

MS CONCEPT LIMITED

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 8447



Environmental, Social and Governance Report 2018

Environmental, Social and Governance Report

In accordance with the Appendix 20 Environmental, Social and Governance Reporting Guide (the “**Reporting Guide**”) of the Rules Governing the Listing of Securities on the GEM of The Stock Exchange of Hong Kong Limited (“**Stock Exchange**”), MS Concept Limited (the “**Company**”), together with its subsidiaries (collectively referred to as the “**Group**”), prepared the following Environmental, Social and Governance Report (“**ESG**” and “**ESG Report**”, respectively) for the period from 1 April 2017 to 31 March 2018 (the “**Reporting Period**”).

CORPORATE VISION AND MISSION AND ESG MANAGEMENT

Corporate Vision and Mission

The vision of the Group is to maximize returns to its shareholders and at the same time to achieve continuing and sustainable developments to the society and environment and to provide and maintain a healthy and safe working environment for the employees. The Group’s mission is to deliver “affordable luxury” dining experience with high quality food, desirable ambience and thoughtful services at affordable prices.

ESG Management Policy and Approach

As at 31 March 2018, our Group has 13 restaurants of different cuisines and types under different brand names, namely “Mr. Steak”, “Mr. Steak — Buffet à la minute”, “Sky Bar”, “Bistro Bloom”, “Marbling by Mr. Steak” and “Hana”, in Hong Kong and has earned good reputation and popularity. Though operating under different restaurant names, they follow similar if not exactly the same operating philosophies, administration procedures and services guidelines. All our business operations have the same mission to provide quality food and services to our customers at affordable prices. At the same time, the Group is committed to environmental protection and friendliness which are integrated with our support to our operations and business policy.

This ESG Report mainly covers data and activities of our business operations for the Reporting Period. On the whole, the Group takes on an active role in ensuring that sustainable and environmentally-friendly processes and operating environment are in place. This is achieved by taking all practicable and possible measures, and to comply with all relevant statutory requirements, operating practices and standards of the industry.

The vision and mission of the Group and its ESG management policy and approach can be summarized in the following statements.

1. The Group is committed to be a successful operator in all our business operations, bringing returns to our investors and supporters, providing a healthy and safe working environment to our employees and helping to achieve sustainable development of the environment.
2. The board of Directors of the Group (the “**Board**”) from time to time introduces new ESG strategies and updates its policies in accordance with the requirements of the Reporting Guide. The Board is to oversee and to ensure that the ESG policies and guidelines are implemented at appropriate levels. Restaurant heads report directly to the Area Managers and the Board on the ESG matters. Restaurant heads are duty bound to explore, develop and enhance Key Performance Indicators (“**KPIs**”) where appropriate and necessary for future reference, and timely implementation to be consistent with the Group’s policies and goals.

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CORPORATE VISION AND MISSION AND ESG MANAGEMENT (Continued) **ESG Management Policy and Approach (Continued)**

3. It is incumbent on the Group's Chief Executive Officer ("CEO") and the management team to examine and address all the environmental and social issues spelt out in the Aspects and Areas in the Reporting Guide.
4. The Group has a very keen interest in ESG matters and has attached great importance to the subject. The Group truly believes that everyone has a duty and role to play in conserving our resources and energy. As a business operator, the Group sees that it has a vital role to play in enhancing our customers' contributions and accomplishments at their level.
5. The Group actively assumes social responsibilities to reduce pollution by setting practicable and achievable objectives.
6. The Group recognises that it is imperative to provide a safe and healthy working environment for all of our employees and is committed to taking all practicable measures to comply with the statutory requirements.

(A) ENVIRONMENTAL ASPECTS

ASPECT A1: Emissions

(i) Policy

The Group treasures resources on the Earth and endeavour to protect the environment as far as we can in our business operations. All goals and measures are outlined in the Environmental Measures and Pledge of the Group. The Group attaches serious concern in their implementation. The implementation of this policy is monitored by a team comprising members from different levels, including the CEO and other representatives at different levels.

The Group is committed to environmental protection and has undertaken all practicable and possible measures to comply with the relevant statutory requirements. Compliance of statutory or legal requirements is our first priority as far as our business operations are concerned. There is no doubt and the Group is committed to fulfil our legal obligations.

Staff at various levels are constantly made aware of their respective roles and responsibilities in conserving energy and natural resources. This is achieved through our continuing education programmes at various supervisory and frontline levels at varied circumstances.

The Group generally reckons that taking heed of the importance of energy saving and conservation of natural resources has gradually become a culture in our business operations at various outlets. The 5-R principle (Reuse, Renew, Resume, Recycle, Reduce) remains to be our core concept and approach in our environmental protection and resource and energy conservation matters.

The Group has achieved substantial accomplishments in environmental protection and energy and resource conservation matters through the application of modern technologies in the design of our restaurants. This is a proactive approach which the Group sees fit and amenable.

Environmental, Social and Governance Report

(A) ENVIRONMENTAL ASPECTS (Continued)

ASPECT A1: Emissions (Continued)

(ii) Compliance

The Group is conscientious of our environmental protection and energy and resource conservation obligations and in compliance with statutory requirements is a must. During the Reporting Period, the Group has not been subjected to any confirmed cases for breaching environmental legislations in relation to emission and waste discharges or other environmental issues that could have adverse impacts to the local environment.

A1. EMISSIONS

Types of Emission and Emission Data

The main source of emission of our business operations arises from the cooking operations and food preparation activities in the restaurants. The stoves and equipment used in cooking are either gas or electrical fired. In some occasions, charcoal or LPG fires could be used but they are insignificant when compared to our overall cooking operations and food preparation activities.

All our kitchens are designed for commercial operation by professionals with all the necessary pollution control measures, resource conservation consideration, statutory compliance, etc. integrated and built in to meet our operation parameters. In general, pollutants discharge to the air during the cooking process is removed by the pre-installed water scrubbers to achieve emission quality.

The Group does not envisage emission to the air to be a problem which may cause significant impact to our business operations. The approach and policy the Group have adopted prove to be sound and healthy and most importantly meeting the statutory emission standards.

Indirect emission is generated through the use of electricity for our restaurant operations and it remains to be the main source of indirect emission as far as the Group is concerned. This is comparable to industry norm. Other emissions are insignificant or negligible.

Attention is given to ensure that electricity and water consumption in the restaurants are under active and stringent control for energy saving, cost saving and indirect emission control.

Maiden KPIs have been formulated for ongoing application and long term reference. In the course of accomplishing the 5-R principle, all innovative technologies in energy conservation and pollution reduction applicable to our restaurant operations are considered. Effort will be made to formulate a practicable emission reduction approach with achievable goals. The Group is happy with our steady improvement and accomplishments in various emission control measures.

Environmental, Social and Governance Report

(A) ENVIRONMENTAL ASPECTS (Continued)

ASPECT A1: Emissions (Continued)

(ii) Compliance (Continued)

A1. EMISSIONS (Continued)

Emission Quantity

The emission quantities generated from all restaurant operations for the Reporting Period are tabulated below:

1. Hazardous Sulphur Oxide ("SO_x") from direct gas consumption: 0.11 kg;
2. Hazardous Nitrogen Oxide ("NO_x") from direct gas consumption: 21.88 kg;
3. Greenhouse gases include Carbon Dioxide ("CO₂"), Methane ("CH₄"), Nitrous Oxide ("N₂O") etc. as direct discharge from the consumption of gas: 289.46 tonnes; and
4. Non-hazardous CO₂ as an indirect discharge from electricity and gas consumption: 1,817.90 tonnes and 68.03 tonnes respectively.

Greenhouse Gas Emissions

Our restaurant operations do generate direct and indirect greenhouse gases emissions from the consumption of natural gas and electricity respectively, total amounted to 2,175.39 tonnes for the Reporting Period. Town gas fired stoves are the main direct source of greenhouse gases emission in our restaurant operations. Emissions from the cooking are filtered, mostly as required by law, to a quality standard accepted by the law before discharged through ducts and pipes into the air.

Comparison of the indirect greenhouse gas emissions is considered not very meaningful, however, self-comparison of the same kitchen operations may be contemplated in the longer terms. Data collected over a constant period of time, say on a yearly basis, may be useful for future reference. It should, however, be noted that production may fluctuate, settings and ambience may vary in the observation periods. Such factors may complicate a useful analysis. Nonetheless, the Group is optimistic and confident that with technology advancement, overall energy consumption and emission will be improved over time.

Total Waste Produced

Same as other similar restaurant operating businesses, the Group restaurant operations do not generate hazardous waste which is of significance and material to the environment.

Same as other food and beverage businesses, food wastes and unused raw food materials exceeding their perishable conditions are the main sources of non-hazardous waste in the Group restaurant operations. Though the nature of these non-hazardous waste is not of material or significance to the environment. The Group, being a responsible business operator, is aware of our obligation and role in resource conservation and waste reduction. In particular, food is bearing a special meaning and implication to the resources of all the people on the Earth. As such, measure will be taken to ensure that food and raw food materials are properly and rightly used up before turning them into waste.

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(A) ENVIRONMENTAL ASPECTS (Continued)

ASPECT A1: Emissions (Continued)

(ii) Compliance (Continued)

A1. EMISSIONS (Continued)

Total Waste Produced (Continued)

The Group is committed in resource conservation. This is fully integrated to our ordering and acquisition policies and procedures for raw food materials in the restaurant operations. Cost saving is yet another driving force in the management team to ensure that there is no unnecessary waste in this aspect.

The Group also reckons that customers' habits and behaviour are also influential and critical in achieving resource conservation and reducing waste. Our restaurants are always encouraging our customers to cherish food and promoting food waste reduction.

All waste from the restaurants are collected and discharged to the landfill sites by municipal waste collectors on a daily basis in accordance with the statutory requirements.

During the Reporting Period, no adverse comments or irregularities have been reported from the internal control mechanism or the external law enforcers.

Mitigation Measures on Emission and Results

We acknowledge the importance and significance of keeping our emission minimum. The Group has installed equipment to filter and remove pollutants from emissions before they are discharged to air and effluent to public drains, complying with the government's Environmental Protection Department's ("EPD") standards. This fundamental principle and approach have relieved us from any unnecessary concerns and unwanted worries on emission and discharge which would otherwise arise.

The Group is fully aware that proper and adequate maintenance to the equipment are pertinent to the emission and discharge quality. All restaurant heads are charged to ensure that periodic maintenance is carried out by qualified external contractors.

Our emission and discharge are subject to the surveillance of the law enforcers and there have been no complaints or breaches recorded by EPD or other law enforcing agencies.

Environmental, Social and Governance Report

(A) ENVIRONMENTAL ASPECTS (Continued)

ASPECT A1: Emissions (Continued)

(ii) Compliance (Continued)

A1. EMISSIONS (Continued)

Handling and reduction of hazardous and non-hazardous waste

Raw food material costs account for a significant portion of our operating costs. Therefore, we attach great importance in waste reduction to this aspect apart from environmental and resource conservation concerns.

All levels of the Group are reminded of and educated on the importance of the 5-R principle of reduce, reuse, renew, resume and recycle. Though the Group is satisfied with our accomplishments in general and recognizes the effort and achievement of our staff, and we reckon there is no room to slack our attention.

A2. USE OF RESOURCES

The Group recognises our continuing success and achievement in the conservation and efficient use of energy and all other resources by adopting a globally recognised 5-R principle — to reduce, reuse, renew, resume and recycle. In promoting and achieving efficient use of energy, water and other raw materials, the 5-R principle is prevailing and totally adopted.

The Group is also acknowledged that installing advanced and modern equipment will improve efficiency. This principle will be fully examined and explored when new equipment are launched or when new restaurants are planned.

During the Reporting Period, energy consumed by all the restaurant operations amounted to:

1. Electricity: 2,628,788 Kwh
2. Town Gas: 113,380 m³

Water and Electricity Consumption

Fresh water and electricity are the only key elements which are considered to have an impact on the natural resources and environment in the course of our business operations.

Through education programs, employees are constantly reminded to treasure natural resources and energy. Where necessary, new devices and work processes which enhance resource conservation are introduced as far as practicable.

The Group is also aware that customers' behaviour is the primary driver in conserving resources and efficient use of energy. All our provisions are paved to guide our customers towards this path. Hand dryers replace paper towels is a good illustration of our commitment in this aspect.

As conventional in the food and beverage business, city supply is the only viable water source available to all our restaurant operations. There are no other practicable and viable substituting sources available. This is also true for electricity.

Environmental, Social and Governance Report

(A) ENVIRONMENTAL ASPECTS (Continued)

ASPECT A1: Emissions (Continued)

(ii) Compliance (Continued)

A2. USE OF RESOURCES (Continued)

Water and Electricity Consumption (Continued)

All waste water discharge is connected to the municipal systems with proper authorization.

Having a clearly written policy, the Group supports all measures to reduce, reuse and recycle as far as possible and practicable on water conservation. The Group is also constantly looking for ways and means to accomplish reduction, reuse, resume, renew and recycling goals. In addition, the Group is driven by the cost saving incentive to reduce natural resources consumption, and in particular, water resources. Reduction, reuse, renew, resume and recycling measures where applicable and practicable remain to be the main approaches which the Group would pursue.

Our restaurant kitchen operations enjoy their constant and reliable water and electricity supply from the city supply. Imperative is the incoming quality meets with our production quality requirements and alternative sources like drilling wells or using well water are considered not practicable.

Intensity comparison for this KPI of different operating restaurants on water consumption is not achievable or meaningful as each restaurant kitchen operation may be totally different in nature, equipment, seating capacities, etc. from one another. They are more likely going to affect the water and electricity consumption to a varying and different extent. In purchasing new installations or starting new restaurants, the Group would place emphasis on natural resource conservation.

During the Reporting Period, a total of 66,232 m³ of water was consumed by the restaurant operations. The Group reckons that our consumption rate is at a par with the industry norm.

Energy Use Efficiency Initiatives and Results Achieved

For this KPI, the Group benefits from our proactive approach in planning and designing our restaurants. Up-to-date technology and devices are installed and introduced in our new setups. Energy saving lights, water saving taps where applicable are installed in our kitchens and dining areas.

On the day-to-day operations, the Group has operating guidelines and instructions on the efficient use and conservation of resources. In parallel, education and promotional programmes are in place to remind staff of efficient use of energy. Energy efficiency is also one of our considerations in our purchases of new equipment.

Energy saving has correspondingly significant cost saving implications. The Group has invested in installing energy saving devices such as LED lights and other resource saving installations in water conservation. This will directly and positively achieve energy saving and resource conservation in our restaurants. Apart, the Group also reckons that smart and responsible use of energy by our customers and employees are other key contributing factors.

Environmental, Social and Governance Report

(A) ENVIRONMENTAL ASPECTS (Continued)

ASPECT A1: Emissions (Continued)

(ii) Compliance (Continued)

A2. USE OF RESOURCES (Continued)

Energy Use Efficiency Initiatives and Results Achieved (Continued)

The Group encourages employees to use resources in a smart and responsible manner. The management team constantly emphasizing on the importance of energy saving and its implications to the community and the Earth. Staff at all levels are made responsible for and be conscientious of the importance of energy saving and resource conservation.

Issues in Sourcing Water

The Group is fully aware of and always mindful of the importance of food hygiene and safety in all our restaurant operations. There can be no compromise and the Group has to rely on the city supply for its quality and supply reliability. There is no alternative substitute at the moment though the Group is well aware of the social responsibility in exploring alternative water sources.

Packaging Material and Use of other Resources

For food hygiene and customer safety reasons, the Group attaches significant concern and extremely serious importance in sourcing and using packaging materials in our restaurant operations. As a general principle, the Group adopts the view that it must be fit for purpose and has a recognised safety and hygiene standard in place, followed by meeting other specifications and considerations. Being cost effective and environmentally friendly are other parallel considerations. No one-off disposable utensils are being used.

There are 2 main types of use of paper: the first use is through paper napkins for customers; and the second one is for office filing and printing.

The Group has encouraged staff to reduce paper consumption through use of electronic tools such as emails, messages and Universal Serial Bus storage to replace paper files, sketches and letters; to print paper on both sides, and to use only recycled paper. All staff are constantly reminded to reduce paper consumption and our customers are also encouraged the same.

A3. THE ENVIRONMENT AND NATURAL RESOURCES

The Group's core business operation has used substantial amounts of natural resources especially on energy, water, and in turn has also generated gas emissions and waste discharges, which will have a significant impact on the environment if they are not properly managed. The Group has taken a responsible approach to implement policies and measures to properly handle the emissions and discharges, and the Group had no warnings, fines nor violation notices, and was in compliance with applicable environmental protection laws and regulations in all materials respects during the Reporting Period.

Environmental, Social and Governance Report

(A) ENVIRONMENTAL ASPECTS (Continued)

ASPECT A1: Emissions (Continued)

(ii) Compliance (Continued)

A3. THE ENVIRONMENT AND NATURAL RESOURCES (Continued)

To reduce the consumption of fresh water and electricity, the Group advocates and supports all measures to reduce, reuse, resume, renew and recycle as far as possible and practicable. The Group is also constantly looking for ways and means to accomplish reduction, reuse and recycling goals. In addition, we are driven by the cost saving incentive to reduce our electricity and water consumption. Reduction, reuse and recycling measures where appropriate and practicable remain to be the main approaches which the Group would consider to pursue.

Measures on Minimizing Significant Impact on the Environment and Resources

Water and electricity consumption are our major concern, which have a significant impact on the environment. Restaurant heads are constantly reminded to make positive resources saving in their operations and are required to explain when any excess usage is spotted. In conjunction with measures to reduce, reuse and recycle, resume and renew, the management team and all restaurant heads are constantly looking for ways and means to accomplish the 5-R goals.

(B) SOCIAL RESPONSIBILITY

ASPECT B1: Employment

(i) Policy

The Group regards our employees as valuable assets and treasures our working relationship for our sustainable development and growth. It is the policy of the Group to strictly comply with all the relevant statutory requirements in the Employment Ordinance (Cap. 57 of the Laws of Hong Kong) and Employees' Compensation Ordinance (Cap. 282 of the Laws of Hong Kong) of Hong Kong. The Group will comply with the laws and there is no compromise.

The Human Resources Department is responsible for the employment and employment policies. All employments are entered into a proper and standard contract between the Group and the employees. The Head of the Human Resources Department and her Department are charged with this prime responsibility and duty to ensure that statutory obligations of the Group as an employer are fulfilled and complied with in a timely manner. Employment of child labour and illegal immigrants or forced labour are totally forbidden. Human resources matters are under the regular scrutiny of the management team. No anomalies have been detected or reported.

Recruiting in the food catering industry is highly competitive. We have been able to hire suitable candidates in the market by offering attractive remuneration packages, including competitive wages, incentives and discretionary bonus, transportation allowance, staff meals and promotion prospects to our employees. On employment, the Group has adopted a mixed policy of external recruitment, internal promotion and referral programs to encourage current employees to refer suitable candidates for vacancies. All vacancies are open to all with equal opportunities, to be decided with no discrimination on religion, gender, age and disability, and to be selected on qualification, skill and competency basis.

Environmental, Social and Governance Report

(B) SOCIAL RESPONSIBILITY (Continued)

ASPECT B1: Employment (Continued)

(i) Policy (Continued)

Providing a harmonious, pleasant, healthy and safe working environment for the employees is of our objective and prime concern. To ensure a fair and rational human resources structure, the Group has established job qualifications and requirements specific to each job position. They are taken as criteria for recruitment, promotion and transfer.

The Group has well established policies, codes and guidelines on labour welfare and protection emphasizing legal compliance of laws and legislative standards. They cover, but not limited to, appointment and its termination, working hours, rest days, statutory holidays, remunerations, various compensations, dismissal, health, general safety and other benefits and welfare.

(ii) Compliance

The Group honored all of its obligations on employment related issues and did not have any employment related disputes or litigations.

For the Group's catering and food business operations, it is a market norm that there is a high mobility or turnover of employees. To improve human resources management, the Group has set up the KPIs which include: the number of employees at the beginning and ending of the financial year, the total number of employee's turnover, the breakdown between full time and part-time employees, men and women, and ages distribution, exhibited below:

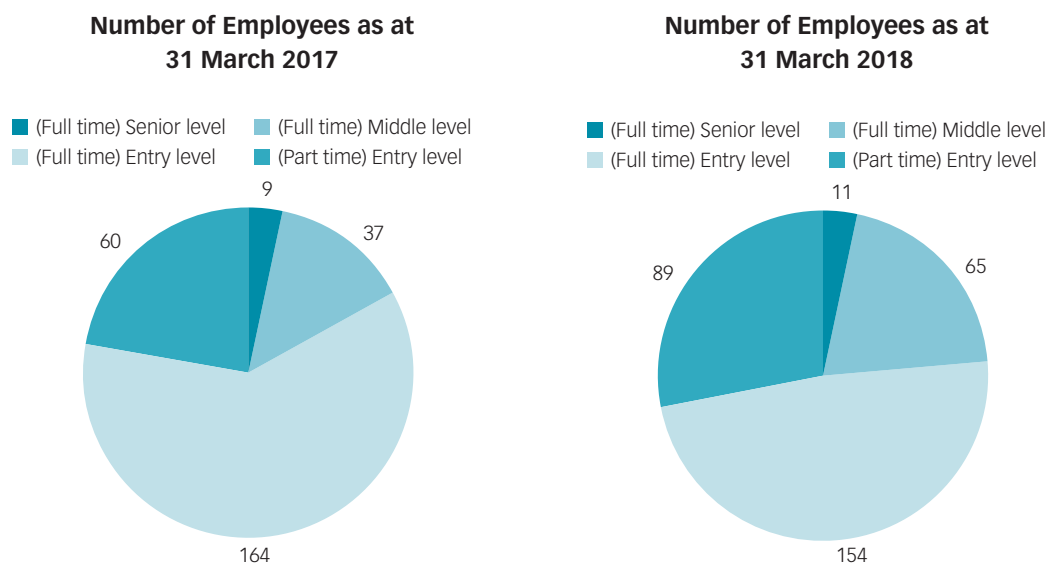


Figure 1: Number of Employees by Seniority

Environmental, Social and Governance Report

(B) SOCIAL RESPONSIBILITY (Continued)

ASPECT B1: Employment (Continued)

(ii) Compliance (Continued)

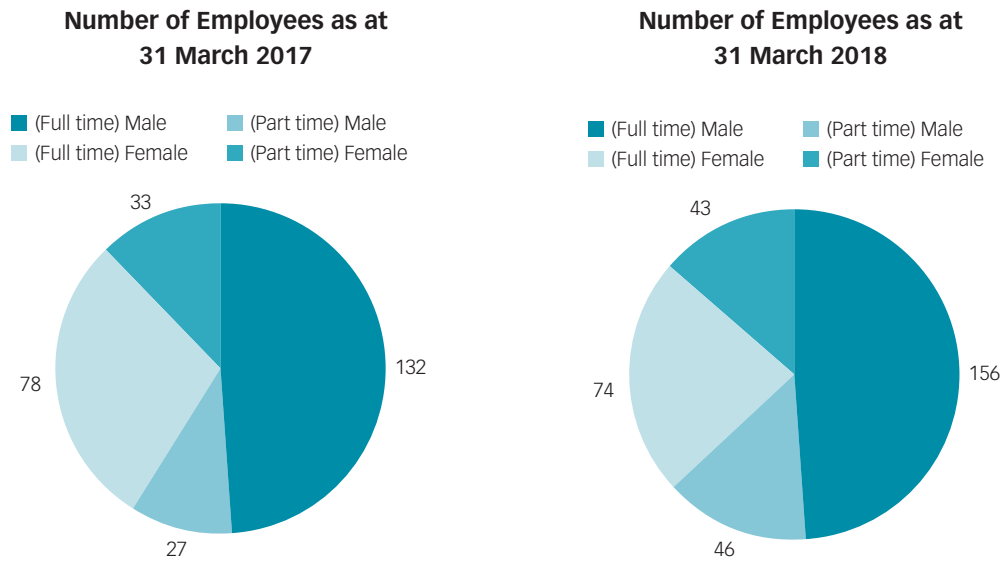


Figure 2: Number of Employees by Gender

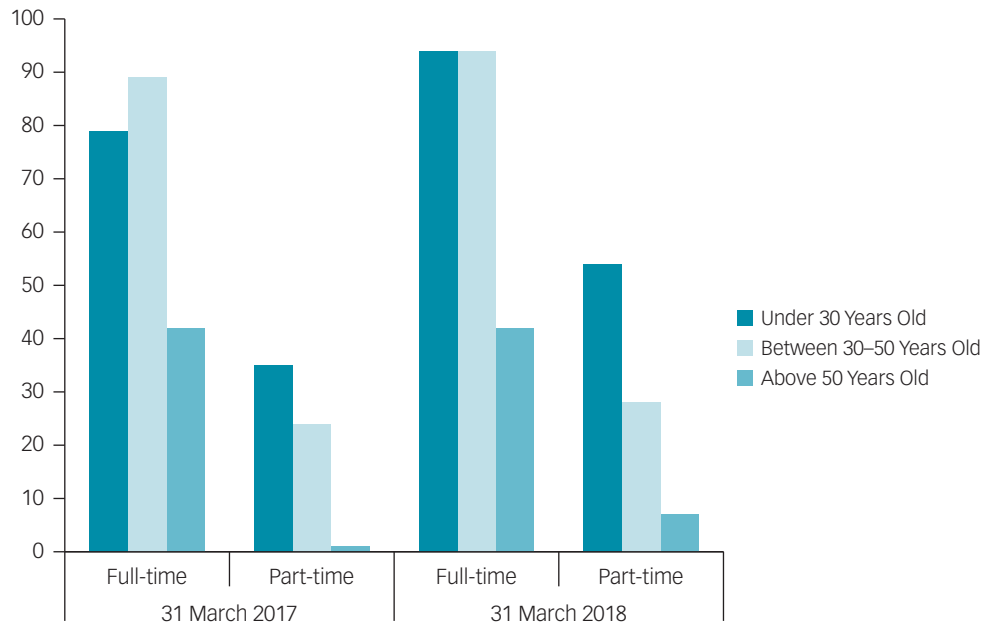


Figure 3: Number of Employees by Age Group

Environmental, Social and Governance Report

(B) SOCIAL RESPONSIBILITY (Continued)

ASPECT B1: Employment (Continued)

(ii) Compliance (Continued)

	Number of Employees
Male	136
Female	63
Total	199

Table 1: Total Number of Full-time Employees left the Group during the Reporting Period (by Gender)

ASPECT B2: Health and Safety

(i) Policy

Being a responsible employer, the Group is committed to provide a healthy and safe working environment, and places great importance to protecting them from risks and health issues. In particular, personal hygiene of our employees is critical and instrumental in food safety.

All employees are required to strictly observe and adhere to the health and safety instructions and guidelines at work and to place safety as their first priority. Restaurant heads and supervisors are charged with the responsibility of ensuring that safety policies, rules and practices are implemented in the workplaces.

In case of accidents, regardless of its nature, minor or serious, employees are required by the in-house rules to notify their superiors immediately, who will take appropriate measures to ensure safety is not being compromised. In-house rules require all injuries or accidents to be promptly reported and properly dealt with in accordance with the laws and regulations. Meanwhile, remedial or compensatory actions arising from safety and health issues or work injuries are required to be taken.

During the Reporting Period, the Group did not record any claim, disputes on compensation or work-related injury investigation by the government officials.

(ii) Compliance

Safety has the topmost priority in our business goals and operations. There is no compromise for safety and compliance of the statutory requirements is our bottom line. The Group has honoured all obligations without disputes with our employees, and in compliance with the statutory requirements.

During the Reporting Period, the Group had 16 minor injuries (13 for full time and 3 for part-time workers). These minor injuries were taken care immediately on spot, which resulted in no serious disastrous events which could have a significant impact on our business operations.

Environmental, Social and Governance Report

(B) SOCIAL RESPONSIBILITY (Continued)

ASPECT B2: Health and Safety (Continued)

(ii) Compliance (Continued)

The Group has equipped our restaurant kitchens with all the required safety equipment and facilities. There was no adverse comment by the Labour Department during their inspections and there has been no prosecution case being reported or recorded.

ASPECT B3: Development and Training

The Group supports all employees to continue learning and improving their knowledge and job skills for the benefit of the employees as well as the Group. The Group organizes on-the-job and specific trainings, including skills and job knowledge, equipment operating, cooking and serving know-hows trainings such as Oyster and Table Wine Appreciation Gathering and Internal Cross Training to employees at various levels so that they are able to perform their job duties in a competent and capable manner without risking their safety or damaging the equipment. Introduction training and orientation programs have also been provided to new recruits to enhance their understanding of the Group, their job duties and their work locations.

A total of 46 employees had been trained for 480 hours during the Reporting Period. Employees are encouraged to participate in position-related trainings such as the food and beverage supervision course organized by external institutions to enhance individual professional quality and ability, the costs of which will be paid by the Group in whole or in part, on application and by discretion of the management team.

A training record detailing the types of programs offered and sponsored has been established and maintained as a KPI for the management team to monitor and review regularly in response to improving the performance and efficiency of employees.

ASPECT B4: Labour Standards

(i) Policy

To employ and to retain highly qualified and capable employees, the Group has implemented a comprehensive human resources policy regarding recruitment, dismissal, promotion, leaves, holidays and benefits to support our works on human resources.

The Group adopts the respective laws and regulations, and stringently complies with the Hong Kong labour laws and employment regulations in Hong Kong on labour protection and welfare. The Group also comply strictly with the laws in relation to equal employment opportunities, prevention of child or forced labour. We have honoured all of our obligations towards the employees and have built a safe, healthy and pleasant working environment in all our restaurants. We had not violated any provisions under the Employment Ordinance and Employees' Compensation Ordinance, and no labour infringement charges have been lodged against us during the Reporting Period.

Banning the employment of child labour, illegal workers and forced labour is achieved through the recruitment and employment process. All job applicants are required to submit their credentials such as academic qualifications, professional skill certificates, references and identity card for verification and record purpose during recruitment. Such information is kept as the employee's personal file for record and future reference and government inspection.

Environmental, Social and Governance Report

(B) SOCIAL RESPONSIBILITY (Continued)

ASPECT B4: Labour Standards (Continued)

(i) Policy (Continued)

The head of the Human Resources Department and the department are charged with the duty of overseeing the compliance. Restaurant heads are also responsible for ensuring that all labour protection and welfare obligations are complied with and any breaches of statutory compliance are brought to the attention of the senior management team.

(ii) Compliance

The Group strictly adheres to Hong Kong employment and labour protection laws to ensure employee health, safety and welfare. The Group pays wages and salaries, benefits, compensation payments and insurance within the prescribed period. The Group has honoured all our obligations towards our employees and has no dispute or litigation on labour matters or labour welfare during the Reporting Period. No child labour or illegal labour or forced labour employment has been reported or detected during the Reporting Period.

ASPECT B5: Supply Chain Management

(i) Policy

The Group has a simple yet efficient supply and purchase management system given our purchases are relatively standardised. All purchase transactions are open and transparent. In general, several quotations will be required for comparison purpose. All purchase transactions are subject to the scrutiny of internal hierarchy supervisions at different levels depending on the purchase sum and significance.

Except for the master supply agreement entered into between Elite Fresh Food Company Limited, a company owned by the parties connected with the controlling shareholders of the Company and MS Restaurant Group Limited, a wholly-owned subsidiary of the Company on 23 March 2018 as disclosed in the section headed “Non-exempt continuing connected transactions” of our annual report dated 26 June 2018, we have not entered into any long-term contract with supplier and do not rely on any single supplier for our raw food materials. Potential suppliers are selected carefully based on a set of selection criteria before they are included in our list of approved suppliers. We consider the quality and stability of the products and services offered by the potential suppliers and their general reputation are important. Our selection criteria include the pricing of the products, payment and credit terms, purchase discount, their capacity and business operation and responsiveness to any contingency. Carbon footprint and engagement with the local community are also our considerations when situation permits and allows.

For general purpose and petty purchases, they were concluded with local suppliers or suppliers from close proximity as far as possible as a move to encourage and support local economy and to reduce carbon footprint.

(ii) Managing risks

When purchasing items or service for special use, it is the policy of the Group to ensure that the goods or services fit the purpose and meeting our specification before price is put into consideration. During the Reporting Period, the Group purchased from over 120 approved suppliers of food ingredients and beverages.

Environmental, Social and Governance Report

(B) SOCIAL RESPONSIBILITY (Continued)

ASPECT B5: Supply Chain Management (Continued)

(ii) Managing risks (Continued)

All purchases of the Group follow the established internal procurement practices. All purchases are documented in accordance with the in-house rules for payment and verification. Our purchase criteria predominantly impose concern on and attach importance to its suitability, safety and reliability. Other considerations include price competitiveness, availability and reputation of the suppliers. Suppliers are chosen based on considerations including the ability to continuously supplying satisfactory product quality and quantity, reasonable price and timely delivery, etc. New suppliers are required to provide relevant certifications/documents and track records if applicable.

The Group is well aware that quality of the incoming raw food materials is of paramount importance to the quality of food we are serving. Market share will immediately shrink when restaurant reputation is endangered by cases of foodborne diseases or toxicity accusations. The Group takes possible measure to ensure that our incoming food materials are fresh and of highest quality. Quality control measures are carried out and adhered to in the appropriate levels in the course of our procurement process.

The Group does not perceive its source of supplies to be a material threat to our restaurant operations.

ASPECT B6: Product Responsibilities

1. Food and Services Quality

(i) Policy

Quality of food hygiene and safety is the life-line of our business. The Group has implemented a strict internal quality control standard in our operation processes to ensure continuous highest quality, hygiene and safety food serving to our customers. Restaurant heads are responsible for ensuring that procedures are in place and implemented in their restaurants. Restaurants of the Group have enjoyed good reputation among our customers.

The Group is committed to offer quality food in a cosy environment at an affordable price. We firmly believe that consistency in our food quality and our attentive services help us to retain our customers. The Group is committed to investing in equipment for quality cooking in order to maintain our competitive edge. Great importance is attached to the freshness and safety of our incoming raw food materials and finished products in our kitchens.

In respect of the food preparation process, the head chefs of our restaurants are assigned with the responsible to oversee the process. Employees are trained on food safety. All food processing procedures such as washing, cutting, seasoning, cooking and serving are carried out by our kitchen staff under the supervision of our head chefs who will ensure the quality of the food on site. Our kitchen staff are taught to use different sets of cutting boards and knives for raw food and cooked food. Also, separated storage of raw and cooked food is strictly controlled and monitored to avoid cross-contamination. All used food processing equipment must be cleaned thoroughly before use for processing another dish. After our customers consume the dishes, the used utensils are collected, washed and dried immediately.

Environmental, Social and Governance Report

(B) SOCIAL RESPONSIBILITY (Continued)

ASPECT B6: Product Responsibilities (Continued)

1. Food and Services Quality (Continued)

(i) Policy (Continued)

In addition, the Group maintains close relationship with our business peers to keep abreast of the latest food sources, customer tastes and product development and knowledge.

(ii) Compliance

The Group's restaurants are committed to providing quality dishes at a reasonable price. The Group is aiming to persistently maintaining the consistency in our cooking and food quality. Rejected food is promptly replaced or substituted by other choices of the customers. Our policy is to ensure our customers are satisfied with the food quality and services.

Policies and procedures are in place to ensure that all customer complaints or concerns are addressed to at the appropriate levels and in a timely manner. Restaurant heads are responsible for handling all customer complaints. During the Reporting Period, the Group had not received any complaints from customers that had any material adverse impact on our brands, business and operations. The Group however, maintains a "Customer Complaint Record" as a KPI for the management to be alert of the situation and to review.

2. Intellectual Property Right

The Group was the registered owners of 5 trademarks in Hong Kong. We are fully aware that intellectual property rights are material to our business, and we are not aware of any third-party infringement on our trademarks. We have a standard practice to respect intellectual property rights and have instructed our management to comply. We have not copied any patented recipes of our competitors. We have installed genuine software in our computers to avoid vulnerabilities and legal disputes arising from software copyright.

3. Privacy

(i) Policy

The Group's main business and operation has generated a substantial volume of private, confidential and sensitive information of customers, suppliers, business partners including the operation status and financial positions, commercial terms of contracts, general background information, etc. These types of information are extremely sensitive and important, and by law, must be cautiously safeguarded and protected. The Group fully abides by the Personal and Private Data Ordinance (the "PPDO"), understands its obligation, and has taken measures to ensure strictest protection of the information against unauthorized access, use and disclosure through a variety of security technologies and procedures. Our employees have been trained to handle the sensitive information during the course of business with due care.

Environmental, Social and Governance Report

(B) SOCIAL RESPONSIBILITY (Continued)

ASPECT B6: Product Responsibilities (Continued)

3. Privacy (Continued)

(ii) Compliance

The Group is fully aware of the obligations and has taken measures to ensure the data and information are safeguarded and protected, comply with the PPDO. The Group has also taken measures to ensure strictest protection of the information against unauthorized access, use and disclosure through a variety of security technologies and procedures. Our employees have been trained to handle the sensitive information during the course of the operations with due care.

No privacy or information leakage was detected or reported during the Reporting Period.

ASPECT B7: Anti-corruption

The Group established an "Internal Audit System", under which the audit committee is authorized by the Board to create an environment of anti-corruption and anti-fraud, and conduct regular reviews on internal control system so as to regulate the conduct and behaviour of employees, create an atmosphere of integrity and dedication, and prevent prejudice to the Group's interest. The internal audit department is responsible for whistle-blowing and taking up the remedial actions.

Employees at all levels are constantly reminded of corruption prevention, and to remain in compliance with high standards of ethical behavior and we have zero-tolerance on bribery and corruption in any form or at any level in association with any aspect of the Group's activities.

Transactions in large monetary sums are processed through bank transactions which require authorized signatories of the appropriate levels depending on the amount involved.

With the implementation of clear policies and well-structured processes on purchases, sales, operation and finance, and the adoption of a high Code of Standard especially on the senior management, the Group reported no bribery nor corruption cases during the Reporting Period.

ASPECT B8: Community Investment

Apart from fulfilling our obligation to protect the environment by saving resources and reducing emissions and discharges, we implement the policy of providing job opportunities for low skilled and aged over 50 workers especially women as a mean to support the lower strata families. We also encourage our employees to participate in voluntary and charitable activities to support and to repay the society. During the Reporting Period, the Group donated HK\$36,000 to charity organizations.