



倩碧控股有限公司 Simplicity Holding Limited

(Incorporated in the Cayman Islands with limited liability)
Stock Code : 8367

Environmental, Social and Governance Report 2018

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

About Simplicity Holding Limited

We are a casual dining full service restaurant operator under 3 self-operated brands as at 31 March 2018, namely “Marsino”, “La Dolce” and “Grand Avenue”. Marsino is a Chinese noodle specialist, La Dolce offers western cuisine while Grand Avenue offers Thai cuisine. Each of Marsino, La Dolce and Grand Avenue are founded and operated by our Group. As at 31 March 2018, we operated 4 Marsino restaurants, 2 La Dolce restaurants and 4 Grand Avenue restaurants.

In May 2018, we opened 2 new restaurants in Ma On Shan under two new brands, namely “Beefst” as franchisee and “HaHa Prawn Mee” which is a self-developed brand. In June 2018, we opened 2 more new restaurants in Mongkok under these 2 new brands as well. All of our restaurants are situated across Kowloon and the New Territories in Hong Kong, and are supported by our central kitchen, storage and ancillary office in Kwai Chung.



Introduction

We are pleased to present our first report on Environment, Social and Governance to the public. Our Group has committed to high standards of food safety, environmental protection and considers social responsibilities as core values in its business operations for sustainable development and corporate governance.

Stakeholder Engagement

The Group maintains various channels of constant communication with our stakeholders to ensure their expectation and concerns are effectively managed and addressed. The following table set out our major key stakeholder groups, their issues of most concern and corresponding communication channels.

Stakeholder Group	Issues of Most Concern	Communication Channels
Investors	<ul style="list-style-type: none">– Return on investment– Business strategies– Future development plan	<ul style="list-style-type: none">– Annual general meeting and shareholder meetings– Announcements and circulars– Financial reports– Company’s website



ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Stakeholder Group	Issues of Most Concern	Communication Channels
Customers	<ul style="list-style-type: none">– Food safety– Product and service quality– Food choice	<ul style="list-style-type: none">– Company’s website– Information of the restaurant and food commentary in the social media– Restaurant survey– Interview
Community	<ul style="list-style-type: none">– Protect the environment– Donation to charities	<ul style="list-style-type: none">– Press release– Company’s website
Employees	<ul style="list-style-type: none">– Fair compensation– Career development– Occupational safety and health	<ul style="list-style-type: none">– Training– Performance appraisal– Meetings and communications– Internal newsletters and other publications
Suppliers	<ul style="list-style-type: none">– Supply chain management	<ul style="list-style-type: none">– Supplier factory visits and performance review– Tendering and other regular meetings
Landlords	<ul style="list-style-type: none">– Lease contract arrangement– Brand image and marketing	<ul style="list-style-type: none">– Regular meetings– Festival event gatherings (in shopping malls)– Opening ceremonies of new shops

Reporting Period and Scope

In accordance with Appendix 20 – Environmental, Social and Governance (“ESG”) Reporting Guide of the GEM Listing Rules, we present this ESG Report for the year ended 31 March 2018.

Based on the principle of materiality for disclosure and reporting, this ESG report focuses primarily on the Group’s restaurant operations, central kitchen and headquarter office. It summarises the Group’s material policies and practices in the areas of sustainable development and social responsibility.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

1. ENVIRONMENTAL PROTECTION

Emission & Wastes

With the aim of reducing the impact of its business operation on the environment, the Group implements measures for environmental protection, such as installation of efficient filtering equipment for its exhaust and waste water produced from cooking to reduce air and water pollutions, and regular maintenance of ventilation system.

Air emissions

The air emissions were mainly from cooking gas and vehicles (approximately)

Nitrogen oxides ("NOx")	538 kg
Sulphur oxides ("SOx")	2 kg
Particulate matter ("PM")	15 kg

Greenhouse gas emissions

Scope 1 emissions were mainly from cooking gas and vehicles (approximately)

Carbon dioxide ("CO ₂ ")	5,195 tonnes
Methane ("CH ₄ ")	1,928 kg
Nitrous oxide ("N ₂ O")	6,434 kg

Scope 2 emission, mainly from purchased electricity

During the food preparation process and operations of our restaurants, we have incurred indirect greenhouse gases emissions (Scope 2) principally resulting from electricity and gas consumed at the restaurants, central kitchen and back office. In respect to the approximate indirect amount of CO₂ generated from our electrical and gaseous usage, the figures are shown in the table below:

	Electricity consumption (kWh)	Volume (Tonnes)
Carbon dioxide ("CO ₂ ")	3,316,863	1,658
	Gas Consumption (shown on bill)	Volume (Tonnes)
Carbon dioxide ("CO ₂ ")	2,028,432	1,201

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

We have also incurred other indirect greenhouse gases emissions (Scope 3), mainly resulting from fresh water and sewage processing at the restaurants and central kitchen, and paper waste disposed at landfills. In respect to the approximate amount of CO₂ generated, the figures are shown in the table below:

	Fresh water consumption (cubic meter) (shown on bill)	Volume (Tonnes)
Carbon dioxide ("CO ₂ ")	54,950	22
	Sewage water consumption (cubic meter) (shown on bill)	Volume (Tonnes)
Carbon dioxide ("CO ₂ ")	54,950	8
	Paper consumption (kg)	Volume (Tonnes)
Carbon dioxide ("CO ₂ ")	523	3

Used cooking oil is a major source of pollution and a long term problem for the food and beverage industry. As such, our Group had contracted a licenced company to handle the recycling of the used cooking oil, and will also provide some training to our staff on technique and methods for using cooking oil more effectively and efficiently. We also actively explore cooperation with different stakeholders and organisations for recycling used oil and any mutual benefit that may result.

In addition, the transportation vehicles used by our Group have met the emission and noise control standards issued by the Hong Kong government. An electronic vehicle has been used by us to manage the site visit of our restaurants which does not require any fuel consumption.

The packaging material used by our Group includes plastic cutlery such as knives, forks and spoons, plastic straws, plastic cups, plastic bags, plastic boxes and etc. We are committed to adopting recycled plastic packages and minimising the usage for our customers. The total plastic packaging material used by our Group for the year ended 31 March 2018 was approximately 18,107 kg.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Resources Utilisation

Our Group is continuously educating our employees the policies on the efficient use of resources including water, energy and other raw materials in accordance with the relevant environmental laws and regulations.

Electricity is a major resource our restaurant operations, central kitchen and office consume every day. The Group promotes energy saving with various energy-efficient measures, which include switching off idle lightings during non-office hours and lunch time, switching off electrical appliances and devices when the staffs left the office, all computer equipment is set to power saving mode. In addition, the Group uses LED lighting in different areas of the Group's restaurants, central kitchen and office.

Water is essential to all communities. We promote water conservation to our customers and employees. Reminders of water-saving responsibilities, in the form of notices and signs, are posted near to water outlets in the kitchens, washrooms, and offices.

Used papers constitutes majority of the office wastes at the headquarters. The Group promotes double-sided printing, as well as encourages employees to reduce the amount of printing where possible. Recycling bins are provided in the office to promote paper recycling and minimise paper wastes. Used papers are collected by paper recyclers. Used toner cartridges are also returned to respective suppliers for recycling.

Resources Utilisation	Unit	For the year ended
		31 March 2018 (approximately)
Electricity	kWh	3,316,863
Electricity intensity	kWh per square meter	1,105
Water	Cubic meter	54,950
Water intensity	Cubic meter per square meter	18

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

2. EMPLOYMENT AND LABOR PRACTICES

Employment

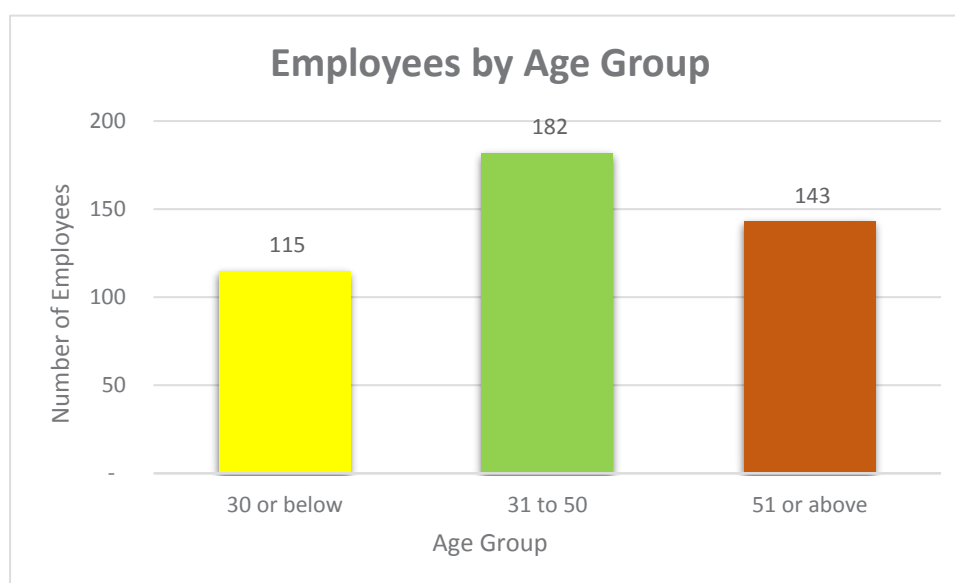
Our employees are valuable assets that contribute to the success of the Group. The Directors believe that success in hiring, training and retaining experienced employees is critical to providing reliable and quality services in our restaurants.

Our Group seeks to hire employees with relevant experience in the restaurant industry. We offer internal promotion opportunities and competitive remuneration and benefits, with reference to the market conditions, individual responsibilities, performance and qualifications. Various fringe benefits include free meals during shift are offered to our restaurant employees. Discretionary bonus may be awarded based on individual performance.

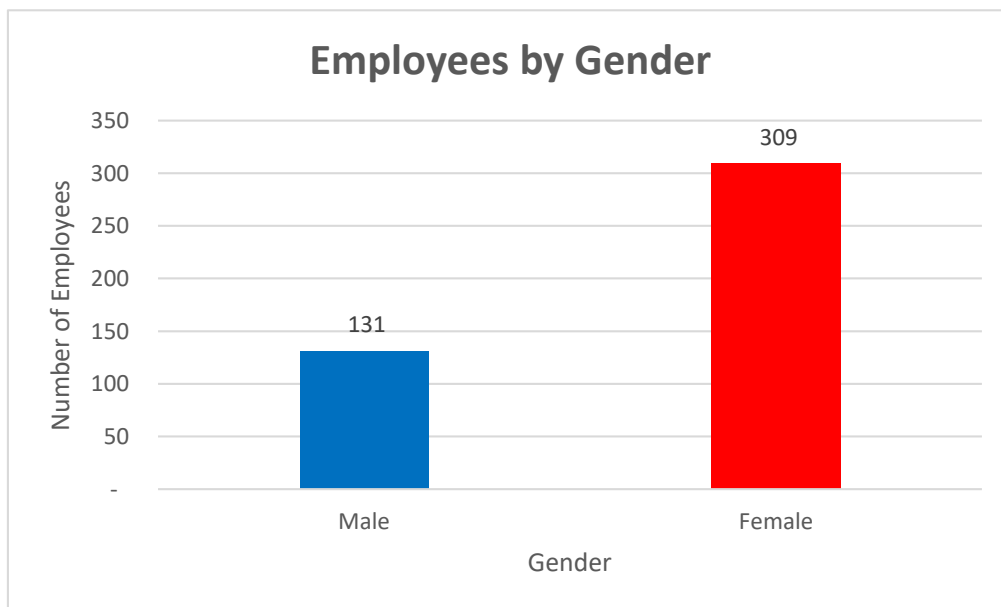
Our Group fully complies with relevant legal requirements regarding employment and equal opportunity. In particular, we strictly follow the Employment Ordinance (Chapter 57 of the Laws of Hong Kong) (the “EO”), the Employees’ Compensation Ordinance (Chapter 282 of the Laws of Hong Kong) (“ECO”), the Minimum Wage Ordinance (Chapter 608 of the Laws of Hong Kong) (“MWO”) and the Mandatory Provident Fund Scheme Ordinance (“MPFSO”). Compliance to the abovementioned ordinances does not incur any additional difficulties to our operation because we always aim to provide protections and benefits above and beyond those stipulated by legal requirements.

Number of Employees

As at 31 March 2018, the Group had 254 full-time and 186 part-time employees. The category by age groups and gender are shown as below.

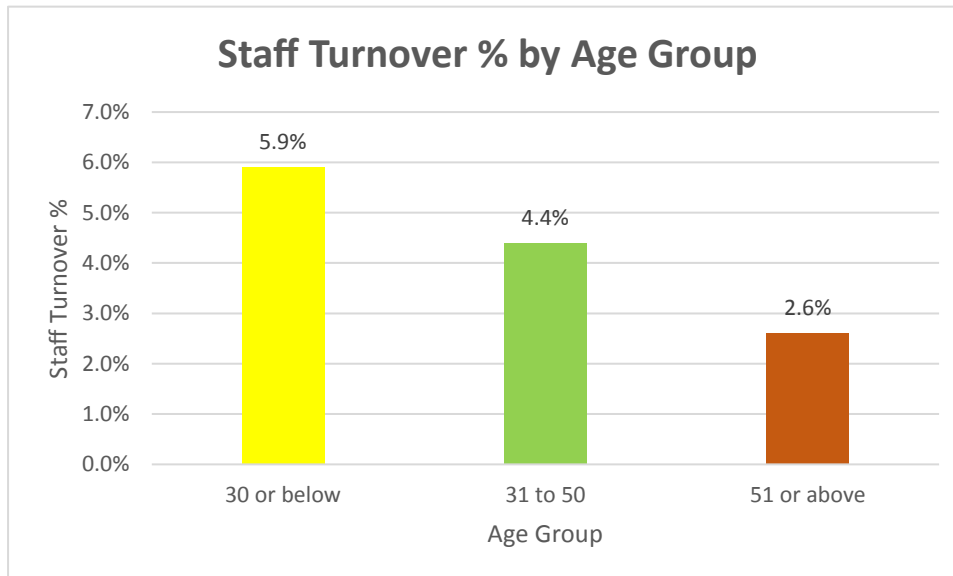


ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

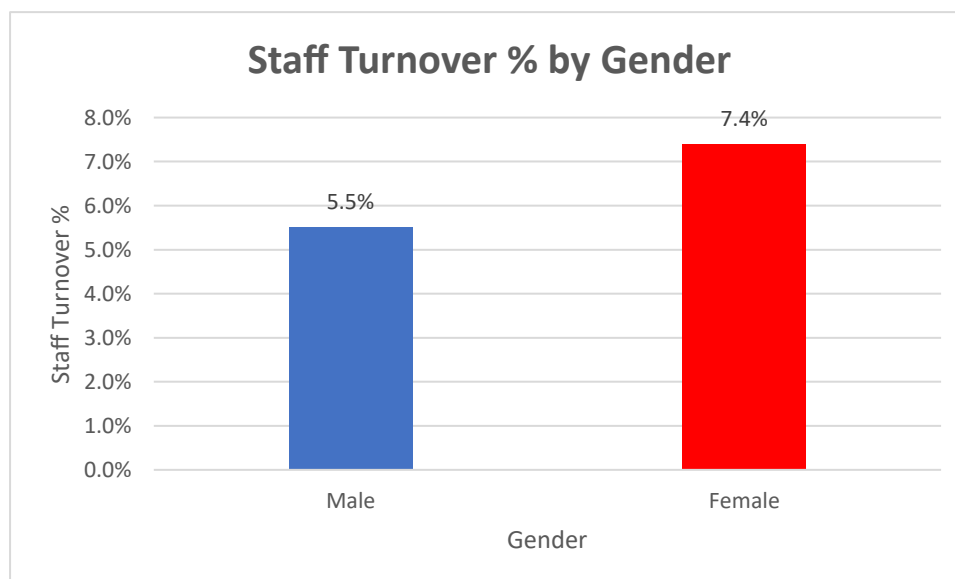


Employee Turnover Rates

During the Reporting Period, our employee turnover rate is kept at low and relatively stable level. The turnover rate by age groups and gender are shown as below.



ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT



Health and Safety

The Group concerns the health and safety of our employees and we strongly believe that ensuring to provide a safe working environment for the employees is the most important social responsibility to its shareholders, employees and the community where it situates. Each of the Group's restaurants satisfies the requirements with the Director of Food and Environmental Hygiene ("DFEH") under the Public Health and Municipal Services Ordinance. All equipment including sanitary fittings, ventilation and facilities for cleaning equipment and utensils are monitored by the Group periodically to remain at a high safety standard.

We strive to create a strong culture of safety awareness by implementing a policy for all kitchen staff to be properly trained to ensure the safety inside the kitchen, such as proper operation of equipment and activities involving heat and sharp objects; kitchen staff are also trained to maintain a safe working condition such as immediate floor cleaning when excess water are unexpectedly present to avoid slippery floor. Our staff are also trained with proper handling of object to avoid injury. We regularly review our safety procedure and update it according to the latest knowledge in the discipline of occupational health and safety, especially those directly relevant to the food and beverage industry.

We believe that these measures are adequate and effective to prevent serious work injuries. When an accident occurs in the Group's central kitchen and restaurants, the senior staff is responsible to report the accident to the administration department as soon as possible.

We confirm that there was no material accident at the Group's central kitchen and restaurants and the Group recorded a relatively small number of non-serious work-related injuries of its employees during the financial year ended 31 March 2018.

Number of injuries	8
Lost days	37



ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Training and Development

The Group recognises the importance of skilled and professionally trained employees to its business growth and future success. Thus, the Group provides on-the-job trainings regularly such as training on food preparation and preservation, handling of different food ingredients, hygiene conditions in the kitchen and restaurants, food production flow and quality control in different aspects of the restaurant operation. In addition, the Group trains all front-line service staffs on customer services. We introduce orientation program which is led by our experienced staff as mentors to educate our new staff in the areas of food safety, work safety as well as emphasising the importance of good hygiene environment. We believe such arrangement could enhance the communication efficiency and promote team spirit.

In addition, the Group keeps monitoring the performance of our staff to ensure the delivery of good services to our customers.

The Group has always encouraged our Directors to attend relevant seminar and training courses to obtain up-to-dated knowledge regarding to corporate governance and industry standard. In addition, we will share the knowledge with our Directors from time to time about the updates of the listing rules in Hong Kong, updates of the rules and regulations of various government bodies such as Food and Environmental Hygiene Department, Labor Department, Inland Revenue Department, Company Registry and etc.

Labor Standards

The Group always respect and strictly complies with all applicable labor laws, regulations and industry practices. We have also developed rigorous and systematic measures for approval and selection, to prohibit the use of child labor and forced labor. We ensure fair and equal treatment of all employees. The Group arranges the employees' working hours based on the statutory working hour standards and allows them to entitle paid leaves and sick leaves in accordance with labor laws.

During the Reporting Period, the Group was not aware of any material non-compliance with the labor requirements set out in relevant laws and regulations.

3. OPERATIONAL PRACTICES

Food Safety and Quality Assurance

Food is closely related to people's health. Quality is the most important factor to achieve sustainable growth and build a trustworthy commercial brand. The Group selects food ingredients with due care, often based on the origin, nutritional value, freshness and consumption safety. Raw materials and food ingredients are sourced primarily from the list of approved suppliers. Quality and freshness of the food ingredients and raw materials are examined on a regular basis. The Group would stop sourcing from those suppliers if they fail to provide quality food ingredients up to our standard.



ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Furthermore, our restaurants and central kitchen follow the standardised preservation methods and recommended storage periods for different categories of foods. The Group believes that such practice promotes food quality, ensures food safety and preserves the freshness of food ingredients.

The Group implements a quality control system that emphasises food hygiene and safety as well as the sanitation and cleanliness of restaurant premises. It covers quality control from food processing and cooking, food and services provided to customers, to the dining environments of restaurants.

Food safety policies and procedures have been developed in accordance with the standards required by the relevant government authorities. Restaurant managers are responsible for reviewing the operations and performance of their respective restaurants to ensure that they are in compliance with the Group's operating guidelines and policies.

All the chefs and staff working in the kitchens are required to strictly adhere to the procedures and measures adopted by the senior management of the Group. They receive on-the-job training related to food preparation and preservation, flow of food production, hygiene conditions of the kitchen and quality control in different aspects of the restaurant operation.

We have several staff members from different restaurants involved in implementing various quality control measures on food production, including, among others, checking the quality upon purchase of raw materials, receipt of food ingredients, cooking and serving of foods.

The Directors believe that maintaining good customer satisfaction will help strengthen the Group's price-value proposition, branding and reputation. We make every effort to understand our customers' needs and enhance their experience with our services. The Group welcomes comments and feedback from the customers. All frontline service staff are required to handle every request, enquiry or complaint of customers promptly and seriously. In case of complicated matters that they are not 100% confident to handle, they will pass those cases to the senior management to further follow up.

Supply Chain Management

Sourcing capability plays a key role in the management of restaurant business, and effective supplier selection is an essential element in this aspect. Leveraging the senior management's experience in the restaurant industry, the Group has developed a supplier selection system based on a set of selection criteria including, but not limited to, the pricing and quality of ingredients, and the reputation, service, agility, delivery efficiency and past performance of the suppliers.

The Group has established and maintained long-term relationships with a number of suppliers. To ensure stable supply of food ingredients and minimise the risk of non-delivery, sub-standard products and supplier's default, the Group generally sources major raw materials from more than one approved supplier. Currently we source our foods from over 164 suppliers and all of them are based in Hong Kong. The Group places great emphasis on the quality of its raw materials, and closely monitors whether the suppliers can achieve the aforesaid criteria.

Our purchasing department regularly conducts supplier reviews to ensure product quality and safety. All suppliers are required to hold valid licences required by the government, and all imported goods shall obtain proper clearance from the respective authorities. Goods received from suppliers have to be in compliance with the food labelling requirements and relevant hygiene and sanitary regulations.



ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Anti-Corruption

The Group is committed to conducting business in an ethical manner. While product and service quality is indeed something we work hard for, the Group also cares about business ethics by complying with relevant laws and regulations that have a significant impact relating to bribery, extortion, fraud and money laundering. Every employee is required to abide by the code of conduct and good practices set forth by the Group.

Directors and employees are required to make a declaration to the Group's senior management through the reporting channels when actual or potential conflict of interest arises. Accepting gift from external parties (i.e. suppliers, customers, contractors, etc.) is prohibited unless prior approval is obtained from the Group's senior management.

The anti-corruption policy of the Group has proven to be of positive effect. No legal case regarding corrupt practices happened within the Group last year. The Group has put in place whistle-blowing procedures, encouraging the employees to report directly to the Company's senior management any illegal, immoral practice or any act in breach of the code of conduct. The whistleblower will be protected. Investigation will be made and the case will be followed up. In this way, we could create a fair business environment.

4. CARE FOR COMMUNITY

As an effort to bestow our effort to help people in need in Hong Kong. During the year ended 31 March 2018, the Group donated HK\$6,552 to a charity organisation (Women Service Association) to aim for helping those who need help from the society as we are aware of various problems facing by the women in Hong Kong and therefore we wish to help them to promote the gender equality, to promote the rights and status of women, as well as helping them to develop their individual potential.