



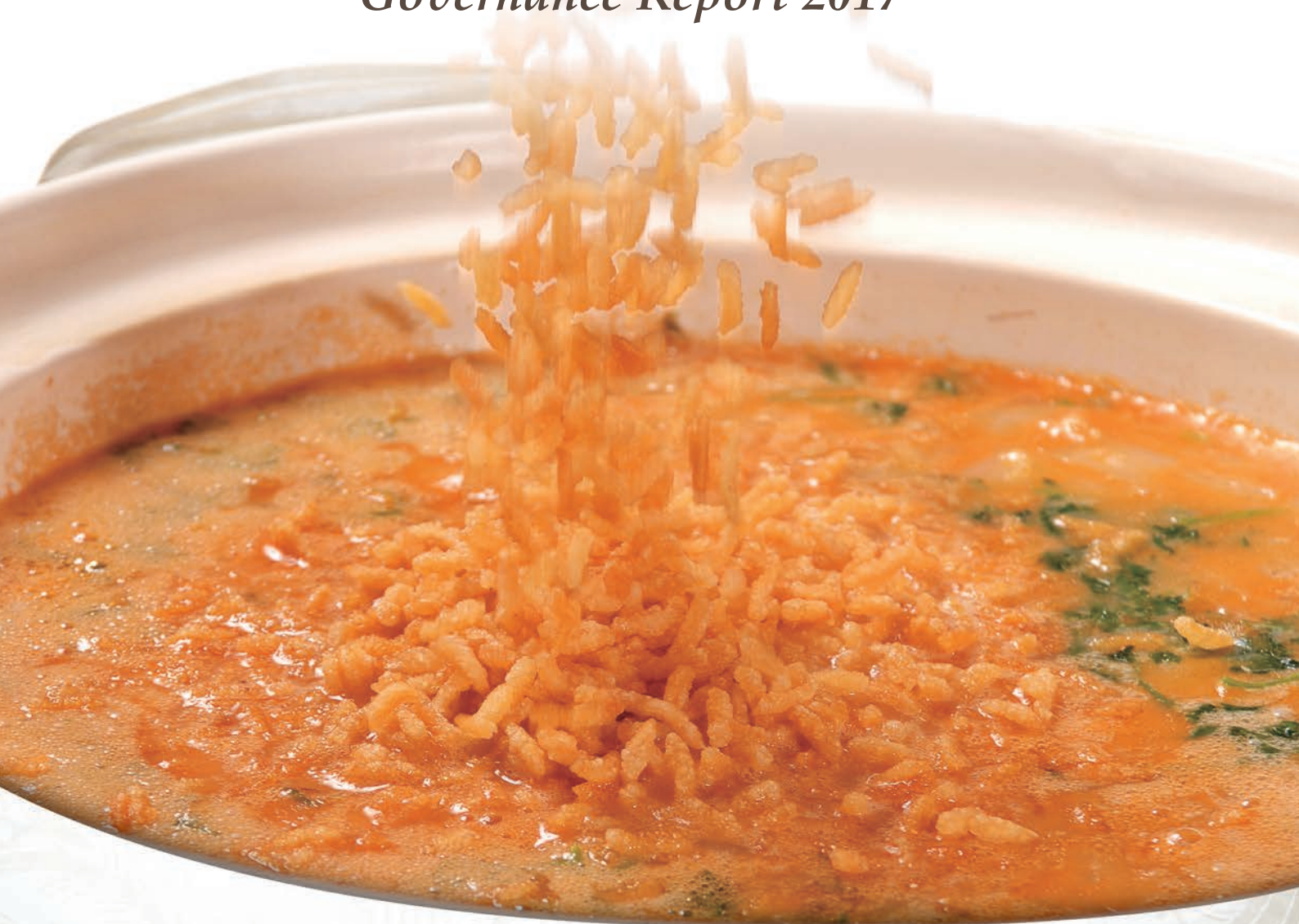
Dragon King Group Holdings Limited

龍皇集團控股有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 8493

Environmental, Social and Governance Report 2017



Environmental, Social and Governance Report

INTRODUCTION

Dragon King Group Holdings Limited and its subsidiaries (collectively “the Group”) are engaged in catering industry in Hong Kong, Shanghai and Macau.

The Group operates the Cantonese cuisine restaurants under four brands. Our restaurants focus on providing quality food and services and comfortable dining environment to our customers. Over the years, we have diversified our business and revenue sources and obtained various awards and recognition, including the “Michelin Guide Hong Kong Macau” and the “Best of the Best Culinary Awards”.

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.

ABOUT THE REPORT

This report is the first “Environmental, Social and Governance Report” (collectively the “Report”) published by the Group, which discloses the Group’s measures and performance on sustainable development topics in a transparent and open manner, in order to increase stakeholders’ confidence and understanding on the Group.

REPORTING YEAR

All the information in the Report reflects the performance of the Group in environmental management and social responsibility from 1 January 2017 to 31 December 2017 (the “Reporting Period”). In the future, the Group will release an Environment, Social and Governance (the “ESG”) Report annually for public review, in order to improve the transparency and responsibility of information disclosure.

REPORTING SCOPE

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. After the comprehensive completion of data collection system and the Group’s deepening in its environmental, social and governance work, the Group is able to disclose various environmental and health and safety Key Performance Indicators (KPIs) for all the sites operated during the reporting period.

REPORTING STANDARDS

The Report is prepared in accordance with the “Environmental, Social and Governance Reporting Guide” (“ESG Guide”) of the Stock Exchange set out in Appendix 20 of the GEM Board Listing Rules. The Report provides a simplified overview on the environmental, social and governance performance of the Group. The information in the Report is derived from the Group’s official documents and statistics, as well as the integration and summary of monitoring, management and operational information provided by subsidiaries of the Group.

Environmental, Social and Governance Report

STAKEHOLDER ENGAGEMENT

The HKEX has set forth four principles for reporting in the ESG Guide: Materiality, Quantitative, Balance and Consistency, which should form the basis for preparing the ESG Report. As the HKEX emphasizes, stakeholder engagement is the method by which materiality is assessed. Through stakeholder engagement, companies can understand wide-ranging views and identify material environmental and social issues.

For the Group, stakeholders refer to groups and individuals materially influencing or affected by the Group's business. The Group's stakeholders include employees, management and directors, as well as external stakeholders such as clients, business partners, investors, regulatory authorities and various types of community groups. In the past year, we communicated with the key stakeholders through a variety of methods. While preparing the report, we commissioned a professional consultancy firm to conduct the materiality analysis in the form of management interview. With expert advice, we identified the material aspects for this report and these will in turn guide the formulation of the Group's sustainability roadmap.

Internal stakeholders

New staff
All current staff
Line management
Senior management
Board of Directors

External stakeholders

Shareholders
Investors
Bank
Customers
Governments

Engagement methods

Newcomer orientation, email, mail, telephone, direct communication, interviews, meetings, annual general meetings, annual meetings, training sessions and performance reviews, group websites, annual report, financial statements, announcements, related laws and regulations updates

The business of the Group affects different stakeholders, and stakeholders have different expectations on the Group. The Group will maintain communication with stakeholders continuously, collect opinions of stakeholders through different forms and more extensively, and make substantive analysis more comprehensively. At the same time, the Group will enhance the reporting principles of quantification, balance and consistency, in order to define content of the Report and presentation of the information that is more in line with the expectations of stakeholders.

Environmental, Social and Governance Report

ENVIRONMENT 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.

Emissions

Emissions from vehicle usage

During our operation, the usage of private cars also generates the emission of sulphur oxides (SOx), nitrogen oxides (NOx) and particulate matters (PM). The approximate amount of NOx, SOx and particulate matters produced from our operation in Hong Kong, Shanghai and Macau regions are shown in the table below:

Environmental Key Performance Indicators

Region	Types of Cars	Number of Cars
Hong Kong	Private Cars	4

Region	Air Emission	Volume (Tonnes)
Hong Kong	NOx	0.005
	SOx	0.0002
	PM	0.0004

In respect of reducing the NOx, SOx and particulate matters emissions, the Group is committed to reduce and ensure the efficient usage of private cars. The Group has implemented the following measures so as to achieve the environmental friendly approach; i) Avoid peak hour traffic; ii) Encourage the use of public transport; and iii) Utilize the vehicle usage by carpooling with different staff.

During the Reporting Period, we were not aware of any material non-compliance with the environmental laws and regulations in respect of both emissions from the course of production and vehicle usage.

Environmental, Social and Governance Report

Greenhouse Gas Emission – Scope 2 – Emissions 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 and back offices in Shanghai, Macau, Hong Kong. In respect to the approximate indirect amount of CO₂ generated from our electrical and gaseous usage, the figures are shown in the table below:

Environmental Key Performance Indicators

Region	Electricity consumption (kWh)	Volume (Tonnes)
Hong Kong	8,108,784	4,379
Shanghai	974,676	526
Macau	730,139	394
Total	9,813,599	5,299

Region	Gas Consumption (shown on bill)	Volume (Tonnes)
Hong Kong	96,940	59

Greenhouse Gas Emission – Scope 3 – Indirect emissions from business travel by employees

In addition, we have also incurred other indirect greenhouse gases emissions (Scope 3), contributed by the business travel of the employees. In respect to the approximate amount of CO₂ generated, the figures are shown in the table below:

Region	Fresh water consumption (shown on bill)	Volume (Tonnes)
Hong Kong	1,389,281	558
Shanghai	167,408	67
Macau	125,373	50
Total	1,682,062	675

Region	Sewage water consumption (shown on bill)	Volume (Tonnes)
Hong Kong	1,389,281	185
Shanghai	167,408	22
Macau	125,373	17
Total	1,682,062	224

Environmental, Social and Governance Report

Use of Resources

The Group adheres to the concept of energy conservation and emission reduction for green business. The major resources used by the Group are principally attributed to electricity and water consumed in our office and restaurants; We aim to improve our energy utilization efficiency to achieve low-carbon practices and emission reduction throughout our operation and strive to save the resources.

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. The Group records and analyzes the monthly consumption rate of water regularly. After identifying the causes of high rates of water consumption, the Group will take remedial action to minimize water use.

The total water consumption in cubic meters by region is shown in the table below:

Region	Water consumption (cubic metres)
Hong Kong	1,389,281
Shanghai	167,408
Macau	125,373
Total	1,682,062

The Group determines to maximize energy conservation in its office by promoting efficient use of power and adopting green technologies. For instance, the Group continues to upgrade equipment such as purchasing electrical appliances with high efficient energy label, lighting and air-conditioning systems in order to increase energy efficiency. Air-conditioning systems can be adjusted to a specific temperature, which allows the users to set at a comfortable temperature and avoid power waste. Switch off idle lightings, electrical appliances, as well as electric and electronic devices (including but not limited to computers, printers, photocopiers and air conditioners). Moreover, the Group uses LED lighting in various areas of the Group's office and restaurants.

To identify energy saving opportunities, the Group measures and records the energy consumption level from time to time.

The total electricity consumption in kWh by region is shown in the table below:

Region	Electricity consumption (kWh)
Hong Kong	8,108,784
Shanghai	974,676
Macau	730,139
Total	9,813,599

Environmental, Social and Governance Report

The Environment and Natural Resources

To develop a green approach at the restaurants and offices, we have developed the following measures for our daily operation so as to minimize the impact brought to the environmental and natural resources consumption.

Restaurants and office equipment

- Switch off computers, printers, machines and other electronic devices after office hours or when leaving the workplace to reduce power consumption
- Used toner cartridges return to respective suppliers for recycling
- All windows and doors must be close when the air-conditioners turn on
- Affix save energy posters near the main switches in order to remind our employees of energy saving
- The last-man-out is dedicated to check and turn off all machines and equipment

Water

- All staff should fully utilize the water generated from air-conditioners (e.g. cleaning the floor and used for production when it is necessary)
- Using the tap water for cleaning the motor vehicles are prohibited

Lighting

- Switch off non-essential lighting if there are only few people working in the office or restaurants
- The last-man-out is dedicated to check and turn off all lighting of the restaurants and offices

Other practice

- Encourage duplex printing, reuse of single-side used paper
- Refill instead of new pen when used up

As a socially responsible enterprise, protecting nature and the environment has become our inescapable social responsibility, the Group constantly looks for ways to maximize benefits with minimal resource consumption and environmental impact, and continue to strive for sustainable development.

Environmental, Social and Governance Report

PEOPLE

Employment

The Group reckons that employees are the most valuable assets of an enterprise and also the cornerstone for sustaining corporate development. It is always the Group's initiative to provide a fair and competitive compensation package to attract and retain quality talents, in the form of a basic salary, incentives bonus, mandatory provident fund, and other fringe benefits. Remuneration packages are reviewed periodically. The Group also has a set of comprehensive human resources management policy to support human resources function. The policies include compensation and dismissal, recruitment and promotion, working hours, appraisal, training and benefits.

Although part of the Group's business is located in China, which is a patriarchal society, the Group aims to refrain from any form of harassment and discrimination with respect to age, gender, race, nationality, religion, marital status or disability in the workplace. Besides, the Group has always strictly observed the relevant legislations in the PRC, Macau and Hong Kong regarding the equal employment opportunities, child labour and forced labour. The Group abides by the employment regulations, relevant policies and guidance of the relevant jurisdictions where it operates, including the "Employment Ordinance", the "Employees' Compensation Ordinance" in Hong Kong; the "Framework Law on Employment Policy and Worker's Rights", "Law on Employment of Non-Resident Workers" in Macau and the "Labour Law of the People's Republic of China" and the "Labour Contract Law of the People's Republic of China" in the PRC.

The Group has its internal procedure to report employees' information regularly in order to review employment practices so as to avoid any non-compliance. Furthermore, the Group strictly complies with the internal recruitment process during recruitment to ensure no employment of child labour and forced labour in any form. The Group also strives to establish harmonious labour relationships so as to increase the working efficiency and remains the staff turnover rate at a reasonably low level.

During the year, the Group was not aware of any material non-compliance with relevant standards, rules and regulations regarding operations and activities, labour practices.

Health and Safety

The Group is an investment holding company located in Hong Kong and the nature of the daily operation is mainly office-based where the safety risk is limited. The Group has equipped its office with suitable fire-fighting facilities like fire extinguishers.

The Group's subsidiaries in PRC, Macau and Hong Kong engage in catering industry to operate Cantonese cuisine restaurants. The Group strongly believes 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. Therefore, the Group has always regarded that as one of the priorities in corporate management. Sound management systems have been established in occupational health and safety in strict compliance 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.

Environmental, Social and Governance Report

Daily operations are inspected by relevant department assigned by the Group, against the established risk assessment program that consists of a number of sequential steps such as risk identification, analysis, evaluation, treatment, monitoring and reviewing based on the existing controls and recommendations to reduce those risks which are not deemed to be under acceptable limits. Any non-compliance will also be identified and rectified on a timely basis.

Thus, it is a proof of guaranteeing the establishment of a healthy, safe and stable working environment effectively.

Every case of injury (if any) is required to be reported to the Group and be assessed individually under the internal guideline procedures. The Group is pleased to report that the rate of accidents and injuries during the reporting period was extremely low with zero fatal accident.

During the Reporting Period, the Group was not aware of any material non-compliance with the health and safety laws and regulations.

Development and Trainings

The Group recognizes the importance of skilled and professionally trained employees to its business growth and future success. Therefore, the Group encourages them to participate in job-related training and courses. In daily operation, 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. Restaurant managers also hold daily briefing sessions with front-line service staff to review service performance of the day. Induction coaching is provided to all the new staff members and experienced employees act as mentors to guide new comers. We believe such arrangement can be the best practice to facilitate communication and team spirit, also improve technical skills and managerial capability and encourage the learning and further development of employees at all levels.

The Group will continue to intensify its efforts to promote staff training programs which we believe that by means of offering comprehensive training opportunities, it could help providing the necessary protection for talent reserves for corporate development. The Group annually evaluates the training needs of its employees to ensure that employees are offered with suitable and appropriate training according to their job nature and position.

Labour Standards

The Group always respects and strictly complies with all applicable national laws and local regulations as well as relevant labour laws and regulations in the place where it operates, including the Employment of Children Regulations under the Employment Ordinance in Hong Kong. We have also developed rigorous and systematic measures for approval and selection, to prevent ourselves from illegally hiring child labour and ensure that the employment is in compliance with relevant laws and regulations.

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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 labour laws.

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

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 labelling requirements and relevant hygiene and sanitary regulations.

Food Safety and Quality Assurance

The Group is committed to achieve high product and service quality by implementing stringent and comprehensive quality control procedures. 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.

Environmental, Social and Governance Report

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.

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.

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.

During the year, the number of complaint in relation to food or quality of services were minimal and insignificant.

Anti-corruption

The Group is committed to maintaining the integrity of its corporate culture. Staff members are not allowed to solicit or accept any advantages. The Group sets out the relevant policies in the employee handbook and guides the employees to abide by the code of conduct. The code of conduct provides a clear definition of the provision and acceptance of interests, such as gifts and souvenirs, and ways to deal with conflicts of interest.

Directors and employees are required to make a declaration to the management through the reporting channels when actual or potential conflict of interest arises. Employees cannot receive any gifts from any external parties (i.e. customers, suppliers, contractors, etc.) unless approval is obtained from the management.

The Group has whistle-blowing procedures in effect, encouraging the employees to report directly to the Company's senior management any misconduct and dishonest behaviour, such as bribery, fraud and other offences. Furthermore, the Group has specified in the employees' handbook that the Group is entitled to terminate the employment contract with any employee who is bribed with money, gifts or commission, etc., and reserve the right to take further legal actions against such person.

During the Reporting Period, we have complied with the relevant laws and regulations regarding anti-corruption and money-laundering and had no concluded legal case regarding corrupt practices brought against the issuer or its employees.

Environmental, Social and Governance Report

Community Investment

The Group is committed to creating sustainable prosperity that brings long-term social and economic benefits for all stakeholders, particularly to maintain the relationship with interest groups which are relevant to business operation. The Group has been actively involved in charitable activities in the communities and cities where our restaurants are operating, and encourages the employees to participate in in-house or external community activities.

The Group will continue to explore other means to contribute more to the environment and strive to facilitate the building of a healthy and sustainable society in the future.

Environmental performance indicators

Aspect A1: Emissions

Performance indicator		2017 Data	HKEx ESG Reporting Guide KPI
Emission	Total nitrogen oxides (NOx) emission (g)	4,892.94	KPI A1.1
	Total particulate matters (PM) emission (g)	360.26	KPI A1.1
	Total sulphur oxides (SOx) emission (g)	200.7	KPI A1.1
	Total CO ₂ generated equivalent emission (tonnes) – scope 2 – electricity	5,299.34	KPI A1.2
	Total CO ₂ generated equivalent emission (tonnes) – scope 2 – gas	58.65	KPI A1.2
	Total CO ₂ generated equivalent emission (tonnes) – scope 3 – business travel by employees	25.46	KPI A1.2
	Total CO ₂ generated equivalent emission (tonnes) – scope 3 – fresh water processing	676.19	KPI A1.2
	Total CO ₂ generated equivalent emission (tonnes) – scope 3 – sewage water processing	223.71	KPI A1.2
	Total travelled distance by employees (km)	199,948	KPI A1.2

Aspect A2: Use of resources

Performance indicator		2017 Data	HKEx ESG Reporting Guide KPI
Electricity	Total electricity consumption (kWh)	9,813,598.53	KPI A2.1
Gas	Total gas consumption (shown on bill)	96,940	KPI A2.1
Water	Total water consumption & sewage discharge (cubic meter)	1,682,062.06	KPI A2.2