



利·寶·閣

Li Bao Ge Group Limited

利寶閣集團有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock code: 8102

2017



ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

2017 Environmental, Social and Governance Report

Introduction

Li Bao Ge Group Limited (the “**Company**”), together with its subsidiaries (collectively the “**Group**”), owns, operates and manages a group of Chinese restaurants recognized for delivering quality Cantonese cuisine and Chinese banquet and dining services. During the financial year ended 31 December 2017, the Group operated seven full-service Chinese restaurants in Hong Kong and Shenzhen, the People’s Republic of China (the “**PRC**”) under the brands of “Star of Canton” and “Beijing House”.

The Group attributes the growth and success to its dedication to offering quality food and services to the customers. While striving for performance, the Group pursues business sustainability by being a responsible corporate citizen and is committed to maintaining high standards of business practices in relation to environmental protection, social responsibility and corporate governance.

Reporting Period and Scope

This is the Environmental, Social and Governance Report (the “**ESG Report**”) issued by the Company for the financial year ended 31 December, 2017.

The content of this ESG Report has been prepared in compliance with the requirements of the Environmental, Social and Governance Reporting Guide set out in Appendix 20 to the Rules Governing the Listing of Securities on the GEM of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”).

Based on the principle of materiality for disclosure and reporting, this ESG Report focuses primarily on the Group’s restaurant operations in Hong Kong and the PRC, as well as the headquarter office. It summarizes the Group’s material policies and practices in the areas of sustainable development and social responsibility.

Materiality Assessment

We have identified the issues that matter most to our stakeholders. First and foremost, food quality and safety are crucial to the Group’s branding and reputation. It is also important that we show concerns for the health and satisfaction of our customers and employees, as well as addressing the potential impacts of our business operations on the environment and society.



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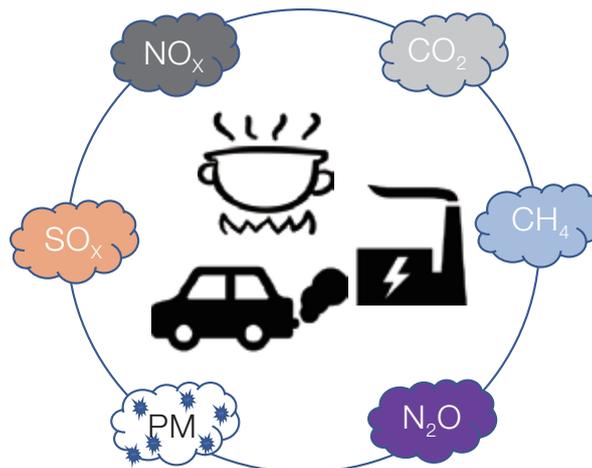
1. Environmental Protection

The Group is committed to sustainable development and preservation of resources. We recognize that the long-term viability of the Group's business is closely linked with the well-being of the society. We strive to minimize the potential impacts of our business on the environment and society in which we operate.

Emission & Wastes

During the food preparation process and operations of our restaurants, oil fumes and odor, sewage, used cooking oils, kitchen waste and garbage are produced.

The Group strictly controls the emission of oil fumes in accordance with the requirements as stipulated in the Air Pollution Control Ordinance of Hong Kong and the Law of the PRC on the Prevention and Control of Atmospheric Pollution. All restaurants of the Group have installed exhaust emission systems and air pollution control equipment, including mechanical ventilation systems and oil fume exhaust filters. These measures help minimize the oil fume emission and odor nuisance arising from our restaurant operations.



Air emissions

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

Nitrogen oxides	Sulphur oxides	Particulate Matter
2,863 kg	14.34 kg	4.80 kg

Greenhouse gas emissions

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

Carbon dioxide	Methane	Nitrous oxide
37,839.83 tonnes	13,919.73 kg	47,377.90 kg

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Scope 2 emission, mainly from purchased electricity was approximately 2,552,292.24 kg. The total greenhouse gas emissions (Scope 1 and 2) were approximately 40,453.42 tonnes. We do not report Scope 3 emissions because of lacking complete and accurate data.

Hydro vent systems are also installed to control the effluent arising from food preparation, cooking and utensils washing. To ensure proper disposal of the waste cooking oil generated from our restaurant operations, the Group works with a waste oil company which collects and recycles the waste cooking oil into biodiesel.

In addition, the Group operates transportation vehicles that meet the emission and noise control standards issued by the Hong Kong government.

The packaging material the Group uses is mainly plastic bags and boxes for take-away orders. We are committed to adopting recycled plastic packages and minimizing the usage for our customers. The total plastic packaging material used in 2017 was approximately 5,984 kg.

Use of Resources

The Group advocates energy saving, water conservation, and material recycling in the business operation.

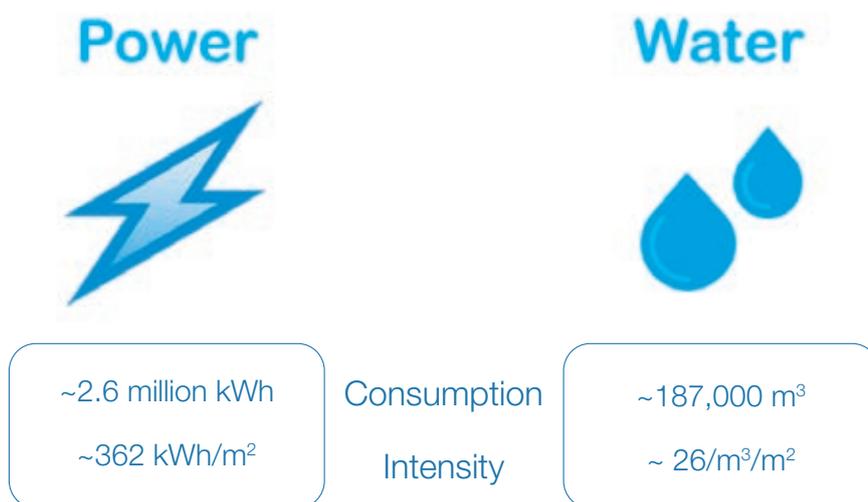
Electricity is a major resource our office and restaurant operations consume every day. The Group promotes energy saving with various energy-efficient measures, which include switching off idle lightings, electrical appliances, as well as electric and electronic devices (including but not limited to computers, printers, photocopiers and air-conditioners). In addition, the Group uses LED lighting in various areas of the Group's office and restaurants.

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 minimize paper wastes. Used papers are collected by paper recyclers. Used toner cartridges are also returned to respective suppliers for recycling.

Use of resources	Unit	2017 (approximately)
Electricity	kWh	2,582,292.24
Electricity intensity	kWh per square meter	361.75
Water	Cubic meter	186,672
Water intensity	Cubic meter per square meter	26.15

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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.

The 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 as well as staff quarter for our restaurant employees in Shenzhen. Discretionary bonus may be awarded based on individual performance.

The Group also participates in the pension scheme registered under the Mandatory Provident Fund Schemes Ordinance of Hong Kong (the “**MPF Ordinance**”) for the employees in Hong Kong. It is funded by contributions from employer and employees pursuant to the provisions of the MPF Ordinance. Employees of the Group in the PRC are members of respective state-managed defined contribution retirement benefits schemes operated by the local governments. The employers and the employees are obliged to make contributions at a certain percentage of the payroll under rules of the schemes.

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Employees are eligible for stipulated annual leave, sick leave and other types of leave in accordance with national and local laws applicable in the cities where the Group operates.

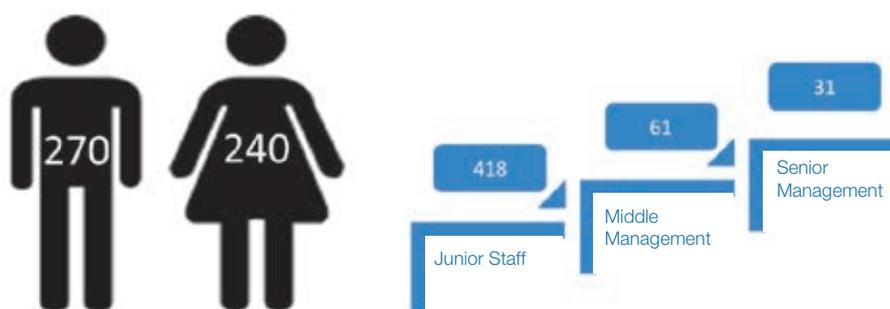
The following figures are compiled based on the total number of staff member as of 31 December, 2017.

Gender	Number of staff
Male	270
Females	240
Total	510

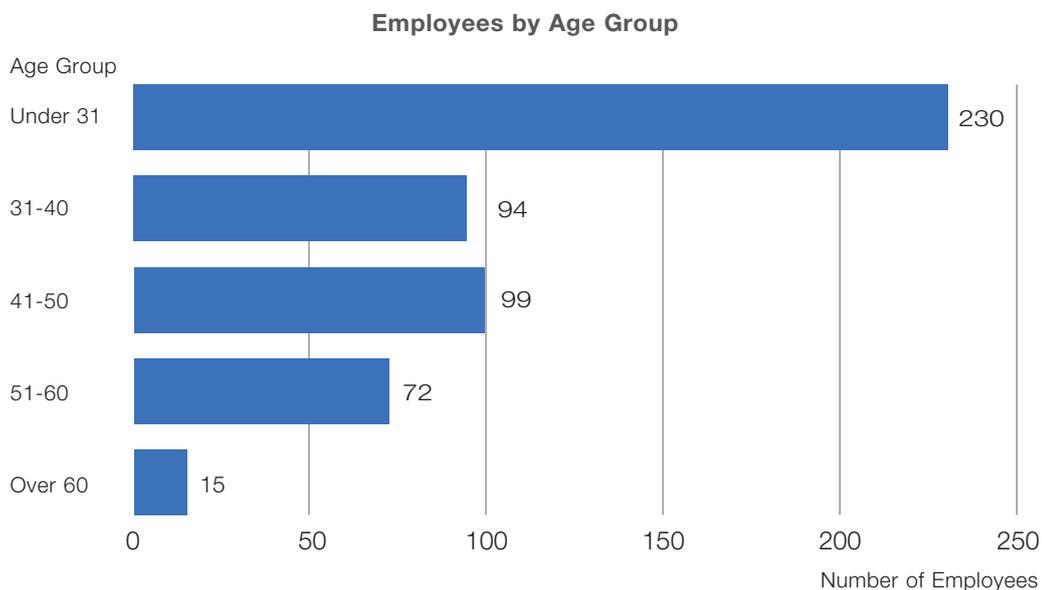
Employment type	Number of staff
Senior management	31
Middle management	61
Junior staff	418

Age group	Number of staff
Under 31	230
31-40	94
41-50	99
51-60	72
Over 60	15

Employee Distribution
(Figures in number of employees)

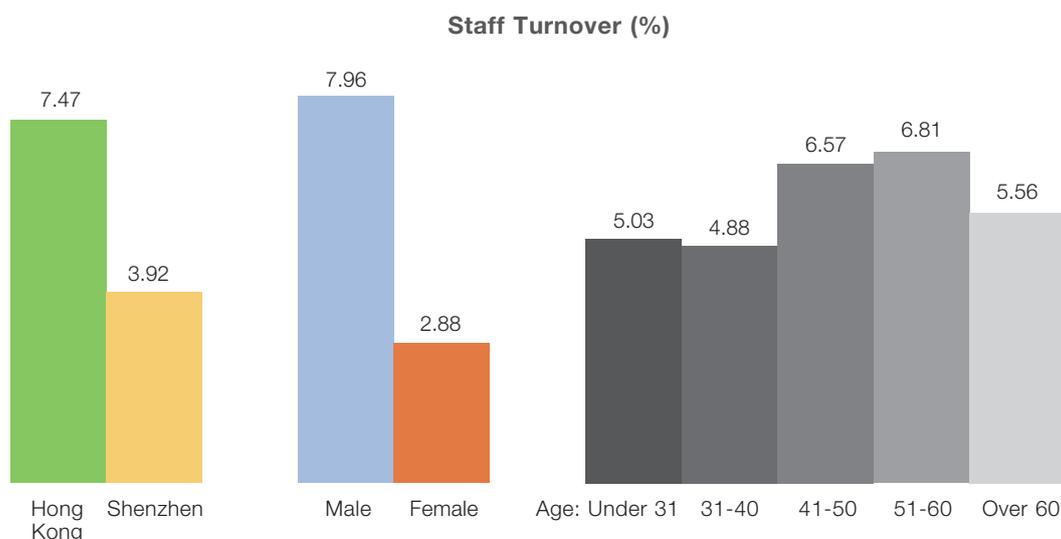


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The turnover rate of our staff members is kept at a stable and relatively low level. Below are the turnover rates calculated as per different criteria:

Hong Kong	7.47%
Shenzhen	3.92%
Male	7.96%
Female	2.88%
Under 31	5.03%
31-40	4.88%
41-50	6.57%
51-60	6.81%
Over 60	5.56%



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Health and Safety

The health and safety of our employees are important to us. The Group is committed to providing a safe working environment for the employees. Each of the Group's restaurants in Hong Kong satisfies the requirements by the Director of Food and Environmental Hygiene ("DFEH") under the Public Health and Municipal Services Ordinance in respect of means of ventilation, sanitary fitments, and facilities for cleansing equipment and utensils, means of exit and entry and fire safety.

We strive to create a strong culture of safety awareness by implementing high safety standards and providing appropriate training and education to our employees. In particular, restaurant staff are required to follow the Group's kitchen safety manual which provides clear guidance on various occupational safety matters in the restaurant operation. The Group also provides fire safety training for staffs across all the departments to increase awareness of the threat posed by fire to people, property and business continuity.

The Directors believe these measures are adequate and effective to prevent serious work injuries. When an accident occurs in the Group's restaurant, the restaurant manager is responsible for reporting the accident to the administration department as soon as possible.

The Directors confirm that there was no material accident at the Group's restaurants and the Group recorded a relatively small number of non-serious work-related injuries of its employees during the financial year ended 31 December 2017.

Number of injuries	13
Lost days due to work injury	166



Development and Training

The Directors believe that the stability of a reliable, skilled workforce is critical to the success of the Group's business. The Group provides comprehensive on-the-job training and clear career paths to the employees. For instance, based on the job duties of individual employees, we offer vocational training on food ingredients, food preparation and preservation, flow of food production, hygiene conditions of the kitchen and quality control in different aspects of the restaurant operation. In addition, the Group trains all front-line service staff on customer services. Induction coaching is provided to all the new staff members. Restaurant managers also hold daily briefing sessions with front-line service staff to review service performance of the day. The management in PRC received an average of 4 hours' training per person in 2017.

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The Group has always encouraged its Directors to attend relevant training courses to receive the latest news and knowledge regarding corporate governance. During the Reporting Period, the Company has provided and all Directors have attended at least one training course on the updates of the GEM Listing Rules concerning good corporate governance practices.

Labor Standards

The staff handbook of the Company (“**Staff Handbook**”) contains the relevant labor laws, regulations and industry practices. It also covers areas such as compensation and dismissal, promotion, working hours, rest periods and other benefits and welfare. The Group prohibits the use of child labour and forced labour. We ensure fair and equal treatment of all employees.

The Group strictly complied with all relevant laws and regulations throughout the year ended 31 December 2017, and did not find any cases with regard to child labour and forced labour during the year.

3. Operational Practices

Food Safety and Quality Assurance

The Group observed all the applicable laws and regulations, including the Food Safety Law of the PRC that applies to food production and processing, food circulation and dining service in the PRC.

We place great emphasis on identifying and securing a reliable supply of fresh and quality food ingredients for our restaurant operations. The Group selects food ingredients carefully, often based on origin, nutritional value, freshness and consumption safety. Raw materials and food ingredients are sourced primarily from the list of suppliers approved by the Group’s senior management. Freshness and quality of the raw materials and food ingredients are examined on a regular basis. The Group would cease sourcing from those suppliers who fail to provide quality food ingredients as specified.

In addition, all restaurants of the Group follow the standardized preservation methods and recommended storage periods for different categories of foods. The Directors believe such practice promotes food quality, ensures food safety and preserves the freshness of food ingredients.

The Group implements a quality control system that emphasizes 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.

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In total, there are about ten 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.

To increase customers' confidence in the foods provided by our restaurants, the Group also participated, as a Scheme Companion, in the Hong Kong Cooking Oil Registration Scheme launched by Hong Kong Quality Assurance Agency of the Hong Kong government.

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 front-line service staff are required to handle every request, enquiry or complaint of customers promptly and seriously. In case of any customer complaint in relation to food or quality of services, restaurant managers would promptly investigate and resolve the matter.



Supply Chain Management

Sourcing capability plays an important 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 minimize 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 80 suppliers, of which over 50 suppliers are Hong Kong based and approximately 30 of them are PRC based. 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 labeling requirements and relevant hygiene and sanitary regulations.

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Anti-Corruption

The Group is committed to conducting business in an ethical manner. We have put in place internal controls and policies to prevent occurrence of fraud, theft, bribery, corruption and other misconducts involving employees, customers and other third parties. The Code of Business Conducts and Guidelines of the Staff Handbook are developed and updated in accordance with all relevant laws and regulations that apply in Hong Kong and the PRC.

Our employees are regularly informed of the Group's expectations and guidelines on professional and ethical conducts during the normal course of business. In the event that employees come across any questionable behaviors, they are encouraged to report to the Group's senior management for further investigation.

To the best knowledge of the Directors, the Group did not experience any cash embezzlement by employees and has not encountered any instances involving fraud, bribery, or corruption during the financial year. The Directors consider the Group's internal controls and policies were adequate during the year ended 31 December 2017.

4. Community Involvement

Care for elderly

We continue to care for and serve the elderly in Hong Kong. The Group provides certain services and facilities attentive to the elderly needs. The Group also provides relevant trainings to increase employees' awareness and knowledge in this aspect.

The Group is aware that the elderly have increasingly become socially isolated in their lives. To help them build a sense of belonging in the community, in 2017 the Group organized and invited the elderly to have free meals together at its restaurants. These activities and events have encouraged our staff and families to care for the elderly and promoted our caring culture in the society. In 2017 we donated RMB20,000 to a charity body (深圳市福田區慈善會) in Shenzhen.