Policy (the "ESG Policy"), the Group pledges to uphold environmentally responsible business practices. This policy sets out an implementation plan of environmental protection measures so as to save energy, reduce wastage and promote recycling, which include:

- reductions of carbon emissions in response to global emission standards, in order to avoid catastrophic consequences of climate change;
- effective and prudent use of fuels, water and other natural resources;
- active involvement in environmental-friendly initiatives, such as food waste recycling, surplus food donation and recycling of packaging materials; and
- promote environmental awareness among staff and customers.

To promote environmental education within the Group and advocate a green lifestyle, the Group has established a 'GREENSEED' group to engage its employees with green ideas and events.

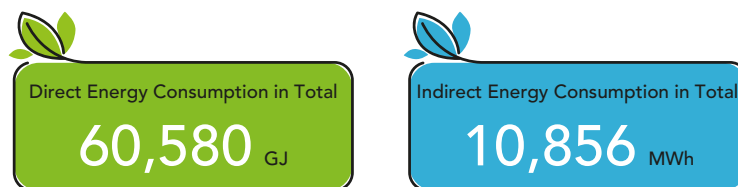
During the Reporting Year, the green endeavours of the Group have received external recognitions:



### USE OF RESOURCES

The Group recognises the inherent scarcity of resources on the planet. Therefore, it obliges itself to use resources in an efficient and responsible manner. In delivering its products and services, the Group aims at using environmental-friendly materials and equipment as far as possible.

The Group uses a wide range of resources including electricity and water for production and retail operations, as well as fuel for boilers. For energy use, purchased electricity is the largest type of energy end-use.











Year	Consumption of office paper	Packaging materials (plastic) <sup>3</sup>	Packaging materials (carton) <sup>3</sup>	Water consumption	Natural gas consumption
2017	8,512 kg	329.1 tonnes	57.4 tonnes	106,313 m <sup>3</sup>	34,735 GJ
2016	Not available	Not available	Not available	262,961 m <sup>3</sup>	33,633 GJ (i.e. 863,924 m <sup>3</sup> )

<sup>3</sup> These figures cover the packaging materials used in Hong Kong factory only, while data from the Hong Kong retail shops are not included to avoid duplication.



For more effective use of resources, a series of measures have been implemented:

Resource	Highlights of measures
<b>Water</b> 	<ul style="list-style-type: none"> <li>Carrying out regular inspections of water-consuming production equipment (fresh water expansion tanks, water pumps, chillers, condensers, etc.) to prevent water leakage and ensure water efficiency</li> <li>Installing a steam condensate recovery system to reuse production water for cleaning and product cooling purposes               <ul style="list-style-type: none"> <li>300 tonnes of water conserved monthly in the Shenzhen factory</li> <li>900 tonnes of water conserved monthly in the Hong Kong factory after repairing the steam condensate recovery tank</li> </ul> </li> <li>Adopting an extraction process to facilitate effective use of water during cooking process</li> <li>Reducing water demand by the improvement of production process and technologies, i.e. conducting laboratory monitoring on water quality, adding sanitizers to non-drinking water used in cooling process during production to extend the water changing cycle</li> <li>Educating employees to enhance awareness in water conservation in office areas, retail shops and factories</li> </ul>
<b>Energy</b> 	<ul style="list-style-type: none"> <li>Providing regular maintenance to energy-consuming production equipment (cold storages, boilers, steam laminated pots, steam cabinets, circular clean-in-place system, etc.) to ensure high energy efficiency</li> <li>Putting up and circulating reminder notices to staff to switch off office equipment after use</li> <li>Implementing energy saving measures in factories and retail shops (e.g. retrofitting with LED lighting, turning off external lighting after midnight, etc.). Over 90% of Hong Kong retail shops are equipped with door-closing fridges/fridges with either plastic curtains or sliding doors, to reduce energy consumption</li> </ul> 
<b>Paper</b> 	<ul style="list-style-type: none"> <li>Promoting paper-less transactions by launching electronic-coupons since 2011</li> <li>Adopting security printing system to avoid unnecessary printing and encouraging double-sided printing</li> <li>Using FSC-certified papers for financial publications and office printing</li> <li>Putting up paper saving notices at offices and washrooms</li> <li>Setting up collection bins for paper reuse and recycling at office areas</li> </ul> 
<b>Packaging</b> 	<ul style="list-style-type: none"> <li>Offering discount coupons as incentives for a number of plastic bottle recycling machines across Hong Kong</li> <li>Collecting used and cleaned tortoise herbal jelly containers from customers for recycling</li> <li>Minimising the use of paper cartons for product delivery by using reusable baskets</li> <li>Installing recycling machines for plastic bottles and aluminium cans in office areas</li> </ul> 
<b>Raw materials and products</b> 	<ul style="list-style-type: none"> <li>Adopting the Enterprise Resource Planning system for inventory monitoring, demand estimation, production planning and delivery schedule planning, to minimise raw material wastage at factories and product wastage at shops</li> <li>Offering some of its food waste from Hong Kong factory to a recycling company on a daily basis</li> </ul>



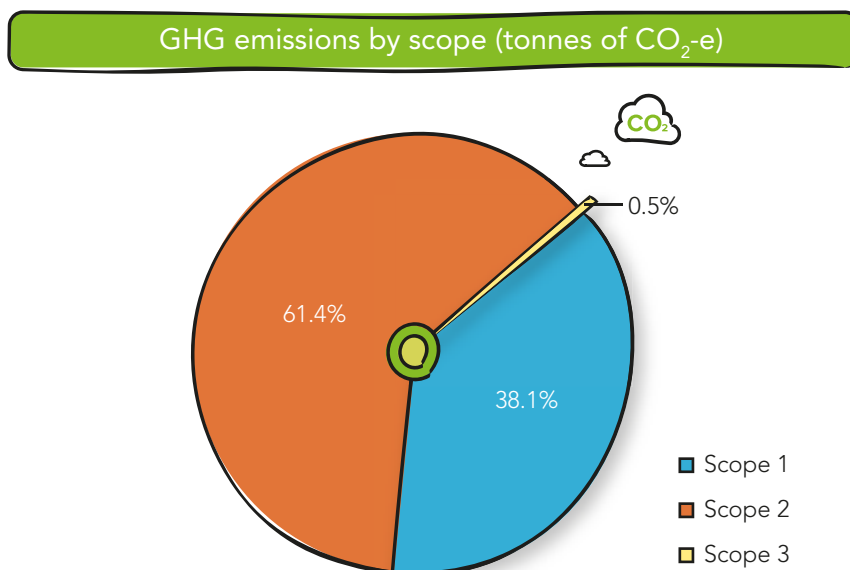
## EMISSIONS

Environmental responsibility is an essential part of the Group's philosophy that contributes strongly to its long-term success. To address climate change, the Group measures, controls and reduces its production of air pollutants, GHG emissions and waste. The Group continues to manage its emissions by giving preference to procuring and using clean or low-emission machines and equipment. Currently LED lights can be found in over 80% of the Group's retail shops. Priority is given to LED lights when there is need for replacement.

### GHG emissions

The process of quantification was conducted according to the Guidelines<sup>4</sup> released by the National Development and Reform Commission of the People's Republic of China ("PRC"), the Guidelines<sup>5</sup> compiled by the Environmental Protection Department and Electrical and Mechanical Services Department of Hong Kong and international standards including ISO 14064-1 and GHG Protocol.

Scope	GHG Emissions in 2017 (tonnes of CO <sub>2</sub> -e)	GHG Emissions in 2016 (tonnes of CO <sub>2</sub> -e) <sup>6</sup>
Scope 1: Direct GHG emissions <sup>7</sup>	3,678	1,734
Scope 2: Energy indirect GHG emissions <sup>8</sup>	5,924	3,365
Scope 3: Other indirect GHG emissions <sup>9</sup>	51	112
<b>Total GHG emissions</b>	<b>9,653</b>	<b>5,211</b>
<b>GHG intensity (tonnes of CO<sub>2</sub>-e/HK\$1,000 revenue<sup>10</sup>)</b>	<b>0.013</b>	<b>0.007</b>



<sup>4</sup> Guidelines for Accounting and Reporting Greenhouse Gas Emissions – China Food, Tobacco, Alcohol, Beverage and Purified Tea Manufacturing Enterprises (Trial)

<sup>5</sup> Guidelines to Account for and Report on Greenhouse Gas Emissions and Removals for Buildings (Commercial, Residential or Institutional Purposes) in Hong Kong

<sup>6</sup> Different accounting methodologies are adopted in the 2016 ESG Report and in the Reporting Year.

<sup>7</sup> For Scope 1, direct GHG emissions from operations that are owned or controlled by the Group, which cover stationary sources combustion, mobile sources combustion, and emissions from wastewater treatment.

<sup>8</sup> Scope 2 emissions cover purchased electricity from power companies and purchased town gas.

<sup>9</sup> Scope 3 emissions covers emissions from paper waste disposal, use of fresh water, sewage discharge from domestic and catering use in Hong Kong operations, and business flights in Hong Kong and China operations.

<sup>10</sup> This figure is calculated based on the total revenue of the Group as presented in its 2017 annual report, which covers a slightly wider boundary beyond the scope of this Report.





To develop future carbon reduction plans and targets, the Group will use the emission data gathered in the Reporting Year as a foundation for comparing with later data. It is our mission to work towards reducing the Group's carbon footprint in the future, by looking into the feasibility of establishing a group-wide carbon reduction strategy.

### Waste Management

To reduce the amount of wastes requiring disposal, the Group has joined the Programme on Source Separation of Commercial and Industrial Waste (工商業廢物源頭分類計劃), organised by the Environmental Protection Department, to set up and implement suitable mechanism to separate and recover waste.



Daily collection of food waste at Hong Kong factory by a recycler



Redistributing surplus food to the needy

In terms of managing food wastes, a main form of non-hazardous wastes produced by the Group, multiple approaches to their reduction and handling have been devised and implemented. For food products that are reaching their shelf life, the Group has established a systematic handling procedure to separate and further process these products to reduce potential food wastes. The Group partners with food banks such as People Service Centre, which conducts regular collection of surplus food at selected retail shops and redistributes the food to the needy. Furthermore, products reaching their shelf life are donated to local food banks or other community groups, sold through the Group's internal snack store, or shared among employees. For the residual food wastes at the Hong Kong factory, such as soup remains and egg shells, part of them are collected by a qualified recycling firm on a daily basis, which are processed and turned into animal feeds.



## Carbon reduction via food waste recycling

Food waste recycling is proven to be an effective means to minimise waste and reduce carbon emission. In the reporting year, HFT has reduced **23.5 tonnes** of CO<sub>2</sub>-e of GHG emissions from recycling of **104.5 tonnes** of food waste.

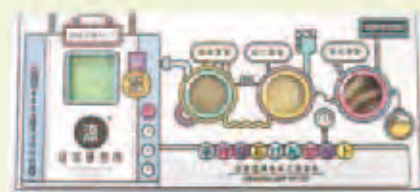
	2017	2016
Amount of food waste recycled (tonnes)	<b>104.5</b>	103
GHG emissions reduced (tonnes of CO <sub>2</sub> -e)	<b>23.5</b>	23

For other non-hazardous wastes, various materials from the Hong Kong factory including plastic, wooden pallets, carton and scrap metal, are recycled by designated agents for reselling or reprocessing. For non-hazardous wastes that cannot be recycled, they are collected and transported to landfills.

The Group has also imposed measures to manage waste water. For example, the Hong Kong factory produces effluent due to preparation of food and beverage and utensil washing, which is collected and treated with the wastewater treatment facilities of grease traps. The wastewater is discharged into communal sewer for the carriage of foul water. The Group complied with licensing requirements of the Water Pollution Control Ordinance in Hong Kong, and completed third-party laboratory testing verification of waste water samples on a regular basis. Test results in the Reporting Year indicated full compliance with the requirements.

## Herbal Upcycling Pop-up Lab

In October to November 2017, HFT partnered with a local creative platform Learn Laboratory (從涼研究所) to transform used tea leaves from Chinese herbal tea into 100% natural handmade soap. The upcycled products of herbal soaps were released in a pop-up store at PMQ (元創方), a hub for creative and design industries in Hong Kong. This is a perfect showcase of recycling and reusing residual food ingredients from the Hong Kong factory of HFT.



  
 從涼研究所  
 クールデザインラボ  
 Learn Laboratory



  
 HUNG  
 FOOK  
 TONG



## THE ENVIRONMENT AND NATURAL RESOURCES

The Group understands that, in order to generate long-term values for stakeholders and the community, it is important to minimise the environmental risks across its operations and take reasonable actions to mitigate risks to the environment and natural resources.

The Group acknowledges its environmental impact and recognises the importance of proper management. Although the Group is not involved in heavily polluting business activities, it addresses its environmental impact regarding plastic pollution. To reduce unnecessary plastic waste, the Group has been promoting plastic recycling as well as paper-less transactions, such as launching digital membership card function through its JIKA CLUB mobile application, with the aim of replacing physical membership cards in the long run. In the coming year, the Group is planning to further support plastic waste reduction, such as cutting down the use of disposable plastic utensils at retail shops since 1 June 2018.



In terms of recycling, in addition to recycling plastic bottles, boxes or other plastic packaging at its Hong Kong factory, the Group is considering to optimise its plastic recycling initiatives.



### Carbon Reduction Actions via Plastic Recycling

To reduce carbon footprint, HFT has been supporting the Recycle Actions of Returning Plastic Bottles (「交」樽減碳回收行動) initiative to encourage plastic bottles recycling. Discount coupons from HFT are offered as incentives for a number of plastic bottle recycling machines set up in over 30 locations across Hong Kong.



The Group abided by relevant laws and regulations, including but not limited to the Waste Disposal Ordinance (Cap. 354 of the Laws of Hong Kong), Air Pollution Control Ordinance (Cap. 311 of the Laws of Hong Kong), Product Eco-responsibility Ordinance (Cap. 603 of the Laws of Hong Kong), Environmental Protection Law of the PRC, and so on. During the Reporting Year, there were no non-compliance cases related to these environmental laws and regulations.



Regarding environmental protection, the following suggestions on plastic waste management were raised at the focus group:

- ✧ Setting up waste recycling or separation bins at retail shops;
- ✧ Reducing the use of plastic utensils such as straws at retail shops; and
- ✧ Replacing plastic use in production processes with biodegradable materials.

The Group will take these issues into consideration in refining its measures in the future.





# SOCIAL ASPECTS

## OPERATING PRACTICES

Manufacturing and distributing safe and healthy products are the centrepiece of HFT’s operations. The Group’s ESG Policy sets out HFT’s commitments to the public, as well as HFT’s shared responsibilities with its suppliers in managing a safe and corruption-free supply chain.




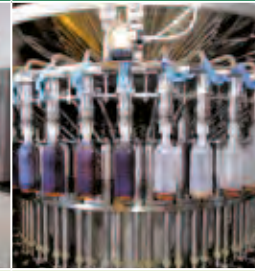

## PRODUCT RESPONSIBILITY

Sustainability is a way of life embraced by today’s consumers. The Group responds to the demand of the new generation by committing itself to environmental and social responsibility in delivering its variety of herbal and non-herbal food products.

### Food safety and quality management

The Group regards food safety and customer satisfaction as the key factors of quality of its businesses.

To enhance quality management, HFT has implemented the following measures in its production:

Raw materials/food ingredients	Packaging materials	Finished products	Hygiene	Storage
 <ul style="list-style-type: none"> <li>Standardised procedures in procurement with ordering specifications</li> <li>Sampling inspections</li> </ul>	 <ul style="list-style-type: none"> <li>Assurance on specifications, quality requirement and hygiene standards</li> <li>Sampling inspections</li> </ul>	 <ul style="list-style-type: none"> <li>Sampling inspections and monitoring</li> <li>Product quality traceability</li> <li>Verification of process control with laboratory analysis and tests</li> <li>Hazard Analysis and Critical Control Point (HACCP) system</li> </ul>	 <ul style="list-style-type: none"> <li>Guidelines set out in Good Manufacturing Practices (GMP) on production hygiene</li> <li>Workshop uniform standards</li> </ul>	 <ul style="list-style-type: none"> <li>Guidelines on storage of different raw materials and finished products in terms of storage location, shelf life and temperature</li> <li>Guidelines on product handling in retail shops operations</li> </ul>



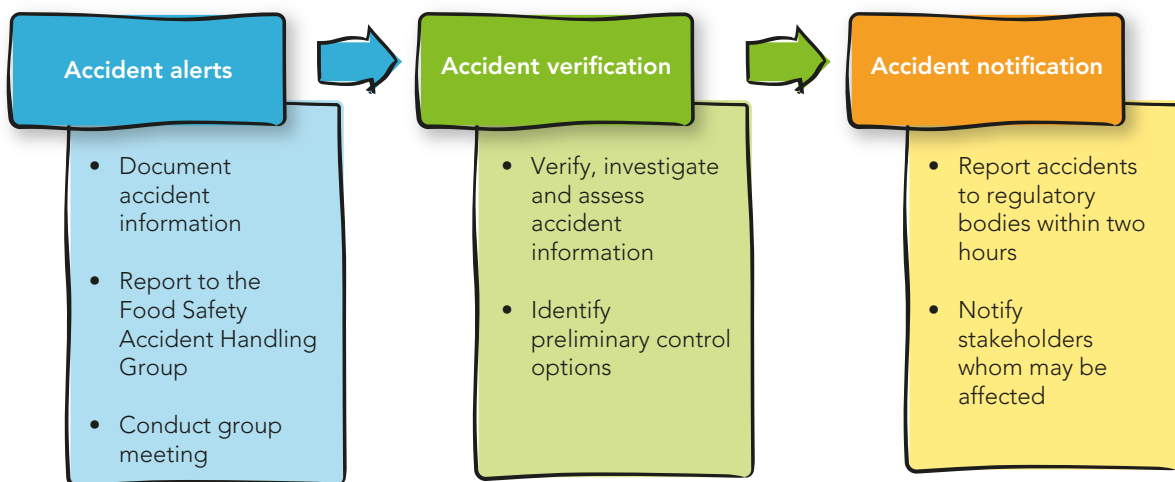
## Major quality management systems adopted by the Group



The Hong Kong factory has established a Food Safety Committee to monitor the implementation of measures and coordinate internal audits for ISO 22000.

As for the Shenzhen factory, it has formed a Food Safety Accident Handling Group (食品安全事故處理小組)\* in accordance to its Control Procedures of Food Safety Accident Handling (食品安全事故處理控制程序)\*, which prescribes the follow up actions when food safety accidents occur. These actions entail the procedures listed out below.

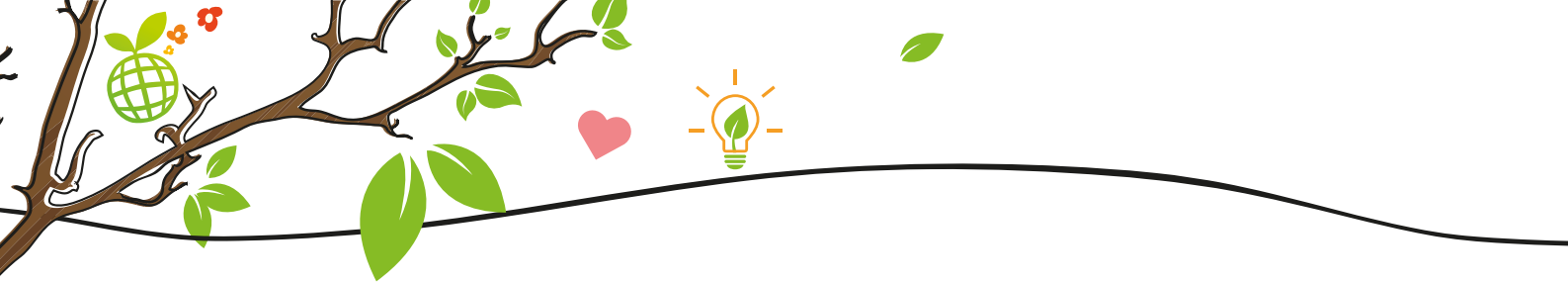
### Control Procedures of Food Safety Accident Handling



There were no significant food safety accidents within the Group during the Reporting Year.

\* The English wordings of the terms and names of procedures/policies hereafter in this Report represent the best effort by the management of the Company in translation, as they do not have official English titles.





### Customer satisfaction

The Group strives to maintain customer satisfaction and foster mutually beneficial relationships by providing quality and reliable products and services. The Group offers various privileges to members of its loyalty programme JIKA CLUB, which served over 730,000 members as at the end of the Reporting Year.

The Group has established procedures in handling customer complaints. Each complaint is documented in a feedback form and handled in a timely manner with remedial actions by respective departments. As at 31 December 2017, excluding cases that had lost contacts, there were no unresolved customer complaints occurred in the Reporting Year.



### Product recall

Procedures have been formulated for product recall at retail shops to ensure effective operation. In Hong Kong, according to the Retail Operation Manual (分店營運手冊), if the Retail Operations and Management Division determines that a retail product problem is prevalent in the entire HFT retail chain, a product recall would be announced and transportation would be arranged in due course. If the recalled product constitutes potential hazards to the customers or the public, the Crisis Management Team would be alerted to trigger crisis management procedures, while calling in supports from local regulatory bodies if needed. For better remediation and prevention, documents such as the HFT Control Procedures on Non-conforming Products (鴻福堂不合格品控制程序) have also been established for review, labelling, isolation, handling and recording of products that fail to meet customer requirements.

Another set of product recall procedures for wholesale products such as long shelf-life bottled drinks is implemented in Hong Kong and Mainland China. Once product complaints are received from customers, third-party retailers or distributors, Hong Kong office will proceed with product audits at the factories and the Quality Management Department will inspect those sample products. Once the product problem is verified and considered to constitute potential hazards to the public, the product task force would handle the logistics for product recall from different sales locations in Hong Kong (including Hong Kong retail shops) and across Mainland China. After further investigation, an improvement plan is drafted by the factory staff, reviewed by the product task force, communicated to the complainant and put to implementation.

In the Reporting Year, there were no products subject to recall for safety and health reasons.



## Advertising and labelling

The Group recognises its responsibility in advertising and labelling. On advertising, the Group ensures the advertised contents are compliant with local regulations including the Undesirable Medical Advertisements Ordinance, the Trade Descriptions Ordinance of Hong Kong, etc. If any complaints related to HFT's advertisements are received, the Group shall conduct investigation, render proper solutions to settle the complaints, and review mitigation measures to prevent similar complaints in the future.

Product labels inform customers of information on allergens, safe consumption advice and inspected shelf dates. Regarding product labelling, the Group acts in accordance with the Trade Guidelines on Preparation of Legible Food Label issued by Hong Kong's Food and Environmental Hygiene Department. During the Reporting Year, the Shenzhen office and factory appointed Shenzhen Academy of Metrology and Quality Inspection to conduct laboratory testing on HFT's food and beverage products. The test reports indicate that HFT product labelling conforms to the requirement of the pertinent national standards of the PRC (namely GB 7718-2011 General Standards for the Labelling of Pre-packaged Foods, and GB 28050-2011 General Standards for the Nutrition Labelling of Pre-packaged Foods).

Moving forward, HFT is going to gradually feature product labels in line with the "Salt/Sugar" Label Scheme for Pre-packaged Food Products (預先包裝食品「鹽／糖」標籤計劃)<sup>11</sup> to its products of low sugar or sodium content, to cater to the needs of health-conscious customers from spring 2018.

## Customer data and intellectual property

The Group also acknowledges the importance of protecting customer data and intellectual property. With the number of JIKA CLUB members increasing, the need of ensuring customer data security has become more prominent. The Group abides by the Personal Data (Privacy) Ordinance of Hong Kong in its membership application and management procedures. If customers suspect that their privacy has been violated, they can submit their concerns or complaints through HFT's customer service channels and investigation will be carried out. Moving forward, the Group is reviewing the feasibility of upgrading its company IT systems and infrastructure to further enhance information security.

During the Reporting Year, no cases of non-compliance in relation to product responsibility or the Personal Data (Privacy) Ordinance of Hong Kong, and no complaints on personal data protection were reported.



Regarding product responsibility, the following concerns or suggestions were raised at the focus group:

- ✧ Enhancing transparency of product information disclosure such as the use of packaging materials;
- ✧ Providing more insights on food traceability such as origins of ingredients used;
- ✧ Ensuring stringent precaution measures are taken to assure product quality and safety during delivery and storage; and
- ✧ Expanding product offerings such as providing more sugar-free choices.

The Group will take these issues into consideration in refining its product responsibility management in the future.

<sup>11</sup> A voluntary scheme introduced by the Hong Kong Government in October 2017 to help consumers identify low-salt and low-sugar products more easily and make informed choices.



## ANTI-CORRUPTION

A fair and competitive market is key to the healthy development of the industry. To protect the interests of all stakeholders, the Group has zero tolerance for bribery, extortion, fraud and money laundering. Employees are required to uphold values of honesty and integrity at all times.

In the Clerical and Non-Clerical Staff Handbooks applicable to all levels of employees, the Group has included terms of anti-corruption regulation for all directors and employees, prohibiting acceptance or offering of advantage and specifying handling of conflict of interest. During the Reporting Year, the Group organised workshop hosted by representatives from the Independent Commission Against Corruption (ICAC) to enhance employee awareness of corruption prevention.

The Group encourages employees to report improper or unlawful conduct. According to the Group's Whistleblowing Policy, a designated reporting channel has been established, through which whistleblowers can contact their line manager (or his or her superior) within the department. In the event of special situations (where the whistle-blower feels uncomfortable reporting through his/her line manager, the line manager has declined to handle the case, or it is the line manager who is the subject of the report), the whistleblower can contact a designated senior officer: Company Secretary or Chief Internal Auditor. If the report is extremely serious or in any way involves the designated senior officer, the whistleblower can report it directly to the Chairman of the Board's audit committee. The process is kept confidential and whistleblowers are protected against unfair dismissal, victimisation or unwarranted disciplinary action. Upon internal investigation, personnel suspected of corruption or other related criminal conduct shall be transferred to enforcement authorities such as the ICAC.

The Board's audit committee has overall responsibility for the Whistleblowing Policy, and has delegated day-to-day responsibility for overseeing and implementing it to the designated senior officer: Company Secretary or Chief Internal Auditor. Responsibility for monitoring and reviewing the operation of the Whistleblowing Policy and any recommendations for action resulting from investigation into complaints lies with the audit committee.

During the Reporting Year, there were no cases of non-compliance or legal cases in relation to corruption.

## SUPPLY CHAIN MANAGEMENT

HFT values collaboration with and inputs of its business partners in the co-creation of a sustainable supply chain. In the Reporting Year, the Group mainly sourced food ingredients, packaging and other raw materials from over 170 key suppliers.



To emphasise the importance of sustainable supply chain management and to mitigate the social and environmental risks in the supply chain, the Group has established practices on supplier selection and monitoring. The ESG Policy shows the Group's support of fair trade, stating that the Group considers and cooperates with suppliers that are accredited with observing fair trade practices by the World Fair Trade Organization in the procurement process. This is to encourage better trading conditions and promote sustainability among the Group's business partners and in its supply chain.



### Supplier selection and monitoring

The Group takes multiple factors into consideration in its supplier selection process. Suppliers are required to render proof such as business registration, food manufacturing permits, export permits, quality and safety certificates, and third-party testing reports. The Supplier Evaluation Method document (供應商評選辦法)\* has established a risk rating system for the selection of new suppliers. Taking into account public food safety incidents and risk alerts issued by local governments in recent years, the risk rating system requires potential suppliers to identify their risk factors and propose controlling measures. For existing suppliers, the Qualified Supplier Examination Method document has prescribed examination contents (including product quality, delivery timeframe, degree of cooperation, and improvement capability) and a rating scheme. On-site evaluation is carried out along the production cycle. Suppliers that fail to pass the examination or violate integrity would be eliminated from the Group's list of qualified suppliers.

The Group believes that sustainability can only be achieved through concerted efforts. Therefore, the Group actively solicits the support of its supply chain partners in raising the overall environmental and social performances of the industry. In the long run, the Group will continue to promote values of sustainability to its partners.

## EMPLOYMENT AND LABOUR PRACTICES

HFT cares about its employees and strives to fulfil its duties as a responsible employer. The ESG Policy states that the Group shall provide a safe and healthy working environment to employees, ensure equal opportunities, promote gender balance, support the employees in maintaining work-life balance with family-friendly policies, and promote life-long learning of employees.

### HEALTH AND SAFETY

The health and well-being of employees is fundamental to the stable growth of the Group. As established in the Work Safety Guidelines (工作安全指引) of the Clerical and Non-clerical Staff Handbooks and the Retail Operation Manual, as well as the Safety and Health Policy for factory production, the Group dedicates itself to creating a healthy and safe working environment for all employees and protecting them from occupational hazards. A Safety Committee has been formed in the Hong Kong factory, chaired by an executive director, with different levels of representatives from the Factory Operations Department, Production Department, Factory Engineering Department, Logistics Department, etc.

In the Reporting Year, one industrial safety training on fire safety and one fire drill were organised. An annual occupational health and safety audit was conducted in the Hong Kong factory, to ensure compliance with the Factories and Industrial Undertakings (Safety Management) Regulation of Hong Kong.

Employees who are involved in prolonged outdoor work, machinery operation, working at height, electrical works, and confined space work are exposed to higher risks of occupational hazards. During the Reporting Year, the Group regrets that there were 10 cases of work-related injuries at the Hong Kong factory, 17 cases at the Hong Kong retail shops and 1 case at the Hong Kong office. The injuries were mainly muscle strains, sprains and scalds. The Group has conducted investigations and implemented preventive measures, such as providing employees with more occupational safety training, strengthening personal protective equipment for employees, replacing or retrofitting equipment, and compiling operation safety manuals for such equipment.

To prevent and reduce work-related injuries, the Group has been providing body check leave (身體檢查假期) for the clerical staff in Hong Kong office. In the Hong Kong retail shops, resting chairs have been provided to shop assistants to avoid work-related strains.

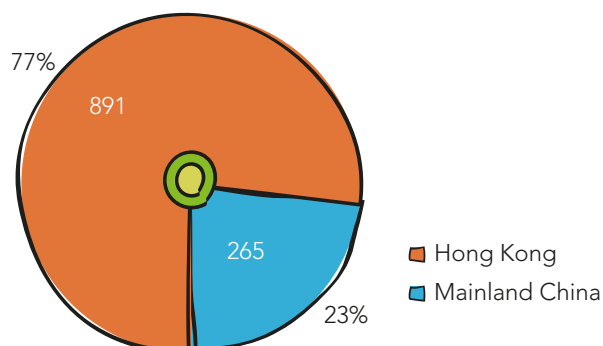
\* The English wordings of the terms and names of procedures/policies hereafter in this Report represent the best effort by the management of the Company in translation, as they do not have official English titles.

## EMPLOYMENT

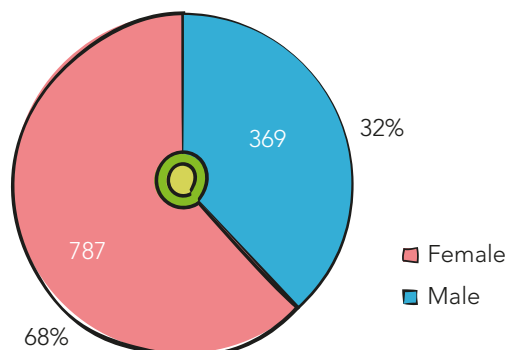
As at 31 December 2017, the Group had 1,366 employees comprising 891 staff members in Hong Kong and 475 in Mainland China as stipulated in the Group's 2017 Annual Report. While within the reporting scope (Hong Kong retail shops, Hong Kong office and factory, and Shenzhen office and factory), there were a total workforce of 1,156 employees with 891 in Hong Kong and 265 in Mainland China respectively, while 68% of employees are female. Similar to the previous year, 58% of employees at managerial positions were male and 42% were female, approaching an even distribution of men and women at managerial positions.



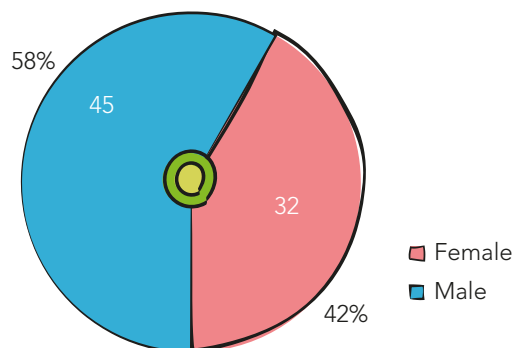
Total workforce by geographical location



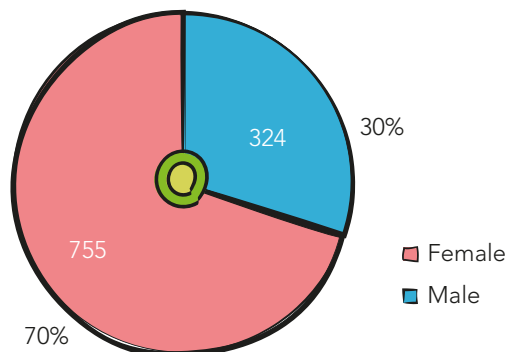
Total workforce by gender



Managerial level by gender



Non-managerial\* level by gender



\* Excluding contractual and part-time staff

The Group has established Staff Handbooks to demonstrate its emphasis on creating an encouraging, fair, safe and healthy working environment. These Staff Handbooks serve as important guidance to the Group's employment-related practices, covering details on recruitment, promotion, dismissal, working hours, rest periods, compensation and benefits, etc.





### Employee incentives and activities

To retain talent and build a sustainable workforce, various employee incentives have been devised, such as shuttle services, medical benefits, personal accident insurance, marriage leave, compassionate leave, seniority awards, birthday benefits, and shopping discounts for HFT's products. The Shenzhen office and factory help employees with cross-border permit application, provide living quarters, complimentary work meals and beverages, and arrange shuttle services for them and their children.

As a family-friendly employer, the Group has introduced some related measures such as optimising the nursing room for post-natal mothers at the Hong Kong office, providing fully-paid maternity leave, five-day paternity leave, and leave for staff to take care of their children during new school terms, etc.

The Group believes that diversified employee activities can enhance employees' sense of belongings and improve their health and well-being. In the Reporting Year, HFT sponsored its employees to participate in sports events such as The Standard Chartered Hong Kong Marathon, AXA Hong Kong Streetathon, Oxfam Trailwalker, etc. At the Shenzhen office and factory, cultural and sports activities were regularly organised.



As an employer creating a happy workplace culture, HFT has been awarded the 'Happiness-at-Work 5 years+' label by the Hong Kong Productivity Council in the Reporting Year. HFT has also garnered the 2017-2018 "Smiling Employer Award" and "Smiling Enterprise Award" by the Hong Kong Mystery Shopper Service Association for its dedication and efforts on employee care.



### Communication with employees

The importance of open and honest communication is emphasised at HFT. To maintain close communication with its employees, the Group has established various communication channels for employees to file any complaints or concerns in the workplace. Apart of the aforementioned Whistleblowing Policy, the Group welcomes constructive suggestions from its employees, which can be put in writing and submitted directly to department heads or the Human Resources Department.



### Equal opportunity and diversity

Providing equal opportunities of employment with values for employee diversity is a vital duty of a responsible employer. HFT's ESG Policy requires that the Group shall be inclusive of employees from different locations and backgrounds, regardless of race, gender, religion or physical condition, etc. In the Reporting Year, the Group has provided about 10 job opportunities to the disadvantaged through NGOs such as Hong Chi Association, Caritas Lok Kin Workshop and Christian Family Service Centre. Moving forward, the Group shall keep posting these positions. The Group also aims to formulate a concrete set of effective policy measures on anti-discrimination and anti-harassment.

In the meantime, the Group keeps reviewing its current Staff Handbooks to reflect updates under the Group's policies and relevant statutory regulations.



Regarding employment standards, the following concerns and suggestions on employee health and wellbeing were raised at the focus group:

- ✧ Identifying positions being exposed to high risks of work safety, to prevent work-related injuries with appropriate measures;
- ✧ Providing proper tools to frontline staff to ensure their health and safety during shop management; and
- ✧ Caring for the work-related stresses and emotions of staff.

The Group pledges to ensure employee health and safety, and will take into account these issues in its operations.

### LABOUR STANDARDS

The Group is committed to maintaining ethical labour standards and acknowledges that forced labour and child labour pose serious risks to fundamental human rights. The Group abided by relevant employment regulations such as the Provisions on the Prohibition of Using Child Labour of the PRC, the Labour Law of the PRC, as well as the Employment of Children Regulations and Employment of Young Persons (Industry) Regulations under the Employment Ordinance of Hong Kong.

Regarding the Group's practices, the Human Resources Department inspects the identification documents and academic qualifications of candidates and examines their health status during the recruitment process to prevent recruiting child labour. As stipulated in the Staff Handbooks, the Group complied with relevant laws and regulations on arranging overtime work and compensation. Employees are also able to terminate employment upon requisite notice or payment-in-lieu of notice.

The Group keeps reviewing its existing policies to refine its measures on preventing child labour and forced labour in its operations.



## DEVELOPMENT AND TRAINING

As stated in the ESG Policy, the Group is committed to promoting life-long learning for employees. By providing broad training opportunities, employees can enhance their knowledge and skills to advance in their career.

In the Reporting Year, various internal training activities were organised by the People Development Department:

Location	Training Groups	Training Highlights
Hong Kong	All employees	<ul style="list-style-type: none"> <li>• “Hung’s Conference”: sharing of management insights</li> <li>• “Moments of Truth”: an annual event encouraging cross divisional experience sharing</li> <li>• Orientation for new employees</li> </ul>
	Employees of Hong Kong retail shops	<ul style="list-style-type: none"> <li>• Skills on hospitality, complaint handling, sales and using the Group’s mobile application</li> </ul>
	Employees of Hong Kong office	<ul style="list-style-type: none"> <li>• “Lunch &amp; Learn”: Interest classes or workshops held during lunch time</li> <li>• Sessions on occupational health</li> </ul>
	Employees of Hong Kong factory	<ul style="list-style-type: none"> <li>• Skills on machinery operation, food safety management and product quality assurance, etc.</li> </ul>
Shenzhen	Employees of Shenzhen factory	<ul style="list-style-type: none"> <li>• Skills on machinery operation, food safety management and product quality assurance, etc.</li> </ul>

To encourage their professional growth, the Group organised around 150 training courses for its employees in Hong Kong during the Reporting Year, which led to an aggregate of about 2,210 attendances from frontline, office and factory staff.



As stipulated in the Staff Handbooks, the Group supports and encourages employees to participate in external training and development programmes, providing them with financial subsidies, sponsorship and leave. For example, annual Professional Development Leave and Professional Development Subsidies are offered to employees at the Hong Kong office and factory to support their training needs. HFT has been named the “ERB Manpower Developer (2011-2019)” by the Employees Retaining Board.

During the Reporting Year, there were no non-compliance cases relating to health and safety, employment, child labour and forced labour.



## INVESTING IN SOCIETY

Rooted in the community, HFT seeks to understand and fulfil the needs of various stakeholders and the community where it operates.

### Key Focus Areas of HFT's Community Investment

Promote Health and Wellness



Treasure Our Environment



Contribute to a Loving Community



Promulgate Herbal Culture



To effectively manage its investment in society, the Group has created a Sponsorship Scorecard to evaluate the community investment plans. Essential criteria the Group takes into account include the reputation of sponsored organisations, the proposed target groups, promotion channels, track records, and compatibility with HFT's corporate social responsibility strategy.

During the Reporting Year, the Group has offered cash support, in-kind donations of products or coupon sponsorships at a total value of approximately HK\$1.5 million for various charity initiatives. In addition to monetary and resources contributions, the Group's employees have actively participated in community activities as volunteers, which led to an aggregate of 123 attendances and amounted to 548 service hours in 2017. Stipulated in its Staff Handbooks, the Group offers Welfare Leave (two working days per year) to its employees at Hong Kong office to encourage their participation in voluntary services.

HFT has supported charity activities of over 210 beneficiary organisations, including schools and community groups, such as Christian Family Service Centre, Food Angel, People Service Centre, Community Chest of Hong Kong, Chinese YMCA of Hong Kong, Oxfam Hong Kong, etc.

## 2017 COMMUNITY SERVICES HIGHLIGHTS

### Volunteering with Food Angel

making nutritious community meals with recycled food ingredients, to care for communities and to reduce food wastes



### Mapperthor Community Action with Chinese YMCA of Hong Kong

promoting an active lifestyle and delivering HFT soups by running to elderlies living alone



### Community Chest Skip Lunch Day

supporting services for homeless by donating HFT vouchers to participants







**Sustainable Living Volunteer Day with Urban Oasis:**  
promoting community practices and benefits of urban farming



**Supporting Oxfam Trailwalker:**  
providing food sponsorship at one of the checkpoints and served soup and snacks to walkers



**Surplus food donation:**  
in 2017, HFT has donated over 18,000 units of food products to support the local food banks, NGOs and associations



Over the years, the community investment endeavours of the Group have received external recognitions.



**Social Capital Builder**  
社會資本動力獎

Social Capital Builder 2016-2018  
by the Labour and Welfare Bureau



Caring Company 2006-2017  
by the Hong Kong Council of Social Service



2015/16 Y-Care CSR Scheme  
(Bronze Partner) by Chinese YMCA of Hong Kong



Regarding community investment, the following suggestion was raised at the focus group:

- ✧ Continuously improving the handling of surplus food products of the Group. On top of donating food that is reaching its shelf life to local food banks, the Group can consider expanding the scope of donation.

The Group will take these issues into consideration in refining its measures in the future.

In the future, the Group will continue its community engagement and consider making use of its expertise in community investment initiatives.





## KEY PERFORMANCE INDICATORS

### ENVIRONMENTAL PERFORMANCE

	Type	Emissions (kg)	
		2017	2016
Air emissions	Nitrogen oxides <sup>12</sup>	1,229.8	Not available
	Sulphur oxides <sup>13</sup>	1.9	Not available
	Particulate matter <sup>14</sup>	26.8	Not available

	Scope	Emissions (tonnes of CO <sub>2</sub> -e)	
		2017	2016*
GHG emissions	Scope 1: Direct emissions <sup>15</sup>	3,678	1,734
	Scope 2: Energy indirect emissions <sup>16</sup>	5,924	3,365
	Scope 3: Other indirect emissions <sup>17</sup>	51	112
	GHG emissions in total (Scope 1, 2 and 3)	9,653	5,211
	GHG intensity (tonnes of CO <sub>2</sub> -e/HK\$1,000 revenue <sup>18</sup> )	0.013	0.007

	Type	Amount	
		2017	2016
Waste	Hazardous waste (tonnes)	Not applicable	
	Intensity of hazardous waste (tonnes/1,000 pieces of products)		
	Non-hazardous waste (tonnes)	1,904	1,468
	Intensity of non-hazardous waste (tonnes/1,000 pieces of products)	0.13	Not available

\* Different accounting methodologies are adopted in the 2016 ESG Report and in the Reporting Year.

<sup>12</sup> Data only covers air emissions from the diesel boiler at the Hong Kong factory.

<sup>13</sup> Data only covers air emissions from the diesel boiler at the Hong Kong factory.

<sup>14</sup> Data only covers air emissions from the natural gas use at the Shenzhen factory.

<sup>15</sup> For Scope 1, direct GHG emissions from operations that are owned or controlled by the Group, which cover stationary sources combustion, mobile sources combustion, and emissions from wastewater treatment.

<sup>16</sup> Scope 2 emissions cover purchased electricity from power companies and purchased town gas.

<sup>17</sup> Scope 3 emissions covers emissions from paper waste disposal, use of fresh water, sewage discharge from domestic and catering use in Hong Kong operations, and business flights in Hong Kong and Mainland China operations.

<sup>18</sup> This figure is calculated based on the total revenue of the Group as presented in its 2017 annual report, which covers a slightly wider boundary beyond the scope of this Report.



Resources	Type		Amount of consumption	
			2017	2016
Energy consumption	Direct energy	Diesel (GJ)	<b>20,464</b>	20,883 (573,102 litres)
		Towngas (GJ)	<b>5,381</b>	4,360
		Natural gas (GJ)	<b>34,735</b>	33,633 (863,924 m <sup>3</sup> )
	Indirect energy	Electricity (MWh)	<b>10,856</b>	6,190
	Total energy consumption (GJ)		<b>99,662</b>	81,160
	Energy intensity (GJ/HK\$1,000 revenue <sup>19</sup> )		<b>0.134</b>	0.113
Water Consumption	Total water consumption (m <sup>3</sup> )		<b>106,313</b>	262,961
	Water intensity (m <sup>3</sup> /HK\$1,000 revenue <sup>19</sup> )		<b>0.143</b>	0.368
Packaging Materials	Total packaging materials used (tonnes) <sup>20</sup>		<b>386.5</b>	Not available
	Packaging Material Intensity (tonnes/1,000 pieces of products)		<b>0.027</b>	Not available

## SOCIAL PERFORMANCE

Total workforce	Full-time	1,059
	Part-time	97
	Total	1,156

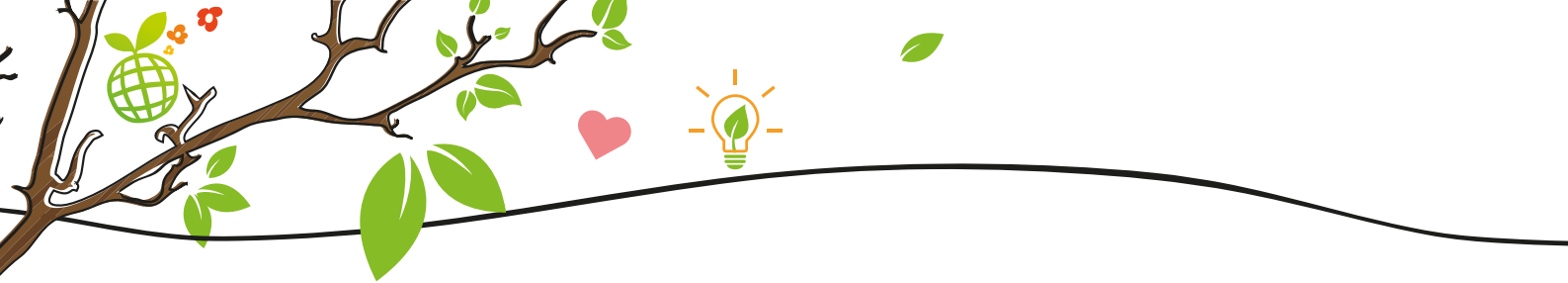
Total workforce by gender, age group and region		Under 30	30 to 40	41 to 50	Above 50	Total	Gender ratio
Hong Kong	Male	46	41	23	36	891	1:2.13 (male to female)
	Female	195	169	247	134		
Mainland China	Male	103	91	28	1	265	
	Female	25	9	7	1		
Total	Male	149	132	51	37	369	
	Female	220	178	254	135	787	
Total (by age group)		369	310	305	172	1,156	–

Total workforce by employment level <sup>21</sup>		Under 30	30 to 40	41 to 50	Above 50	Total
Manager & above	Male	0	3	3	9	27
	Female	0	4	6	2	
Deputy Manager & Assistant Manager	Male	1	17	8	4	50
	Female	0	13	3	4	
Senior Officer & Officer	Male	12	28	8	6	135
	Female	41	24	12	4	
Assistant Officer & general employee	Male	136	84	32	18	944
	Female	179	137	233	125	

<sup>19</sup> These figures are calculated based on the total revenue of the Group as presented in its 2017 annual report, which covers a slightly wider boundary beyond the scope of this Report.

<sup>20</sup> This figure covers the packaging materials used in Hong Kong factory only.

<sup>21</sup> In the statistics, all employees from Hong Kong retail shops are categorised as "Assistant Officer & general employee".



			Under 30	30 to 40	41 to 50	above 50	Total (by region)	Ratio to total employees
New employees	Hong Kong	Male	28	11	12	8	561	56.2%
		Female	165	127	153	57		
	Mainland China	Male	80	9	0	0	89	
		Female	0	0	0	0		
Employee turnover <sup>22</sup>	Hong Kong	Male	33	18	7	21	607	60.6% (i.e. employee turnover rate)
		Female	158	133	159	78		
	Mainland China	Male	88	6	0	0	94	
		Female	0	0	0	0		

Employee turnover rate by region	Hong Kong	68.1%
	Mainland China	35.5%
Employee turnover rate by gender	Male	46.9%
	Female	67.1%
Employee turnover rate by age group	Under 30	75.6%
	30 to 40	50.6%
	41 to 50	54.4%
	Above 50	45.3%

Work related fatality and/or injury	Gender	Number of work- related fatalities	Number of work-related injury	Work-related fatality/injury rate (per 1,000 workforce)	Lost days due to work injury
	Male	0	1	24	14
	Female	0	27		729

Number of key suppliers by geographical region	2017	2016
Hong Kong	140	150
Mainland China	20	133
Other regions in Asia	10	5
Total	170	288

<sup>22</sup> The employee turnover rate is calculated based on the employee number as at 31 December 2017 (within the reporting scope).



## "ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORTING GUIDE" CONTENT INDEX

Material Aspect	Content	Page number/ Remarks
<b>A. Environmental</b>		
<b>A1 Emissions</b>		
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.	14-16
A1.1	The types of emissions and respective emissions data.	14,30
A1.2	Greenhouse gas emissions in total (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	14,30
A1.3	Total hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	30
A1.4	Total non-hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	30
A1.5	Description of measures to mitigate emissions and results achieved.	14-16
A1.6	Description of how hazardous and non-hazardous wastes are handled, reduction initiatives and results achieved.	15-16
<b>A2 Use of Resources</b>		
General Disclosure	Policies on the efficient use of resources, including energy, water and other raw materials.	12-13
A2.1	Direct and/or indirect energy consumption by type (e.g. electricity, gas or oil) in total (kWh in '000s) and intensity (e.g. per unit of production volume, per facility).	12,31
A2.2	Water consumption in total and intensity (e.g. per unit of production volume, per facility).	13,31
A2.3	Description of energy use efficiency initiatives and results achieved.	12-13
A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency initiatives and results achieved.	12-13
A2.5	Total packaging material used for finished products (in tonnes) and, if applicable, with reference to per unit produced.	13,31
<b>A3 The Environment and Natural Resources</b>		
General Disclosure	Policies on minimising the issuer's significant impact on the environment and natural resources.	12,17
A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	17



Material Aspect	Content	Page number/Remarks
<b>B. Social</b>		
<b>B1 Employment</b>		
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.	24-26
B1.1	Total workforce by gender, employment type, age group and geographical region.	24,31
B1.2	Employee turnover rate by gender, age group and geographical region.	32
<b>B2 Health and Safety</b>		
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.	23
B2.1	Number and rate of work-related fatalities.	23,32
B2.2	Lost days due to work injury.	32
B2.3	Description of occupational health and safety measures adopted, how they are implemented and monitored.	23
<b>B3 Development and Training</b>		
General Disclosure	Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.	27
B3.1	The percentage of employees trained by gender and employee category (e.g. senior management, middle management).	–
B3.2	The average training hours completed per employee by gender and employee category.	–
<b>B4 Labour Standards</b>		
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.	26
B4.1	Description of measures to review employment practices to avoid child and forced labour.	26
B4.2	Description of steps taken to eliminate such practices when discovered.	–
<b>B5 Supply Chain Management</b>		
General Disclosure	Policies on managing environmental and social risks of the supply chain.	22-23
B5.1	Number of suppliers by geographical region.	22,32
B5.2	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, how they are implemented and monitored.	22-23





Material Aspect	Content	Page number/ Remarks
<b>B6 Product Responsibility</b>		
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.	18-21
B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons.	20
B6.2	Number of products and service related complaints received and how they are dealt with.	20
B6.3	Description of practices relating to observing and protecting intellectual property rights.	21
B6.4	Description of quality assurance process and recall procedures.	18-20
B6.5	Description of consumer data protection and privacy policies, how they are implemented and monitored.	21
<b>B7 Anti-corruption</b>		
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.	22
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.	22
B7.2	Description of preventive measures and whistle-blowing procedures, how they are implemented and monitored.	22
<b>B8 Community Investment</b>		
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.	28-29
B8.1	Focus areas of contribution (e.g. education, environmental concerns, labour needs, health, culture, sport).	28
B8.2	Resources contributed (e.g. money or time) to the focus area.	28-29