ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT 2018

Fulum Group Holdings Limited STOCK CODE : 1443

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ABOUT THE GROUP

Having established its catering business in 1992, Fulum Group Holdings Limited (the "**Company**", or "**Fulum Group**", or together with its subsidiaries the "**Group**") has been adhering to the spirit of "The Rationale of Three Excellence – Excellent Environment, Excellent Supply, Excellent Service" in its operation.

The shares of the Group were listed on the Stock Exchange of Hong Kong (the "**Stock Exchange**") in November 2014. Its portfolio of restaurants is distributed across all regions in Hong Kong to offer various cuisines under different brands to cater to the needs of the customers. As of 31 March 2018, the Group owned a total of 83 restaurants, among which 80 Group-owned restaurants were in Hong Kong, including 40 restaurants under the "Fulum (富臨)" main brand, 11 restaurants under the "Sportful Garden (陶源)" main brand and 29 restaurants under the "Fulum Concept (富臨概念)" main line, and 3 Group-owned restaurants under the "Fulum (富 臨)" main brand were in mainland China.

"Fulum (富臨)" main brand and "Sportful Garden (陶源)" main brand are important cornerstones of the Group. The Group is dedicated to reinforcing the development of its core business and actively exploring more diverse catering experiences to meet the changing local demands. For the PRC market, the Group currently operates "Fulum Palace (富臨皇宮)" restaurants in Guangzhou, Zhuhai and Fuzhou, respectively. All of them are in the densely-populated residential areas and provide mass catering services to meet the residents' demand for Chinese cuisine and wedding venues within the regions.

The Group believes in the stable growth in the catering market and is confident of the long-term prospects. Looking forward, the Group will continue to increase the number of restaurants in the PRC prudently to broaden its customer base and increase its market share.

ABOUT THIS REPORT

This report is the second *Environmental, Social and Governance Report* (the "**Report**") published by the Group. By reporting the policies, measures and performances of the Group in environmental and social aspects from 1 April 2017 to 31 March 2018 (the "**Reporting Period**"), it allows all stakeholders to better understand the progress and development direction of the Group in relation to sustainability issues. The Report, which is prepared in both Chinese and English, has been uploaded to the website of the Stock Exchange and the Group's website *www.fulumgroup.com*. In case of any inconsistencies between the Chinese version and English version, the Chinese version shall prevail.

Reporting Scope

The Report focuses on the operation of restaurants owned by the Group in Hong Kong, the central kitchen and logistics centre. For easy comparison of the Group's yearly performance, the structure of the Report aligns with the first ESG report as closely as possible. While the Report does not cover the Group's operations in mainland China, the aim of the Group is to continuously upgrade the internal data collection procedure and gradually expand the scope of disclosure.

Reporting Criteria and Principles

The Report is prepared in accordance with the 'comply or explain' provisions of Appendix 27 Environmental, Social and Governance Reporting Guide (the "**ESG Reporting Guide**") of the Rules Governing the Listing of Securities on Main board of the Stock Exchange (the "**Listing Rules**"). The four reporting principles: materiality, quantitative, balance and consistency form the backbone of the Report. To ensure the accuracy of environmental key performance indicators, the Group appointed Carbon Care Asia Limited ("**CCA**"), an independent professional consultant, to conduct a carbon assessment. In addition, selected key performance indicators that are categorised by the ESG Reporting Guide as 'recommended disclosures' are included for enhanced reporting.

A complete index is inserted in the last chapter for the reader's easy reference.

Information Collection Method and Approval

Information documented in the Report is sourced from the official documents, statistical data, management and operation information of and collected by the Group from various channels. The Report has been confirmed and approved by the Board of Directors of the Group in [X] 2018.

Feedback

The Group values the opinion of stakeholders. If you have any questions or suggestions regarding the content or format of the Report, please contact the Group via the following channels: Address: 15/F., Luk Hop Industrial Building, 8 Luk Hop Street, San Po Kong, Kowloon, Hong Kong Email: *info@fulum.com.hk*

STAKEHOLDER ENGAGEMENT

As a key in the business management of the Group, stakeholder¹ participation helps the Group review potential risks and business opportunities. Communicating with stakeholders and understanding their views allow the Group to better fulfil their needs and expectations with its business practice and manage different stakeholders' opinions. The Group constantly communicates with key internal and external stakeholders via various channels. This ensures that they have the opportunity to learn about the Group's development and operation directions and offers the Group the chance to listen to them in order to identify the priority of issues and develop corresponding policies to drive the Group's sustainability.

Main channels of stakeholder engagement during the Reporting Period

The Group understands the importance of continuously listening to stakeholders' views and giving timely responses to solve issues they are concerned about. Stakeholder engagement is a dynamic and continuous process. During the Reporting Period, the Group communicated with major stakeholders through a number of channels. Specific categories of stakeholders and means of communication are presented below:



¹ Stakeholders refer to groups or individuals materially influencing or affected by the Group's business. Internal stakeholders include employees, the management and directors. External stakeholders include investors, shareholders, clients, suppliers, government regulatory authorities, industry associations, banks, partners, the media and local community groups, etc.

Stakeholder engagement

To understand stakeholders' views and expectations of the Group's sustainability performance more effectively, the Group appointed CCA to conduct stakeholder engagement. Taking into consideration the levels of awareness of sustainability and enthusiasm of different stakeholders, CCA designed different types of engagement activities, including management interview, online questionnaire and focus group. Engagement activities were conducted anonymously to ensure that participants can express their views and expectations of the Group in a free and open manner.

•To understand the Group's sustainability management approach and planning, CCA conducted а detailed interview with the management of Fulum Group to discuss the material issues of the Group and explore the Group's management and strategies approach regarding each issue.

Management interview

Distribute questionnaires through an online platform to allow internal stakeholders to rate the importance of various sustainability issues.
57 valid responses were received.

Online questionnaire •CCA organised a focus group for internal stakeholders to enhance their participation in the Group's sustainability initiatives.

Focus group

Materiality analysis

CCA identified 22 sustainability issues that are the most important to the business of the Group. They cover the four areas of 'Environmental Protection', 'Employment and Labour Practices', 'Operating Practices' and 'Community Investment' and serve as the foundation of this internal stakeholder engagement. In the questionnaire, stakeholders have to rate the importance of the 22 issues to them and the Group's environmental and social issues (positive and negative). CCA conducted a materiality assessment to identify the 12 most crucial issues according to the results of the questionnaire. The Group's material issues are indicated in red in the materiality matrix below.



Importance to the Group's development

22 issues in descending order of importance:

Number	Issue Name	Issue Categories
6	Employment management system	\checkmark
16	Protection of customer information and privacy	\checkmark
8	A safe and healthy working environment	\checkmark
7	Employer-employee relations	\checkmark
20	Prevention of bribery, extortion, fraud and money laundering	\checkmark
17	Product responsibility	\checkmark
9	Training and development	\checkmark
1	Use of resources	\checkmark
5	Emissions	\checkmark
19	Protection of intellectual property	\checkmark
18	Fair and responsible marketing communication and information	\checkmark
10	Elimination of discrimination, employee diversification and equal opportunities	\checkmark
12	Prevention of child labour or forced labour	0
15	Assess and manage the negative impact on social issues through the supply chain (including employment, labour practices and operating practices)	0
4	Emission of greenhouse gases or other significant gas emissions	0

11	Respect for the rights of association and collective bargaining	0	
2	Energy use	0	
14	Assess and manage the negative impact on the environment through the supply chain (e.g. environmental pollution due to mishandling waste generated in the production)	\odot	
13	Fair and reasonable treatment for all business partners (e.g. suppliers, contractors, subcontractors and vendors)	0	
21	Understand the need of the community and manage the impact of operation on the community	0	
3	Protection of the ecosystem and biodiversity	0	
22	Money or time spent on volunteer or charity activities	\odot	

✓ Material issues ⊙ Non-material issues

The Report focuses on the 12 most essential material issues and report the Group's performance on each aspect. Suggestions raised by stakeholders in the focus group are also included in the relevant sections of the Report.

Continuous improvement

Apart from conducting regular stakeholder engagement activities, the Group plans to formulate a long-term stakeholder engagement plan to communicate with stakeholders constantly with regard to the Group's environmental and social efforts and results and to regularly collect feedback on the Group's sustainability based on the content of the Report. At the same time, the Group will consider enhancing stakeholders' understanding of the Group's effort in promoting sustainability through workshops and discuss with them the challenges the Group encounters and the roles of all stakeholders. To ensure the effectiveness of stakeholder engagement, the Group dedicates itself to establishing communication mechanisms for transparency, integrity and accuracy and providing timely response.

CHAIRMAN'S STATEMENT

Around the world, the impact of sustainability issues on business operations is increasingly visible. Taking environmental and social consideration in making business decision helps companies fulfill their social responsibility more effectively and prepare for changes in the future. For instance, Hong Kong is facing the pressing problem of municipal solid waste but there has yet to be a centralised solution for handling food waste. For Fulum Group, this poses both opportunities and challenges to pay more attention to waste management and disposal. In its business operation, Fulum Group adheres to the spirit of "The Rationale of Three Excellence – Excellent Environment, Excellent Supply, Excellent Service" and dedicates itself to fulfilling the needs of society. Based on this foundation, Fulum Group focused its sustainability efforts of this year on employee health and safety, development and training, supply chain management and anti-corruption.

Employees are at the core of the operation in any catering businesses. Fulum Group pays attention to taking care of employees' physical and mental health and protecting them from occupational hazards. The catering industry faces the challenges of long working hours and high labour intensity. As a responsible employer, Fulum Group has proactively sought to improve work arrangements and the environment and increase protection for employees' health and safety.

Fulum Group emphasises employee training in multiple aspects to provide opportunities of self enhancement and potential development. By organising different types of training, it not only improves employees' professional skills but also raises the overall level of service of the team, deepen employees' commitment to work and sense of belong to Fulum Group.

Apart from managing its internal sustainability risks, Fulum Group is also aware of the potential risks its operation has on the community and environment involved in the supply chain. To effectively control these risks, Fulum Group plans to improve the selection of suppliers step by step and include environmental and social terms in the requirements for suppliers.

Fair competition is the basis of progress in society. Fulum Group values integrity and prohibits any form of corruption, fraud or misconduct. To help employees stay vigilant against the risks of corruption, Fulum Group has established the relevant anti-corruption system to formulate a mechanism for handling incidents of corruption and continuously strengthen employee education.

The goal of Fulum Group has always been the pursuit of excellence. To reach this goal in today's social environment, the ideals of sustainability must be integrated into the Group's business decision. Looking forward, Fulum Group will try its best to improve its social and environmental performance by joining hands with employees and business partners to meet the needs and expectations of stakeholders.

Fulum Group Holdings Limited Mr. Yeung Wai Chairman, Executive Director and Chief Executive Officer

CARE FOR EMPLOYEES

Employment

The Group believes that hiring, encouraging and retaining qualified employees are of utmost importance to the operation of the Group. By establishing a standardised human resources management procedure, the Group ensures that employee management and the handling of employment contract complies with the Group's goal and the requirements of the labour legislation of Hong Kong. The "Human Resources Department Management System" stipulates the Group's employment management system, which covers the management of aspects including new employees, employees' code of conduct, attendance, employee workplace violations and resignation.

The Group strives to provide employees with a working environment where they can demonstrate their capability, improve their personal qualities and gain all round development and offers them a competitive remuneration, including basic salary, allowance, insurance and commission or bonus. During the Reporting Period, the Group also increased the shops discounts for employees.

In its daily operations, the Group understands the importance of promoting equal treatment and mutual respect among employees. The Group focuses on the capability and working experience of employees in recruitment and promotion and treats all employees equally without discrimination on the basis of factors such as gender, marital status, physical disabilities and race. At the same time, the Group is under legal and moral obligations to provide a working environment free from sexual harassment. Sexual harassment is rendered unlawful under the *Sex Discrimination Ordinance*. Employees who suffer harassment can lodge a complaint to their superior. Depending on the whether the person who lodged the complaint choose to initiate an investigation, complaints related to sexual harassment can be 'formal' or 'informal'. The Group ensures that all content of complaints is confidential and that the relevant information will only be disclosed when necessary.

To encourage and promote communication among employees, the Group provides various channels for them to exchange opinion and information. For example, regular meetings are organised where employees of different ranks had the opportunity to discuss their work and company goals. The Group also encourages employees to organise regular social gatherings to enhance their sense of belonging to the company. The Group's turnover rate during the Reporting Period is shown below. The Group will further explore how to reduce employee turnover.

The table below presents the turnover rate among Hong Kong employees of the Group by their functional units as of 31 March 2018:

	Office	Central Kitchen	Restaurants	Total
Average monthly turnover rate	2.55%	6.07%	6.63%	6.45%

During the Reporting Period, the Group complied with the relevant laws and regulations, such as the *Employment Ordinance*, the *Employees' Compensation Ordinance*, various discrimination ordinances and the *Personal Data (Privacy) Ordinance*. The Group did not identify any cases of non-compliance with laws or regulations in relation to employment.

Health and Safety

The Group strives to provide a safe working environment for its employees, enhancing employee awareness and reducing the potential risks in the working environment through different guidelines and measures. The Group formulated the "Risk and Safety Handbook" and established the Safety Policy Committee to formulate and implement safety procedures and guidelines to ensure that the employees understand and abide by all safety work regulations and are capable of handling emergencies.

To prevent work-related injury, the Group has also established the "Working Safety Rules for Occupational Safety and Health" to identify the potential hazards in the operation. Apart from regulating the relevant work flow and requiring employees to correctly wear appropriate protective equipment, the Group also formulated the "Gas Stove Safety Guidelines" and "Fire Safety Guidelines" to instruct kitchen staff on how to correctly use gas stoves, precautions of deep frying and the correct response to fire accidents.

During the Reporting Period, there had been 45 cases of work-related injury in the Group. To reduce work-related injuries, the Group made detailed records of and investigated incidents, and enhanced occupational safety training to improve employees' safety awareness and continued to implement the "5S" approach to improve the workplace arrangement and remove sources of potential hazards.

During the Reporting Period, the Group complied with the relevant laws and regulations, such as the *Occupational Safety and Health Ordinance* and the *Factories and Industrial Undertakings Ordinance*. There had been no cases of work-related fatalities, nor cases of non-compliance with laws and regulations in relation to health and safety within the Group.

Labour Standards

The Group has always complied with laws and regulations relevant to employment, such as the *Employment Ordinance*, the *Employees' Compensation Ordinance*, various discrimination ordinances and the *Personal Data (Privacy) Ordinance*, while paying attention to the basic human rights and related rights of employees by prohibiting the use of child labour and forced labour and banning any actions that fuel child labour. Despite that the Group did not invest resources to formulate the relevant policies during the Reporting Period, it had implemented various measures to prevent child labour and forced labour in the daily operation. In the process of recruitment, the Group will verify the age of applicants, check the original copies of their identity documents and make detailed record. The Group will only enforce the requirements of a standard employment contract without using or promoting the use of forced labour. The Group will not

require employees to pay deposits or surrender their identity documents when they join the company. Likewise, it will not force employees to work continuously by refusing payment of wages or welfare and confiscation of property or other documents. Employees have the right to leave the workplace after the working hours and terminate the employment contract upon providing a reasonable notice period.

During the Reporting Period, the Group did not identify any cases of non-compliance with relevant laws and regulations in relation to child labour or forced labour. Looking ahead, the Group will improve the relevant policies and management.

Development and Training

The Group believes that, nurturing and retaining talents is at the core of ensuring the development of business and strengthening corporate competitiveness. To improve the talent nurturing and professional training approach of the Group, trainings on professional knowledge and skills, occupational safety and health education as well as other comprehensive enhancement activities are provided to employees through the "Talent Training Program". During the Reporting Period, the Group formulated the "Organisational Policy on Improving Employees' Knowledge and Skills in Fulfilling their Work Obligations" to provide employees with comprehensive training courses and continuous professional training in order to improve the quality of service and to satisfy market demand while nurturing talents and giving employees the opportunities of career development.

Training Management

To support new employees, the Group also appointed experienced employees to be Orientation Ambassadors to help new employees to settle in the new team and working environment as peers. Through the "Orientation Ambassador Program Training Course", the Human Resources Department will organise inspirational thinking training and positive energy thinking promotion for Orientation Ambassadors to share communication and training skills and discuss with them the reason of new hire turnover so that they can help new employees from different perspectives to participate in work. Orientation Ambassadors took new employees around to familiarise themselves with the Group, including departmental work flow and various service standards. Interviews and a closing session was conducted later on to evaluate the performance of the new employees on various aspects.

Employee Promotion

Apart from daily training courses, the Group also values the long-term development of employees and has established a standardised internal promotion scheme to provide clear promotion guidelines for employees. At the same time, the Group also hopes to support employee career development with systematic training plans to improve their personal value and talent pool building. Specific measures include internal chef training, providing training for kitchen staff in restaurants so that they can master the knowledge and skills required of the chef, and seeking potential managerial candidates through special training and career guidance. The following suggestions were raised by stakeholders in the focus group with regard to development and training. In the future, the Group will consider these suggestions when improving its development and training plans and continue to communicate with stakeholders.

Training and development issues that stakeholders are concerned about	Stakeholder suggestions		
Safety education training for restaurant employees Sports classes for office employees	 Continuously implement the "5S" approach and enhance restaurant employee training in knowledge related to occupational health and safety and food safety; Include the relevant content (e.g. occupational health and safety and food safety) in regular training (such as regular meetings); Training in food safety mainly targets seasonal needs. For example, training in April should focus on the optimal temperature in processing food and ways to reduce the risks of food contamination; Conduct regular occupational safety examination for employees; and Provide stretching classes for office employees. 		

OPERATIONAL PRACTICES

Anti-corruption

The Group has zero tolerance for any form of corruption, including bribery, extortion, fraud and money laundering. The Group's "Human Resources Department Management System" stipulates the employee code of conduct, which prohibits employees from committing any criminal activities in the name of the Group or by abuse of authority, or offering and accepting of bribes in secret with money or resources of the Group. Apart from compensation, the employee in violation of the rule may face penalty or termination of contract. Serious cases will be resolved by legal means.

At the same time, the Group established the "Anti-Fraud and Reporting Management System" and regulate the behaviour of all directors and employees through different anti-fraud measures and require them to abide by relevant laws, industry regulations and standards, professional conduct and the Group's regulations and systems to establish a culture of integrity in the Group. The Group established a fraudulent practices prevention and control procedure, including risk assessment and control procedure against fraudulent practices. The Group adopted various means to promote anti-fraud policies and the relevant measures and conducted legal, regulatory and ethics training for employees to promote a corporate culture of integrity and compliance to help them correctly handle conflict of interest at work and resist the temptation of improper advantage.

The Group has also formulated the "Whistleblowing Policy" for internal staff and established the channel for reporting and exposing actual or suspected fraudulent practices, including a whistleblowing telephone number, a whistleblowing mailbox and an email address for external parties (including suppliers and customers) to reflect and report non-compliance with laws or regulations on the part of the Group's employees at work or in the operations. The Group protects whistleblowers by prohibiting any form of discrimination or retaliation or hindrance, interference or antagonism against employees participating in the investigation.

During the Reporting Period, the Group complied with the relevant laws and regulations, such as the *Prevention of Bribery Ordinance* and the *Organized and Serious Crimes Ordinance*. There were no legal cases or cases on non-compliance with laws and regulations regarding corrupt practices brought against the Group or its employees.

Product Responsibility

Quality Management

The Group focuses on offering customers the service experience of "True Passion and True Taste" and has been implementing strict quality standard. To maintain the quality of its products and services, the Group has implemented the "5S" approach in management and established the "5S Management Manual" to instruct employees.

Following the concepts of the "5S" approach, the Group focuses on five elements: safety, hygiene,

quality, efficiency and image as its targets and adopts the standards of "5S" approach. The Internal Control Committee formulated a "5S" catering standard applicable to the Group. The Group invested resources to arrange the relevant training, such as by printing brochures and teaching employees the professional knowledge related to the "5S" approach in the regular meeting at restaurants to enhance employees' understanding of the "5S" approach.

Concepts of "5S"	Management approach
Structurise	 Sorting and managing through all items in a location hierarchically and removing all unnecessary items from the location.
Systematise	 Systematise is the study of improving efficiency. Decide the 'name' and 'home' of items with the aim of getting and returning items in the shortest time.
Sanitise	 Sanitise is a job shared by all members of the organisation including the team leader and junior staff. Everyone should clean up and should be assigned an area to clean, tidy up and check.
Standardise	 The focus of 'Standardise' is to maintain transparency, visual management and an elegant environment, including the use of creativity and the "comprehensive visual management approach" to realise and maintain regulated conditions to improve efficiency of work.
Self-discipline	 Create a workplace with good habits by following the above steps consistently with self-discipline to help employees build the habits of formulating and abiding by regulations.

A major focus of the Group's quality control in the operation of catering business is to ensure food hygiene and safety. The Group followed the "Food Hygiene Code" published by the Food and Environmental Hygiene Department to formulate the "Fulum Group Food Hygiene Code" to stipulate the requirements in terms of cleaning, sanitation and maintenance of the environment, equipment and tools and requirements for food handling and employees' health and hygiene at food premises. Besides, the "Fulum Group Business Department Management System" also complements on the Business Department's work guidelines for restaurants and the Production Department's work guidelines for restaurants on product quality management, procurement management and environmental hygiene management to control product and service quality with different approaches.

The Group pays attention to inspections and assessments in daily operations. The Internal Audit Department (Operation) follows the "Internal Audit Department (Operation) Management System" and the "5S" approach standard requirements to arrange monthly on-site "5S" inspection and the relevant assessment at restaurants.

With regard to the operation of the central kitchen and the logistics centre, the Group adopted a standardised procurement model to control the quality of food. To regulate the management procedure, the Group has formulated the "Chung Ling Logistics Management System" with

detailed procedural specifications on inventory management, logistics and distribution management, production management and hygiene management. The central kitchen and the logistics centre have obtained international standard certifications such as ISO 22000 and HACCP and applied them in their daily applications. At the same time, the Group established a quality inspection group of which members are responsible for implementing quality supervision policies and requirements of the procedures. Equipped with the knowledge and skills required for conducting ingredient quality checks, the group members regularly sample tests on different types of food at the laboratory of the central kitchen and the logistics centre.

Protection of customer data and intellectual property

Protecting the safety of customer data is a key in the Group's maintenance of good corporate governance and establishing lasting relationships of mutual trust with customers. The Group undertakes to comply with the relevant laws in Hong Kong in its collection, usage, storage, disclosure, transfer, protection and access of personal data, such as the *Personal Data (Privacy) Ordinance* and to protect customers' personal data with various safety technology and procedures to prevent unauthorised access, usage and disclosure. The Group has announced its "Privacy Policy and Statement" in the official website www.fulum.com.hk/sportfulgardenrestaurant/私隱政策及 聲明.

To specify employees' duties, the Group also stipulates the "Confidentiality Agreement" in the employment contract to require the employee to protect the customer data of the Group. The "Confidentiality Agreement" prohibits employees from directly/indirectly accessing, using or disclosing information related to the employer's business or restaurants, including but not limited to operational statistics and supplier and customer information to anyone (including unauthorised third parties, employees of the same or lower grade and friends and families), agencies or companies. At the same time, the Group undertakes that its business does not involve any infringement of intellectual property rights and that it will strive to protect the intellectual property rights of its partners. Therefore, the "Confidentiality Agreement" also requires employees to protect information such as the Group's recipes and the knowledge and technology of any partners.

Customer feedback and handling

The Group pays attention to the level of satisfaction of customers and their feedback. The Group established various channels to collect customer feedback, including providing a restaurant hotline, setting suggestion boxes in conspicuous locations in restaurants and communicating with customers regularly through the Group's website and social media. The Group consolidated and comprehensively analysed the customers' feedback and produced a monthly summary of complaints to be discussed in summary meetings to seek continuous improvement in order to satisfy customer demand. During the Reporting Period, the Group received a total of 1,181 complaints, most of which involve service, product and hygiene, and had followed up all cases with customers. At the same time, the Group had conducted an internal evaluation and enhanced employee training continuously.

Advertising and labelling

With reference to the management of advertising and labelling, despite that the Group did not invest resources to formulate the relevant policies during the Reporting Period, it signed agreements with advertising partners it worked with in its daily operations to promise that the Group's advertising content complies with the law without infringing intellectual property rights and does not contain elements of defamation, slander or violation of third parties' privacy. Looking ahead, the Group will draft a policy related to advertising and labelling management to improve the relevant management.

During the Reporting Period, the Group complied with the relevant laws and regulations, such as the *Copyright Ordinance*, the *Trade Marks Ordinance* and the *Patents Ordinance*.

Compliance with product responsibility

Seven restaurants under the Group were involved in eight cases of violation against the *Trade Descriptions Ordinance* (the "**Ordinance**") in Hong Kong between July 2016 and March 2017. A takeaway dish named "grouper fillet with sweet corn sauce" was sold in the restaurants concerned. Upon investigations by the Hong Kong Customs and Excise Department, the goods concerned did not contain grouper. According to the judgment of the Court, the cases were equivalent to supply of goods with a false trade description in the course of trade or business and in breach of section 7(1)(a)(ii) of the Ordinance. The Group followed section 30L of the Ordinance to give an undertaking not to continue or repeat the conduct concerned and not to engage in conduct of that kind, or any conduct of a substantially similar kind, in the course of any trade or business. To avoid similar incidents from happening again, the Group has formulated a compliance action plan:

Training		 Provide training to the relevant shops employees twice a year to make sure they understand the requirements of the Ordinance and comply with the regulations about trade descriptions.
		the regulations about trade descriptions.
Assign	an	Assign employees who are familiar with the Ordinance to:
inspector		• Check all trade descriptions published or to be published by the Group;
		 Conduct regular internal evaluations; and
		• Consult legal advice when necessary to ensure trade descriptions of goods
		comply with the law.

The Group will continue to follow up the progress of the implementation of the compliance action plan. In suitable situations, improvements will be disclosed in future *Environmental, Social and Governance Reports*.

With regard to product responsibility, the following suggestions were raised by the stakeholders in the focus group. The Group will consider these suggestions when improving its product responsibility management and continue to communicate with stakeholders.

Product responsibility issues that stakeholders are concerned about	Stakeholder suggestions
Food safety	 Invite frontline employees (such as shop manager) to participate in the regular meeting of the Food Safety Committee. Despite that it will increase the workload of employees, it could encourage them to participate more in company affairs and enhance their sense of belonging.

Supply Chain Management

The Group hopes to maintain a long-term and stable partnership with its suppliers. Therefore, an effective supply chain management is crucial. In its daily operations, the Group mainly procures ingredients, including seafood, meat, vegetables, rice and noodles, beverages, condiments, etc. In its supply chain management, the Group established the "Chung Ling Logistics Management System" to carry out centralised procurement by the logistics centre to effectively control the costs and quality of food. As for the introduction of new suppliers, the procurement department will assess its relevant information, including (if applicable) provide documents related to the hygiene of products, safety certificates and import licenses. As for existing suppliers, the Procurement Department will conduct a regular performance assessment annually. The Group only procures from qualified suppliers.

While the Group currently focuses on suppliers' social performance on product quality and safety and has not invested resources in adding a management approach related to the environmental and social risks of suppliers in the relevant policy, in the future it will gradually draw on stakeholders' opinion to formulate a management approach. With regard to supply chain management, the following suggestions were raised by the stakeholders in the focus group. The Group will also consider these suggestions when improving its supply chain management in the future and communicate with stakeholders continuously.

Supply chain management issues that stakeholders are concerned about	Stakeholder suggestions
Supply chain risk management	 Formulate a supplier reporting and compensation mechanism: require the suppliers to report to the Group when safety risks of products are identified or when incidents happen; if supply of goods is affected due to risk or incidents, suppliers may be liable for compensation (this suggestion specifically targets the supply of food with higher safety risks, such as poultry suppliers. Although additional terms in suppliers' contract may increase costs, it can ensure food safety and protect the interests of the Group and its customers); Stipulate the above requirements in the suppliers' contract; and Establish a risk management mechanism: in case one supplier is involved in food safety issues or incidents, immediately switch to alternative sources to prevent supply of goods from being affected.

COMMUNITY INVESTMENT

As a socially responsible organisation, the Group dedicates itself to giving back to society and creating long-term value for its customers and society. During the Reporting Period, the Group formulated the "Community Investment Policy". Adhering to the community investment goal of "Creating, Delivering and Promoting Positive Energy", the Group gave back to society through its "Positive Energy Team".

The Group's community investment initiatives mainly include sponsorships and donations. By using its skills and resources on different projects, plans and initiatives, the Group hopes to bring short-term and long-term positive impacts. The Group complies with the principles below in its community investment:

- Support projects or plans that meet the needs and expectations of the community and conform to the local culture, tradition and values;
- Support projects or plans with a systematic management model with clear goals and expected outcomes;
- Build long-term partnership with reputable international, national, regional and local community organisations, environmental organisations and charitable organisations;
- Support projects or plans that involve employees;
- Regularly invest resources in and assess the effectiveness and impact of the projects it supports; and;
- Avoid conflict of interest to maintain impartiality.

During the Reporting Period, the Group organised and participated in different forms of charitable activities, including:

- Donations to the Senior Citizen Home Safety Association with purchase of rice dumplings;
- Participation in the flag selling day organised by the Senior Citizen Home Safety Association;
- Organisation of Mid-Autumn visits, including Mid-Autumn Salvation Army home visits and the Hong Kong Society for Rehabilitation teahouse activity;
- Organisation of Yan Oi Tong Tin Ka Ping Neighborhood Elderly Centre Lunar New Year visits;
- Participated in the Salvation Army cleanup activity;
- Sponsored the Yan Oi Tong Hong Kong Toi Shan Association Neighbourhood Elderly Centre Chinese New Year Reunion Dinner; and
- Donated mooncakes and Chinese New Year pudding to members of the community in need.

During the Reporting Period, the Group donated HK\$825,000 in total. Looking ahead, the Group will continue to understand the need of the community where it operates and regularly evaluate the goal and direction of its community investment.

PROTECTING THE ENVIRONMENT

Emissions

The Group proactively responds to the global approach in the development of a low-carbon economy. While improving its operational efficiency, the Group also strives to reduce the environmental impact of its operation to promote the sustainability of business.

Air emissions

The air emissions of the Group mainly come from the vehicles of the logistics fleet.

Air pollutants	Emissions (kg)
Nitrogen oxides	904.4
Sulphur oxide	1.1
Suspended particles	53.0

The Group complies with the requirements regarding emissions of oily fume in the *Air Pollution Control Ordinance*. Control measures at the exhaust outlets include installation of purifying facilities and venting equipment, to minimise air emissions pollution in the communities in the surrounding.

Greenhouse gas (GHG) emissions

During the Reporting Period, the Group appointed CCA to conduct carbon assessment to quantify the GHG emissions (also referred to as "carbon emissions") produced in its operations. The process of quantification follows the guidelines² published by the Electrical and Mechanical Services Department and the Environmental Protection Department and references international standards like ISO14064-1 and the GHG Protocol Corporate Accounting and Reporting Standard.

GHG emissions				
Scope	Emissions (tonnes of carbon dioxide (CO2) equivalent)			
Scope 1- Direct GHG emissions				
Fossil fuel combustion – stationary source	13,539			
Fossil fuel combustion – mobile source	190			
GHG emitted by equipment and the system during operation -	947			
refrigerants				
Scope 2 - Energy indirect GHG emissions				
Electricity purchased from power companies	47,976			
Total GHG emissions (Scope 1 and 2)	62,652			
Scope 3 - Other indirect GHG emissions				
Methane produced by waste paper in landfills in Hong Kong	282			
GHG emissions from electricity consumption in freshwater	770			
treatment by the Water Supplies Department				

² Guidelines to Account for and Report on Greenhouse Gas Emissions and Removals for Buildings in Hong Kong

GHG emissions from electricity consumption in wastewater	270
treatment by the Drainage Services Department	
Gas purchased from The Hong Kong and China Gas Company	3,139
Limited	
Total GHG emissions (Scope 1, 2 and 3)	67,113

The carbon emissions of the Group mainly came from the indirect GHG emissions produced by purchased energy in Scope 2 (approximately 73% of total emissions), followed by stationary sources of fossil fuel combustion in Scope 1 (approximately 20%). Compared to the year ended 31 March 2017 (the "**Previous Reporting Period**"), the Group improved its internal data collection system. Therefore, data collected in the Reporting Period will serve as a baseline for comparison with future data to help formulate carbon emissions targets in the future. The Group will continue to assess, record and disclose its GHG emissions on a yearly basis.

Besides, the Group understands that the refrigeration and air-conditioning equipment of the central kitchen involves fugitive emissions. Currently it uses refrigerants with a smaller environmental impact, such as R407c and R404a. The Group will consistently monitor fugitive emissions related to refrigerants in the future and continue to choose refrigerants with a smaller environmental impact.

Waste management

The Group emphasises proper disposal of waste and enhancement of employee environmental awareness. Wastes produced by the Group mainly include waste oil, general waste, recyclable and food waste. The Group hired a third-party company for centralised collection and disposal. The main recycler monitoring measure currently in place involves qualification review, such as requiring recyclers to provide valid proof of qualifications. With regard to waste cooking oils produced on a daily basis, the Group established the "Waste Cooking Oils Regulation Procedure" and implemented the "Restaurant Waste Cooking Oils Recycling" Scheme to partner with qualified waste cooking oils recyclers to handle waste cooking oils.

During the Reporting Period, the Group did not generate any hazardous waste. With regard to non-hazardous waste, approximately 57.2 tonnes of waste cooking oils were produced and were all resold to recyclers. As for other non-hazardous waste like food waste and domestic waste, the Group did not invest resources in building a data collection system. In the future the procedure for collection and calculation will be established step by step.

Wastewater discharge

To prevent wastewater discharges and spills, the Group's restaurants and central kitchen located in Hong Kong have obtained licences under the *Water Pollution Control Ordinance* issued by the Environmental Protection Department of the Hong Kong government and complied with the ordinance.

During the Reporting Period, the Group complied with the relevant laws and regulations, such as the *Air Pollution Control Ordinance*, the *Water Pollution Control Ordinance* and the *Waste Disposal Ordinance*. The Group did not identify any cases of non-compliance with laws or regulations in relation to emissions.

The Group established a policy approach mainly for the disposal of waste cooking oils and did not invest resources in formulating the relevant policies covering the various aspects of emissions during the Reporting Period. Looking forward, the Group will improve the relevant policy and management.

Use of Resources

The main resources used by the Group include consumption of gas in the central kitchen, the logistics centre and restaurants, electricity, water and plastic bags and boxes for takeaway packaging. The Group has always adhered to the principles of reducing resources consumption and enhancing resource use efficiency. To reduce the use of resources in its daily operations, the Group formulated the "Consumption Reduction Management" policy approach in the "Internal Audit Department (Operation) Management System" to assess the consumption of electricity, gas and consumables of each restaurant departments against the Group's standard consumption reduction data on a monthly basis. The Internal Audit Department (Operation) will measure the reasonableness of restaurants' consumption data against the standard. When a restaurant fails to meet the standard, the Group will schedule a meeting with the shop manager to evaluate the cause, or the Internal Audit Department (Operation) will conduct an inspection at the restaurant and discuss measures for improvement on-site.

Use of resources				
Energy use	Energy consumption			
Direct energy				
Gas (GJ)	254,542			
Diesel (GJ)	2,522			
Indirect energy				
Purchased energy (KWh)	87,013			
Use of water resources	Water consumption			
Total water consumption (cubic meter)	1,912,458			
Use of materials	Consumption			
Paper (tonne)	58.7			
Packaging material (tonne)	17.5			

Compared to the Previous Reporting Period, the Group improved its internal data collection system during the Reporting Period. Therefore, data collected in the Reporting Period will serve as a baseline. The Group will continue to assess, record and disclose the relevant data on a yearly basis.

The Environment and Natural Resources

The Group complied with laws and regulations in its daily operations and carried out regular monitoring to ensure that its operations comply with requirements such as the statutory emissions limit. Although the daily operations of the Group did not directly cause significant impact to the environment and natural resources, the Group understands that any kind of operation affects the surrounding environment. Through management systems and policies related to the "55" approach, the Group adopts the execution strategies of "Participation by All, Visual Management, Continuous Improvement, Exchange and Sharing" to achieve its long-term environmental goals.

Selected restaurants of the Group have been a signatory to the "Charter on External Lighting" launched by the Environment Bureau since the Previous Reporting Period to shorten the operating hours of external lighting installations or external lighting of signs. Apart from reducing energy consumption and saving on electricity, the Group also hopes to reduce light nuisance caused to residents in the communities nearby.

During the Reporting Period, the Group had yet to invest resources on formulating policies regarding the reduction of significant impact on the environment and natural resources. Looking ahead, the Group will improve the relevant policy and management. At the same time, as the sustainability awareness of different stakeholders improves, the Group will take into consideration of environmental protection and impact on the natural environment with regard to product life cycle and supply chain management, such as energy saving in cooking, support for sustainable fishing and green procurement. Currently, apart from participating in the "Green Purchasewise Performance Scheme" launched by the Hong Kong Federation of Restaurants & Related Trades (the "**HKFORT**"), the Group also supports the "Hong Kong Green Purchasing Guidelines for Food and Beverage Sector" formulated by the HKFORT and the Green Council.

With regard to environmental management, the following suggestions were raised by the stakeholders in the focus group. The Group will consider these suggestions when improving its environmental management and continue to communicate with stakeholders.

Environmental protection issues that stakeholders are concerned about	Stakeholder suggestions
Disposal and utilisation of food waste	 Explore ways to improve the collection, storage and handling of food waste; and Explore ways to utilise food waste, such as donating food waste from restaurants to be used as animal feed (such as for fish and pigs) and donating redundant food in good condition to charitable organisations like Food Angel. While it may require extra expenditure or manpower, it could utilise resources to help the groups in need.

Waste disposal	 Improve the arrangement of waste storage: centralise waste storage within the limited space in restaurants to
	maintain tidiness and cleanliness of the working environment;
	 Explore the feasibility of waste sorting in restaurants: such as by dividing waste into food and non-food, separating food suitable for donation from food waste and disposing of the rest. Apart from utilisation of resources, this may help the Group better control the cost of waste disposal in response to the Waste Charging Scheme to be implemented by the government; and Pay close attention to the policy development of the government in relation to waste charging and waste disposal.
Product category: sustainable seafood	 Understand sustainable seafood: such as referring to the Seafood Guide of World Wide Fund to identify endangered seafood species; and
	• Explore the feasibility of serving sustainable seafood: while the Group has yet to see a clear demand for sustainable seafood from customers, it may consider designing a green menu with sustainable seafood to give customers an extra option while establishing an environmentally conscious and sustainable corporate image. Regular promotion can be offered for the menu to attract customers.
Saving paper in office	• Continue to implement electronic data storage at office to minimise paper consumption.

KEY PERFORMANCE INDICATORS

Environmental Performance

Air emissions	Category	Emission (kg)
	Nitrogen oxides	904.4
	Sulphur oxides	1.1
	Particulates	53.0

	Scope	Emission (tonnes of CO2 equivalent)
	Scope 1- Direct GHG emissions	14,676
	Scope 2 - Energy indirect GHG	47,976
	emissions	
Greenhouse gas	Scope 3 - Other indirect GHG	4,461
	emissions	
	Total GHG emissions	67,113
	GHG intensity (in terms of	24.2 tonnes of CO2 equivalent/million
	turnover)	HKD

	Category	Production (tonne)	Intensity (in terms of turnover)
Waste	Hazardous waste	Not applicable	Not applicable
waste	Non- hazardous waste	57.2	0.02 tonne/million HKD

	Category	Consumption
Energy consumption	Direct energy (GJ)	257,064
	Indirect energy (MWh)	87,013
	Energy intensity (in terms of	0.21GJ/HKD1,000
	turnover)	
	Total water consumption (cubic	1,912,458
Water	meter)	
consumption	Water intensity (in terms of turnover)	0.7 cubic meter/HKD1,000
Total	Total packaging material used (tonne)	17.5
packaging	Packaging material intensity (in terms	0.006 tonne/million HKD
material used for	of turnover)	
finished		
products		

Social Performance

	Number of employees ³									
Gender	Rank/age	Below 30	30–40	41-50	Above 50	Total	Total workforce			
Male	Top management	0	1	1	5					
n N	Senior management	0	11	10	9	1,611				
	Middle management	66	83	95	132					
	General staff	293	208	225	472		4 4 7 5			
Female	Top management	0	0	0	0		4,175			
	Senior management	0	0	2	2	2,564				
	Middle management	19	50	139	152					
	General staff	145	233	699	1,123					

Number of new employees

Gender	Rank/age	Below 30	30–40	41-50	Above 50	Total	Average monthly ratio of new hires
Male	Top management	0	0	0	0		
	Senior management	0	0	0	0	1,818	
	Middle management	48	90	85	111		
	General staff	558	261	274	391		7.2%
Female	Top management	0	0	0	0		7.270
	Senior management	0	0	0	0	1,926	
	Middle management	21	42	82	41		
	General staff	273	243	621	603		

³ Only employees working in Hong Kong are included in the number of employees in the report. The total workforce of the Group was 4,530, of which 355 worked in mainland China. They are not included in the number of employees disclosed in the report.

	Employee turnover ⁴								
Gender	Rank/age	Below 30	30–40	41-50	Above 50	Total	Average monthly turnover rate		
Male	Top management	0	0	0	1				
	Senior management	0	0	0	1	1,602			
	Middle management	43	89	79	85				
	General staff	498	220	226	360				
Female	Top management	0	0	0	0		6.45%		
	Senior management	0	0	0	0	1,743			
	Middle management	10	31	61	52				
	General staff	235	206	542	606				

Health and safety

Gender	Number of work- related injury	Rate of work- related injury (per 1,000 employe es)	Number of lost workdays due to work- related injury	Number of workdays	Lost day rate due to work- related injury	Number and rate of fatalities as a result of work- related injury
Male	19		1,316	502,632	0.20%	0.0%
Female	26	10.7	2,624	799,968	0.30%	0.0%

Training

i annig								
Training	Gender	General	Senior	Middle	General	Total		
nannig	/rank	manager	management	management	staff	Total		
Number of	Male	0	0	347	1,030			
employees who received training	Female	0	0	337	2,055	3,769		

⁴ Due to the nature of the catering industry, some employees of the Group joined and left multiple times during the Reporting Period, which was reflected in the turnover rate.

Total hours	Male	0	0	520	1,545	E 652
of training	Female	0	0	505	3,082	5,652
Ratio of						
employees						
who	90%					
received						
training						
Average						
hours of						
training			1	.4		
received by			T.	.4		
each						
employee						

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