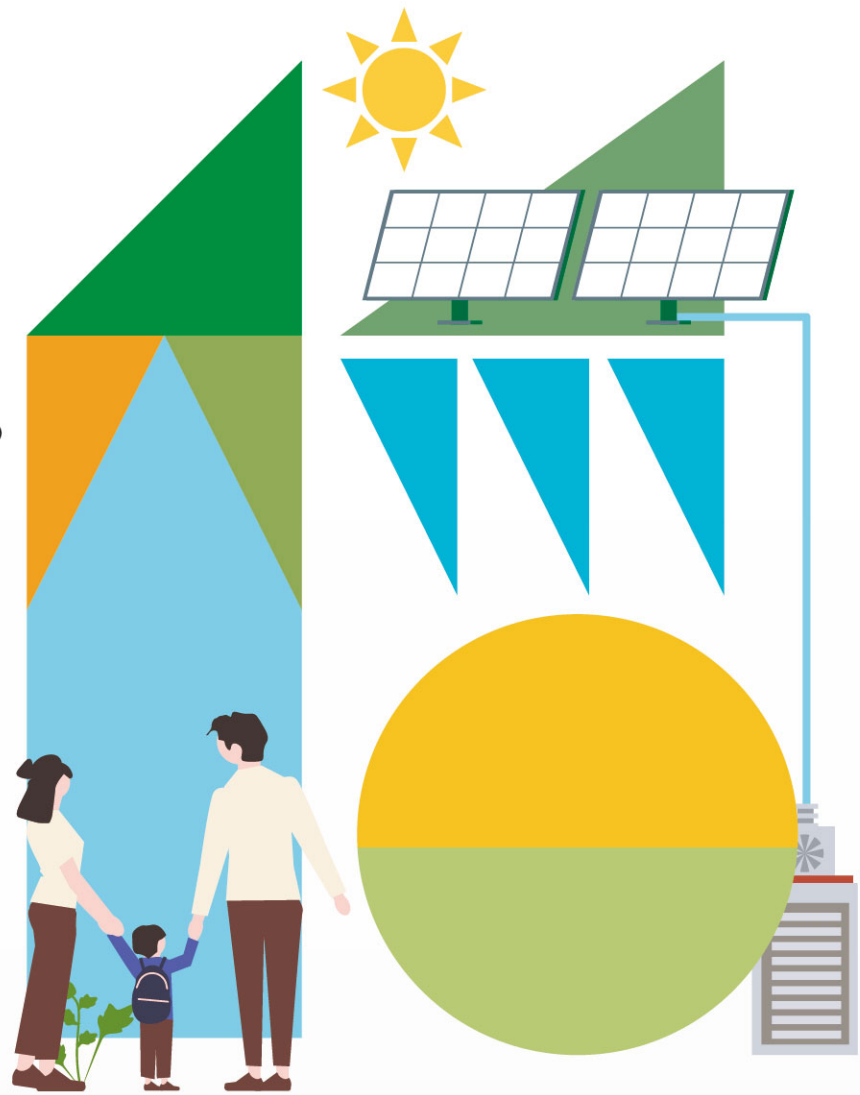




# 稻香集團

Tao Heung Holdings Limited  
稻香控股有限公司\*

(Incorporated in the Cayman Islands with limited liability)  
Stock code: 573



# 2022

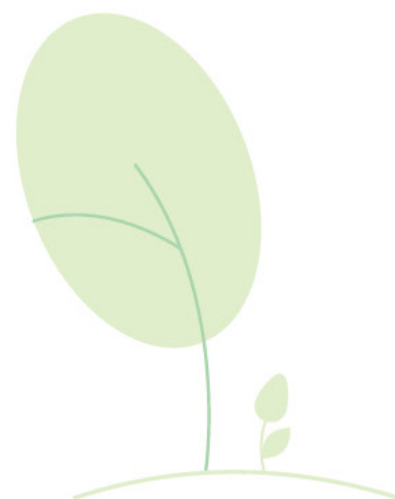
## Environmental, Social and Governance Report



\* For identification purpose only

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# About this report

The board of directors (the “Board”) of Tao Heung Holdings Limited (the “Company”) together with its subsidiaries, (collectively “Tao Heung” or the “Group”) hereby presents the Environmental, Social and Governance Report (“ESG Report”) for the year ended 31 December 2022 for the Company. It provides an overview how the Group, as a responsible corporate citizen, strikes for the balance between economic, environmental and social sustainability aspects of our business activities, encompassing environmental protection, employment and labour practices, operating practices and community involvement.

# About this report

The Company is a leading Chinese restaurant group in Hong Kong. With a mission to become one of the most esteemed and premier Chinese restaurant groups in Hong Kong and Mainland China, the Group currently operates a network of Chinese restaurants and bakery shops in Hong Kong and Mainland China under different brands, and two centralized food processing and logistics centres (the “Logistics Centres”) located in Tai Po and Dongguan, China respectively.

This report is prepared in accordance with the Environmental, Social and Governance Reporting Guide (the “ESG Reporting Guide”) as set out in Appendix 27 of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited. This report covers the Group’s restaurant operations, bakery operations as well as manufacturing of food products in Hong Kong and Mainland China. The environmental data presented covers our restaurants, bakery shops and Logistics Centres for the period from 1 January 2022 to 31 December 2022 (the “Reporting Period”).

In preparation for the report, the Group adheres to the following reporting principles under the ESG Reporting Guide:

**Materiality** The materiality of ESG issues is identified based on the Group’s business operations and determined by the Board.

**Quantitative** The data of the Key Performance Indicators are sourced from the statistics of relevant departments. The methodologies, assumptions and/or calculation tools used for the report have been disclosed where appropriate

**Balance** The Group adheres to the principles of accuracy, objectivity and fairness. We provide an unbiased information on the environmental, social and governance performance in the report.

**Consistency** The methodologies adopted for preparation of this report are consistent with last year.

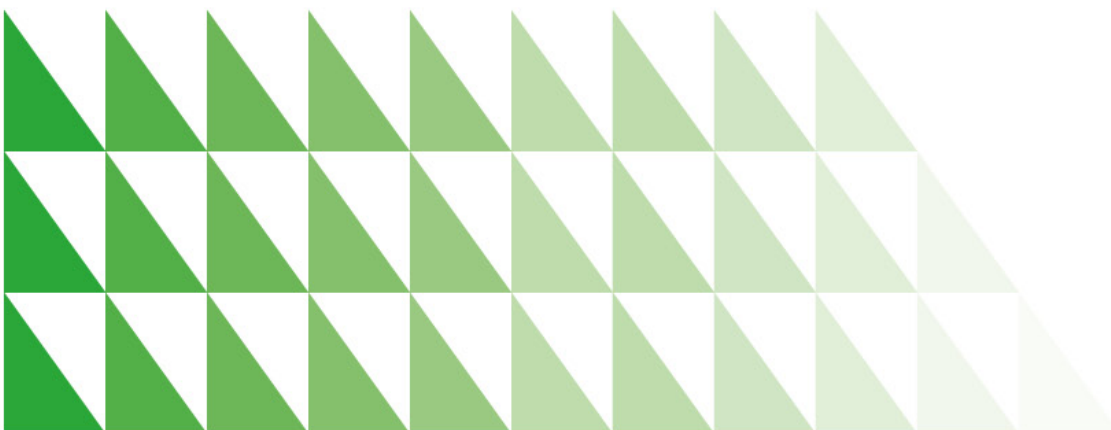




Sustainable development is the key to long-term success of an enterprise. The Group has always incorporated sustainable development in forming its corporate visions and setting its operating goals. The Group believes that the establishment of a robust governance structure and system can enhance its environmental, social and governance performance, which is essential for effective achievement of sustainable development targets.

During the year, the Group continued to appoint various department heads and senior executives as members of the “Environmental, Social and Governance Committee” (the "Committee") which is mandated with the task of establishing and strengthening the management of sustainable development tasks. In addition to ongoing supervision and monitoring duties, the Committee also holds two working meetings each year to review and assess work progress and effectiveness.

Structure	Responsibility
1. Board of directors	<ol style="list-style-type: none"> <li>1. Supervising the works of the Committee</li> <li>2. Overseeing the Group's sustainability performance</li> <li>3. Identifying and evaluate operational risks</li> </ol>
2. Committee	<ol style="list-style-type: none"> <li>1. Formulating Environmental, Social and Governance strategies and work approach</li> <li>2. Setting up sustainable environmental, social and governance goals and scope of work</li> <li>3. Reviewing and evaluating sustainability performance of each department</li> <li>4. Reporting to the Board of directors</li> </ol>
3. Departments	Implementing sustainability policies and measures



# Environmental

As an environmental-caring company taking on corporate social responsibility in minimizing business impacts on the environment, we are committed to devoting our efforts to complying with the relevant laws and regulations, and actively promoting a sustainable development environment by striving for the reduction of air pollution, exhaust emissions wastages as well as the conservation of energy and natural resources.

## A1. Emissions

### A1.1 Gas Emissions

The main gas emissions of our Group come from oil fumes and cooking odors emitted during the cooking process at restaurants and the Logistics Centres.

The Group has taken the following measures to minimize the emissions of oil fumes and cooking odors:

1. Exhaust stove systems for frying, charbroiling, roasting and similar operations that emit excessive oily fumes are equipped with stainless grease filters to block most of the oily fumes and cooking odors, improving the air in the kitchen and removing greases.
2. Introduce the use of electric stir fryers and ovens to improve energy efficiency and reduce associated emissions. Compared to gas-fired equipment (e.g. woks, steamers, goose stoves), these cooking appliances generate less heat, lower kitchen temperatures and also reduce the electricity consumed for air-conditioning.
3. To reduce the impact of emissions caused to the public and improve the air quality in the kitchen, well-ventilated areas are selected for the installation of exhaust outlets, providing a better environment for the neighboring residents and a better working conditions for kitchen employees.
4. Qualified contractors are appointed to conduct regular inspections and maintenance of kitchen appliances and ventilation systems to ensure their normal operation.
5. Developing more food items for production in our Logistics Centres in order to reduce energy consumption and cooking odors otherwise caused by a distributed production process.

In the future, the Group will continue to introduce energy-saving technologies, kitchen equipment, electrical appliances, and production equipment to reduce gas emissions.

### A1.2 Exhaust Emissions

Emissions from vehicles are one of the major sources of air pollution. Currently, the Group's logistics and distribution services are provided by outsourced transporters whose logistics vehicles are powered by fossil fuels. To lower nitrogen oxides and floating particles emitted during the combustion of these fuels which pollute the air and cause environmental damages, the Group has revised the logistics delivery process and routes in order to reduce the number of transportation trips. During the reporting period, the number of weekly food deliveries from the Mainland China Logistics Centre to our restaurants was reduced from 29 to 21, representing a decrease of 416 local trips per year. In tandem with this, the Hong Kong Logistics Centre has correspondingly re-scheduled its delivery from Mainland China logistics centre to our restaurants in Hong Kong, thereby reducing additional 936 cross-border trips per year.

The Group will continue to take effective ways to reduce exhaust emissions.



# Environmental

## A1.3 Waste Management

The restaurants and Logistics Centres of the Group would produce various kinds of non-hazardous waste, including (1) waste cooking oil, (2) food waste, (3) packaging materials like plastic cutlery and bags, and (4) sewage water, etc. during their operation. The Group has taken a series of measures to reduce such non-hazardous waste and minimize its impact on the environment.

The following measures have been implemented:

- (1) Handling and disposal of Waste cooking Oils
- Developing procedures for handling and recycling waste cooking oil ("WCO") to prevent it from polluting the environment and re-entering the food chain. For our Hong Kong restaurants and Logistics Centre, we follow the guidelines of the Environmental Protection Department to store and record WCO, and then hand it over to local qualified WCO collection merchants, which are registered in the Environmental Protection Department's waste cooking oil disposal and recycling administrative registration scheme, for collection and disposal. For our Mainland China restaurants, WCO is recycled by the vendors while WCO from Logistics Centre is handled by qualified solid waste disposal companies.

In 2022, the Group collected and recycled 49,512 liters of waste cooking oil (2021: 58,952 liters), a reduction of approximately 16% due to lower business levels.

- (2) Food waste Management
1. Optimize food purchase system at the Logistics Centres to avoid wastages due to excessive procurement.
  2. Store food and raw materials on a first-in-first-out basis, and control the time and temperature of storage appropriately to avoid food spoilage.
  3. Food waste is collected and processed by a cooperative environmental technology company every day and turned into valuable resources.
  4. Our restaurants advocates a "food wise and waste less" culture and encourage customers to take away leftovers.

- (3) Packaging materials, plastic cutlery and plastic bags
- Plastic is a material formed by organic substances with high molecular weight. It is characterized by its lightweight, plasticity, insulation, and corrosion resistance, and is widely used for cutleries, bags, and food packaging. However, plastic waste can destroy the entire marine ecosystem and pollute the environment. To contribute to environmental protection, the Group strives to reduce the use of plastic packaging and tableware.

Logistics Centres:

1. Suppliers are required to reduce unnecessary packaging and design.
2. Reduce the use of packaging materials by minimizing the frequency of small orders and switching to bulk purchasing.
3. Arrange for recyclers to collect used packaging materials in various forms.
4. Actively study the feasibility of using biodegradable plastic bags for seasonal products.

The Group will actively study the feasibility of changing all plastic packaging materials to recycled materials.






Restaurants:

1. Restaurants in Mainland China are providing biodegradable takeaway tableware. The Group will study the feasibility of using biodegradable takeaway tableware for restaurants in Hong Kong;
2. We support the "plastic-free" campaign and will not provide plastic straws, plastic cutlery, and plastic bags unless requested by the customers.

#### (4) Sewage treatment

The Group's restaurants and Logistics Centres are equipped with grease traps to separate oil, fat and grease from wastewater before it is discharged into the public sewerage system. We have engaged specialists in environmental engineering to conduct regular inspections and cleaning of grease traps to ensure their normal operation, avoid blockages, and reduce environmental pollution.

Apart from the traditional method of cleaning grease traps, the Group has also commissioned an environmental technology company to improve the sewage channels of five Hong Kong restaurants using the latest environmental technology. The goal was to reduce channel blockages, maintain good channel conditions, eliminate odors, and decompose ground oil pollution.

- 
- A. This environmental technology can moisten and loosen dried sludge and grease, create a broad range of biologically active surface area for aerobic and facultative anaerobic bacteria to decompose them. It also inhibits the growth of sulfate-reducing bacteria and anaerobic bacteria, which are responsible for 95% of odor and toxic gas (H<sub>2</sub>S) production. For septic tanks and grease traps severely contaminated with oil, significant effects in removing oil deposits and odors are achieved within one month.
  - B. The unique organic components of the technology include surfactants, sludge and oil activators, and hydrophilic and lipophilic balance molecules that separate oil and guide it through emulsification. This provides a large biological surface area for specific microorganisms to attach to and digest the oil. The formula also contains proprietary blends of natural micronutrient supplements, including biodegradable vitamins and trace minerals that stimulate the ideal natural facultative anaerobic bacteria in septic tanks and grease traps to decompose organic waste into CO<sub>2</sub> and H<sub>2</sub>O, achieving the effect of decomposing fats, oils, and greases into soluble fatty acids.

The Group will review the above engineering project and promote it to other restaurants and Logistics Centres if the effects are satisfactory.

The Group did not generate any hazardous waste during the reporting period, therefore no relevant data is disclosed. The total amount of non-hazardous waste generated by our restaurants and Logistics Centres in Hong Kong and Mainland China was 626 tons and 1,567 tons respectively, representing a drop of approximately 10.7% and 6.8% respectively as compared to last year.

In the future, the Group will continue to conduct regular reviews and improve operational practices and equipment to enhance waste management effectiveness.

## A2. Use of Resources

The Group is committed to optimizing resources utilization and production patterns in order to reduce the impact on the environment. As our main consumption in the operation process is electricity and water, we adopt the following measures to reduce consumption and improve resource efficiency:

### i) Electricity saving

#### Hong Kong:

1. Our offices, Logistics Centres and restaurants are installed with energy-saving tubes and/or bulbs. Zone-controlled lighting, adjustable switches are used according to customer traffic needs.
2. Air conditioning system management is deployed in our restaurants. High-efficiency insulation cotton is used in the cold water pipes for better cooling efficiency. Each restaurant's air-conditioning system, including the kitchen, is managed by zone, adjusting according to customer traffic and operating hours.
3. Tao Heung has been actively participating in CLP's energy-saving and emission-reduction initiatives. All our restaurants in Kowloon and the New Territories have participated in the "CLP Peak Demand Management" Program to shift our power demand from peak to off-peak periods to improve energy-saving performance.
4. The kitchen and electrical equipment of restaurants and Logistics Centres are regularly inspected and maintained by registered contractors to ensure their normal operation and prevent any unnecessary energy consumption due to aging.
5. Office lighting, air-conditioning and other electronic equipment must be turned off when not in use.

#### Mainland China:

1. Each sector in the restaurants sets its equipment usage time.
2. Based on restaurant operating hours and customer flow, lighting and air-conditioning systems in unoccupied areas are turned off in a timely manner. Indoor temperature is pre-set at 25 degrees Celsius in accordance with environmental protection requirements.
3. The kitchen and electrical equipment of restaurants and Logistics Centres are regularly inspected and maintained by registered contractors to ensure their normal operation and prevent any unnecessary energy consumption due to aging.

During the reporting period, the Group's total energy consumption was 149,160 kWh (59,009 kWh in Hong Kong and 90,151 kWh in Mainland China), with electricity being the main energy consumption and the rest being gas/natural gas. Due to the impact of the pandemic on restaurant operations and the Group's effective energy-saving measures, the total energy consumption intensity in the Hong Kong region decreased by approximately 19.1% compared to the same period last year.

The Group is determined to promote the use of renewable energy. Since 2019, we have participated in CLP's "Feed-in Tariff" scheme and installed solar photovoltaic panels on the rooftop of our Logistics Centre in Tai Po, Hong Kong, providing power generation services through CLP's renewable energy system. In addition, we have since 2018 installed solar photovoltaic panels on the rooftop of the Logistics Centre in Dongguan, Mainland China to generate electricity through the solar photovoltaic system for self-use, with current monthly solar output accounting for about 15% of its total power consumption. The Group will continue our efforts to reduce carbon emissions and environmental pollution by exploring the feasibility of using more renewable energy reduce.

# Environmental

## ii) Water Conservation

All our restaurants in Hong Kong and Mainland China use smart dishwashers to clean kitchen utensils with installation of high-efficiency water-saving faucets and equipment to reduce water consumption. In addition, the Group arranges for professional contractors to conduct regular inspections and maintenance of equipment to prevent water wastage due to equipment failure. We have also developed guidelines for using cleaning supplies (such as dishwashing detergent, bleach, cleaning chemicals and disinfectants, etc.) to reduce environmental pollution while saving water.

During the reporting period, the total water consumption of the Group was 603,695 cubic meters in Hong Kong and 828,396 cubic meters in Mainland China, representing a decline of 11.7% and 12.2% respectively as compared to last year. The water consumption intensity in Hong Kong and Mainland China increased slightly by 0.9% and 7.8% respectively due to a relatively larger percentage drop in business levels during the reporting period.

Since 2019, the Group has introduced various digital transformation initiatives, including the rollout of self-ordering systems, takeaway and membership apps, and online stores. The aim is to promote self-service operations and accelerate service processes. The provision for customers with such intelligent dining experiences also aims to reduce paper consumption, thereby protecting trees and minimizing environmental impact. The "Self-Ordering and Membership APP Digital Transformation Plan" of Tao Heung Group won the "The Hong Kong Retail Innovation Award 2021 - Catering Innovation Award (香港零售科技創新大獎 - 餐飲創新大獎 2021)" organized by the Hong Kong Retail Technology Industry Association and Tao Miao Society in October 2021, recognizing the Group's achievement in introducing new technology and promoting reforms. Since the introduction of online ordering, customers can use their phones to replace traditional ordering slips, greatly reducing paper usage and wastage.

To further reduce the impact of Tao Heung's operations on the environment, the Group will enhance energy efficiency by closely monitoring resource usage, installing more efficient equipment, and improving the operational processes of restaurants and the Logistics Centres.





## A3. The Environment and Natural Resources

The Group not only introduces various environmental protection measures in its operations but also promote the employees' consciousness of environmental protection by making videos which educate how individuals can contribute to environmental protection. On the other hand, green procurement is encouraged such as purchasing sustainable seafood. Besides, we provide alternate choices of food ingredients such as stewed soup to replace shark fins in various kinds of banquets menu for customer selection.

We recognize that plant-based meats can positively affect our Planet, the environment and the climate as their production:

1. Uses 47% - 99% percent less land than conventional meat (m<sup>2</sup>-yr-land/kg-meat).
2. Emits 30% - 90% less greenhouse gas than conventional meat (kg-CO<sub>2</sub>-eq/kg-meat).
3. Consumes 72% - 99% less water than conventional meat (l-water/kg-meat).

The above impact reduction analysis up to 1 May 2019 uses the results of all English-language comparative life cycle assessment with calculation based on: (impact of conventional meat - impact of plant-based meat) ÷ (impact of conventional meat)

Our Logistics Centres have developed some plant-based meat products for our OEM customers since 2021. In order to promote environmentally friendly food, we have also established a strategic partnership with a food technology institution to produce plant-based meat products in our restaurant menus.

In the future, the Group will continue to promote green dining culture by reviewing the supply of ingredients, increasing the procurement of plant-based meats and developing new menus to provide more choices for consumers.

## A4. Climate Change

Global warming and climate change increase the frequency and intensity of natural disaster events such as super typhoons, heat waves, rising sea levels, droughts and floods. Climate change poses a fundamental threat to our dwellings, economy, and mankind. It could severely disrupt the Group's business operations in the long-run. The Group will implement appropriate measures to combat climate-related risks, such as identifying and managing the impact of climate change on our business, taking a collaborative and proactive approach to mitigate the disruption of supplies, taking into account climate-related risks when planning the location and design of new projects and facilities, disclosing environmental performance in a timely manner to all stakeholders as well as striving to reduce carbon emissions.

During the reporting period, the Group's total carbon emissions comprised mainly indirect greenhouse gas emissions, which recorded 21,201 tonnes and 35,779 tonnes respectively for our Hong Kong and China operations, representing a decrease of 9.2% from the previous year. During the reporting period, climate change-related issues had not been found to bear a significant impact on our operations when assessing food sources and supplies. The Group will continue to monitor climate-related issues.

### Award and Recognition

In 2022, Tao Heung was pleased to receive the "Green HK 2022" award granted by the Green HK Advisory Committee.

# Environmental

## Environmental Performance Indicator: Hong Kong

	2022	2021	Change(%)
<b>Energy consumption</b>			
Electricity ('000 kWh)	51,072	63,783	(19.9)
Towngas ('000 kWh)	7,937	9,147	(13.2)
Total energy consumption ('000 kWh)	59,009	72,930	(19.1)
Intensity ('000 kWh/HK\$m revenue) <sub>1</sub>	45.1	48.9	(7.6)
<b>Generation of Greenhouse Gas (GHG)</b>			
Direct GHG emissions (tCO <sub>2</sub> e) <sub>2</sub>	1,517	2,140	(29.1)
Indirect GHG emissions (tCO <sub>2</sub> e) <sub>3</sub>	21,201	25,616	(17.2)
Total emission	22,718	27,756	(18.2)
Intensity (tCO <sub>2</sub> e /HK\$m revenue) <sub>4</sub>	17.4	18.6	(6.5)
<b>Air Emissions</b>			
Nitrogen oxides emissions (kg NOx) <sub>5</sub>	121	132	(8.8)
Sulphur oxides emissions (kg SOx) <sub>6</sub>	0.6	0.7	(13.2)
<b>Water consumption</b>			
Restaurants (m <sup>3</sup> )	548,833	619,069	(11.3)
Logistics Centre (m <sup>3</sup> )	54,862	64,886	(15.4)
Total water consumption (m <sup>3</sup> )	603,695	683,955	(11.7)
Intensity (m <sup>3</sup> /HK\$m revenue) <sub>7</sub>	462	458	0.8
<b>Waste production</b>			
Total hazardous waste produced (tonne)	Nil	Nil	Nil
Intensity (tonne /HK\$m revenue) <sub>8</sub>	Nil	Nil	Nil
Total non-hazardous waste produced-Food waste (tonne)	626	701	(10.7)
Intensity (tonne /HK\$m revenue) <sub>9</sub>	0.48	0.47	1.9
<b>Packaging Material Consumption</b>			
Total packaging material used (tonne)	201	268	(25.2)
Intensity (tonne /HK\$m revenue) <sub>10</sub>	0.154	0.185	(16.6)

# Environmental

## Environmental Performance Indicator: Mainland China

	2022	2021	Change(%)
<b>Energy consumption</b>			
Electricity ('000 kWh)	64,121	66,496	(3.6)
Towngas ('000 kWh)	26,030	28,995	(10.2)
Total energy consumption ('000 kWh)	90,151	95,461	(5.6)
Intensity ('000 kWh/HK\$m revenue) <sub>1</sub>	82.4	71.1	15.9
<b>Generation of Greenhouse Gas (GHG)</b>			
Direct GHG emissions (tCO <sub>2</sub> e) <sub>2</sub>	5,623	6,263	(10.2)
Indirect GHG emissions (tCO <sub>2</sub> e) <sub>3</sub>	35,779	37,105	(3.6)
Total emission	41,402	43,368	(4.5)
Intensity (tCO <sub>2</sub> e /HK\$m revenue) <sub>4</sub>	37.8	32.3	17.2
<b>Air Emissions</b>			
Nitrogen oxides emissions (kg NOx) <sub>5</sub>	6,577	6,820	(3.6)
Sulphur oxides emissions (kg SOx) <sub>6</sub>	4,370	4,532	(3.6)
<b>Water consumption</b>			
Restaurants (m <sup>3</sup> )	579,636	662,320	(12.5)
Logistics Centre (m <sup>3</sup> )	248,760	280,670	(11.4)
Total water consumption (m <sup>3</sup> )	828,396	942,990	(12.2)
Intensity (m <sup>3</sup> /HK\$m revenue) <sub>7</sub>	757	702	7.8
<b>Waste production</b>			
Total hazardous waste produced (tonne)	Nil	Nil	Nil
Intensity (tonne /HK\$m revenue) <sub>8</sub>	Nil	Nil	Nil
Total non-hazardous waste produced-Food waste (tonne)	1,567	1,682	(6.8)
Intensity (tonne /HK\$m revenue) <sub>9</sub>	1.43	1.25	14.4
<b>Packaging Material Consumption</b>			
Total packaging material used (tonne)	262.74	311.15	(15.6)
Intensity (tonne /HK\$m revenue) <sub>10</sub>	0.240	0.232	3.7

# Environmental

## Notes:

1. Intensity is calculated by the total energy consumption ('000 kWh) divided by the revenue from operations for the financial year ended 31 December 2022 in Hong Kong and Mainland China, approximately HK\$1,307 million and 1,094 million respectively (2021: HK\$1,493 million and 1,343 million).
2. Direct GHG emissions from the combustion of fuels in stationary sources, i.e. Towngas.
3. Indirect GHG emissions from the consumption of purchased electricity and Towngas from The Hong Kong Electric Company Limited, the CLP Holdings Limited and The Hong Kong and China Gas Company Limited.
4. Intensity is calculated by the total emission of GHG (in tonnes) divided by the revenue from operations for the financial year ended 31 December 2022 in Hong Kong and Mainland China, approximately HK\$1,307 million and 1,094 million respectively(2021: HK\$1,493 million and 1,343 million).
5. Nitrogen oxides emissions from the combustion of fuels in stationary sources, i.e. Towngas.
6. Sulphur oxides emissions from the combustion of fuels in stationary sources, i.e. Towngas.
7. Intensity is calculated by the total water consumption (m3) divided by the revenue from operations for the financial year ended 31 December 2022 in Hong Kong and Mainland China, approximately HK\$1,307 million and 1,094 million respectively(2021: HK\$1,493 million and 1,343 million).
8. Intensity is calculated by the total hazardous waste produced (tonne) divided by the revenue from operations for the financial year ended 31 December 2022 in Hong Kong and Mainland China, approximately HK\$1,307 million and 1,094 million respectively(2021: HK\$1,493 million and 1,343 million).
9. Intensity is calculated by the total non-hazardous waste produced (tonne) divided by the revenue from operations for the financial year ended 31 December 2022 in Hong Kong and Mainland China, approximately HK\$1,307 million and 1,094 million respectively(2021: HK\$1,493 million and 1,343 million).
10. Intensity is calculated by the packaging material used (tonne) divided by the revenue from operations for the financial year ended 31 December 2022 in Hong Kong and Mainland China, approximately HK\$1,307 million and 1,094 million respectively(2021: HK\$1,493 million and 1,343 million).





## B1. Employment

The Group firmly believes that our employees are our valuable assets and should be treated with respect. The Group hires the best candidates in the market by offering competitive salaries and benefits, performance-based incentives, growth opportunities, ongoing training, and internal promotion opportunities. We actively facilitate the recruitment of employees through various channels, such as participating in job fairs, organizing on-campus employment seminars, and encouraging existing employees to recommend suitable candidates to the Group. The Group has established policies on employment, promotion, dismissal, and anti-discrimination to ensure that employees of different ages, positions, genders, and nationalities can enjoy a fair and healthy working environment where they feel valued and encouraged. As at 31 December, 2022, the Group employed a total of 5,221 employees (2021: 5,513).

The table below shows the distribution of workforce by gender and age group as at 31 December 2022 and 2021, respectively:

2022	Male			Female			Total			
	Office	Logistics Centres	Rest-aurant	Office	Logistics Centres	Rest-aurant	Office	Logistics Centres	Rest-aurant	Total
Age										
Below 30	21	81	467	85	72	206	106	153	673	932
30 - 59	78	220	1,077	101	255	2,140	179	475	3,217	3,871
60 or above	9	18	109	1	37	244	10	55	353	418
Total	108	319	1,653	187	364	2,590	295	683	4,243	5,221

2021	Male			Female			Total			
	Office	Logistics Centres	Rest-aurant	Office	Logistics Centres	Rest-aurant	Office	Logistics Centres	Rest-aurant	Total
Age										
Below 30	27	65	607	95	40	269	12	105	876	1,103
30 - 59	85	218	1,149	112	225	2,256	197	443	3,405	4,045
60 or above	9	13	103	1	32	207	10	45	310	365
Total	121	296	1,859	208	297	2,732	329	593	4,591	5,513

The table below shows the staff turnover ratio by functional units as at 31 December 2022 and 2021, respectively:

Hong Kong:

Average monthly turnover rate	Office	Logistics Centre	Restaurants	Total
2022	2.99%	2.40%	5.55%	5.14%
2021	3.25%	3.77%	4.99%	4.75%

Mainland China:

Average monthly turnover rate	Office	Logistics Centre	Restaurants	Total
2022	0.72%	3.91%	5.34%	9.97%
2021	1.90%	3.60%	3.93%	9.43%

The Group is endeavoured to complying with the relevant employment laws and regulations in Hong Kong and Mainland China, and has established different mechanisms for employee compensation and benefits.

1. **Recruitment:** The Group adopts a fair, just, and open principle to hire the most suitable talent.
2. **Establishment of competitive remuneration system:** Remuneration package is reviewed annually and salary adjustments are determined based on factors such as employees' performance, the Group's operating conditions and market trends etc. to ensure that employees are remunerated at a competitive level. In addition, the Group has also developed related salary allowances and incentive bonus plans to attract and retain outstanding talents.
3. **Establishment of promotion plan for employee development:** Annual job performance evaluations are conducted for employees, and promotion and training opportunities are provided based on their evaluation results.
4. Apart from statutory holidays, employees are also entitled to paid leave such as annual leave, maternity leave, funeral leave and marriage leave.
5. A work-life balanced working environment is provided to our employees to ensure their physical and spiritual health.

## **Care for employees**

The cohesive team culture is one of the success factors of this Group. We strive to provide employees with a caring, harmonious, and dynamic work environment. To achieve this, the Group has implemented various measures and arranged diverse activities to promote close cooperation and effective communication among employees, fostering their sense of belonging and productivity. The Group shares its corporate activities and employee dynamics through the publication of "Tao Heung Quarterly," and also releases the latest Group news and information on restaurant bulletin boards and the intranet. In addition, the Group has always encouraged open communication and expression of opinions transcending corporate hierarchies. If employees have any opinions about their department or work, they can reflect them to their immediate supervisors, management, or human resources and administration departments. The Group will follow up and handle the opinions in a fair and just manner, explore room for improvement, and continuously improve the management of the Group.

Our employee caring measures include:

1. **Staff orientation:** Ambassadors are arranged to welcome and embrace our new employees, introduce them to their colleagues, brief them their departmental responsibilities, and help them understand the corporate culture and working environment. In addition, welcome lunch will be arranged by the department heads to warm our new colleagues up, allowing the team to get to know each other and enhance communication.
2. **Regular communication with employees:** Through regular and ad hoc meetings, interviews as well as annual employee appraisals, ample opportunities for communication and understanding between the employees and their management and department heads are afforded in establishing team spirit.
3. **Chairman's tea time:** The Group's chairman regularly holds one-on-one conversations with restaurant colleagues to understand their problems and needs at work, home and with colleagues.
4. The human resources and administration department arrange interviews with colleagues who have suffered work-related injuries to understand their recovery progress and post-recovery working conditions.
5. The Group is committed to provide a friendly work environment for employees, such as setting up a "breastfeeding room", work-from-home arrangements during the pandemics, establishing a talent development fund, and implementing occupational safety measures.
6. The Group strive to obtain retail discounts and benefits from other companies as staff benefits for our employees



The Group holds the following corporate events and activities regularly for our employee:

- i) Departmental meals
- ii) Employee group travels
- iii) Staff outings and field trips
- iv) Group celebrations, such as Mid-Autumn Festival Lantern Riddle Party, Christmas Party and BBQ etc.
- v) Recognition of employees with the "Loyal and Caring Employee" Awards
- vi) Monthly birthday parties for employees and distribution of birthday cash vouchers
- vii) Special allowances for weddings, funerals, and other celebrations
- viii) Recommendations and selection of candidates for "Excellent Employees" Awards

(Note: During the reporting period, some employee activities were suspended due to pandemic prevention and control measures)

## B2. Health and Safety

The Group values employees as its most valuable asset and appreciate that occupational safety and health is the top priority in our commitments to employees. In order to provide a safe working environment and protect employees from occupational hazards, the Group has developed our own management system based on the "5-S" ( 五常法 ) management system. In addition, the Group has developed operating manuals and promotional videos for employees, providing them with clear guidance on various occupational safety matters that must be followed by all employees. We believe that these measures which we have adopted as follows will help prevent serious work-related injuries and reduce the number of work-related accidents.

### Hong Kong:

1. Every new restaurant employee must upon joining watch and acknowledge in writing having viewed the new employee video, which includes basic occupational safety knowledge (such as lifting techniques). Office employees also receive information on occupational safety courses on their first day of work.
2. Arrangement will be made for restaurants that have experienced work-related injuries to undergo occupational safety re-training courses with follow-up on individual work injury cases.
3. The Group requires insurance companies to arrange for notary publics to assess and examine work-injured employees, and if necessary, arrange for rehabilitation treatments to help employees recover as soon as possible.
4. Different themed occupational safety and health video is produced and played on the company's intranet on a monthly basis.
5. Provision of various protective equipment and outfits such as labor protection shoes, masks, gloves, safety helmets etc.

### Mainland China:

1. Development of a safety production management system, including the "Safety Investment Guarantee System ( 安全投入保障制度 )", "Fire Safety Management System ( 消防安全管理制度 )" and , "Special Equipment Management System ( 特種設備管理制度 )" etc.
2. Establishment of a safety production management committee that meets regularly.
3. Scheduling Production Safety inspection frequency and monitoring time-tables spanning from daily, weekly, quarterly to holidays, professional production safety inspections.
4. Arrangement for employees to undergo annual health check-ups at designated medical institutions.
5. Provide protective equipment and outfits such as labor protection shoes, masks, gloves, safety helmets etc.

For the two years ended 31 December, 2022 and 31 December, 2021, there were no work-related fatalities recorded. In 2022, there were 2,872 days of work-related injury losses in Hong Kong (2021: 3,623 days), a decrease of 20.7% compared to the previous year. In Mainland China, there were 718 days of work-related injury losses in 2022 (2021: 1,064.5 days), a decrease of 32.6% compared to the previous year.

2022 marked the third year of the COVID-19 pandemic. The Group has actively cooperated with the Hong Kong Government's pandemic control measures by vigorously protecting our employees and customers in a series of preventive measures, including: i) for employees: providing sufficient personal protective equipment, introducing work-from-home plans, employee shift arrangements, workplace disinfection, providing hygiene and pandemic prevention guidelines, and reducing employee activities; ii) for customers: providing a safe dining environment, such as requiring customers to present valid identification when entering the restaurant, measuring body temperature, and ensuring that all restaurant employees have received COVID-19 vaccinations.

### B3. Development and Training

The Group develops and provides comprehensive internal training programs for all employees, aimed at ensuring that employees not only understand the Group's corporate culture and core values, but also have the appropriate skills to carry out their duties. In addition, to encourage lifelong learning, employees can apply for tuition subsidies when enrolling in courses approved by the Group. This not only enhances employees' personal professional knowledge, skills, and development, but also helps the Group establish a stable and capable team.

#### Hong Kong:

1. New employee training is provided which mainly include corporate culture, new employee orientation courses, occupational safety, intranet and system operation guidelines, etc., to increase employee sense of belonging.
2. On-the-job training is provided with different training programs developed according to operational and departmental needs to ensure that employees receive adequate training. For example, the Group arranges for kitchen and frontline employees of Hong Kong and Mainland China restaurants to participate in exchange and training programs.
3. "Employee Training Subsidies" are provided to enable employees to attend external professional trainings to enhance their work skills and knowledge. For example, the Group arranges selected operational employees to enroll in courses at VTC Tao Miao Institute ( " 稻苗學院 ") to advance their management skills.
4. The Group's core operations is the restaurant business. In order to strengthen our competitive advantages and build a talent pool, the Group has launched an enhanced version of its "Shop Manager Trainee Programme ", which allows selected elite employees to attend a series of management and skills training, internships, and subsequently assessed to become restaurant managers-to be and promoted up along the management ladder. There were 19 participants in 2022 with 10 successfully graduated.

In the second half of this year, the Group has launched another talent training program, the "Elite Talent Training Program ( 精英專才培訓計劃 )", targeting restaurant employees from all echelons and aiming to develop talent and improve frontline staff performance of the Group.

#### Mainland China:

1. New employee training is provided which mainly include corporate culture, intranet and system operation guidelines, employee handbook explanation, dormitory rules, occupational safety and work regulations, etc. to increase employee sense of belonging.
2. On-the-job training is provided with different training programs developed according to operational and departmental needs to ensure that employees receive adequate training. For example, the Group arranges for kitchen and frontline employees in Hong Kong and Mainland China restaurants to participate in exchange and training programs.



- The Group provides professional training to selected employees and subsidizes them to enroll in external professional courses to improve their work skills and knowledge, such as arranging kitchen heads to enroll in courses at Dongguan Tao Heung Chinese Cuisine Culinary Vocational Training Institute to enhance their cooking skills.

The Employees Retraining Board of Hong Kong launched the "ERB Manpower Developer Award Scheme" in December 2009 to exalt organizations which demonstrate outstanding achievements in manpower training and development and designate them as Manpower Developers (MD). With a view to recognize the exemplary and continuous achievements of a MD in manpower training and development, an upgrading mechanism was introduced in 2019-20 by the ERB whereby a "Super MD" status will be granted to a MD which has been awarded such a status for 10 consecutive years. We qualified for the MDs in April 2012 and attained the "Super MD" status in 2022. This much coveted recognition is an endorsement of the Group's contributions in our staff development and manpower training efforts.

The table below summarizes the percentage of employees trained by gender and employee category (such as senior management, middle management), as well as the average training hours completed per employee by gender and employee category in 2022 and 2021, respectively.

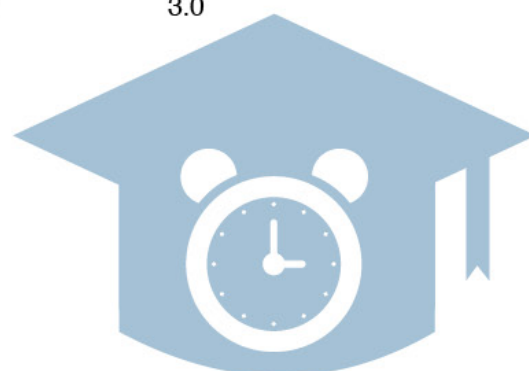
Hong Kong:

	Percentage of Employees Trained		Average Training Hours Completed	
	2022	2021	2022	2021
<b>Gender</b>				
Male	30.79%	28.3%	1.55	7.0
Female	20.34%	50.2%	1.49	2.1
<b>Employee Category</b>				
Senior Management	85.91%	93.2%	2.04	13.7
Middle Management	29.33%	81.2%	0.68	1.1

Mainland China:

	Percentage of Employees Trained		Average Training Hours Completed	
	2022	2021	2022	2021
<b>Gender</b>				
Male	37.20%	41.5%	2.00	2.3
Female	40.8%	32.6%	2.00	2.3
<b>Employee Category</b>				
Senior Management	-	-	-	-
Middle Management	5.50%	2.7%	2.00	3.0

Note: A significant reduction in the training time for employees in both Hong Kong and Mainland China was resulted from the restrictions in personnel movements under various control polices decreed by the Chinese Government as well as the social distancing measures mandated by the Hong Kong SAR Government during the reporting period when Covid-19 prevailed.



## B4. Labour Standards

As a caring company, we do not impose limitations based on gender, physical condition, family status, or race. All of our policies comply with the relevant labour standards, regulations and requirements without any significant violation. We strictly prohibit the employment of child labor or use of forced labor. The Group complies with the requirements of the Employment Ordinance (Chapter 57, Laws of Hong Kong) and the Labor Law of the People's Republic of China, ensuring that all employees we hire meet the minimum legal age requirements.

## B5. Supply Chain Management

The Group follows strict criteria for selecting appropriate suppliers. In order to ensure stable and timely supply of the required ingredients, our central procurement department and quality assurance department maintain stringent control in the supplier selection and evaluation process. For new suppliers, our central procurement department evaluates relevant information including, where applicable, hygiene certification, certificate of origin and internationally recognized certification on food hygiene and management system. Our central procurement department will also perform site visits with our quality assurance department to assess the food hygiene, working environment as well as production and quality control process of the potential major suppliers. As for existing suppliers, the central procurement department conducts regular on-site inspections with the quality assurance department and will also hold meetings with suppliers if necessary. The Group only purchases from authorized suppliers. In addition, suppliers are rated based on their performance to facilitate more purchases from suppliers with good ratings.

The regional distribution of active suppliers in 2022 is as follows:

Region	Hong Kong	Mainland China	Taiwan	Total
No of active suppliers	742 (61.78%)	458 (38.10%)	1 (0.12%)	1,201

## B6. Product Responsibility

### B6.1 Quality control on our foods

The Group places great emphasis on food quality and the hygiene of our food products, which are considered key factors to ensure our success in the restaurant industry. The Group strictly adheres to the applicable laws and regulations and implements an effective food safety management system. The Logistics Centre in Dongguan has been accredited with various international certifications, such as the ISO 22000 in food safety management since 2010, the “HACCP” (Hazard Analysis Critical Control Point) management system since 2016, and the FSSC 22000 in food safety in 2022. The Logistics Centre in Hong Kong is also accredited with the ISO 22000 certification and the HACCP certification since 2014. In addition, one of our restaurants is accredited with the international certification of ISO 14001 in environmental management and ISO 22000 in food safety management since 2013. In order to maintain the food quality standard, our quality assurance team regularly conducts operational audits on the Group’s food quality and hygiene environment in our restaurants and Logistics Centres. The Group also provide training to employees regularly so as to ensure the quality of our food and the compliance with our established quality control guidelines pertaining to food ingredients receiving, storing and issuing practices, food preparation and production, waste management food and personal hygiene, etc.



The State Administration for Market Regulation has formulated the ( 餐飲服務明廚亮灶工作指導意見 ) (the "Working Guidelines") according to the relevant provisions of the Food Safety Law of the People's Republic of China, which is promulgated nationwide since 2015 to exhort catering service providers to strengthen food safety management, operate with integrity and be law-abiding, regularize a transparent processing process, and promote food safety in a socially compliant manner. Currently, 25 out of 45 of our restaurants in Mainland China have implemented the ( 明廚亮灶 ) initiatives under these Working Guidelines.

## **B6.2 Product Information**

The Group is committed to complying with the commodity, advertising, and food labeling regulations in Hong Kong and Mainland China. We require our employees in relevant positions to possess pertinent knowledge when they are hired. We also provide internal training or sponsor external professionals to train our employees from time to time.

## **B6.3 Quality control on our services**

The Group understands that customer feedback is crucial to improving our services and product quality. To ensure that customer feedback and complaints are handled properly, we provide comprehensive internal and external training to our employees for good customer service. We value customer feedback and suggestions, and have set up a comprehensive feedback system that allows customers to communicate with our Group through various channels such as customer service hotlines, email, social media pages, and restaurant feedback cards. When evaluating the overall performance of each restaurant, this customer feedback will be considered as a critical performance indicator. We have assigned a dedicated team to handle and follow up on each case.

In addition, we have launched a "We Care, We Hear" program which surveys customer and focused groups with the aim of enabling the Group to evaluate customer satisfaction and expectations regarding our services, dining environment and food quality. The results of the satisfaction survey help us assess whether our employees are complying with the existing quality control guidelines and identify areas for improvement accordingly. The survey results of the focused groups allow us to understand better our customer expectations and help us identify and bridge any gaps between our established quality standards and customer expectations.

During the reporting period, the Group have not identified any significant violations of the relevant standards, rules, and regulations regarding the provision of products and services related to health and safety, advertising, and labeling. In 2022, we received 1,024 complaints related to products and services (2021: 1,310).

## **B6.4 Protection of Personal Data**

Our comprehensive feedback system and membership system collect customer data from time to time which may consist of personal information. The Group strictly complies with the provisions of the Personal Data (Privacy) Ordinance to ensure that all personal data collected are to be treated with strict confidentiality and for the stated purposes only.

During the reporting period, The Group has not violated any relevant regulations on privacy.



## B6.5 Intellectual Property Rights

The Group respects and protects intellectual property rights. The Group currently runs its restaurants under various brands with necessary filing or registration of trademarks. The Group would take appropriate actions to ensure that the intellectual property rights are observed and protected.

## B7. Anti-Corruption

The Group strictly adheres to anti-bribery laws and regulations, such as the Prevention of Bribery Ordinance. The Group believes that integrity is a valuable asset for both businesses and society at large. The Group has established a code of conduct and guidelines for employees and suppliers to prevent any fraudulent and corrupt behavior. The Group has a system that allows employees to report any illegal activities, corruption incidents, circumvention of internal controls, incorrect or improper financial practices or any other impropriety that should be reported to the Management through specific procedures and channels. If suspected cases of bribery and other criminal offenses are found after investigation, the individuals involved will be subject to disciplinary action by the Group or referred to relevant law enforcement agencies. In addition, to raise awareness of anti-corruption, our Group plans to invite Hong Kong's Independent Commission Against Corruption (ICAC) to arrange anti-corruption seminars for employees at different levels so that employees will be aware of potential pitfalls they may encounter, especially for colleagues working in high-risk areas. During the reporting period, the Group did not have any significant non-compliance with applicable laws and regulations regarding bribery, fraud, and money laundering.

## B8. Community Investment

Apart from running a sustainable Chinese cuisine business, Tao Heung has always been proactive in its community service and corporate social responsibilities. The Group actively promotes various charitable activities and encourages employees to participate in charitable activities during their free time.

Hong Kong:

- 1 The Group endeavoured to promoting a culture of food conservation and reducing food wastage through donation initiatives which helps those in need while contributes to environmental protection. During the reporting period, the Group has donated over 6,000 mooncakes to "Food Grace".
- 2 The Group supports and participates in social charities and has sponsored the "Disabled Walk" event of the Hong Kong Federation of Handicapped Youth since 2013. This year, the Group sponsored the "Lions Clubs – Joy Charity Walk "Inclusion" – 10th Anniversary" in support of disability inclusion and encourage societal equality and respect in different walks of life.
3. The Group has been commended by the Hong Kong Council of Social Service for 17 consecutive years as a "Caring Company" in the business sector.
4. During the reporting period, the Group donated a total of HKD 980,000 to support various charitable activities in the community.
5. The Group encourages employees to participate in the Standard Chartered Hong Kong Marathon and actively engage in other social volunteering work. Through participation in these activities, our employees can also nourish their physical and mental health.
6. The Group encourages our employees to be a responsible and caring citizen by joining the "Organ Donation Promotion Charter" launched by the Hong Kong Department of Health.





Mainland China:

1. The Group showed its care and appreciation for the environmental workers in Hengli Town and Songshan Lake Innovation Technology Park in Dongguan by gifting them a batch of about 600 boxes of mooncakes as a warm gesture of support during the pandemic.
2. During the reporting period, the Group joined hands with different organizations to distribute a large number of snacks and late-night food to frontline workers in the fight against the pandemic, supporting and thanking them for their bold contributions.
3. During the reporting period, the Group donated a total of CNY 50,000 to support various charitable activities in the community.

We are devoted to the preservation and succession of Chinese food culture. Tao Heung has operated the “Tao Heung Museum of Food Culture” in Hong Kong since 2005. From 2013 onward, Tao Heung has been providing a venue in Fotan to a charitable fund established by the founders of Tao Heung for the “Tao Heung Museum of Food Culture” event with free admission and guided tours. The museum gives the public an opportunity to deepen their understanding of the world food culture especially that of Chinese and Hong Kong. Tao Heung also provides a venue to the Institution of Dining Art to conduct courses for the industry practitioners.

In addition, The Group has always been committed to contributing to the industry and nurturing the next generation of culinary professionals, embracing those who wish to develop their careers in the food and related industries. To carry out this mission, we have been patronising the operation of the Dongguan Tao Heung Chinese Cuisine Culinary Vocational Training Institute (“Training Institute”) since 2021. Through training, certification, and work experience, the new professionals in the industry Training Institute will inherit from the Training Institute the Chinese culinary skills and traditions..

In July 2021, the Training Institute was recognized by the Department of Human Resources and Social Security of Guangdong as a ( 廣東省重點民辦社會培訓機構 ) and ( 廣東省首批職業技能等級認定社會培訓機構 ). It is authorized to carry out vocational skills certification and evaluation for five nationally recognized professions, including Chinese Chefs, Chinese Pastry Chef, Western Chef, Western Pastry Chef, and Tea Master.

The Training Institute is located in our headquarter in Dongguan and is divided into two areas: a teaching area and a living area. The teaching area covers a total area of 3,820 square meters and is equipped with advanced, integrated training and multimedia classrooms with intelligent information systems, as well as a culinary competition hall designed according to cooking skill competition standards, which is currently the only one in Mainland China. The training courses provided include Chinese cuisine, dim sum and pastries, Western cuisine and pastries, confections, coffee, wine, etc. Since its commencement of operation in late 2021, the Training Institute has trained over 2,500 students to date.



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