



麻酸樂
MARSINO

麻孫樂
Marsino

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
 2019**

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

About Simplicity Holding Limited

Simplicity Holding Limited (the “**Company**”), together with its subsidiaries (collectively the “**Group**”), presents this Environmental, Social and Governance Report (the “**ESG Report**”) for the year ended 31 March 2019 (the “**Reporting Period**”) prepared in compliance with Appendix 20 — Environmental, Social and Governance Reporting Guide of the GEM Listing Rules.

We are a casual dining full service restaurant operator and during the financial year ended 31 March 2019, the Group operated 14 restaurants under 5 brands, namely “Marsino”, “Baba Nyonya”, “Grand Avenue”, “Beefst” and “Haha Prawn Mee”, and they are all situated across Hong Kong, Kowloon and the New Territories, and are supported by our central kitchen, storage and ancillary office in Kwai Chung.



Introduction

We are pleased to present our 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 - Good dining environment 	<ul style="list-style-type: none"> - Quarterly, interim and annual reports, company's website - Information of the restaurant and food commentary in the social media - Company's hotline and email - 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 - Long-term partnership 	<ul style="list-style-type: none"> - Supplier factory visits and performance review - Procurement processes - 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 2019.

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 policy relating to emission, water and wastes aiming to reduce 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. During the Reporting Period, the Group was not in violation of any of the relevant laws and regulations in relation to environmental protection that have a significant impact on the Group.

Air emissions

During our operations, the use of electricity in restaurants, central kitchen and office generate carbon dioxides (“CO₂”), while the usage of vehicles generates the emission of nitrogen oxides (“NOx”), sulphur oxides (“SOx”) and particulate matters (“PM”). The approximate amount of CO₂, NOx, SOx and PM are shown in the following table:

Types of emission	For the year ended 31 March 2019	For the year ended 31 March 2018
Nitrogen oxides (“NOx”)	464 kg	538 kg
Sulphur oxides (“SOx”)	2 kg	2 kg
Particulate matter (“PM”)	16 kg	15 kg

Greenhouse gas emissions

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

Types of emission	For the year ended 31 March 2019	For the year ended 31 March 2018
Carbon dioxide (“CO ₂ ”)	4,058 tonnes	5,195 tonnes
Methane (“CH ₄ ”)	1,512 kg	1,928 kg
Nitrous oxide (“N ₂ O”)	5,079 kg	6,434 kg

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

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:

	Types of emission	Electricity consumption (kWh)	Volume (Tonnes)
For the year ended 31 March 2019	Carbon dioxide ("CO ₂ ")	3,550,242	1,811
For the year ended 31 March 2018	Carbon dioxide ("CO ₂ ")	3,316,863	1,658

	Types of emission	Gas consumption (kWh)	Volume (Tonnes)
For the year ended 31 March 2019	Carbon dioxide ("CO ₂ ")	1,581,504	892
For the year ended 31 March 2018	Carbon dioxide ("CO ₂ ")	2,028,432	1,201

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:

	Types of emission	Fresh water consumption (cubic meter) (shown on bill)	Volume (Tonnes)
For the year ended 31 March 2019	Carbon dioxide ("CO ₂ ")	49,555	20
For the year ended 31 March 2018	Carbon dioxide ("CO ₂ ")	54,950	22

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

	Types of emission	Sewage water consumption (cubic meter) (shown on bill)	Volume (Tonnes)
For the year ended 31 March 2019	Carbon dioxide ("CO ₂ ")	49,555	8
For the year ended 31 March 2018	Carbon dioxide ("CO ₂ ")	54,950	8

	Types of emission	Paper consumption (kg)	Volume (Tonnes)
For the year ended 31 March 2019	Carbon dioxide ("CO ₂ ")	327	2
For the year ended 31 March 2018	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 provided 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 electric vehicle has been used by us to manage the site visits of our restaurants, the high efficiency of electric vehicle and the ability to generate electricity from low-carbon sources, electric vehicles typically have lower emissions in the use phase compared to similar internal combustion engine vehicles.

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. During the year, our Group had joined the "Enough Plastic" campaign in which dozens of local celebrities came together to encourage people to reduce unnecessary waste in Hong Kong, our Group put up the posters of this campaign on the eye-catching area in our restaurants as a reminder to our customers for reducing plastic wastes. We also not offer plastic straws to our customers for some of our drink products to reduce the damage to our planet. The total plastic packaging materials used by our Group for the year ended 31 March 2019 and 31 March 2018 were approximately 14,689 kg and 18,107 kg, respectively. The Group did not generate any hazardous waste for the years ended 31 March 2018 and 2019.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Natural Resources and its 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 and air conditioners during non-office hours and lunch time, switching off electrical appliances and devices when the staffs left the office, all computer equipment, printers and photocopiers are set to power saving mode, affix save energy posters near the main switches in order to remind the Group's employees of energy saving. In addition, the Group uses LED lighting in different areas of the Group's restaurants, central kitchen and office.

With the help of CLP, our Group has adopted all-electric cooking appliances for many of our restaurants, this delivers better energy efficiency than traditional gas cooking equipment, with over 80% of heat generated by their equipment being transferred directly to cooking. When less heat escapes into the surrounding environment, the kitchen stays cooler, energy consumption of air conditioners is lower and kitchen staffs can enjoy a more comfortable workplace. Going for all-electric kitchen can save energy costs compared to traditional gas cooking, thus reducing our overall operating costs.

Our Group's restaurants have been using enzyme to remove Fat, Oil and Grease ("FOG"), which are the by-products of cooking. The enzyme can remove FOG in a faster pace as compared to chemical treatment. The use of enzyme can also reduce the unpleasant odour due to its high efficiency, lower carbon footprint, lower environmental impact as well as its user-friendliness. A study conducted by Michigan State University showed that pretreatment of restaurant wastewater using an enzyme would prevent the clogging and premature drain field aging.

Water is essential to all communities. The Group did not face any problem in sourcing water for the years ended 31 March 2018 and 2019. 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	For the year ended
		31 March 2019 (approximately)	31 March 2018 (approximately)
Electricity	kWh	3,550,242	3,316,863
Electricity intensity	kWh per square meter	1,031	1,105
Water	Cubic meter	49,555	54,950
Water intensity	Cubic meter per square meter	14	18

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

2. EMPLOYMENT AND LABOR PRACTICES

Employment

Our Company values staff as our precious asset, we 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 complies with relevant legal requirements regarding employment and equal opportunity. In particular, we strictly follow the following laws and regulations related to labour:

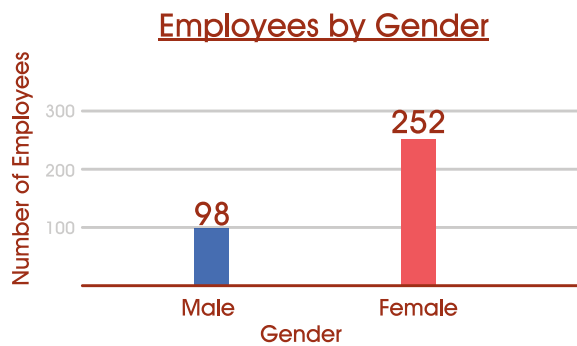
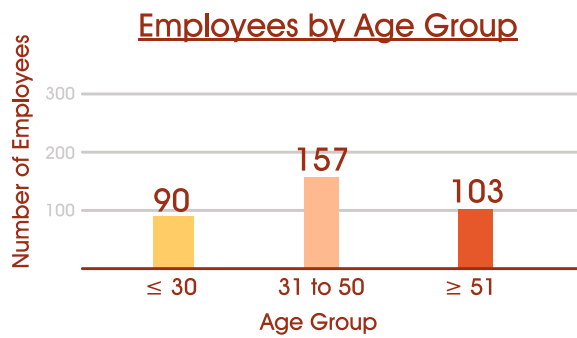
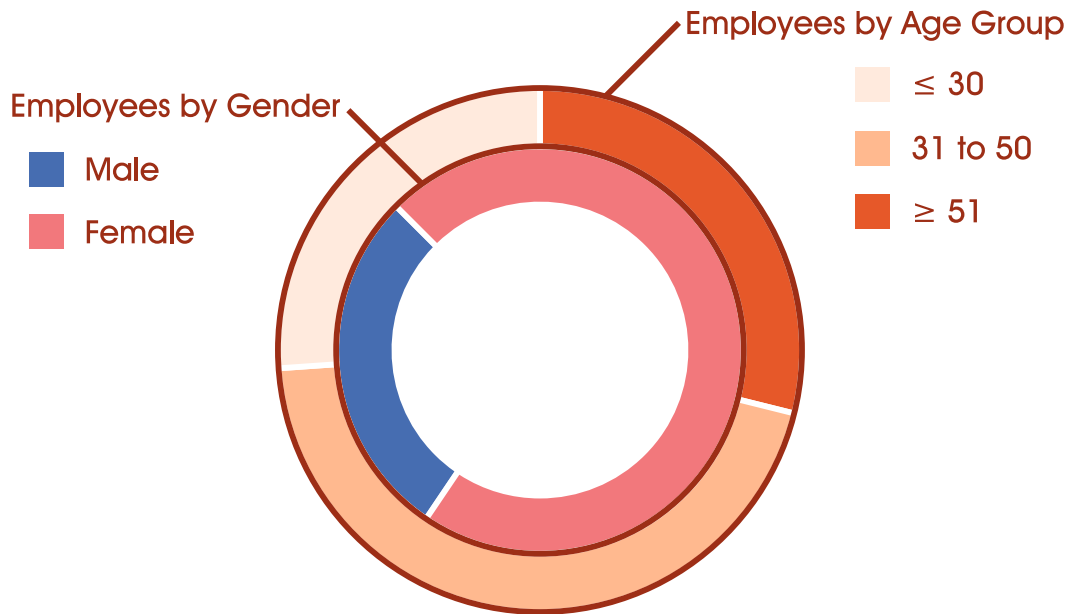
- Employment Ordinance (Chapter 57 of the Laws of Hong Kong)
- Employees' Compensation Ordinance (Chapter 282 of the Laws of Hong Kong)
- Minimum Wage Ordinance (Chapter 608 of the Laws of Hong Kong)
- Occupational Safety and Health Ordinance (Cap. 509 of the Laws of Hong Kong)
- Sex Discrimination Ordinance (Cap. 480 of the Laws of Hong Kong)
- Disability Discrimination Ordinance (Cap. 487 of the Laws of Hon Kong)
- Mandatory Provident Fund Scheme Ordinance

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.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Number of Employees

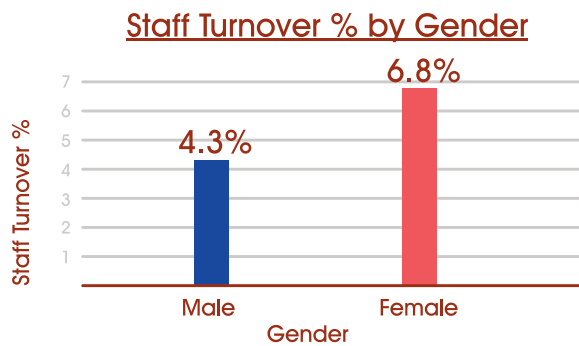
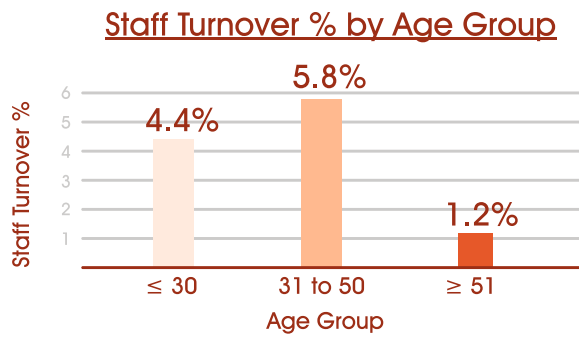
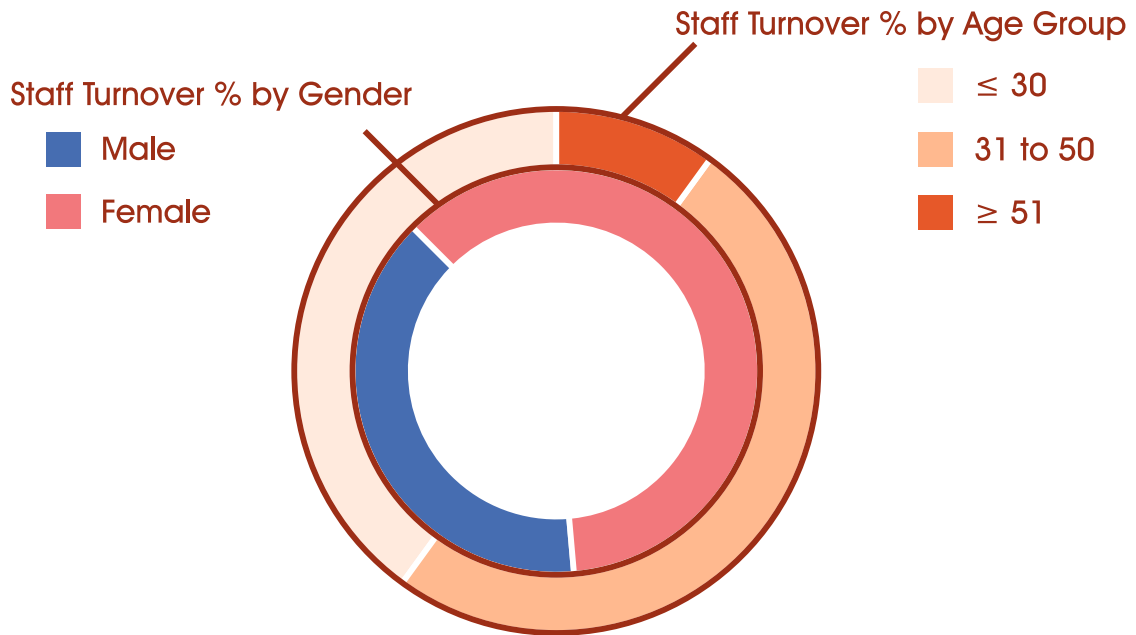
As at 31 March 2019, the Group had 236 full-time and 114 part-time employees. The category by age groups and gender are shown as below.



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 fitments, 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 2019.

Number of injuries	2
Lost days	27

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.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

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.

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.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

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

We generally select our suppliers based on a set of selection criteria, which includes but not limited to the following criteria:

- reputation, capacity, agility and business operations of the supplier;
- variety, type and quality of food ingredients, goods or services offered by the supplier;
- pricing of the food ingredients, goods or services;
- supply terms and conditions, such as payment terms, delivery schedule and discount;
- past performance; and
- our relationship with the suppliers

Our new suppliers' selection is conducted by sample testing, we receive samples from the new suppliers from time to time and our chefs will use these samples to prepare the dishes for testing. Senior management and executive chefs will then make assessment based on these sample dishes and then will decide whether the samples should be approved or rejected. Other requirements are also needed to consider such as the cost, origin of the supply of the food ingredients, possession of necessary licences, timely delivery of orders, as well as the environmental and societal impact. If the potential supplier passes our initial screening, we will place a small trial order to test the quality of their food, and their reliability and timeliness in the delivery. If the potential supplier passes the testing phase, we will then negotiate a long-term supply relationship with this potential supplier.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Our Groups 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 250 suppliers and nearly 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 Group executive chef and purchasing department will monitor the quality of our raw materials and consumables and may suggest to our management to consider removing certain suppliers if there is deterioration in the capacities, reliability or consistency of service and product quality of those suppliers. We may remove suppliers failing to meet our selection criteria or being susceptible of negative publicity from our supplier list.

Product Responsibility

Our Group has a centralised procurement department to master-control all the sourcing for all our restaurants, we are committed to serve high quality of food to customers as part of the product responsibility. Therefore, our Group has in place policies and procedures on food quality management since quality of food and hygiene and safety are the Group's business imperatives. We have strict internal quality control standards on the quality, hygiene and safety of food served to our customers, such as:

- we source our food ingredients from reliable and approved suppliers with proven good track records to ensure the quality of food ingredients.
- We strive to source food ingredients locally whenever possible to ensure freshness of food ingredients. Food ingredients are whenever practicable bulk-purchased and kept at the central kitchen while perishable food ingredients are kept at an inventory level for sufficient for the short needs. Any unused vegetables are discarded at the end of the day.
- employees are properly trained in food safety handling and food processing including: washing, cutting, seasoning, cooking and serving, Raw food and cooked food are stored separately to avoid cross-contamination, and all food processing equipment are cleaned thoroughly before its use.

Our Group always complies with all the local relevant laws and regulations on health and safety relating to products and services provided. It is our policy to seek, if required, professional advices and assistance to ensure such compliance. Also, hotlines for complaints (on products, services and others) are available to the public. Once a complaint is received, a formal investigation shall be conducted and follow up action shall be taken in a timely manner. It is also our policy that if there is any material problem on our product quality, a product recall shall be taken. There has not been any product recall for the financial year ended 31 March 2019.

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

We are committed to bestow our effort to help people in need in Hong Kong. During the year ended 31 March 2019, the Group donated HK\$34,700 to a charity organisation (SAHK) to assist persons in Hong Kong who are physically and mentally challenged due to neurological impairment, initiate, develop and maintain services for their education and welfare using a holistic approach, and enable persons with disabilities to realise their full potential, maximise their independence and self-reliance, and become participating members of the society.