



**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

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

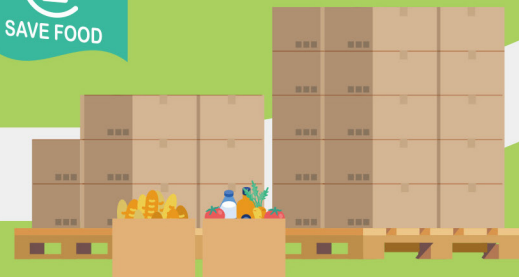
環境、社會及管治報告

# 2018





# Naturally Made Wholeheartedly Good





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## 2018 HIGHLIGHTS

For the financial year ended 31 December 2018 / as at 31 December 2018, Hung Fook Tong Group Holdings Limited had:



**1,101** EMPLOYEES

**847**

in Hong Kong

**254**

in Mainland China



**262,989** m<sup>3</sup>

of water consumed



**107** TONNES

of food waste recycled, reduced

**22.7** TONNES

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



**13,978** TONNES

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



**115** self-operated shops  
in Hong Kong

Received

**BOCHK Corporate  
Environmental Leadership  
Awards 2018**



Services Sector 服務業  
**BRONZE AWARD 銅獎**  
中銀香港 | **BOCHK**  
企業環保領先大獎 2018  
Corporate Environmental Leadership Awards 2018



環保優秀企業  
**EcoChallenger**  
中銀香港 | **BOCHK**  
企業環保領先大獎 2018  
Corporate Environmental Leadership Awards 2018



Awarded the  
**Green Office Label & Eco-Healthy  
Workplace Label 2018**



and **CarbonCare®  
ESG Label 2018 (Level 3)**



Best Practice in ESG Reporting - Level 3  
Awarded Year 2018 (CCCL-2018-3-403)



Contributed more than

**650 SERVICE HOURS**  
to the community



Supported over

**260** community projects and

**190** NGOs



**172 TRAINING COURSES**  
involving

**3,117 ATTENDANCES**



**HK\$ 3.3 million**  
of cash and in-kind products sponsored



**192 KEY SUPPLIERS**



## ABOUT HUNG FOOK TONG

Established in 1986 and listed on the Main Board of The Stock Exchange of Hong Kong Limited since 2014, Hung Fook Tong Group Holdings Limited (“Hung Fook Tong” or “HFT” or the “Company”) and its subsidiaries (collectively as the “Group”) are principally engaged in the production and sales of a variety of herbal and non-herbal products with the Hung Fook Tong brand. Since the commencement of its operation, Hung Fook Tong has transformed from a traditional Chinese herbal tea shop to a modern wellness concept food and beverage enterprise, which has diversified its products to cover Chinese herbal drinks and other non-herbal drinks, Chinese-style soups, tortoise herbal jellies and other food products.

The Group manufactures its products at its own production facilities located in Hong Kong and Mainland China. To ensure its product quality, “No additive (無添加) – no added MSG or artificial preservatives” approach and stringent quality control measures have been adopted during the production process. HFT’s products are marketed through two sales channels: retail and wholesale.

For retail business, the Group operates an extensive sales network comprising 115 self-operated retail shops in Hong Kong as at 31 December 2018. The Group has maintained its standing as the largest retailer of Chinese herbal products in Hong Kong based on retail network span. In 2018, the Group introduced Smart Vendors, known as “HUNG+ (鴻家)”, which enable HFT to increase its exposure beyond shops, and provide customers with round-the-clock personalised services.

For the Group’s wholesale business in Mainland China, the Group’s distribution network comprised of 75 distributors across 18 provinces and 48 cities, among which Guangzhou continued to be the largest revenue contributor. For the Hong Kong wholesale operation, HFT has introduced several new products and expanded sales channels to tap more food and beverage operators during the year. For the 16th consecutive year, the Group has retained its top position in the Hong Kong Wellness Drink Category, by capturing 35% of market share in terms of sales value, as validated by Nielsen.

In late 2018, the Group has completed the construction of a new plant in Kaiping City of Guangdong Province. The new production plant has been equipped with high level of automation to provide additional capacities and facilitate cost-effective production with enhanced quality control mechanism. The Kaiping plant has commenced full production since second quarter of 2019.



## ABOUT THIS REPORT

This is the third Environmental, Social and Governance (“ESG”) report published by HFT. By reporting the ESG policies, measures and performances of the Group, the report allows stakeholders to learn more about its progress and development direction in sustainability issues.

Available in both Chinese and English, the report has been uploaded to the websites of the Company ([www.hungfooktongholdings.com](http://www.hungfooktongholdings.com)) and The Stock Exchange of Hong Kong Limited (the “SEHK”).

## REPORTING SCOPE

The report focuses on the operation of the core businesses of HFT, i.e. retail and wholesale during the financial year from 1 January 2018 to 31 December 2018 (the “reporting year”). The reporting scope continues to cover the ESG performances of 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).

While this report does not cover all operations of the Group, it is on its agenda to gradually expand the reporting scope 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 SEHK. The four reporting principles, namely the principles of materiality, quantitative, balance and consistency, form the backbone of this report.

To ensure the accuracy of environmental Key Performance Indicators (“KPIs”), the Group’s greenhouse gases (“GHG”) emissions from its operations were quantified through carbon assessment conducted by an independent professional consultancy, Carbon Care Asia. A complete index is inserted in the last section of this report for reference.

## CONFIRMATION AND APPROVAL

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. The board of directors (the “Board”) of the Company has overall responsibility for the establishment and disclosure of relevant measures and KPIs. To ensure that the report covers environmental and social issues material to the Group, this report has been reviewed and approved by the Board on 19 July 2019.

## FEEDBACK MECHANISM

Comments and suggestions of stakeholders can help the Group establish a more detailed and sound sustainability strategy. If you have any questions or suggestions regarding the content or format of the report, please contact the Company via the following channels:

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





## MESSAGE FROM THE CHAIRMAN



**Mr. Tse Po Tat**

Chairman and Executive Director

To our stakeholders,

Sustainability hinges on re-establishing the lost link between humans and nature. Our products, made with natural ingredients, serve this purpose. Our pursuit of sustainability as a responsible corporate citizen continues to drive us through upholding the highest product quality, in line with our motto “Naturally Made, Wholeheartedly Good”. As a leading food and beverage manufacturer, our activities play a role in influencing consumers’ behavior and mindset, as well as enhancing their wellbeing.



Our sustainability governance relies on the effective coordination between specialised committees including the Risk Management Committee, together with other organizational committees that are responsible for overseeing areas such as internal planning in terms of environmental protection and quality of life in the community. While we do not have a formal structure of sustainability governance at the moment, its establishment is on our agenda.

Throughout our operation we adopt a people-centric approach. Our journey to care for the community begins with our employees. Family-oriented policies help us create a supportive workplace where employees can balance career development and family roles. By building a healthy and fulfilled team, it enables us to serve the needs of our customers while enhancing the value of our services and products.

Apart from our staff, all stakeholders play a crucial role in our corporate sustainability. Listening to their views help us identify their concerns and adjust the priorities of different issues accordingly. With the assistance of external consultancy, tailor-made stakeholder engagement activities were carried out in addition to regular means of communication.

This year, based on inputs of internal and external stakeholders, we identified four social aspects, including customer health and safety, supply chain management, product quality assurance and anti-corruption, to be our top priority in sustainability efforts. Two environmental aspects, waste management and resource efficiency also stand out as material issues to focus on. These aspects represent the areas of impacts of our activities and we endeavour to respond to demands of our stakeholders in these areas.

The road towards sustainability is not without challenges. Changes towards reducing our environmental impact also rely on positive response from the public. In response to the raising concerns about the impact of plastics on the environment, we have made commitments to reduce or recycle plastic waste, for example, we have supported the “No Straw Campaign” and partnered with different organisations in exploring green campaigns with an aim to engage customers in plastic recycling. We will continue to press on with our waste reduction and recycling initiatives with close communication with our customers and stakeholders, thus creating value for all stakeholders in the long run.

**Tse Po Tat**  
*Chairman and Executive Director*  
Hong Kong, 19 July 2019





## AWARD HIGHLIGHTS



### In Recognition of Environmental Efforts

#### 1 Green Office Label & Eco-Healthy Workplace Label 2018

##### World Green Organisation

In recognition of the Group's green and eco-healthy workplace practices.

#### 2 CarbonCare® ESG Label 2018 (Level 3)

##### CarbonCare InnoLab

Awarded for the Group's good practices in ESG reporting.

#### 3 BOCHK Corporate Environmental Leadership Awards 2018 – Services Sector Bronze Award & EcoChallenger

##### Federation of Hong Kong Industries

In acknowledgement of the Group's dedication and contribution to environmental protection.

#### 4 BDO ESG Awards 2019 – Certificate of Merit: Best in ESG (Small Market Capitalisation) & Certificate of Merit: Best in Reporting (Small Market Capitalisation)

##### BDO Limited

Awarded for the Group's sustainability initiatives and ESG reporting standards.

#### 5 Quam IR Awards 2018 – Sustainable Development Category

##### China Tonghai IR Limited

Received the award for the Group's excellence in maintaining social and environmental sustainability.



## In Recognition of Community Investment

### 6 10 Years Plus Caring Company 2006-2018

#### The Hong Kong Council of Social Service

Awarded the "Caring Company" logo for twelve consecutive years.

### 7 Social Capital Builder 2018-2020

#### The Labour and Welfare Bureau – Community Investment and Inclusion Fund

In recognition of the Group's contribution to the development of social capital in Hong Kong.



## In Recognition of Talent Development

### 8 Happiness-at-Work 5 Years+

#### The Hong Kong Productivity Council

Awarded the "Happiness-at-Work" label for seven consecutive years.

### 9 Family-Friendly Employer 2017/18 & Special Mention (Gold) & Award for Breastfeeding Support

#### The Family Council

Recognised as the "Family-Friendly Employer" since 2011.



## In Recognition of Product and Service Excellence

### 10 Hong Kong Q-Mark Service Scheme & Q-Mark Elite Brand Awards 2018

#### The Federation of Hong Kong Industries

Voted by the public, the award recognised the Group's dedication and efforts on providing quality services and products.

### 11 2018 Hong Kong Top Brand

#### Hong Kong Brand Development Council & The Chinese Manufacturers' Association of Hong Kong

Honored the Group's efforts in brand management and service excellence.



## ESG GOVERNANCE

HFT believes that principles and practices of good corporate governance enable stakeholders to have trust and faith in the Group to fulfill its social responsibility and create long-term values to them. To enhance and safeguard the interests of stakeholders, the Board is committed to the highest possible standards of corporate governance, as well as the establishment of transparent, responsive and value-driven management practices.

The Group reviews the ESG practices regularly and develops benchmarks to ensure compliance with relevant regulations and rules. The Group also evaluates performance of industry peers and identify areas for continued improvement.

The goals and objectives of sustainability directions for the Group have been established by the Board and implemented by the Executive Committee. The committee conducts regular meetings to monitor progress and report regularly to the Board.

## ESG RISK MANAGEMENT SYSTEM

HFT considers risk management as an integral part of daily management processes and good corporate governance. The risk management process includes risk identification, evaluation, management and review.

The audit committee is in place to assist the Board in evaluating the effectiveness of risk management and internal control systems. The internal audit department is responsible for coordinating and advising on matters in relation to risk management. All operating departments are responsible for identifying and analysing the risks associated with their respective function, preparing risk mitigation plans, measuring effectiveness of such risk mitigation plans and reporting status of risk management. As part of the risk mitigation strategy, the Group has established a formal whistle-blowing mechanism to enable internal stakeholders to communicate their concerns regarding any incurring risks.

The Group noticed that the current risk assessment and internal control system does not cover environmental and social issues comprehensively. It is on its agenda to conduct annual review of industry-relevant ESG risks which will enable itself to formulate action plan in a timely manner.



## STAKEHOLDER ENGAGEMENT

Understanding and responding to the needs of its stakeholders are important for HFT in advancing the journey of sustainability. Feedback from stakeholders guides us to identify material ESG issues, as well as to manage relevant risks and opportunities. The Group's stakeholders are those who have a considerable influence on its business, and whom its business has a significant impact on. The Group engaged its key stakeholders via multiple channels to gather their feedback and strive for continuous improvement.



### Engagement with Key Stakeholders

 <b>Employees</b>	 <b>Customers</b>
<p>A wide range of initiatives, such as training programmes, team building activities and community events were organized during the reporting year to promote staff development, healthy workplace, and well-being.</p>	<p>The loyalty program – “JIKA CLUB” – continued to be HFT’s core channel to communicate with regular customers; meanwhile, procedures were in place to handle customer feedback in a timely and proper manner.</p>
 <b>Suppliers</b>	 <b>Community</b>
<p>Suppliers were selected taking into account their ESG performance, with ongoing monitoring conducted by the Group.</p>	<p>Engaging and supporting the community through various charitable activities and volunteering services.</p>

## MATERIALITY ASSESSMENT

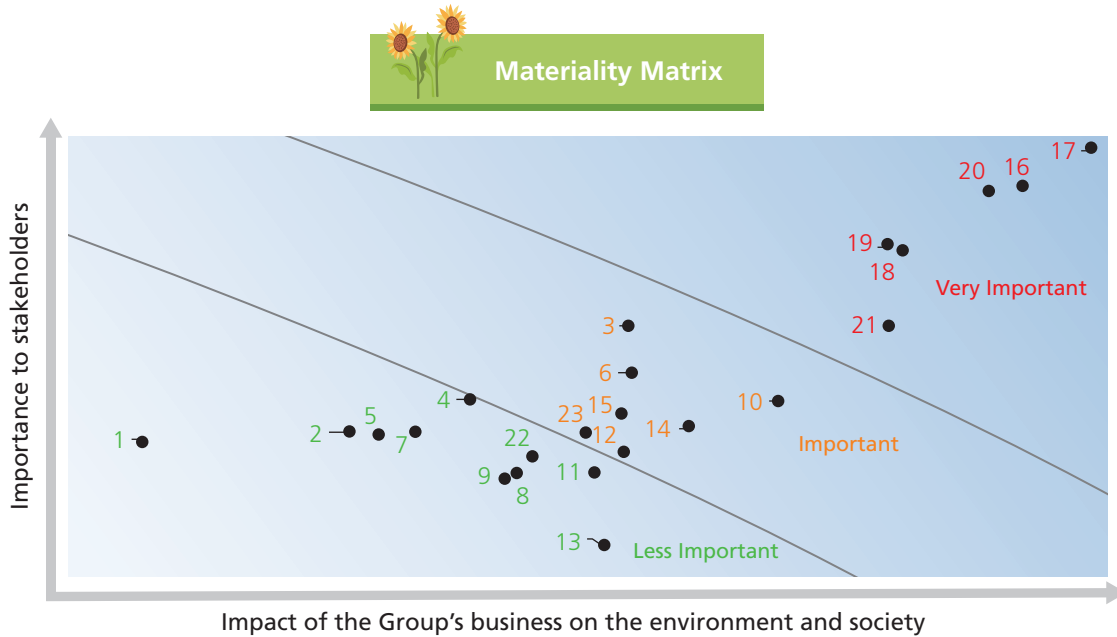
Consistent with the previous reporting years, HFT commissioned external consultants to conduct materiality assessment to identify sustainability issues that were material to its stakeholders and sustainable development.

Step	Actions
<p><b>Step 1:</b> Identification of key stakeholder groups and relevant sustainability issues</p>	<ul style="list-style-type: none"> <li>– Key stakeholder groups engaged in materiality assessment of the reporting year included:               <ol style="list-style-type: none"> <li>(1) internal stakeholders – employees of various grades;</li> <li>(2) external stakeholders – suppliers, contractors, business partners, customers, members, investors, representatives from NGOs and industry associations.</li> </ol> </li> <li>– Considering the results of the previous engagement activities as well as ESG reporting standards, 23 sustainability issues were identified, covering environmental, employment, operating practices, and community investment.</li> </ul>
<p><b>Step 2:</b> Collection of stakeholder feedback</p>	<ul style="list-style-type: none"> <li>– To collect feedback from different groups of stakeholders, the consultant conducted in-depth interview with top management regarding HFT’s sustainability vision and strategy, focus group discussion (9 participants of internal stakeholders representing different departments), and questionnaire survey (292 valid questionnaires were received, 68 from HFT’s staff and 224 from external stakeholders).</li> </ul>
<p><b>Step 3:</b> Identification of material sustainability issues</p>	<ul style="list-style-type: none"> <li>– A materiality matrix was developed based on the stakeholder survey results. 13 sustainability issues were identified as material to HFT’s stakeholders and businesses.</li> </ul>
<p><b>Step 4:</b> Confirmation of assessment results</p>	<ul style="list-style-type: none"> <li>– A stakeholder engagement summary specifying the materiality matrix were submitted to the Board for review.</li> <li>– The 13 material issues were validated to be priority issues for HFT to address and report on.</li> </ul>



## Materiality Matrix

Based on the responses collected, a materiality matrix was developed, in which 13 sustainability issues were identified as material (marked in red and orange).



The identified sustainability issues were listed below in descending order of importance. **The 13 material issues were marked in blue below.**

Aspect	No.	Sustainability Issue	Material
Operating Practice	17	Customer health and safety	✓
	16	Procurement	✓
	20	Protection of customers and business partners	✓
	18	Product recalls	✓
	19	Handling of customer complaints	✓
	21	Anti-corruption	✓
	15	Risk management in supply chain	✓
Environmental	3	Waste management	✓
	6	Efficiency of resources other than energy and water	✓
	4	Energy efficiency	
	7	Impacts on environment and natural resources	
	5	Water efficiency	
	2	Wastewater management	
Employment	10	Occupational health and safety	✓
	14	Forced labour	✓
	12	Employee training and development	✓
	11	Employee welfare and wellbeing	
	8	Employment system	
	9	Anti-discrimination, diversity and equal opportunities	
	13	Child labour	
Community Investment	23	Community investment	✓
	22	Community consideration	

## WELLNESS IN THE ENVIRONMENT

Climate change and scarce resources are inevitable challenges in today's global context. The Group strives to protect the environment by managing the environmental impact of its business operation along its value chain. The Group has formulated the ESG Policy to demonstrate its determination to minimise the impact of its operation on the environment regarding emissions, use of resources, as well as the natural resources and environment.

### WASTE REDUCTION

#### Food Waste

Food waste is a main form of non-hazardous wastes produced by the Group. The Group has established procedure to separate the food products that are reaching their shelf life so they can be distributed before expired to reduce potential food wastes.

HFT joined hands with various food banks, including People Service Centre and Tin Shui Wai Community Development Network to reduce food waste. They collected surplus food or products reaching their shelf life from HFT's shops or factory, and distributed them to needy. The food could also be shared among employees or sold internally.

For the residual food waste at the Hong Kong factory, such as soup remains or egg shells, part of them are collected by a qualified recycling firm on a daily basis, which are processed and turned into animal feeds. Part of the Group's food waste was processed at the Organic Resources Recovery Centre Phase 1 at Siu Ho Wan since its commencement in 2018.

In the reporting year, about 107 tonnes of food waste were recycled, which reduced 22.7 tonnes of CO<sub>2</sub>-e of GHG emissions.



#### Plastic Waste

Plastic waste poses real threats to marine life and the coastal environment. Public concern about the impact of single-use plastic on the environment is unprecedented. As a food and beverage provider, plastics are often used as the packaging materials in the form of bags and containers. HFT is devoted to manage the impact of plastic consumption.

To encourage the involvement of customers in the recycling effort, the Group has been offering discount coupons through recycling machines. More than 8,000 containers, both plastic and metal, were collected and recycled as a result of these machines. The Group also collected used and cleaned tortoise herbal jelly containers from customers for recycling.

**46** recycling machines were sponsored in different areas of Hong Kong

**8,406** plastic bottles and metal containers were recycled from the machines



At the same time, HFT promoted green consumption by encouraging customers to bring their own shopping bags and reusable utensils. Since 1 June 2018, straws and disposable cups have only been provided upon request at all HFT retail shops. The Group has supported the “No Straw Campaign” initiated by Ocean Park Conservation Foundation Hong Kong by becoming a “No Straw Partner” to show its commitment to minimise the use of single use plastic straws.



Plastic bag levies collected at HFT shops were donated to WWF Hong Kong and Chinese YMCA of Hong Kong to support their environmental protection and conservation programs. HFT will gradually reduce the use of disposable utensils at the retail shops, e.g. the Group sells its own version of the Grab'n'Go reusable food bag as a greener alternative to plastic bags. HFT will actively identify further opportunities for waste reduction.



香港中華基督教青年會  
Chinese YMCA of Hong Kong

In the reporting period, 369 tonnes of plastic were used as packaging materials for finished products produced in the Hong Kong factory, with another 20 tonnes of plastic bags used in the operations of retail stores. The intensity of packaging material used in 2018 was 0.024 tonne per thousand pieces of products.

Year	Plastic Packaging Materials*
2018	369 tonnes
2017	329 tonnes

\* These figures cover the plastic packaging materials used in Hong Kong factory only.

### Other Non-Hazardous and Hazardous Wastes

There were other non-hazardous wastes for commercial and production purposes, of comparatively less amount, such as wooden pallets, cartons and scrap metals. They were collected and recycled by designated agents. Non-hazardous wastes which were non-recyclable were collected and transported to landfills.

The Group controlled the use of and proper disposal of harmful chemicals. Qualified organisations were commissioned to handle the hazardous waste.

The effluent produced from preparation of food and beverage and washing of utensil were collected and treated with wastewater treatment facilities. The treated effluent was discharged into communal sewer for the carriage of foul water. The Group appointed certified third-party laboratory to conduct analysis of waste water samples regularly to ensure full compliance with licensing requirements of the Water Pollution Control Ordinance in Hong Kong.



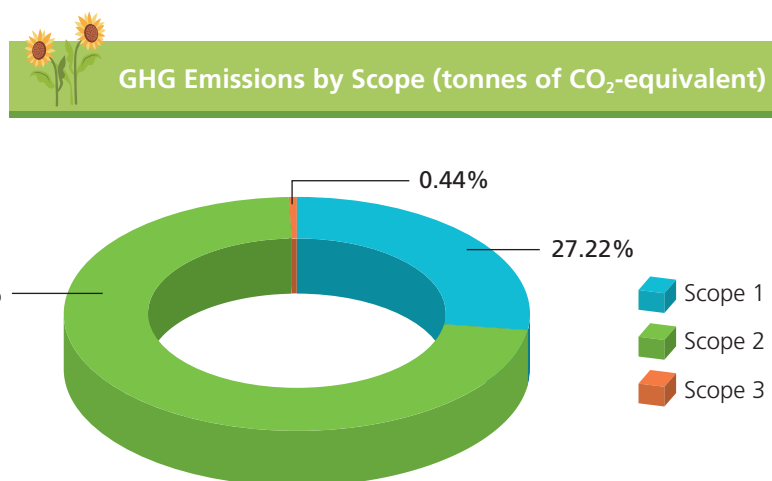
## EMISSIONS MITIGATION

For the quantification of GHG emissions, reference has been made to the Guidelines<sup>1</sup> compiled by the Environmental Protection Department and Electrical and Mechanical Services Department of Hong Kong, the Guidelines<sup>2</sup> released by the National Development and Reform Commission of the People's Republic of China ("PRC") and international standards including ISO 14064-1 and GHG Protocol.

Scope	GHG Emissions (tonnes of CO <sub>2</sub> -equivalent)	
	2018	2017 <sup>3</sup>
Scope 1: Direct GHG emissions <sup>4</sup>	3,805	3,678
Scope 2: Energy indirect GHG emissions <sup>5</sup>	10,112	6,253
Scope 3: Other indirect GHG emissions <sup>6</sup>	61	80
<b>Total GHG emissions</b>	<b>13,978</b>	10,011
<b>GHG intensity<sup>7</sup> (tonnes of CO<sub>2</sub>-e/HK\$1,000 revenue)</b>	<b>0.018</b>	0.014

The total GHG emissions in 2018 was 13,978 tonnes of CO<sub>2</sub>-equivalent (approximately 40% higher than 2017), while the GHG intensity was 0.018 (29% higher than 2017).

Scope 2, being the energy indirect GHG emissions, constitutes 72.34% of the total GHG emissions. Scope 1 and Scope 3, being the direct GHG emissions and other indirect GHG emissions, account for 27.22% and 0.44% of the total GHG emissions respectively.



To develop future carbon reduction plans and targets, the Group will continue to assess and monitor its GHG emissions.

- 1 Guidelines to Account for and Report on Greenhouse Gas Emissions and Removals for Buildings (Commercial, Residential or Institutional Purposes) in Hong Kong
- 2 Guidelines for Accounting and Reporting Greenhouse Gas Emissions – China Food, Tobacco, Alcohol, Beverage and Purified Tea Manufacturing Enterprises (Trial)
- 3 The 2017 GHG figures are adjusted to reflect actual situation. The whole Hong Kong factory's electricity use is now included for meaningful comparison with 2018.
- 4 Scope 1 are 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.
- 5 Scope 2 emissions cover purchased electricity from power companies and purchased towngas.
- 6 Scope 3 emissions cover emissions from paper waste disposal, use of fresh water, sewage discharge from domestic and catering use in Hong Kong operations, and business travel by air in Hong Kong and China operations.
- 7 The figures are calculated based on the total revenue of the Group as presented in its 2018 and 2017 annual reports, which cover a slightly wider boundary beyond the scope of this Report.



## RESOURCE EFFICIENCY

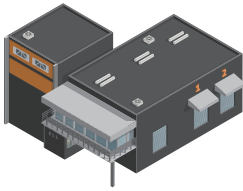
The Group has implemented a series of on-going environmental initiatives to reduce the use of energy, water, and paper.

### Energy

Energy consumption is a principal source of GHG emissions of the Group. The Group has continued its efforts in improving energy efficiency, particularly in factory, retail shops and office through a series of energy-saving initiatives.



## Initiatives on Energy Efficiency and Emissions Reduction



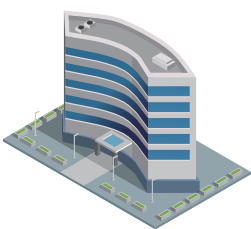
### HK Factory

- Adopted efficient and value-added technologies and processes to continuously improve the production process
- Conducted regular maintenance to production equipment, like cold storages, boilers, steam laminated pots, steam cabinets and circular clean-in-place system
- Conducted inspections in factory area by security guards at night to check and turn off any idling electrical appliances



### HK Retail Shops

- Fitted refrigerators either with doors or plastic curtains at all retail shops to reduce electricity consumption
- Turned off external lighting after midnight - In 2018, 19 HFT shops (i.e. 16% of all retail stores) were recognised with the "Charter of External Lighting - Gold Award" by the Environment Bureau for fulfilling the pledge to switch off external lights
- Adopted LED lighting whenever possible



### HK Office

- Established a documented Energy Policy covering lighting, ventilation, air conditioning, office appliances, etc. to conserve energy
- Monitored the implementation of Energy Policy
- Educated and encouraged staff to avoid prolonged use of appliances, with reminders to promote awareness



Year	Direct Energy Consumption	Indirect Energy Consumption
2018	17,211 MWh-equivalent	12,645 MWh
2017	16,828 MWh-equivalent	11,109 MWh

## Water

The Group used water as a key ingredient in most of its products and in production processes for heating, cleaning and cooling.

To enhance water efficiency, the Group installed a steam condensate recovery system to reuse production water for cleaning and product cooling purposes in both Hong Kong factory and Shenzhen factory. The Group adopted an extraction process to facilitate effective use of water during cooking process and improved production process or technologies to reduce water consumption. To extend shelf life of water in water circuits, the Group applied stabilizer to control the water quality.

The Group obtained water from municipal authorities and has no difficulty in acquiring water source.

Year	Water Consumption	Water Intensity (m <sup>3</sup> /HK\$1,000 revenue)
2018	262,989 m <sup>3</sup>	0.336
2017	295,500 m <sup>3</sup>	0.405

## Paper

In the reporting year, the Group has established the Office Waste Reduction Guideline to encourage employees to reduce the use of different resources including paper. Practices of paper conservation implemented at the offices included:

- Adopted electronic communications and filing
- Adopted electronic platforms for human resources, administration, procurement purposes
- Adopted online facsimile (internet fax) system
- Used FSC-certified papers for office printing and financial publications
- Adopted security printing to prevent mis-printing
- Assigned designated area for collection of waste papers



Year	Consumption of Office Paper
2018	9,059 kg
2017	8,512 kg

Such green workplace practices have led to the awarding of “Green Office Label 2018” and “Eco-Healthy Workplace Label 2018” by the World Green Organisation.



The Group also minimised the use of paper cartons for product delivery by using reusable baskets.



### No Paper Cups at Large-scale Event

HFT was again a food sponsor of Oxfam Trailwalker 2018, serving soup and siu mai to walkers. To minimize waste, HFT partnered with “We Use” so that reusable cups have fully replaced the use of paper cups during the event. HFT also encouraged walkers to bring their own tablewares.



### JIKA CLUB Goes Digital

To cut down paper usage over the long term, the Group has been actively promoting the use of digital membership cards and e-coupons for its loyalty program “JIKI CLUB”, so as to reduce the use of their paper or plastic counterparts.



## NATURAL ENVIRONMENT

Although the Group’s production process does not involve heavy pollution, HFT understands that proper handling of waste and wise choice of production materials can make a difference to the protection of natural environment. In the reporting year, related departments (the in-house research and development team, procurement, production team, etc.) continued to look into alternative types of plastic packaging materials, and will conduct market and technical feasibility tests on the choice of packaging materials.

The Group abides 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 People’s Republic of China, and so on. During the reporting year, there were no non-compliance cases related to these environmental laws and regulations.

The following suggestions on environmental protection were raised at the focus group:

- Encouraging customers to use their own containers through offering discounts
- Organising more environmental promotion campaigns to encourage participation of the public and customers in plastic recycling



## EFFECTIVENESS IN THE OPERATIONS

HFT treats every customer, supplier and other partner with integrity, respect and accountability. As a food and beverage enterprise, the Group attaches great importance to the observance of business ethics and the quality of the products and services provided. The Group has thereby formulated a range of policies in relation to anti-corruption, product responsibility and supply chain management. It is dedicated to establishing a sound and effective internal control system to ensure a high standard of business ethics in the Group's operations and to maintain a fair and just market environment at the same time.

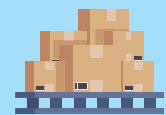
## SUPPLY CHAIN MANAGEMENT

By active management of supply chain activities, HFT aims at maximising value for customer and achieving competitive advantage in sustainability. The Group has in place the ESG Policy and supply chain management procedures to prescribe the standards and process of procurement of raw materials. In the reporting year, the Group mainly sourced food ingredients, packaging and other raw materials from over 190 key suppliers.

As of 31 December 2018,  
the Group has

**192**

key suppliers.



HFT encourages better trading conditions and promotes sustainability among the Group's business partners. For example, the Group supports fair trade in the procurement process by considering and cooperating with suppliers that are accredited with fair trade practices by the World Fair Trade Organization. Meanwhile, HFT strives to produce healthy, nutritious and delicious products with quality natural ingredients. Hence, the Group paid attention to whether any artificial additives, such as artificial preservatives, artificial colouring and Monosodium Glutamate ("MSG") are added to the raw materials supplied.

To mitigate social and environmental risks in the supply chain, the Group sets out requirements on supplier selection and ongoing evaluation.



### Supplier Selection

#### Documentary Review

The Group prudently selects suppliers and requires all of them to comply with the Group's environmental and social responsibility guidelines. The Group requires suppliers to render proofs of business registration, food manufacturing permits, export permits, quality safety certificates (e.g. ISO9001, ISO22000 and HACCP) and third-party testing reports.

#### Risk Rating System

The Group has established a risk rating system for the selection of new suppliers, which requires potential suppliers to identify their risk factors and propose controlling measures. For packaging materials, the Group may perform chemical test for samples before trial production.



### Evaluation of Existing Suppliers

The Group examines the performance of suppliers in product quality, delivery timeframe, degree of cooperation, and improvement capability through a rating system. 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.



## FOOD SAFETY AND QUALITY MANAGEMENT

The quality of HFT's products and safety of its customers are of utmost importance. The Group avoids food safety risk factors by eliminating unnecessary use of additives and ensuring good hygiene conditions during the manufacturing and transportation process.

To ensure high quality, clean and safe food products are provided by HFT, the Hong Kong factory has established the Food Safety Committee which consists of the Group's General Manager and related functional heads (including factory operation and production, logistics, quality management, etc.). The General Manager is responsible for overseeing the implementation of measures across the factory.

### Quality Management

From raw materials management to production and process control to assurance of finished goods, HFT applies strict quality standards to ensure the quality of its products comply with relevant local rules and regulations. The Group's Hong Kong factory has been accredited for major quality management systems, including ISO22000 Food Safety Management System, Good Manufacturing Practices (GMP) and Hazard Analysis and Critical Control Points (HACCP). Shenzhen factory has also obtained ISO22000 food safety management system accreditation since 2007.


Major Quality Management Systems accredited to Hong Kong Factory



**ACI-HACCP**  
Certificate No:H072



**ISO 22000:2005**  
Certificate No:F072




**ACI-GMP**  
Certificate No:GMP012

These quality management systems are integrated across HFT's entire operations including procurement, manufacturing, warehousing, and distribution to consumers. HFT has also in place a set of policies and guidelines to outline the leading personnel and team actions to ensure product quality.


For the storage of finished products and raw materials, the Group has established guidelines specifying storage location, shelf life and temperature for operations in the factory, as well as guidelines on product handling for operations at the retail shops. To maintain high standards of hygiene, the Group adopts GMP guidelines and prescribes workshop uniform standards to the employees. The Group arranges regular sampling inspections on raw materials and food ingredients, package materials, and finished products, to monitor the product quality throughout its life cycle. Non-conforming materials are identified and controlled to prevent unpredictable usage. In line with the HACCP system, product quality traceability is established and verification of process control with laboratory analysis and tests are carried out.

During the reporting year, the Group provided training to new employees on GMP and personal hygiene. Members of the Food Safety Committee also receive ISO22000 and HACCP training regularly to understand the relevant requirements and principles for managing risks associated with food and beverage safety.

We target to receive  
**less than 10**  
complaint cases related to food hygiene and safety each month



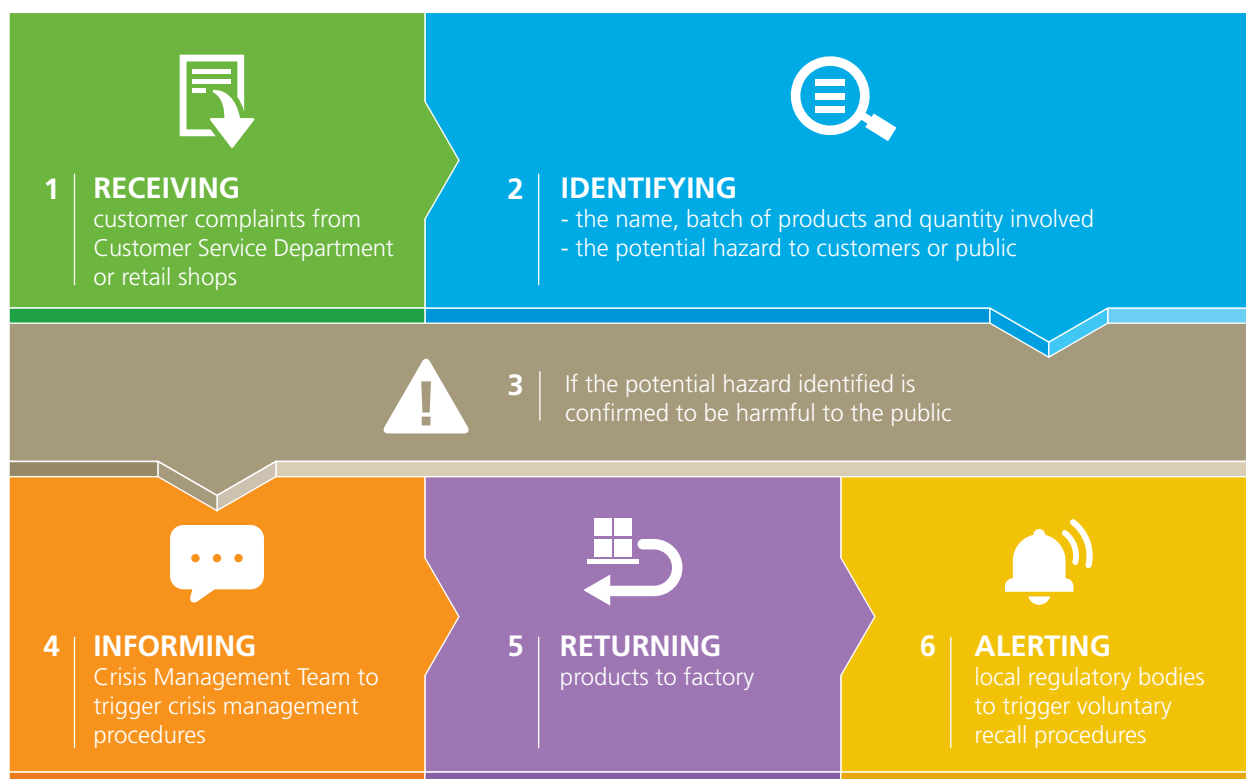
In 2018, the average monthly no. of complaint cases related to food hygiene and safety was **4**



### Product Recall Procedures

For retail shops, the Group maintains Retail Operation Manual with customer service strategies and control procedures. Once potentially unsafe products are identified, product recall procedures should commence to stop the distribution and sales of the concerned products from the marketplace. The Group has also established the HFT Control Procedures on non-conforming products prescribing procedures of reviewing, labelling, isolating, handling and recording products that fail to meet requirements.

## Product Recall Procedures at Retail Shops



The Group has implemented another set of product recall procedures for wholesales products such as bottled drinks both in Mainland China and Hong Kong. Once complaints are received, the customer service hotlines should direct complaints to Sales Department at the Hong Kong office to proceed with products audits at factories. Unsafe products should be recalled from different sales locations. An improvement plan should be communicated to the complainant.

The Group abides by the relevant laws and regulations in relation to product health and safety, including but not limited to Regulation on the Implementation of the Food Safety Law of the People's Republic of China. In the reporting year, there were no products subject to recall for safety and health reasons.

## CUSTOMER RELATIONSHIP MANAGEMENT

### Customer Satisfaction and Feedbacks

The Group regards customer satisfaction as the key factor of quality of businesses, and continues to enhance customer satisfaction through innovating new products and services. To retain customers and learn more about their experience, the Group has developed the loyalty program since 2008 – “JIKI CLUB” which attracts and retains the members through offering them various promotions and discounts.

In addition to member engagement campaigns, the Group reached out to its JIKI CLUB members via new technologies including its own mobile application (“APP”). HFT mobile APP offers added convenience with digital membership card, facilitates the use of electronic coupons, which in turn will enhance customer-shopping experience.





### Respond to the Call for a Healthier Diet



Given the growing health consciousness of the general public, HFT aims to introduce more low-sugar or no-sugar options in the product portfolio. Following the research and development works on the application of low-calorie Rare Sugar (稀少糖) in some of its beverage products, a new line of beverage has been rolled out since spring 2018. Rare Sugar is low in calorie and is able to inhibit glucose absorption. Hence, it is suitable for people with diabetes, or who are seeking a

sugar reduction diet. Such beverage products are clearly labelled for the ease of shoppers.

On the other hand, HFT has gradually featured product labels in line with the "Salt/Sugar" Label Scheme for Prepackaged Food Products (預先包裝食品「鹽／糖」標籤計劃) to cater to the needs of health-conscious customers since spring 2018. 38 of its beverage products are so-labelled to indicate their low sugar content.



To enhance customer experience, Hung Fook Tong Online ("HFT Online") has been employed to provide a viable alternative to technology inclined consumers in Hong Kong. Reflecting the good performance in customer experience, HFT Online earned the "Quality E-Shop" designation from the Hong Kong Retail Management Association in the reporting year.

The Group introduced Smart Vendors, known as "HUNG+ (鴻家)" to increase exposure beyond traditional shops and provide customers with 24/7 personalised services. The machines are configured with functions of artificial intelligence to perform simple diagnostics, make health recommendations for customers, and suggest products that are most appropriate for their needs. As at 31 December 2018, there were 15 HUNG+ machines in service in commercial buildings, shopping malls, residential estates and the airport.



### Pregnancy and Post-natal Ambassadors (養胎坐月食療大使)

A number of frontline staff attended training courses on food therapy and tips during pregnancy and postnatal recovery period. Those who passed the course assessment are willing to share tips to new mothers or mothers to be at selected HFT retail shops, as a value-added service for its customers.

HFT values feedbacks and opinions from customers to improve service standard. The Group has established procedures in handling customer feedbacks. Customer feedbacks are categorised into general enquiries, compliments, complaints, and opinions. Each case was documented and followed up with remedial actions in a timely manner by respective departments.

Excluding cases that had lost contacts, there were no unresolved customer complaints occurred in the reporting year.



## Responsible Marketing Communications

The Group provides clear and reliable information regarding its products, such as information on allergens, safe consumption advice and inspected shelf dates on product labels. Product details are also available in printed promotional materials and online (e.g. company website, social media platforms) so that customers make informed choices. The Group will conduct investigation and render proper solutions for any complaints received related to HFT's advertisements. The Group reviews mitigation measures regularly to prevent recurrence of similar complaints in the future.

The Group abides by regulatory requirements on pre-packaged food labelling and the Trade Descriptions Ordinance of Hong Kong. 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 indicated that HFT product labelling conforms to the requirement of the pertinent national standards of the People's Republic of China ("PRC") (namely GB 7718-2011 General Standards for the Labelling of Pre-packaged Foods, and GB28050-2011 General Standards for the Nutrition Labelling of Prepackaged Foods).

There were no cases of non-compliance or complaints in relation to advertising and labelling during the reporting year.

## Protection of Customer Privacy

Having a large membership base with over 825,000 JIKA CLUB members in Hong Kong as at 31 December 2018, the Group has an indispensable responsibility to protect customer data security.

The Group collected and handled customer information by lawful and fair means. Customer information was collected by member application form and promotion messages will only be sent upon obtaining consent from the members. The Group provided guidelines to employees in the Staff Handbook, to state the importance of protecting customer privacy and the security of personal data.



HFT puts strong safeguards in place to help protect customer privacy. All data would go through highly secure Amazon Web Services data centers to undergo initial screening and filtering. The data will then be filtered by the Group's firewall before reaching its servers and computer systems.

If customers suspect that their privacy has been violated, they can submit their complaints through HFT's customer service channels and investigation will be carried out.

The Group abides by the laws and regulations in relation to customer privacy, including but not limited to the Personal Data (Privacy) Ordinance of Hong Kong. During the reporting year, no cases of non-compliance in relation to customer privacy were reported.

## Protection of Intellectual Property

The Group has specified the instructions for protecting intellectual property in Staff Handbooks. Employees should not infringe or violate any patents, trademarks, copyrights or intellectual property rights of any third parties.

The Group abides by the relevant laws and regulations in relation to intellectual property, including but not limited to Regulation of the PRC on the Customs Protection of Intellectual Property Rights. In the reporting year, no cases of non-compliance or complaints in relation to intellectual property rights were reported.

The following suggestions on product responsibility were raised at the focus group:

- Enhancing technical support for complaint handling
- Inviting more colleagues to conduct mystery shopper visits
- Increasing the frequency in gathering customers' opinions

A decorative graphic at the bottom of the text box. On the left, there is a stylized green tree. On the right, there is a clipboard with a checklist and a magnifying glass over it, symbolizing inspection or review.



## ANTI-CORRUPTION

The Group is aware of the impact of its activities and its relationships with other members on the community. Maintaining integrity is key if the Group wishes to produce positive influence and promote fair and sustainable development of society. HFT does not tolerate deception, bribery, breach of confidence or abuse of power of any kind. The Group has made a commitment to affirming a culture of integrity in its ESG Policy.

The Group regularly communicates with employees on the importance of integrity. New employees were required to complete the Declaration and Disclosure of Interests Form to disclose any matter that raises a conflict with their duties and particulars of any pecuniary or other personal interest that they have in the matter of conflict.

### Whistleblowing

The Group has established the Whistleblowing Policy and encouraged employees to report any improper and unlawful conduct through a designated reporting channel. 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). Whistleblowing Policy is monitored and reviewed regularly to ensure its effectiveness.

Step	Actions
Receiving Cases	<ul style="list-style-type: none"> <li>• Employees can report cases verbally or in written format to raise concerns to their line manager or supervisor</li> <li>• Employees can contact directly the designated senior officer if their line manager has declined to handle the case or it is the line manager who is the subject of the report</li> <li>• For serious cases that involve the designated senior officer, employees can report directly to the Chairman of the Board's audit committee</li> </ul>
Investigation	<ul style="list-style-type: none"> <li>• An investigator from the internal audit department will be appointed to manage the case if investigation is warranted</li> <li>• Upon internal investigation, personnel suspected of corruption or other related criminal conduct shall be transferred to enforcement authorities such as the ICAC</li> </ul>
Final Report	<ul style="list-style-type: none"> <li>• Corrective actions will be taken to ensure that the problem will not occur again</li> <li>• Disciplinary or appropriate action against the wrongdoer will be implemented</li> <li>• The employees raising the cases will receive a written report on the outcome of the investigation</li> </ul>

The Group abides by the relevant laws and regulations in relation to corruption, including but not limited to the Prevention of Bribery Ordinance. In the reporting year, there were no cases of non-compliance or legal cases in relation to corruption.

# CARING FOR EMPLOYEES

## EMPLOYMENT SYSTEM

The Group communicates its employment practices through the Staff Handbook which covers the key areas including but not limited to recruitment, promotion, dismissal, working hours, rest periods, compensation and benefits.

The Group's recruitment, rewards and compensation policies are fairly based on employees' ability and performance, while the remuneration packages are reviewed based on business performance and market level.













As at 31 December 2018, the Group had a workforce of about 1,305 people, comprising 873 employees in Hong Kong and 432 employees in Mainland China as stipulated in the Group's Annual Report. While within the reporting boundary, there were a total workforce of 1,101 employees with 847 in Hong Kong and 254 in Mainland China respectively, with 67% of employees as female and 33% were male, which was similar to the previous year. 44% of employees at managerial positions of the Group were male and 56% were female, contributing to a more even gender distribution in leadership positions.



### Employee Incentives and Activities

HFT takes care of its employees through comprehensive welfare and benefits schemes. Recognizing the significance of work-life balance, in addition to entitled annual leaves, employees can enjoy extra holidays per year to celebrate their precious moment such as marriage, children wedding and new born grandchild.

### A Family Friendly Workplace for Employees

					
<b>Marriage leave</b>	<b>Paternity leave</b>	<b>Maternity leave (fully paid)</b>	<b>Breastfeeding friendly</b>	<b>Welfare leave</b>	<b>Birthday leave</b>
5 days	5 days	10 weeks (extended to 14 weeks in 2019)	A lactation room is provided and is equipped with chairs, table and other necessary facilities.	Up to 2 days	1 day
					
<b>Blissful leave<sup>8</sup></b>	<b>Entry anniversary leave</b>	<b>Health check leave</b>	<b>Children new school terms leave</b>	<b>Study leave</b>	<b>Compassionate leave</b>
1 day	1 day	1 day	1 day	Up to 2 days	Up to 2 days

<sup>8</sup> Applicable for children wedding, children graduation, and new born child or grandchild



The Group also provided medical benefits, 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.

To enhance employees' sense of belongings and improve their health and well-being, the Group organised excursions with team building activities, conduct annual dinner gatherings and management sharing sessions as well as participated in key sports events, such as The Standard Chartered Hong Kong Marathon and Oxfam Trailwalker.



### Employee Communication

HFT is committed to provide comprehensive support to its employees through effective engagement with employees at different levels to understand their concerns. Employee newsletters and intranet served as regular communication platforms to share business updates. 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.

### Workplace Inclusiveness

HFT believes that it could benefit by having people with different cultures, backgrounds and experiences, as it can add valuable diversity and new ideas to its work. The Group treats all employees on an equal footing in all matters related to recruitment and promotion. With the aim to create a fair work environment, the Group adopts the policy of equal pay for work of equal value, regardless of factors such as age, race, gender, religion or physical condition.

As an equal opportunity employer, the Group has provided job opportunities to persons with disabilities through various non-governmental organisations (NGOs), including Hong Chi Association and Christian Family Service Centre.



## Major Recognition on Talent Development and Retention



<p><b>Employer of Choice Award 2018</b></p> <p>— ★ ★ ★ —</p> <p>by JobMarket</p>	<p><b>Family-Friendly Employers 2017/18 &amp; Special Mention (Gold) &amp; Award for Breastfeeding Support</b></p> <p>— ★ ★ ★ —</p> <p>by The Family Council</p>	<p><b>Good Employer Charter</b></p> <p>— ★ ★ ★ —</p> <p>by The Labour Department</p>	<p><b>ERB Manpower Developer Award Scheme: Manpower Developer (2011-2019)</b></p> <p>— ★ ★ ★ —</p> <p>by Employee Retaining Board</p>
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## Labour Standards

Child labour and forced labour violate fundamental human rights and threaten sustainable social and economic development of the world. HFT strictly prohibits any form of child labour or forced labour in any part of its operations. The Human Resources Department places special emphasis on verifying the age of employees during the recruitment process. The Group has in place appropriate systems and processes to ensure compliance with local laws and regulations.

The Group abides by relevant regulations in relation to employment and labour practices, such as the Labour Law of the PRC, the Provisions on the Prohibition of Using Child Labour of the PRC, as well as the Employment Ordinance of Hong Kong. In the reporting year, no cases of non-compliance in relation to employment, child labour and forced labour were reported.



The following suggestions on employment were raised at the focus group:

- Offering pet compassionate leave
- Offering more choices of birthday gifts
- Regularly reviewing remuneration packages based on market changes

## OCCUPATIONAL HEALTH AND SAFETY

To provide a safe and healthy working environment for all employees is a priority at HFT. It is its goal to push the prevention of occupational hazard to the highest possible standard. The Group has in place the Work Safety Guidelines of the Clerical and Non-clerical Staff Handbooks and the Retail Operation Manual, as well as the Safety and Health Policy for factory production to help the employees to understand the health and safety measures.

HFT has established the Safety Committee to govern the overall safety performance of the Hong Kong factory. Comprising members from different related departments (including factory operations, production, factory engineering, research and development, quality management, procurement and logistics), the committee is responsible for developing health and safety policies and adopting measures to manage relevant risks.

### Managing Safety Risk

The Group has identified positions with high risks of occupational hazards, including prolonged outdoor work, machinery operation, working at height, electrical works, and confined space work.

During the reporting year, 28 cases of work-related injuries incurred and were recorded. The major injuries included muscle strains, sprains and scalds. The Group has conducted investigations and implemented improvement measures to prevent similar injuries from happening again. In the reporting year, the Group has employed safety officer to provide safety improvement plan, various safety initiatives were identified and implemented as appropriate, such as upgrading machinery, strengthening personal protective equipment and providing safety operation guideline.

In Hong Kong retail shops, resting chairs have been provided to shop assistants to avoid work-related strains. To promote health consciousness, the Group has been providing body check leave for employees.

### Communication and Training

To enhance the safety awareness of employees, the Group organised Industrial Safety Trainings for employees in the Hong Kong factory and fire drills for Hong Kong office and factory employees, so that they can work safely and effectively manage any safety incidents.

The Group abides by relevant laws and regulations, such as the Occupational Safety and Health Ordinance (Cap. 509, Laws of Hong Kong). In the reporting year, no case of non-compliance in relation to health and safety was reported.




## DEVELOPMENT AND TRAINING

Based on the diverse operational needs and aspirations of the employees, the Group organized various learning and development programmes to unleash their potential. The ESG Policy has stated its commitment to promote life-long learning for employees.

In the reporting year, a variety of internal and external training trainings were organized, ranging from enhancing skills of sales and customer service to skills of machinery operation. The Group supports and encourages employees to participate in external training and development programmes by providing them with financial subsidies, sponsorship, and study leave.



We have organized  
**172**  
training courses

About **3,117**  
attendances for  
the courses

### Training Topics Covered

New Employee Training	Professional Training
<ul style="list-style-type: none"> <li>• Orientation</li> <li>• Work experience day                             <ul style="list-style-type: none"> <li>- All new employees were arranged to work in retail shops for one to three days to understand shop operation</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>• Hospitality skills</li> <li>• Product knowledge – herbal benefits, post-natal care, seasonal wellness, etc.</li> <li>• Machinery operation</li> <li>• Food safety management</li> <li>• Quality assurance</li> </ul>
Other Training	
<ul style="list-style-type: none"> <li>• “Hung’s Conference” (鴻人會)                             <ul style="list-style-type: none"> <li>- Sharing of management insights</li> </ul> </li> <li>• “Moments of Truth” (關鍵時刻)                             <ul style="list-style-type: none"> <li>- Management and office staff to experience retail shop operations</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>• “Beyond A Team” (超越團隊)                             <ul style="list-style-type: none"> <li>- An annual cross divisional team building event</li> </ul> </li> <li>• “Lunch and Learn” (午餐學習會)                             <ul style="list-style-type: none"> <li>- Luncheon interest class workshops</li> </ul> </li> </ul>

#### “Moments of Truth” (關鍵時刻)

Once per year, back-office employees including department managers and executive directors joined the work of frontline staff at retail shops to understand the potential problems faced during frontline work. Employees can learn from each other and cultivate team spirit.



## SUPPORTING THE COMMUNITY

Supporting the communities where the Group operates is one of its opportunities to create value. The Group fulfills its social responsibilities by stating its commitment to community investment in the ESG Policy. With particular focus on four major areas, the Group's community programmes facilitate greater social mobility, encourage new ideas and provide opportunities for members of the communities.





 <p>Promoting health and wellness</p>	 <p>Treasuring our environment</p>
 <p>Contributing to a loving community</p>	 <p>Promulgating herbal culture</p>

The Group employed the Sponsorship Scorecard to evaluate the community investment plans. When formulating the community investment strategies, the Group will take into account multiple factors including the reputation of sponsored organisations, the proposed target groups, promotion channels, track records, and compatibility with HFT's corporate social responsibility strategy.

To encourage our employees to contribute more time and effort to support voluntary services, the Group has been providing employees with extra leave (maximum two working days per year) when volunteering for charitable activities during non-working hours.

### Community Investment Initiatives

The Group established the "Hung Fook Tong Volunteers Team", which organised a number of volunteer activities in the reporting years.


 <p>More than <b>HK\$200,000</b> Cash donation</p>	 <p>Provided in-kind sponsorship valued more than <b>HK\$3,100,000</b></p>	 <p>Supported over <b>260</b> community projects and <b>190</b> NGOs</p>	 <p><b>131</b> employees participated in volunteer services, contributing more than <b>650</b> hours</p>
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Apart from organizing and participating in various community events, HFT also set up donation boxes in its retail shops to raise funds for NGOs.

Donation boxes were set up in **90** retail shops



Over **HK\$86,000** was raised for NGOs through the donation boxes





## CSR Activity Highlights in 2018



### The Community Chest Skip Lunch Day

HFT supported the Skip Lunch Day with food coupons for nine consecutive years. In 2018, the event raised over HK\$1.9 million for the Chest.



### Oxfam Trailwalker & Race for Water

HFT was the food sponsor for this fundraising sports event for the 4<sup>th</sup> consecutive year. One team representing HFT finished as the fastest team in General Corporation category.

HFT also provided sponsorship to the Race For Water 2018 to support the water deprived community. Two corporate teams participated and received the first runner up in the 30 km category.



### Beach Cleaning with The Jane Goodall Institute Hong Kong

To promote awareness on marine pollution, HFT collaborated with The Jane Goodall Institute Hong Kong to organize a beaching cleaning day for colleagues and their families at the Wu Kai Sha beach. Rubbish was cleared and plastic waste was recycled.



### Urban Oasis Sustainable Living Volunteer Day

HFT volunteer team provided services such as gardening support and garden maintenance.



### Fast Walking 160 with Chain of Charity Movement

HFT volunteers joined the fast walking activity with mentally challenged adults to help them build an exercise habit.





The Group's continuing efforts in community investment have received a number of external recognition.

**Major Recognition on Community Investment**



<p><b>2016/17 Y-Care CSR Scheme (Bronze Partner)</b></p> <p>— ★ ★ ★ —</p>  <p>by the Chinese YMCA of Hong Kong</p>	<p><b>Social Capital Builder 2018-2020</b></p> <p>— ★ ★ ★ —</p>  <p>by the Labour and Welfare Bureau</p>	<p><b>10 Years Plus Caring Company 2006-2018</b></p> <p>— ★ ★ ★ —</p>  <p>by the Hong Kong Council of Social Service</p>	<p><b>2018-2019 Age-Friendly Hong Kong Appreciation Scheme – Colour Star Award</b></p> <p>— ★ ★ ★ —</p>  <p>by the Hong Kong Council of Social Service</p>
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The following suggestion on community investment was raised at the focus group:

- Increase community awareness campaigns

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





## SUMMARY OF KEY PERFORMANCE INDICATORS

### Environmental Performance

	Type	Emissions (kg)		
		2018	2017 <sup>9</sup>	2016
Air Emissions	Nitrogen oxides	<b>2,710.6</b>	2,680.6	Not available
	Sulphur oxides	<b>20.6</b>	18.2	Not available
	Particulate matter	<b>2,856.3</b>	2,754.1	Not available

	Scope	Emissions (tonnes of CO <sub>2</sub> -e)		
		2018	2017 <sup>9</sup>	2016 <sup>10</sup>
GHG Emissions	Scope 1: Direct emissions	<b>3,805</b>	3,678	1,734
	Scope 2: Energy indirect emissions	<b>10,112</b>	6,253	3,365
	Scope 3: Other indirect emissions	<b>61</b>	80	112
	GHG emissions in total (Scope 1, 2 and 3)	<b>13,978</b>	10,011	5,211
	GHG intensity <sup>11</sup> (tonnes CO <sub>2</sub> -e/HK\$1,000 revenue)	<b>0.018</b>	0.014	0.007

	Type	Amount		
		2018	2017	2016
Waste	Hazardous waste (tonnes)	<b>Not applicable</b>		
	Non-hazardous waste (tonnes)	<b>1,560</b>	1,904	1,468
	Waste intensity (tonnes/1,000 pieces of products)	<b>0.10</b>	0.13	Not available

<sup>9</sup> The figures are adjusted to reflect actual situation. The whole Hong Kong factory's electricity use is now included for meaningful comparison with 2018.

<sup>10</sup> Different accounting methodologies are adopted in the 2016 ESG Report and in 2017 and 2018.

<sup>11</sup> The figures are calculated based on the total revenue of the Group as presented in its 2018 and 2017 annual reports, which cover a slightly wider boundary beyond the scope of this Report.

Resources	Type		Amount of Consumption		
			2018	2017	2016
Energy Consumption	Direct Energy <sup>12</sup>	Diesel (MWh-equivalent)	<b>5,898</b>	5,684	5,801
		Natural Gas (MWh-equivalent)	<b>9,534</b>	9,649	9,343
		Petrol (MWh-equivalent)	<b>254</b>	Not available	
		LPG (MWh-equivalent)	<b>31</b>	Not available	
		Towngas (MWh-equivalent)	<b>1,494</b>	1,495	1,211
	Indirect Energy	Electricity (MWh)	<b>12,645</b>	11,109 <sup>9</sup>	6,190
	Total Energy Consumption (MWh-equivalent)		<b>29,856</b>	27,937 <sup>9</sup>	22,545
	Energy Intensity <sup>11</sup> (MWh-equivalent/HK\$1,000 revenue)		<b>0.038</b>	0.038 <sup>9</sup>	0.031
Water Consumption	Total Water Consumption (m <sup>3</sup> )		<b>262,989</b>	295,500 <sup>13</sup>	262,961
	Water Intensity <sup>11</sup> (m <sup>3</sup> /HK\$1,000 revenue)		<b>0.336</b>	0.405 <sup>13</sup>	0.368
Packaging Materials	Total Packaging Material Used (tonnes)		<b>389.2</b>	386.5 <sup>14</sup>	Not available
	Packaging Material Intensity (tonne/1,000 pieces of products)		<b>0.024</b>	0.027 <sup>14</sup>	Not available

## Social Performance

Total Workforce	Full-time	954
	Part-time	88
	Contract	59
	Total	1,101

Total Workforce by Gender, Age Group and Region		Under 30	30 to 40	41 to 50	Above 50	Total	Gender Ratio
Hong Kong	Male	40	38	26	37	847	1:2.08 (male to female)
	Female	136	167	245	158		
Mainland China	Male	144	73	0	0	254	
	Female	5	32	0	0		
Total	Male	184	111	26	37	358	
	Female	141	199	245	158	743	
Total (by Age Group)		325	310	271	195	1101	–

Total Workforce by Employment Type <sup>15</sup>		Under 30	30 to 40	41 to 50	Above 50	Total
Managers & Above	Male	0	5	4	3	27
	Female	0	7	7	1	
Deputy Managers & Assistant Managers	Male	7	13	3	5	47
	Female	1	9	6	3	
Senior Officers & Officers	Male	22	18	7	6	128
	Female	32	27	10	6	
Assistant Officers & General Employees	Male	155	75	12	23	899
	Female	108	156	222	148	

<sup>12</sup> Direct energy data of 2017 and 2016 have been converted from the then disclosed value measured by gigajoule (GJ).

<sup>13</sup> The 2017 water consumption figure is adjusted to reflect actual situation. The whole year water use is now included for meaningful comparison with 2018.

<sup>14</sup> This figure covered the packaging materials used in Hong Kong factory only.

<sup>15</sup> In the statistics, all employees from Hong Kong retail shops are put into the type of "Assistant Officers & General Employees".



			Under 30	30 to 40	41 to 50	Above 50	Total (by Region)	Ratio to Total Employee
New Employees <sup>16</sup>	Hong Kong	Male	91 (227.5%)	19 (50.0%)	11 (42.3%)	23 (62.2%)	723	69.9%
		Female	202 (148.5%)	113 (67.7%)	169 (69.0%)	95 (60.1%)		
	Mainland China	Male	23 (16.0%)	22 (30.1%)	0 (0%)	0 (0%)	47	
		Female	2 (40.0%)	0 (0%)	0 (0%)	0 (0%)		
Employee Turnover <sup>16</sup>	Hong Kong	Male	58 (145.0%)	17 (44.7%)	6 (23.1%)	13 (35.1%)	642	61.8% (i.e. employee turnover rate)
		Female	206 (151.5%)	116 (69.5%)	142 (58.0%)	84 (53.2%)		
	Mainland China	Male	20 (13.9%)	18 (24.7%)	0 (0%)	0 (0%)	38	
		Female	0 (0%)	0 (0%)	0 (0%)	0 (0%)		

		2018	2017
Employee Turnover Rate by Region	Hong Kong	<b>75.8%</b>	68.1%
	Mainland China	<b>15.0%</b>	35.5%
Employee Turnover Rate by Gender	Male	<b>36.9%</b>	46.9%
	Female	<b>73.8%</b>	67.1%
Employee Turnover Rate by Age Group	Under 30	<b>87.4%</b>	75.6%
	30 to 40	<b>48.7%</b>	50.6%
	41 to 50	<b>54.6%</b>	54.4%
	Above 50	<b>49.7%</b>	45.3%

Work Related Fatality and/or Injury	Gender	Number of Work-related Fatalities	Number of Work-related Injury	Work-related Injury Rate (per 1,000 workforce)	Lost Days Due to Work Injury
	Male	0	2		
	Female	0	26	442	

		2018	2017
Number of Key Suppliers by Geographical Region	Hong Kong	152	140
	Mainland China	27	20
	Other Regions	13	10
	<b>Total</b>	<b>192</b>	<b>170</b>
	Percentage of suppliers where ESG management practices are being implemented by the Group		75%

<sup>16</sup> The figures are calculated based on the employee number as at 31 December 2018 (within the reporting scope). They covered the rejoined employees and contract employees necessary for continuous replacement.

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