

TFG International Group Limited 富元國際集團有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock Code : 542

2018 Environmental, Social and Governance Report

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ABOUT THE REPORT

TFG International Group Limited (the "Company") has been listed on the Main Board of The Stock Exchange of Hong Kong Limited (stock code: 542) since 1989. The Group is engaged in diversified businesses including property development and hotel business operations in Maoming, China.

The Company reaffirms its commitment towards sustainability with the publication of its third Environmental, Social and Governance Reporting ("ESG") Report. The Board confirms that it has reviewed and approved the report. For governance section, please refer to our 2018 Annual Report on p.21.

Reporting Guideline

Adhering to the reporting principles of materiality, quantitative, consistency and balance, this report is prepared in compliance with the ESG Guide set out in Appendix 27 to the Rules Governing the Listing of Securities of the Stock Exchange (the "Listing Rules").

Reporting Boundary and Period

Covering the financial year from January 1, 2018 to December 31, 2018, the report discloses the Company's environmental and social performance from the Hong Kong headquarters and its hotel operation, La Palazzo Hotel, in Maoming, China.

Feedback

Your feedback is valuable to help us improve the report further. Please feel free to contact us for any questions or comments at info@tfginternationalgroup.com.

MESSAGE FROM CEO

Dear Stakeholders,

We are proud to present the third Environmental, Social and Governance report of the Group. In Hong Kong, the Group has only office-based operations where environmental impact generated is limited. We continue to operate the office facilities in an environmentally responsible manner by implementing energy saving initiatives and raising the awareness of our employees on efficient use of resources. In Maoming, Guangdong province, China, where the Group operates the La Palazzo Hotel, well established policies, systems and processes are in place to measure and manage the environmental performance.

La Palazzo Hotel continued to ensure emissions of air pollutants and greenhouse gases are within the statutory limits imposed by the Environmental Protection Bureau. Striving for sustainable hotel operations, several resources usage efficiency initiatives were implemented last year. For example, water from swimming pool is recycled for sanitary use and bed sheets are washed in an environment-friendly way. Hydro vents were installed to manage the discharge of oil fumes, to maintain indoor air quality. Energy saving targets were set and embedded in annual performance appraisal to motivate employees to take action.

Striving to be an equal opportunity employer, the Group follows employment policies designed to attract, retain and motivate high-quality staff. The Group's employee handbook states clearly that any forms of corruption, blackmail, fraud and money laundering are prohibited. For complaints and suggestions, employees can communicate through an established grievance mechanism. During the year, we were not aware of any incidence of discrimination in Hong Kong as well as China.

Striving for a high level of customer satisfaction, the Group is determined to provide excellent products and services to its customers. Standard operating procedures are established to handle clients' complaints, overseen by the highest-ranking management executive at the time, or by the hotel manager if necessary.

Ensuring food safety is our top priority. La Palazzo Hotel has strictly complied with the "Guangdong Provincial Food Safety Regulations", and has received grade A for both catering and public health standards. It has also abided by the "Use of Food Additives Standards" by monitoring consumption of food additives.

We are committed to promoting responsible procurement by implementing strict supplier management. A supplier code of conduct is established to stipulate the standards to which we require our suppliers to adhere, including integration of corporate responsibility criteria into the process of selection and evaluation of preferred suppliers. We work with suppliers whose business ethics, conduct and standards are aligned with our own. A list of bulk raw materials suppliers is established to manage the potential risk of our supply chain through examining their operating license(s) and quality assurance practices.

Looking ahead, I would like to take this opportunity to thank you all for the support throughout the year. We will continue to strive for sustainable business operations.

On behalf of the Board WAN Jianjun Chief Executive Officer

Hong Kong, 28 June 2019

ESG MANAGEMENT APPROACH

The Board of Directors has assumed the overall responsibility for formulating strategic directions on ESG aspects specific to the Group's business, including product safety, customer satisfaction, environmental compliance, talent development, etc. The management of these material ESG aspects is spearheaded by the senior management, which then cascades down to respective departments responsible for day-to-day operations.

Stakeholder Engagement

Environmental and social impacts of our business operations are of increasing concern to our stakeholders including employees, customers, suppliers and government departments. The Group is fully aware of the importance of effective communication with its stakeholders and maintains regular dialogue both internally and externally. The communication between the Group and the staff is integrated with daily operations, ensuring effective exchange of views through regular meetings. For external communications, we regularly communicate with customers, suppliers and government departments and collect feedback from customers and the community.

The Group understands the impacts of sustainability issues on its various stakeholders. Thus, we determine the importance of sustainability indicators through internal discussions on the overall considerations and board approval. As this report mainly focuses on hotel operations, performance indicators related to the operations of the hotel, including energy consumption and talent management are the focus.

Stakeholder	Interests and concerns	Channels of communication	
Customers	Full compliance with regulationsQuality product and serviceEthical marketing	Customer satisfaction surveyGuest service counter in hotelService hotline	
Employees	 Compensation and benefits Occupational health and safety Career development opportunities Corporate culture and engagement 	 Training Media platform "Welcoming Ambassador" Employee activities 	
Suppliers	Long-term partnershipEthical business practicesSupplier assessment criteria	In-person meetingSupplier audit	
Government	Regulatory requirementsEnvironmental and safety compliance	Regulatory policies trainingIn-person meeting	
Community and general public	Community engagement initiatives	Volunteering and donation	

OUR ENVIRONMENT

The Group attaches great importance to environmental sustainability in its daily operations to strive for sustainable development. During the year, the Group strictly complied with relevant environmental laws and regulations, including but not limited to "Law of the People's Republic of China on Conserving Energy", "Regulations of Guangdong Province on Conserving Energy" and "Energy Consumption Limits of Hotels and Shopping Malls in Guangdong Province (Trial)".

The major environmental impact of the Group relates to its hotel operations in Maoming. The office-based operations in Hong Kong have relatively insignificant impact on the environment, recording 23,933 kWh of electricity consumption. To ensure compliance and mitigate the environmental impacts caused by our operations, the Group has formulated an integrated environmental management system. For the hotel operations, we engage employees and customers with environmentally friendly practices while ensuring the quality of our services. We carry out thorough checks in the process of hotel operations and emissions therefrom to ensure that our performance is aligned with relevant laws and regulations.

During the year, the Group was not aware of any non-compliance of laws and regulations that have a significant impact on the Group relating to air and Greenhouse Gases (GHG) emissions, discharges into water and land, or generation of hazardous and non-hazardous wastes.

Resources Consumption

The main resources consumed by the Group include electricity, natural gas and municipal water. During the year, the Group's hotel operations consumed a total of 5.08 million kWh of electricity, 1,881 litres of petrol and 128,160 cubic meters of natural gas. For our operations in Hong Kong, 23,933 kWh of electricity was consumed in 2018 and the rise in consumption was due to the increase of floor area resulted from office relocation as well as the change in computation method.

Resource type	2018	2017	Change
Electricity — Hong Kong (kWh)	23,933	9,234	159%
Electricity — Maoming (kWh)	5,080,000	4,650,000	9%
Natural gas (m ³)	128,160	97,500	31%
Petrol (litres)	1,881	455	313%
Total energy consumption ('000 kWh)	6,507	5,718	14%
Energy intensity (kWh/HK\$'000)	359	172	109%

In 2018, the hotel business consumed 79,350 tonnes of municipal water. There was no issue in sourcing water during the year.



Carbon Emissions

Based on the energy consumption during the year, the Group's greenhouse gases emissions are computed at 2,972 tonnes of carbon dioxide equivalent (tCO_2e).

Scope of carbon emissions	2018	2017	Change
Scope 1 (tCO ₂ e)	282	212	33%
Scope 2 (tCO ₂ e)	2,690	2,456	10%
Total (tCO ₂ e)	2,972	2,668	11%

Resources Conservation

Actively managing energy consumption in its daily operations, the Group continued its efforts on energy-saving projects. We have implemented a few energy saving projects in the hotel. For example, the "air conditioning and hot water" initiative includes a solar hot water supply system and heat recovery system to recover the heat ventilated from the laundry. Hot air generated is used to heat up water and the resulting cold air is supplied to the elevator room, shaft and bridge box to reduce power consumption for air-conditioning. In addition, the Group continues to use energy-saving lamps and body sensors switches are installed in fire escapes.

To achieve the goals of energy saving, the Group's hotel business has set up an energy-saving group with an energy-saving incentives and penalties scheme that rewards or penalizes departments. We also provide energy-saving training to our staff so as to enrich their understanding and integrate energy-saving habits into their daily operations.

We put strong emphasis on reducing water usage and recycling of water resources. To reduce fresh water consumption, we reuse water from the hotel pool for landscaping, plant irrigation, car washing and flushing.

Emissions and Waste Management

The operations of the hotel strictly comply with the relevant laws and regulations on emissions, including the "Catering Industry Fume Emission Standards" and the "Integrated Wastewater Discharge Standards". To mitigate air emissions, the Group has implemented measures which include a ventilation system to ensure better indoor air quality. The fumes produced by the catering department are transported to high altitude after treatment with a water type exhaustion hood.

Ensuring stringent waste management, the Group has commissioned an accredited waste collector to collect food waste of the hotel on a daily basis. Recyclable wastes are collected by the relevant recycling agencies, and other non-hazardous wastes are disposed by municipal hygiene department. During the year, the Group's hotel business generated 12.6 tonnes of non-hazardous waste while no significant hazardous waste was generated from our operations.

OUR PEOPLE

The Group has strictly complied with relevant labor law and regulations, including but not limited to "Labor Law of the People's Republic of China", the "Labor Contract Law of the People's Republic of China", "Law of People's Republic of China on the Protection of Disabled Persons", "Provisions on the Prohibition of Using Child Labor" and "Hong Kong Labour Ordinance".

To ensure compliance, the Group has formulated a comprehensive management approach for recruitment, dismissal and promotion, stipulated in its employees' handbook. And we check the identity of every new employee to ensure the age is within the legal working age to prevent the hiring of child labour.

During the year, we were not aware of any non-compliance with laws and regulations that have a significant impact on the Group relating to employment and labour practices and occupational health and safety. Nor did we identify any incidents relating to the use of child or forced labor.

Employee Composition

As at 31 December 2018, the total number of staff employed by the Group was 51. There were 10 employees in our Hong Kong office, and 30% of them are management personnel. The composition of our employees in Hong Kong office is shown below.







Gender profile in Hong Kong







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The Group's hotel in Maoming is managed by an operating rights holder. There were 379 staff employed by the hotel operating rights holder as at 31 December 2018. The ratio of male and female staff is 34:66. Most of our employees (59%) are aged 30–50, while 28% are under 30 and the remaining 13% above 50 years old. Regarding educational background, 8% of the staff has obtained a bachelor's degree.



Age profile in Maoming





Gender profile in Maoming

Educational profile in Maoming



Employee Benefits

To support our employees, we provide attractive remuneration and benefits. As part of the Group's human resources policy, employees are rewarded on performance-related criterion within the general framework of the Group's salary and bonus scale. In addition to benefits such as free working lunch, attendance award and holidays, the hotel's staff are also entitled to benefits in case of special duties or positions, such as night shift allowance, accommodation allowance, etc.

To enrich the lives of our employees, the Group holds various employee activities, including tours for outstanding employees in each quarter and birthday parties for most.

To ensure the rights of our employees are safeguarded, the Group has formulated a grievance handling mechanism. Employees can submit a

Love and Care Fund

The Group's hotel business has established a Love and Care Fund for its employees. In case of unexpected events, serious illnesses and economic difficulties experienced by the employees, the Fund is able to provide financial assistance to ease the temporary difficulties faced by our employees. The Fund helps enhance the cohesion and team spirit of our staff.

grievance to their respective supervisors or managers. If it is not resolved, written report can be submitted to the department manager, human resources management, and brought to the attention of general manager eventually.

Health and Safety

The Group is committed to providing a safe working environment, ensuring the health and safety of all its employees. We have strictly complied with the relevant laws and regulations, including the "Production Safety Law of the People's Republic of China" and "Law on Prevention of Occupational Disease of the People's Republic of China".

To ensure compliance, we have established an effective safety management system which identifies potential health hazards and provides a guideline to implement controls to safeguard employees. While the health hazard is relatively low in Hong Kong given our business operations are mainly office-based, we provide personal protective equipment to our staff working in the hotel operations. Regulations are set up for the use of the equipment.

In the case of work injury, person-in-charge of the department handles the incident immediately. The Group pays medical expenses of the injured in advance. The corresponding departments are required to complete a work injury report within 12 hours after the occurrence of the injury to identify the cause of the incident and responsibility of the relevant personnel. During the year, there were no work injury cases in the hotel operations.

To minimize occupational health and safety risk, the Group continues to provide safety training to its staff. During the year, a total of 1,351 person-times and 5,319 hours of safety training were recorded in the hotel. The Group's hotel operations organize large-scale, fire drills regularly to raise employees' awareness of fire hazards and other emergency events.

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Development and Training

Talent cultivation and development of employees are areas highly valued by the Group. We support employees' development with training programs which cater for the needs of different levels of staff. As part of the Group's human resources policy, employees are rewarded on a performance-related basis within the framework of the Group's salary and bonus scale.

The Group's hotel operations offer to new joiners a two-day induction training which includes practical implementation of hotel operations. We also arrange a welcome ambassador to function as a mentor to assist new staff to adapt to the working environment. In addition, regular on-the-job training is provided, including training sessions held by supervisors and department managers.

Full-time classroom training for all staff is organized in every department to help employees learn about the hotel's routine processes. We send staff to other departments, or hotels for cross-training so that they can acquire a broader range of knowledge and skills. In addition to internal training, external training organized by educational institutions are offered to the staff.

Community Care

The Group believes in bearing its fair share of corporate social responsibility, not only by organizing social welfare activities, but also encouraging its employees to give back to the community. Over the years, we have been contributing to the socioeconomic health of our communities, e.g. we organize blood donation activities and cooperate with domestic colleges and universities to provide training sessions about hospitality industry, offering a platform for students with relevant majors.

OUR OPERATIONS

Adhering to the philosophy of "Putting People and Service as Priority", the Group aims at providing its guests a healthy and high-quality living experience. Targeting to sustain a high level of service quality, we engage with our guests through various channels, including surveys in which we gauge their satisfaction and follow up with concrete actions promptly.

Quality Management

The Group is committed to ensuring the quality of its products and services, as well as the well-being of its customers. Our hotel operations have strictly complied with "Food Safety Law of the People's Republic of China", "Measures for the Supervision and Administration of Food Safety in Catering Services", "Standard Requirements for Catering Service Industry", "Food Safety Regulations in Guangdong Province" and "Publicity Requirements on Food Additives Use".

To ensure compliance, we require all our employees to obtain the requisite health certificate before joining the hotel. The Food and Beverage department of our hotel maintains a list of non-edible additives and food additives with restricted use for the catering industry, and keeps records of the use of additives, sources of the dishes and controls the added dose in a strict manner. In addition, we procure professional cleaning tools, aiming to maintain a high hygienic standard. In 2018, our hotel was rated as grade A provincial catering service food demonstration unit and was awarded the provincial food safety title and the title of level A unit in public health.

We treat the safety of our guests as a top priority by implementing a safety and security system including a closed-circuit monitoring system with full-time staff on duty 24/7. In addition, we provide security training to our staff focusing on the aspects of anti-natural disasters, anti-fire, anti-sabotage, and anti-theft. Clear standard operating procedures are stipulated in the employee handbook regarding emergency events such as fire, serious accidents, lift stoppages, etc.

Supply Chain Management

The Group understands that suppliers are pivotal to the quality of products and services provided. The operations of the hotel involve regular procurement of products from suppliers such as food and agricultural products. By establishing a "List of raw materials suppliers", we strictly regulate the quality of suppliers by scrutinizing their business licenses, qualifications and certifications. As of December 2018, there were 7 local suppliers cooperating with the hotel. We verify the expiry date of the suppliers' business operation licenses and other qualifications so as to ensure the safety of the products.

Regarding imports of food, raw materials and agricultural products, we check the quality certificates of the supplier such as permit and business license and product inspection certificate. We strictly prohibit procurement of food and raw materials which are spoiled, damaged or in other conditions which are not suitable for consumption.

In the case of new procurement streams, the Group compares the price and quality to come up with a comprehensive decision. We also regularly collect feedback from the food and beverage department and our customers aiming to make appropriate adjustments.

During the year, we were not aware of any incidents of non-compliance with laws and regulations that have a significant impact on the Group concerning health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress.

Privacy Protection

The protection of customer privacy is always our prime concern. We strictly comply with the relevant laws and regulations in our operations. The Group's hotel business has established an audit team with the General Manager of the hotel as the head of the team and the Chief Financial Officer as the deputy head. The Personnel Administration Officer is responsible for daily supervision and implementation of privacy policy. The head of every department is responsible for data security in the corresponding department(s).

In accordance with confidentiality related rules set by the Group, we classify confidentiality of contents by grades. We subdivide the confidential items into corresponding groups, and delegate access rights accordingly. All information relevant to our customers, including sales information, is classified as confidential. Maintenance of confidentiality is strictly monitored by our confidentiality team, and other relevant departments including security department.

In addition to customer privacy, the Group's hotel business is committed to protecting confidentiality of new dishes and recipes for food and beverages. Information on design drawings, billboards, banners, newspapers and advertisements for corporate marketing activities are classified as confidential.

Anti-corruption

The Group maintains a zero-tolerance stance on bribery and has strictly complied with "Criminal Law of the People's Republic of China", "Anti-Unfair Competition Law of the People's Republic of China" and "Hong Kong Prevention of Bribery Ordinance". To ensure compliance, we have established anti-corruption standards for managing the relevant issues. Anti-corruption measures are stipulated in our employees handbook, stipulating relevant definitions, consequences, and penalties for committing corrupt behavior. During the year, we were not aware of any non-compliance with laws and regulations that have a significant impact on the Group relating to bribery, extortion, fraud and money laundering.

PERFORMANCE DATA SUMMARY

		2018	2017
Workforce	Total Headcount		
	By geographical location		
	Hong Kong	10	13
	Mainland China	379	388
	Total	389	401
	By age group		
	30 or below	105	125
	31–50	230	222
	Above 50	54	54
	By gender		
	Male	136	143
	Female	253	258
	By functional category		
	General Staff	281	268
	Management	108	133
Health and Safety	Occupational Health and Safety Performance		
	Number of accidents	0	1
	Lost days due to work-related injury	0	5
	Work-related fatalities	0	0
	Safety Training		
	Total person-time	1,351	2,022
	Total hours	5,319	4,699
Environmental	Air Emissions*		
	Sulphur Oxides (kg)	0.0277	0.0067
	Nitrogen Oxides (kg)	1.66	0.34
	Particulate Matters (kg)	0.122	0.025
	Greenhouse Gases Emissions		
	Total GHG emissions (tCO ₂ e)	2,972	2,668
	Scope I (tCO ₂ e)	282	212
	Scope II (tCO ₂ e)	2,690	2,456
	Waste Type		
	Non-hazardous waste (tonnes)	12.6	7.5
	Resources Consumption		
	Electricity (kWh)	5,103,933	4,659,234
	Natural Gas (m ³)	128,160	97,500
	Petrol (litres)	1,881	455
	Municipal Water (tonnes)	79,350	75,000

* Air emissions were calculated based on the fuel consumption of our company vehicles.

ESG CONTENT INDEX

KPIs	HKEX ESG	Reporting Guide Requirements	Section/Remarks	
A. Environmental				
Aspect A1:	General D	isclosure	Our Environment	
Emissions	that ha relating t discharges	licies; and iance with relevant laws and regulations ave a significant impact on the issuer to air and greenhouse gas emissions, s into water and land, and generation of		
		and non-hazardous waste.		
	KPI A1.1	The types of emissions and respective emissions data.	Performance Data Summary	
	KPI A1.2	Greenhouse gas emissions in total (in tonnes) and, where appropriate, intensity.	Resources Consumption	
	KPI A1.3	Total hazardous waste produced (in tonnes) and, where appropriate, intensity.	Emissions and Waste Management	
	KPI A1.4	Total non-hazardous waste produced (in tonnes) and, where appropriate, intensity.	Emissions and Waste Management	
	KPI A1.5	Description of measures to mitigate emissions and results achieved.	Emissions and Waste Management	
	KPI A1.6	Description of how hazardous and non- hazardous wastes are handled, reduction initiatives and results achieved.	Emissions and Waste Management	
Aspect A2: Use of Resources		isclosure n the efficient use of resources, including ter and other raw materials.	Resources Conservation	
	KPI A2.1	Direct and/or indirect energy consumption by type in total (kWh in '000s) and intensity.	Resources Conservation	
	KPI A2.2	Water consumption in total and intensity.	Resources Consumption	
	KPI A2.3	Description of energy use efficiency initiatives and results achieved.	Resources Conservation	
	KPI A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency initiatives and results achieved.	Resources Conservation	
	KPI A2.5	Total packaging material used for finished products (in tonnes) and, if applicable, with reference to per unit produced.	No packaging material is used by our business	

KPIs	HKEX ESG	Reporting Guide Requirements	Section/Remarks
Aspect A3: The Environment and Natural Resources	General Disclosure Policies on minimizing the issuers' significant impact on the environment and natural resources.		Our Environment
	KPI A3.1	Description of significant impacts of activities on the environment and natural resources and the actions taken to manage them.	Our Environment
B. Social			
Aspect B1: Employment	General Disclosure Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer related to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare.		Our People
	KPI B1.1	Total workforce by gender, employment type, age group and geographical region.	Employee Composition
Aspect B2: Health and Safety	General Disclosure Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to providing a safe working environment and protecting employees from occupational hazards.		Health and Safety
	KPI B2.1	Number and rate of work-related fatalities.	Health and Safety
	KPI B2.2	Lost days due to work injury.	Health and Safety
	KPI B2.3	Description of occupational health and safety measures adopted, how they are implemented and monitored.	Health and Safety
Aspect B3: Development and Training	General Disclosure Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.		Development and Training

KPIs	HKEX ESG	Reporting Guide Requirements	Section/Remarks	
Aspect B4:	General Disclosure		Our People	
Labour Standards	 Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child or forced labour. 			
	KPI B4.1	Description of measures to review employment practices to avoid child and forced labour.	Our People	
Aspect B5: Supply Chain Management	General Disclosure Policies on managing environmental and social risks of the supply chain		Supply Chain Management	
	KPI B5.1	Number of suppliers by geographical region.	Supply Chain Management	
	KPI B5.2	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, how they are implemented and monitored.	Supply Chain Management	
Aspect B6:	General D	isclosure	Our Operations	
Product Responsibility	 Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress. 			
	KPI B6.3	Description of practices relating to observing and protecting intellectual property rights.	Privacy Protection	
	KPI B6.4	Description of quality assurance process and recall procedures.	Quality Management	
	KPI B6.5	Description of consumer data protection and privacy policies, how they are implemented and monitored.	Privacy Protection	

KPIs	HKEX ESG	Reporting Guide Requirements	Section/Remarks
Aspect B7:	General D		Anti-corruption
Anti-corruption	that ha	licies; and iance with relevant laws and regulations ave a significant impact on the issuer o bribery, extortion, fraud and money	
	KPI B7.1	Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the reporting period and the outcomes of the cases.	Anti-corruption
	KPI B7.2	Description of preventive measures and whistle-blowing procedures, how they are implemented and monitored.	Anti-corruption
Aspect B8:	General D	isclosure	Community Care
Community Investment	the needs operates	n community engagement to understand s of the communities where the issuer and to ensure its activities take into ion the communities' interests.	
	KPI B8.1Focus areas of contribution.		Community Care