



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

2021

Environmental, Social and Governance Report

環境、社會及管治報告

EAT HEALTHY STAY POSITIVE



HFT
Life

Green Living Sustainable Lifestyle



START

HFT 鴻福堂

Life

智能回收機
Reverse Vending Machine

- 1 將膠樽放入回收機
- 2 掃描 QR 碼
- 3 領取獎勵

RECYCLE + REWARD

膠樽回收 即時回禮



REMOVE THE CAP
移除瓶蓋

EMPTY + CLEAN
THE BOTTLES
確保清空

DO NOT CRUSH
請勿壓扁

KEEP THE BARCODE
保留條碼

NO. 1 & NO. 5 PLASTIC
BOTTLES (PETE/PET/PP)
1 號及 5 號膠樽

JIKA
自家 ON!

NATURALLY MADE
WHOLEHEARTEDLY GOOD



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2021 HIGHLIGHTS

OUR OPERATION



51.6% of Hung Fook Tong's fresh beverage products are in low sugar content



322 key suppliers



OUR PEOPLE

865 employees

717 in Hong Kong, **148** in Mainland China



551 employees trained

approximately **4,237** training hours





OUR ENVIRONMENT

12,933 tonnes of
CO₂-e of Greenhouse Gas (GHG) Emissions



1,360.2 tonnes of food waste recycled,

289.7 tonnes of CO₂-e of Greenhouse Gas
Emissions reduced

OUR COMMUNITY



Contributed **323** service hours to the community



Supported over **132** community projects and **104** organisations



Over **HK\$1.9 million** of cash, coupons and in-kind products
sponsored



ABOUT HUNG FOOK TONG

Established in 1986 and listed on the Main Board of The Stock Exchange of Hong Kong Limited (“SEHK”) since 2014, Hung Fook Tong Group Holdings Limited (“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. With a market presence stretching over 35 years, HFT continues to develop diversified products and has transformed itself from a traditional Chinese herbal tea shop into a modern wellness concept food and beverage enterprise.

The Group manufactures its products at its production facilities located in Hong Kong and Mainland China. Its Tai Po plant mainly produces fresh food products and drinks to be sold at Hung Fook Tong retail shops in Hong Kong. Our production plant in Kaiping City, Guangdong Province, is capable of supporting the demand for fresh and long-shelf life drinks in Hong Kong, Mainland China and other markets.

The Group’s products are marketed through two principal sales channels: retail and wholesale.

Retail business remained the Group’s most significant revenue contributor in 2021, contributing around 75% of the Group’s total revenue. In terms of retail network size, the Group retained its position as the most prominent Chinese herbal products retailer in Hong Kong, with 122 self-operated retail shops at the end of 2021. Among these include new innovative café concept stores under the “HFT Life” brand, offering an amalgam of Western and Chinese food cultures. Complemented by various promotions aimed at boosting membership and engagement, HFT has over 1,159,000 JIKA CLUB members as of the end of 2021. In 2021, HFT also has launched its new online shopping platform, JIKA ON!, offering a wide spectrum of products including health, beauty and household products.

HFT’s wholesale business is primarily for the sales and distribution of its long-shelf life drinks and fresh drinks, comprising sales to third-party retailers and distributors in Hong Kong, Mainland China and overseas. In Mainland China, principally in Guangdong Province, an array of fresh and long shelf-life bottled drinks are available at convenience stores, supermarkets, department stores, local grocery stores and through online platforms.





AWARDS AND RECOGNITION

HFT has been awarded in recognition of the Group's effort on the environment, labour practice, customer experience enhancement and community investment. The major awards HFT has received during the reporting year are listed below:

IN RECOGNITION OF ENVIRONMENTAL EFFORTS

Hong Kong Green Organisation

Environmental Campaign Committee

Green Office 3+ Label and Eco-Healthy Workplace Label 2021

World Green Organisation

CarbonCare® ESG Label (Level 3)

CarbonCare InnoLab



IN RECOGNITION OF BRAND MANAGEMENT AND CUSTOMER SERVICE

The Second Greater Bay Area Navigation Award – The Most Valuable Brand Award

Hong Kong Ta Kung Wen Wei Media Group

The Hong Kong Q-Mark Service Scheme & Q-Mark Elite Brand Awards 2021

The Federation of Hong Kong Industries

2021 Hong Kong Top Brand

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

GS1 Consumer Caring Scheme 10 years

GS1 Hong Kong

Trusted Brands 2021 – Gold Award (Chinese Soup/Herbal Tea)

Reader's Digest

Health Partnership Award 2021 – Outstanding Chinese Herbal Products Corporation with Modern Wellness Concept

ET Net Limited

PARKnSHOP Super Brands Award 2020

PARKnSHOP

2020 Outstanding Sales Performance Awards within a category – Beverages

7-Eleven

Outlet Anti-Epidemic Measures Recognition

Hong Kong Retail Management Association



IN RECOGNITION OF COMMUNITY INVESTMENT

15 Years plus Caring Company Logo 2006-2021
The Hong Kong Council of Social Service



Good Deed 2021

The Evangelical Lutheran Church Social Service – Hong Kong

Social Capital Builder Logo Award 2020-2022

Labour and Welfare Bureau – Community Investment and Inclusion Fund

2019/20 Y- Care CSR Scheme (Bronze Partner)

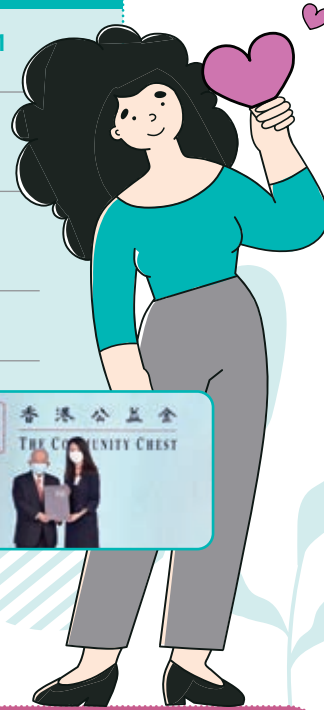
Chinese YMCA of Hong Kong

2020/2021 Award of Distinction

The Community Chest of Hong Kong

Social Enterprise Supporter Plus 2021

Fullness Social Enterprises Society



IN RECOGNITION OF TALENT DEVELOPMENT

Happiness-at-Work 5 years+

The Hong Kong Productivity Council

Talent-Wise Employment Charter and Inclusive Organisations Recognition Scheme – Inclusive Organisation Logo

Labour and Welfare Bureau



ERB Manpower Developer Award Scheme:

Manpower Developer (2011-2021)

Employees Retaining Board



Inaugural SportsHour Company Scheme – SportsHour Company Logo

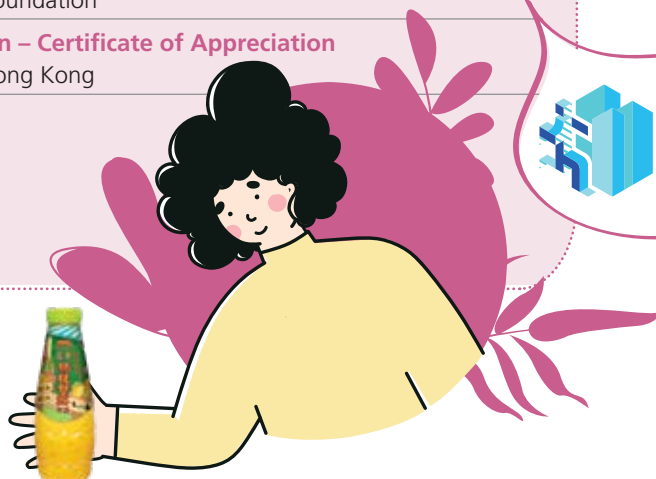
InspiringHK Sports Foundation

Sport-Friendly Action – Certificate of Appreciation

Chinese YMCA of Hong Kong

QF Star Employer

Education Bureau





ABOUT THE REPORT

This Environmental, Social and Governance (“ESG”) report (the “Report”) is 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 topics. Available in both Chinese and English, the Report has been uploaded to the websites of SEHK and the Company (www.hungfooktongholdings.com).

REPORTING SCOPE

The Report focuses on the operation of the core businesses of HFT, i.e. retail and wholesale, accounting for 100% of the Group’s revenue in 2021. The Report covers the Group’s financial year from 1 January 2021 to 31 December 2021 (“2021” or “reporting year”).

The reporting scope covers the ESG performances of the operation of retail shops in Hong Kong (“Hong Kong retail shops”), office and factory in Hong Kong (“Hong Kong office” and “Hong Kong factory” respectively), as well as the operation of the office and factory in Kaiping City, Guangdong Province (“Kaiping office” and “Kaiping factory” respectively). There were no significant changes in the scope and boundaries of reporting compared to the previous reporting year.

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 SEHK. The four reporting principles, namely the principles of materiality, quantitative, balance and consistency, form the backbone of this Report.



Reporting Principle	
Materiality	The Group engages stakeholders with management interview, stakeholder surveys and focus group, throughout the process of identifying material ESG topics. The material topics are confirmed by the ESG Steering Committee appointed by the Board of Directors (the “Board”). Please refer to the section headed “Stakeholder Engagement” for further details.
Quantitative	The data of the Group’s environmental and social Key Performance Indicators (“KPI”) are sourced from the statistics of relevant departments. Moreover, to ensure the accuracy of the environmental KPIs, the Group has commissioned a professional consultant to conduct a carbon assessment in reference to local and international guidelines. The quantitative information is accompanied by a description of the criteria, methods, assumptions and/or calculation tools used.
Balance	The Group is committed to upholding an unbiased reporting principle. The Group does not only report the achievements it has made but also the challenges it has faced, as well as the response of the Group.
Consistency	The Group has prepared the Report in the same manner as in previous years. It ensures that a consistent method is used to provide ESG data comparable with historical data.



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 the Company has overall responsibility for the establishment and disclosure of relevant measures and KPIs. To ensure that the Report covers environmental and social topics material to the Group, this Report has been reviewed and approved by the ESG Steering Committee, then endorsed by the Board on 20 May 2022.

FEEDBACK MECHANISM

Comments and suggestions of stakeholders can help the Group to 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,
Tai Po, New Territories, Hong Kong
Email: enquiry@hungfooktong.com.hk
Telephone: (852) 3651 2000
Fax: (852) 3651 2265





BOARD STATEMENT



During the past two years, the COVID-19 has been considered an obstacle to people's life and connection. HFT endeavours to create value through realising sustainability in environmental and social aspects. As a responsible corporate, HFT recognises the significance of sound and competent governance on striving for sustainability excellence. While facing unprecedented global challenges, such as climate change, pandemic or human rights issues, the Board of HFT will lead the Group to develop along with its sustainability agenda, delivering value to its employees, customers and other stakeholders.

BOARD'S OVERSIGHT

The Board is ultimately responsible for overseeing the Group's sustainability issues. Under the delegation of the Board, the Group's ESG Steering Committee and the ESG Working Group ensure sustainability topics management aligns with the corporate vision. The Group's ESG Management Approach outlines the key ESG issues and drivers identified by key stakeholders and verified by the Board. It sets the cornerstone of HFT's ESG management strategy and is realised through relevant policies and measures. ESG issues are reported to the Board regularly to ensure informed decisions are made by the Board.

SUSTAINABILITY MANAGEMENT

As outlined by the Group's ESG Management Approach, HFT identifies and manages relevant sustainability risks that have significant impacts on the Group. For example, climate change is at the top of the environmental agenda in recent years and Hong Kong has pledged to become carbon neutral by 2050. It indicates a transition to a lower-carbon society which will lead to significant investments and changes in consumer behaviour. In response to such risks, the Group has set out policies and engaged external expertise to keep the Board's competency on relevant issues.

GOALS AND TARGETS

The Group strives to set meaningful sustainability-related targets related to its business, while the Board monitors the progress through the support of the ESG Steering Committee and the ESG Working Group. In the reporting year, the Group took the first step in setting directional targets on material environmental aspects, to understand the Group's major emission sources and possible management approach in reducing its impacts on the environment.

Going forward, the Group will continue to understand the improvement potential of the Group and develop a comprehensive sustainability strategy, as well as quantified targets for environmental and social aspects, enabling better quantification of the Group's ESG performance in the future.



OUR APPROACH TO SUSTAINABILITY

SUSTAINABILITY GOVERNANCE

A sound governance is the cornerstone of HFT’s sustainability success. At HFT, the Board has the overall responsibility of overseeing the Group’s ESG management approach and relevant implementation measures. In 2021, the Group updated its ESG policy which anchors the direction of HFT’s ESG management approach, covering the environment, suppliers, customers and the public. The policy also specifies HFT’s approach towards its corporate social responsibilities, operating principles and corporate governance.

ESG Management Approach	
Environment <ul style="list-style-type: none"> • Energy saving • Environmental protection • Carbon reduction 	Suppliers, Customers and the Public <ul style="list-style-type: none"> • Fair trading • Food safety • Quality control
Corporate Social Responsibilities <i>Employee</i> <ul style="list-style-type: none"> • Safe and healthy working environment • Human rights • Talent retention 	<i>Community Involvement</i> <ul style="list-style-type: none"> • Influence on the society • Understanding and respond to socially vulnerable groups • Quality of life and wellbeing
Operating Principles <ul style="list-style-type: none"> • Operation compliance • Operating ethics 	Corporate Governance <ul style="list-style-type: none"> • Transparent • Responsible



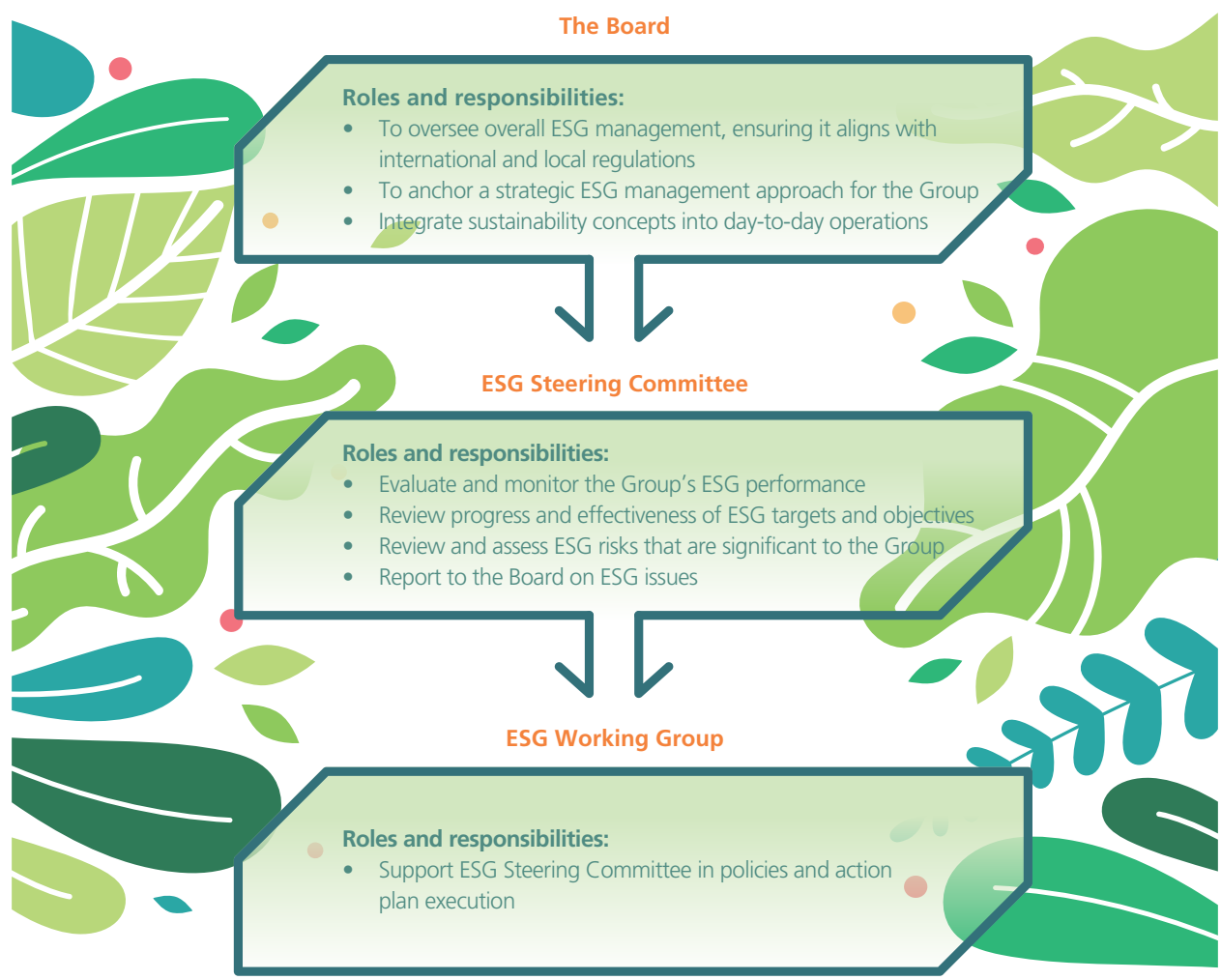
The Group understands the effective implementation of the ESG management approach requires the cooperation of HFT staffs at different levels. At the highest level of decision making, the Board is responsible for overseeing sustainability topics, including charting strategic direction, identifying, prioritising and managing material sustainability topics. In 2021, an ESG Steering Committee has been formulated for implementing sustainability strategies and monitoring the Group’s performance against the goals and objectives established. Performance and progress are regularly reviewed, and the results are presented to the Board.

Future Plan

“

In 2021, HFT has set out a 3-year plan to formulate a sustainability strategy and quantified targets. Looking forward, the Group will continue to collect feedback from stakeholders and explore ways to integrate United Nations’ Sustainable Development Goals (“UNSDG”) into its business. These will serve as the basis of the Group’s sustainability strategy.

”



SUSTAINABILITY RISK MANAGEMENT

An effective risk management mechanism is essential to adapting and mitigating emerging sustainability risks. The ESG Steering Committee and the Risk Management Committee assist the Board in managing relevant risks and are responsible for risk identification, evaluation and management of potential sustainability risks.

1. Identify potential sustainability risks that have impact on the Group
2. Assess the likelihood and impact of the potential sustainability risks on the Group
3. Confirm material sustainability risks
4. Implement management measures
5. Monitor and review the effectiveness of management measures

Understanding that an effective risk management system enables the Group to strengthen resilience to sustainability risks, confirmed sustainability risks have been incorporated into the Group's risk inventory.



To allow a more comprehensive understanding of the operating landscape and preparedness, the Group conducted a sustainability risk assessment in 2021 across multiple risk categories, and identified potential risks, outcomes, and mitigation measures for each category:

Environmental Compliance

Risk to HFT:

It refers to exposure to litigation, fines or penalties resulting from non-compliance with national and local laws and regulations relating to pollution prevention and hazardous materials/waste management. It also refers to excessive expenditure on energy and water supply, management of emissions, solid waste and wastewater quality.

HFT's response:

- Established standardised policies and procedures to ensure manufacturing and operational processes are in compliance. In addition, audits are arranged regularly to rectify any potential non-compliance
- Addressed environmental issues that affect customers' choices of products and services

Water Risks

Risk to HFT:

They refer to the risk of exposure to water-stressed regions, leading to insufficient water being available to meet demand which could pose a serious threat to business continuity. Other risks include supply disruptions and losing their social license to operate.

HFT's response:

- Improved water management at Hong Kong and Kaiping factories through increased efficiency, recycling, and proper wastewater disposal

Climate Risks

Risk to HFT:

Climate risks include physical and transition risks. Physical risks include disruptions of operations in supplies and inventory due to flooding, hurricanes, and high temperatures. Transition risks include losing customers due to shifting their preference towards lower carbon footprints product and compliance risks arise from increasing regulatory pressures to reduce impacts of climate change (e.g. carbon pricing policies).

HFT's response:

- Established Climate Change Policy in 2021



STAKEHOLDER ENGAGEMENT

Ongoing dialogue with stakeholders helps HFT define and deliver its targets, as well as keep ahead of market trends and developments. The Group understands that its customers, employees and shareholders are key contributors to its success, and therefore strives to improve its environmental, social and governance performance through regular engagement with these stakeholders.

To take into consideration stakeholders' insights, HFT collects feedback and opinion from various sectors, including internal stakeholders such as directors and employees, as well as external stakeholders, such as customers and suppliers, in order to ensure a holistic understanding of the needs of its community at large. The Group collects stakeholders' views through communication in its daily operations, reviews its performance and potential risks, and continuously improves its business strategy and management. The Group's major stakeholders and the modes of communication are listed below.

Employees

The Group engages its employees through various training programs and team-building activities. The Group held a focus group during the reporting year to gather feedback from employees on the Group's sustainability strategy.



Customers

The Group engages with its valued customers through its loyalty program – "JIKI CLUB". The Group distributes its latest information to JIKI CLUB members through the monthly newsletters and the Hung Fook Tong mobile application. Customers can express their feedback and opinions through customer service hotline, email, company website and social media platforms.



Suppliers and business partners

The Group maintains close ties with its suppliers and business partners through inspection visits and active communication.



Community

The Group engages and supports the community, including non-governmental organisations ("NGOs") and beneficiaries, through various charitable activities, sponsorship, donation and volunteerism.



Shareholders and investors

The Group engages shareholders through its annual general meetings. It keeps investors and shareholders informed of its latest news and earnings announcements through the company's website, media interviews and email updates.





During the year, a focus group has been conducted to further collect in-depth feedback from stakeholders, below are some feedback collected during the focus group and the corresponding responses from the Group:

FEEDBACK FROM STAKEHOLDERS

Encourage customers to bring their own utensils and recycle packaging

RESPONSE FROM THE GROUP

Installed plastic bottle recycling machines at selected HFT Life stores to encourage customers to recycle cleaned beverage bottles.

Customers who bring their own mug/container for beverages or soup can enjoy a HK\$2 discount at HFT Life stores.

Organise workshops for customers to promote a healthy living style

Various wellness activities have been organised at HFT Life stores for customers or members during 2021, such as handmade soap workshops, candle workshops and sharing sessions on healthy eating.





Materiality Assessment


The Group values feedback from its key stakeholders. It helps the Group prioritise its focus and resources to the areas where the Group can significantly impact and ultimately make progress. The Group collected feedback from stakeholders, including customers, employees, shareholders, business partners and NGOs, through an online questionnaire and the focus group. Based on the results of the engagement activities, the Group conducted a materiality assessment to identify key sustainability topics by importance to the Group's stakeholders and the Group's impact on the environment and society.



1

Identification

HFT reviewed sustainability issues from previous years and focused on 20 topics that respond to global sustainability trends in the food and beverage industry, stakeholder feedback, as well as local and international reporting standards to identify sustainability issues relevant to its operation.



2


Engagement

Feedback and opinions from stakeholders were collected via an online questionnaire, focus group and interview. In the questionnaire, stakeholders are invited to express their views on the identified sustainability topics based on their importance to the stakeholders and the relevant impact of HFT's business on the environment and society.

In 2021, HFT received 217 valid questionnaire responses (2020: 185).

Validation

The results of the materiality assessment were reviewed and approved by the ESG Steering Committee and the Board.



4

Prioritisation

HFT considered its stakeholders' feedback and prioritised the identified sustainability topics according to their importance to stakeholders and the impact of HFT's operation on the environment and society. Among the sustainability topics identified, 10 issues were considered material.

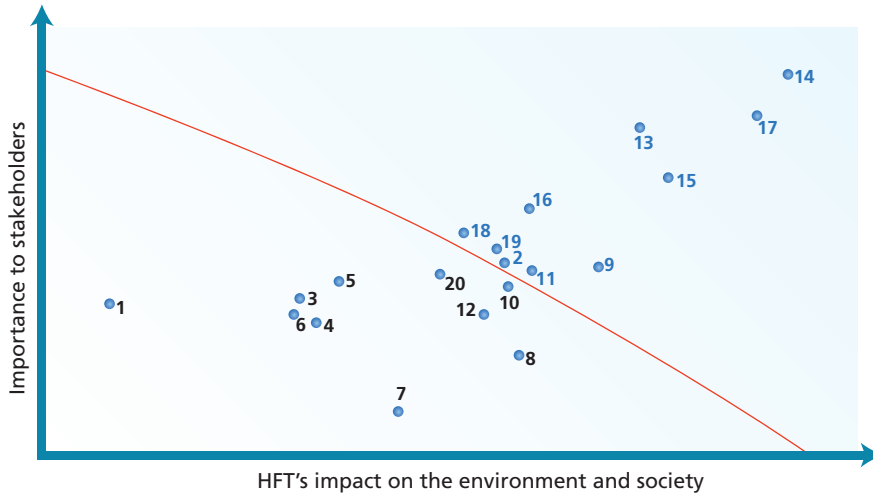


3



Materiality Matrix

The Group analysed the feedback collected in the online questionnaire, then generated a sustainability materiality matrix to present the 10 sustainability topics identified as material for the reporting year (numbers marked in blue).



The identified sustainability topics were listed below by aspects. The 10 material topics are marked in blue in the list below:

Focus area	Index no.	Sustainability topics	Material topic
Our Environment	1	Air and Greenhouse Gas emissions management	
	2	Waste management	✓
	3	Energy efficiency	
	4	Water management	
	5	Efficient use of packaging resources	
	6	Climate change	
Our People	7	Comprehensive employment management system	
	8	Labour rights	
	9	Healthy and safe workplace	✓
	10	Employee welfare and wellbeing	
	11	Training and development	✓
Our Operation	12	Supply chain management	
	13	Product quality and sales service responsibility management	✓
	14	Customers' health and safety protection	✓
	15	Product recalls for quality	✓
	16	Customer complaints handling and response mechanism	✓
	17	Customers' and business partners' interests protection	✓
	18	Anti-corruption	✓
Our Community	19	Consideration of community needs and interests	✓
	20	Community investment	



In addition to the impact of the Group on the environment and the society, HFT also collected feedback from stakeholders on areas that the Group can contribute:

Sustainability topics	How HFT may contribute
Customers' health and safety protection	HFT strives to maintain its product quality and promote a healthy lifestyle by providing healthier options of food and beverages.
Efficient use of packaging resources	HFT actively explores solutions for more efficient use of packaging resources to reduce its environmental impacts.
Product quality and sales service responsibility management	HFT is committed to maintaining the highest standards of product quality and services at all times.
Employee welfare and wellbeing	HFT aims to create a fair and diverse workplace that promotes welfare and wellbeing by continuously responding to employees' needs and concerns.

LEGAL COMPLIANCE

Adherence to all applicable laws and regulations sets out the foundation for HFT's daily operation. The Group has established a framework for managing internal controls and business risk management processes. Through effective management of relevant policies and measures, risks of repercussions such as enforcement actions, fines, penalties and lawsuits due to non-compliance with relevant laws and regulations are minimised. There was no incidence of non-compliance with relevant laws and regulations which have significant impacts on HFT's operations during the reporting year.

The following table lists out laws and regulations that have significant impacts on HFT's operations categorised in aspects:

Aspect	Relevant laws and regulations significant to the Group's operation
Emissions	<ul style="list-style-type: none"> Air Pollution Control Ordinance (Cap. 311) Waste Disposal Ordinance (Cap. 354) Product Eco-responsibility Ordinance (Cap. 603) Environmental Protection Law of the People's Republic of China
Employment and Labour Standards	<ul style="list-style-type: none"> Employment Ordinance (Cap. 57) Labour Law of the People's Republic of China The Provisions on the Prohibition of Using Child Labour of the People's Republic of China
Health and Safety	<ul style="list-style-type: none"> Occupational Safety and Health Ordinance (Cap. 509)
Product Responsibility	<ul style="list-style-type: none"> Personal Data (Privacy) Ordinance (Cap. 486) Trade Descriptions Ordinance (Cap. 362) Undesirable Medical Advertisements Ordinance (Cap. 231) Regulation of the People's Republic of China on Customs Protection of Intellectual Property Rights GB7718-2011 General Standards for the Labelling of Prepackaged Foods GB28050-2011 General Standards for the Nutrition Labelling of Prepackaged Foods
Anti-corruption	<ul style="list-style-type: none"> Anti-Money Laundering and Counter-Terrorist Financing Ordinance (Cap. 615) Prevention of Bribery Ordinance (Cap. 201)



OUR OPERATION

HFT prevails its corporate culture and motto of “Naturally Made, Wholeheartedly Good (真心製造·自然流露)” through its quality products. HFT understands that adherence to operational standards is key to building strong, long-term relationships with customers and business partners. To meet the expectations of customers, the Group holds onto the highest standards of ensuring product quality and has set out policies and measures on relevant aspects, including product safety and quality, customers’ rights, business ethics and customers’ experience.

SAFEGUARDING PRODUCT SAFETY AND QUALITY

As a food and beverage manufacturer, safeguarding product safety and quality has always been a priority of HFT. The Group strives to maintain product quality at all stages to ensure safe and quality products are delivered into customers’ hands.

Quality Management System

The quality management system at HFT’s Hong Kong and Kaiping factories are managed in accordance with internationally recognised principles, such as International Organization for Standardization (“ISO”) 22000 Food Safety Management System and the Hazard Analysis and Critical Control Points (“HACCP”). In addition, the Hong Kong Factory is also accredited for Good Manufacturing Practices (“GMP”). The quality management systems, including implementation and review of measures and monitoring of the system effectiveness, are overseen by Food Safety Committee and are subject to annual independent audits by third parties.



Under the oversight of the Food Safety Committee and monitoring of the Quality Management Department of the Group, quality control procedures are strictly implemented. Finished products at both Hong Kong and Kaiping factories are randomly sampled for quality and microbiological inspection. Further details of the Group’s quality management systems could be referred to HFT’s previous ESG Reports.

A target has been set to receive less than 10 complaint cases per month relating to product health and safety. In 2021, the number of complaints received relating to product health and safety has significantly reduced as a result of enhanced control measures for better product quality. During the year, the Group has established measures such as more stringent requirements on periodic reports of product quality monitoring and enhanced temperature monitoring of products, logistics and storage environment.

Indicator	Target	2021	2020
Average number of complaints received per month relating to product health and safety	< 10 cases	1.33 cases (Target achieved, and 27.3% lower than 2020)	1.83 cases





Product Recall

As stipulated in the Group's Retail Operation Manual, a well-developed tracking system for all retail products is established. The Manual also sets out measures and guidelines for monitoring food safety issues from procurement, production, distribution and retail stages. The Group's Control Procedures on Non-conforming Products sets out the procedures for reviewing, labelling, isolating, handling and recording products that fail to meet customers' expectations:

1. Identification

Whenever any possible causes related to food safety from its supply chain are identified, the Crisis Management Team will be notified.

2. Investigation

The Crisis Management Team will initiate an investigation to understand the causes of food safety issues and their impacts on its products.

3. Recall

Once the product recall is confirmed, the Crisis Management Team would be alerted to trigger the crisis management procedures to stop all distribution and sales of the concerned products from the retail shops and the marketplace.

4. Recording

Cases were recorded for evaluation and potential rectification.

For wholesale products in Hong Kong and Mainland China, the Group has implemented a separate set of product recall procedures. Upon receiving complaints from customers, third-party retailers or distributors, the Group will conduct factories audits and quality inspections of the concerned product. If the product is considered as constituting potential hazards to the public, HFT will call for removing the product from all shelves. In the reporting year, there were no products subject to recall for health and safety reasons.

PROTECTING CUSTOMERS' RIGHTS

Customer Privacy and Intellectual Property Rights

As the Group continues to expand its JIKA CLUB member base, the Group adheres to its business integrity by protecting customer privacy and intellectual properties. HFT maintains a transparent privacy policy on its website for customers and JIKA CLUB members to access relevant policies. The Group collects and processes customer information lawfully and fairly. All personal data is collected only with the consent of the members.

The Group's Staff Handbook has also set out instructions to stipulate employees from protecting customers' privacy on storage and access of customers' personal information, as well as protecting intellectual rights from infringing or violating any patents, trademarks, copyrights etc., of any third parties.

Responsible Marketing and Labelling

Standardised procedures have been set out to ensure marketing, advertising and labelling of products are executed truthfully. The Marketing Department selects creditable media and reviews marketing and promotional messages to ensure they honestly and appropriately present information about its products. 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.

Products labels are designed to be easy-to-understand and can present the products' information truthfully. Nutritional contents on product labels are developed and verified by independent professionals according to standard procedures. In addition, HFT supports the voluntary "Salt/Sugar Label Scheme for Prepackaged Food Products" (預先包裝食品「鹽／糖」標籤計劃). 51.6% of its fresh beverage products are so-labelled as low sugar content.



UPHOLDING BUSINESS STANDARDS

The Group remains steadfast in maintaining the highest standards of business integrity, through the enactment of policies stated in the Code of Conduct and Staff Handbook. HFT has zero-tolerance for any form of deception, bribery, breach of trust or abuse of power. All Directors and employees are required to adhere to the local laws and regulations relating to anti-corruption. To avoid any forms of conflict of interests, all employees are required to declare matters that raise a conflict with their duties. To maintain a fair relationship among business partners, the handling procedures of hospitality and gifts from suppliers and business partners are guided by the Group's Procurement Code of Conduct.

Whistleblowing

The Group's Whistleblowing Policy sets out the handling procedures of reports of potential improper and unlawful conduct. Whistleblowers are protected under the Policy that his/her identity will be kept confidential and is guaranteed for protection from unfair dismissal, harm or unnecessary disciplinary actions. The Group's Audit Committee oversees the investigation process and is responsible for monitoring and reviewing the effectiveness of the Whistleblowing Policy regularly.

Anti-corruption Training

To raise awareness of anti-corruption among employees, anti-corruption training conducted by the Independent Commission Against Corruption is organised regularly to ensure the awareness level of employees against potential corruption cases at the workplace.

In 2021,

Total number of employees trained for anti-corruption: 49 employees	Total anti-corruption training hours: 72.5 hours
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DELIVERING BETTER AND HEALTHIER PRODUCT CHOICES

In recent years, driven by COVID-19 in particular, there has been a trend of growing awareness of healthy living styles. To meet customer's expectations, the Group has been developing products that cater for the shift in preference to healthier products, e.g. low-sugar, low calories. HFT is committed to providing a more diverse product choice for its customers.

Diverse Product Choices

The Group develops a variety of healthier products throughout the years and has been incorporating low sugar, low salt or lower calorie products into its collection.

Low Sugar or Salt Content Products

Low sugar and low salt products are labelled in accordance to the definitions outlined in the "Salt/Sugar Label Scheme for Prepackaged Food Products" (預先包裝食品「鹽／糖」標籤計劃). In 2019, the Group has set a target that 50% of its products would be low salt or sugar content alternatives in three years' time. As of 2021, 51.6% of HFT's fresh beverage products are labelled as low sugar, while 11.7% of its food products are labelled as low salt.



Low-calorie Rare Sugar (稀少糖) Products

Products containing rare sugar typically has lower calorie than products that use traditional sugar. Beverage products with rare sugar are designed for customers with nutritional needs to restrict sugar intake, such as diabetes patients. As of 2021, 6.5% of HFT's fresh beverage products are using low-calorie rare sugar.

Other Products

HFT also expanded its product collection in 2021 to cater to customers’ needs, including but not limited to vegetarian options, organic products, zero fat and zero cholesterol products, regimen products etc. In 2021, there are a total of 33 products categorised as green products.



ENHANCING CUSTOMERS’ EXPERIENCE

As society continues to develop digitalisation technologies, HFT has been looking for ways to enhance customer experience by bringing innovative services and channels to our customers. One of the major platforms for the Group to maintain communication with its customers is the loyalty programme “JIKa CLUB”. It was established in 2008, providing membership rewards and incentives. As of 31 December 2021, there were over 1,159,000 JIKa CLUB members in Hong Kong.

Customer Services

During the reporting year, there were a total of 296 complaint cases from customers on health and safety, quality and terms of services etc. All complaints were submitted via various customer service channels including customer service hotline, email, WhatsApp, online form and social media. Complaints or feedback were handled according to the internal procedures via the Customer Service Department. Customer’s concerns were investigated and reported to relevant departments, the departments have acted promptly to understand and respond to customers according to the stated procedures.

Innovative Services

JIKa CLUB mobile application	<ul style="list-style-type: none"> • Allows members to use “JIKa PAY” electronic membership card and manage their membership and e-coupons. • Enables online top-up payment, electronic coupon sharing and personalised notifications. • New features added include e-gifting.
JIKa ON! online platform	<ul style="list-style-type: none"> • In late 2021, HFT has launched the JIKa ON! online platform, providing a wide spectrum of products focusing on household needs. • The platform also shares useful articles on maintaining a healthy living style.





SOURCING RESPONSIBLY

HFT holds onto the vision of utilising responsible suppliers and raw materials throughout its production. As stipulated in the Group's ESG Policy, HFT promotes a fair trading and sustainable culture throughout its supply chain, including suppliers of beverage bottles and other packaging materials, fresh food materials, dried seafood, other raw materials and herbal items. The Group also considers and cooperates with suppliers that are accredited with fair trade practices by the World Fair Trade Organization. As of 31 December 2021, HFT has 322 major suppliers located in Hong Kong, Mainland China and other locations.

Procurement Practices

The Group selects, engages and reviews its suppliers through well-established procedures and guidelines. Existing and potential suppliers are required to comply with the Group's environmental and social responsibility guidelines.

Supplier Engagement Process

1. HFT requires suppliers to render proofs of permits, quality safety certificates and third-party inspection reports. Qualified suppliers will be included in the list of qualified suppliers.
2. 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.
3. The Group examines the performance of suppliers in product quality, delivery timeframe and degree of cooperation etc. via a rating system. Due diligence or on-site evaluations are carried out along the production cycle. Suppliers that fail the examination or violate acceptable integrity standards would be eliminated from the Group's list of qualified suppliers.

The Group strives to use sustainable raw materials whenever possible. The Group pays attention to whether any artificial additives, such as artificial preservatives, artificial colouring and Monosodium Glutamate ("MSG") are added to the raw materials supplied.

Future Plan

HFT understands that environmental and social issues could pose impacts on operation and supply chain. Looking ahead, the Group will strengthen its supplier management (e.g. introducing supplier risk assessment) to gain a comprehensive understanding of the sustainability risks of its suppliers. It also plans to establish a sustainable procurement policy.





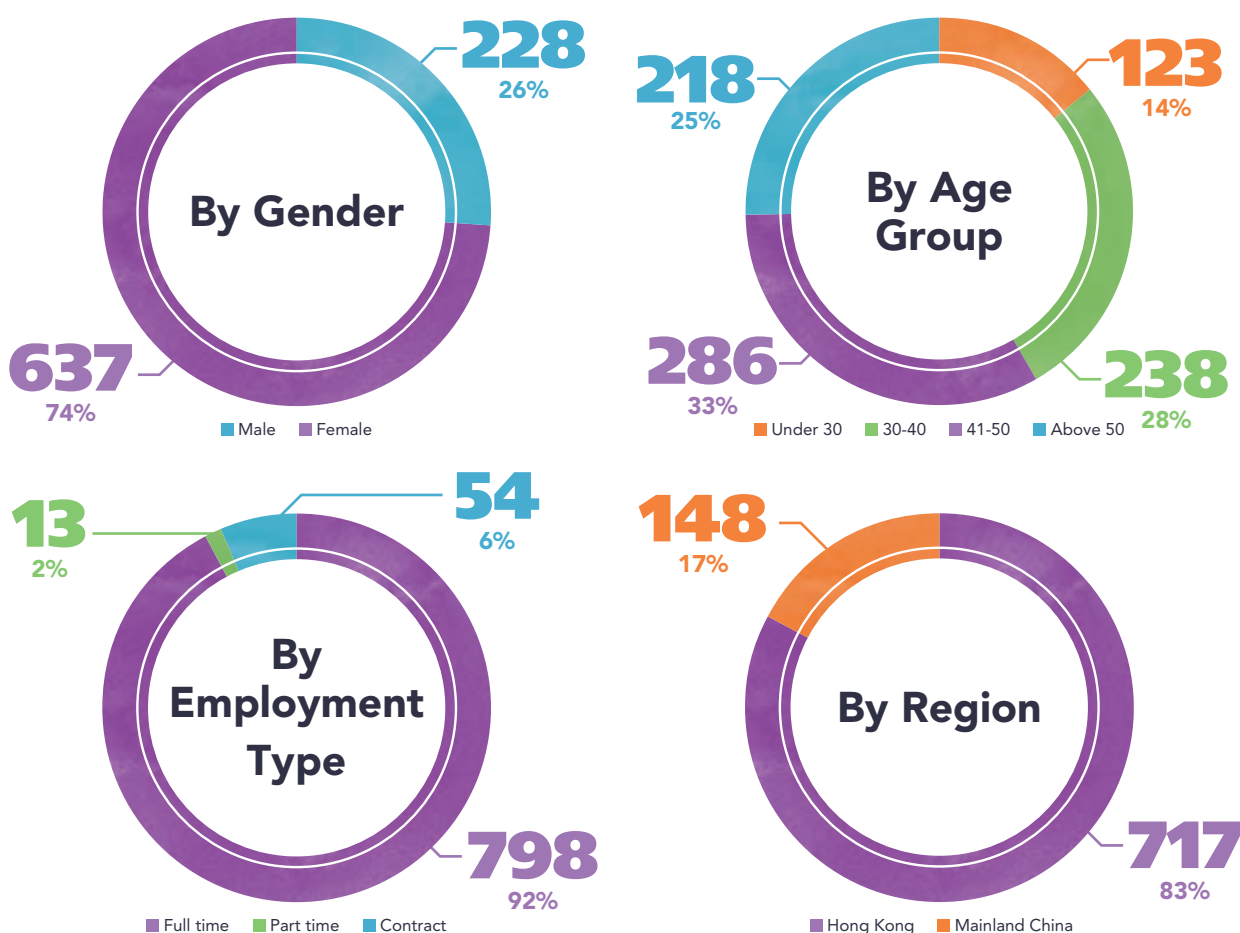
OUR PEOPLE

HFT believes that by promoting a people-oriented working culture, the Group could grow and develop under a positive and respected environment. HFT strives to maintain an equal and fair working environment as regulated by stated policies including the Group's ESG Policy, Staff Handbook and Workplace Safety Guidelines etc., on employment practices, employees' health and safety, training and development and labour standards.

CREATING A DESIRABLE WORKPLACE

As a corporate with over 850 employees¹, HFT continuously promotes a fair, desirable, safe and healthy workplace for its employees and other workers². The Group builds its workplace based on a sound and well-established employment system, monitoring the policies execution on employees' remuneration. Working hours, holidays, anti-discrimination, benefits, welfare and termination are well documented in the Staff Handbook.

Total Workforce 865¹



¹ As at 31 December 2021, there are a total of 904 employees in HFT, where 717 employees are located in Hong Kong and 187 employees in Mainland China. Among the 187 employees in Mainland China, 148 of them are located at the Kaiping office and factory which are covered in the reporting scope. Thus the total workforce reported in this Report is 865.

² Other workers refer to the agents/ contractors/ suppliers hired by the Group to perform work at a workplace controlled by the Group.



Remuneration and Compensation

- Remuneration of employees is based on market price, individual qualification and experience.
- Adopted an “equal pay for equal work” policy, to ensure relevant policies are executed fairly.

Recruitment, Promotion and Dismissal

- Recruitment and promotion decisions are based on the candidate’s competencies and annual performance evaluation, regardless of age, gender, sexual orientation, or race.
- Employees may terminate the employment contract following the terms and conditions outlined in the employment contract.

Working hours and Holidays

- Committed to providing employees with reasonable working hours, which are set out in the Staff Handbook and employment contracts.
- Implemented flexible working hours for clerical employees in Hong Kong.
- In addition to general statutory holidays and annual leaves, employees can also enjoy other holidays such as:

Marriage leave	14-weeks paid maternity leave	5-days paternity leave
Continuing education leave	Welfare leave	Birthday leave

Fair, Inclusive and Diverse Workplace

- Zero tolerance for discrimination and harassment.
- Established a Breastfeeding Friendly Workplace by setting up a lactation room in the office.
- Collaborated with organisations such as Hong Chi Association to offer job opportunities to people with disabilities.

Employee Welfare

- Comprehensive welfare and benefits schemes for its employees, including:

For all employees		
Medical insurance	Seniority awards	Birthday benefits
Wedding gifts	Shopping discounts for HFT’s product	
For Kaiping office and factory		
Application of cross-border permit	Provision of accommodation	Complimentary work meals and beverages

- Established Wowlife (生活委員會), an employee-initiated lifestyle committee that organises various employee welfare activities.





Labour Standards

- Human Resources Department places particular emphasis on verifying the age of employees during the recruitment process.
- As stated in the Staff Handbook, HFT ensures that employees have sufficient rest periods to avoid any form of forced labour.

Future Plan ☐☐☐

Looking ahead, HFT plans to engage different levels of employees by conducting surveys via Wowlife to understand their needs and as the basis of continuous improvement of the workplace environment.

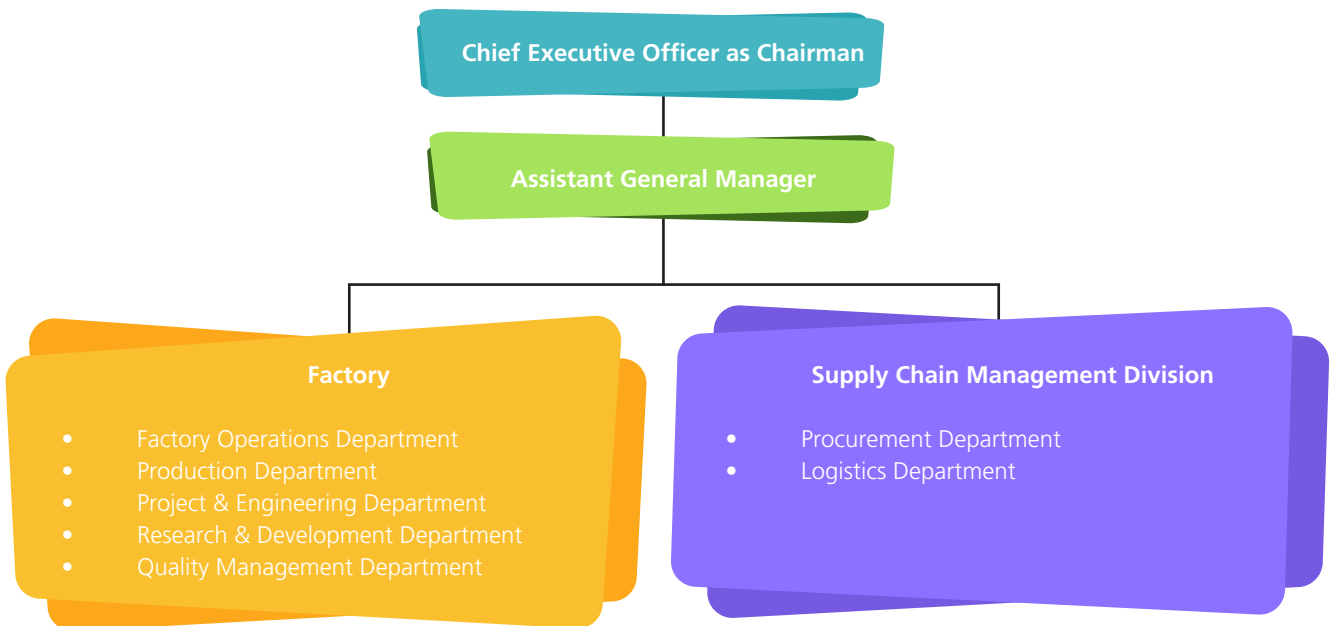
PROTECTING THE HEALTH AND SAFETY OF EMPLOYEES

HFT endeavours to prevent all kinds of work-related accidents, injuries, hazards, as well as physical and mental illnesses, throughout its operation, from office operation, procurement, production, logistics to retail shop operations. All of such activities are monitored as stipulated in the Group’s ESG Policy, the goal of HFT is to provide a safe and healthy working environment to employees and workers.

Occupational Health and Safety Management

The Group’s Safety Committee, comprised of various departments and chaired by the Chief Executive Officer, oversees the overall health and safety management, while the Workplace Safety Guidelines are designed for monitoring the workplace of clerical and non-clerical employees. The Guidelines are also communicated through the Staff Handbook. The communication between the Safety Committee, clerical and non-clerical employees, along with the stated policies on health and safety, forms the Group’s occupational health and safety system. For instance, the factories in Hong Kong and Kaiping are operated in accordance with local safety laws, regulations and operating requirements.

Safety Committee





To maintain an effective and efficient health and safety system, the Group engages independent safety auditors to conduct safety audits at the Hong Kong Factory annually. In 2021, the Hong Kong Factory has obtained a score of 89%. The Group acted promptly to improve the factory environment according to the auditor’s suggestions.

Indicators	2021	2020
Lost days due to work injury	555	506.5
Work-related injuries recorded	15	24
Work-related injury rate (per 1,000 workers)	17.3	28.8

In the event of an accident, it must be escalated to senior management in a written report within 24 hours. The safety officer is responsible for investigating the accident and determining remedial action. The Group did not identify any work-related fatalities in the past three years. In 2021, most of the injury cases were related to sprains, some of which were bruises and burns, primarily due to a lack of safety awareness among new employees. The Group ensured that all injured workers received appropriate treatment, the cause of the injuries was investigated, and improvements were put in place to prevent similar injuries.

To promote safe occupational habits, HFT organises safety training sessions and fire drills for Hong Kong office and factory employees. The Group requires all new employees at Hong Kong Factory and Kaiping Factory to attend safety training before the commencement of their work.

Employee Well-being

The Group continuously supports a work-life balanced lifestyle, it organises activities for employees to raise awareness of their health and encourage regular exercise. HFT has introduced a variety of wellness programs for its employees, certain activities are presented below as examples:

Hung’s Mailbox	Professional Chinese medicine practitioners answer inquiries about herbal medicine and health issues submitted by employees.
Stretching and Massage Sessions	Stretching and massage sessions were organised for employees at the office, allowing them to relax and stretch during the day.
“Walk-Life” Balance Challenge	A challenge to encourage office employees in walking more was launched in 2021, it does not only promote a healthy lifestyle, but also a lower carbon lifestyle.
Gym and Entertainment Facilities	Gym facilities, fitness equipment, a pool table, a claw machine and other amenities have been set up at Hong Kong Office for employees to use in their leisure time, such as during lunchtime, before or after working hours.





NURTURING TALENTS

The Group’s training and development strategy aims to nurture a talented and motivated workforce. HFT equips employees with competencies and skills to support their career and personal development, preparing them for future business challenges and opportunities. As committed in the ESG policy, HFT promotes continuous learning opportunities for employees to achieve a sense of fulfilment by improving their skills and knowledge.

Training Programmes

HFT designs targeted programmes to develop employee skills. The “Moments of Truth” programme is becoming a tradition of the Group to allow clerical employees to experience the daily work of retail shop operations. Other than that, HFT Management Institute has organised various training activities for clerical and non-clerical employees during the reporting year. The Group has also launched an e-learning mobile application, which allows employees to learn at a time and location at their convenience, as it contains various learning materials, including customer service skills, English workshops, green lifestyle and health tips, stretching exercises tutorials, etc.

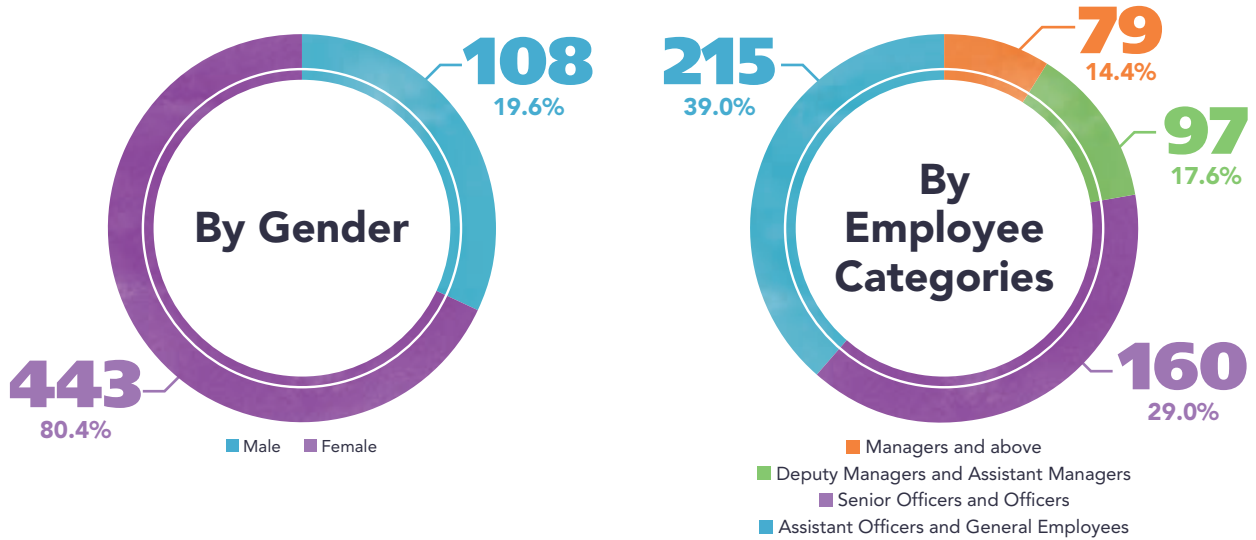
<p>HFT Life Training</p>	<p>As the Group expands its operation to café concept stores with the opening of “HFT Life”, training is designed for HFT Life employees on café operations, food preparation skills and customer services.</p>
<p>Food Safety Training</p>	<p>Food safety training is organised regularly to ensure employees in Hong Kong and Kaiping Factories are aware of the potential hazards and good manufacturing practices as stipulated in the manufacturing procedures.</p>



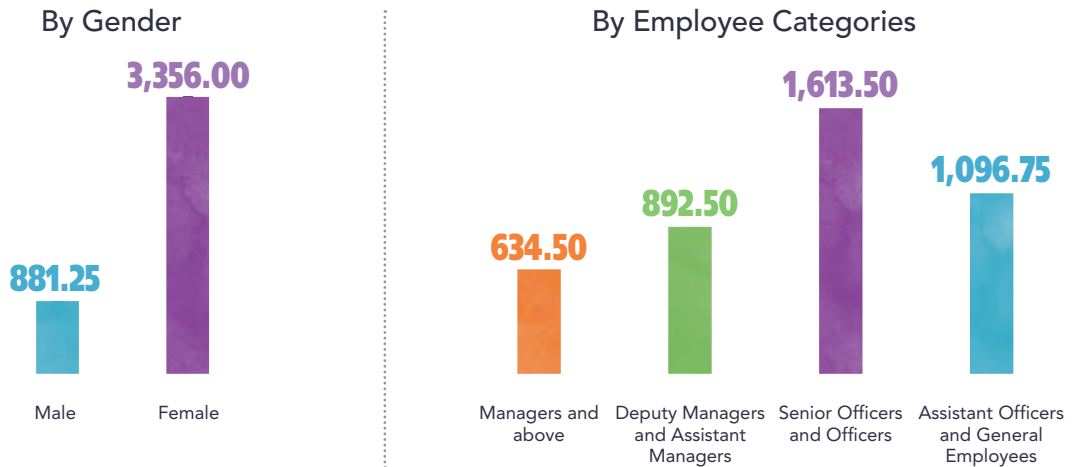


In 2021, the Group provided training to around 551 employees, with over 4,000 total training hours, i.e. 43% more training hours than in 2020 (2020: 2956.75 hours). Average training hours per employee are 4.89 hours (2020: 3.55 hours).

Number of Employees Who Received Training: 551



Total Training Hours: 4,237.25



Average Training Hours per Employee³: 4.89



³ Average training hours per employee = Total training hours of the specified category/ Total number of employees in the specified category



OUR ENVIRONMENT

HFT recognises the potential impacts of its operation on the environment, including raw material usage and disposal, pollution from the manufacturing process, emissions from operations and the disposal of packaging at the end-user phase etc. The usage of fuel, electricity, water and packaging material are the major consumption of resources during the Group's operation. The production process could lead to the emission of greenhouse gases (GHG), air pollutants and the generation of wastes.

HFT adheres to the principle of reducing the impacts on the environment throughout its operation. HFT promotes a green workplace, with various environment-friendly measures implemented at the office, retail stores and factories.

MANAGING AND REDUCING WASTES

As a food and beverage manufacturer, the Group uses raw materials such as herbs during the production process, which generates waste. The Group strives to reduce, reuse and recycle material used during the production process to minimise waste generation. HFT actively looks for ways to divert waste out of landfills and turn it into other useful materials. The Group classifies wastes produced and adopts different disposal strategies based on the waste category.

Food waste

- Donate surplus food to NGOs
- Divert to Organic Resources Recovery Centre Phase 1
- Process into fertilisers

Recyclables

- e.g. paper, metal, plastics
- Engage certified recyclers for re-selling or re-processing

Other general wastes

- Engage waste collectors to dispose of at landfills





Food Wastes

The primary source of food waste includes residues from the manufacturing of soup and herbal drink products, which account for the majority of the Group's waste production. HFT actively works with government departments and waste disposal partners to keep food waste away from landfills. Through the below means and efforts, HFT was pleased to have achieved zero food waste disposal at landfills for 2021, a long term goal for its food waste management.

Within the factory:

HFT has installed food waste processing equipment in Hong Kong Factory. Food waste is sorted, stored, and some of it will be pre-treated before being transferred to external parties for other uses.

Food Waste/Sewage Sludge Anaerobic Co-digestion Trial Scheme

Food wastes are pre-treated by HFT and transferred by the Environmental Protection Department to the sewage treatment plant for further processing. In the process, food waste is converted into biogas, which provides energy for the wastewater treatment plant.

In the reporting year, 31.2 tonnes of residual food waste were sent to the programme.

Organic Resources Recovery Centre Phase 1⁴ ("O · PARK1")

HFT collects, separates and transports a significant portion of the residual food waste from the Hong Kong Factory, including soup dregs, herbal tea dregs and eggshells to O · PARK 1.

In the reporting year, 1,330.0⁵ tonnes of residual food waste were diverted to O · PARK 1.

Collaboration with the Chinese University of Hong Kong

HFT collects a portion of food wastes (primarily the residue from herbal tea) and turns them into organic fertilisers for local farms.

In the reporting year, 30.2 tonnes of residual food waste were collected through this project by HFT and were turned into organic fertilisers.

Amount of food waste recycled (tonnes)



Greenhouse gases ("GHG") emissions reduced (tonnes of CO₂-e)



⁴ O · PARK1 is the first organic resources recovery centre established by the Hong Kong Government. Located in Siu Ho Wan of North Lantau, it converts food waste into renewable energy for electricity generation whilst the residues from the process can be made into compost for landscaping and agriculture use.

⁵ Including the 31.2 tonnes of residual food waste sent to the Food Waste/Sewage Sludge Anaerobic Co-digestion Trial Scheme.



Food Waste Upcycling ❏❏❏



Another waste reduction effort undertaken by the Group involved the upcycling of food waste, the result of which was the launch of uniquely scented handmade herbal soaps. The soaps represent a collaborative effort between the Group and Chingmama Handmade Workshop (晴媽媽手工坊).



Other Wastes

Non-hazardous wastes include plastic waste, wooden pallets, cartons, and scrap metals collected and disposed of in landfills. The Group's Office Waste Reduction Guideline encourages its employees to reduce waste generation by reducing the use of resources, including avoiding unnecessary use of paper and disposable cutlery. Hung Fook Tong will maintain zero food waste disposal at landfill and aim to achieve zero non-hazardous waste disposal at landfill in the long run.

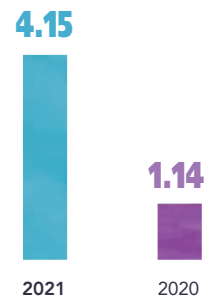
In order to further reduce waste, the Group seeks to promote awareness within the community where it operates. During the reporting year, the Group has launched a new scheme of promoting customers to bring their own mugs/containers to HFT Life. Customers who bring their bottles/cups for coffee or soup at HFT Life are eligible for a HK\$2 discount.

Hazardous wastes include waste fluorescent light and LCD backlight tubes. To prevent spillage and protect the health and safety of our employees, the Group strictly monitors the storage and disposal of hazardous waste and engages qualified collectors to handle and dispose of hazardous waste. Hung Fook Tong will reduce the total volume of e-waste by 2030, by securely and responsibly reusing, recycling and managing the disposal of IT equipment and electronic products in a legally compliant, data secure, fully traceable and environmentally sustainable way.

Hazardous waste⁶ (tonnes)



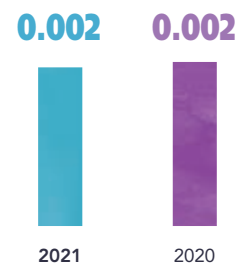
Hazardous waste intensity (tonnes/HK\$ billion revenue)



Non-hazardous waste⁷ (tonnes)



Non-hazardous waste intensity (tonnes/HK\$1,000 revenue)



⁶ Major source: waste fluorescent light generated from Hong Kong office and factory etc.

⁷ It includes data from Hong Kong factory and from Kaiping office and factory. Major source: domestic waste, production waste, kitchen waste, paper, plastic and metal waste.



RESPONDING TO CLIMATE CHANGE

Climate change due to anthropogenic activities is inevitably impacting the daily operation of HFT. More frequent extreme weather events could bring various impacts to the Group’s business, such as interruption to the supply chain. In response to the threat of climate change, the Group has established a climate change policy in 2021, covering governance, mitigation, adaptation, resilience and disclosures regarding climate-related issues management.

Highlights of HFT’s Climate Change Policy	
Governance	<ul style="list-style-type: none"> The Board is at the highest level of decision-making on climate-related issues; The ESG Steering Committee is responsible for supporting the Board in managing the policy and corresponding initiatives.
Mitigation	<ul style="list-style-type: none"> Set long-term targets to reduce carbon footprint; Consider climate change in the procurement process and establish a list of lower-carbon products to facilitate the procurement of low-carbon products; Encourage employees and suppliers to reduce carbon emissions in their daily activities.
Adaptation	<ul style="list-style-type: none"> Regularly assess climate-related risks and opportunities, adapt to climate change in a timely manner; Incorporate climate-related risks into the Group’s risk management system; Develop emergency response plans to address the climate-related impacts.
Resilience	<ul style="list-style-type: none"> Establish operational procedures and measures to reduce the potential damage to the Group’s operations caused by climate change; Conduct climate resilience assessments for the factory.
Disclosure	<ul style="list-style-type: none"> Report in the Group’s ESG Report on the approach, measures and progress.

Carbon Management and Emissions

As part of the Group’s response to climate change, HFT actively explores ways to reduce its greenhouse gas (“GHG”) emissions. HFT has been working to reduce and control its GHG emissions through various energy efficiency measures described in the next section.

To monitor and evaluate the effectiveness of these measures, HFT has been measuring and projecting GHG emissions. The quantification of GHG emissions has been referred to the Guidelines⁸ compiled by the Environmental Protection Department and Electrical and Mechanical Services Department of Hong Kong, the Guidelines⁹ released by the National Development and Reform Commission of the People’s Republic of China and international standards including ISO 14064-1 and GHG Protocol.

⁸ Guidelines to Account for and Report on Greenhouse Gas Emissions and Removals for Buildings (Commercial, Residential or Institutional Purposes) in Hong Kong.

⁹ Guidelines for Accounting and Reporting Greenhouse Gas Emissions – China Food, Tobacco, Alcohol, Beverage and Purified Tea Manufacturing Enterprises (Trial).



Scope 1: Direct GHG emissions¹⁰
(tonnes of CO₂-e)



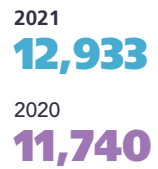
Scope 2: Energy indirect GHG emissions¹¹
(tonnes of CO₂-e)



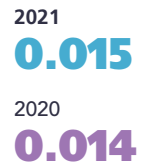
Scope 3: Other indirect GHG emissions¹²
(tonnes of CO₂-e)



Total GHG emissions
(tonnes of CO₂-e)



GHG intensity¹³
(tonnes of CO₂-e/
HK\$1,000 revenue)



In line with the government’s carbon neutral goal by 2050, HFT is planning to formulate a carbon reduction action plan based on scientific reasoning that prioritizes emissions reductions and is driven by technology. We will explore the feasibility of setting quantitative targets to reduce carbon emissions in our operation.

Carbon offset via Supporting Tree planting

While large-scale tree planting events could not be held due to social distancing measures during the year, the Group was a corporate sponsor of the “Tree Planting Challenge 2021”, organised by Friends of the Earth (HK). The campaign aimed to boost biodiversity and the ecological value of the country parks.



¹⁰ 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 fugitive emissions from refrigerant consumption. Although refrigerant R22 used in the refrigeration equipment is not within the six GHGs covered in the Kyoto Protocol, emissions from its leakage is included in the assessment to provide a true and fair account of GHG-related information.

¹¹ Scope 2 emissions cover purchased electricity from power companies and purchased town gas.

¹² 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 Mainland China operations.

¹³ GHG intensity is calculated based on the total revenue of the Group presented in its annual report, which cover a slightly wider boundary beyond the scope of this Report.

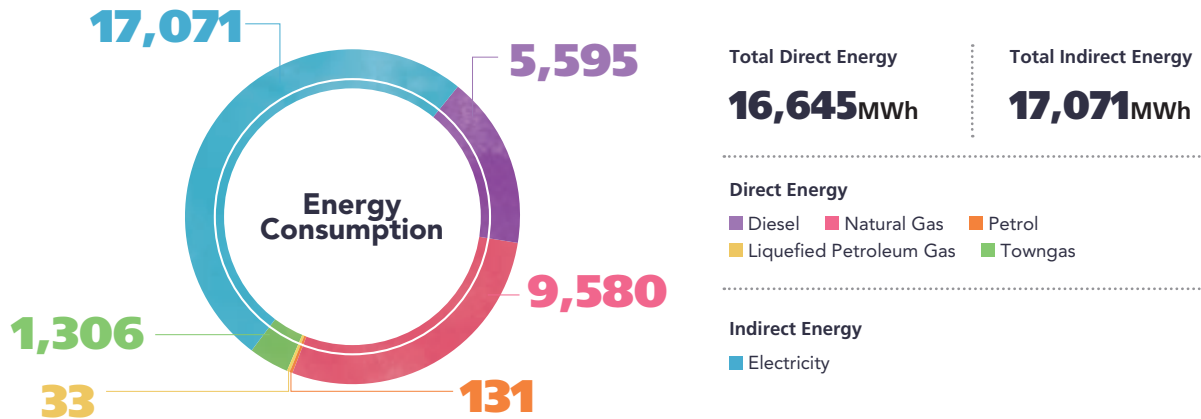


MANAGING NATURAL RESOURCES EFFICIENTLY

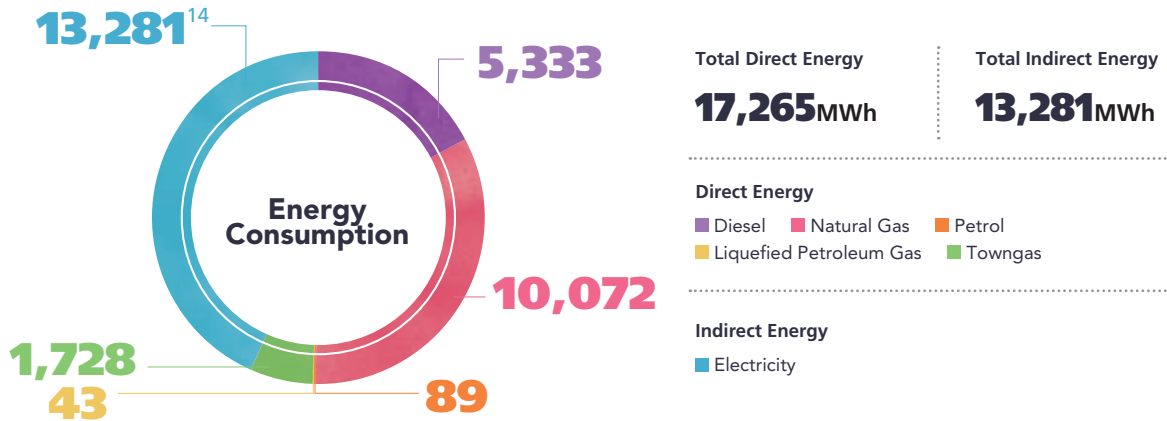
Energy Consumption and Efficiency

Energy Consumption by Types

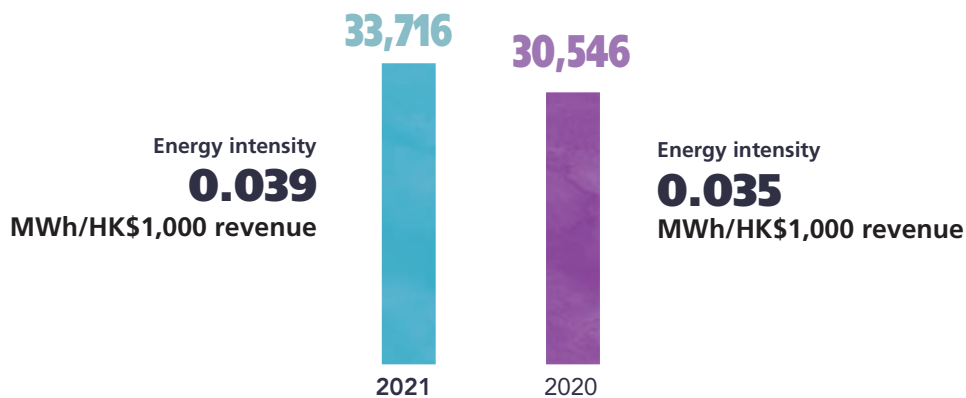
Energy Consumption by Types for the year 2021 (MWh)



Energy Consumption by Types for the year 2020 (MWh)



Total Energy Consumption (MWh)



¹⁴ Electricity in 2020 was recorded based on the total amount paid, where the subsidised consumption by the Government was not accounted.



Energy Efficiency Measures

The energy was consumed during different stages of production and the Group's operation. Diesel, natural gas, and purchased electricity were the major types of energy consumed. To reduce energy consumption, measures have been implemented under the framework of the Group's ESG policy as follows:

Offices
<ul style="list-style-type: none"> • Guidance on the usage of lighting, ventilation, air conditioning and office equipment are given and monitored as per the Energy Guidance • Educating and encouraging employees to avoid prolonged use of electrical appliances and posting notices to raise awareness of energy saving • Installation of a clear and effective light zoning and air conditioning zoning system to avoid excessive electricity consumption • Arranging employees to check daily that all unused electrical appliances and lights are properly switched off • Installing thermostats in Kaiping office to monitor the temperature

Retails Shops in Hong Kong
<ul style="list-style-type: none"> • Use of refrigerators with doors or plastic curtains in all retail shops to reduce air-conditioning loss • Turn off the outdoor lights at midnight • Use LED lights wherever possible

Factory
<i>Hong Kong</i>
<ul style="list-style-type: none"> • Regular maintenance of production equipment, such as cold storages, boilers, steam laminated pots, steam cabinets and circular clean-in-place system • Arrange employees to check that no electrical appliances are left unattended during non-working hours • Following the installation of solar panels on the rooftop in 2020, the Group has participated in CLP's Feed in Tariff (FiT) Scheme and contributed approximately 288.5 MWh of renewable energy to the FIT Scheme during 2021.
<i>Kaiping</i>
<ul style="list-style-type: none"> • Installation of over 100 real-time energy usage monitoring devices • Adoption of building design with passive daylighting and installation of lights with individual switches near windows

HFT will fuel a significant proportion of its operations with renewable energy by 2050, including the use of renewable energy for manufacturing as well as through investment in advanced technology manufacturing equipment. HFT also aims to reduce air emissions during the manufacturing process due to fossil fuel usage with the replacement of energy sources. We will explore the feasibility of setting quantitative targets to reduce electricity and fossil fuel consumption.





Resource Efficiency

Resource efficiency is relevant to many of the Group’s material issues – from product design to minimising its environmental impacts and sourcing responsibly. HFT is committed to improving resources efficiency to reduce the use of resources when maintaining its daily production and operation.

Packaging

With the increasing public concerns about the impact of single-use plastic packaging on the environment, the Group continuously seeks alternative packaging materials. HFT will make significant reductions in waste output by 2050 by reducing unnecessary packaging, using better packaging materials and designs, as well as increasing the usage of recycled materials in packaging.

On-going measures

Lighter bottle cap

- A new bottle cap which is 3.5% lighter than the traditional bottle cap was adopted for certain drink products.

Packaging in distribution

- The Group has replaced carton boxes with reusable plastic crates to distribute a significant portion of its products.

Plastic bottle recycling at shops

- In partnership with V Cycle, plastic bottle recycling bins were placed at three selected HFT retail shops. Subsequently, over 240kg of polyethylene terephthalate (“PET”) and polypropylene (“PP”) bottles were collected and recycled via these bins in 2021.
- Two reverse vending machines for plastic bottle recycling were installed at “HFT Life” café concept stores, located at Cyberport and Fortress Hill, to encourage customers to recycle beverage bottles. The machines led to the recycling of approximately 5,200 plastic bottles in 2021.

Support Recycling Machines

- HFT continues to support the “Recycle Actions of Returning Plastic Bottles” (「交」樽減碳回收行動) initiative managed by RVM Technology Limited, which offer discount coupons as incentives for using recycling machines found at over 90 locations across Hong Kong.
- Consequently, more than 560,000 plastic bottles and aluminium cans were collected through the machines in 2021.





Plastic packaging materials consumption in Hong Kong factory (tonnes)





Future Plan

HFT actively looks into technologies that use less packaging material and is looking at the possibility of redesigning its products and packaging materials at the source.

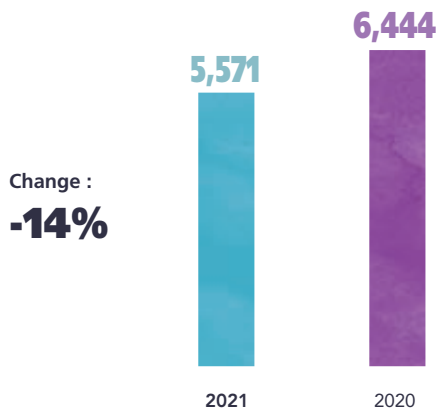
Paperless Operation

Paper documents are essential for the smooth operations of HFT. Nevertheless, HFT persists in its efforts to achieve a paperless office and paperless retailing in a long run.

<p>Paperless Office</p> 	<ul style="list-style-type: none"> HFT's ecWork mobile application allows employees to conduct administrative works including leave application, payslips review and tax return via the mobile application, reducing unnecessary paper usage. The Group's Office Waste Reduction Guide encourages employees on ways to reduce paper use, including following the electronic operating procedures, adopting security printing and encouraging the use of FSC-certified or recycled paper. HFT has launched an eLearning mobile application in 2021 for all of its staff. The app contains various learning materials, so employees can learn online at anytime and anywhere.
<p>Paperless Retailing</p> 	<ul style="list-style-type: none"> The Group promotes the use of the Hung Fook Tong mobile application among customers and members where incentives and special offers can be found. Digital membership cards and electronic coupons can be used via the app which facilitated paperless retailing. The Group also adopts digital marketing channels in stores (such as digital display) which in turn reduce the need for printing promotional materials.



Office paper purchases volume (kg)



Future Plan

Looking ahead, HFT is going to explore measures to promote a paperless operation, such as using electronic operating circulars to reduce paper printings, without affecting operation efficiency.

Water Efficiency

A significant amount of water is used for the production of HFT's products. To better utilise water resources in operation, the Group has implemented the followings to enhance water efficiency at the production plants, retail shops and offices:

- Installed a steam condensate recovery system to reuse production water for cleaning and product cooling purposes in both the Hong Kong factory and Kaiping factory.
- Adopted an extraction process to facilitate effective water use during the cooking process and improved production processes or technologies to reduce water consumption.
- Applied a stabiliser in the Hong Kong factory and Kaiping factory to control the water quality in order to extend the shelf life of water in water circuits.
- Implemented a plastic bottle sanitisation system, which does not require water use, and it is estimated to reduce over 2,300 cubic meters of water each year.
- Committed to using no more than 260 cubic metres of water per day in the Hong Kong factory to support the appeal of its leaseholder, Hong Kong Science and Technology Parks Corporation.

Hung Fook Tong aims to reduce its water footprint by 2050. As the first step, the Group will set up a water efficiency plan with a goal to create significant improvements in the supply chain.



OUR COMMUNITY

Building connections with the local community is vital to the development of HFT. At the same time, HFT also believes that its activities will affect the local community. Accordingly, the Group is committed to positively influencing local communities through partnerships, employee volunteering, sponsorship and donations.

OUR FOCUSES

HFT’s community investment strategy focuses on the following areas:



During 2021:



Employee Volunteering

The Group has established the Hung Fook Tong Volunteers Team (“HFT Volunteers Team”) to organise and participate in volunteer activities. To encourage HFT’s employees to participate in voluntary services, the Group provides up to 2 working days of welfare leave (公益假) every year to employees who volunteer for charitable activities during non-working hours. In 2021, the Group’s employees contributed 323 volunteer hours.

Sponsorship and Donation

HFT supports NGOs and community projects via in-kind sponsorship (in-kind products and coupons) and cash donations. The Group also sets up donation boxes in over 70 of its retail shops for fundraising purpose. In 2021, fund was raised via these donation boxes for various NGOs, such as Ronald McDonald House Charities Hong Kong Limited (麥當勞叔叔之家慈善基金有限公司), Hong Chi Association (匡智會), Hong Kong Saving Cat and Dog Association (香港拯救貓狗協會).





CONNECTING COMMUNITIES

In 2021, while a number of large-scale charity events were still put on hold due to COVID-19 (such as the Oxfam Trailwalker), HFT gradually resumed its volunteering activities in smaller scales, and co-organised small-group workshops with social enterprises or NGOs in contributing to the community.

Promoting Health and Wellness

HFT Life – Health and Wellness Workshop Series

At HFT Life, the Group promotes a healthy diet for physical wellbeing, while providing a relaxing environment for customers to recharge their minds and body. It is believed that psychological wellbeing and physical health are the keys to a healthy and fruitful life.

During the reporting year, the Group partnered with organisations such as WE+ (established by Social Ventures Hong Kong) and Hong Kong Family Welfare Society, to co-organise a series of small-group workshops and classes on the promotion of health and wellness (such as yoga and mindfulness class, handmade soap-making for families, sharing on healthy diet and fitness, etc). Over 50 hours of programs were organised in 2021, with accumulatively 190 people engaged.



Contributing to a Loving Community

Chinese New Year Puddings Donation

During Chinese New Year season, the Group partnered with WE+ in donating over 400 pieces of HFT's Chinese New Year puddings to Pei Ho Counterparts (北河同行). The puddings were distributed to the disadvantaged living in Sham Shui Po with the help of HFT Volunteers Team.

Skip Lunch Day (公益行善「折」食日) 2021

HFT has been supporting the Skip Lunch Day organised by the Community Chest of Hong Kong for 12 consecutive years. In 2021, HFT sponsored up to 20,000 pieces of product coupons. With the participation of about 290 companies and organisations, a total of over HK\$1.3 million was raised through the event in 2021.





Driving Inclusion

Support Local Businesses and Disadvantaged Groups

HFT partnered with a number of NGOs and social enterprises in 2021. It partnered with Social Ventures Hong Kong, HATCH (合廠) and Chingmama Handmade Workshop (晴媽媽手作工房) to produce handmade soap from upcycled herbal residues. This sustainable project also provided job opportunities for ladies from the local community.

Also, HFT has supported Fullness Social Enterprises Society (豐盛社企學會) and FPP (縫補寶) in promoting awareness of inclusion via incentive sponsorship. It has supported Hello Cocoa, a social enterprise employing young people with Special Educational Needs, via selling its chocolate sets at selected stores.



Treasuring Our Environment

Mangroves Cleaning

The Group organised a volunteering event with Hong Kong Young Women's Christian Association ("YWCA") in October 2021, to clean up mangroves and visit elderlies in Tai O. During the volunteer event, more than 20 bags of rubbish were collected and cleared to restore the natural habitat of Tai O mangroves.



Surplus Food Donation

To give back to the community, the Group continued to work with several food banks, such as People Service Centre (民社服務中心), which collected over 6,300 surplus food items from our shops or factory in 2021.

Future Plan

“

Looking ahead, HFT will continue its efforts to consider the community's needs and interests, and further integrate its vision in serving the community within its business value by cooperating with more organisations and local businesses.

”



PERFORMANCE SUMMARY

ENVIRONMENTAL PERFORMANCE

Indicators	Unit	2021	2020
Air Emissions			
Nitrogen oxides	tonnes	36.0	37.9
Sulphur oxides	tonnes	2.4	2.4
Particulate matter	tonnes	2.5	2.6
GHG Emissions			
Scope 1: Direct emissions	tonnes of CO ₂ -e	4,327	4,871
Scope 2: Energy indirect emissions	tonnes of CO ₂ -e	8,532	6,781 ¹⁵
Scope 3: Other indirect emissions	tonnes of CO ₂ -e	74	88
GHG emissions in total (Scope 1, 2 and 3)	tonnes of CO ₂ -e	12,933	11,740
GHG intensity ¹⁶	tonnes of CO ₂ -e/ HK\$1,000 revenue	0.015	0.014
Wastes			
Hazardous waste ¹⁷	tonnes	0.36¹⁸	0.10
Hazardous waste intensity	tonnes/HK\$ billion revenue	4.15	1.14
Non-hazardous waste ¹⁹	tonnes	1,748	2,009
Non-hazardous waste intensity	tonnes/HK\$1,000 revenue	0.002	0.002
Energy Consumption			
Direct energy (Non-renewable)			
<i>Diesel</i>	MWh	5,595	5,333
<i>Natural gas</i>	MWh	9,580	10,072
<i>Petrol</i>	MWh	131	89
<i>Liquefied petroleum gas</i>	MWh	33	43
<i>Towngas</i>	MWh	1,306	1,728
Total direct energy	MWh	16,645	17,265
Indirect energy			
<i>Electricity²⁰</i>	MWh	17,071	13,281
Total indirect energy	MWh	17,071	13,281
Total energy consumption	MWh	33,716	30,546
Energy intensity	MWh/HK\$1,000 revenue	0.039	0.035
Water Consumption			
Total water consumption	cubic meters	278,854	270,782
Water intensity	cubic meters/ HK\$1,000 revenue	0.321	0.313
Packaging			
Total packaging material used ²¹	tonnes	558.9	572.2
Packaging material intensity	tonnes/HK\$1,000 revenue	0.0006	0.0007

¹⁵ Electricity in 2020 was recorded based on the total amount paid, where the subsidised consumption by the Government was not accounted.

¹⁶ GHG intensity is calculated based on the total revenue of the Group presented in its annual reports, which cover a slightly wider boundary beyond the scope of this Report.

¹⁷ It includes data from Hong Kong only.

¹⁸ The increase in hazardous waste was due to the replacement of electronic appliances at new offices.

¹⁹ It includes data from Hong Kong factory and from Kaiping office and factory.

²⁰ It includes the electricity consumption of the bottle blowing factory in Kaiping factory since 2020.

²¹ It includes carton and plastic.



SOCIAL PERFORMANCE

Total Workforce

Employee²²

	2021 ²³	2020
By Gender		
Male	228	248
Female	637	643
By Age Group		
Under 30	123	158
30-40	238	252
41-50	286	287
Above 50	218	194
By Employment Categories		
Managers and above	31	33
Deputy Managers and Assistant Managers	51	70
Senior Officers and Officers	124	99
Assistant Officers and General Employees	659	689
By Employment Type		
Full time	798	824
Part time	13	59
Contract	54	8
By Region		
Hong Kong	717	695
Mainland China	148	196
Total Workforce	865	891

Other workers²⁴

	2021	2020
By Worker Type		
Cleaners	4	4
IT support	5	4
Accounting	4	3
Financial consultant	1	1
Total	14	12

²² Based on number of employees as at 31 December 2021.

²³ As at 31 December 2021, there are a total of 904 employees in HFT, where 717 employees are located in Hong Kong and 187 employees in Mainland China. Among the 187 employees in Mainland China, 148 of them are located at the Kaiping office and factory which are covered in the reporting scope. Thus the total workforce reported in this Report is 865.

²⁴ Other workers refer to the agents/ contractors/ suppliers hired by the Group to perform work at a workplace controlled by the Group.



New Hire and Turnover

Employee New Hire²⁵

	2021		2020	
	Number	Rate	Number	Rate
By Gender				
Male	83	36%	70	32%
Female	193	30%	194	32%
By Age Group				
Under 30	79	64%	101	77%
30-40	63	26%	60	26%
41-50	67	12%	68	25%
Above 50	67	31%	35	17%
By Region				
Hong Kong	252	35%	239	35%
Mainland China	24	16%	25	16%
Overall	276	32%	264	32%

Employee Turnover²⁶

	2021		2020	
	Number	Rate	Number	Rate
By Gender				
Male	75	33%	103	47%
Female	265	42%	221	36%
By Age Group				
Under 30	119	97%	108	82%
30-40	100	42%	83	36%
41-50	65	23%	77	29%
Above 50	56	26%	56	28%
By Region				
Hong Kong	284	40%	285	42%
Mainland China	56	37%	39	25%
Overall	340	39%	324	39%

²⁵ New Hire Rate = Total number of new hires in the reporting period/ Total number of employees as at the end of the reporting period.

²⁶ Employee Turnover Rate = Total number of employees leaving employment in the reporting period/ Total number of employees as at the end of the reporting period, covering the rejoined employees and contract employees which were required for continuous replacement.



Occupational Health and Safety

	2021	2020
Number of work-related fatalities	0	0
Rate of work-related fatalities (per 1,000 workers) ²⁷	0.0	0.0
Lost days due to work injury	555.0	506.5
Work-related injuries recorded	15	24
Work-related injury rate (per 1,000 workers) ²⁸	17.3	28.8

Training and Development²⁹

Number of Employee Received Training³⁰

	2021		2020	
	Number of Employees Trained	Percentage of Employee Trained	Number of Employees Trained	Percentage of Employee Trained
By Gender				
Male	108	47%	151	69%
Female	443	70%	326	53%
By Employee Categories				
Managers and above	79	255%	42	131%
Deputy Managers and Assistant Managers	97	190%	64	119%
Senior Officers and Officers	160	129%	188	219%
Assistant Officers and General Employees	215	33%	183	28%
Overall	551	64%	477	57%

Training Hours³¹

	2021		2020	
	Number of Training Hours	Average Training Hours per Employee	Number of Training Hours	Average Training Hours per Employee
By Gender				
Male	881.25	3.83	1,250.00	5.73
Female	3,356.00	5.27	1,706.75	2.78
By Employee Categories				
Managers and above	634.50	20.47	238.00	7.44
Deputy Managers and Assistant Managers	892.50	17.50	350.00	6.48
Senior Officers and Officers	1,613.50	13.01	1,028.00	11.95
Assistant Officers and General Employees	1,096.75	1.66	1,340.75	2.03
Overall	4,237.25	4.89	2,956.75	3.55

Supply Chain Management

	2021	2020
Number of Suppliers by Regions		
Hong Kong	150	148
Mainland China	134	139
Other regions	38	37
Total	322	324
Percentage of suppliers where relevant ESG practices are being implemented	92%	93%

²⁷ Rate of work-related fatalities (per 1,000 workers) = Total number of work-related fatalities cases/ Total number of employees as at the end of the reporting period x 1,000.

²⁸ Rate of work-related injury rate (per 1,000 workers) = Total number of work-related injury cases/ Total number of employees as at the end of the reporting period x 1,000.

²⁹ It includes trained employees who have left the company during the reporting period. The percentage of employees trained and the average training time per employee are for reference only.

³⁰ Percentage of employee trained = Total number of employee trained of the particular category/ Total number of employees of the specified category.

³¹ Average training hours per employee = Total training hours of the specified category/ Total number of employees of the specified category.



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	The board's ESG management approach and strategy, including the process used to evaluate, prioritise and manage material ESG-related issues (including risks to the issuer's businesses)	9-12
	How the board reviews progress made against ESG-related goals and targets with an explanation of how they relate to the issuer's businesses	9-11
Reporting Principles		
Description of the application of the Reporting Principles	Materiality: The ESG report should disclose: (i) the process to identify and the criteria for the selection of material ESG factors; (ii) if a stakeholder engagement is conducted, a description of significant stakeholders identified, and the process and results of the issuer's stakeholder engagement.	7, 15-16
	Quantitative: Information on the standards, methodologies, assumptions and/or calculation tools used, and source of conversion factors used, for the reporting of emissions/energy consumption (where applicable) should be disclosed.	7
	Consistency: The issuer should disclose in the ESG report any changes to the methods or KPIs used, or any other relevant factors affecting a meaningful comparison.	7
Reporting Boundary		
Description	A narrative explaining the reporting boundaries of the ESG report and describing the process used to identify which entities or operations are included in the ESG report.	7
Comply or Explain Provisions		
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A1 Emissions		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste.	17, 29
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A4 Climate Change		
General Disclosure	Policies on identification and mitigation of significant climate-related issues which have impacted, and those which may impact, the issuer.	32
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B1 Employment		
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B1.2	Employee turnover rate by gender, age group and geographical region.	23, 44
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B2.2	Lost days due to work injury.	26, 45
B2.3	Description of occupational health and safety measures adopted, how they are implemented and monitored.	25-26



Material Aspect	Content	Page Index/ Remarks
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B3.2	The average training hours completed per employee by gender and employee category.	28, 45
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B6.5	Description of consumer data protection and privacy policies, how they are implemented and monitored.	19



Material Aspect	Content	Page Index/ Remarks
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B8 Community Investment		
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HUNG FOOK TONG

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