



PAK FAH YEOW INTERNATIONAL LIMITED

(Incorporated in Bermuda with limited liability)

Stock Code:239

2018

ENVIRONMENTAL, SOCIAL
AND GOVERNANCE REPORT





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ABOUT THE GROUP

Pak Fah Yeow International Limited (the “Company”) and its subsidiaries (collectively the “Group”) are principally engaged in the manufacture, marketing and distribution of healthcare products. Hoe Hin White Flower Embrocation or Hoe Hin Pak Fah Yeow, a renowned medicated oil, which has been manufactured for over 90 years and is available in Hong Kong, Macau, Mainland China, Southeast Asia and western countries.

The Group is also engaged in property and treasury investments. The property investments in the United Kingdom, Hong Kong and Singapore were acquired a long time ago and intended to be held for long term to generate steady income.

ABOUT THIS REPORT

This report provides an insight into the Group’s policies, measures and performances in environmental, social and governance (“ESG”) aspects. It describes how the Group combines its commitments to responsible operations with business strategy as well as the action it takes, providing stakeholders an overview of the Group’s progress towards sustainability.

Reporting Scope and Boundary

This report focuses on the Group’s healthcare business segment, which accounts for approximately 93% of the Group’s total revenue, for the financial year from 1 January 2018 to 31 December 2018 (“the reporting year”). Aligned with the previous reporting practice, the scope of this report covers operations of head office and factory of the Group in Hong Kong.

While this report does not cover property investments and treasury investments segments of the Group, it is on its agenda to review the scope of the report in the future.

Reporting Standard

This report is prepared in accordance with the Environmental, Social and Governance Reporting Guide (the “ESG Reporting Guide”) as contained in Appendix 27 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. The four reporting principles, namely the principles of materiality, quantitative, balance and consistency, form the backbone of this report.

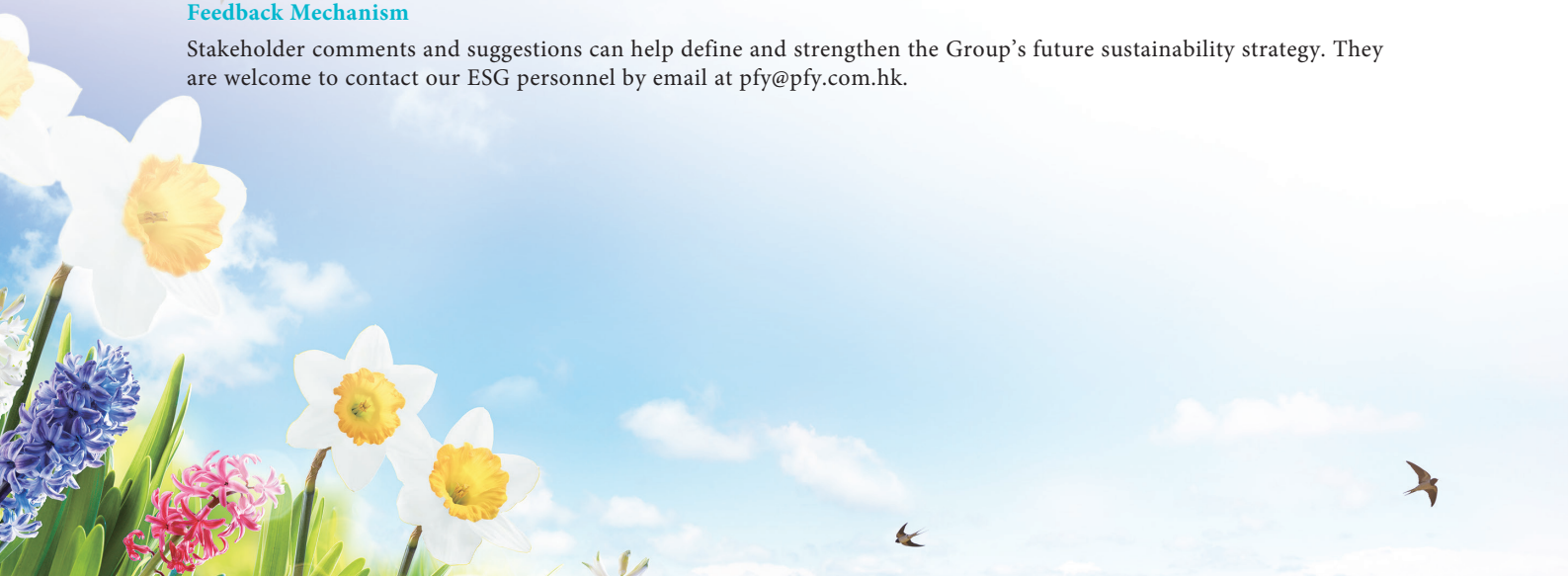
To provide stakeholders with an overview of the Group’s performance in ESG aspects, the report not only discloses environmental Key Performance Indicators (“KPIs”) under the “comply or explain” provisions but also reports additional social KPIs under the “recommended disclosures” as set out in the ESG Reporting Guide. A complete index is inserted in the last chapter of the report for reference.

Data Preparation

The Group has established internal controls and a formal review process to ensure that any information presented in this report is as accurate and reliable as possible. ESG Committee of the Group has overall responsibility for the establishment and disclosure of relevant measures and KPIs. The report has been approved by the ESG Committee and the Board of Directors (“the Board”) on 26 March 2019.

Feedback Mechanism

Stakeholder comments and suggestions can help define and strengthen the Group’s future sustainability strategy. They are welcome to contact our ESG personnel by email at pfy@pfy.com.hk.



MANAGEMENT MESSAGE

I am delighted to present the third ESG Report of the Group. The Intergovernmental Panel on Climate Change Special Report on Global Warming of 1.5°C released last October highlights the dire consequences of global warming by 2°C and the impacts that could be avoided by limiting warming to 1.5°C. Ensuring a stable climate is crucial to achieving sustainable development – development that promotes prosperity, greater social well-being and protection of the environment, in which every individual and business has a role to play.

Recognising our role in the universal journey towards sustainability, the establishment of an effective group-level sustainability governance structure is at the top of our agenda. Chaired by our Executive Director and comprising of five representatives from different departments, this body will oversee the development and implementation of the Group's strategies and practices in relation to ESG issues.

The importance of aligning our operating practices with principles of sustainability cannot be disregarded. Product quality has always been the key to the Group's success since its story began in 1927. We strive to maintain the highest quality because the safety and health of end users is our utmost concern. Our pursuit of excellence does not end with the product but we are also concerned with making our production more sustainable.

To reduce pressure on our planet's resources, the Group decided to adopt paper packaging materials that are certified by the Forest Stewardship Council. All promotional leaflets are made with recycled paper. In our day-to-day operation, we aim at reducing our energy consumption wherever possible. We have fully replaced all lighting equipment in both our office and factory with LED lights. During the reporting year, our electricity consumption significantly reduced by 14.4%. It provides a strong business case for our future sustainable initiatives.

We are aware of our responsibility in managing the social and environmental risks in the supply chain to achieve sustainable production. During the reporting year, we went one step further and decided to design a self-evaluation and assessment scheme for all our vendors in 2019, which serves to improve our partners' awareness of key ESG issues. We believe our cooperation with supply chain partners in the scheme will be valuable to our formal adoption of relevant policies in the future.

In playing our part in the universal pursuit of a sustainable future, we are responding to the rising demand of stakeholders for business practices that better contribute to society. More than a buzzword, sustainability is here to stay and we aim to embed it in our everyday practice.

GAN Wee Sean
Chairman

Hong Kong, 26 March 2019



ESG GOVERNANCE

The Group's ESG Committee, chaired by an Executive Director, has the responsibility for the oversight of the Group's policies, initiatives and performance on sustainability matters, principally in respect of product responsibility, employment, community involvement and environmental protection. It also defines the Group's sustainability strategies and sets objectives.

ESG Committee members:

- Executive Director of the Company (Chair)
- Chief Financial Officer of the Company
- Head of Sales and Marketing of healthcare business segment
- Senior Accounting Manager of healthcare business segment
- Personnel and Administration Manager of healthcare business segment
- Production Manager of healthcare business segment

In line with the Group's core values - honesty, obedience, excellence, human, innovation, and nurturing, it's our mission to achieve our business objectives within a framework of high standards with a commitment to environmental sustainability and be socially responsible within our Group and in the communities that we operate in.

During the reporting year, two ESG committee meetings, as well as seven internal manager meetings, were held to discuss on ESG related issues, including the use of Forest Stewardship Council (FSC)-certified paper for packaging materials and implementation of electricity saving measures. Proposed actions were submitted to the management for further consideration.

Risk Management

The Group considers risk management as an integral part of daily management processes and good corporate governance. The Board has overall responsibility for the oversight of the Group's risk management and internal control systems with the support of the Audit Committee. To ensure the effectiveness of the system, review of the Group's approach to addressing these risks is taken place at least annually.

As part of the system, the Group has appointed a professional firm to perform a risk assessment based on the COSO Enterprise Risk Management for identifying, evaluating and prioritizing the critical business risks of the Group, and develop a three-year internal audit plan with a risk-based approach covering high risk areas annually and lower risk areas in every two to three years.

Along the risks identified in the risk assessment, some of them are ESG-related risks such as supplier risk, inventory risk, production and quality management risk which affect the Group's operations and sustainability performance. To avoid the occurrence of these risks, the Group has adopted the following practices:

Supplier chain management	Inventory management	Product quality management
To ensure quality and supplying stability of the raw materials, site visits may be conducted to evaluate the quality of raw materials and capacity of suppliers during supplier selection. Requirements and guaranteed quality are also included in the contract with annual evaluation.	To govern the inventory management, a number of policies and procedures are in place for goods in all production stages. Designated employees are responsible to inspect the warehouse facilities to ensure the inventory is stored in a proper environment to maintain its quality.	For product quality assurance, the Group has established a comprehensive product quality management system. Quality control team and quality assurance team are responsible to perform the quality control by monitoring the quality of final products.

For more details of operational management to reduce these risks, please refer to the section of Responsible Operating Practices at p. 6.

Moving forward on ESG risk assessment

The Group noticed that both the risk assessment and the Group's internal control system do not cover environmental and social issues comprehensively. In 2019, the Group will expand and enforce risk management to include ESG risk topics to identify imminent ESG risks, enabling us to determine action plans in a timely manner.

¹ Enterprise Risk Management—Integrated Framework is published by the COSO (The Committee of Sponsoring Organizations of the Treadway Commission).

STAKEHOLDER ENGAGEMENT

Understanding and meeting the needs of our stakeholders is of paramount importance for us to move forward on the path towards sustainability. Every feedback will eventually lead the Group to identify material ESG issues and manage relevant risks and opportunities.

Our stakeholders are those who have a considerable influence on our business, and whom our business has a significant impact on. The Group engages our key stakeholders via multiple channels to gather their feedback and strive for continuous improvement. Meetings, workshops and other communicative events are held across daily operations for internal and external stakeholder groups.

Employees	Suppliers	Distributors
A wide range of initiatives to promote healthy workplace, living and well-being amongst our employees	Setting specifications and requirements with annual evaluation to ensure the quality of materials purchased	Conducting regional customer satisfaction review and setting specifications and requirements for them with annual evaluation
End users	Communities	
Providing various channels for end users to collect feedback from them to identify areas for improvement to exceed their expectation	Engaging and supporting the community through encouraging employees to volunteer in charity activities and voluntary services	

Material Assessment

To continuously address ESG issues that stakeholders are most concerned with, the Group has reviewed the material issues identified from an online stakeholder questionnaire in which internal and external stakeholders were invited to rate ESG issues in accordance with their relevance and materiality to the Group in 2016. While the list of material issues for this year remains unchanged, issues are supplemented with where the impacts of the issues occurs. It provides the Group with a foundation to respond to concerns of different stakeholder groups and thus develop a long-term stakeholder engagement strategy.

Material Issues	Within the Group	Outside the Group
Product responsibility	✓	✓
Supply chain management	✓	✓
Customer privacy	✓	–
Intellectual property rights	✓	–
Labour standards	✓	–
Employee health and safety	✓	–
Anti-corruption	✓	–
Waste management	✓	✓
Energy and other resource management	✓	–
Community investment	✓	✓

Moving forward on stakeholder engagement

To better understand the expectations and interests of a wider range of our stakeholders and respond to their concerns, the Group is considering to develop an engagement strategy to ensure engagement activities are carried out on a systematic and regular basis.



RESPONSIBLE OPERATING PRACTICES

The long-term viability of a business is built on responsible and ethical operating practices and supply chain management. Our approach is underpinned by a commitment to acting as a responsible and reliable manufacturer along our value chain. Comprehensive product quality reviews covering our main value chain were conducted annually to ensure all elements that might affect product quality would be reviewed for identifying product and process improvement.

Product Responsibility

Quality management system		Manufacturing facilities
Established in accordance with PIC/S (Pharmaceutical Inspection Convention/Pharmaceutical Inspection Co-operation Scheme) Guide to Good Manufacturing Practice for Medicinal Products.		GMP certified with certificates issued by Therapeutic Goods Administration, Australia and Chinese Medicine Council of Hong Kong
Certified with ISO9001:2015		
Regulatory compliance		
To ensure the safety of the product, product safety documents including test reports are provided to comply with the registration requirements of a proprietary Chinese medicine in Hong Kong. For overseas markets, we also comply with the local regulatory requirements.		

Customer Health and Safety

Customer health and safety is the first priority of the Group. The Group has in place a comprehensive quality management system of the products, covering raw material sourcing, product production, labelling and distribution.

1. Raw and packaging material sourcing	Policy on Vendor Evaluation Purchase materials from vendors meeting the specifications and requirements set forth by the Group to ensure the quality of materials purchased.
	Policy on Receiving Inspection and Testing Test and inspect incoming materials to ensure they have no negative impact on product quality prior to release.
2. Production and quality assurance	Policy on In-Process and Final Inspection and Testing Test and inspect goods at different stages of production to ensure products are up to quality before release by the quality control team and quality assurance team.
	Policy on Product Quality Review Conduct annual review to identify product and process improvement for all products.
3. Product labelling and advertising	Policy on Control of Labeling and Packaging Ensure correct label and other pre-printed packaging materials are used and respective instructions have been complied.
	Advertising Policy Handle all marketing materials according to the advertising regulations in each respective country.
4. Product distribution	Future plan To enhance customer knowledge on product safety and ensure all users can easily access caution information before use, the Group will update the FAQ section on the website to include the instruction and caution warning.
	Policy on Distributor Evaluation and Product Training Ensure that distributors meet the specifications and requirements set forth by the Group as well as provide training to get them equipped with product knowledge.

Customer Satisfaction

The Group is dedicated to fulfilling customers' requirement and even exceeding their expectation. The Group has the Policy on Customer Satisfaction Measurement in place to set up procedures of collecting and reviewing customers' feedback regularly with the aim to attain their satisfaction. Feedback collected from end users and distributors are documented and analysed. According to the Group's Recall Procedure, any deficiency identified is transferred to respective departments for follow-up actions and quality management head for monitoring and coordination. For distributors, the Group conducts regional customer satisfaction review annually, rating our product quality, service quality and their overall satisfaction, and the Marketing Head will review the results and take improvement actions as necessary.

During the reporting year, the Group has received 18 complaints regarding product quality and product labelling. Investigations and appropriate follow-up actions were immediately carried out. We noticed that some of the complaints were related to customer knowledge on product safety, and it is on our agenda to explore ways to share examples of product quality risk such as bottle leakage during travel.

The Group abided by the relevant product responsibility laws and regulations, including but not limited to the Chinese Medicine Ordinance (Cap. 549) and the Import and Export Ordinance (Cap. 60) of Hong Kong. During the reporting year, the Group did not identify any non-compliance cases in relation to health and safety, advertising and labelling relating to products and services provided.

Supply Chain Management

The Group seeks to work with our suppliers and distributors by sharing our commitment to managing social and environmental risks of the lifecycle of our business operations.

Maintaining a stable supply is important to the Group. The Group sources raw and packaging materials from 25 suppliers (2017: 23 suppliers) based in Hong Kong, Australia, Taiwan and the United States, and delivers our products through distributors and wholesalers to destinations worldwide. The Group has formulated the Policy on Vendor Evaluation to screen the suppliers against the specifications and requirements set forth by the Group. Approved and qualified suppliers are included in the approved vendor list and subject to annual review. The Group's Policy on Distributor Evaluation requests the Marketing Department and Finance Department to evaluate and record the ability of distributors in meeting the requirements set forth by the Company.

To manage environmental and social risks in the supply chain, moving forward, the Group decided to design a self-evaluation and assessment scheme for all our vendors in 2019, which serves to improve our partners' awareness of key ESG issues. Details of the assessment criteria will be provided in the upcoming report.

Business Ethics

Protection of Customer Data and Privacy

All employees are required to comply with the data protection principles as stated in the Staff Handbook and Code of Ethics. Information provided by the customers and suppliers is only available to employees who have a legitimate need to access. The Group abided by the relevant laws and regulations, including but not limited to the Personal Data (Privacy) Ordinance (Cap. 486) of Hong Kong. During the reporting year, the Group did not identify any non-compliance cases in relation to privacy matters relating to products and services provided.

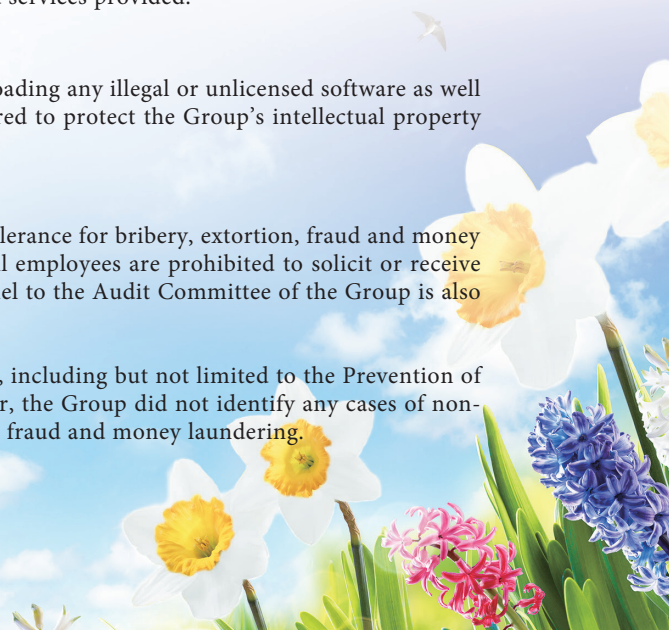
Protection of Intellectual Property

As stated in the Staff Handbook, employees are prohibited from downloading any illegal or unlicensed software as well as copyrighted works. Also in the Code of Ethics, employees are required to protect the Group's intellectual property such as trade secrets, patents, trademarks, and copyrights.

Anti-corruption

The Group upholds the highest levels of business ethics, and has zero tolerance for bribery, extortion, fraud and money laundering. As stated in the Staff Handbook and the Code of Ethics, all employees are prohibited to solicit or receive any forms of advantage from any business associate. A reporting channel to the Audit Committee of the Group is also provided in the Code of Ethics.

The Group abided by the relevant anti-corruption laws and regulations, including but not limited to the Prevention of Bribery Ordinance (Cap. 201) of Hong Kong. During the reporting year, the Group did not identify any cases of non-compliance or legal cases in relation to bribery, extortion, fraud and money laundering.



CARING OUR EMPLOYEES

As a caring and responsible employer, the Group is devoted to providing a quality workplace for the employees. Not only fostering a fair, safe and healthy working environment, the Group also values the career development of employees and labour right protection. During the reporting year, the Group has in place the following policies and measures regarding employment and labour practices:

	Policies	Highlights of measures during the reporting year	Compliance during the reporting year
Employment	<i>Staff Handbook and ESG policy</i> Covering employment-related practices, including compensation and dismissal, recruitment and promotion, working hours, rest periods, diversity, equal opportunity, anti-discrimination, and other benefits and welfare for employees.	<ul style="list-style-type: none"> Extended contract continually on an agreed period for employees that have reached the compulsory retirement age set by the Group; and Replaced old computer monitors with larger ones for easier reading for older employees. 	<ul style="list-style-type: none"> Relevant laws and regulations include but not limited to the Employment Ordinance (Cap. 57 of the Laws of Hong Kong); The Group did not identify any non-compliance cases in relation to employment; and No whistle-blowing case was recorded.
	<i>Whistle-Blowing Policy</i> Maintaining standards of openness, probity and accountability.		
	<i>Future plan</i> To provide a more comfortable workplace, ergonomic chairs will be provided to replace the current office chairs for employees in head office on a voluntary basis in 2019.		
Health and Safety	<i>Safety Policy</i> Protecting employees from injury at workplace. <i>Safety Inspection and Safety Review</i> Requiring an annual safety review to identify potential risks at work or non-conformance to the safety management system in place and ensure continual effectiveness and improvements of the safety management system. <i>Risk Assessment and Personal Protective Plan</i> Entailing risk assessments to identify potential risks of hazardous exposure and provide suitable personal protective equipment (PPE).	<i>Safety</i> <ul style="list-style-type: none"> Provided PPE for specific roles as written in the relevant standard operating procedures; Organised safety training regarding different procedures such as correct use of equipment, first aid, laboratory safety etc; and Commissioned a third party to conduct an annual safety review. The result showed that the Group met 90% of assessment criteria which implied excellent performance of the safety management system. <i>Wellness</i> <ul style="list-style-type: none"> Promote employee wellness by organising Love Kindness meditation sessions and stretching classes on “Ping Shuai Gong” swing hand exercise; and Provided vegetarian lunch subsidies every week for employees participating in Green Monday. 	<ul style="list-style-type: none"> Relevant laws and regulations include but not limited to the Occupational Safety and Health Ordinance (Cap. 509) and Factories and Industrial Undertaking Ordinance (Cap. 59); The Group submitted the annual safety review to the Labour Department of the HKSAR; and The Group did not identify any non-compliance cases in relation to health and safety.
	<i>Future plan</i> In response to the annual safety review result for continuous improvement, the Group will update the guidelines and reinforce the rules along supply chain by refining our in-house safety rules to incorporate latest Guidelines of Labour Department of the HKSAR and Occupational Safety and Health Council, as well as requirements for suppliers.		

		Policies	Highlights of measures during the reporting year	Compliance during the reporting year
Development and Training		<p><i>Policy on Training Procedure</i> Designing training programme according to the actual needs of different departments and functions.</p> <p><i>Performance appraisal system in the Staff Handbook</i> Considering the results of the appraisal as the basis for employees' promotion, pay adjustments, job improvement and training development.</p>	<ul style="list-style-type: none"> All newly recruited production employees were required to attend a mandatory safety training course; Provided training for employees of different job functions, ranging from production procedures and safety to office administration and business strategy. For ESG-related training, the ESG Committees members attended a seminar on carbon management in 2018; and Subsidised an employee to pursue further studies. 	N/A
		<p><i>Future plan</i> Moving forward, the Group plans to organise sustainability training for more employees to raise their awareness and serve as a foundation for exploring ways of implementing sustainability strategy in workplace. In 2019, the Group is going to roll out a scheme, allowing employee application of duty reassignment and interdepartmental transfer to promote knowledge enhancement and career development.</p>		
Labour Standards		<p><i>Policy on Child and Forced Labour</i> Prohibiting child or forced labour use or involvement by the Group.</p>	<ul style="list-style-type: none"> The Personnel Department checked the identity documents of candidates before employment to ensure no child labour is hired. 	<ul style="list-style-type: none"> Relevant laws and regulations include but not limited to the Employment of Children Regulations (Cap. 57, section 73); and The Group did not identify any non-compliance cases in relation to child labour and forced labour.
Employee turnover rate 2017: 13% 2018: 9.9%		Work-related fatality/ injury rate 2017: 2% 2018: 0%	Average training hours per employee 2017: 3.02 hours/287 hours 2018: 5.13 hours/467 hours	Child labour and forced labour 2017 and 2018: Zero case of child labour and forced labour.

Regarding key performance indicators on employment and labour practices, please refer to the section of Key Performance Indicators on p. 16.



PROTECTING THE ENVIRONMENT

Recognising that climate change can bring risks and opportunities to businesses and communities, we are committed to reducing our environmental impact associated with our activities and products. The Group has a set of policies in place to outline our commitment to protecting the environment and minimising the environmental impact of our business operations, while guidelines are provided for employees to encourage environmental-friendly practices.

Emissions and Energy Management

The Group has established policies to promote energy conservation and prevent and minimise both waste and pollution of the environment, including greenhouse gas (“GHG”) emissions, waste generation and discharges into water and land.

GHG Emissions and Energy Use

As the first step in establishing a carbon reduction strategy, the Group has employed a professional consultant to conduct a carbon assessment to quantify the GHG emissions (or “carbon emissions”) of our operations during the reporting year. The quantification process is in accordance with the Guidelines to Account for and Report on Greenhouse Gas Emissions and Removals for Buildings (Commercial, Residential or Institutional Purposes) in Hong Kong, with reference to other international standards such as the ISO 14064 standard and the GHG Protocol.

GHG Emissions		
Scope	Emissions in 2018 (in tonnes of CO ₂ equivalent)	Emissions in 2017 (in tonnes of CO ₂ equivalent)
Scope 1: Direct GHG Emissions (<i>Note 1</i>)	23.0	40.0 (<i>Note 2</i>)
Scope 2: Energy Indirect GHG Emissions (<i>Note 3</i>)	394.6	461.0
Scope 3: Other Indirect GHG Emissions	21.7 (<i>Note 4</i>)	4.3 (<i>Note 5</i>)
Total GHG Emissions	439.3	505.3
GHG Emissions Intensity (in tonnes CO ₂ -e per million pieces of products)	51.3	48.0

Note:

1. Scope 1 includes direct emissions from combustion of fuel (i.e. petrol) in mobile sources and fugitive emissions from refrigeration equipment.
2. The direct GHG emissions in 2017 is significantly higher than that in the reporting year due to the refrigerant refill for the factory in 2017.
3. Scope 2 includes energy indirect emissions by electricity purchased from power companies.
4. Scope 3 in 2018 includes other indirect emissions by methane gas generation at landfill in Hong Kong due to disposal of paper waste, fresh water processing, sewage processing and business travel by employees.
5. Scope 3 in 2017 includes other indirect emissions by methane gas generation at landfill in Hong Kong due to disposal of paper waste, fresh water processing and sewage processing.

The total GHG emissions of the sites of operation were 439.3 tonnes and the largest contributor to it is electricity purchased from power companies (Scope 2), accounting for approximately 90%; it is followed by direct emissions (Scope 1) from combustion of fuels in company-owned mobile combustion sources (i.e. passenger cars), accounting for approximately 5%.

Other indirect emissions (Scope 3) include methane gas generation at landfills due to disposal of paper waste, electricity used for fresh water and sewage processing as well as employee business travel, which collectively made up around 5% of the Group's total emissions.

As a starting point in reducing our impacts on the environment due to business travel, the Group has offset 100% of our GHG emissions by business travel in the reporting year by purchasing carbon credits to support GHG reduction projects, such as renewable energy projects in China.

Energy Use	Amount of Energy Consumed (in MWh)	
	2018	2017
Petrol	73.1	36.3
Electricity	499.4	583.6
Total energy consumption	572.5	619.9
Energy intensity (in MWh per million pieces of products)	66.8	58.8

Since electricity consumption was the largest contributor to the Group's GHG emissions and indirect energy consumption, we have in place various energy-saving initiatives:

- Install light motion detectors in office pantry to reduce electricity usage;
- Use direct digital control system that permits real time monitoring of the condition for the heating, ventilation and air cooling;
- Replace all conventional lamps with LED lights in office and factory; and
- Purchase energy-efficient appliances, such as electric pallet truck in the cleanroom and electric forklift at the warehouse.

Through the above measures, both energy indirect GHG emissions and electricity consumption decreased by 14.4% in the reporting year. While the absolute figures decrease, the increase in intensity level provided insight for us to continue to access and improve production dependent emissions and consumption.

Air Emissions

The key air pollutants from our operations include nitrogen oxides, sulphur oxides and particulate matter, which were mainly generated by passenger cars. 5.11 kg of nitrogen oxides, 0.12 kg of sulphur oxides and 0.38 kg of particulate matter were emitted in the reporting year. The increase in air emissions was due to the increase in petrol consumption for frequent business travel.

Understanding that transport is one of the major contributors to air emissions in Hong Kong and that air pollutants threaten human health, the Group continues to explore ways to further reduce our emissions, for example:

Reduce unnecessary transports	<ul style="list-style-type: none"> – Encourage employees to use video or telephone conference instead of taking unnecessary trips for client meetings under the travel policy; and – Promote online product training through social media platforms over on-site training for retail outlets and chain-stores at different locations to reduce multiple travels.
Purchase low-carbon vehicles	<ul style="list-style-type: none"> – Replaced a company car with a more energy-efficient model.

Waste

The Group's operation produced both hazardous and non-hazardous wastes. 2.5 tonnes of hazardous waste and 15.9 tonnes of non-hazardous waste were generated in 2018. For production, three types of waste were generated, including waste oil, chemical waste and solid waste. The Group has in place step-by-step instructions for handling waste oil and other types of wastes. Waste oil generated from the factory and chemical waste generated from the laboratory are collected and handled periodically by collectors approved by the Environmental Protection Department of the HKSAR for further treatment. For general waste, around 0.55 tonnes and 5.76 tonnes of general waste were generated by the office and factory respectively in 2018. Both domestic waste and paper waste were collected and handled by the property management service providers.

To better monitor waste generation for continuous improvement, the Group has adopted the following new measures during the reporting year:

Expanded general waste measurement to the office and factory	Increased the frequency of recycling waste paper at office and factory	Recycle carton box which is a packing material used in the factory
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Effluents

In the Group's operation, water consumption mainly consists of washing towels and clothing in the factory and domestic water used in office. Water is not used to wash production equipment in the factory. Domestic waste water produced by the Group was sent through local pipe network to a sewage treatment plant. Therefore, there were no significant environmental impacts associated with the Group's effluents.

The Group abided by the environmental laws and regulations, including but not limited to the Air Pollution Control Ordinance (Cap. 311), Water Pollution Control Ordinance (Cap. 358) and Waste Disposal Ordinance (Cap. 354) of Hong Kong. During the reporting year, the Group did not identify any non-compliance cases in relation to emissions.

Regarding detailed key performance indicators on emissions and energy use, please refer to the section of Key Performance Indicators on p. 14-15.

Resources Management

Apart from energy, the Group's major use of resources includes packaging materials, raw materials, water and paper. We acknowledge that our daily operations involve significant consumption of different types of raw materials and packaging materials. The Group's Policy on Environment and the Responsible Use of Natural Resources emphasises our commitment to using the resources sustainably through source reduction, reuse and recycling. During the reporting year, the Group had in place the following measures:

Resources	Highlights of measures
Packaging materials	<ul style="list-style-type: none"> Go for FSC paper for all paper packaging materials when the existing stock has been depleted, such as paper box for the medicated oil; Use recycled paper for all product leaflets when the existing stock has been depleted; and Formulated the guideline on reconciliation of packaging materials and conduct annual review based on the damage rate of packaging materials.
Raw materials	<ul style="list-style-type: none"> Implemented a set of guidelines regarding the handling and storage of raw materials and monitoring procedures for different warehouses to prevent and reduce wastages of materials and finished products; and Formulated the guidelines on reconciliation of raw materials.
Water	<ul style="list-style-type: none"> Promote water saving, such as by placing water saving notices in washrooms and pantry areas.
Paper	<ul style="list-style-type: none"> Distribute, file, and archive documents electronically; and Adopt two-sided printing mode.

Total water consumption (in m ³)	
2018	2017
967.3	581.5




The total water consumption of the reporting year is significantly higher than that in 2017 due to water proof works, air conditioning duct breakdown and renovation works in other units of the building. Regarding key performance indicators on resources management, please refer to the section of Key Performance Indicators on p. 15.

The Environment and Natural Resources

While the Group is not aware of any significant direct impact on the environment and natural resources, it recognises any operation that would pose impacts on the surrounding environment. The Group's policy underlines its mission of eliminating the environmental impacts of our activities and achieving resource natural conservation.

CONTRIBUTING TO THE COMMUNITY

In line with the Group's core value "Nurturing", we have established the Policy on Community Investments which emphasises our commitment in understanding the needs of communities where we operate as well as maintaining sustainable community relationships by making a positive contribution to the communities.

	Cash Donation 	Product Donation 	Cash Sponsorship 
2017	Nearly 70,000 HKD	Over 28,000 pieces	Nearly 60,000 HKD
2018	Nearly 80,000 HKD	Over 34,500 pieces	Nearly 110,000 HKD

To benefit different kinds of people in need, the Group has been involved in various forms of community investment programmes through collaboration and employee volunteerism:

Programmes		Highlights of activities during the reporting year
Charity partners	Collaborate with charities at both a national and local level through fundraising and the provision of skills and manpower.	<ul style="list-style-type: none"> Organised the "Always Happy" campaign and donated 50,000 HKD to the Banyan Elderly Service Association; and Provided cash sponsorship for Hong Kong Federation of Handicapped Youth and Friends of the Earth (HK).
Volunteering	Encourage employees to become involved in community projects and help team building.	<ul style="list-style-type: none"> The Group cultivates a positive culture of organising volunteer activities during working hours. 13 employees served food to the elderly in two events organised by the Food Angel and Ran Deng Charity Fund. Organised the annual fundraising charity sale at Chinese New Year Fair since 2009, with 11 employees participated and over HK\$170,000 raised in 2018. The entire sum was donated to Oxfam Hong Kong to support their development programmes.
Community health and well-being	Promote health and well-being for the communities.	Provided product sponsorships for organisations to benefit different groups of people in need, such as disabled people, children, elderly, low-income families etc.
Youth programmes	Support youth programmes or projects promoting positive attitude toward life and well-being.	Organised the annual school-touring drama performance since 2007.

School-touring Drama Performance

The Group is committed in investing in youth programmes to promote positive messages to youth when dealing with challenges and stress. The Group has organised the School-touring Drama Performance annually to educate young children on different topics of social and environmental issues. The theme in 2018 is about family, peers and academic problems faced by youngsters, which aims at educating youngsters to unlock themselves from these problems and cope with the difficulties in their lives with faith and perseverance. 27 schools were visited during the reporting year.

KEY PERFORMANCE INDICATORS

Environmental Performance

GHG Emissions		
Scope	Emissions in 2018 (in tonnes of CO ₂ equivalent)	Emissions in 2017 (in tonnes of CO ₂ equivalent)
Scope 1: Direct GHG Emissions (<i>Note 1</i>)	23.0	40.0 (<i>Note 2</i>)
Scope 2: Energy Indirect GHG Emissions (<i>Note 3</i>)	394.6	461.0
Scope 3: Other Indirect GHG Emissions	21.7 (<i>Note 4</i>)	4.3 (<i>Note 5</i>)
Total GHG Emissions	439.3	505.3
GHG Emissions Intensity (in tonnes CO ₂ -e per million pieces of products)	51.3	48.0


Note:

1. Scope 1 includes direct emissions from combustion of fuel (i.e. petrol) in mobile sources and fugitive emissions from refrigeration equipment.
2. The direct GHG emissions in 2017 is significantly higher than that in the reporting year due to the refrigerant refill for the factory in 2017.
3. Scope 2 includes energy indirect emissions by electricity purchased from power companies.
4. Scope 3 in 2018 includes other indirect emissions by methane gas generation at landfill in Hong Kong due to disposal of paper waste, fresh water processing, sewage processing and business travel by employees.
5. Scope 3 in 2017 includes other indirect emissions by methane gas generation at landfill in Hong Kong due to disposal of paper waste, fresh water processing and sewage processing.


Air Emissions		
Air Pollutants	Emissions (in kg)	
	2018	2017
Nitrogen oxides	5.11	2.53
Sulphur oxides	0.12	0.06
Particulate matter	0.38	0.19

Waste		
Waste Produced	Amount (in tonnes)	
	2018	2017
Total hazardous waste	2.5	2.8
Hazardous waste intensity (in tonnes per million pieces of products)	0.29	0.27
Total non-hazardous Waste	15.9	11.5
– General waste of the office	0.55	N/A
– General waste of the factory	5.76	N/A
– Production waste of the factory	9.61	11.5
Non-hazardous waste intensity (in tonnes per million pieces of products)	1.86	1.09 ^a

Covering production waste generated from the factory only.

ENERGY USE Amount of Energy Consumed (in MWh)


	Petrol	Electricity	Total Energy Consumption	Energy Intensity (in MWh per million pieces of products)
2017	36.3	583.6	619.9	58.8
2018	73.1	499.4	572.5	66.8

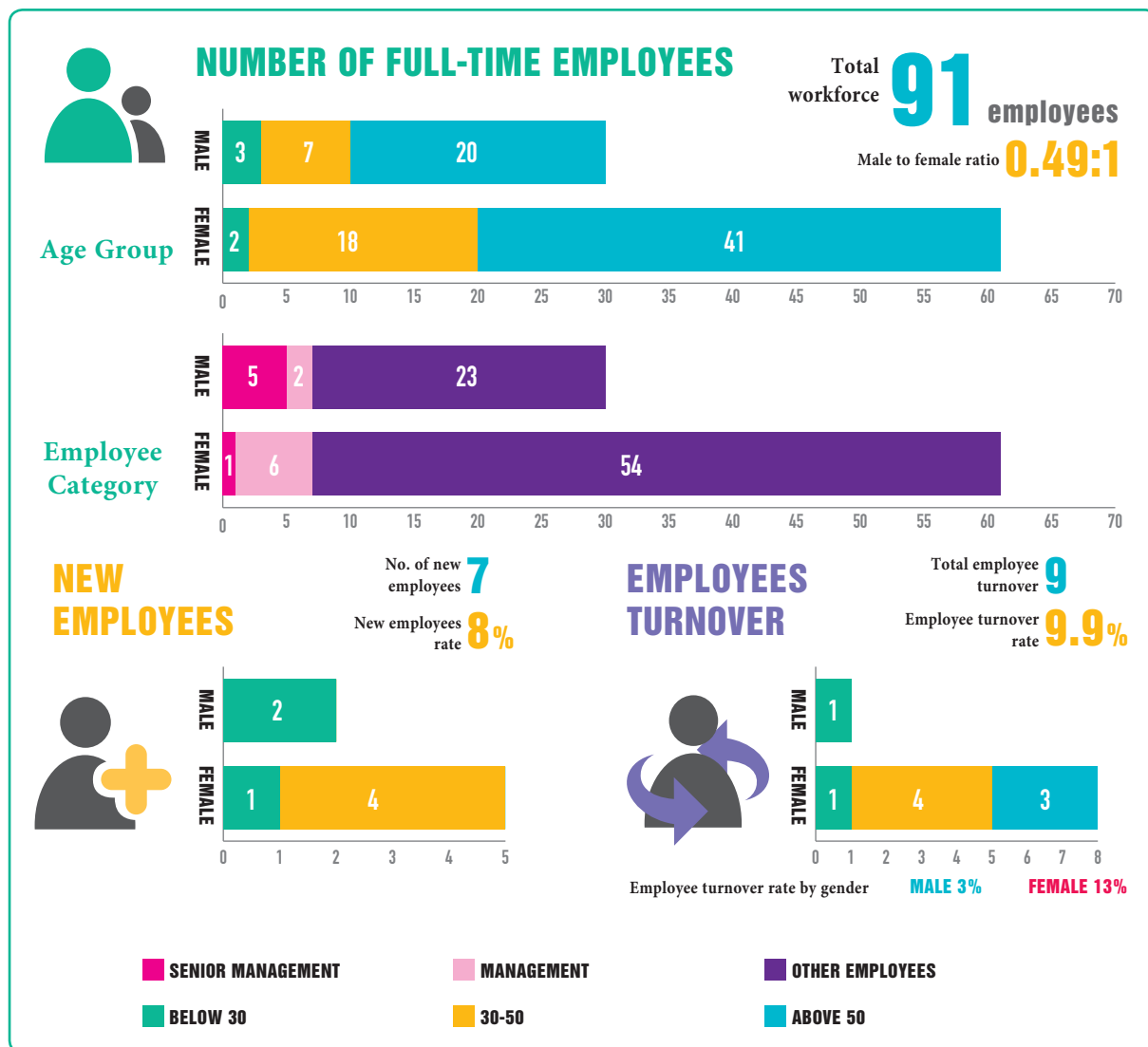
WATER USE Amount of Water Consumed (in m³)


	Total water consumption	Water intensity (in m ³ per million pieces of products)
2017	581.5	55
2018	967.3	113

PACKAGING MATERIAL USE Amount of Packaging Materials Used (in kg)

	Bottle	Cap	Label, leaflet and paper box	Bubble bag
2017	366,414	5,425	68,767	8,408
2018	293,481	4,412	38,448	4,959
	Cellophane/TOPP	Sealing tape	Shrinkable bag	Carton box
2017	6,435	404	2,728	26,239
2018	4,533	273	1,818	21,245
	Total packaging material used (in tonnes)		Intensity of packaging material use (in tonnes per million pieces of products)	
2017	484.8		46.0	
2018	369.2		43.1	

Social Performance



WORK RELATED FATALITY AND INJURY

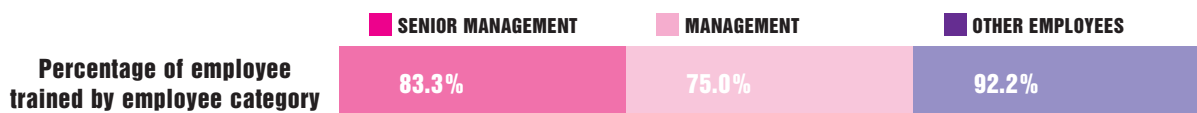
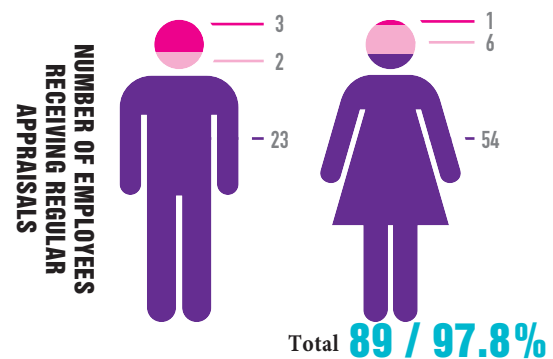
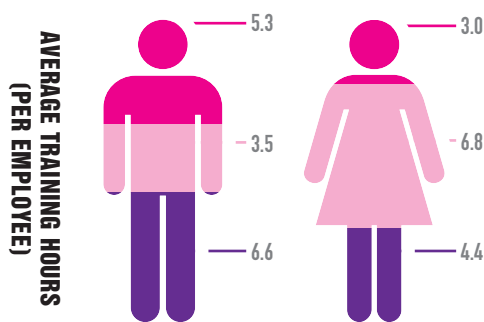
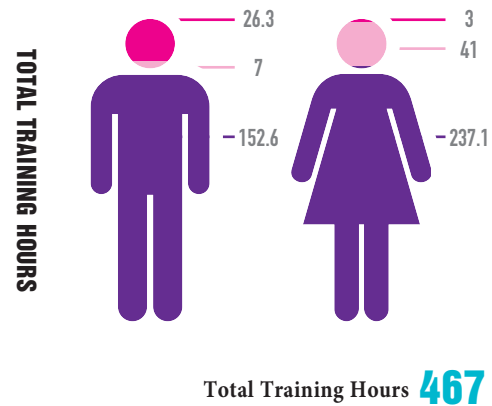
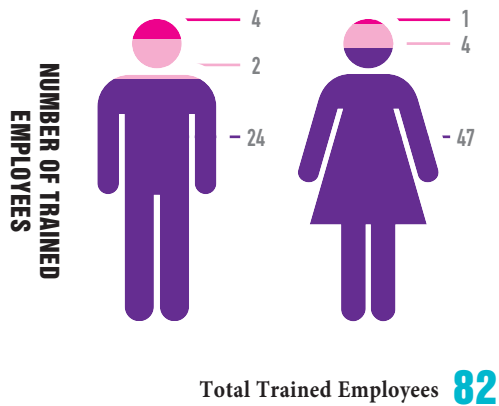
	Gender	Number of work-related fatalities	Number of work-related injury	Number of days lost due to work injury	Number of days of absence from work
	MALE	0	0	0	86.5
	FEMALE	0	0	0	262

Work-related fatality/injury rate (per 100 workforce) **0%**

Lost days due to work injury rate **0**

Absence rate **1%**

TRAINING



NUMBER OF SUPPLIERS

TYPE OF PRODUCT OR SERVICE SUPPLIED	Hong Kong Raw material/ Packing Material	Australia Raw material	Taiwan Packing material	USA Raw material
2017	20	1	1	1
2018	22	1	1	1

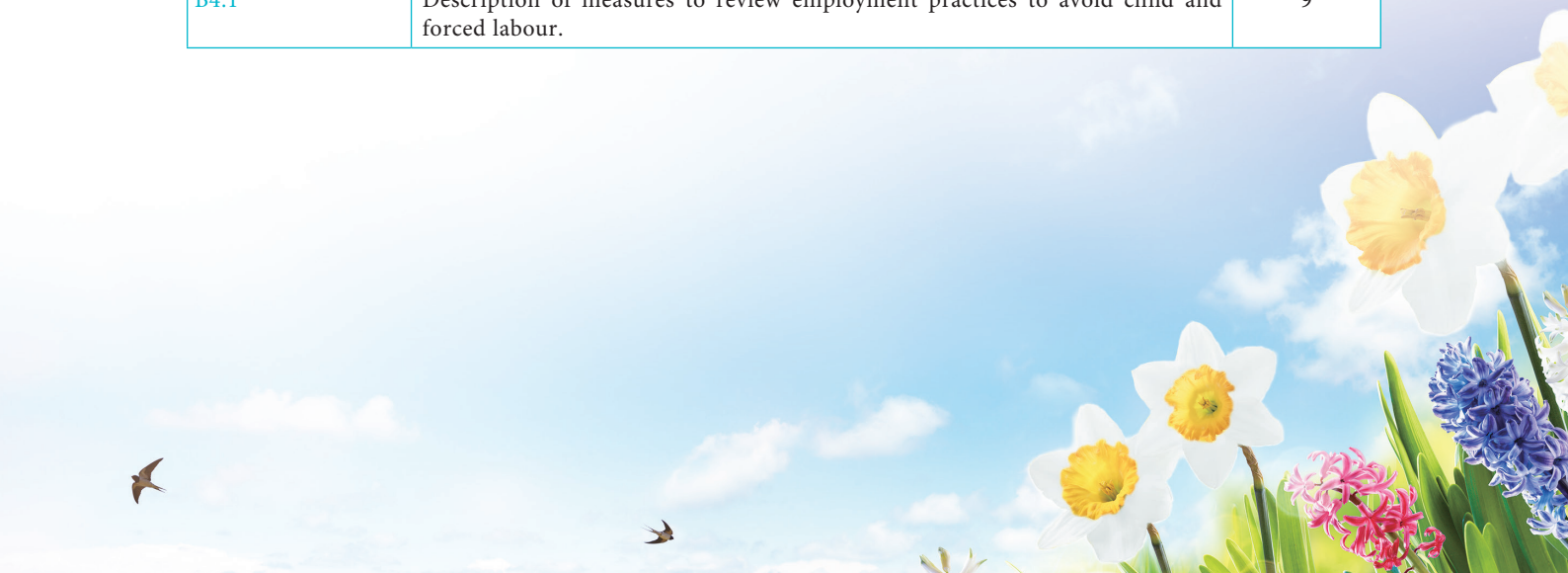
Percentage of suppliers on which the same set of engagement practices are being implemented **100%**

ESG REPORTING GUIDE CONTENT INDEX

Material Aspect	Content	Page Index/ Remarks
<i>A. Environmental</i>		
A1 Emissions		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste.	10
A1.1	The types of emissions and respective emissions data.	11 – 12, 14
A1.2	Greenhouse gas emissions in total and intensity.	10, 14
A1.3	Total hazardous waste produced and intensity.	11, 14
A1.4	Total non-hazardous waste produced and intensity.	11, 14
A1.5	Description of measures to mitigate emissions and results achieved.	10 – 12
A1.6	Description of how hazardous and non-hazardous wastes are handled, reduction initiatives and results achieved.	11, 14
A2 Use of Resources		
General Disclosure	Policies on the efficient use of resources, including energy, water and other raw materials.	12
A2.1	Direct and/or indirect energy consumption by type in total and intensity.	11, 15
A2.2	Water consumption in total and intensity.	12, 15
A2.3	Description of energy use efficiency initiatives and results achieved.	12, 15
A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency initiatives and results achieved.	12, 15; No issue in sourcing water
A2.5	Total packaging material used for finished products.	15
A3 The Environment and Natural Resources		
General Disclosure	Policies on minimising the issuer's significant impact on the environment and natural resources.	12
A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	12



Material Aspect	Content	Page Index/ Remarks
<i>B. Social</i>		
B1 Employment		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare.	8
B1.1	Total workforce by gender, employment type, age group and geographical region.	16
B1.2	Employee turnover rate by gender, age group and geographical region.	16
B2 Health and Safety		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to providing a safe working environment and protecting employees from occupational hazards.	8
B2.1	Number and rate of work-related fatalities.	9, 16
B2.2	Lost days due to work injury.	16
B2.3	Description of occupational health and safety measures adopted, how they are implemented and monitored.	8
B3 Development and Training		
General Disclosure	Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.	9
B3.1	The percentage of employees trained by gender and employee category.	17
B3.2	The average training hours completed per employee by gender and employee category.	17
B4 Labour Standards		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child and forced labour.	9
B4.1	Description of measures to review employment practices to avoid child and forced labour.	9



Material Aspect	Content	Page Index/ Remarks
B5 Supply Chain Management		
General Disclosure	Policies on managing environmental and social risks of the supply chain.	7
B5.1	Number of suppliers by geographical region.	7, 17
B5.2	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, how they are implemented and monitored.	7, 17
B6 Product Responsibility		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress.	6 – 7
B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons.	No recall due to safety and health reasons.
B6.2	Number of products and service related complaints received and how they are dealt with.	7
B6.3	Description of practices relating to observing and protecting intellectual property rights.	7
B6.4	Description of quality assurance process and recall procedures.	6 – 7
B6.5	Description of consumer data protection and privacy policies, how they are implemented and monitored.	7
B7 Anti-corruption		
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.	7
B7.1	Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the reporting year and the outcomes of the cases.	7
B7.2	Description of preventive measures and whistle-blowing procedures, how they are implemented and monitored.	7
B8 Community Investment		
General Disclosure	Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests.	13
B8.1	Focus areas of contribution	13
B8.2	Resources contributed to the focus area.	13

