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LUK HING ENTERTAINMENT GROUP

ENVIRONMENTAL, SOCIAL & GOVERNANCE REPORT 2017

LUK HING ENTERTAINMENT GROUP HOLDINGS LIMITED
陸慶娛樂集團控股有限公司

Incorporated in the Cayman Islands with limited liability | Stock Code: 8052



ENVIRONMENTAL, SOCIAL & GOVERNANCE REPORT

**LUK HING ENTERTAINMENT GROUP
HOLDINGS LIMITED
(8052)**

**ENVIRONMENTAL, SOCIAL
& GOVERNANCE REPORT**

ENVIRONMENTAL, SOCIAL & GOVERNANCE REPORT

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A. DEFINITION AND INTERPRETATION

Throughout this report, the following terms, except where the context otherwise requires, have the following meanings:

- **Group** : refers to LUK HING ENTERTAINMENT GROUP HOLDINGS LIMITED and its subsidiaries
- **ESG** : means ENVIRONMENTAL, SOCIAL & GOVERNANCE
- **Appendix 20 or ESG Reporting Guide** : refers to the Appendix 20 — Environmental, Social and Governance Reporting Guide of the Listing Rules
- **KPIs** : means “Key Performance Indicators”
- **Listing Rules** : means the Rules Governing the Listing of Securities on the Growth Enterprise Market of the Stock Exchange of Hong Kong Limited
- **HKEX** : means The Stock Exchange of Hong Kong Limited

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B. OVERVIEW

(i) Scope and Reporting Period

This is the second Environmental, Social and Governance (“ESG”) report by Luk Hing Entertainment Group Holdings Limited (the “Company”), together with its subsidiaries (referred to as the “Group”), reviewing and disclosing its ESG performance in accordance with the guidelines outlined in Appendix 20 Environmental, Social and Governance Reporting Guide (the “Reporting Guide”) of the Rules Governing the Listing of Securities on GEM of HKEX, for the period from 1 January to 31 December 2017 (the “Reporting Period”).

(ii) The Group’s Vision, Commitments, Management and Actions

The Group’s main business operation are clubbing and organising music-related featured events in Macau, Hong Kong and China, and strives to be the largest and leading provider and operator in these business segments in Asia. The Group has also diversified into Chinese cuisine restaurant business in the last quarter of 2017. We commit to be a socially and environmentally responsible corporation, and promote sustainable development, which is extremely important to create value for the Group’s shareholders, clients, supporters, employees, other stakeholders and general public as well as the natural environment.

The Group supports that the ESG areas and aspects listed in the ESG Reporting Guide are significant considerations for the short and long-term operations of its business. We strive to operate our business with the objectives to: lessen the impact on the environment; provide a safe and pleasant working and enjoying environment to the employees and the clients; comply with legal and regulatory requirements; adhere to high ethical standards, and repay back to the community.

The Board of the Group determines and approves the ESG strategies, policies and guidelines, and is ultimately responsible for the Group’s ESG reporting. The Chief Executive Officer has the overall responsibilities to implement the Board’s approved targets, strategic direction and policies on the Group’s ESG activities. In managing the priorities, we take into account of the opinions and views of its stakeholders. The Group has assigned the board members and senior management to constantly review and to communicate with its stakeholders including but not limited to its employees, clients, investors, suppliers and business partners, to gain insights on ESG material aspects in the reporting period.

The Group identified the following material aspects and have managed them strictly in accordance with the Group’s policies and guidelines and in compliance with the relevant legal and regulatory standards:

- Environmental safety and pollution (noise and light) during our operation and events;
- Working Conditions and Environment on employees’ health and safety;
- Employee Development and Growth;
- Quality of Products and Services;
- Public Safety and Security;
- Privacy Information Protection;
- Anti-corruption

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The Group is committed to conducting its business in a transparent, equitable, legal and socially responsible manner, and continues to care about the impact of its daily operation on the environment and neighbouring communities, and to make efforts to meet the interests of all stakeholders, economy, environment, society and corporate governance on a fine and fair balance.

In this report the environmental and social performance of HEXA, the newly started Chinese cuisine restaurant business in Hong Kong has not been included because it commences operation only since late 2017 which has not accumulated sufficient environmental and social data for a meaningful assessment. The Board of the Group has therefore decided and recommended to report its environmental and social performance in our ESG report next year. However, during the planning, design and construction phase of the restaurant, the management has already taken environmental and social considerations especially on energy and water consumption, effects on surrounding areas, health and safety issues to employees and visiting customers. We are confident to build and to operate the restaurant to meet the highest standard of the environmental and social requirements. Furthermore, one of our important activities, the one day electronic music festival event, pursuant to the contractual arrangement, the Group acts as a licensee with overall strategic and financial management only, and all the operation including but not limited to the designs, development, construction and production of the venue and the program of the Event, site organization, management and operation, environmental management, safety and health, and security, as well as marketing and customer relations have been contracted out to independent contractors. Under such an arrangement, the environmental and social obligations in terms of the specific areas and aspects arising from this event will not be under the Group's account and responsibility. The Group, however, acted responsibly through exercising due diligence on selecting the appropriate contractors/service providers who have the respective professionalism, experiences, technical and financial capabilities in carrying out the expected environmental and social responsibilities. The Group supervised throughout the Event ensuring that all the laws, rules and regulations were effectively complied and the environmental and social obligations were discharged satisfactorily.

The material Environmental and Social areas, aspects and related KPIs chosen since 2016 have continued to be monitored and managed with the attention of management, which in our opinion, further identifies and clarifies relevant issues for stakeholders.

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ENVIRONMENTAL MATTERS AND RELATED KPIS

Given the special nature of our business, our activities do not generate any hazardous emissions and wastes, but will occasionally cause noise and light pollution, safety and inconvenience during the operation of our events to the participants and neighboring communities. As a responsible corporation, the Group abides by all the local environmental laws and regulations and is committed to environmental protection, pollution prevention and minimization. The Group has implemented policies and taken measures to ensure our operation and activities minimize any adverse impacts on and to prevent pollution to the environment, and to be energy, water, and other resources usage efficient.

1.1 Emissions and Wastes — Policies and Compliance with Relevant Laws

(i) Noise Emission

The operation of our Club Cubic and music related events in showplaces naturally generates constant music noise emission especially in the evening period. However, the Group has carefully designed and constructed Club Cubic that it's almost sound proof to the outsider. We have taken careful measures to install noise pollution materials and structures to minimize noise pollution in music-related showplaces. The location of our Club Cubic and most of the music-related events are not in residential crowded areas, which help to minimize disturbance to the public. The Group has complied with all relevant noise pollution and control laws, ordinances, rules and regulations of Hong Kong and Macau in the structural construction and operation of our sites in order to ensure noise emission is under strict control. The Group had not received any complaints on noise emission in 2017, nor in 2016.

(ii) Light Emission

The operation of our Club Cubic and music related events in showplaces also generates constant light emission especially in the evening period. However, since all our operations and activities are conducted inside the club and showplaces, the light emissions should not and do not cause any disturbance to the public. The Group has complied with all the relevant laws, ordinances, rules and regulations of Hong Kong and Macau in our structural construction and operation to ensure all the lighting systems are properly installed to minimize light emission. The Group had not received any complaints regarding light emission in 2017, nor in 2016.

(iii) Air Emission

(a) *Non-Hazardous Air Emissions*

The operation and activities of the Group do not generate any hazardous greenhouse gases emission, and the only non-hazardous gas emission of Carbon Dioxide (CO₂) is generated indirectly from the use of electricity.

During the Reporting Period, the Group's operation generated 776.57 and 0.98 tonnes of indirect and direct CO₂ from the use of electricity and fuel used by vehicles respectively, which was 47.03 tonnes less than 2016. This reduction achievement was obviously the direct result of measures taken to reduce energy consumption. Given that this reduction was achieved while we also increased our business turnover by 6.7% in 2017 over 2016, this achievement was testimony to our management strategy and training paying off.

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(b) *Hazardous Air Emissions*

The Group owns and runs two vehicles to provide transport to senior management and VIP customers.

During the report period, a total of 3,096.38 g NO_x, 6.09 g SO_x, and 227.98 g PM were generated. Although the amounts were not significant, the Group is considering to minimize these hazardous gases emission by replacing the fossil fuel-based vehicles by electric ones in future.

(c) *Hazardous and Non-Hazardous Wastes emission*

The major hazardous wastes were light bulbs, printer toner cartridges, batteries and obsolete computer and small machines during the period. All these hazardous wastes were collected by qualified collectors for further handling.

On non-hazardous wastes, due to the nature of our business, certain sewage and garbage, mainly non-hazardous emissions from solid wastes are produced in our club and the venue where we hold our events. The sewage and garbage is collected daily in our club or immediately after an event is held outside our club to ensure and maintain hygienic conditions of the club and event venue. We proactively separate our waste where possible into recyclable and non-recyclable materials. While in our offices, only daily living waste from staff and recyclable waste (including paper, cards, packaging materials for goods sold and purchased) from daily operation, and the amount was not substantial. All of them are non-hazardous and were collected and discharged separately.

During the reporting period, the Group had not received any complaints or warning notices from relevant government authorities on our wastes discharge and disposal.

(d) *Mitigation Measures on Emission and Results*

Given our business activities, the Group does not produce much hazardous and non-hazardous emissions. As a responsible corporation, we fully comply with the Macau Environmental Law No.2/91/M especially on section 1 of article 8, everyone is entitled to air quality suiting basic health and well-being, whether in public places, residential areas, workplaces and others, and section 3 of article 8, any installation, machine or means of transportation which activity may affect the air quality must be equipped with a device or other mean that can ensure compliance with legal emission standards. Furthermore, we have integrated eco-friendly measures to reduce the environmental impact of our daily operation. We encourage the economic and efficient use of resources, while enhancing our recycling efforts to prevent the waste of resources. We have taken the following special measures to reduce the emission of air and greenhouse gas, discharges into water and land, and generation of hazardous and non-hazardous waste, as well as to save energy in our daily operations:

- Encourage the establishment of a waste-classification system and the practice of recycling used papers and double-sided printing in workplace
- Reduce unnecessary business trips and promote the use of information technology such as video conference

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- Encourage our staff to take public transportation and minimize the use of private vehicles and taxi
- Adjust the temperature of our offices appropriately and switch office equipment to energy-saving mode, such as the automatically power down of printers and computers after a period of inactivity, to economize the use of electricity
- Encourage water-saving habits of our staff.

When organizing our events, we take into account the suitability of the premises or place to the nature of the activity or event to be held, particularly in terms of floor area, hygiene, safety, location and respect for environmental balance including noise and light pollution. In the event that we have to undertake minor alterations to the natural environment due to event requirements, we will conduct environmental rehabilitation as soon as possible.

As a result, the Group had not had any air emission and wastes discharges, fines or warning notices from the relevant environmental agencies in Hong Kong and Macau in 2017, as well as 2016.

1.2 Use of Resources — Policies on Efficient Use of Resources

The Group mainly uses electricity, fresh water, paper for napkins and takeaway packaging and printing for our activities in the club, offices and the music events. The Group also consumes a small amount of gasoline fuel for our small transport fleet.

Although the Group's activities and operation do not generate much environmental hazards, we are committed to act environmentally responsibly and aim at minimizing the impact on the environment. We promote smart usage to reduce consumption of electricity, fresh water, and paper through the introduction of various measures disclosed above and in last year's ESG reporting.

(i) Electricity and Fuel consumption

To reduce energy consumption, the Group regularly monitors its electricity consumption at Club Cubic and our head office. For the Reporting period, the Group consumed an aggregate of 983,003 Kwh of electricity of which 954,545 Kwh was for Club Cubic operations and 28,458 was for the head office. This was a reduction of 59,605 Kwh or 5.7% less in aggregate than 2016 (2016: 1,042,608) despite a 6.7% increase in overall business turnover of 2017 over 2016. This was a remarkable achievement of our energy saving measures, which the Group will for sure continue to implement. Whilst the total fuel consumption for our 2 vehicles amounted to about 414 litres, which was slightly increased by about 24 litres or 6% more than 2016 in response to our increased in activities.

(ii) Water consumption

Water is supplied from the city central water system and there is no problem on its supply. The Group does not consume material amounts of water in its operations, however we continue to monitor it as KPI, and in the Reporting Period, we consumed a total of 3,134 cubic metres of water, which was a reduction of 22.5% compared to the consumption of 4,046 cubic metres in 2016. The result evidenced again that our environmental measures are effective.

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(iii) Paper and packaging materials consumption

Given its business nature, the Group does not use much paper and packaging materials. Paper is used only for club events and promotional materials, visitors paper napkins and take-away packs, and for printing and writing purposes in the offices. In the Reporting period, we used an aggregate of 680,376 pieces of paper, a substantial reduction from a total of 1,443,971 pieces used in 2016. One of the reasons for this substantial reduction in paper use is that a lot of paper was used in drafting documentation for the IPO in 2016. Regardless of this, the Group continues to promote and implement measures to reduce paper usage at source including using papers from sustainable sources, encouraging recycling of paper, replacing paper records by electronic records, and reducing the use of paper by writing on whiteboards during presentations and meetings.

1.3 Environment and Natural Resources — Policies on Minimizing Significant Impacts

As discussed above and in our last ESG report, the Group's activities and operation do not generate much environmental hazards nor use much of the natural resources. We have not polluted any air, water and land, and have complied with all the environmental laws and regulations of the regions which we have operations. But, as a responsible corporation, the Group is committed to conserving resources in order to reduce its impact on the environment as well as saving operation costs. We continue to promote actively energy efficiency, conservation and environmental awareness to our employees and stakeholders. As set out in our environmental policies, staff should pay attention to the use of air conditioning and electricity, and implement practices such as turning off lights, air conditioning and computers when not in use. We encourage the regular maintenance and prolonged use of our computers, printers, fax machines, photocopiers, POS machines and other common office and retail equipment to reduce the frequency of replacement. We cooperate with the local government agencies and support environmental organizations' activities to build a "green" society.

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SOCIAL MATTERS AND RELATED KPIS

The Group strives to create a harmonious and prosperous society and build mutually beneficial relationships with our stakeholders, including our employees, customers, suppliers, communities, as well as the public and governing authorities. On formulation of ESG strategies and policies, we incorporate our long term corporate development goals with considerations on the stakeholders and society. We believe that through sincere and mutual benefits strategies and policies, our shareholders, employees, business partners, the local communities and ultimately the overall society would be benefited.

2.1 Employment and Labour Practices

2.1.1 Employment — Policies and Compliance with relevant Laws

We consider that our employees are important resources and regard high quality talents as our important assets. The Group recognizes its success depends highly on the skills, passion and commitment of its employees. We ensure employment and labour practices are implemented according to labour laws and the employment ordinance. We provide equal employment opportunities for all without discrimination in hiring, promotion, dismissal, remuneration, benefits, training and development.

Our recruitment and selection process is based on merit, in respect of essential and desirable criteria of the job nature and in line with the policy of equal opportunity. We strike to hire talented employees in the market by offering competitive wages and benefits, focused training and internal promotion opportunities. We specify the requirements of the vacancies, and will advertise as well as head-hunt through employment agencies. The selection process will be standard and positions will be decided after background checks, tests and interviews by our human resources manager as well as the related departmental head. Senior managers will be decided by the CEO.

(i) *Employment Mix*

At 31 December 2017, the Group had 141 employees, excluding HEXA as explained above, -136 and 96.5% on full-time and 5 and 3.5% on part-time; 25 and 17.7% in our head office and 116 and 82.3% were at Club Cubic; 20 and 14.2% on management grade and all the remaining employees 121 and 85.8% on operational grade; 89 and 63.1% male and 52 and 36.9% female; 22 and 15.6% with tertiary qualification and the remaining 119 and 84.4% without tertiary qualification, 35 and 24.8% local employees and 106 and 75.2% overseas employees.

Comparing with 31 December, 2016, there was a reduction of 12 employees mainly in the operational level; there was no change in the head count in the head-office; the ratio of female to male slightly increased from 33.3% to 36.9%; the ratio of tertiary qualification and general workers had a very small change; and the local employees dropped from 28.8% to 24.8%.

The comparison suggests that the Group had a stable work force, the female employees would gradually increase and the local employees would gradually drop. The latter two data are a common trend currently in the hospitality and services industry. The reduction in overall employees was mainly a natural drop-out without any specific lay-off plan from the Group, despite the fact that the Group's turnover had an increase in 2017. The employees have familiarized themselves with their work, become more skillful and experienced and capable of handling more duties.

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(ii) *Employee Compensation and Benefits — Policies and Compliance with relevant Laws*

As mentioned before, one of the major material ESG aspects raised by the Group's employees was salary and compensation packages. The Group addresses salary and compensation packages in a transparent manner by disclosing its salary benchmarking exercises to employees. All Hong Kong employees and Macau employees have been provided and covered with the MPF and Social Security Fund respectively.

We implement our staff structure on the philosophy of "making the best use of ability" and offer reasonable yet competitive compensation packages. All employees are required to sign a contract with the Group, which contains terms and conditions according to the local labour laws and employment ordinances. The Group has developed clear rules and regulations to provide provisions on remuneration, dismissal, recruitment and promotion, working hours, holidays, equal opportunities, diversity and other benefits as well as welfare for employees. The Group has created a fair and non-discriminatory atmosphere where male and female staff are equally entitled to employment and promotion opportunities, as well as the prevention of child labour and forced labour. Given such a policy of equal opportunity and treatment and anti-discrimination on the grounds of sex, origin, religion and race, our employees from different countries, cultures and religions worked together amicably and pleasantly without any record of complaints or disputes.

Remuneration packages are linked to individual performance, the Group's business performance, and taking into consideration of industry practices and market conditions, and will be reviewed on an annual basis. Senior management staff and directors' remuneration is determined with reference to his/her duties and responsibilities with the Group, the Group's standards for emoluments and market conditions.

To build a harmonious employees' relationship, the Group's senior management regularly organised meetings with the employees to listen to their concerns and thereafter to take appropriate actions, and also arranged social and sport events such as staff parties in which the employees could participate for relaxation.

Same as the year 2016, the Group did not have any employment related legal disputes on record in the year 2017.

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2.1.2 Health and Safety — Policies and Compliance with relevant Laws

The Group is committed to provide a safe, healthy and pleasant working environment to the employees. We have equipped the offices with adequate equipment and facilities to ensure safety and convenience to employees. All permanent staff have been covered with social, medical and accidental insurance as required by laws. All employees are also requested to strictly observe the health and safety policies and to follow safety rules at work and to place safety as their priority during work at all times. The Group has implemented customer service and work safety guidelines for all of its employees which sets its work safety policies and promotes safety on premise. We have compiled the Occupational and Health Ordinance of Hong Kong and Macau.

Taking occupational health and safety as one of our prime responsibilities, we have established relevant safety policies and provide training to our staff and in particular to club operation staff. We have compiled and observed the Occupational and Health Ordinance of Hong Kong and Macau. In general, our safety training will be carried out by explaining the safety management policy, case analysis simulation in respect of on-site safety measures and emergency arrangement as well as allocation of responsibilities.

There were no fatalities, work injury, occupational health and safety hazard cases recorded for year 2017, same as 2016.

2.1.3 Development and Training — Policies on improving employees' knowledge and skills

The Group is aware of the value and contribution of its employees, and is willing to invest and to offer training and development courses for them to enhance their capabilities. The Group frequently arranges senior staff to provide directional advice and guidance and short-term training to junior staff, and sponsors employees to attend external training programs relevant to their work to improve their skills and knowledge which will be beneficial to their career development. We implement a system that links our employees' remuneration and promotion to their work experience, capabilities and performance, which incentivizes their proactivity and eagerness of advancement through continuous learning.

The human resources department is responsible for employees' training. The Group has introductory and continuous training programmes for our employees to ensure the consistency of our high quality customer services, introducing our culture and the club premises, and the relevant policies and guidelines in respect of their respective posts. Work safety training are also provided to our operational staff. We review our training programmes based on market trends and updates as well as changes in compliance and regulatory environment.

In 2017, 107 of our employees, most from the operational level, accounting for 75.9% of the total employees of the Group were sponsored to attend 428 hours of training. The total number was 5 less than 2016, but was 2.7% higher on the percentage of total employees sponsored to attend training.

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2.1.4 Labour Standards — Policies and Compliance with relevant Laws

In 2017, there were no labour strikes within the Group and we did not experience any material labour disputes nor any material insurance claims related to employees' injuries. Equal opportunities have been given to employees in respect of recruitment, training and development, job advancement, and compensation and benefits. The employees have not been discriminated against or deprived of opportunities on the basis of gender, ethnic background, religion, colour, sexual orientation, age, marital status, family status, retirement, disability, pregnancy or any other discrimination prohibited by applicable laws. We firmly believe that we have maintained a good working relationship with our employees. The Group also did not experience any material safety problems and no material safety accidents occurred due to the fault of the Group. Besides, we regularly monitor information and data related to employment to prevent non-compliance with rules on child labour and forced labour. We are not aware of any material non-compliance with the relevant standards, rules and regulations in relation to our employment and labour practices in 2017.

2.2 Operating Practices and Social Investment

2.2.1 Supply Chain Management — Policy on managing environmental and social risks

Supply chain management in the ESG Guide mainly refers to management of sourcing and procurement. The Group mainly procures beverage products, and our suppliers mainly include beverage suppliers, suppliers of fruit for mixing of cocktails and side dishes and tobacco.

The Group has established a material and supplier management system, covering the process and procedure for procurement. Based on the requirements and plans of the respective departments and categories of purchases, the Group usually places orders through price competitiveness and shortlisting, and chooses suppliers through a screening and evaluation process. Our suppliers are selected carefully based on a set of selection criteria, which includes (i) ability to meet specification and standards; (ii) product and service quality; (iii) pricing of the products and services; (iv) quality control methods and practices, and reliable delivery method; and (v) past performance. When necessary, the Group will carry out field investigations to ensure the suppliers are well equipped to provide guaranteed quality and are able to manage safety and other environmental issues. We maintain a list of suppliers who have track records in dealing with us or in the market. Regular assessments on the suppliers including requests to provide basic certifications, licenses and product catalogues will be conducted to ensure that the suppliers are not only committed to the cost and quality of the products supplied, but also have not violated any laws and practices.

During the Reporting period, we did not experience any significant problems with the quality of beverage products provided by our suppliers, any material limitations in the supply nor any shortage of our beverage products. We believe that our supply chain management and procedures ensure the safety and quality of our supply chain.

During the Reporting Period, we had a total of 23 suppliers, 19 were local and 4 were overseas. In terms of supply values, local suppliers accounted for 98% of the supplies, which not only gave us flexibility on supplies and reaffirmed our strategy of supporting the local economy. Compared with 2016, the suppliers' overall situation did not materially change.

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2.2.2 Product Responsibility — Policy and Compliance with Relevant Laws

(i) *Safety, Fire and Hygiene*

One major condition imposed by applicable laws and regulations in respect of our operation includes compliance of relevant safety, hygiene and fire requirements. Our operation manager is responsible to ensure compliance of these requirements by conducting checks and inspections of the club premises regularly. For example, fire escape corridors shall be kept clear from obstruction. Fire extinguishers and other equipment shall be kept at the correct location and that they are accessible and remain free from obstruction. We must also maintain close monitoring of club entrant capacity requirements.

As we do not operate any internal kitchens for meal preparation and cooking, we are able to further reduce potential safety, fire and hygiene hazards as well as potential further waste hazards.

Fire and evacuation drills are conducted annually. Our Club Cubic premises as well as the show places used for our music events had passed all the safety inspection checks by the Fire Departments of Macau and Hong Kong.

(ii) *Security*

As the Group offers our services in open places with public access, security will be major issue to us. We have therefore engaged an independent security company to provide a team of 20 security staffs, working under the supervision of one of our operation managers to ensure safety. We have established safety and anti-crime manual and implemented strictly by the security team. We control headcounts and implement ID checking procedures at the entrance of our club premises to ensure the number of guests inside the premises shall not exceed the relevant regulatory limit(s) and that all customers are of legal age to consume alcohol and enter clubbing venues. We have established bag checking procedures at the entrance such that the entrance security officers shall check the bags of all guests to ensure that there are no illegal drug or other illegal or dangerous items brought into the club premises. Security staff inside the club premises maintain order inside the club, and attend any scene where fights or any illegal activities such as drug use, theft, harassments occurs and promptly stop such activities in order to ensure the safety of our staff and customers. In addition, security staff also escort our staff to perform certain duties to ensure their safety particularly staff carrying cash received from our customers for bill settlement and our performers. Safety and security training are also provided to our staff regularly to ensure that they are well aware of our safety and security procedures. In order to spot potential illegal activities such as fights, drug abuse or theft at an early stage, over 100 CCTV cameras are installed inside the club premises. We have designated a team of staff to monitor the CCTV camera systems to ensure that we are able to identify fights or any illegal activities such as drug use, theft, harassments promptly and stop such activities. Our security team will attend the scene to investigate immediately if any suspicious circumstance arises or stop any potential fight inside the premises once identified. We also maintain a blacklist system which aids the entrance security officers to identify individuals with a record of unwelcoming behavior, and that such blacklisted individuals are prohibited from entering into our club so as to ensure the safety of our staff and customers.

During the Reporting Period, our Club Cubic had not reported any serious chaotic cases resulting on serious life threatening events and accidents to our employees and customers.

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(iii) *Privacy*

The Group's business operation has generated large volumes of private, confidential and sensitive information of suppliers, co-operation partners including the operation status and financial positions, commercial terms of contracts, etc., and background information of the customers. These types of information are extremely sensitive and important, can only be used for our own business purposes, not for other unrelated purposes, and by law, we have to cautiously safeguard and protect such information.

The Group fully understands its obligation, and has exercised caution in its daily operations to safeguard client information, protecting customer information from unauthorized access, usage and leakage through various technologies and procedures. Our employees' employment contracts specifically contain confidential provisions and employees are prohibited from accessing information without approval and/or leaking private and confidential information. All employees are trained to handle and use customer information with extreme caution, protect customer information, and comply with statutory requirements in privacy law. Legal action will be taken against any violation.

During the Reporting Period, there were no cases initiated against us, nor any complaints received, regarding any breach of relevant privacy laws, regulations and policies in any jurisdiction in which we operate.

(iv) *Customer Service and Complaints*

The Group is committed to deliver high quality services and products to our customers. As such, we dedicate efforts to deal with complaints by our customers and establish procedures to handle complaints and implement corrective measures, with a view to preventing the reoccurrence of similar complaints. For complaints at the club premises, if any staff receives a complaint from a customer, the staff shall report to their supervisor, who would review and understand the matter with the relevant customer and offer remedial proposals to the customer. The complaint will be recorded for internal review. If the complaint cannot be resolved on site or if a complaint has been received online through emails, the incident will be reported to the club general manager, who will investigate the incident and file a report to the management with solutions to improve or avoid similar incidents in the future. An explanation will be sent to the relevant customer to ensure the matter has been resolved and to maintain good customer relationships. Our management will review complaints records regularly, and accordingly arrange necessary training to our staff to consistently improve the operation of the club.

During the Reporting Period, we were not aware of any incident of customer complaint claiming material compensation, or any investigation by any government authorities in relation to such complaint, that could have a material adverse impact on our business.

(v) *Insurance and Third Party Liability*

The landlord of our club venue has maintained, as a whole for all businesses situate at the City of Dreams, the relevant third party liability insurance for fire or other accidents inside the club premises, while we shall maintain relevant third party insurance in relation to fitting out and renovation for the expansion. For events held outside our club premises, we have also arranged appropriate insurance cover in respect of contractor's liability, public liability, accidental death and permanent disability. We maintain at all times relevant employees' compensation insurance for injuries or death in the course of employment.

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(vi) *Intellectual Property*

Our Group's principal intellectual property rights include the trademark registered for the Cubic brand and we have taken appropriate steps to protect our intellectual property rights and registered the relevant trademark in various jurisdictions. We primarily rely on trademark and intellectual property laws, and confidentiality agreements with our senior employees to protect our intellectual property.

We respect and observe intellectual property rights and pay for the music under licenses and copyrights to allow us to broadcast and to perform in our Club and the music events. We select music and maintain regular discussions and reviews with DJs to optimise customers' experience. The Macau Association of Composers, Authors & Publishers ("MACA") is a collective management organisation, or a musical society established under the Macau law and regulations regarding copyrights and granting licenses for performing musical recordings in public there. Arrangement has been made between the owner of our club venue and MACA that Club Cubic is licensed to use and perform any of the musical works of which MACA possesses the relevant license or authority inside Club Cubic for a specified term. We have maintained a list of musical works in use in Club Cubic, which is distributed to our resident DJs, to ensure that all musical works in use are covered by the relevant license from MACA. We also check the list against the database of MACA every two months to ensure that the music we play are covered by its licenses and in the event that there is any update as to the licensing authority of MACA on the musical works on our list, we will revise the list where necessary and update our resident DJ. In 2017, there were no legal proceedings against the Group with respect to our use of musical works in Club Cubic.

For the event we held in Hong Kong, we also obtain the relevant permit and licences for public performance of music recordings from Hong Kong Recording Industry Alliance Limited, Composers and Authors Society of Hong Kong Limited and Phonographic Performance (South East Asia) Limited.

For the Reporting Period, the Group was not aware of any infringement of its or any other intellectual property rights which had or could have a material adverse effect on our business, and there were no legal proceedings against the Group with respect to our use of musical works in Club Cubic.

2.2.3 Anti-corruption — Policies and Compliance with Relevant Laws

As discussed in the introduction section, the prevention of bribery, extortion, fraud, and money laundering is a material aspect to all the stakeholders. The Group adopts a ZERO tolerance approach to these crimes. Detailed policies and measures have been disclosed in and implemented since the 2016 ESG Reporting. In daily work, the directors, management and staff must comply with related national and local government laws and regulations on prevention of bribery, extortion, fraud and money laundering. With the implementation of clear policies and well-structured processes on purchases, sales, operation and finance, and the adoption of a high code of conduct especially in our senior management, all employees not only have responsibility to understand but also comply with the above regulations and any person, who contravenes the regulations, will be subject to disciplinary sanction. There were no complaints of corruption against the Group or its staff in the Reporting Period, same as 2016.

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2.2.4 Community Investment

The Group strives to fulfil its responsibilities as a corporate citizen and makes contributions to society, taking into consideration the needs and interests of the communities where we expand our operations. By recruiting staff from local communities, we assist both local employment and at the same time we have a local team who is familiar with the local environment which is important in the hospitality industry, thereby creating a win-win situation. We also try to build a beneficial corporate-community relationship by addressing the local community concerns, such as those related to environmental issues and cultural promotion. We continue to focus on areas with higher local priority and the Group will continue to devote more resources towards community investment as the Group grows in its size and accelerates its development. During the typhoon disaster in Macau in 2017, the Group assigned and supported our employees to perform volunteer services.