



**WHITE  
FLOWER®**

**PAK FAH YEOW INTERNATIONAL LIMITED**

(Incorporated in Bermuda with limited liability)

Stock Code: 239

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

**2021**



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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 using its brand “Hoe Hin”. One of its products, a renowned medicated oil, Hoe Hin White Flower Embrocation or Hoe Hin Pak Fah Yeow, has been manufacturing for over 90 years and is available in Hong Kong, Macau, the People’s Republic of China (the “PRC” or “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 are intended to be held long term to generate steady income.

## ABOUT THIS REPORT

This environmental, social and governance report (“ESG 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 PERIOD

The ESG Report specifies the ESG activities, challenges and measures being taken during the financial year ended 31 December 2021 (the “Reporting Year”). The Group focuses on its healthcare business segment, which accounts for more than 95% of the Group’s total revenue, therefore the scope of this ESG Report continues to cover operations of the head office and factory of the Group in Hong Kong, which aligned with the previous reporting practice. The Group will consider expanding the scope of reporting when and where appropriate.

## MANAGEMENT MESSAGE

The Group is delighted to present the sixth ESG Report of the Group.

As a renowned manufacturer who has inherited more than 90 years of experience and competence in offering quality products to ease pain, the Group makes continuous efforts in providing communities with high-quality healthcare products, whilst improving the sustainability of the organisation by advancing and systemising best practices. In line with the Group’s core values – honesty, obedience, excellence, human, innovation and nurturing, the Group aims to achieve its business objectives within a framework of high standards with a commitment to environmental sustainability and be socially responsible within the Group and in the communities that it operates in.

Achieving sustainable development relies heavily on having sound corporate governance practices, it is therefore the Group’s top priority to establish an effective group-level sustainability governance structure to ensure strict enforcement of such practices. The board of directors (the “Board”) plays a leading role in governance structure and holds the overall responsibility on the Group’s ESG strategy, management, performance and reporting of the Group through the support of the ESG committee. The Board examines and approves the sustainability objectives, strategies, priorities, initiatives and goals, as well as related significant policies and framework of the Group. Under the Board’s delegation, the Group’s ESG committee which is chaired by an Executive Director and composed of executives from major departments, assists the Board in fulfilling its oversight responsibilities.

This Reporting Year marks an important milestone for the Group’s commitment towards long-term sustainability and social well-being. Acknowledging the importance of continuous improvement on the ESG performance, the Group has set 4 environmental targets including greenhouse gas (“GHG”) emissions, waste disposal, energy consumption and water consumption. The environmental targets were approved by the Board and will be reviewed by the ESG committee annually. The Group believes that setting ESG-related targets can enhance the Group’s commitment to corporate social responsibility and allow the Group’s stakeholders to better understand the ESG performance of the Group.

Climate change impacts are manifesting all around the world. We understand that urgent climate action is required to avoid the worst climate impacts and ensure the long-term development of its business. To adapt to the climate-related risks and to mitigate the potentially catastrophic consequences of the unpredictably volatile global economy, the Group actively explores the financial and operational implications of climate change and has been identifying potential opportunities for improvement and development. During the Reporting Year, the Group conducted a climate change assessment to identify climate-related risks and opportunities to its business and formulated relevant measures to manage them.

Over the past year and a half, the Group has been combating COVID-19 and coping with the disruptions it has brought about. While the pandemic has brought unprecedented challenges, the Group also demonstrates its social responsibility for employees' health and well-being. The Group has adopted a series of pandemic prevention and hygiene measures to ensure the well-being of its employees on its premises. Meanwhile, in order to encourage employees to receive COVID-19 vaccination and allow employees to recuperate after vaccination, the Group has granted employees paid holidays for taking the COVID-19 vaccine and arranged a lucky draw with prize money to those that had taken the vaccine. In response to concerns of employees regarding their health in taking the vaccines, the Group provides health check subsidies and equipment to employees so that they can assess their health conditions prior to inoculation.

Providing safe and high-quality products is always one of the top priority for the Group. The Group has been continuously awarded different certifications, such as the ISO 9001:2015 certification, the Hong Kong Q-Mark certification issued by Federation of Hong Kong Industries ("FHKI") and the Good Manufacturing Practice ("GMP") certifications issued by the Therapeutic Goods Administration from the Department of Health in Australia and the Chinese Medicine Council of Hong Kong. Besides, as a socially responsible corporate, the Group continues its efforts to foster an inclusive community. During the Reporting Year, the Group has organised different community events, including Haiti Earthquake Relief Charity Sale, Meat-free Mondays, as well as the Charity Sale for Mother's and Father's Day.

Looking ahead, in addition to adapting to a new norm of the COVID-19 pandemic, the Group must also remain vigilant and responsive to challenges and changes in its business environment in various aspects. The Group will continue to strengthen communication with stakeholders and keep exploring opportunities to enhance the ESG performance so as to promote the sustainable development of the Group and create long-term value for its stakeholders.

## REPORTING FRAMEWORK

This ESG Report is prepared in accordance with the Environmental, Social and Governance Reporting Guide (the "ESG Reporting Guide") set out in Appendix 27 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. A complete index is inserted in the last chapter of this ESG Report for reference.

Information relating to the corporate governance practices of the Group has been set out in the Corporate Governance Report as included in the Annual Report 2021.

The Group has established internal controls and a formal review process to ensure that any information presented in this ESG Report is as accurate and reliable as possible. The ESG committee of the Group has overall responsibility for the establishment and disclosure of relevant measures and key performance indicators ("KPIs"). This ESG report has been approved by the ESG committee and the Board.

### Reporting Principles

The content of this ESG Report follows the reporting principles of the ESG Reporting Guide.

**Materiality:** This ESG Report is structured based on the materiality of respective issues, resulting from materiality assessment. The result of materiality assessment was reviewed and confirmed by the Board and the ESG committee. For further details, please refer to the section headed “Materiality Assessment”.

**Quantitative:** This ESG Report is prepared in accordance with the ESG Reporting Guide and discloses KPIs in a quantitative manner. Information regarding the standards, methodologies, assumptions and/or calculation references, and sources of key conversion factors used for KPIs is stated wherever appropriate.

**Balance:** This ESG Report is based on an objective and impartial manner to ensure that the information disclosed faithfully reflects the overall performance of the Group in ESG aspects.

**Consistency:** Unless otherwise stated, the Group’s disclosure and statistical methods are consistent with the previous financial year for meaningful comparison. If there is any change that may affect comparison with previous reports, the Group will make explanatory notes to the corresponding section hereof.

### ESG GOVERNANCE

The Group’s sustainability governance structure provides a solid foundation for developing and delivering its commitment to sustainability, which is embedded at all levels of the Group, including the Board, the ESG committee and employees of different functional departments.

The Board has ultimate accountability for the Group’s ESG strategy, management, performance and reporting through the support of the ESG committee. The Board receives reports periodically from the ESG committee on ESG risks and opportunities, and their impact on the Group’s business. With the assistance of the ESG committee, the Board examines and approves the Group’s ESG objectives, strategies, priorities, targets and goals, as well as the related policies and frameworks. The Board is also accountable for reviewing the Group’s performance periodically against ESG-related goals and targets.

The ESG committee, chaired by an Executive Director, assists the Board in fulfilling the Board’s oversight responsibilities. The ESG committee has an overarching role in supporting the Board on the matters of ESG and oversees the implementation of the ESG initiatives of the Group, including reviewing the related policies, practices and management approach. The ESG committee also formulates the Group’s ESG objectives, strategies, priorities, initiatives, goals and targets for the Board’s endorsement. In addition, the ESG committee is responsible for coordinating ESG matters, compiling ESG reports, monitoring the relevant work progress, and reports to the Board on a regular basis.

The following shows the composition of the ESG committee:

Executive Director of the Company (Chair)

Chief Financial Officer of the Company

Head of Sales and Marketing of Healthcare Business Segment

Assistant Accounting Manager of Healthcare Business Segment

Personnel and Administration Manager of Healthcare Business Segment

Production Manager of Healthcare Business Segment

### Risk Management

Risk management is considered as an integral part of the Group's daily management processes and good corporate governance. The Board has the overall responsibility of overseeing the Group's risk management and internal control systems with the support of the audit committee. A review of the Group's approaches in addressing the identified risks is conducted at least once per year to ensure the effectiveness of the system.

To consider environmental and social issues more comprehensively upon the Group's risk assessment and internal control system, the Group has expanded and enforced risk management to include ESG risk topics to identify imminent ESG risks, enabling the Group to determine action plans in a timely manner.

### FEEDBACK MECHANISM

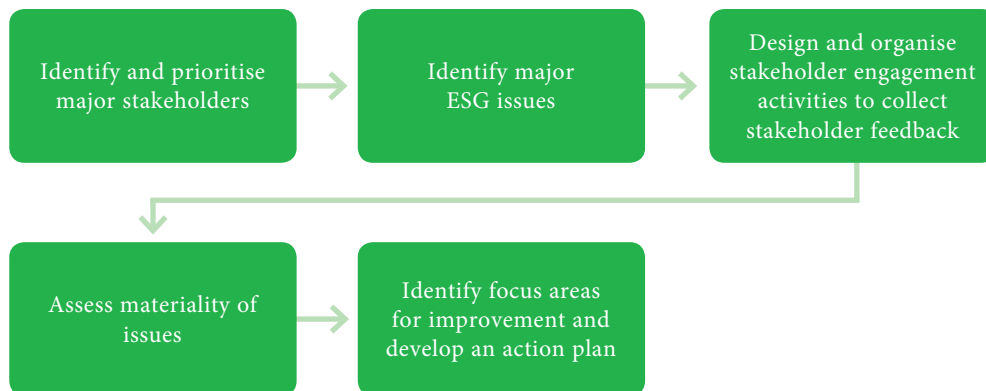
Stakeholder comments and suggestions can help define and strengthen the Group's future sustainability strategy. They are welcome to contact the Group's ESG personnel by email at [pfy@pfy.com.hk](mailto:pfy@pfy.com.hk).

### STAKEHOLDER ENGAGEMENT

Understanding and meeting the needs of the Group's stakeholders is of paramount importance for it 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.

Stakeholders are those who have a considerable influence on the Group's business and whom its business has a significant impact on. To better understand their expectations and interests and respond to their concerns, the Group has developed an engagement strategy to ensure engagement activities are carried out on a systematic and regular basis.

The summary of the engagement strategy is as follows:



The following table shows the Group's stakeholders, respective communication channels and their expectations and concerns being raised:

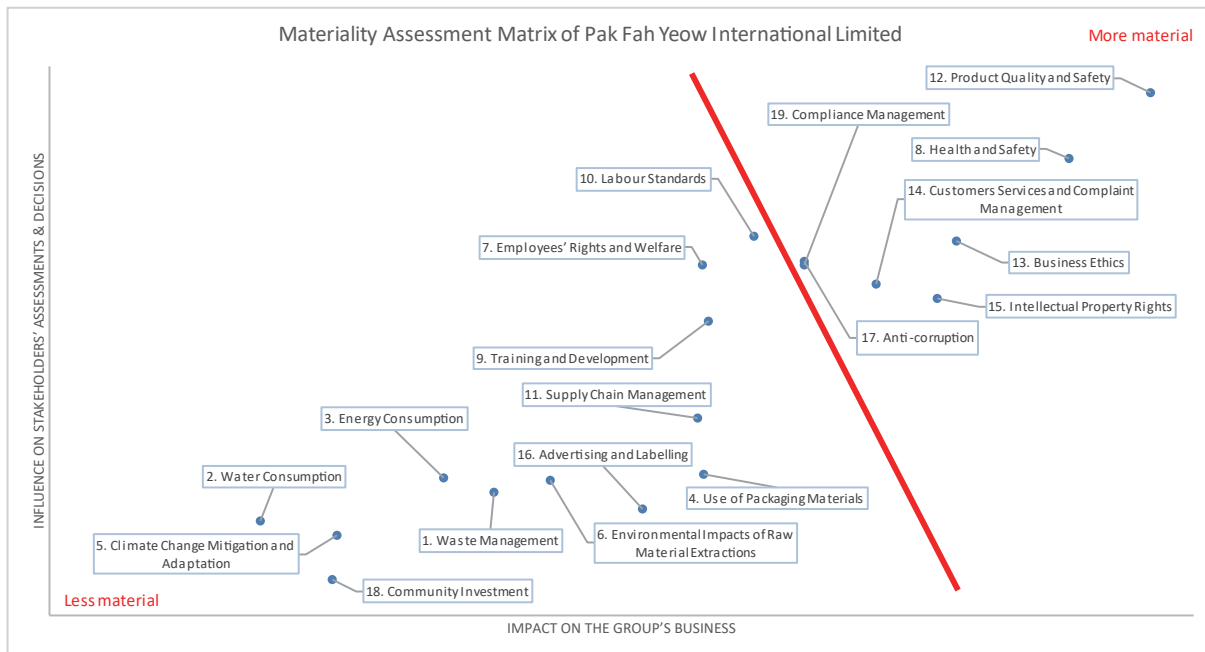
Stakeholders	Communication channels	Expectations and concerns
The Board and senior management	<ul style="list-style-type: none"> <li>Regular meetings</li> <li>Training, seminars and briefing sessions</li> </ul>	<ul style="list-style-type: none"> <li>Compliant operation</li> <li>Economic performance</li> <li>Employees' health and safety</li> <li>Protection of rights and interests</li> </ul>
Employees	<ul style="list-style-type: none"> <li>Training, seminars and briefing sessions</li> <li>Regular performance reviews</li> <li>Regular meetings (i.e. departmental and operations meeting)</li> </ul>	<ul style="list-style-type: none"> <li>Protection of employees' rights and interests</li> <li>Employees' health and safety</li> <li>Employee development and training</li> <li>Compliant operation</li> </ul>
Product customers	<ul style="list-style-type: none"> <li>Customer satisfaction survey</li> <li>Customer support hotline and email</li> <li>Company website</li> <li>Social media</li> </ul>	<ul style="list-style-type: none"> <li>Provision of quality products and services</li> <li>Protection of customers' interests</li> <li>Responsible marketing</li> <li>Compliant operation</li> <li>Protection of intellectual property</li> <li>Protection of customers' privacy</li> </ul>
Investors and shareholders	<ul style="list-style-type: none"> <li>General meeting and other shareholder meetings</li> <li>Financial reports</li> <li>Announcements and circulars</li> <li>Company website</li> </ul>	<ul style="list-style-type: none"> <li>Compliant operation</li> <li>Risk management</li> <li>Economic performance</li> </ul>
Suppliers	<ul style="list-style-type: none"> <li>Supplier management meetings and events</li> <li>Supplier audit</li> <li>Procurement management</li> </ul>	<ul style="list-style-type: none"> <li>Fair and open procurement</li> <li>Sustainable development of the supply chain</li> </ul>
Distributors	<ul style="list-style-type: none"> <li>Supplier management meetings and events</li> <li>Sales team</li> <li>Emails, telephone and messaging service</li> </ul>	<ul style="list-style-type: none"> <li>Provision of quality products and services</li> <li>Targeted communication</li> <li>Compliant operation</li> <li>Steady supply of products</li> <li>Protection of intellectual property</li> </ul>
Non-governmental organisations and media	<ul style="list-style-type: none"> <li>Community activities and partner programmes</li> <li>Social media</li> <li>External marketing company</li> <li>Company website</li> </ul>	<ul style="list-style-type: none"> <li>Transparent information disclosure</li> </ul>
Government bodies and regulatory authorities	<ul style="list-style-type: none"> <li>Compliance Officer</li> <li>Compliance Adviser</li> </ul>	<ul style="list-style-type: none"> <li>Compliant operation</li> <li>Transparent information disclosure</li> </ul>

The Group aims to collaborate with stakeholders to improve its ESG performance and create greater value for the community on a continuous basis.

**MATERIALITY ASSESSMENT**

The Board, management and employees who are responsible for the key functions of the Group have participated in the process of preparing the ESG Report, identifying key ESG issues and assessing the significant level of these issues to the Group’s business and stakeholders. To identify the key ESG issues and ensure the Group’s disclosures continue to reflect its significant ESG impacts, the Group conduct the materiality assessments regularly. The materiality assessment survey has been compiled in reference to the identified material ESG aspects to collect the information from stakeholders of different categories. The following materiality assessment result of the Group was internally reviewed and confirmed by the Board and management during the Reporting Year.

The outcome of the materiality assessment survey is presented in the form of the following materiality matrix:



List of material topics	
1. Waste Management	11. Supply Chain Management
2. Water Consumption	12. Product Quality and Safety
3. Energy Consumption	13. Business Ethics
4. Use of Packaging Materials	14. Customer Services and Complaint Management
5. Climate Change Mitigation and Adaptation	15. Intellectual Property Rights
6. Environmental Impacts of Raw Material Extractions	16. Advertising and Labelling
7. Employees' Rights and Welfare	17. Anti-corruption
8. Health and Safety	18. Community Investment
9. Training and Development	19. Compliance Management
10. Labour Standards	



The most concerned material topics of the Group are “Product Quality and Safety”, followed by “Health and Safety”, “Business Ethics”, “Intellectual Property Rights”, “Customer Services and Complaint Management”, “Anti-corruption” and “Compliance Management”. Nonetheless, environmental material topics such as the use of packaging materials and water management were also raised.

During the Reporting Year, the Group confirmed that appropriate and effective risk management policies and internal control systems for ESG issues are in place and confirmed the information disclosed in the ESG Report meets the ESG Reporting Guide requirement.

## **RESPONSIBLE OPERATING PRACTICES**

### **Product Quality and Safety**

The Group is committed to maintaining and continuously improving the quality of its product to not only maintain competitiveness in the dynamic and ever-changing environment but also to ensure customers’ health and safety. The Group also realises responsible and ethical operating practices, as well as effective supply chain management, are essential to its sustainable development. Thus, the Group’s approach is underpinned by a commitment to acting as a responsible and reliable manufacturer along its value chain. Comprehensive product quality reviews covering its main value chain are conducted annually to ensure the consistency of the quality of the Group’s products.

### **Product Responsibility and Customer Health and Safety**

The Group’s quality management system is established in accordance with the Pharmaceutical Inspection Convention/ Pharmaceutical Inspection Co-operation Scheme (“PIC/S”) Guide to Good Manufacturing Practice for Medicinal Products and is certified with ISO 9001:2015. The Group’s manufacturing facilities are GMP certified with certificates issued by the Therapeutic Goods Administration of Australia and the Chinese Medicine Council of Hong Kong. Furthermore, the Company has continuously received the Hong Kong Q-Mark certification annually for its products as recognition for excellence in product quality.

The Group has always placed customers’ health and safety at its first priority. The Group has in place a comprehensive quality management system of the products, covering raw material sourcing, production, labelling and distribution.

Testing and inspection are conducted on all incoming materials prior to production according to the Policy on Receiving Inspection and Testing to ensure the raw materials do not jeopardise the quality of the final product.

The Group has implemented related policies, including but not limited to the Quality Planning and Quality Risk Management Policy, to support the mature quality management system in assuring product quality. The mentioned policy has defined and documented how the objectives and requirements for quality will be met, and during the course of quality planning how quality risk is to be identified and managed. Under the coordination of the Quality Assurance Department Head (“QA Head”), together with other department heads, risk assessment is conducted relating to the quality management and product quality.

To ensure product quality, product reviews are regularly conducted with standard procedures. The Group has also established related policies, including but not limited to Policy on Product Quality Review, in governing the annual product and process review procedures in identifying areas of improvement. The Policy on Distributor Evaluation and its commitment in Product Training has been in place to ensure distributors meet the specifications and requirements set forth by the Group. Related training is provided to distributors to equip them with product knowledge.

The Group has also formulated and implemented a sound Product Recall Procedure. Any deficiency identified is transferred to respective departments for follow-up actions and QA Head for monitoring and coordination. Such procedures are formally documented and communicated to relevant parties. During the Reporting Year, no recall of products for safety and health reasons were received.

To enhance customer knowledge on Hoe Hin products and ensure users can easily access information on its products, the Group periodically updates the FAQ section on its website to include answers to the most frequently asked questions.

During the Reporting Year, the Group was not aware of any incidents of non-compliance with related 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 that would have a significant impact on the Group, concerning health and safety, advertising and labelling relating to products and services provided.

## CARING FOR EMPLOYEES

### Health and Safety

The Group is committed to providing and maintaining a safe and healthy environment for all its employees, customers and others who visit or work on its premises and preventing work-related accidents, injuries and illnesses. In addition, the Group believes that employees are the valuable assets of an enterprise and regards human resources as its corporate wealth. To this end, the Group has established a Safety Management System (“SMS”) and implemented the Safety Policy to protect employees from workplace injuries. The SMS sets out the roles and responsibilities of different personnel such as QA Head, Production Head, supervisors and workers. Under the SMS, all employees are required to report any workplace hazards to their supervisors immediately. Investigations will be made to identify the cause in order to come up with prompt contingent arrangements to prevent re-occurrence. Fire extinguishers and first aid boxes are strategically placed while fire exits are free from obstruction around the Group’s premises.

A Safety Inspection and Safety Review is also conducted annually to identify potential risks at work or non-performance to the Safety Management System in place while ensuring continual effectiveness and improvements of the Safety Management System. The Group submits a safety review to the Hong Kong Labour Department annually. The Group reviews and, if necessary, revises its health and safety policies and practices at least once a year to ensure continuous improvements of its health and safety standards.

During the Reporting Year, the Group was not aware of any material non-compliance with health and safety-related laws and regulations, including but not limited to the Occupational Safety and Health Ordinance (Cap. 509) and the Factories and Industrial Undertaking Ordinance (Cap. 59) that would have a significant impact to the Group.

### Employees' Safety

The Group follows the occupational health and safety guidelines recommended by the Labour Department and Occupational Safety and Health Council and regularly encourages employees to attend related workshops or training courses organised both internally and externally. During the Reporting Year, the Group has organised safety training regarding different procedures such as fire and evacuation drill, gas leakage of compressed gas cylinders in the laboratory, safety policies and safety management system, etc.



*All employees working at the factory underwent fire and evacuation drill*

The Group has also implemented the Risk Assessment and Personal Protective Plan, which entails risk assessment to identify potential risks of hazardous exposure and provide suitable Personal Protective Equipment (“PPE”).

In addition to the above policies and measures, the Group has commissioned a third party to conduct an annual safety review. The result showed that the Group met 96% of the assessment criteria which implied excellent performance of the Safety Management System.

### Employees’ Wellness

Apart from physical care, the Group also sees the importance of providing mental care and support to its employees. Effective from the beginning of the Reporting Year, the yearly medical entitlement increased and extended to cover visits to psychologists. To support green and healthy lifestyles, the Group continued to provide HK\$30 per meal every week as vegetarian lunch subsidies weekly for employees who participate in Green Mondays.

### Rapid Response to COVID-19

The Group has always viewed the health and safety of its employees as its most important responsibility. Therefore, in view of the outbreak of COVID-19, the Group has taken prompt measures to safeguard its employees, internal safety of the Group and business continuity. Other than complying with the public health measures of the HKSAR government, the Group has also implemented COVID-19 procedures.

The Group fully supports the global vaccine drive in response to the COVID-19 pandemic and encourages all its employees to take the COVID-19 vaccine, to protect themselves, their colleagues, and their families. In order to encourage employees to get vaccinated and allow employees to recuperate after vaccination, the Group offers employees paid days as vaccination leave and had arranged a lucky draw with prize money to those that had taken the vaccines. As some of the Group’s employees expressed concerns and doubts about the vaccines, the Group provides pre-vaccination health check subsidies and equipment such as blood pressure monitors to employees so that they can assess their health conditions prior to inoculation.

To reduce the chance of cross-infection among employees at the workplace, all employees and guests were required to put on surgical masks and conduct temperature checks before entering the Group’s premises. The Group has also made the effort to increase social distancing through installing dividers in meeting rooms, the office and in factory dining areas. Regular employees’ activities have been reduced and were held only when necessary. Conventional face-to-face meetings have been suspended and were replaced by online meetings. In addition, the Group has also distributed adequate protective gear such as surgical masks on a monthly basis to employees in an effort to protect its employees. Should an employee or their family members contract the virus, the employee should follow the instructions detailed in the Group’s COVID-19 Procedures and inform the management immediately.



*COVID-19 social distancing and prevention measures*

The Group will continue to conduct an annual safety review to ensure policies and initiatives in place are in line with the industrial best practices and seek for potential improvements.

## COMPLIANCE MANAGEMENT

As a corporate that upholds business integrity, the Group emphasises compliance management in its operation. The Group keeps abreast of the latest updates on local and international laws that are related to its operation and reviews related policies and procedures to comply with the best practices.

The Group strictly complies with related regulatory requirements in relation to product safety. Product safety documents including test reports are provided to comply with the registration requirements of a proprietary Chinese medicine (“PCM”) in Hong Kong. For overseas markets, the Group also complies with the local regulatory requirements.

## ANTI-CORRUPTION

The Group values and upholds integrity, honesty and fairness in how it conducts business 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 form of advantage from any business associates. A reporting channel to the Audit Committee of the Group is also provided in the Code of Ethics.

In addition, the Group has stated in the Code of Ethics the preferred method of handling situations of conflict of interest. Any employee who becomes aware of a conflict or potential conflict of interest should bring it to the attention of the supervisor, manager or other appropriate personnel. Employees are encouraged to consult a supervisor or manager for any uncertainty of situations related to conflict of interest.

The Group abides 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 was not aware of any material non-compliance with relevant laws and regulations of bribery, extortion, fraud and money laundering that would have a significant impact on the Group. During the Reporting Year, there was no concluded legal cases regarding corrupt practices brought against the issuer or its employees.

### Whistle-blowing Mechanism

In order to further achieve and maintain the highest standards of openness, probity and accountability, the Group has also implemented a Whistle-blowing Policy. This policy applies to all directors, department heads, managers, officers and employees of the Group and allows individuals to disclose internally and at a high level, information that the individual believes shows malpractice or impropriety. Whistle-blowing matters include but are not confined to malpractice or impropriety relating to internal controls, accounting, auditing, financial matters or any other wrongful doings (such as misconduct, dishonesty, bribery, criminal acts, discrimination and ethical issues) that affect the overall interest of the Group.

The Group has set out a proper reporting and detailed investigative procedure to encourage employees to report any fraudulent activities. The format and length of an investigation will vary depending upon the nature and particular circumstances of each complaint made. Where necessary, the matter raised may be escalated to external parties or regulatory authorities such as the Independent Commission Against Corruption, an external auditor or the Hong Kong Police Force.

The Group intends to protect the whistle-blower from common concerns such as confidentiality and potential retaliation. Therefore, the employee reporting in good faith under this procedure shall be assured of the protection against unfair dismissal or victimisation, even if the reports are subsequently proved to be unsubstantiated.

### Anti-corruption Training

The Group proactively implements integrity promotion, training and education campaigns for employees, management as well as the directors of the Group. To further enhance the self-discipline awareness among the Group, the Group has invited the Independent Commission Against Corruption (ICAC) to conduct an on-site anti-corruption training session for its key staff including 2 Directors and 10 employees. This training covers the relevant applicable laws and regulations as well as case studies of corruption in the industry. Practical guidelines were also provided in order to enhance the vigilance of employees to the possibilities of corruption at the workplace.

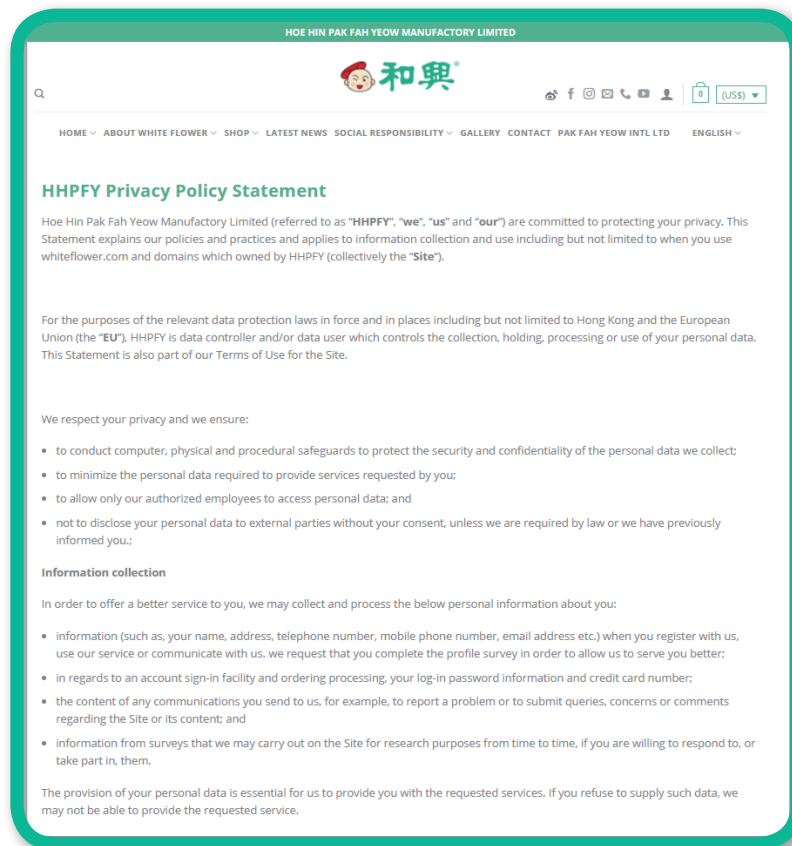
## BUSINESS ETHICS

The Group respects the values and rights of the customers' information assets. Employees are professionally trained to maintain the confidentiality of customers' information. The Group abides by 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 was not aware of any material non-compliance cases in relation to privacy matters relating to products and services provided that would have a significant impact on the Group.

### 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 it.

The Group has made the Privacy Policy Statement available for the public on its website. Such statement explains the Group's policies and practices and applies to information collection and use, including but not limited to when users visit whiteflower.com and other domains which are owned by Hoe Hin Pak Fah Yeow Manufactory Limited. It clearly states that the Group only stores personal data for so long as it is necessary for the fulfilment of the purpose (including any directly related purpose) for which the data is or is to be used, and personal data retained will be kept confidential.



*Privacy Policy Statement on the Company's website.*

In addition, the Group has a data backup system through which its back-up data is stored in different locations to reduce the risk of data loss. The Group has also implemented and constantly upgrades firewall, anti-virus and antispam solutions for its IT systems to prevent leakage of confidential information.

## CUSTOMER SERVICES AND COMPLAINT MANAGEMENT

Understanding and satisfying the needs of customers are essential to the Group's continuous success. This also echoes with its vision "To be the premier provider of top-quality medicated products that are superior to other choices in the markets for all walks of life." The Group is dedicated to fulfilling customers' requirements and even exceeding their expectations.

### Customer Satisfaction

The Policy on Customer Satisfaction Measurement is in place which sets out procedures for collecting and reviewing customers' feedback regularly with the aim to attain their satisfaction. Feedback collected from end-users and distributors is documented and analysed.

According to the Group's Recall Procedure, any deficiency identified is transferred to respective departments for follow-up actions and QA Head for monitoring and coordination. For distributors, the Group conducts regional customer satisfaction review annually, rating its product quality, service quality and their overall satisfaction, and the Marketing Head reviews the results and takes improvement actions as necessary.

### Complaint Management

Under the Policy on Product Complaint, all complaints are directed to the Marketing Department at the time of receipt and then forwarded to the Quality Assurance Department for investigation. Quality Control Department may assist in test, re-test or inspection process upon request.

During the Reporting Year, the Group received 22 minor complaints on issues such as damaged or missing goods upon transportation by third-party forwarder and inquiries regarding the differences on the odour and colour. Investigations and appropriate follow-up actions were immediately carried out. Assay results were normal for complaints on product quality. Remediation actions such as reinforcement of careful handling of goods to related parties, replacement of damaged products and exchange of new products were carried out.

## INTELLECTUAL PROPERTY RIGHTS

The Group respects intellectual properties and has formulated related policies to protect intellectual property rights. Employees are required to protect the Group's intellectual property such as trade secrets, patents, trademarks and copyrights, as well as business, marketing and service plans, engineering and manufacturing ideas, designs, databases, records and such requirements are clearly stated in the Group's Code of Ethics. Unauthorised use or distribution of the Group's proprietary information would be regarded as violation of the above-mentioned policy and it could also be illegal and result in civil or criminal penalties.

As stated in the Staff Handbook, employees are prohibited from downloading any illegal or unlicensed software as well as copyrighted works. Regular check-up on all office computers is performed to ensure there is no violation of the above-mentioned policies. Employees would be subjected to disciplinary action if any violation is discovered.

## ADVERTISING AND LABELLING

The Group realises that advertising and labelling is an important way for stakeholders, such as customers, to obtain information related to the Group and its products. The Group abides by relevant laws and regulations, including but not limited to the Trade Descriptions Ordinance (Cap. 362) of Hong Kong. During the Reporting Year, the Group was not aware of any material non-compliance cases in relation to advertising and labelling matters that would have a significant impact on the Group.

The Group has established related policies, including the Policy on Control of Labelling and Packaging and the Advertising Policy in ensuring the accuracy of information communicated. Head of Sales and Marketing is responsible for ensuring that all marketing and advertising materials and activities are in accordance with the related policies.

The Policy on Control of Labelling and Packaging is established to ensure correct labels and other pre-printed packaging materials are used and respective instructions have been complied with. The Group has ensured all information in relation to the product formula, indications, usages and other information printed on the packaging materials have complied with the local labelling requirements for respective markets.

The Group's Advertising Policy under the Group's ESG Policy provides guidelines in handling all marketing activities and materials according to the related advertising regulations in respective countries. Moreover, to align with the Group's core values as well as its sustainability and social goals, it has committed to not engage in any advertising campaigns and promotions that may pose adverse or negative health consequences to the public such as tobacco, alcohol and gambling-related affiliations.

In addition, environmental and sustainable manner is suggested in advertising practices, it is recommended to use environmentally friendly resources such as solar panel outdoor advertising displays, recycled paper for brochure printing and LED lighting displays as far as possible.

### **EMPLOYEES' RIGHTS AND WELFARE**

The Group's continuous success relies heavily on human resources. As a caring and responsible employer, the Group is devoted to providing a quality workplace for the employees. Apart from nurturing a safe, supportive and collaborative working environment, the Group also values the career development of employees and labour rights protection.

The Group has established related employment policies, including but not limited to Staff Handbook and ESG Policy, 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. Such policies are subject to regular review and will be revised, where necessary, to ensure continuous improvements of its employment standards.

During the Reporting Year, the Group was not aware of any material non-compliance relating to employment-related laws and regulations, including but not limited to the Employment Ordinance (Cap. 57) of Hong Kong that would have a significant impact on the Group.

#### **Recruitment, Remuneration, Promotion and Dismissal**

Sustainable growth of the Group relies on the diversity of talents. Therefore the Group endeavours to recruit prospective employees under a robust and transparent recruitment process and provide all employees with a comprehensive remuneration package.

The Group's prospective employees are recruited under a transparent and fair recruitment process based solely on their suitability for the position and potential to fulfil the Group's current and future needs.

The Group also provides employees with comprehensive remuneration packages. Remuneration packages include leaves such as annual leave, sick leave, examination and study leave, maternity and paternity leave; and other special leaves such as marriage leave, consolation leave etc. Other benefits include medical and dental allowances. In addition, the Group budgets funds for social activities and entertainment functions where possible. This helps to build a good relationship between employees and management in a social and relaxed manner.

The basis for compensation and promotion are job-related skills, qualifications and performances, ensuring that the Group fairly treats and evaluates employees and applicants and compensates employees relative to the industry and local labour markets in which the Group operates. Performance appraisal and counselling for all staff are conducted at least once a year by Department Heads or Executive Directors before the annual salary review. Besides assessing an individual's merits for a salary review, the purpose of the appraisal is to improve performance and set objectives for both the individual and the Company.

Unreasonable dismissal under any circumstances is forbidden in the Group. Dismissal process will only proceed on a reasonable basis and counselling session with the individual will usually be conducted by Department Head or Executive Director to ensure there is sufficient communication on the problems prior to the official dismissal.



### **Diversity, Equal Opportunity and Anti-discrimination**

The Group recognises the value of a diverse and skilled workforce and is committed to creating and maintaining an inclusive and collaborative workplace culture in which all can thrive. The Group has formulated the Code of Ethics, and it is dedicated to providing equal opportunity in all aspects of employment and maintaining a workplace that is free from discrimination, physical or verbal harassment against any individual on the basis of race, religion, colour, gender, physical or mental disability, age, place of origin, marital status and sexual orientation. This covers all aspects of employment, including selection, job assignment, compensation, discipline, termination and access to benefits and training. With the aim of ensuring fair and equal protection for all employees, the Group has zero tolerance for sexual harassment or abuse in the workplace in any form. The Group strives to ensure that complaints, grievances and concerns, including whistle-blowing, are dealt with promptly and confidentially.

### **Working Hours and Rest Periods**

The Group has formulated policies in determining the working hours and rest periods for employees which comply with local employment laws. In addition, with most countries imposing travel restrictions due to the COVID-19 pandemic, the Group had offered annual leave extensions to its employees.

## **LABOUR STANDARDS**

### **Prevention of Child and Forced Labour**

Child and forced labour are strictly prohibited during the recruitment process as defined by laws and regulations. The Group strictly complies with local laws and conducts recruitment based on the Employment Ordinance (Cap. 57) of Hong Kong. During the Reporting Year, the Group was not aware of any material non-compliance with child and forced labour-related laws and regulations, including but not limited to the Employment of Children Regulations (Cap. 57, section 73) of Hong Kong that would have a significant impact on the Group.

To prohibit the use of child or forced labour, the Group has formulated the Policy on Child and Forced Labour. Upon employment, the Personnel Department will be responsible for checking the identity documents of candidates to ensure no child labour is hired. Personal data will also be collected during the process to assist in the selection of suitable candidates and to verify candidates' personal data. If an employee suspects child or forced labour, the employee should report to the respective Department Head or Executive Director. Once the Group discovers any case which fails to conform to the relevant labour laws, regulations or standards, the relevant employment contract will be immediately terminated.

Through the well-established recruitment policies, the Group ensures that its employees are all above the minimum legal working age and no forced labour is hired. If any violation is involved, it will be dealt with in light of the circumstances as clearly stated in the Group's Policy on Child and Forced Labour.

## **SUPPLY CHAIN MANAGEMENT**

The Group recognises the importance of good supply chain management practices in mitigating environmental and social risks. In view of green supply chain management, the Group strives to engage suppliers who incorporate the consideration of environmental and social risks into their supply chain management. The Group strives to maintain long-term and stable relationships with its suppliers and distributors and seeks to work with suppliers and distributors by sharing its commitment to managing social and environmental risks of the lifecycle of its business operations.

All suppliers are evaluated carefully and are subjected to regular monitoring and assessment. During the Reporting Year, the Group sources raw and packaging materials from 38 suppliers (2020: 38 suppliers) based in Hong Kong, Australia, Taiwan, USA, the PRC, Singapore and delivers products through distributors and wholesalers to destinations worldwide.

### **Fair and Open Procurement**

The Group has established rules to ensure that the suppliers and distributors could compete in an open and fair way. The Group does not differentiate or discriminate against certain suppliers and it strictly monitors and prevents all kinds of business bribery. Employees or personnel who have an interest relationship with the supplier will not be allowed to be involved in the related business activity.

The Policy on Vendor Evaluation of the Group provides a comprehensive account of the selection process of potential vendors. Potential vendors are qualified in one of three prescribed methods: past performance, first article evaluation and vendor evaluation. Approved and qualified suppliers are included in the approved vendor list and are subject to annual review. The Group will only purchase materials from vendors meeting the specifications and requirements set forth by the Group to ensure the quality of materials purchased. 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 Group.

### **Environmental and Social Responsibility of Suppliers**

The Group is committed to integrating sustainability into its procurement practices to minimise its social impacts as well as its impacts on natural resources and ecosystems, and to having its suppliers share these commitments.

To manage environmental and social risks in the supply chain, the Group has designed and implemented a self-evaluation and assessment scheme for all its vendors. The policy titled "Supply Chain Management on ESG" is implemented to provide instructions on how to evaluate and record the ESG performance of the Group's supply chain including its vendors and distributors as part of its evaluation to decide whether such vendor or distributor is to be or continue to be employed by the Group. To support the evaluation process, the Environmental and Social Assessment Report on distributor and vendor is formulated in assisting the Group to better evaluate the sustainability performances of its supply chain. It considers whether or not the distributors and vendors have formulated and implemented related environmental and social sustainability practices. Various ESG aspects such as legal compliance, social sustainability, environmental sustainability and anti-corruption are taken into consideration upon the evaluation process.

During the Reporting Year, the Group was not aware of any key suppliers that had any actions or practices which have a significant negative impact on related ESG aspects.

### **TRAINING AND DEVELOPMENT**

The Group recognises the valuable contribution that its talents contribute to the continued success of the Group. At the same time, training and continuous development are indispensable to the Group's employees to keep abreast of the latest trend in the industry. Therefore, the Group takes a proactive stance in providing employees with opportunities to advance their careers.

#### **Training and Development Management**

To ensure the effectiveness of training and development programs, the Group has developed a Policy on Training Procedure in guiding the design of training programme according to the actual needs of different departments and functions. Training programmes are to be compiled by the Quality Assurance Department on a quarterly basis. Executive Directors and all Department Heads are responsible for facilitating training and development programmes.

The Group is committed to the continuing development of all staff, through both "on the job" and "off the job" training. Other than internal training programmes, courses and seminars are provided through external professional institutions. The Company will reimburse the fees for skills improvement training that are considered necessary and job-related.

During the Reporting Year, all newly recruited production employees were required to attend a mandatory safety training course. The Group has provided training for employees for different job functions, content ranging from production procedures and safety to office administration and business strategy. In addition, the Group also allows employee application of duty reassignment and interdepartmental transfer to promote knowledge enhancement and career development.

Moving forward, the Group will continue to organise sustainability training for more employees to raise their awareness and serve as a foundation for exploring ways of implementing sustainability strategies in the workplace.

## PROTECTING THE ENVIRONMENT

### Use of Packaging Materials

Packaging materials commonly consumed during the Group's operations are glass, papers and plastics, including but not limited to bottles, caps, labels, leaflets, paper boxes, bubble bags, cellophane, sealing tape, shrinkable bags and carton boxes. Acknowledging the Group's daily operations involve significant consumption of different types of raw materials and packaging materials, the Policy on Environment and the Responsible Use of Natural Resources are in place to demonstrate the Group's commitment to using the resources sustainably through source reduction, reuse and recycling.

In order to echo with the Group's commitment to sustainable packaging, the Group has formulated the guideline on reconciliation of packaging materials and conducted an annual review based on the damage rate of packaging materials. The following measures have also been adopted:

- Use FSC paper whenever possible for all paper packaging materials; and
- Use recycled paper for all product leaflets.

To further promote recycling and reduce waste generation, the Group supported glass bottle recycling into bricks and other construction materials. During the Reporting Year, the Group has recycled approximately 5,311.00 kg (2020: approximately 3,433.81 kg) of glass bottles.

Total amount of packaging materials used per million pieces of products produced during the Reporting Year reduced by approximately 1% compared to last financial year, signifying the Group's effort in the implementation of the above-mentioned reduction and recycling measures. Please refer to the section "ESG Data Highlights" on p. 27 for further information on the use of packaging materials.

## WASTE MANAGEMENT

The Group produced both hazardous and non-hazardous wastes in its operations. For production, three types of waste were generated, including waste oil, laboratory organic waste and solid waste. Related waste management policies, including but not limited to the ESG Policy, Waste Disposal Flow Chart and Waste Oil Management Flow Chart, have been formulated to ensure appropriate management and handling procedures are in place. Committed to reducing waste and promoting better utilisation of environmental resources, the Group has set a target to conduct annual activities to raise awareness of waste reduction among employees. Meanwhile, the Group has been actively implementing different waste reduction initiatives and measure to reduce the amount of waste generated and increase the recycling rate.

During the Reporting Year, the Group was not aware of material non-compliance with waste disposal-related laws and regulations, including but not limited to the Waste Disposal Ordinance (Cap. 354) of Hong Kong, that would have a significant impact on the Group's operation.

### Hazardous Waste Handling Method

The Group has put in place step-by-step instructions for handling waste oil and other types of wastes. Waste oil generated from the factory and organic waste generated from the laboratory are collected and handled periodically by collectors approved by the Environmental Protection Department of Hong Kong for further treatment. The Group also implemented clear guidelines on the temporary storage of hazardous waste. Hazardous wastes are handled separately with other general wastes to ensure safety and prevent contamination or spillage.

During the Reporting Year, the Group's hazardous waste intensity decreased by approximately 6% compared to last financial year. The Group will continue to make an effort to keep hazardous waste generation from its production processes at a similar level.

### Non-hazardous Waste Handling Method

The Group upholds the principle of "Minimise Waste and Increase Recycling" upon waste management. Although both domestic waste and paper waste were collected and handled by the property management service providers where the Group's premises are situated, the Group has formulated the ESG Policy in governing the Group's management approach.

In addition, the Group has implemented relevant measures to handle non-hazardous waste generated from its business operations and launched different reduction initiatives. The Group has expanded general waste measurement to the office and factory and assigned staff in the workplace to collectively take the responsibilities for waste management. With reference to the established environmental policies, the Group has implemented waste management approach and initiatives including but not limited to the following:

- Make efforts to minimise the general use of office paper;
- Distribute, file and archive documents electronically to reduce printing;
- Place recyclable products into the bins at the designated recycling areas;
- Increase the frequency of recycling waste paper at office and factory;
- Recycle carton box which is a packing material used in the factory;
- Use durable reusable beverage containers, plates and utensils;
- Use reusable envelopes for interoffice mail; and
- Reuse certain raw material containers as storage drum.

The Group also realises that packaging waste contributes to a certain amount of the overall waste disposal amount. For details on how the Group manages its packaging waste, please refer to the preceding section “Use of Packaging Materials”.

With the above measures, the Group’s non-hazardous waste intensity decreased by approximately 21% during the Reporting Year. The Group considers existing measures are helpful in reducing non-hazardous waste disposal. Please refer to the section “ESG Data Highlights” on p. 25 for further information on waste disposal amount.

### **ENVIRONMENTAL IMPACTS OF RAW MATERIAL EXTRACTIONS**

During the Reporting Year, the Group was not aware of any significant direct impact on the environment and natural resources.

The Group’s business operation might bring potential impacts on the environment during the extraction of materials to produce the Group’s products. Therefore, the Group strives to fulfil its responsibility to minimise the potential negative environmental impacts. Since the Group is not directly responsible for the raw material extraction process, the Group places great emphasis on ensuring the raw materials are responsibly sourced. In achieving this, the Group adopts industry best practices and regularly monitors its supply chain management practices.

As mentioned in the section “Supply Chain Management”, the policy titled Supply Chain Management on ESG is in place. To better evaluate the environmental impacts of its supply chain, environmental topics including but not limited to the quality management system, environmental policies, energy consumption, water usage, waste management, environmental management system and environmental audits are covered in the regular supplier assessment.

In the long run, a good supply chain management on raw material extractions would not only ensure that the environment and natural resources are not exploited, but also help generate long-term values to stakeholders and the community.

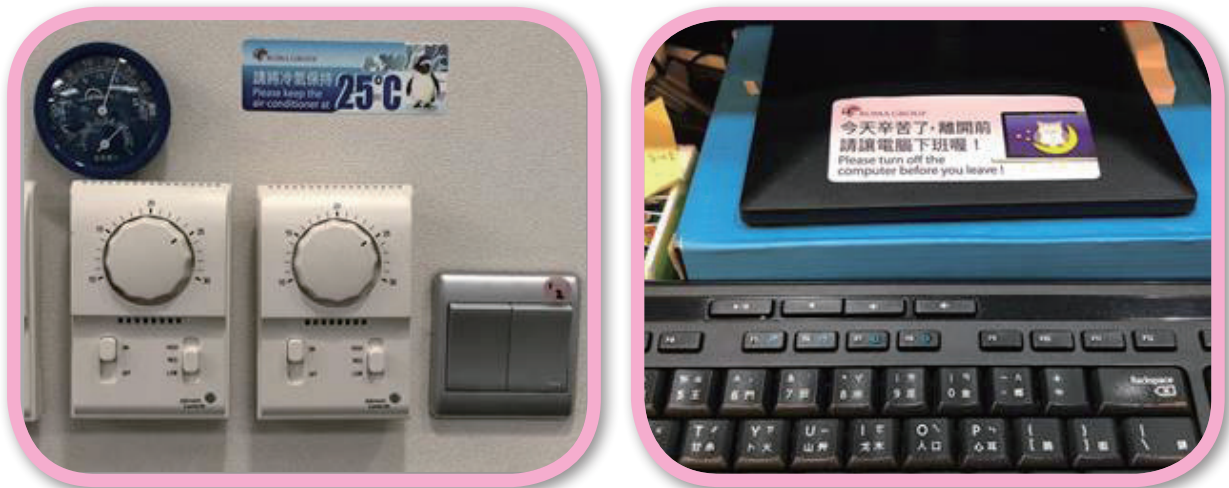
## ENERGY CONSUMPTION

The Group recognises the scarcity of finite natural resources and has therefore implemented policies to better govern the effective use of resources. The responsibility of conserving finite resources lies not only on the Group but also on its employees. The Group believes that employees should share the responsibilities in the Group's ESG issues. Energy conservation is mentioned in both the Group's Staff Handbook and ESG Policy. All employees must implement the adopted measures and be responsible for the Group's overall energy efficiency. The Group will regularly review the related policies to ensure they are in line with the market practice. The Group also turned off outdoor advertising signage in Gordon House on 27 March 2021 to support World Wildlife Fund's Earth Hour 2021 in order to promote energy conservation.

The Group has performed the following measures to reduce energy consumption:

- Turn off lights when not in use and use natural light when possible;
- Turn off, not just log off, all computers, speakers and other office equipment at the end of every workday;
- Turn off the power strip at the end of every workday;
- Activate the power down features on computers and monitor to enter into a low-power or sleep mode when not in use;
- Maintain air-conditioning at 25 degrees Celsius whenever possible;
- Use automatic light sensors in the office where practicable;
- Replace conventional lamps with LED lights gradually; and
- Turn off advertising signage at 10 p.m. daily.

Committed to raising the awareness of energy conservation among employees, the Group has set a target to conduct annual environmental protection activities to promote energy efficiency among employees. The Group will also conduct research on innovative technology for implementation to assist with energy conservation.



During the Reporting Year, the Group's energy consumption intensity increased by approximately 23% compared to last financial year. The Group will continue to control the use of energy and improve energy efficiency through daily management and monitoring of energy consumption. Please refer to the section "ESG Data Highlights" on p. 26 for further information on the Group's energy consumption.

## CLIMATE CHANGE MITIGATION AND ADAPTION

Climate change is one of the most serious challenges that the world faces in the 21st century, and it is also currently the focal point of domestic and international affairs. The Group is well aware of the profound and long-term impact of climate change imposed on the Group's business operations. Therefore, the Group strives to strengthen its resilience against climate change by identifying related challenges and by developing strategies in line with global best practices to mitigate and adapt to the impact of climate change on its operations.

To identify and monitor the associated risks and opportunities, the Group has considered climate change as one of the factors in its development and has included climate change as one of the material ESG topics. The Group has formulated the ESG Policy, in which the Section "Climate Change" outlines the Group's management on climate-related issues and commitment to climate mitigation, adaptation and resilience across its operations and along the value chain.

During the Reporting Year, the Group underwent a climate risk assessment in examining and evaluating its climate-related risks with regards to the recommendations of the Task Force on Climate-related Financial Disclosures ("TCFD"). Benchmarking the disclosure recommendations of the TCFD framework, the Group strives to make continuous efforts to assess the implications of climate impacts and to address the potential risks while capturing the opportunities for transitioning towards a low-carbon economy.

Climate-related risks		Potential impacts	Mitigation and adaptation strategies
Transition Risks	Market	Higher awareness of climate change may alter investors' and customers' preference and expectation, which may affect the Group's capital and revenue.	Conduct a regular climate risk assessment, and ensure that timely and accurate disclosure is made regarding the Group's ESG-related issues to build trust and confidence among its investors and customers.
	Policy and Legal	More ambitious climate policies and regulations may increase the Group's compliance cost, as well as exposure to reputation and litigation risks.	Regularly monitor existing and emerging trends, policies and regulations relevant and be prepared to alert the management where necessary.
Physical Risks	Acute	Increasing severity and frequency of extreme weather events, such as typhoons and heavy rainstorms, which may possibly impact the Group's stability of production and supply chain.	Provide special working arrangement to the staff during adverse weather conditions as stated in the Group's Staff Handbook.
	Chronic	Changes in climate conditions may affect the quantity and quality of raw materials, which will be largely reflected in the price of materials. Production costs may increase as a result.	Actively conduct analysis on raw material price and keep close attention to factors that may affect the prices.

Climate-related opportunities		Potential impacts	Realisation strategies
Opportunities	Resource Efficiency	Higher resources efficiency across the Group's production and distribution processes can reduce the operating costs.	Constantly strive to lower carbon emissions by implementing different measures to improve resources efficiency and establishing carbon emissions reduction target.  Communicate with the Group's employees and suppliers to encourage them to reduce carbon emissions in their daily operations wherever practicable.
	Market	Growing stakeholder preference for companies that concern for the environment may increase the Group's competitive position.	

### GHG Emissions

The Group's total GHG emissions during the Reporting Year were approximately 464.5 tCO<sub>2</sub>e. Energy indirect GHG emissions (Scope 2) from purchased electricity was the major source of the Group's GHG emissions, accounting for approximately 74% (approximately 344.6 tCO<sub>2</sub>e), followed by direct GHG emissions (Scope 1) from the fuel combustion of company-owned vehicles, accounting for approximately 25% (approximately 116.9 tCO<sub>2</sub>e). Methane gas generation at landfills due to disposal of paper waste, electricity used for fresh water and sewage processing and employee business travel contribute to the Group's other indirect GHG emissions (Scope 3), which accounted for approximately 1% of the Group's overall GHG emissions (approximately 3.0 tCO<sub>2</sub>e).

During the Reporting Year, the Group was not aware of material non-compliance with air and GHG emissions related laws and regulations, including but not limited to the Air Pollution Control Ordinance (Cap. 311) of Hong Kong that would have a significant impact on the Group's operation.

During the Reporting Year, the Group has implemented related policies and initiatives to prevent the major source of GHG emissions (i.e. Scope 2) by promoting energy efficiency and conservation. Apart from those practices mentioned in the section "Energy Consumption", the Group has also put in place various energy-saving initiatives, including but not limited to:

- Install light motion detectors in the office pantry to reduce electricity usage; and
- Use a direct digital control system that permits real-time monitoring of the condition for heating, ventilation and air cooling.

Committed to raising the awareness of GHG emissions control among employees, the Group has set a target to conduct annual environmental protection activities to promote GHG emissions reduction among employees on World Earth Day.

During the Reporting Year, the Group's direct GHG emissions has raised significantly due to increased amount of refrigerant purchased. Overall, the Group's GHG emissions intensity increased by approximately 28% during the Reporting Year. The Group continue to monitor its performance and seek to reduce its GHG emissions.

### Air Emissions

Nitrogen oxides (“NOx”), sulphur oxides (“SOx”) and particulate matter (“PM”) are the common air pollutants being generated during the Group’s business activities. 2.87 kg of NOx, 0.06 kg of SOx and 0.21 kg of PM were emitted during the Reporting Year from the use of company-owned passenger cars.

As emissions arising from the use of transportation is one of the major contributors to air emissions in Hong Kong, the Group continues to explore ways to further reduce its emissions, for example:

- Purchase of electric car as one of the company vehicles;
- Encourage employees to use video or telephone conferences to reduce unnecessary business travels; and
- Utilise social media platforms to conduct online product training in reducing the multiple travels for on-site training for retail outlets and chain-stores at different locations.

Regarding key performance indicators on the GHG emissions and air emissions, please refer to the section of “ESG Data Highlights” on p. 25.

### WATER CONSUMPTION

#### Effluents

Water is mainly consumed for washing towels and clothing in the factory and for domestic usage in the office during the Group’s operation. Water is not used to wash production equipment in the factory. Domestic wastewater produced by the Group is sent through the local pipe network to a sewage treatment plant. Therefore, during the Reporting Year, there were no significant environmental impacts associated with the Group’s effluents and the water disposal amount is equivalent to that consumed by the Group.

During the Reporting Year, the Group was not aware of material non-compliance with discharge into water and land-related laws and regulations, including but not limited to the Water Pollution Control Ordinance (Cap. 358) of Hong Kong that would have a significant impact on the Group’s operation. Due to the Group’s operating locations, it has not identified any issues in sourcing water that is fit for purpose.



#### Water Conservation

To promote water conservation, the Group has formulated related policies and initiatives, including but not limited to the ESG Policy. The Group actively encourages all employees to develop the habit of conserving water consciously. During the Reporting Year, the Group has set a target to promote water conservation on World Water Day from 2022 onwards. In addition, the Group has been strengthening its water-saving promotion and employees are reminded to take the following water-saving actions:

- Make effort to minimise the general use of potable water;
- Only heat the amount of water personally needed when using the kettle; and
- Post signage at water faucets to remind staff to conserve water usage.

During the Reporting Year, the Group’s water consumption intensity decreased by approximately 22% compared to last financial year. The Group considers existing measures are helpful in reducing water consumption.

Regarding detailed key performance indicators on water consumption, please refer to the section of “ESG Data Highlights” on p. 26.



## COMMUNITY INVESTMENT

In line with the Group's value, the Group attaches great importance to driving positive change in the communities where it operates and endeavours to foster a sense of social responsibility within the Group's structure. The Group has established the Policy on Community Investment to emphasise its commitment to strengthening communities' resilience and making a positive contribution to society. Focusing on serving vulnerable communities in Hong Kong, the PRC and overseas, the Group has been working relentlessly on fundraising and collaborating with charities at both the national and local levels.

During the Reporting Year, the Group made a cash donation of approximately HK\$481,000 and donated more than 35,000 pieces of White Flower Embrocation and Strain Relief.

### Community Health and Well-being

#### *Sponsorships and donations*

The Group has long supported various charity organisations through sponsorships, product and cash donations. Beneficiaries include but are not limited to Taishan Charitable Association Limited, Hong Kong Red Cross, Oxfam, Orbis and Society of Abandoned Animals (SAA).

The Group has actively promoted and celebrate family love in the community. During the Reporting Year, the Group supported the Mother's Day activity "Like Ma Ma" organised by Chung Sing Benevolent Society by becoming one of the sponsors and provided sponsorship gifts for the top 10 with the most LIKE participants.



In support of the mission of the Hong Kong Care and Poverty Relief Association in providing warmth to those in need in the local community, the Group donated its products in February 2021 to support the distribution of blessing bags to squatter households.



**ESG DATA HIGHLIGHTS***Environmental Performance*

<b>GHG emissions (Note 1)</b>			
<b>Indicator</b>	<b>Emissions (in tCO<sub>2</sub>e)</b>		
	<b>2021</b>	<b>2020</b>	<b>2019</b>
Scope 1 Direct GHG emissions (Note 2)	116.9	65.9	55.9
Scope 2 Energy indirect GHG emissions (Note 3)	344.6	371.5	428.1
Scope 3 Other indirect GHG emissions	3.0	4.3	25.5
<b>Total GHG emissions</b>	<b>464.5</b>	<b>441.7</b>	<b>509.5</b>
<b>GHG emissions intensity (in tCO<sub>2</sub>e/million pieces of products)</b>	<b>79.3 (Note 4)</b>	<b>61.9</b>	<b>82.4</b>

## Notes:

- GHG emission data is presented in terms of carbon dioxide equivalent and are based on, but not limited to, “The Greenhouse Gas Protocol: A Corporate Accounting and Reporting Standards” issued by the World Resources Institute and the World Business Council for Sustainable Development; the Sustainability Report 2020 published by HK Electric Investments; Annual Report 2019/20 published by Water Supplies Department; Sustainability Report 2019/20 published by Drainage Services Department; “How to prepare an ESG Report – Appendix 2: Reporting Guidance on Environmental KPIs” issued by The Stock Exchange of Hong Kong Limited, and “Global Warming Potential Values” from the IPCC Fifth Assessment Report (AR5), 2014.
- Scope 1 emissions include direct emissions from combustion of petrol in mobile vehicles and fugitive emissions from refrigeration equipment.
- Scope 2 emissions include energy indirect emissions by purchased electricity from the Hong Kong Electric Company Limited.
- During the Reporting Year, the Group produced approximately 5.86 million pieces of products in Hong Kong. The data is also used for calculating other intensity data.

<b>Air emissions</b>			
<b>Air pollutants</b>	<b>Emissions (in kg)</b>		
	<b>2021</b>	<b>2020</b>	<b>2019</b>
Nitrogen oxides	2.87	3.65	3.58
Sulphur oxides	0.06	0.10	0.11
Particulate matter	0.21	0.27	0.26

<b>Waste disposal</b>			
<b>Waste type</b>	<b>Amount of waste produced (in tonnes)</b>		
	<b>2021</b>	<b>2020</b>	<b>2019</b>
General waste of the office	0.09	0.19	0.22
General waste of the factory	2.66	4.48	4.32
Production waste of the factory	6.83	14.20	9.44
Packaging recycled/disposed	5.31	N/A	4.54
<b>Total non-hazardous waste</b>	<b>14.89</b>	<b>18.87</b>	<b>18.52</b>
<b>Non-hazardous waste intensity (in tonnes/million pieces of products)</b>	<b>2.54</b>	<b>2.65</b>	<b>3.00</b>
<b>Total hazardous waste</b>	<b>2.06</b>	<b>2.2</b>	<b>1.9</b>
<b>Hazardous waste intensity (in tonnes/million pieces of products)</b>	<b>0.35</b>	<b>0.31</b>	<b>0.30</b>

Energy usage			
Energy type	Amount of energy consumed (in MWh)		
	2021	2020	2019
Petrol	41.6	64.2	72.8
Direct energy consumption	41.6	64.2	72.8
Electricity	485.4	458.6	535.1
Indirect energy consumption	485.4	485.6	535.1
<b>Total energy consumption</b>	<b>527.0</b>	<b>522.8</b>	<b>607.9</b>
<b>Energy intensity (in MWh/million pieces of products)</b>	<b>90.0</b>	<b>73.3</b>	<b>98.4</b>

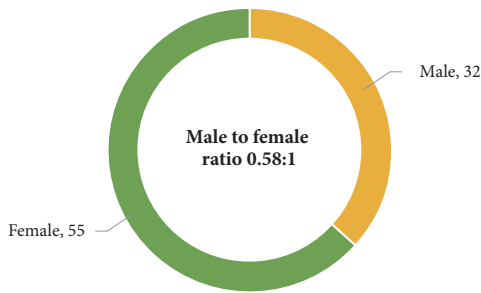
Water usage			
Water use	Amount of water consumed (in m <sup>3</sup> )		
	2021	2020	2019
<b>Total water consumption</b>	<b>784.0</b>	<b>1,226.5</b>	<b>1,153.3</b>
<b>Water intensity (in m<sup>3</sup>/million pieces of products)</b>	<b>133.8</b>	<b>172.0</b>	<b>186.6</b>

Packaging materials usage			
Packaging materials	Amount of packaging materials used (in kg)		
	2021	2020	2019
Bottle	251,451	251,416	247,928
Cap	3,217	3,716	3,511
Label, leaflet and paper box	37,262	39,722	39,884
Bubble bag	4,830	4,295	3,864
Cellophane/TOPP	3,176	3,898	3,626
Sealing tape	202	233	221
Shrinkable bag	1,396	1,513	1,488
Carton box	17,953	18,327	18,164
<b>Total packaging materials used (in tonnes)</b>	<b>319.5</b>	<b>323.1</b>	<b>318.7</b>
<b>Intensity of packaging material used (in tonnes/million pieces of products)</b>	<b>54.5</b>	<b>45.3</b>	<b>51.6</b>

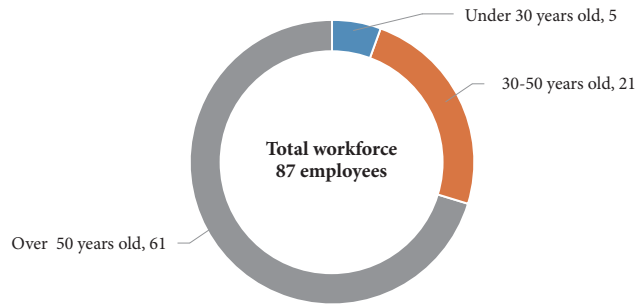
Social performance

2021

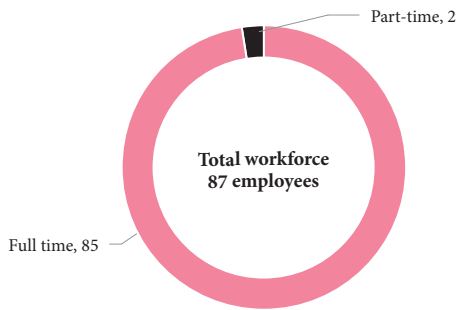
Employees by gender



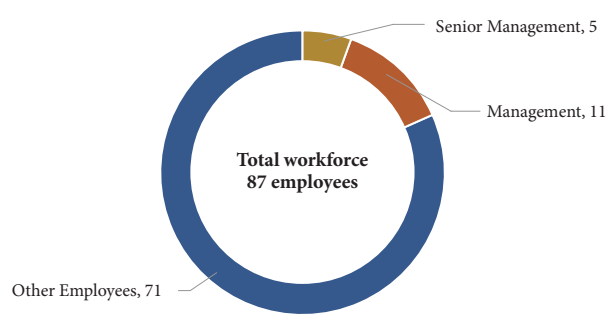
Employees by age group



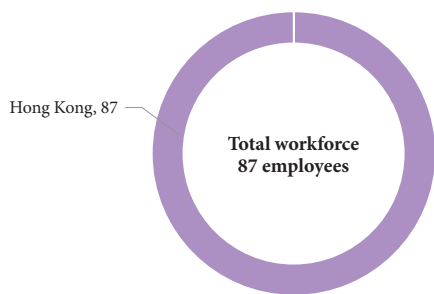
Employees by employee type



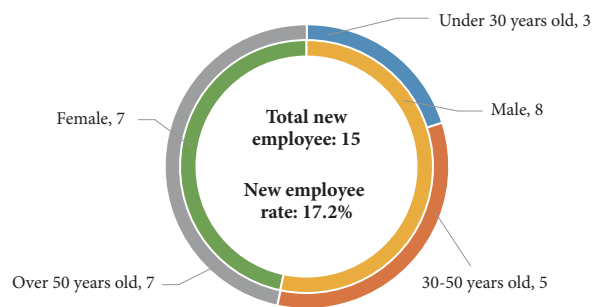
Employees by employee category



Employees by geographical region



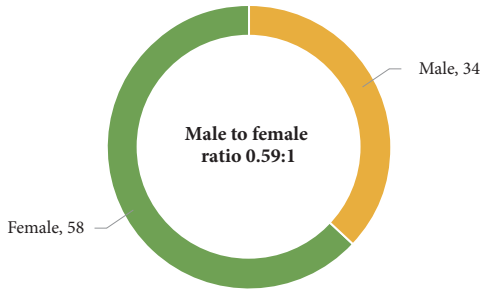
New employees



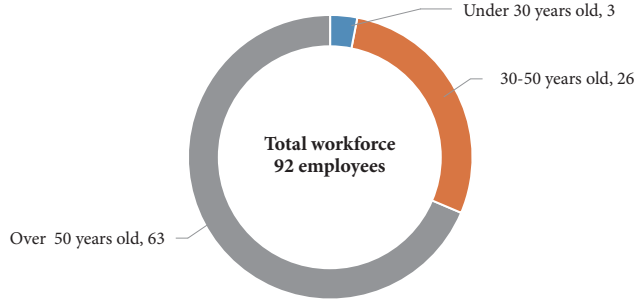
- Female
- Male
- Hong Kong
- Under 30 years old
- 30-50 years old
- Over 50 years old
- Senior Management
- Management
- Other Employees
- Full-time
- Part-time

2020

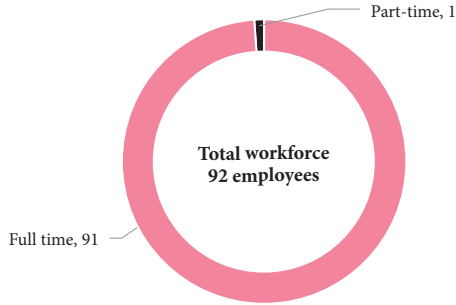
Employees by gender



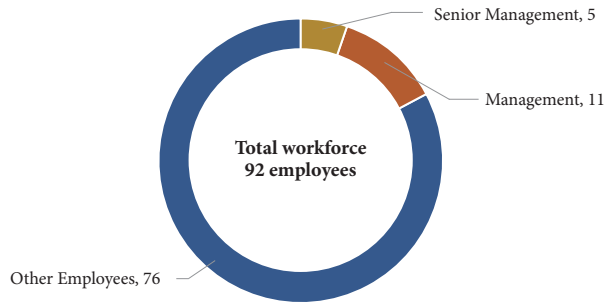
Employees by age group



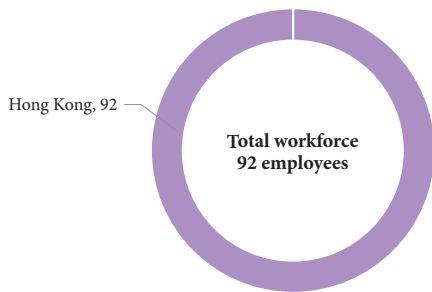
Employees by employee type



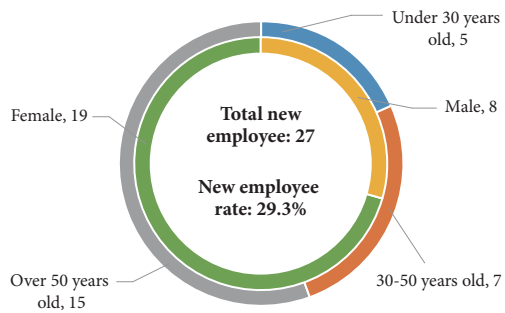
Employees by employee category



Employees by geographical region



New employees



- Female
- Male
- Hong Kong
- Under 30 years old
- 30-50 years old
- Over 50 years old
- Senior Management
- Management
- Other Employees
- Full-time
- Part-time

Turnover		
Category	Percentage	
	2021	2020
Male	0	26.5%
Female	18.2%	27.6%
Under 30 years old	20.3%	166.7%
30-50 years old	42.9%	15.4%
Over 50 years old	18.0%	25.4%
Hong Kong	23.0%	27.2%

Work-related fatality and injury				
Year	Gender	Number of work-related fatalities	Number of work-related injuries	Number of days lost due to work injury
2021	Male	0	3	57.5
	Female	0	0	0
2020	Male	0	0	0
	Female	0	0	71 (Note 5)
2019	Male	0	1	0
	Female	0	1	25

Note:

5. 71 out of 71 days were carried forward from the injury occurred in 2019.

Training data					
Year	Category	Number of trained employees	Percentage of trained employees (Note 6)	Training hours	Average training hours (Note 7)
2021	Male	32	100.0%	641.72	20.05
	Female	37	67.3%	225.03	6.08
	Senior management	2	40.0%	42.0	21
	Management	4	36.4%	43.43	10.86
	Other employees	63	88.7%	781.32	12.40
2020	Male	31	91.2%	328.50	10.60
	Female	46	79.3%	219.38	4.77
	Senior management	5	100.0%	69.50	13.90
	Management	5	45.5%	37.48	7.50
	Other employees	67	88.2%	440.90	6.58

Notes:

6. The percentage of trained employees by category is calculated by dividing the number of employees in the specified category who took part in training during the Reporting Year by the total number of employees in the specified category as at 31 December 2021.
7. The average training hours by category is calculated by dividing the total training hours for employees in the specific category during the Reporting Period by the total number of employees in the specific category as at 31 December 2021.

Supplier (Note 8)						
Year	Hong Kong Raw material/ Packaging materials	Australia Raw materials	Taiwan Packaging materials	USA Raw materials	PRC Raw material/ Packaging materials	Singapore Raw materials
2021	28	1	2	1	5	1
2020	28	1	2	1	5	1
2019	28	1	2	1	5	1

Note:

8. 100% of the suppliers on which the same set of engagement practices are being implemented.

Contributing to the community			
Year	Cash donation (Note 9)	Product donation	Cash sponsorship
2021	Approximately 481,000 HKD	Over 35,000 pieces	–
2020	Approximately 157,000 HKD	Over 51,000 pieces	Approximately 27,000 HKD
2019	Approximately 496,000 HKD	Over 55,000 pieces	Approximately 6,000 HKD

Note:

9. Cash donation amount includes fundraising charity sale at Lunar New Year Fair only in 2019, as the Lunar New Year Fair was cancelled due to COVID-19 in 2020 and 2021.

## THE ESG REPORTING GUIDE CONTENT INDEX OF THE STOCK EXCHANGE OF HONG KONG LIMITED

Mandatory Disclosure Requirements		Section/Statement
Governance Structure		Management Message, ESG Governance
Reporting Principles		Reporting Framework
Reporting Boundary		Reporting Scope and Period

Subject Areas, Aspects, General Disclosures and KPIs	Description	Section/Declaration
<b>Aspect A1: Emissions</b>		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to air and GHG emissions, discharges into water and land, and generation of hazardous and non-hazardous waste.	Waste Management; Climate Change Mitigation and Adaptation
KPI A1.1	The types of emissions and respective emissions data.	Climate Change Mitigation and Adaptation; ESG Data Highlights
KPI A1.2	GHG emissions in total (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	Climate Change Mitigation and Adaptation; ESG Data Highlights
KPI A1.3	Total hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	Waste Management; ESG Data Highlights
KPI A1.4	Total non-hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	Waste Management; ESG Data Highlights
KPI A1.5	Description of emission target(s) set and steps taken to achieve them.	Waste Management
KPI A1.6	Description of how hazardous and non-hazardous wastes are handled, and a description of reduction target(s) set and steps taken to achieve them.	Waste Management
<b>Aspect A2: Use of Resources</b>		
General Disclosure	Policies on the efficient use of resources, including energy, water and other raw materials.	Energy Consumption; Water Consumption; Use of Packaging Materials
KPI A2.1	Direct and/or indirect energy consumption by type (e.g. electricity, gas or oil) in total (kWh in '000s) and intensity (e.g. per unit of production volume, per facility).	Energy Consumption; ESG Data Highlights
KPI A2.2	Water consumption in total and intensity (e.g. per unit of production volume, per facility).	Water Consumption; ESG Data Highlights
KPI A2.3	Description of energy use efficiency target(s) set and steps taken to achieve them.	Energy Consumption
KPI A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency target(s) set and steps taken to achieve them.	Water Consumption
KPI A2.5	Total packaging material used for finished products (in tonnes) and, if applicable, with reference to per unit produced.	Use of Packaging Materials; ESG Data Highlights
<b>Aspect A3: The Environment and Natural Resources</b>		
General Disclosure	Policies on minimizing the issuer's significant impact on the environment and natural resources.	Environmental Impacts of Raw Material Extractions
KPI A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	Environmental Impacts of Raw Material Extractions



Subject Areas, Aspects, General Disclosures and KPIs	Description	Section/Declaration
<b>Aspect A4: Climate Change</b>		
General Disclosure	Policies on identification and mitigation of significant climate-related issues which have impacted, and those which may impact, the issuer.	Climate Change Mitigation and Adaptation
KPI A4.1	Description of the significant climate-related issues which have impacted, and those which may impact, the issuer, and the actions taken to manage them.	Climate Change Mitigation and Adaptation
<b>Aspect B1: Employment</b>		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, antidiscrimination, and other benefits and welfare.	Employee's Rights and Welfare
KPI B1.1	Total workforce by gender, employment type, age group and geographical region.	Employee's Rights and Welfare; ESG Data Highlights
KPI B1.2	Employee turnover rate by gender, age group and geographical region.	Employee's Rights and Welfare; ESG Data Highlights
<b>Aspect B2: Health and Safety</b>		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to providing a safe working environment and protecting employees from occupational hazards.	Caring for Employees
KPI B2.1	Number and rate of work-related fatalities occurred in each of the past three years including the reporting year.	Caring for Employees; ESG Data Highlights
KPI B2.2	Lost days due to work injury.	Caring for Employees; ESG Data Highlights
KPI B2.3	Description of occupational health and safety measures adopted, how they are implemented and monitored.	Caring for Employees
<b>Aspect B3: Development and Training</b>		
General Disclosure	Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.	Training and Development
KPI B3.1	The percentage of employees trained by gender and employee category (e.g. senior management, middle management).	Training and Development; ESG Data Highlights
KPI B3.2	The average training hours completed per employee by gender and employee category.	Training and Development; ESG Data Highlights
<b>Aspect B4: Labour Standards</b>		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child and forced labour.	Labour Standards
KPI B4.1	Description of measures to review employment practices to avoid child and forced labour	Labour Standards
KPI B4.2	Description of steps taken to eliminate such practices when discovered.	Labour Standards

Subject Areas, Aspects, General Disclosures and KPIs	Description	Section/Declaration
<b>Aspect B5: Supply Chain Management</b>		
General Disclosure	Policies on managing environmental and social risks of the supply chain.	Supply Chain Management
KPI B5.1	Number of suppliers by geographical region.	Supply Chain Management; ESG Data Highlights
KPI B5.2	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, how they are implemented and monitored.	Supply Chain Management
KPI B5.3	Description of practices used to identify environmental and social risks along the supply chain, and how they are implemented and monitored.	Supply Chain Management
KPI B5.4	Description of practices used to promote environmentally preferable products and services when selecting suppliers, and how they are implemented and monitored.	Supply Chain Management
<b>Aspect B6: Product Responsibility</b>		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress.	Responsible Operating Practices; Compliance Management; Customer Services and Complaint Management; Business Ethics; Intellectual Property Rights; Advertising and Labelling
KPI B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons.	Product Quality and Safety
KPI B6.2	Number of products and service-related complaints received and how they are dealt with.	Customer Services and Complaint Management
KPI B6.3	Description of practices relating to observing and protecting intellectual property rights.	Intellectual Property Rights
KPI B6.4	Description of quality assurance process and recall procedures.	Responsible Operating Practices
KPI B6.5	Description of consumer data protection and privacy policies, how they are implemented and monitored.	Business Ethics
<b>Aspect B7: Anti-corruption</b>		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering.	Anti-corruption
KPI B7.1	Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the reporting period and the outcomes of the cases.	Anti-corruption
KPI B7.2	Description of preventive measures and whistle-blowing procedures, how they are implemented and monitored.	Anti-corruption
KPI B7.3	Description of anti-corruption training provided to directors and staff.	Anti-corruption
<b>Aspect B8: Community Investment</b>		
General Disclosure	Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests.	Community Investment
KPI B8.1	Focus areas of contribution (e.g. education, environmental concerns, labour needs, health, culture, sport).	Community Investment
KPI B8.2	Resources contributed (e.g. money or time) to the focus area.	Community Investment