

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Reporting Standard and Scope

The Group presents this Environmental, Social and Governance Report for the year ended 31 March 2018 (“Report”) in accordance with Appendix 27 — Environmental, Social and Governance (“ESG”) Reporting Guide (“ESG Reporting Guide”) of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the “Stock Exchange”) (the “Listing Rules”). This Report covers the Group’s principal business of provision of franchised PLB transportation services in Hong Kong. There are no significant changes in the reporting scope of this Report compared with that of last year.

The Board has overall responsibility for the Group’s ESG strategy and reporting. The management is responsible for designing and maintaining an appropriate and effective ESG risk management and internal control systems of the Group.

During the preparation of this Report, the management carried out internal assessment on the materiality and relevance of the ESG issues on the Group’s business. To better understand the views and expectation of the Group’s stakeholders, the Group also identified its key stakeholders according to the impact the Group’s business had on them, as well as the influence they had on the Group’s business and they were engaged to provide their comprehensive assessments, through responding to questionnaires, on the materiality and relevance of the general disclosures and key performance indicators (“KPIs”) of various ESG issues in respect of the Group’s franchised PLB transportation services in Hong Kong. As a result of the internal and external assessments, this Report summarises the Group’s key ESG performance in the following four areas that have significant impact and contributions to the sustainability of the principal business: i) Environmental protection; ii) Operating practices; iii) Employment practices and iv) Serving the community. The Group will regularly seek for stakeholders’ participation in the materiality and relevance assessment of the ESG aspects in the future.

Environmental Protection

The Group is dedicated to protecting the environment and promoting sustainable development for the betterment of our next generation.

Roadside vehicle emission is one of the major sources of air pollution in Hong Kong. As a road transport operator, the Group is aware of the impact of its operations to the environment and the public. Apart from monitoring its direct and indirect impact on the environment, the Group also strictly complies with the environmental protection policy of the Government. Below are the Group’s approaches to minimise the impact of its operations to the environment:

Air and greenhouse gas emissions

- *Use of fuel and engine:* Fuel is the major natural source that the daily operations of the Group heavily relied on. The Group pro-actively seeks ways to minimise the use of fuel and hence the greenhouse gas emission. For the quality of the fuel consumed, the Group relies on fuel filling stations in Hong Kong to supply fuel, mainly diesel and LPG, to the fleet. The diesel available in the fuel-filling stations is ultra low sulfur diesel. Compared with diesel, LPG is a cleaner fuel in terms of lesser emissions of greenhouse gas (i.e. carbon dioxides) and air pollutants, namely respirable suspended particulates (RSP), sulphur dioxide (SO₂) and nitrogen oxides (NO_x). In order to try its best endeavor to improve the roadside air quality of the city, the Group keeps monitoring the average fleet age and plans for aged minibuses replacement schedule annually. During the year, the Group deployed 32 new LPG minibuses (2017: 57) and 4 Euro 5 or above engine diesel minibuses, which meets the most stringent European emission standard, to replace the aged diesel minibuses. As at 31 March 2018, the Group’s fleet was made up of 203 LPG minibuses (2017: 172) and 160 diesel minibuses (2017: 190), representing around 55.9% and 44.1% of the fleet respectively. By deploying more environmentally friendly vehicles, the average annual GHG emission slightly reduced to 62.0 tonnes per vehicle (2017: 62.1). The Group plans to further replace around 117 old diesel PLBs with lower emission standard mainly by new LPG minibuses in the coming one and a half years. Therefore, the management expects that the average GHG emission per vehicle would be further reduced in next year.
- *Regular maintenance:* The comprehensive maintenance programs of the Group keeps the engines at good condition which would maintain the effectiveness of the emissions systems of the minibuses. Also, the repairing technicians and frontline operational staff always stay alert to the emissions of the minibuses and send the minibuses to R&M centers for checking and repairing whenever suspected sub-standard of emissions is noted.
- *Measures of reducing fuel consumption:* The Group improves its operational efficiency by reviewing and revising the routes and services from time to time. Improving operational efficiency would reduce unnecessary consumption of fuel. The Group also adopts mileage-based oil change program, which reduces the usage of engine oil and waste oil. To improve air quality, the captains are required to strictly comply with the legal requirements of idling engine ban.

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Hazardous and non-hazardous wastes

- Hazardous waste:** The hazardous waste arising from the R&M centers are waste batteries, spent oil filters and waste lubricant. The R&M centers have registered as chemical waste producers in accordance with the relevant statutory requirements in Hong Kong. The wastes are packaged, labelled and stored properly before disposal. They are collected by the licensed collectors and sent to the licensed chemical waste disposal site for disposal.
- Non-hazardous waste:** Tyres are the major non-hazardous waste disposed by the Group. The scrapped tyres of the Group were collected by the agents for recycling into various products. The waste water produced in the R&M centers is filtered in the sand traps before being discharged into the public drainage system.

Apart from the above operational practices, the Group also promotes a “Green” concept in the administrative office. Staff members are encouraged to minimise paper, water and electricity consumption, reuse and recycle used papers and used toner cartridges in copying machines and printers. Green plants are also grown in different corners of the office to offer greenery environment to the staff.

By replacing aged minibuses, implementing comprehensive vehicle R&M program and engaging licensed chemical waste disposal agents, the Group was generally in compliance with the relevant rules of Air Pollution Control Ordinance, Road Traffic (Construction and Maintenance of Vehicles) Regulations, Motor Vehicle Idling (Fixed Penalty) Ordinance and Waste Disposal Ordinance of Hong Kong in relation to gas emission and disposal of hazardous waste during the year.

Note:

- In view of the business nature of the Group, total amount of packaging material used for finished products are not presented because it is irrelevant;
- There is no issue in sourcing water that is fit for the purpose during the daily operations of the Group;
- The amount of diesel consumption per vehicle is calculated by dividing the total amount of diesel consumption by the average number of diesel vehicles for the year; and
- The amount of LPG consumption per vehicle is calculated by dividing the total amount of LPG consumption by the average number of LPG vehicles for the year.

ENVIRONMENTAL INDICATORS		unit	2018	2017
GHG Emissions (CO₂ equivalent)				
Direct sources				
Fleet	tonnes		22,627	22,384
Indirect sources				
Electricity	tonnes		221	234
Water	tonnes		1	2
Paper	tonnes		12	11
Total GHG emissions			22,861	22,631
Average fleet size (PLB and public bus)				
	vehicles		369.0	364.6
Average GHG emissions per vehicle				
	tonnes		62.0	62.1

ENVIRONMENTAL INDICATORS		unit	2018	2017
Resources				
Total consumption				
Diesel	Litre ('000)		3,833	4,960
LPG	Litre ('000)		7,466	5,568
Petrol	Litre ('000)		29	28
Electricity	MWh		315	334
Water	m ³		3,213	4,286
Paper	kg		2,460	2,373
Average consumption per vehicle				
Diesel (note 3)	Litre ('000)		21.6	21.9
LPG (note 4)	Litre ('000)		38.9	40.3
Petrol	Litre		78	77
Electricity	KWh		854	916
Water	m ³		9	12
Paper	kg		7	7
Major hazardous waste produced				
Spent Lube oil in total	Litre ('000)		24,000	N/A
Average per vehicle	Litre ('000)		65	N/A
Waste Battery in total	piece		419	N/A
Average per vehicle	piece		1.14	N/A
Major non-hazardous waste produced				
Tyre in total	piece		4,259	N/A
Average per vehicle	piece		12	N/A

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Operating Practices

Safety awareness

Safety of the passengers and employees is the primary concern of the Group. As a responsible public transport service provider, the management believes that safety is the cornerstone to business success. The Group is committed to providing safe, comfortable and reliable journeys to our passengers and protecting the captains and other staff members from occupational hazards. The safety of its operations is enhanced by ways of continuous training and education, regular checks and comprehensive R&M programmes. These programmes were designed to minimise the occurrence of accidents as we are committed to maintaining a low accident rate.

Below are the Group's approaches to improve of the safety performance of all aspects of our business:

- The Group organised courses and seminars on road safety throughout the year, which helped to raise safety and risk awareness and improve work practices of our staff. Some of these courses and seminars were co-organised by the Group and the Traffic Division of the Hong Kong Police Force;
- To enforce safety guidelines and cultivate a professional and responsible driving attitude among captains, the Group has adopted stringent code of conduct and captains' guidelines, conducted spot checks and arranged inspection personnel disguised as passengers to make timely reports for any misbehaviour of the captains;
- To check the validity of the captains' driving licences half-yearly. Also, the Group tries to make sure the captains are physically fit for driving by requesting all captains to return their health condition declarations annually. The operations team would follow up if there is any special conditions reported by the captains ;
- Enhancing the operational safety by checking tyre tread, passengers' safety belts, fire extinguishers, speed display signs and limiters of the vehicles regularly. These inspection works are carried out by a team independent from the staff members and the management of the R&M centers and operations department;
- Tips to passengers are posted at prominent locations inside the minibuses to remind the passengers of the safety on board;
- Implementing the plans for replacing aged minibuses would minimise the chance of mechanical breakdown; and
- The Group has implemented comprehensive maintenance programmes to ensure proper checks and maintenance of the vehicles. In order to ensure the quality and effectiveness of the repairing process, the Group has put great efforts into the computerisation of the repairing management system in recent years. The Group has been rewarded the ISO 9001:2008 quality management system certification (and subsequently upgraded to ISO 9001:2015 since 2017) for its dedication to enhance its R&M centers since January 2011, making the Group the only franchised PLB operator in Hong Kong having such a prestigious accreditation. The R&M centers of the Group also have registered under the Voluntary Registration Scheme for Vehicle Mechanics launched by the Government, under which the participating vehicle maintenance workshops should pledge to operate at a quality level not lower than that specified in the Practice Guidelines for Vehicle Maintenance Workshops in terms of the technical, environmental, safety, staff training, service and documentation requirements.

The average accident rate was 2.8 per million km for the year ended 31 March 2018 (2017: 3.4 per million km). Apart from enhancing the new captains' safety awareness by strengthening their orientation training, the management also sought to lower the accident rate by strengthening the R&M programmes and increasing captains' pay during the year, in the hope that increasing the attractiveness of the captains' remuneration to retain quality captains.

During the year, the Group was strictly in compliance with the relevant rules of Road Traffic Ordinance of Hong Kong in relation to safety equipment, registration, licensing, construction and maintenance of vehicles.

Supply chain management

The Group engages suppliers mainly for the leasing of PLBs and the procurement of fuel, vehicles parts and repairing services. The number of suppliers of the Group for the year ended 31 March 2018 was 62 (2017: 64). All suppliers engaged by the Group are located in Hong Kong.

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The Group launched procurement guidelines in 2009 aiming to ensure that the products and services procured by the Group are carried out under the principle of fair competition and to improve the transparency and accountability of the Group's procurement process. Moreover, to ensure the service quality of the franchised PLBs operations, the Group selects only those suppliers with satisfactory record of products and service quality and on-time delivery. The suppliers are also required to ensure that the relevant laws and regulations in environmental protection in relation to the products and service provided are properly complied with.

Anti-corruption

The Group recognises the importance of carrying out business activities with integrity and believes an effective anti-corruption mechanism is the key of the sustainability and long-term growth of the Group. The code of conduct and the procurement guidelines of the Group provide clear guidelines to the employees on how to conduct business in a fair, ethical and legal manner and to avoid corruption in any form (as defined by the Prevention of Bribery Ordinance of Hong Kong). The Group's code of conduct also requires the employees to avoid any conflict of interest (where personal interests conflict with the interests of the Group), to declare any conflict of interest and not to abuse their positions or powers in the Group to seek personal benefits. Gambling activities are strictly prohibited during the working hours and in any workplace. Employees are also not allowed to accept any loan from any person who has a business or business relationship with the Group, except the borrowings from licensed banks or financial institutions.

The Board has established a whistle blowing policy to provide reporting channels for the employees to report possible improper or corruptive practices encountered in their workplace. Reportable matters include but are not limited to breach of laws, rules and regulations, unlawful or inappropriate or fraudulent conduct involving internal control, accounting or financial matters, acts that endanger personal health and safety, and improper conduct or unethical conduct that may prejudice the reputation of the Group.

Data and Privacy Protection

For safety and security purposes, some of the PLBs are equipped with CCTV cameras. Notices to passengers are posted inside the PLB compartments to inform the passengers that the CCTV system is in function. Only authorised staff members are allowed to access and view the CCTV recordings. Unless investigation is in progress, the

recordings are erased automatically after 15 days. The Group did not receive any complaints concerning privacy issues during the year ended 31 March 2018.

Employment Practices

The minibus industry is labour-intensive in nature. The Group considers its employees as its greatest assets.

As at 31 March 2018, the Group had 1,275 employees in total (2017: 1,284). The Group recruits employees from the local labour market and adheres to the principle of open and fair competition. The recruitment criteria are based on individual merits, education background, skill and past experience of the candidates and their suitability to the job position. The Group has adopted a board diversity policy since 2013 and is committed to eliminating discrimination in employment against race, gender, age, religion, marital and family status. Employment of illegal workers, child labour and forced labour are strictly prohibited. Candidates are required to provide identity proof to ensure their age and their eligibility of working in Hong Kong.

The Group's remuneration policy is to offer sufficient remuneration to attract, retain and motivate staff of suitable calibre to contribute their talents to the business. The remuneration packages of the employees include basic salaries, double pay and bonuses, annual leave, travelling and housing allowance, which are determined with reference to a number of factors including employees' educational and professional background, experience, job duties and the remuneration of similar job in the industry. The level of remunerations is reviewed annually by reference to the market conditions and individual merits. The sick leave, maternity leave and paternity leave policy of the Group is based on the standard rules set out in the Employment Ordinance of Hong Kong. During the year, the Group was generally in compliance with the relevant labour laws in Hong Kong in respect of working hours, rest periods, mandatory provident funds contributions, benefits and welfare, anti-discrimination and minimum wages requirements.

The Company operates a share option scheme soon after its listing in 2004. The purpose of adopting the share option scheme was to provide the Company with a platform to offer rewards and incentives to eligible participants for their contribution to the Group and to encourage them to work towards enhancing the value of the Company and its shares for the benefit of the Company and its shareholders as a whole.

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The Group considers that staff development is important to improve the employees' abilities and safety consciousness. Therefore, the Group encourages employees to attend in-house or external training courses or seminars at the Group's expense. The topics of the trainings included directors' responsibilities, law and regulations update, professional development in accounting and insurance, occupational safety, driving behavior, information technology, anti-corruption and soft skills like time management etc.

The Group is committed to providing comfortable, convenient and safe transportation services in good faith, thus, the Group adopts a code of conduct which sets out the basic standards of conduct that all the staff of the Group must abide by. All employees of the Group, regardless of their positions and functions, are required to comply fully with the principles set out in this code of conduct. The Group also adopts a whistle blowing policy to encourage the employees to pay attention and come forward to report any suspicious misconduct or any defects in the operation of the Group to the Company. The Company endeavors to properly handle the employee's concerns in a fair and appropriate manner.

WORKFORCE INDICATORS	2018	2017
Number of Employees as at year end		
Directors	8	8
Administrative staff	103	105
Captains	1,119	1,124
Technicians	45	47
Total	1,275	1,284
By Gender (%)		
Male	95.1	95.0
Female	4.9	5.0
By Age Group (%)		
Under 30	2.0	2.6
30 to 39	9.7	10.7
40 to 49	14.4	15.0
50 to 59	29.8	28.5
Over 60	44.1	43.2
Staff Turnover Rate (%)	28.1	26.4
Staff fatality	–	1
Number of Staff Training Hours	1,072	960

Serving the Community

The Group places great value on corporate citizenship and social responsibility. Over the years, the Group has sponsored various activities organised by different district groups and charities. In addition to financial assistance, the Group and its staff members have participated in various community services. The activities that the Group sponsored or participated through its employees and volunteer team included Southern District's Road Safety Campaign, Southern District Football Club, Hong Kong Lutheran Social Service and Walks for Millions organized by the Community Chest etc.. During the year, the Group continued to be nominated by Aberdeen Kai-fong Welfare Association Social Service Centre and was awarded as a "Caring Company" by The Hong Kong Council of Social Service in recognition of its contributions to community involvement programmes.

The Group also continues its support to the community through expanding the coverage of its GMB-GMB Interchange (GGI) schemes, offering fare concessions to passengers traveling on long journeys on specific routes. We also join hands with the MTR and The Kowloon Motor Bus Co.(1933) Limited to offer interchange fare concession to passengers. Moreover, all GMB routes under the Group participate in the Government's Public Transport Fare Concession Scheme for the Elderly and Eligible Persons with Disabilities. Our operation team maintains close communication with district and resident representatives and responds proactively to passenger needs. In order to facilitate the access of wheelchair users to PLB service, the Group launched the first lower-floor wheelchair accessible PLB in Hong Kong in January 2018.

During the year, the donation and sponsorship paid to the charities and other communities/district groups are as follows:

	2018 HK\$'000	2017 HK\$'000
Sponsorship	717	612
Donation	85	20
Total	802	632