



Tao Heung Holdings Limited

稻香控股有限公司*

(Incorporated in the Cayman Islands with limited liability)

Website: <http://www.taoheung.com.hk>

(Stock Code: 573)

Environmental, Social and Governance Report

The board of directors (the “Board”) of Tao Heung Holdings Limited (the “Company”) together with its subsidiaries, (collectively “Tao Heung” or the “Group”) hereby presents the Environmental, Social and Governance Report (“ESG”) for the year ended 31 December 2017 for the Company. It provides an overview how the Group, as a responsible corporate citizen, strikes the balance between economic, environmental and social sustainability from different aspects, including environmental protection, employment and labour practices, operating practices and community involvement.

INTRODUCTION

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

This report is prepared in accordance with the Environmental, Social and Governance Reporting Guide as set out in Appendix 27 of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited and covers the period from 1 January 2017 to 31 December 2017 (the “Reporting Period”). This report covers the Group’s restaurant operations, bakery operations as well as manufacturing of food products in Hong Kong. The environmental data presented covers its restaurants, bakery shops and logistics centre in Hong Kong.

* For identification purpose only

A. ENVIRONMENTAL

As an environmental caring company with corporate social responsibilities, we are committed to devoting efforts to the compliance on the relevant laws and regulations and towards the reduction of gas emissions and wastages as well as the conservation of energy and natural resources.

A1. Emissions

A1.1 Gas Emissions

Gas emissions are mainly oil fumes and cooking odour emissions from the cooking process at the restaurants and logistics centres. The Group has taken a series of measures to minimize the cooking oil fume and odour such as installation of an efficient ventilation system with filters. It not only ensures good ventilation of the food processing area but also provides a better working environment to the kitchen employees and better living environment to the neighbouring residents.

A1.2 Waste Management

Restaurants and logistics centres of the Group would produce various kind of waste, including waste oil, food waste, packaging materials and sewage water, etc. during their operation. The Group has taken a series of measures so as to minimize the extent of wastage, such as arranging the professional waste oil companies to collect the waste oil on site, the local recyclers to collect the waste packaging materials in various forms and professional companies to conduct grease trap cleaning regularly. In addition, some of our restaurants use the food waste container to collect the food waste.

A2. Use of Resources

The Group mainly consumes electricity and water during the operation. In order to minimize the usage on the power consumption, the Group has implemented the following measures to reduce the level of power consumption including using LED lighting facilities and electric cooker and equipments, shortening the running hours of the air-conditioners; using the dish-washing machine to clean the kitchen utensils and serving tools to save the power and water consumption. As a reward to our efforts in promoting environmental protection, we are honored to get 「CLP GREENPLUS Award 2017」- Joint Energy Saving Award during the reporting period.

A3. The Environment and Natural Resources

Not only with the introduction of environmental protection measures, the Group also promote the employees' consciousness on environmental protection by making videos which introduce how an individual can contribute in environmental protection aspects. On the other hand, green procurement is encouraged such as purchasing sustainable seafood.

Overview of energy consumption and carbon footprint for Hong Kong operations :

	2017	2016	Variance (%)
Energy consumption			
Electricity ('000 kWh)	87,343	92,807	(5.9)
Towngas ('000 kWh)	17,811	18,839	(5.5)
Total energy consumption ('000 kWh)	105,154	111,646	(5.8)
Intensity ('000 kWh/HK\$m revenue) ¹	40.9	40.2	1.7
Generation of Greenhouse Gas (GHG)			
Direct GHG emissions (tCO ₂ e) ²	4,168	4,408	(5.4)
Indirect GHG emissions (tCO ₂ e) ³	46,749	52,161	(10.4)
Total emission	50,917	56,569	(10.0)
Intensity (tCO ₂ e /HK\$m revenue) ⁴	19.8	20.3	(2.5)

Overview of water consumption for Hong Kong operations:

	2017	2016	Variance (%)
Water consumption			
Restaurants (m ³)	1,140,056	1,185,548	(3.8)
Logistic Centre (m ³)	125,236	125,681	(0.4)
Total water consumption (m ³)	1,265,292	1,311,229	(3.5)
Intensity (m ³ /HK\$m revenue) ⁵	492	472	4.2

Notes:

1. Intensity is calculated by the total energy consumption ('000 kWh) divided by the revenue from Hong Kong operations for the financial year ended 31 December 2017, approximately HK\$2,571 million (2016: HK\$2,780 million).
2. Direct GHG emissions from the combustion of fuels in stationary sources, i.e. Towngas.
3. Indirect GHG emissions from the consumption of purchased electricity and towngas from The Hongkong Electric Company Limited, The CLP Holdings Limited and The Hong Kong and China Gas Company Limited.
4. Intensity is calculated by the total emission of GHG (in tonnes) divided by the revenue from Hong Kong operations for the financial year ended 31 December 2017, approximately HK\$2,571 million (2016: HK\$2,780 million).
5. Intensity is calculated by the total water consumption (m³) divided by the revenue from Hong Kong operations for the financial year ended 31 December 2017, approximately HK\$2,571 million (2016: HK\$2,780 million).

B. SOCIAL

B1. Employment

The Group firmly believes that employees are valuable assets and every employee should be respected. The Group hires the best available candidates in the market by offering competitive wages and benefits with rewards for performance, growth opportunities, ongoing training and internal promotion opportunities. We actively facilitate the recruitment of our restaurant staff by adopting a variety of initiatives, such as participating in job fairs, organizing on-campus career talks and encouraging current employees to refer suitable candidates to us. The Group has established policies on employment, promotion, dismissal and anti-discrimination to ensure that employees of different ages, positions, genders and nationalities can enjoy a fair and healthy working environment where they feel valued and encouraged. As at 31 December 2017, the Group employed a total of 8,194 employees.

The table below shows the distribution of workforce in Hong Kong operations by gender and age group as at 31 December 2017:

	Male			Female			Total - Hong Kong			
Age	Office	Logistics	Shops	Office	Logistics	Shops	Office	Logistics	Shops	Total
Below 30	8	26	213	9	15	87	17	41	300	358
30 - 59	52	94	774	52	129	2,052	104	223	2,826	3,153
60 or above	7	12	92	3	19	269	10	31	361	402
	67	132	1,079	64	163	2,408	131	295	3,487	3,913

The table below shows the staff turnover ratio in Hong Kong operations by functional units as at 31 December 2017:

	Office	Logistics	Shops	Total
Average monthly turnover rate	2.01%	3.29%	5.82%	5.50%

B2. Health and Safety

The Group values our employees as our most precious assets. Occupational safety and health are our priority in our commitment to our staff. To provide a safe working environment and protect employees from occupational hazards, "5-S" (五常法) management system is adopted. Also, our operation manual and videos provide clear guidance on various occupational safety matters which our staff are required to follow. We believe that these measures can help to reduce the number and seriousness of work-related injuries of our employees and are adequate and effective to prevent serious work injuries.

During the year ended 31 December 2017, there was no case regarding the work-related fatalities in Hong Kong operations while approximately 8,315 days were lost due to work injury in Hong Kong.

B3. Development and Training

The Group develops and provides comprehensive in-house training programmes for all our employees, including our headquarters office personnel, restaurant management personnel and restaurant staff. Staffs at different levels are required to attend the training courses. This arrangement is intended to ensure that all employees not only understand the Group's corporate culture and core values but also equip themselves with appropriate skills when carrying out their duties. To encourage a life-long learning, the employees are also encouraged to attend training and development courses so as to keep abreast of their skills and knowledge. A fund is set up to finance the employees' tuition fee upon approval of the management committee. We believe that all these would enable us to have a stable and competent team of staff for our business development purpose.

	Percentage of Employees Trained	Average Training Hours Completed
<u>Gender</u>		
Male	41.4%	10.4
Female	32.2%	7.8
Total	35.3%	8.8
<u>Employees Category</u>		
Senior Management	51.3%	18.5
Middle Management	36.2%	8.6
Total	41.6%	13.0

The above table summarized the percentage of employees trained by gender and employee category (e.g. senior management, middle management) and the average training hours completed per employee by gender and employee category under Hong Kong operations in 2017.

B4. Labour Standards

As a caring company, we are in the belief that recruiting, retention and development of employees irrespective of their gender, physical condition, family position and race. All our policies are in compliance with relevant standards, rules and regulations and we are not aware of any material non-compliance on these. Also, we emphasize that no child and forced labour are allowed to hire.

B5. Supply Chain Management

The Group uses strict review criterion for selecting the appropriate suppliers. In order to ensure stable and timely supply of the required ingredients, our central procurement department and quality assurance department maintains control on selection and evaluation of suppliers. For new suppliers, our central procurement department evaluates the relevant information including, where applicable, hygiene certification, certificate of origin and internationally recognised certification on food hygiene and management system. Our central procurement department may also perform site visits with our quality assurance department to assess the food hygiene, working environment as well as production and quality control process of the potential major suppliers. For existing suppliers, our central procurement department together with our quality assurance department would perform regular visits and hold meetings with suppliers as and when required. We only make purchases from authorised suppliers.

B6. Product Responsibility

B6.1 Quality control on our food

We place great emphasis on food quality and the hygiene of our food products, those being the key factors to ensure our success in the restaurant industry. The Group would strictly adhere to the applicable laws and regulations and implemented food safety management systems. The logistics centre in Hong Kong was accredited the international certification of ISO22000 food safety management system and “HACCP” (Hazard Analysis Critical Control Point) management system in 2017. In order to maintain the food quality standard, the quality checking team of the Group would regularly conduct operational audit on the quality of food and the environment of restaurants and the logistics centre. The Group would also provide training to employees regularly so as to ensure the quality of our food and the compliance with our established quality control guidelines by our staff which include food ingredients receiving, storing and issuing practices; food preparation and production ; waste management; food and personal hygiene, etc.. The Group is not aware of any material non-compliance with relevant laws and regulations on health and safety, advertising, labelling and privacy matters related to products and services provided during the reporting period.

B6.2 Quality control on our services

We have provided comprehensive internal and external training to our staff in respect of customer service. We also engaged a consultancy firm to assist us in assessing the level of satisfaction of our customers of our services, the dining environment and the quality of our food. Our consultant has introduced, for this purpose, programs such as mysterious shoppers program, customer satisfaction surveys and focus group. The reports of our consultant can help us assess the level of compliance with our established quality control guidelines by our staff and identify room for improvement in respect of our food, service and environment, where appropriate. The results of these surveys would be treated as part of key performance indicators when assessing the overall performance of each restaurant. Also, the Group has a comprehensive feedback system. Customers are able to communicate with the Group in different ways, via the customer service hotline, e-mail, social media page or feedback form. A team of qualified staff is assigned to handle and follow-up the cases.

B6.3 Protection of Personal Data

With a comprehensive feedback system, the data collected from its customers from time to time may consist of personal information. The Group strictly complies with the provisions of the Personal Data (Privacy) Ordinance to ensure the personal data collected are to be treated confidentially and for specific purposes only.

B6.4 Intellectual Property Rights

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

B7. Anti-Corruption

The Group strictly adheres to the laws and regulations against corruption such as the Prevention of Bribery Ordinance of Hong Kong. We believe that integrity is a valuable asset to our business and society. We have implemented the code of conduct and guidelines for our staff and suppliers to prevent any fraudulent and corrupt acts. The Group has a system to allow employee to disclose information in relation to any unlawful conduct, any incident of corruption, avoidance of internal controls, incorrect or improper financial or other reporting to the management. To raise our awareness of the corruption prevention, we invited the Hong Kong Independent Commission Against Corruption (the "ICAC") to arrange talks for different levels of our staff. The ICAC officers outlined the prevention of bribery ordinances, reminded our staff, particularly colleagues in the risk exposed areas, of the potential traps into which they may fall. During the year under review, the Group was not aware of any significant non-compliance cases in its Hong Kong operations in relation to applicable laws and regulations on corruption, fraud and money laundering.

B8. Community Investment

Tao Heung never tires in contributing to the catering industry and society

Tao Heung devotes to the society through charitable means. During the reporting period, Tao Heung has donated over HK\$923,000 to support a variety of charity campaigns in the society. We also encourage our staff to participate in contributing to the society such as joining the Standard Chartered Hong Kong Marathon, New Territories Million Walk organized by the Community Chest of Hong Kong. Besides, we encourage our employees to be a responsible and caring citizen by joining the "Organ Donation Promotion Charter" launched by the Department of Health for assistance in promoting organ donation and encouraging registration of wish to donate organ.

Tao Heung devotes to culture conservation. Tao Heung operated "Tao Heung Museum of Food Culture" in Hong Kong since 2005. From 2013 onward, Tao Heung has provided venue in Fotan to a charitable fund founded by the founders of Tao Heung to run "Tao Heung Museum of Food Culture". Admission and guided tours are free. The museum gives the public an opportunity to deepen their understanding of the world food culture especially for Chinese and Hong Konger.

During the year ended 31 December 2017, approximately 70,000 people visited the museum.