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SHANGHAI XNG HOLDINGS LIMITED

Shanghai XNG Holdings Limited

上海小南国控股有限公司

Incorporated in the Cayman Islands with limited liability

Stock Code: 3666

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SHANGHAI MIN

2023 ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

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## ABOUT THE REPORT

The Report is the eighth Environmental, Social and Governance Report of Shanghai XNG Holdings Limited (“Shanghai XNG” or the “Company”) and its subsidiaries (collectively, the “Group” or “we”), aiming to disclose Shanghai XNG’s environmental and social performances for the year ended 31 December 2023, including environmental and social issues relating to sustainability that stakeholders are mainly concerned with. For key stakeholders’ comprehensive understanding of Shanghai XNG’s sustainability philosophy, practices and performances, the Report should be viewed together with the chapter titled “Corporate Governance Report” in this year’s Annual Report. The Report is published in Traditional Chinese and in English. Should there be any discrepancies in the Report’s content, the Traditional Chinese version shall prevail. The electronic version of the Report may be viewed or downloaded from Shanghai XNG’s official website and the website of The Stock Exchange of Hong Kong Limited.

Unless otherwise stated, the terms mentioned in the Report shall have the following meanings:

- “the Stock Exchange” The Stock Exchange of Hong Kong Limited
- “ESG” Environmental, social and governance
- “ESG Reporting Guide” the Environmental, Social and Governance Reporting Guide in Appendix C2 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited published by the Stock Exchange
- “the Report” Shanghai XNG’s 2023 Environmental, Social and Governance Report
- “2024” Time period from 1 January 2024 to 31 December 2024
- “the Reporting Period”, “2023” Time period from 1 January 2023 to 31 December 2023
- “2022” Time period from 1 January 2022 to 31 December 2022
- “China”, “PRC” The People’s Republic of China, for the purpose of the Report and for geographical reference only, excluding Hong Kong, Macau and Taiwan
- “SAMR” China’s State Administration for Market Regulation
- “CFDA” The former China Food and Drug Administration, which was integrated into SAMR in April 2018
- “SOP” Standard Operating Procedures, a program designed to help workers carry out complex operations within limited time and resources

### REPORTING PERIOD

The Report details the ESG activities, challenges and measures taken by the Group in 2023.

### REPORTING BOUNDARY

The Report's scope mainly covers headquarters and restaurants located in mainland China that are under Shanghai XNG's direct operation and management. The scope is defined by whether the Group has operational control over the entities and the significance of their influence on the Group's performance and assets. Unless otherwise specified, the Group obtains key performance indicators ("KPIs") in the ESG aspects through operational control mechanism. The scope of environmental data only covers the headquarters of Shanghai XNG located in Shanghai and Shanghai Min and The Dining Room, the restaurants located in Shanghai that are under direct operation and management, while the social data covers the headquarters of Shanghai XNG located in Shanghai and Hong Kong and the restaurants directly operated and managed by the Group located in the mainland China. The detailed scope of specific data disclosed in the Report would be further discussed in the relating chapters. The Group will continuously assess the major ESG aspects of different businesses or its major subsidiaries to determine whether they need to be included in the ESG report.

### REPORTING FRAMEWORK

The Report was developed by the Group in compliance with the ESG Reporting Guide. The Report has been prepared in accordance with the reporting principles of materiality, quantitative, consistency and balance as well as relevant mandatory disclosure requirements, and has complied with "comply or explain" disclosure obligations. The reporting principles adopted by the Group are shown below:

**Materiality:** The Group has conducted a materiality assessment to identify material issues during the Reporting Period and has used the identified material issues as the focus for the preparation of the Report. The materiality of the issues has been reviewed and confirmed by the Board of Directors of the Company (the "Board") and the ESG Working Group. For further details, please refer to the sections on "Stakeholder Participation" and "Materiality Assessment".

**Quantitative:** The criteria and methodology used to calculate the KPI data and the assumptions applied have been supplemented in the notes.

**Consistency:** During the Reporting Period, some restaurants of the Group have been relocated, adjusted and suspended operations. Apart from this, unless otherwise stated, the Report has been prepared in a manner consistent with 2022 for comparative purposes. If there are any changes in the scope of disclosure and calculation methods that may affect comparisons with previous reports, the Group will provide explanation on the corresponding data.

**Balance:** The Report presents the Group's ESG performance in an impartial manner.

The Report's compliance with the ESG Reporting Guide is summarized in the "ESG Reporting Guide Content Index" chapter.

### FEEDBACK

The opinions and suggestions of stakeholders will help the Group to establish a more careful and sound sustainable development strategy in the future. The Group welcomes any questions or suggestions regarding the content and reporting format or its performance in sustainable development. Please contact the Group through the following:

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## CHAIRMAN'S MESSAGE

With the easing of the COVID-19 pandemic and containment measures in early 2023, China's tourism and consumer markets have ushered in a recovery and development. The Group's adjustments to its business strategy in recent years have also begun to show results, gradually emerging from the shadow of the pandemic. The Group remains firmly committed to our mission statement that "Food is a primary necessity. Let people enjoy the happiness of delicious food", in maintaining a sustainable business model, ensuring the high quality of the products and creating a good catering culture and practices for customers, the environment and society, and for establishing a harmonious and happy living environment for the community.

The post-pandemic era has caused a change to the traditional mode of consumption. The consumption habit of more sophisticated and rational consumers has also undergone irreversible changes. In the face of the increasingly fierce competition in the catering market, we have also carried out corresponding strategic adjustments to our operations, planning ahead for new small and medium-sized businesses and seeking development in a stable manner. As the flagship brands, Jingjing Nanguo (晶晶南國) brand and Xingxing Nanguo (星星南國) brand specialize in providing Shanghaiese cuisine made from selected specialty ingredients from Jiangsu and Zhejiang regions. By providing high-quality, healthy and delicious food, we meet the needs of consumers for Chinese food, while focusing on creating a young and trendy atmosphere to attract more young consumers. These two brands also cater to the needs of both business and mid-range family consumption. From the perspective of environmental protection, the Dining Room brand has been relaunched along with the establishment of the first batch of franchisees at the airport. The brand focuses on the development of high-quality, fast food for one person to take home consumption scenarios, emphasizing fast, convenient, delicious and environmentally friendly. At the same time, we also leverage the R&D strengths to stimulate the potential for deeper exploration of the supply chain and promote the sustainable development of the brand. We also prepare and incubate highly personalized high-end Chinese food brands to act as laboratories for future Chinese food research and development. Through the layout of the corresponding supply chain of key ingredients, and the incubation of beverage light meal models to serve as the next-generation main brands, we are offering our consumers more diversified and quality Chinese food on a new journey of innovation, and strive to create an energy-saving, environmental-friendly, healthy and green meal.

As a pioneer in serving exquisite Shanghai cuisine in China, and having now become an operator of a wide range of mid-to-high-end Chinese restaurant brands, the success of the Group is not only reflected by our pursuit of the finest color, fragrance and taste for customers, but also the Group's continuous efforts toward achieving innovative and sustainable development under the new economic environment. In pursuit of a higher level of corporate social responsibility, the promotion of green energy-saving and low-carbon emissions as well as the caring for employees and society have become important goals for the Group's short, medium and long-term development. This is now a critical strategy for achieving sustainable development under the ever-changing and difficult macroeconomic outlook. During 2021, the Group has also set a five-year environmental target to gradually reduce greenhouse gas ("GHG") emissions, energy consumption, water consumption and non-hazardous waste generation intensity of Shanghai XNG, using 2021 as the base year. For the progress in various aspects in 2023, please refer to the section "Green Development". During the Reporting Period, the Group also set additional short-term targets for the coming year to reduce the above-mentioned intensities by 1% in 2024, using 2021 as the base year.

## CHAIRMAN'S MESSAGE

In addition to improving operational efficiency to enhance economic achievements and investor returns, the Group regards the impact of its business on society and the environment as a primary concern. The Group attaches great importance to food quality and health and safety, ranging from meticulous attention to the highest standards of food research and development ("R&D"), menu design, food storage through to the entire process of food production and waste disposal. In addition to product quality, the Group understands that the interests of our employees are equally important. By cultivating a courageous and dedicated working team, the Group expects to see a positive impact on its service quality and brand reputation. Therefore, the Group emphasizes highly on health, safety and training of employees, and adhere to the principles of fairness and diversity in hiring in order to cultivate a safe and healthy working environment.

Last but not least, on behalf of the Board of Directors and management, I would like to express my heartfelt thanks to my colleagues, customers, partners, suppliers and professional intermediaries for their support. We rely on the cooperation of all parties to contribute to the sustainable development of business, the environment and society, so that the Group may continuously provide customers with a healthy and satisfying eating experience in challenging times in order to achieve our long-term goals.

*Chairman*

**Mr. GU Dorson**

Shanghai, 29 April 2024

## ABOUT SHANGHAI XNG

Shanghai XNG has over 30 years history of operation in China and has been listed on the main board of the Stock Exchange since 2012. The Group has a number of advantages in brands integration, standardized supply chain, talent and organizational competitiveness, and invest and operate a wide range of F&B business ranging from Chinese food, western food, casual dining to beverages, including “Shanghai Min”, “The Dining Room”, “Maison De L’Hui” and “Wolfgang Puck”.

2022	Renamed to Shanghai XNG Holdings Limited
2021	Mr. GU Dorson joined the Board, as the Chairman and an Executive Director
2020	Reshaped the brand model of “The Dining Room” and developed the brand model of Shanghai Dim Sum Plus
2019	Ms. Baixuan Tiffany Wang joined the Board, as the Chairlady and an Executive Director
2018	Disposed 65% of the entire issued share capital of MRL (formerly known as Pokka HK) which has no longer become Shanghai XNG’s subsidiary
2017	Renamed as “Shanghai XNG Food Group Co., Ltd” Imported the biggest coffee chain brand in Japan – DOUTOR COFFEE
2016	Opened restaurants in Shanghai Disney Town
2015	Opened “ORENO (French & Italian Dinning Bar)” restaurant in mainland China at Shanghai XinTianDi Opened famous American brand “Wolfgang Puck”’s first mainland restaurant in Shanghai XinTianDi
2014	Purchased 65% equity stake of Pokka HK as an extension into the coffee and popular western leisure catering business Introduced ORENO, in cooperation with ORENO Corporation, which was one of the most popular restaurant chains in Tokyo Introduced and directly managed the milk-tea workshop of the brand “Mai Chi Ling”, as well as gradually opened the league cooperation
2013	Opened “The Dining Room” restaurant, which was the brand’s first mainland restaurant in Shanghai
2012	Became Listed on Stock Exchange on 4 July 2012; raised HKD512 million Launched the third restaurant brand “The Dining Room” in Hong Kong
2011	Increased capital investment to the Group by Shining Capital, and initial investment by EFG Atlantis
2010	Launched the first high-end brand – “Maison De L’Hui” in Shanghai Capital investment to the Group by CSI Capital L.P.
2008	Capital investment to the Group by Shining Capital
2001	Entered Hong Kong market; opened the first “Shanghai Min” restaurant in Hong Kong
1987	Established the first “Shanghai Min” restaurant and brand in Shanghai

# SUSTAINABILITY MANAGEMENT

## DIRECTORS' RESPONSIBILITIES

By evaluating the Group's ESG-related risks and opportunities, the Board formulates ESG management approach, strategies, priorities and objectives, and defines the reporting scope of the ESG report. Meanwhile, the Board, consisting of members with relevant expertise or skills, ensures that Shanghai XNG sets appropriate and effective risk management and internal monitoring and control systems, reviews the disclosure content of the Report and assumes overall responsibility for Shanghai XNG's ESG issues. In order to better manage the Group's ESG performance, related issues and potential risks, with the assistance of the ESG Working Group the Board meets at least once a year to assess and determine its ESG priorities, risks and opportunities and review the progress and performance of the relevant ESG goals. Where appropriate, the Group will engage external consultants to provide expertise and advice on the Group's ESG management processes. The Board will review the Group's business according to the progress of achieving the relevant objectives and adjust its business approach where necessary and appropriate to enhance its corporate reputation and fully respond to the national "Dual Carbon (carbon peaking and carbon neutrality)" goal.

## ESG WORKING GROUP

In order to optimize the management of the Group's sustainable development related matters, the Group established the ESG Working Group to report to the Board on ESG work at least once a year. On the basis of planning and coordinating the preparation of the ESG report, the ESG Working Group organizes and conducts a stakeholder engagement and materiality assessment surveys, and collects relevant ESG information that has been reviewed and confirmed by the responsible persons of each department. The ESG Working Group also checks and evaluates the Group's performance in different aspects, such as environment, health and safety, labor standards, product liability, within the scope of ESG, as well as helps identifying and evaluating the Group's ESG risks and effectiveness of internal control mechanisms.

## STAKEHOLDER PARTICIPATION

Understanding the expectations of various stakeholders is very important for the sustainable development of the Group. Shanghai XNG values the stakeholders and their feedback on its business and ESG issues, and expects to listen to the voices of different stakeholders (including groups and individuals that have a significant impact on its business or may be affected by its business) to help the Group assess the impact of its own ESG decisions and internal control mechanisms and adjust its own development direction, while truly understanding, widely considering and promptly responding to the needs of different stakeholders. The main stakeholders of the Group include investors and shareholders, governments and regulatory agencies, employees, customers, suppliers and partners, communities and media.

The Group maintains good communications with stakeholders through diversified channels and platforms to understand the main issues that it needs to pay attention to in the process of sustainable development. The channels of communication between the Group and its major stakeholders and their expectations and considerations on the sustainable development of the Group are as follows:

Stakeholders	Communication channels	Expectations and considerations for the sustainable development of the Group
Investors and Shareholders	<ul style="list-style-type: none"><li>• Investor relations hotline and email</li><li>• General meetings</li><li>• Results presentations and roadshows</li><li>• Regular information disclosure</li><li>• Official website</li></ul>	<ul style="list-style-type: none"><li>• Operational compliance</li><li>• Business growth</li><li>• Corporate governance and transparency</li><li>• Return on investment</li></ul>



## SUSTAINABILITY MANAGEMENT

Stakeholders	Communication channels	Expectations and considerations for the sustainable development of the Group
Government and Regulatory Agencies	<ul style="list-style-type: none"> <li>• Daily communication</li> <li>• Information submittal</li> </ul>	<ul style="list-style-type: none"> <li>• Tax payments</li> <li>• Operational compliance</li> <li>• Employee safety</li> <li>• Food safety</li> </ul>
Employees	<ul style="list-style-type: none"> <li>• Regular training</li> <li>• Department head, internal audit related departments</li> <li>• Team building activities</li> <li>• Corporate culture training activities/classes</li> </ul>	<ul style="list-style-type: none"> <li>• Employee health and safety</li> <li>• Staff development and training</li> <li>• Protect interests of employees</li> <li>• Fair and diverse recruitment</li> </ul>
Customers	<ul style="list-style-type: none"> <li>• Collection of opinions at restaurants</li> <li>• WeChat public account</li> <li>• Customer service hotline and email</li> <li>• Official website</li> </ul>	<ul style="list-style-type: none"> <li>• Food safety</li> <li>• Quality of products and services</li> <li>• Product selection</li> <li>• Honesty and integrity in sales</li> <li>• Product health and hygiene</li> </ul>
Suppliers and Partners	<ul style="list-style-type: none"> <li>• Regular inspections and visits</li> <li>• Supplier evaluation and audit</li> <li>• Communications via meeting, email and phone</li> <li>• Participation in industry associations</li> </ul>	<ul style="list-style-type: none"> <li>• Fair and open procurement</li> <li>• Sustainability of the supply chain</li> <li>• Integrity performance</li> <li>• Win-win cooperation</li> </ul>
Community and Media	<ul style="list-style-type: none"> <li>• Community service</li> <li>• Public welfare activities</li> <li>• Media relations hotline and email</li> <li>• Official website</li> <li>• Press release</li> </ul>	<ul style="list-style-type: none"> <li>• Security compliance</li> <li>• Community service</li> <li>• Charity participation</li> <li>• Transparent information disclosure</li> </ul>

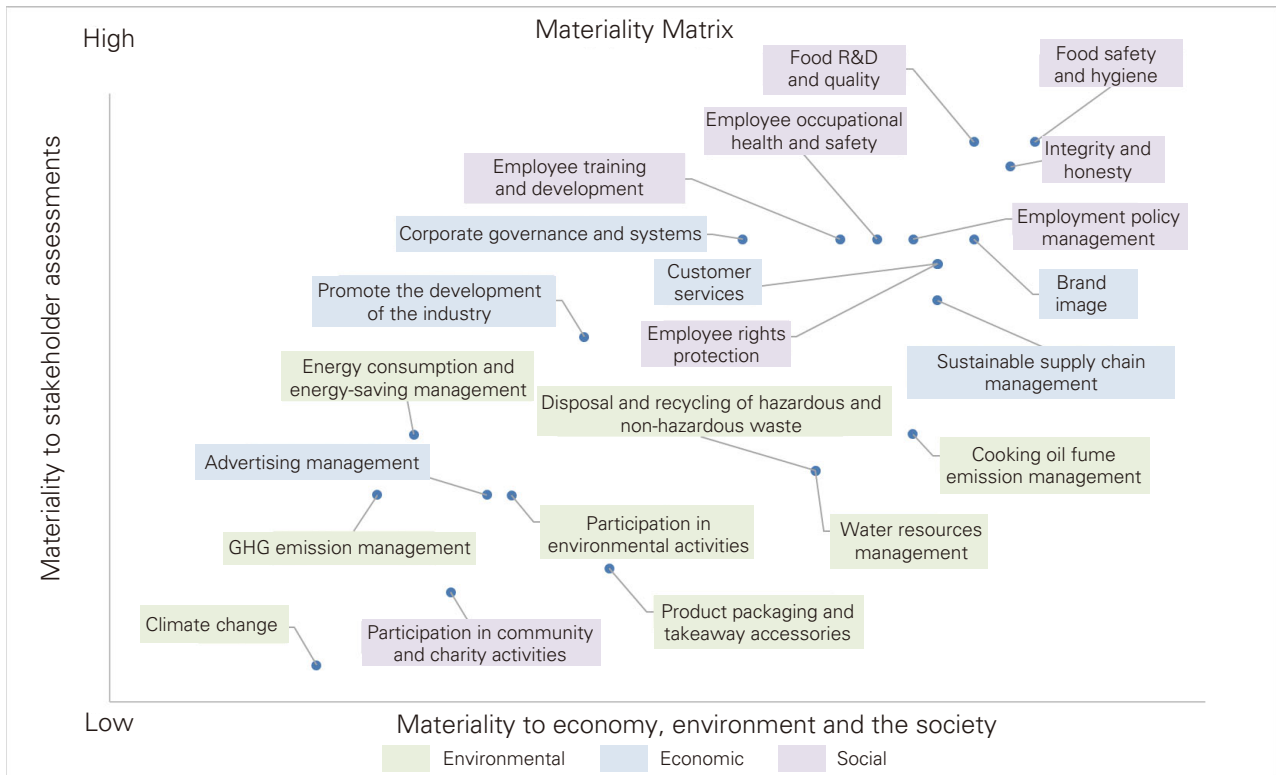
When formulating operational strategies and ESG measures, the Group will take into account the expectations of stakeholders and work with each other to enable the Group to continuously improve its performance and create greater value for the society.

**MATERIALITY ASSESSMENT**

In order to understand the concerns of stakeholders, identify current or future issues critical to the business, and formulate sustainable development strategies and guidelines, the Group invited various stakeholders to participate in the assessment of materiality of this report in the form of an online questionnaire survey. Participants include but are not limited to the Group’s decision-makers, employees, customers, shareholders or investors, suppliers, partners, public, media, and government or regulatory agencies.

Referring to the ESG Reporting Guide and considering the characteristics of the F&B industry, we identified 22 ESG issues related to Shanghai XNG and classified the 22 issues according to the ESG Reporting Guide and our industry’s characteristics into four aspects, namely, environmental responsibilities, operational responsibilities, labor responsibilities and others. In the questionnaire survey, the Group invited participants to rank the issues under each aspect from perspectives of “Materiality to stakeholder assessments” and “Materiality to economy, environment and the society”. The results of materiality assessment were compiled into a matrix, and was reviewed and confirmed by the Group’s management. The Group will regularly conduct a materiality survey to ensure that the importance of each aspect of issues to different stakeholders can be accurately reflected in the matrix.

The Group’s materiality matrix of ESG issues is as follows:



## SUSTAINABILITY MANAGEMENT

According to the ranking of stakeholders in the two dimensions of “Materiality to economy, environment and the society” and “Materiality to stakeholder assessments” at various levels, the Group is aware of the relative concerns of the stakeholders towards the following ESG issues:

	High-materiality issues of the Group	Other material issues of the Group
Social	<ul style="list-style-type: none"> <li>Food safety and hygiene</li> <li>Food R&amp;D and quality</li> <li>Integrity and honesty</li> <li>Employment policy management</li> <li>Employee occupational health and safety</li> </ul>	<ul style="list-style-type: none"> <li>Participate in community and charity activities</li> <li>Employee rights protection</li> <li>Employee training and development</li> </ul>
Environmental	<ul style="list-style-type: none"> <li>Cooking oil fume emission management</li> <li>Water resources management</li> <li>Disposal and recycling of hazardous and non-hazardous waste</li> <li>Energy consumption and energy-saving management</li> </ul>	<ul style="list-style-type: none"> <li>Participation in environmental activities</li> <li>Product packaging and takeaway accessories</li> <li>GHG emission management</li> <li>Climate change</li> </ul>
Economic	<ul style="list-style-type: none"> <li>Brand image</li> <li>Customer services</li> <li>Sustainable supply chain management</li> </ul>	<ul style="list-style-type: none"> <li>Corporate governance and systems</li> <li>Promote the development of the industry</li> <li>Advertising management</li> </ul>

Based on the above materiality assessment results, the Report will focus on disclosing the Group’s strategies and performance related to various material issues during the Reporting Period in the following chapters. During the Reporting Period, the Group confirmed that it established appropriate and effective management policies and internal control systems for ESG issues, and confirmed that the disclosures met the requirements of the ESG Reporting Guide.

# SAFETY FIRST

## FOOD SAFETY AND HYGIENE

As always, food safety and hygiene is still the most important issue concerned by the stakeholders of the Group in 2023, and it is also the stable cornerstone for the long-term development of F&B corporations. The Group has set up a food safety management leading group and related policies and procedures, strictly controls the quality and safety of the food, and provides customers with high quality and healthy food.

The Group strictly abides by the relevant national laws, administrative regulations and local regulations in the places where it operates, including but not limited to the “Food Safety Law of the People’s Republic of China”, the “Regulation on the Implementation of the Food Safety Law of the People’s Republic of China”, the “Administrative Measures for Food Recall”, the “The Operating Rules on Food Safety in Catering Services”, the “Guiding Opinions on See-through Kitchen Work in Catering Services”, the “Measures for the Supervision and Administration of Food Safety in Online Catering Services”, the “Shanghai Food Safety Regulations”, and the “Shanghai Administrative Measures for Food Safety Information Traceability”, etc. During the Reporting Period, the Group did not find any major violations of food safety related laws and regulations.

### Food Safety Management Leading Group

In order to strengthen operation management and implement the safety production responsibility system, the Group has set up a food safety management leading group with the Chief Executive Officer as the team leader and heads of various departments as the team members, responsible for directing and coordinating the work of the Group’s food safety management system. Its main responsibilities are as follows:

- Hold regular meetings to discuss and formulate food safety policies that the Group should adopt and to follow up on the progress of each department’s projects;
- Investigate, sort out and research the Group’s existing major ingredients, minor ingredients and packaging materials; strictly eliminate materials that may endanger food safety in the daily work of procurement, production, cooking at restaurants and quality control;
- Analyze and evaluate unsafe food raw materials appearing in specific food safety incidents from a professional perspective and a public perspective and discuss the risks and impacts that the incident may have on the Group, in order to establish corresponding monitoring mechanisms and countermeasures;
- Cooperate with the regulatory authorities to supervise the Group’s daily food safety business; implement the national laws and regulations on food safety; pay close attention to food safety incidents reflected by restaurants and media, and timely control and formulate coping strategies; and
- Participate in the development of the food safety strategy and regularly evaluate the operation performance of the food safety management system of the Group.

## SAFETY FIRST

In addition, the food safety management leading group is also responsible for establishing and maintaining communication with external parties, including but not limited to telephones, emails, meetings, documents, faxes, letters, seminars, forums, etc. to understand the potential risks and known hazards under the control of other organizations in the food supply chain and pass on new laws and regulations, new knowledge on emergent or new food safety threats and their coping methods. External parties that maintain communication with the food safety management leading group include suppliers, customers, regulatory authorities, and other organizations. The communication content includes (i) information on major ingredients, minor ingredients and materials in contact with food; (ii) product information inquiry and customer feedback, product and service demand information, product and service effect evaluation information (including customer complaints, etc.); (iii) technology development information, changes in laws and regulations, food safety incident information; and (iv) communicate relevant information with other organizations that affect or will be affected by the effectiveness or update of the food safety management system.

While maintaining effective external communication, the Group has also established an effective internal communication mechanism to encourage employees in different positions to carry out adequate internal communication on how to achieve management goals and work coordination that based on new laws, regulations and new knowledge of new food safety hazards and their treatment.

### Internal Control of Food Safety

The Group regards ensuring food safety as its mission and is committed to providing consumers with healthy and safe food. The Group has established clear operational and management rules under the themes of resource management, supply chain food safety management, restaurants food safety management, food safety supervision, unqualified product recall and food safety traceability. Among them, resource management includes personnel training and assessment, new store location and decoration standards, restaurants facility maintenance and repair plans; food safety management covers key process control from procurement, acceptance, preparation to tableware disinfection, etc., and requires all processes to be documented in order to supervise the implementation; the unqualified product recall includes effective measures such as return of food ingredients and complaints. In addition, in accordance with the requirements of the “Administrative Measures for Food Safety Information Traceability” of the Shanghai Municipal People’s Government, the Group has developed a “Food Safety Traceability SOP” and has a dedicated online platform for the responsible personnel of each restaurant to record the source information, specifications, production date, production batch number and other information on real time basis during stock in and stock out processes, and the specific implementation plan and operation process of product traceability are standardized to respond to unexpected situations. The Group also has a complete food safety incident emergency response system, which regulates the classification, handling and reporting of food safety incidents. At the same time, the Group has set up a “Plan for Emergency Response to Food Safety Accidents” and organizes emergency drills for food safety incidents every year. Through emergency drills, the commanding ability of the food safety management leading group and the ability of various departments to deal with and respond to sudden food safety accidents are strengthened.

By regularly revising the “List of Food Safety Regulations”, the Group keeps abreast of and follows up on the trends in the supervision of food safety and quality in national laws, administrative regulations, and local regulations. The Group constantly reviews and optimizes company policies and management models related to food safety. The Group has integrated and optimized the existing food safety management regulations of the Group according to the “GB/T 27306-2008 Food Safety Management System Catering Industry Requirements” and the “DB31/2015-2013 Food Safety Local Standard Catering Service Unit Food Safety Management Guidelines”, and revised the “Food Safety Management Manual”, and used it as the Group’s food safety management system guidelines and operating guidelines. The “Food Safety Management Manual” contains a series of systematic files to carry out unified and orderly risk management and control of the corresponding aspects of food safety, the Group’s branches and partners.

The Group organizes annual food safety management system reviews to evaluate the opportunities for improvement and changes in the food safety management system to ensure the adaptability, sufficiency and effectiveness of the food safety management system. The Group summarizes the evaluation results into a “Management Evaluation Report” and distributes it to various departments for work review and improvement. During the Reporting Period, there were no cases in which the Group sold or shipped products that had to be recalled for safety and health reasons.

#### **Case: “See Through Kitchen” Program**

The Group actively responds to the “See Through Kitchen” program advocated by CFDA. The Group has installed camera equipment in the processing and cooking area, special operation area, cleaning and disinfection area, etc., and monitors the whole process in real time through video transmission technology. We accept the supervision from consumers and regulatory authorities to ensure the quality and safety of the food provided.

### **EMPLOYEE OCCUPATIONAL HEALTH AND SAFETY**

The Group attaches great importance to the health and safety of employees and firmly believes that the health of employees is also an indispensable element in ensuring food safety. During the Reporting Period, the Group strictly complied with the “Labor Law of the People’s Republic of China”, the “Work Safety Law of the People’s Republic of China”, the “Law on the Prevention and Control of Occupational Diseases of the People’s Republic of China”, the “Regulations on the Workplace Occupational Health Supervision and Administration”, and the “Fire Protection Law of the People’s Republic of China”, and other relevant national and local laws and regulations to provide employees with a safe and reliable working environment. During the Reporting Period, the Group had not found any violations of laws and regulations related to providing a safe working environment and protecting employees from occupational hazards to major issues, nor any work day lost due to work-related injuries (2022: nil). In addition, no work-related fatalities have been reported in the last three years (including the Reporting Period), the rate of work-related fatalities was therefore 0%.

In order to safeguard the safety of kitchen staff, the Group requires that the kitchen and restaurant floors be kept clean to prevent staff from slipping and falling, and that no obstructions be placed in the fire exits. In addition, the Group holds fire drills in office premises and restaurants every year to ensure that employees have the ability to respond to emergencies. The Group is equipped with fire-fighting equipment in all business and work places, and posted instructions and publicized emergency escape techniques in conspicuous places. Moreover, the Group regularly conducts safety awareness training for employees in accordance with policies such as the “Restaurant Personnel Health Management System”. During normal work, it also actively promotes healthy lifestyles to avoid occupational hazards.

The Group’s “Restaurant Personnel Health Management System” requires all restaurants’ staff to develop good hygiene habits and stipulate the cleaning frequency of work clothing. New employees must undergo a health check and obtain a health certificate before starting work. Each restaurant must establish a “personal health certificate management account”, and conduct body temperature measurement and fill out the “Employee Morning Check-up Form” before the start of daily work, to grasp the employees’ own health and safety status, and to further ensure food safety. In addition to the health management system, the Group also stipulates the corresponding operating specifications and storage areas for the operation of the kitchen appliances and arranges for regular maintenance of kitchen facilities and electrical appliances to prevent kitchen staff from cuts, burns and sprains in all restaurants to ensure the daily work safety of employees.

# QUALITY ORIENTED

## FOOD R&D AND QUALITY

The Group focuses on the R&D of new products, and has a dedicated R&D department to consider the quality and safety risks of dishes and develop new dishes from three perspectives, i.e. raw material characteristics, SOPs, and operating permits of restaurant, on a regular basis. In addition, in order to ensure that the food and services provided by the Group meet the requirements of quality management, the Group also has a detailed “Food Safety Management Program” and “Food Safety Responsibility Letter” to regulate food processing, safety inspection, complaint handling and recall processes, so as to avoid all levels and various occurrence of food safety accidents.

### Inspection System

In order to ensure the quality and safety of the food in receiving process and prevent unqualified products from entering the restaurants, the Group has established the “Quality Acceptance Process for Raw Materials and Ingredients in the Material Center” and the “Quality Acceptance Standard for Raw Materials” for various raw materials, which are used to guide the acceptance, daily supervision and quality verification of departments in charge of acceptance and usage. For raw materials with a large amount of purchases, the Group entrusts a third party to inspect the material’s processing and production procedures.

In addition to the source control, Shanghai XNG’s restaurants also insist on taking multiple measures with rigorous attitude to ensure that the products provided are of high quality and safety. In the daily inspection, the Group inspects the quality of food in accordance with the “Inspection and Acceptance Standard of Raw Materials at Restaurants”, “Inspection and Acceptance Standard of Raw Materials at Restaurants and Feedback on Unqualified Products”, “Food Safety Unannounced Inspection System”, etc. The “Food Safety Unannounced Inspection System” stipulates that the food safety management leading team shall conduct unannounced inspection regularly. Unannounced inspection includes on-site inspection and the sampling inspection of dishes. The on-site inspection is mainly carried out through inspections on the sanitation and hygiene of employees, operation, environment, facilities and equipment at restaurants; the sampling inspection of dishes is based on the sampling plan, and the samples are stored and transported to the entrusted third-party inspection agency for testing.

The food safety management leading team conducts monthly and annual summary analysis of the inspection results of all restaurant kitchens, collectively formulates food safety analysis reports. The implementation of respective food safety laws, regulations and policies of each restaurant can be reflected by the objective and fair results, and the food safety awareness and management at the restaurant kitchen can be continuously improved. The Chef Office will carry out focused improvement and continuously enhancing the levels of safety and quality management according to the evaluation report.

### Product Recall

The Group has developed response policies for external and internal recalls of unqualified products. For external recalls (recalls from relevant government departments or suppliers), the Food Safety Department and the Purchasing Department shall coordinate and arrange the execution of the recall; for internal recalls (customers find unqualified products during the meal or after the purchase), the restaurant shall assess the scope of the impact according to the complaint’s situation and, if necessary, implement the corresponding recall operation procedures in accordance with the “Material and Product Recall Program”. In addition, in recall processes the Group requires all departments to keep recall forms and recall documents and label and store the recalled products, ensuring that all procedures of recall are properly recorded by the Group and the suppliers. During the Reporting Period, the Group did not have any material incidents in which products sold or shipped have to be recalled due to safety and health reasons (2022: nil).

## SUSTAINABLE SUPPLY CHAIN MANAGEMENT

Shanghai XNG adheres to the stringent supplier selection criteria and refuses to conduct business with suppliers with serious food safety issue and serious illegal and dishonest acts so as to control ingredient quality from the source, and improve its quality management throughout the process covering incoming goods quality inspection, logistics, transportation, storage and food serving to ensure ingredient safety.

### Fair and Open Procurement

The Group has formulated the “Supplier Management Procedure”, “New Supplier Development Process” and “Procurement Contract Management Process” for selecting suppliers, as well as established the “Qualified Supplier List” in order to standardize the supplier evaluation process, standards and requirements, and continuously search for potential suppliers, and ensure that the purchased ingredients meet the Group’s requirements.

The procurement process of the Group strictly follows the relevant provisions of the “Tendering and Bidding Law of the People’s Republic of China” and is conducted under open, fair and just conditions. It will not discriminate against any suppliers, and will not allow any corruption or bribery. Employees and other individuals having any conflict of interest with suppliers will not be allowed to participate in related procurement activities. The Group clarified the requirements for the procurement of raw and auxiliary materials in the “Food Safety Management Program”. In addition to making food safety one of the primary conditions, the Group also pays attention to the integrity of suppliers and partners. All suppliers are required to sign the “Annual Supply Framework Agreement”, confirming their compliance with the laws and regulations relating to anti-corruption, and adherence to requirements for anti-corruption listed in the “Annual Supply Framework Agreement”. During the Reporting Period, the Group did not have any suppliers or partners that have material violation on regulations or business ethics.

During the Reporting Period, the Group had 90 suppliers (2022: 90), all of which are located in China. The number of suppliers remained unchanged mainly due to no significant changes in the Group’s business in 2023. All suppliers were engaged and evaluated under the aforementioned practices.

### Managing Environmental and Social Risks Along Supply Chain

The Group attaches great importance to the management of potential environmental and social risks in the supply chain, and is also committed to developing mutually beneficial cooperative relationships with suppliers. The Group continues to carry out more active R&D cooperation, SOP specifications and procurement supply services with source suppliers, and to examine suppliers’ performance on legal and regulatory compliance and business ethics. This aims to effectively control the cost of the supply chain on the basis of comprehensive protection of food safety and quality, and minimize the potential environmental and social risks in the supply chain.

In order to establish a safe and stable supplier team and ensure normal operation, the Group has the “Supplier Management Procedure” to clarify supplier audit requirements and assessment processes. The program requires the designated department to grade the food safety risks and purchasing amounts of the raw materials supplied by the supplier, formulate and regularly update the “Supplier Classification Table” applicable to all suppliers, and then evaluate and rate the cooperative suppliers from different dimensions. The scoring items cover different dimensions, such as the supplier’s HACCP1 plan management, quality management system, factory environment, production control, sanitation control and personnel management. Based on the scoring results, the Group implements the reward policy in the “Supplier Incentive Management Measures” for outstanding suppliers, and rectify or replace unqualified suppliers within a limited time. The incentive methods implemented include but are not limited to:

- Counseling suppliers to establish a quality and safety management system to improve product quality;
- Priority cooperation: Priority to sign the next year’s procurement contract;



## QUALITY ORIENTED

- Expand cooperation: increase the share of procurement and supply more regions or restaurants; and
- Long-term cooperation: long-term supply cooperation and establishment of strategic alliances.

The Group strives to cooperate with local suppliers whenever possible to promote local economy and promote green procurement. To reduce GHG emissions from transportation, the Group will give priority to local suppliers. In 2023, all of the Group's suppliers were located in China, mainly in Shanghai. The Group also actively promotes the rapid flow of upstream and downstream information in the supply chain to reduce the "bullwhip effect" in the supply chain, reducing the overall inventory level of the entire supply chain, thereby reducing energy, water resources, refrigerants and other materials of the Group and along the upstream supply chain used in inventory management in order to save resources, reduce direct and indirect pollutants and GHG emissions caused by energy production and the use of refrigerant.

## BRAND IMAGE

The Group aims to provide consumers and customers with a high-quality and warm service experience through a good dining environment, diverse cuisine selections, and high level of privacy for customers. The Group's "Food Safety Management Program" stipulates that all staff must be strictly hygienic, and facilities, equipment and appliances must be cleaned and disinfected in restaurants as required to avoid abnormalities and affect the normal operation of the Group. In addition, the Group strictly abides by the laws and regulations related to confidentiality and privacy, including but not limited to the "Law of the People's Republic of China on the Protection of Consumer Rights and Interests". The Group also has internal policies to implement a high level of security and confidentiality standards to protect the privacy of customer data, and to strictly abide by the regulatory requirements regarding data privacy to collect personal data from data subjects and process such data. The Group will not use personal data for promotional use or provide personal data to anyone for such purposes unless it is agreed in writing by the customers.

During the Reporting Period, the Group strictly complied with the "Trademark Law of the People's Republic of China", the "Patent Law of the People's Republic of China", the "Advertising Law of the People's Republic of China" and the "Law of the People's Republic of China on the Protection of Consumer Rights and Interests" and did not find any major violations of laws and regulations related to intellectual property, advertising, labeling and privacy.

## Intellectual Property

The Group reasonably regulates intellectual property rights, and in accordance with the relevant regulations of the "Trademark Law of the People's Republic of China" and the "Patent Law of the People's Republic of China", entrusts third-party professional institutions to conduct unified management of the Group's patents, trademarks and intellectual property rights, and formulates "Trademark Overview Comprehensive Edition" to regulate the management and use of trademarks. On this basis, the Group signed a cooperation agreement with a third-party professional law firm to track down any infringement of the Group's intellectual property rights to protect the same.

## Customer Complaints and Handling

In order to provide a quality customer service experience, the Group believes that maintaining good communication with customers is a very important part. Through various communication platforms such as hotline, communication platform (such as WeChat public account), third-party feedback (such as Dianping, Meituan), questionnaire surveys and customer satisfaction surveys to understand customers' suggestions for products and services and satisfaction level. The Group stipulates that if a complaint occurs, the designated personnel of each restaurant or department will be responsible for receiving and handling customer complaints. During the Reporting Period, the Group did not receive major complaints from customers regarding products and services (2022: nil).

### **Advertising Management**

The Group attaches great importance to the advertising risks, and therefore formulates relevant systems for product advertising in accordance with the relevant regulations of the “Advertising Law of the People’s Republic of China”, and will strictly regulate and inspect product information to ensure the description and information on product advertising and labels is consistent with the actual situation of the product. The Group also requires employees to provide accurate and complete information to customers.

The Group’s “Corporate Integrity Management System” stipulates that fair dealing with customers, suppliers and competitors is the obligation of all employees. Employees must work with the Group to conduct fair, just and honest advertising and marketing. Employees must not refuse to sell, serve, or repair products made by the Group to customers because they have purchased products from other suppliers; they must not entertain customers beyond the scope of reasonable and business management; nor should they provide customers with entertainment or other benefits that may be considered to induce or reward customers to make purchasing decisions. Employees should avoid illegal behaviors such as the “Anti-monopoly Law of the People’s Republic of China” and other competition control laws, including misappropriation and/or misuse of competitors’ confidential information and false reporting of competitors’ business and business conditions.

### **Confidentiality and Safety of Privacy**

The Group protects the privacy of personal data by implementing high security and confidentiality standards. The “Group Integrity Management System” stipulates that the Group prohibits all manipulation, concealment and abuse of privileged information and misrepresentation of important facts or other violations of laws and regulations related to confidentiality and privacy. Employees should comply with the following requirements (including but not limited to):

- When a customer applies for membership, the relevant departments and restaurants would retain the customer’s contact information and personal information. The Group requires the responsible employee related to the handling of relevant information to sign a confidentiality agreement to promise to properly manage and protect the customer’s personal information, and must not to disclose or provide it to unrelated personnel;
- The Group’s operations, sales, strategies, products and personal information, bonus schemes, options plans, training materials and operating manuals are confidential information, and employees must not discuss with or disclose to others during or after their employment. In case of violation, violators shall bear relevant legal and economic responsibilities; and
- All copies of communication documents, records, publications, customer business cards, faxes, manuals and training materials written by employees and published within the Group are properties of the Group and may not be owned privately or used without authorization during or after employees’ employment period.

During the Reporting Period, the Group was not aware of any material matters related to confidentiality and safety of privacy.

# OPERATIONAL COMPLIANCE

## INTEGRITY AND HONESTY

Honesty is the most basic code of conduct of the employees of the Group. Honesty is also the foundation of the Group's business ethics to customers, partners and investors. Therefore, the Group integrates existing internal policies and establishes the "Group Integrity Management System", which integrity serves as the foundation to guide employees to follow laws and regulations and business ethics in their work, prevent bribery, extortion, fraud, money laundering, improper publicity, violation of laws and regulations such as harassment and discrimination. The system clearly stipulates that employees must take the initiative to report situations that are likely to cause conflicts of interest to supervisors and human resources department, and clearly defines various benefits to support the morality of the Group's integrity. In addition, the system further stipulates that the relationship between the Group and its suppliers is based on factors such as price, quality, service, and reputation. Employees must not accept or demand benefits from suppliers or potential suppliers, thereby maintaining objectivity towards suppliers.

The Group strictly abides by the laws and regulations related to the prevention of bribery, extortion, fraud, and money laundering, which including but not limited to the "Criminal Law of the People's Republic of China", the "Anti-Money Laundering Law of the People's Republic of China", and the "Company Law of the People's Republic of China". During the Reporting Period, the Group did not find any major violations of laws and regulations related to the prevention of bribery, extortion, fraud and money laundering, nor any corruption lawsuits filed against the Group or its employees that have been concluded (2022: nil).

## Corporate Governance and Systems

In order to promote the Group's sustainable development and the needs of employees' personal development, the Group follows its values and corporate culture and has established an employee handbook "Xiao Nan Guo and You" to clearly state the Group's expectations for employees and the requirements of the code of conduct. As part of the training, these include, but are not limited to, confidentiality systems, anti-fraud policies, business ethics codes, principles and procedures for conformity of rules and disciplinary actions, as well as classification of wrong behavior. The Group hopes that the employees' behavior will be in line with the Group's principles and maintain business ethics of integrity, responsibility and cooperation.

To improve awareness of anti-corruption, in addition to providing anti-corruption-related induction training for new employees, the Group also provides anti-corruption-related training and education to directors and staff at least once a year. Through participating in trainings such as lectures, workshops, etc. or reading relevant policies and procedures, the directors and staff have a comprehensive understanding of the Group's relevant anti-corruption policies and relevant laws and regulations in relation to bribery, extortion, fraud and money laundering. During the Reporting Period, the Group has distributed information on integrity management system to all employees, and a total of 7 directors and 61 staff (2022: 7 directors and 73 staff) participated in the anti-corruption training by reading anti-corruption policies and procedures.

## Whistleblowing and Monitoring

On the basis of formulating and implementing compliance operation management policies, the Group has established an appropriate and effective reporting procedure to encourage employees to expose non-compliant behaviors. Pursuant to the "Group Integrity Management System", employees can report violations of the laws or the Group's system to the direct supervisors and the human resources department by email, letter, telephone, or face-to-face reporting. The subject of a report may include full-time employees, part-time employees, third-party labor personnel, consultants, and members of the Board. The whistleblower is responsible for collaborating with the Group's authorized investigators after making the report and doing its utmost to provide evidence and specific information about the reported matter to support the Group in conducting the necessary investigations and judgments before carrying out anti-violation actions. The Group is committed to protecting the whistleblowers' personal information and rewarding whistleblowers who provide important clues and important collaborations. During the Reporting Period, the Group did not receive any reports of non-compliant behaviors.

# TALENT MANAGEMENT

## EMPLOYMENT POLICY

In order to ensure the fairness and impartiality of the Group's employment policy and its relevant implementation processes with high efficiency, standardization and systematization, the Group strictly abides by the laws and regulations related to employment, including but not limited to the "Labor Law of the People's Republic of China", the "Labor Contract Law of the People's Republic of China", the "Law of the People's Republic of China on the Protection of Minors", and the "Provisions on the Prohibition of the Use of Child Labor". During the Reporting Period, the Group did not find any major issues that violated the laws and regulations related to human resources, nor did it find any major issues that violated the laws and regulations related to preventing child labor and forced labor.

On the basis of complying with relevant laws and regulations, the Group strictly implements the "Recruitment Process" to continuously promote the healthy growth of the organizational structure and the good development of the business. This process regulates in details the systems and management responsibilities that the functional departments of the Headquarters and all restaurants must abide by in terms of recruitment needs application, recruitment channel selection, applicant assessment and evaluation process, etc. During the Reporting Period, the Group organized the human resources and administrative departments to refer to the "Recruitment Process" to perform annual personnel management, restaurant personnel management, review and revision of the existing recruitment process, and so on. The Group has implemented the above measures to prevent forced labor and child labor, ensuring compliance in operations.

In addition, the Group has formulated "Restaurant Employee Onboarding, Probation and Resignation Process" and "Office Employee Onboarding, Probation and Resignation Process" for restaurant personnel and office personnel, respectively. Among them, the following provisions are emphasized in the induction, probationary period and resignation management:

### Onboarding

Employees must provide identification and resume documents to the Group before they formally report duty, confirming that they are older than 16 years old to comply with the related laws and regulations in relation to the prohibition of child labor such as the "Labor Law of the People's Republic of China" and the "Provisions on the Prohibition of the Use of Child Labor". The Group implements labor contract system for officially hired employees, sign a written contract with employees and perform both parties' obligations in accordance with the contract. Once there is any suspected child labor or forced labor, the Group will immediately carry out relevant investigations, and once it involves violations of the law, it will be transferred to the relevant judicial authorities for processing. After reviewing identity information, employees are required to sign labor contracts, confidentiality agreements and other relevant regulations. In addition, the Group arranges induction for new employees, including company overview, company policies, employees' responsibilities and benefits, to help new employees to quickly embrace their roles.

### Probation

According to the labor contract, the probation period for new employees is 3 months or 6 months. During the probation period, the employee's immediate superior needs to evaluate the employee's probation period performance and complete the "Probation Period Evaluation Form", and the employee must also conduct a self-evaluation. Before the end of the probation period, according to the evaluation results and decisions of both parties, the human resources and administrative departments will go through formalization procedures or contract termination procedures for employees.

### Resignation

Employees in the probation period should submit their resignation application in writing and indicate the effective date of resignation three days in advance (seven days in advance in Hong Kong region), and regular employees 30 days in advance. After the employee's direct supervisor agrees to the employee's resignation, the resignation application file is signed and confirmed and transferred to the human resources and administrative department. For the resignation of employees above a certain rank, the Group needs to carry out the exit interview and resignation sign-offs before the employees' departure, execute transfer of items listed in the "Employee Resignation Sign-off List" and have the list signed by relevant responsible personnel. Employees must also complete their paid vacation before the effective date of resignation, or cash out the vacation in accordance with the vacation policy.

## TALENT MANAGEMENT

### Dismissal

When the Group decides to dismiss an employee, the human resources department must review the reasons that give rise to the decision of the Group to ensure that the termination of the employment relationship complies with the relevant provisions of the national labor laws and regulations and the Group's policies. The Group will handle the resignation procedures for employees according to the corresponding process of resignation, to ensure that the legal rights and interests of employees and the safety of the Group's information and assets are guaranteed. As at 31 December 2023, the Group had a total of 544 employees (31 December 2022: 694 employees, representing a year-on-year decrease of approximately 21.6%) in mainland China and Hong Kong, including 471 restaurants employees and 73 employees in functional departments. The total number of employees by gender, age group, geographical region and employment type are as follows:

Number of employees	31 December 2023	31 December 2022
<b>By Gender</b>		
Male	301	394
Female	243	300
<b>By Age Group</b>		
Below 30 years old	99	92
30-50 years old	306	424
Above 50 years old	139	178
<b>By Geographical Region</b>		
China	453	584
Hong Kong	91	110
<b>By Employment Type</b>		
Full-time	519	654
Part-time	25	40

During 2023, a total of 475 employees (2022: 453) have left the Group, with an average employee turnover rate of approximately 76.74%<sup>1</sup> (2022: approximately 59.10%<sup>1</sup>). The increase in employee turnover rate was mainly due to the closedown of some restaurants in 2023, leading to jobs rearrangement and retention willingness of employees. The employee turnover rate by gender, age group and geographical region are as follows:

Employee turnover rate <sup>2</sup>	2023	2022
<b>By Gender</b>		
Male	80.29%	66.00%
Female	72.19%	53.25%
<b>By Age Group</b>		
Below 30 years old	156.02%	119.39%
30-50 years old	52.88%	35.46%
Above 50 years old	83.91%	104.17%
<b>By Geographical Region</b>		
China	58.24%	33.13%
Hong Kong	172.14%	227.32%

Notes:

1. Average employee turnover rate = total employee turnover ÷ total average number of employees (average of number of employees at beginning and end of year) x 100%.
2. Employee turnover rate by category = total employee turnover in the specified category ÷ average number of employees in the specified category (average of number of employees at beginning and end of year) x 100%.

### EMPLOYEES' RIGHTS PROTECTION

The Group values the real rights and interests of employees and hopes that each employee can fully understand their specific rights and interests as a member of Shanghai XNG, and how to respect and protect the rights and interests of colleagues, customers, suppliers, and partners. Therefore, the Group specially compiled the salary policy, welfare policy, working hours, vacation system, performance management principles, training, code of conduct and discipline into the employee manual of "Xiao Nan Guo and You", and ensured that all employees received the manual and understood and followed the content of the manual by signing the same.

Shanghai XNG hopes to provide each employee with reasonable and equal salary and promotion opportunities, and help potential employees achieve their career aspirations. The Group has established clear promotion conditions and transparent and open promotion systems for employees of the restaurant, kitchen employees, and employees in different departments and positions in the office, and explained the promotion standards and career development path in the employee manual of "Xiao Nan Guo and You". For employees who have excellent work performance and ability to meet requirements of higher-level positions, after passing the assessment and evaluation, the Group will arrange promotion plans according to job requirements.

### Salary Principles

The overall principles of the Group's remuneration comply with the two principles of "external comparability" and "internal fairness". The Group is willing to provide competitive compensation and benefits within the same industry and region to attract, motivate and retain excellent talents to achieve the Group's business development goals, while constantly matching the Group's remuneration structure with professional compensation reports and maintaining a fair and reasonable structure and maintains competitiveness. In addition, the Group implements a post-level salary system based on employees' individual work performance. Employee performance and job performance will be reflected in salary, that is, under the premise that the current salary level is the same, the better the work performance rating, the greater the salary increase that can be obtained. In 2023, the Group continued to use a three-dimensional labor structure for full-time employees, hourly employees and trainees and also entered into long-term cooperation plans with a number of domestic institutions. The Group continued to carry out a number of established incentive assessment policies, so as to increase the overall income of employees, to achieve the sharing of benefits between the Group and employees, and to improve employee work enthusiasm.

### Vacation System

In order to actively attract new employees to join the Group, the Group's employees enjoy a vacation system includes national public holidays, annual leave, sick leave, personal leave, marriage leave, maternity leave, nursing leave, breastfeeding leave, funeral leave, work injury leave, etc. However, in order to provide customers with efficient and high-quality catering services during holidays, restaurant employees may need to work on statutory holidays. The "Vacation and Overtime Regulations" stipulates that the relevant management personnel should reasonably arrange people to work according to the turnover of the restaurant. Before the 25th of the month before the statutory holiday month, the restaurant manager and the chef need to submit the statutory holiday schedule to the Group's regional operations manager for review to ensure that the schedule plan takes into account the labor costs while complying with legal requirements and overall work/rest schedule of all employees. According to the "Labor Law of the People's Republic of China", the Group pays employees who are approved to work on statutory holidays three times their basic salary. If employees have to apply for leave in special circumstances, employees must abide by the provisions of the "Vacation and Overtime Regulations" on the date of application, certificate, and length of leave.

## TALENT MANAGEMENT

For office employees, the Group complies with the provisions of the “Labor Law of the People’s Republic of China” on working hours and rest and vacations, and implements the “Headquarters Employee Attendance Management Trial System” to record employees’ commuting hours. The Group’s daily working hours are 8 hours. The “Vacation and Overtime Regulations” also state that the Group does not encourage employees to work overtime, so employees must have sufficient reasons for overtime work and obtain the written approval of the department head in advance. The Group will compensate employees for overtime work by means of off duty shifts.

### Employee Benefits

The Group provides employees with a series of social insurances stipulated by national laws, including pension insurance, unemployment insurance, maternity insurance, work injury insurance, medical insurance, and housing provident fund. On top of the basic insurance, employees also enjoy commercial insurance such as employer liability insurance, group accident insurance, and supplementary medical insurance provided by the Group. To help employees understand their physical conditions in a timely manner, the Group arranges annual medical examinations for office employees and health certificates for restaurant employees.

At the same time, office employees can enjoy the Group’s free lunch, and restaurant employees can also enjoy free working meals and supper during working hours. In addition, the Group has been sending cakes to employees in their birthday months to enhance employees’ satisfactions. The Group also organizes various employee activities which echo with the themes of showcasing employee talents, enhancing employee communication, and promoting employees’ physical and mental health to encourage employees to strike a balance between work and life. Detailed benefits are specified in the employee manual “Xiao Nan Guo and You” for employees to consult at any time.

### Case: The Arrival of Chef

In order to enrich the entertainment life of restaurant employees, promote communication between colleagues, enhance team cohesion, and strengthen employees’ sense of identity and belonging to the Group and restaurants, the monthly “Arrival of Chef” event has become part of the Group’s cultures. During the event, the head chef of each restaurant will prepare delicious food for the employees’ working in the restaurant every month, so that the employees can enjoy the fun of group activities after their busy work.

### Case: Restaurant Managers Visiting Employees’ Dormitories

In order to strengthen the communication between management and employees, and to put the care for employees of the Group into practice so as to provide a warm family to the employees, the head of restaurant consoles the staff quarters from time to time to understand and collect their feedback on work and life to enhance the sense of belonging of employees.

### Case: Employees Activities

In order to further enhance the sense of belonging of the employees, and strengthen communication among colleagues, the Group will occasionally hold different activities including but not limited to employee dinners, team building and festival celebrations. The restaurant managers also regularly use their own time after work to train employees, have heart-to-heart talks with them, or take them out for karaoke to relax and build relationships.

### Employee Code of Conduct

While understanding and reasonably enjoying its own rights and interests, the Group requires employees to acknowledge and protect the rights and interests of other colleagues, customers and partners. Therefore, the “Xiao Nan Guo and You” also stated the disciplines and codes that the employees of the Group must abide by, and explained the consequences of various violations. Relevant behaviors that violate the principles of equal opportunities, diversity, and anti-discrimination must be penalized by the Group. The penalties depend on the severity of the circumstances and are divided into verbal warnings, written warnings, and termination of labor contracts.

### STAFF TRAINING AND DEVELOPMENT

Shanghai XNG pays attention to the growth and development of every employee and also understands that excellent business performance and high-quality customer service depend on excellent employees. Therefore, employee training is one of the Group's important investments. The Group provides fair training and development opportunities and relevant educational resources for all employees, so that employees can maintain excellent working standards while being competitive.

#### Training System

The Group has a complete set of training and promotion systems designed to help potential employees achieve their career aspirations and to support the Group's sustainable development. The training system covers the training content of employees of different functions and different ranks and is transparent with open information of promotion conditions and paths, including but not limited to employees of the restaurant, kitchen employees, and employees in different departments and positions of the office. The training content is mainly divided into three categories, namely new employee induction training, job skills training and management ability training. The Group regularly arranges corresponding training according to the different work needs of employees and managers at all levels to help upgrade skills and realize their full potential. In addition, the Group also conducts annual work performance evaluations of all full-time employees from the two major aspects of business results and personal core capabilities to help formulate performance goals and corresponding action plans for the next year. If for some reason, the employee's performance is "not in line with expectations", the Group will arrange his supervisor under the "Performance Improvement Plan" to help him overcome difficulties and improve work efficiency. On the contrary, if the employee has excellent work performance and the ability meets the requirements of higher-level positions, the Group will arrange a promotion plan according to the needs of the position after assessment and evaluation.

#### New Employee Induction Training

New employee induction training is an important channel to help new employees understand and integrate into the Group. The training content not only covers the Group's corporate culture, human resources and other policies, but also provides an in-depth interpretation of the F&B industry's food safety standards and regulations, and contents related to the Group's anti-bribing, internal audit and control, etc., so that employees can understand the Group's requirements and development goals.

#### Basic Quality and Management Training

The Group carried out promotion training for corporate employees for existing vacancies and has formulated the "Management System for Operation Management Trainees". During the training, employees participate in corresponding courses according to their ranks. The content of the course involves the basic quality training and management training for corporate employees. Employees who complete the course and have achieved excellent results in performance evaluation will be promoted.



## TALENT MANAGEMENT

### Health Management and Occupational Safety Training

The Group complies with local policies and regulations of Shanghai on health management and occupational safety. New employees must take training and be presented with certification of relevant examinations on laws and regulations about food safety and its related knowledge for being on position. Additionally, each restaurant needs to organize at least two food safety trainings (including but not limited to food safety related knowledge, code of ethics or legal education) per month. At the same time, the head chef takes responsibility to establish the "Profile of Training about Food Safety Related Knowledges for Employee", which has documented and recorded training hours, training content and training outcomes for future revision. During 2023, the Group had approximately 72.06%<sup>3</sup> of trained employees, with the average training hours per employee of 17.29 hours<sup>4</sup> (2022: approximately 70.75%<sup>3</sup> and 16.98 hours<sup>4</sup> respectively). The percentage of employees trained and the average training hours per employee by gender and employee category are as follows:

Indicator	Percentage of employees trained (%) <sup>5</sup>		Average training hours per employee (hours) <sup>6</sup>	
	2023	2022	2023	2022
<b>By Gender</b>				
Male	<b>46.43</b>	59.88	<b>14.51</b>	17.91
Female	<b>53.57</b>	40.12	<b>20.74</b>	15.76
<b>By Employee Category</b>				
Senior Management	<b>3.06</b>	3.06	<b>28.80</b>	10.29
Middle Management	<b>11.48</b>	11.81	<b>12.71</b>	8.34
General Employees	<b>85.46</b>	85.13	<b>17.91</b>	20.39

#### Notes:

- Total percentage of employees trained = total number of employees trained during the year ÷ total number of employees at the end of the year x 100%.
- Average training hours per employee = total training hours during the year ÷ total number of employees at the end of the year.
- Percentage of employees trained by category = number of employees trained in the specified category during the year ÷ total number of employees trained during the year x 100%.
- Average training hours per employee by category = training hours of employees in the specified category during the year ÷ number of employees in the specified category at the end of the year.

## GREEN DEVELOPMENT

The Group values good environmental management and strives to protect the environment in order to fulfill the Group's social responsibilities. Due to the nature of business, the main resources consumed by the Group are water, electricity and natural gas used by the restaurants in daily operations. During the Reporting Period, the Group's restaurants implemented corresponding energy and resource conservation policies, and cooperated with the implementation of water and energy conservation measures, while reasonably controlling operating costs, and reducing the consumption and impact of natural resources during the operation process. The Group strictly abides by the "Environmental Protection Law of the People's Republic of China", the "Water Pollution Prevention and Control Law of the People's Republic of China", the "Law of the People's Republic of China on the Prevention and Control of Environmental Pollution by Solid Wastes" and other laws and regulations related to environmental protection. During the Reporting Period, the Group did not have any violations of relevant environmental laws and regulations that have a significant impact on air and GHG emissions, water, and hazardous and non-hazardous waste.

### ENERGY CONSUMPTION AND GHG EMISSION MANAGEMENT

The Group's main GHG emissions are the direct GHG emissions (Scope 1) caused by gasoline consumed by transportation and natural gas consumed during cooking and energy indirect GHG emissions (Scope 2) caused by purchased electricity. The Group is committed to reducing carbon emissions and has set a five-year target in 2021 to gradually reduce the total GHG emissions intensity and total energy consumption intensity per square meter. Despite an increase in overall energy consumption due to higher customer traffic, the Group managed to reduce its total energy consumption intensity and the total GHG emissions intensity per square meter as compared with 2022 through energy-saving and emission-reduction measures. However, due to the economic recovery following the pandemic, both the Group's total energy consumption intensity and total GHG emissions intensity increased as compared with 2021, resulting in the failure to meet the short-term targets set in 2022. In 2023, the Group set an additional short-term target for the coming year, using 2021 as the base year, to reduce total GHG emissions intensity and total energy consumption intensity per square meter by 1% respectively in 2024. In order to save energy and use electricity effectively, and actively encourage its employees to take responsibility for energy-saving management, the Group has formulated and implemented the following measures:

- Strengthen fleet management;
- Reduce the number of business trips through electronic communication methods such as video conferences and WeChat conferences;
- Clearly mark the partitions and functions of lighting and air-conditioning switches to facilitate partition operation and management during different customers flow periods and avoid unnecessary power consumption;
- Reasonable and appropriate centralized arrangement of customers' dining areas during daily off-peak hours to reduce the use of electrical equipment;
- Reasonably arrange the number of steamers according to the business of lunch and dinner, concentrate on processed dishes to save natural gas without affecting the quality of dishes and speed of service; and
- Post energy-saving signs near power switches and air-conditioning control panels to encourage employees and customers to properly adjust air-conditioning temperature.

## GREEN DEVELOPMENT

### WATER RESOURCES MANAGEMENT

The Group mainly consumes domestic water for cooking and cleaning. The locations of the Group's business are not within water shortage area, and the Group's headquarters and restaurants use water from the municipal pipe network, therefore it is not a problem to obtain suitable water source. The Group is committed to reducing water consumption, and actively encourages all employees and customers to develop the habit of consciously saving water. The Group has set a five-year target in 2021 to gradually reduce water consumption intensity per square meter. Despite an increase in water resource consumption due to higher customer traffic, the Group managed to reduce its water consumption intensity per square meter as compared with 2022 through water-saving measures. However, due to the economic recovery following the pandemic, the Group's water consumption intensity increased as compared with 2021, resulting in the failure to meet the short-term targets set in 2022. In addition to the five-year target to reduce water consumption, the Group has also set an additional short-term target for the coming year in 2023, using 2021 as the base year, to reduce the water consumption intensity per square meter by 1% in 2024. The specific measures for water saving and energy saving of the Group are as follows:

- Under the condition of ensuring normal use, arrange engineering staff to adjust water tap of water flow rate;
- Sort large and small tableware and put them into different washing sinks for washing, and the small tableware can finish washing in washing sink without multiple rinses, thus saving water;
- Recycle use of water and clean the floor with water used for cleaning vegetables;
- Arrange a cascading water flow and to defrost a variety of foods; and
- Post water-saving signs and water-saving case study promotion near water-using areas to remind employees to develop water-saving habits.

### COOKING OIL FUME EMISSION MANAGEMENT

The Group's main emissions include cooking oil fume from various restaurants, GHG produced by the combustion of natural gas from cooking and atmospheric pollutants. During the Reporting Period, the Group has complied with the "Environmental Protection Law of the People's Republic of China", the "Law of the People's Republic of China on the Prevention and Control of Environmental Pollution of Solid Wastes", the "Law of the People's Republic of China on Air Pollution Control", the "Water Law of the People's Republic of China", etc. and other laws and regulations related to emissions. In addition, the Group strictly follows the requirements of the "Shanghai Air Pollution Control Regulations" and the "Shanghai Catering Industry Fume Emission Standards", installs catering fume purification facilities in all restaurants, and tests the fume pollutants before the official opening to ensure compliance with relevant national and local standards. At the same time, the Group hires a third party with relevant qualifications to clean the smoke collection hood and oil fume pipes of all restaurants every three months; to carry out maintenance works on the exhaust fans, purifiers and electrostatic deodorizers. The Group regularly receives tests from relevant regulatory authorities to ensure compliance while minimizing cooking oil fume and odor emissions to avoid affecting neighboring residents.

## DISPOSAL AND RECYCLING OF HAZARDOUS AND NON-HAZARDOUS WASTE

The Group adheres to the principle of waste management and is committed to the treatment and disposal of all waste generated by business activities in accordance with the principle of sustainable development and reduction, reuse, recycling and replacement. In addition to controlling atmospheric emissions, the Group also adopts relevant measures to manage kitchen sewage and waste. The Group installs oil-water separators that do not require power, no energy consumption, and low operating costs in each restaurant to separate oil and water from kitchen sewage to ensure that the oil content of the treated sewage meets the third level of the “Comprehensive Wastewater Discharge Standard” (GB8978-1996). The Group has formulated and implemented the “Kitchen Oil Management System” to regulate the use of cooking oil. The “Kitchen Oil Management System” stipulates that restaurant kitchens must collect waste oil in a dedicated recycling bin, and be recycled by a professionally qualified waste oil recycler, and recorded in the food traceability system. In addition, according to the principles of municipal waste classification, garbage bins of different colors are set up in the back kitchens of the restaurants to classify the kitchen garbage and household garbage (including recyclable waste, dry waste, wet waste and hazardous waste) for recycling management.

In view of the nature of the Group’s business, it does not produce significant hazardous waste, the waste generated is only waste light bulbs, and the Group has also developed guidelines for the management and disposal of related hazardous waste. The Group will also engage the disposal of hazardous waste to a qualified hazardous waste disposal unit.

In order to cultivate employees’ awareness and knowledge of sustainable development, the Group requires employees to promote appropriate ordering, limiting wastage and good ordering and dining habits to customers in restaurants, and to make a good example of themselves to further encourage customers to take actions to reduce food waste. The Group is committed to reducing waste and has set a five-year target in 2021 to gradually reduce the non-hazardous waste generation intensity per square meter. Despite an increase in non-hazardous waste due to higher customer traffic, the Group managed to reduce its non-hazardous waste generation intensity per square meter as compared with 2022 through waste reduction measures. However, due to the economic recovery following the pandemic, the Group’s non-hazardous waste generation intensity increased as compared with 2021, resulting in the failure to meet the short-term targets set in 2022. In addition to the five-year target to reduce waste, the Group has also set an additional short-term target for the coming year in 2023, using 2021 as the base year, to reduce the non-hazardous waste generation intensity per square meter by 1% in 2024. In addition, during the Reporting Period, the Group’s restaurants implemented corresponding resource conservation and waste reduction policies, in order to reasonably control operating costs, and meanwhile to reduce the consumption of and impact on natural resources in the operation process. The relevant specific measures are as follows:

- Appoint responsible persons for low-value consumables in restaurants, responsible for keeping purchases and records. Each department takes the inventory of the use of low-value consumables daily, summarizes the weekly usage, and replenishes stock according to the inventory; and
- Encourage employees to use double-sided printing.

## GREEN DEVELOPMENT

### PRODUCT PACKAGING AND TAKEAWAY ACCESSORIES

In recent years, with the development of new business trends such as e-commerce, express delivery, and takeaway, the consumption of plastic tableware has increased rapidly. The Group is committed to reducing the pressure created by plastic products on the environment and natural resources on the basis of the principle sustainable development. In support of government initiatives, the Group's restaurants actively encourage customers to decline disposable tableware, thereby promoting a reduction in single-use items. Since October 2018, the Ele.me (饿了么) takeaway ordering platform released the "Blue Planet Merchant Standard", to set a sustainable packaging material standard for takeaway in the catering industry. As a standard co-sponsor, Shanghai XNG is committed to following the three initiatives of the "Blue Planet Merchant Standard":

1. Reduce excessive packaging and use of disposable tableware;
2. Improve the reusability of existing packaging materials; and
3. Promote the use of alternative materials in overall takeaway packaging solutions.

In response to these initiatives, the Group conducted a "Clear Plate Campaign" to encourage diners to cherish their food, eat all the food on their plates and reduce the use of packaged disposable tableware. During the Reporting Period, the Group consumed approximately 11.18 tonnes (2022: approximately 6.77 tonnes) of packaging materials with a consumption of approximately 7.93 g (2022: approximately 9.31 g) per capita (based on the number of customers served).

### CLIMATE CHANGE

Climate change is happening and is on the rise, with devastating effects around the world. As a responsible company, Shanghai XNG is committed to reducing its environmental impact as mentioned above and is aware of the potential impact of climate change on its business. Therefore, we actively collect stakeholders' opinions, and policies have been developed to identify and respond to potentially significant climate-related issues. The Group regularly update and implement relevant policies, and take climate related risks into account in its risk management process to better mitigate the impact and maintain a sustainable business model.

#### Physical Risks

Increasingly severe weather events such as extreme cold or heat, storms, rainstorms and typhoons may increase the risk of power shortages, supply chain disruptions and damage to the Group's assets, disrupting the Group's operations, adversely affecting the Group's financial results and increasing the cost of repairing or restoring damaged sites. Such events may also disrupt the work of employees and may even result in injuries or fatalities. Therefore, in the event of an extreme weather event that will affect the Group, the Group will set up a crisis management team (as appropriate) and may designate personnel from the Legal Department, the Public Affairs Department, the Marketing Department, the Finance Department, external legal counsel, the Human Resources Department, the Operations Department and any department of the Group (as necessary) to the crisis management team under the leadership of the Executive Committee of the Board. The crisis management team is responsible for developing and implementing crisis management plans in order to mitigate or avoid losses in the event of an extreme weather event affecting the Group's operations and to shorten the time required for the Group to resume business operations. At the same time, when local government issues the signal of extreme weather events, the Group will implement measures to ensure the safety of employees according to the situation, such as adjusting the working hours or closing stores.

#### Transition Risks

As society becomes more aware of climate change and related policies are implemented or tightened, the Group's operating costs may increase to meet regulatory expectations and comply with relevant environmental laws and regulations. For instance, the Stock Exchange's enhanced climate-related disclosure requirements for listed companies' ESG reports may lead to increased compliance costs. Failure of the Group to meet society's expectations of its ESG performance or comply with relevant laws and regulations, may negatively affect its reputation, lead to the loss of customers and exposure to litigation. In view of this, the Group will regularly monitor existing and emerging climate-related trends, policies and regulations to avoid reputational risk due to delayed response. In addition, to mitigate the Group's environmental impact and to comply with the requirements of the Stock Exchange, the Group has set goals to reduce energy consumption and GHG emissions. The Group will continue to evaluate the effectiveness of its actions to address climate change and strengthen its resilience to climate related issues.

## ENVIRONMENTAL PERFORMANCE

During the Reporting Period, the Group strengthened management of its environmental performance by recording, calculating and analyzing various emissions and resource usage data of the Group's headquarters and restaurants. During the Reporting Period, the Group successfully collected and calculated environmental performance data for the headquarters, 1 "The Dining Room" in Shanghai, and 21 "Shanghai Min" in Shanghai. Going forward, the Group will keep a steady pace in promoting environmental performance management.

During the Reporting Period, within the scope of this Report, the air pollutant emissions from the headquarters of the Group increased as compared with 2022, while the total amount of GHG emissions and total energy consumption slightly increased as compared with 2022. The data for water consumption was not available to the Group as the water consumption cost was included in the rental expenses. The Group will actively implement electricity conservation measures at the headquarters.

Indicator	Unit	2023 Environmental Performance of Headquarters of the Group	2022 Environmental Performance of Headquarters of the Group
		2023 Performance Value	2022 Performance Value
<b>Air Pollutant Emissions<sup>7</sup></b>			
Nitrogen Oxides	kg	33.44	29.49
Sulphur Oxides	kg	0.06	0.05
Particulates Matter	kg	3.20	2.83
<b>GHG Emissions</b>			
<b>Total GHG Emissions</b>	tCO <sub>2</sub> e	49.05	47.45
<b>GHG Emissions Intensity</b>	tCO <sub>2</sub> e/m <sup>2</sup>	0.07	0.06
Direct GHG Emissions (Scope 1) <sup>8</sup>	tCO <sub>2</sub> e	10.05	8.86
Energy Indirect GHG Emissions (Scope 2) <sup>9</sup>	tCO <sub>2</sub> e	39.00	38.59
<b>Use of Resources</b>			
<b>Total Energy Consumption</b>	kWh	105,003.70	99,960.70
<b>Energy Consumption Intensity</b>	kWh/m <sup>2</sup>	140.19	133.46
Direct Energy – Gasoline Consumption <sup>10</sup>	kWh	36,621.70	32,288.70
Indirect Energy – Electricity Consumption	kWh	68,382.00	67,672.00
<b>Water Consumption</b>	tonnes	N/A	N/A
<b>Water Consumption Intensity</b>	tonnes/m <sup>2</sup>	N/A	N/A

## GREEN DEVELOPMENT

During the Reporting Period, within the scope of this Report, the air pollutant emissions, total GHG emissions, total energy consumption, water consumption, total non-hazardous waste generated and total hazardous waste generation of “The Dining Room” restaurants increased as compared with 2022. The Group will continue to actively implement environmental protection measures in all aspects.

Indicator	Unit	2023 Environmental	2022 Environmental
		Performance of The Dining Room Restaurants <sup>11</sup> 2023 Performance Value	Performance of The Dining Room Restaurants <sup>11</sup> 2022 Performance Value
<b>Air Pollutant Emissions<sup>12</sup></b>			
Nitrogen Oxides	kg	509.61	105.79
Sulphur Dioxide	kg	20.38	4.23
Particulates Matter	kg	0.05	0.01
<b>GHG Emissions</b>			
<b>Total GHG Emissions</b>	tCO <sub>2</sub> e	312.63	74.53
<b>GHG Emissions Intensity</b>	kgCO <sub>2</sub> e/customer	1.10	0.97
Direct GHG Emissions (Scope 1) <sup>13</sup>	tCO <sub>2</sub> e	107.96	22.41
Energy Indirect GHG Emissions (Scope 2) <sup>14</sup>	tCO <sub>2</sub> e	204.67	52.12
<b>Use of Resources</b>			
<b>Total Energy Consumption</b>	kWh	891,884.44	202,035.59
<b>Energy Consumption Intensity</b>	kWh/customer	3.13	2.62
Direct Energy – Natural Gas Consumption <sup>15</sup>	kWh	532,995.44	110,644.59
Indirect Energy – Electricity Consumption	kWh	358,889.00	91,391.00
<b>Water Consumption</b>	10,000 tonnes	1.26	0.22
<b>Water Consumption Intensity</b>	tonnes/customer	0.04	0.03
<b>Non-hazardous Waste</b>			
<b>Total Non-hazardous Waste Generated</b>	kg	32,925.00	11,810.00
<b>Non-hazardous Waste Generated Intensity</b>	kg/customer	0.12	0.15
Cooking Oil Generated	kg	2,175.00	910.00
Food Waste Generated	kg	23,950.00	7,800.00
Domestic Waste Generated	kg	6,800.00	3,100.00
<b>Hazardous Waste</b>			
<b>Total Hazardous Waste Generated</b>	kg	–	–
<b>Hazardous Waste Generated Intensity</b>	g/customer	–	–
Waste Light Bulb Generated	kg	–	–

## GREEN DEVELOPMENT

During the Reporting Period, within the scope of this Report, the air pollutant emissions, total greenhouse gas emissions, total energy consumption, water consumption, and total hazardous waste generation of “Shanghai Min” restaurants increased as compared with 2022, while the total non-hazardous waste generated decreased as compared with 2022. The Group will continue to actively implement environmental protection measures in all aspects.

Indicator	Unit	2023 Environmental Performance of Shanghai Min Restaurants <sup>16</sup>	2022 Environmental Performance of Shanghai Min Restaurants <sup>16</sup>
		2023 Performance Value	2022 Performance Value
<b>Air Pollutant Emissions<sup>17</sup></b>			
Nitrogen Oxides	kg	7,839.16	7,235.05
Sulphur Dioxide	kg	313.57	289.40
Particulates Matter	kg	0.78	0.72
<b>GHG Emissions</b>			
<b>Total GHG Emissions</b>	tCO <sub>2</sub> e	4,835.04	4,373.94
<b>GHG Emissions Intensity</b>	kgCO <sub>2</sub> e/customer	4.30	6.73
Direct GHG Emissions (Scope 1) <sup>18</sup>	tCO <sub>2</sub> e	1,660.76	1,532.78
Energy Indirect GHG Emissions (Scope 2) <sup>19</sup>	tCO <sub>2</sub> e	3,174.28	2,841.16
<b>Use of Resources</b>			
<b>Total Energy Consumption</b>	kWh	13,764,875.52	12,548,934.64
<b>Energy Consumption Intensity</b>	kWh/customer	12.23	19.30
Direct Energy – Natural Gas Consumption <sup>20</sup>	kWh	8,198,886.16	7,567,058.41
Indirect Energy – Electricity Consumption	kWh	5,565,989.36	4,981,876.23
<b>Water Consumption</b>	10,000 tonnes	11.70	9.12
<b>Water Consumption Intensity</b>	tonnes/customer	0.10	0.14
<b>Non-hazardous Waste</b>			
<b>Total Non-hazardous Waste Generated</b>	kg	196,279.06	200,496.40
<b>Non-hazardous Waste Generated Intensity</b>	kg/customer	0.17	0.31
Cooking Oil Generated	kg	17,574.06	15,199.40
Food Waste Generated	kg	130,204.00	127,046.00
Domestic Waste Generated	kg	48,501.00	58,251.00
<b>Hazardous Waste</b>			
<b>Total Hazardous Waste Generated</b>	kg	87.69	81.08
<b>Hazardous Waste Generated Intensity</b>	g/customer	0.08	0.12
Waste Light Bulb Generated	kg	52.19	49.58
Other electronic products	kg	35.50	31.50



## GREEN DEVELOPMENT

### Notes:

7. Air pollutant emissions of the headquarters come from the exhaust gases of vehicles owned and controlled by the Group and the pollutant emissions caused by natural gas combustion. References to calculation methods include, but are not limited to, the “How to Prepare an ESG Report – Appendix 2: Reporting Guidance on Environmental KPIs” issued by the Stock Exchange;
8. Scope 1 GHG emissions of the headquarters come from the GHG emissions caused by gasoline consumption of vehicles owned and controlled by the Group. References for calculation methods include, but are not limited to, “Greenhouse Gas Protocol: Corporate Accounting and Reporting Standards” published by the World Resources Institute and the World Business Council for Sustainable Development, the “How to Prepare an ESG Report – Appendix 2: Reporting Guidance on Environmental KPIs” issued by the Stock Exchange and the “Global Warming Potential Values” from the Sixth Assessment Report (AR6) issued by the Intergovernmental Panel on Climate Change (“IPCC”);
9. Scope 2 GHG emissions of the headquarters come from energy indirect GHG emissions generated during the production process of the Group’s purchased electricity. References for calculation methods include, but are not limited to, “Greenhouse Gas Protocol: Corporate Accounting and Reporting Standards” published by the World Resources Institute and the World Business Council for Sustainable Development and the “Notice on the Management of Enterprise Greenhouse Gas Emissions Reporting by Some Key Industries for 2023-2025”;
10. The actual gasoline consumption of the headquarters is about 3,778.80 liters (2022: about 3,331.70 liters);
11. This table summarizes the environmental performance of the 1 “The Dining Room” restaurant in Shanghai (2022: 1 restaurant);
12. Air pollutant emissions of “The Dining Room” come from the pollutant emissions from natural gas used in restaurants during the combustion process. Calculation methods include, but are not limited to, “The First National Pollutant Source Census Manual of Urban Living Source Discharge Coefficients”;
13. Scope 1 GHG emissions of “The Dining Room” come from the GHG emissions generated during the combustion of natural gas used by restaurants within the statistical scope. Calculation methods include but are not limited to “Greenhouse Gas Protocol: Corporate Accounting and Reporting Standards” published by the World Resources Institute and the World Business Council for Sustainable Development, the “How to Prepare an ESG Report – Appendix 2: Reporting Guidance on Environmental KPIs” issued by the Stock Exchange, the “2006 IPCC Guidelines for National Greenhouse Gas Inventories” and the “Global Warming Potential Values” from the Sixth Assessment Report (AR6) issued by IPCC;
14. Scope 2 GHG emissions of “The Dining Room” come from energy indirect GHG emissions during the production process of electricity purchased from restaurants within the statistical scope. References for calculation methods include, but are not limited to, “Greenhouse Gas Protocol: Corporate Accounting and Reporting Standards” published by the World Resources Institute and the World Business Council for Sustainable Development and the “Notice on the Management of Enterprise Greenhouse Gas Emissions Reporting by Some Key Industries for 2023-2025”;
15. The actual natural gas consumption of “The Dining Room” is about 50,961.00 cubic meters from 1 restaurant (2022: about 10,579.00 cubic meters from 1 restaurant). The rise in consumption was mainly due to the increase of customer traffic;
16. This table summarizes the environmental performance of the Group’s 21 “Shanghai Min” restaurants in Shanghai (2022: 23 restaurants);
17. Air pollutant emissions of “Shanghai Min” restaurants come from the emissions of pollutants generated from natural gas used in restaurants during the combustion process. References to calculation methods include, but are not limited to, “The First National Pollutant Source Census Manual of Urban Living Source Discharge Coefficients”;

## GREEN DEVELOPMENT

18. Scope 1 GHG emissions of “Shanghai Min” restaurants come from the GHG emissions generated during the combustion of natural gas used by restaurants within the statistical scope. References to calculation methods include but are not limited to “Greenhouse Gas Protocol: Corporate Accounting and Reporting Standards” published by the World Resources Institute and the World Business Council for Sustainable Development, the “How to Prepare an ESG Report – Appendix 2: Reporting Guidance on Environmental KPIs” issued by the Stock Exchange, the “2006 IPCC Guidelines for National Greenhouse Gas Inventories” and the “Global Warming Potential Values” from the Sixth Assessment Report (AR6) issued by IPCC;
19. Scope 2 GHG emissions of “Shanghai Min” restaurants come from energy indirect GHG emissions during the production process of electricity purchased from restaurants within the statistical scope. References for calculation methods include, but are not limited to, “Greenhouse Gas Protocol: Corporate Accounting and Reporting Standards” published by the World Resources Institute and the World Business Council for Sustainable Development and the “Notice on the Management of Enterprise Greenhouse Gas Emissions Reporting by Some Key Industries for 2023-2025”; and
20. The actual natural gas consumption of “Shanghai Min” restaurants is about 783,915.60 cubic meters (2022: about 723,505.00 cubic meters).

## RESULTS SHARING

### PROMOTE INDUSTRY DEVELOPMENT

The Group actively participates in various industry associations, strives to broaden its own information acquisition channels, deepen communication with partners and suppliers and other stakeholders, and to contribute to the development of the industry. Shanghai XNG participates in industry associations including:

- Shanghai Food and Beverage Industry Association;
- Shanghai Food Safety Federation; and
- Shanghai Yangpu District Foreign Investment Enterprise Association.

### PARTICIPATE IN COMMUNITY AND CHARITY ACTIVITIES

Education and talent training have always been the focus of attention in the community and F&B industry. Shanghai XNG uses its own industry characteristics and advantages to focus on investing in and helping the development of education. During the Reporting Period, the Group continued the “school-enterprise cooperation” model to promote the sharing of resources and information between schools and enterprises. This move will help cultivate talents for the F&B industry and create employment opportunities for the community. It can also plan and reserve talent resources for Shanghai XNG to achieve mutually beneficial cooperation results.

In 2023, the Group actively embraced its social responsibility, and encouraged staff participation in charitable activities. Looking ahead, the Group will actively explore and participate in various charitable activities to encourage and support the public.

# ESG REPORTING GUIDE CONTENT INDEX

Mandatory Disclosure Requirement		Section/Statement
Governance Structure		Directors' Responsibilities, ESG Working Group
Reporting Principles		Reporting Framework
Reporting Boundary		Reporting Boundary

Subject Areas, Aspects, General Disclosures and KPIs		
	Description	Section/Statement
<b>Aspect A1: Emissions</b>		
General Disclosure	<p>Information on:</p> <p>(a) the policies; and</p> <p>(b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and nonhazardous waste.</p> <p>Note: Air emissions include NO<sub>x</sub>, SO<sub>x</sub>, and other pollutants regulated under national laws and regulations.</p> <p>Greenhouse gases include carbon dioxide, methane, nitrous oxide, hydrofluorocarbons, perfluorocarbons and sulphur hexafluoride.</p> <p>Hazardous wastes are those defined by national regulations.</p>	Green Development
KPI A1.1	The types of emissions and respective emissions data.	Green Development – Environmental Performance
KPI A1.2	Direct (Scope 1) and energy indirect (Scope 2) greenhouse gas emissions (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	Green Development – Environmental Performance
KPI A1.3	Total hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	Green Development – Environmental Performance
KPI A1.4	Total non-hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	Green Development – Environmental Performance
KPI A1.5	Description of emission target(s) set and steps taken to achieve them.	Chairman's Message; Green Development – Energy Consumption and GHG Emission Management
KPI A1.6	Description of how hazardous and non-hazardous wastes are handled, and a description of reduction target(s) set and steps taken to achieve them.	Chairman's Message; Green Development – Disposal and Recycling of Hazardous and Non-hazardous Waste

## ESG REPORTING GUIDE CONTENT INDEX

Subject Areas, Aspects, General Disclosures and KPIs	Description	Section/Statement
<b>Aspect A2: Use of Resources</b>		
General Disclosure	Policies on the efficient use of resources, including energy, water and other raw materials.  Note: Resources may be used in production, in storage, transportation, in buildings, electronic equipment, etc.	Green Development
KPI A2.1	Direct and/or indirect energy consumption by type (e.g. electricity, gas or oil) in total (kWh in'000s) and intensity (e.g. per unit of production volume, per facility).	Green Development – Environmental Performance
KPI A2.2	Water consumption in total and intensity (e.g. per unit of production volume, per facility).	Green Development – Environmental Performance
KPI A2.3	Description of energy use efficiency target(s) set and steps taken to achieve them.	Chairman's Message; Green Development – Energy Consumption and GHG Emission Management
KPI A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency target(s) set and steps taken to achieve them.	Chairman's Message; Green Development – Water Resources Management
KPI A2.5	Total packaging material used for finished products (in tonnes) and, if applicable, with reference to per unit produced.	Green Development – Product Packaging and Takeaway Accessories
<b>Aspect A3: The Environment and Natural Resources</b>		
General Disclosure	Policies on minimizing the issuer's significant impacts on the environment and natural resources.	Green Development
KPI A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	Green Development – Cooking Oil Fume Emission Management
<b>Aspect A4: Climate Change</b>		
General Disclosure	Policies on identification and mitigation of significant climate-related issues which have impacted, and those which may impact, the issuer.	Green Development – Climate Change
KPI A4.1	Description of the significant climate-related issues which have impacted, and those which may impact, the issuer, and the actions taken to manage them.	Green Development – Climate Change

## ESG REPORTING GUIDE CONTENT INDEX

Subject Areas, Aspects, General Disclosures and KPIs	Description	Section/Statement
<b>Aspect B1: Employment</b>		
General Disclosure	Information on: <ul style="list-style-type: none"> <li>(a) the policies; and</li> <li>(b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare.</li> </ul>	Talent Management – Employment Policy, Employees’ Rights Protection
KPI B1.1	Total workforce by gender, employment type (for example, full – or part-time), age group and geographical region.	Talent Management – Employment Policy
KPI B1.2	Employee turnover rate by gender, age group and geographical region.	Talent Management – Employment Policy
<b>Aspect B2: Health and Safety</b>		
General Disclosure	Information on: <ul style="list-style-type: none"> <li>(a) the policies; and</li> <li>(b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to providing a safe working environment and protecting employees from occupational hazards.</li> </ul>	Safety First – Employee Occupational Health and Safety; Talent Management – Staff Training and Development
KPI B2.1	Number and rate of work-related fatalities occurred in each of the past three years including the reporting year.	Safety First – Employee Occupational Health and Safety
KPI B2.2	Lost days due to work injury.	Safety First – Employee Occupational Health and Safety
KPI B2.3	Description of occupational health and safety measures adopted, and how they are implemented and monitored.	Safety First – Employee Occupational Health and Safety; Talent Management – Staff Training and Development

## ESG REPORTING GUIDE CONTENT INDEX

Subject Areas, Aspects, General	Disclosures and KPIs	Description	Section/Statement
<b>Aspect B3: Development and Training</b>			
	General Disclosure	Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.	Talent Management – Staff Training and Development
		Note: Training refers to vocational training. It may include internal and external courses paid by the employer.	
	KPI B3.1	The percentage of employees trained by gender and employee category (e.g. senior management, middle management).	Talent Management – Staff Training and Development
	KPI B3.2	The average training hours completed per employee by gender and employee category.	Talent Management – Staff Training and Development
<b>Aspect B4: Labor Standards</b>			
	General Disclosure	Information on:	Talent Management – Employment Policy
		(a) the policies; and	
		(b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child and forced labor.	
	KPI B4.1	Description of measures to review employment practices to avoid child and forced labor.	Talent Management – Employment Policy
	KPI B4.2	Description of steps taken to eliminate such practices when discovered.	Talent Management – Employment Policy
<b>Aspect B5: Supply Chain Management</b>			
	General Disclosure	Policies on managing environmental and social risks of the supply chain.	Quality Oriented – Sustainable Supply Chain Management
	KPI B5.1	Number of suppliers by geographical region	Quality Oriented – Sustainable Supply Chain Management
	KPI B5.2	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, and how they are implemented and monitored.	Quality Oriented – Sustainable Supply Chain Management
	KPI B5.3	Description of practices used to identify environmental and social risks along the supply chain, and how they are implemented and monitored.	Quality Oriented – Sustainable Supply Chain Management
	KPI B5.4	Description of practices used to promote environmentally preferable products and services when selecting suppliers, and how they are implemented and monitored.	Quality Oriented – Sustainable Supply Chain Management

## ESG REPORTING GUIDE CONTENT INDEX

Subject Areas, Aspects, General Disclosures and KPIs	Description	Section/Statement
<b>Aspect B6: Product Responsibility</b>		
General Disclosure	Information on:	Quality Oriented – Food R&D and Quality, Brand Image; Safety First – Food Safety and Hygiene
	(a) the policies; and	
	(b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress.	
KPI B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons.	Quality Oriented – Food R&D and Quality
KPI B6.2	Number of products and service related complaints received and how they are dealt with.	Quality Oriented – Brand Image
KPI B6.3	Description of practices relating to observing and protecting intellectual property rights.	Quality Oriented – Brand Image
KPI B6.4	Description of quality assurance process and recall procedures.	Quality Oriented – Food R&D and Quality; Safety First – Food Safety and Hygiene
KPI B6.5	Description of consumer data protection and privacy policies, and how they are implemented and monitored	Quality Oriented – Brand Image
<b>Aspect B7: Anti-corruption</b>		
General Disclosure	Information on:	Operational Compliance – Integrity and Honesty
	(a) the policies; and	
	(b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering.	
KPI B7.1	Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the reporting period and the outcomes of the cases.	Operational Compliance – Integrity and Honesty
KPI B7.2	Description of preventive measures and whistleblowing procedures, and how they are implemented and monitored.	Operational Compliance – Integrity and Honesty
KPI B7.3	Description of anti-corruption training provided to directors and staff.	Operational Compliance – Integrity and Honesty



## ESG REPORTING GUIDE CONTENT INDEX

Subject Areas, Aspects, General	Description	Section/Statement
Disclosures and KPIs		
<b>Aspect B8: Community Investment</b>		
General Disclosure	Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests.	Results Sharing – Promote Industry Development, Participate in Community and Charity Activities
KPI B8.1	Focus areas of contribution (e.g. education, environmental concerns, labor needs, health, culture, sport).	Results Sharing – Promote Industry Development, Participate in Community and Charity Activities
KPI B8.2	Resources contributed (e.g. money or time) to the focus area.	Results Sharing – Promote Industry Development, Participate in Community and Charity Activities