

Classified Group (Holdings) Limited

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8232)

Environmental, Social and Governance Report For the year ended 31 December 2017

The Classified Group (Holdings) Limited (the “Company”, “Group”, “We”, “Our” and “Us”) presents this Environmental, Social and Governance Report (the “ESG Report”) for the year ended 31 December 2017 (the “Reporting Period”) in accordance with the Environmental, Social and Governance (“ESG”) Reporting Guide (the “ESG Guide”) as set out in Appendix 20 to the Rules Governing the Listing of Securities on GEM of The Stock Exchange of Hong Kong Limited.

This ESG Report covers the Company’s principal business of restaurant operations in Hong Kong and was prepared and published once every year. This report was written in accordance with the “Comply or Explain” Provisions of the ESG Guide.

For the Company’s ESG, the Board of Directors is collectively responsible for the overall strategic planning and reporting. Our management, on the other hand, is responsible for monitoring the ESG-related risks and managing the effectiveness of the ESG management systems. Our internal stakeholders have also identified and stated the relevant ESG and material issues to our Company in this ESG Report.

The Company welcomes any discussions and suggestions for the ESG from our stakeholders in the Shareholders Meetings. All the recommendations shall be submitted in the written format to our Company Secretary.

A) ENVIRONMENT

i. Measures for Gas Emissions

The Company always plans seriously for selecting the right place for opening and operating a restaurant. We particularly choose a place of operation with the least negative impact of the cooking fume emissions and the odour nuisance to the neighbourhood in order to achieve the goal of the appropriate measures for emissions control.

Simultaneously, the particulate matter (“PM”) from the cooking fume emissions of our kitchens may have negative impact on the human health. The Company is therefore committed to executing effective gas emissions control through the installation and the use of appropriate and efficient filtering equipment as well as organizing the regular inspection, maintenance and repair of the ventilation system.

The sources of the greenhouse gases and the relative emissions for the Company during the Reporting Period are cited as below:

Group's annual consumption of fuel and energy		
Fuel and Energy	Unit	Total consumption
Liquefied petroleum gas	Kg	972
Diesel	L	3,795
Towngas	Unit	31,342
Electricity	Kwh	2,526,840
Number of full time employees	person	226
Group's Intensity of greenhouse gases emission per year		
Total amount for greenhouse gases emission	Carbon dioxide in tonnes	1,989.05
Average intensity for greenhouse gases emission per employee	Carbon dioxide in tonnes/person	8.8

During the Reporting Period, no case for non-conformity against the standards and regulations for environment was recorded.

ii. Sewage Discharges

The Company always acts in compliance with the Water Pollution Control Ordinance for the sewage discharge. Majority of our Group's restaurants have been granted with the water pollution control license by the Environmental Protection Department of the Hong Kong Special Administrative Region ("HKSAR"). To minimize the environmental impact from the sewage discharge, we have also installed adequate, efficient and appropriate equipment to ensure the sewage has been properly processed before discharge.

iii. Waste Reduction

Leftovers are the main source of solid waste in our restaurants. However, the total amount of leftovers cannot be directly and strictly controlled by the single effort of a restaurant. In light of the circumstances, the Guidelines for the Food Ordering and Processing have been stated in the section of Code of Practice in our Employee Handbook and Training Manual. With the complete implementation for Controls over Recipes and Food Portion, we are able to reduce the food waste effectively and avoid leaving excessive ingredients and dishes. In addition, our employees are more aware of the food waste reduction and the relative concept.

In connection with our business nature, no hazardous wastes were generated during the Reporting Period. For the disposal of non-hazardous wastes, the Company has set an area for recycling and storing the used cooking oil and grease trap wastes in each restaurant for the qualified vendors to collect and dispose of.

Through the complete implementation of the policies and measures for waste reduction, the Company has reached the milestone as stated below:

Group's intensity of hazardous and non-hazardous waste produced per year		
Emission	Unit	Intensity
Hazardous waste produced	Tonnes	N/A
Non-hazardous waste produced	Tonnes	9.33
Hazardous waste density	Tonnes/Person	N/A
Non-hazardous waste produced	Tonnes/Person	0.04

iv. Energy Saving

Through a series of proper management measures, the Company has adopted an energy efficient interior design, layout and decoration, high energy efficient hardware, workflow with energy-saving consideration and green practices at workplaces. All these operational practices have shown our dedication to energy saving.

v. Water Saving

The Company always aims for high efficiency in water saving. We have acted on water conservation in our workflow and practices. In order to increase the awareness of water saving among our staff members and customers, we have actively promoted the concept and practices for water conservation through displaying the slogans at the eye-catching areas of the restaurants.

vi. Effective Use of Resources

The daily administration activities in our head office generate used paper as well. To achieve the goal of effective use of our resources, the Company has adopted the double-sided printing, reused the printed paper and even replaced the paper-based notices/circulars by using the electronic means of communication.

vii. Use of Packaging Materials

Take-away is also one of our restaurants' services to customers. In order to maintain the food quality and food safety of our take-away meals and to satisfy the needs for environmental conservation, the Company has procured and used the environmental-friendly packaging materials and recycled materials for the take-away meals. In addition, we have set up the user guide for our employees on how to use the packaging materials. We also proactively encouraged our customers to reuse and recycle the take-away boxes and other food packaging materials. We hope we can minimize the impact of excessive use of packaging materials on the environment through these measures.

In the Reporting Period, the status of resources consumption for the Company has been described as below:

Group's intensity of resource consumption per year		
Resources	Unit	Total consumption
Electricity	Kwh	2,526,840
Water	m ³	19,802
Package materials (Paper bags)	Tonnes	1.422
Package materials (Take-away boxes)	Tonnes	38.276
Package materials (Utensils)	Tonnes	3.6
Total number of employees	Person	226
Electricity	Kwh/person	11,180.7
Water	m ³ /person	87.62
Package materials (Paper bags)	kg/person	6.29
Package materials (Take-away boxes)	kg/person	169.36
Package materials (Utensils)	kg/person	15.93

viii. Environment Management and Compliance

No violation of laws was recorded by the Company during the Reporting Period as we always strictly follow the relevant laws and regulations for environment.

We also place the utmost attention for whether our restaurant design, layout and operations have been integrated into the landscape of the restaurant locations in the high yielding business/residential areas. A stringent mechanism for identifying, assessing and mitigating the environmental risks arising from our operations has been therefore developed. Relevant environment measures have been also established for minimizing the impact on environment and natural resources.

ix. Economic Development and Heritage Preservation

The Company is fully dedicated to the business development with consideration of cultural and heritage preservation. The Pawn, the restaurant located in the historical building previously known as the Woo Cheong Pawnshop, has always been drawing the public attention on our action for its preservation.

In 2014, the Company tried very hard to strike a balance between the economic development and heritage preservation for this building established in 1888. During the period of maintenance, repairs and structure re-modelling, the Company successfully integrated the historical, cultural elements into our brand and services of restaurants. With our persistent commitment to the heritage preservation, our customers can savor a unique dining experience exclusively available to The Pawn.

B) SOCIAL

i. Human Resources

In accordance with the Employment Ordinance, the Company has established a complete set of human resources policies and schemes for the recruitment and dismissal, the working hours and rest days for staff members.

In addition, a set of objective, fair and righteous mechanism has been created for evaluating the staff performance on a regular basis. Through the continual performance assessment, the appropriate rewards and job promotion opportunities will be given to the staff with outstanding performance. The attractive and appropriate fringe benefits and salary packages have been designed for recruiting, retaining talents with the best-fit development opportunities for training them.

The Company also prohibits any kinds of discrimination at the workplace, which generally refer to the gender, pregnancy, marital status, disability, family status, and race in the practices for human resources. Other than the policies for anti-discrimination, the Company provides fair opportunities for all staff members. During the Reporting Period, the Company had no record of any violation of the Employment Law and the relative regulations.

The total number of full time employees and the distribution on demographics as of 31 December 2017 have been depicted as below:

Total number of full time employees and distribution		
Gender	No. of employee	Occupied percentage (%)
Male	86	38%
Female	140	62%
Job type	No. of employee	Occupied percentage (%)
Full Time	220	97%
Contract	2	1%
Trainee and internship	4	2%
Age range	No. of employee	Occupied percentage (%)
18 – 30	86	38%
31 – 40	61	27%
41 – 50	42	19%
51 – 64	33	15%
> 65	4	1%
Total number of full time employees	226	100%

ii. Occupational Health and Safety

The Company has made a pledge for providing staff members with a safe working environment with our full dedication. A Committee for Health and Safety has been established with a complete set of policies and instructions. The Committee always supervises and assesses the potential risks for occupational health and safety issues at the workplace. The operation business unit and the management team are also in discussion on a regular basis for a full review of working environment and other concerns at the workplace.

Simultaneously, we provide a series of appropriate training such as the first-aids, fire evacuation and other actions for emergency situations for our employees to increase their awareness of workplace safety and to further minimize the relative potential risks. If there are any accidents, our staff members are required to report to the management and the related departments in accordance with the standard procedures.

During the Reporting Period, no case of violation of occupational health and safety and its relative standards and regulations for the Company was observed. No case of staff deceased was recorded. The below table shows the number of lost days recorded due to work-related accidents:

Number of staff deceased and lost days due to work-related accidents	
Number of staff deceased due to work-related accidents	0
Number of lost days due to work-related accidents	103

iii. Staff Training and Development

In order to provide good quality dining service, sharpen and strengthen the job knowledge and skills for the given roles of staff members, the Company provides training to its staff members on a regular basis. The standard procedures and methods for cooking and storing the food and ingredients, customer services at different points of the service provision and the quality control for the related items of service chain are a few of examples included in the scope of training.

The number of times for employees received training and the number of training hours completed as of 31 December 2017 have been recorded as below:

Gender/Level	Number of times for training received	Average number of training hours completed
Male	313	3.04
Female	614	3.44
Top Management	30	1.72
Middle Management	215	5.47
Supervisors	319	2.79
General Staff	363	2.61

During the Reporting Period, 927 times training and a total of 3,065.5 training hours were recorded. On average, each employee spent 3.3 hours on training in the year ended 31 December 2017.

iv. Anti-Child and Forced Labour

The Company and our restaurants always comply with the Employment Ordinance and forbid any recruitment of children and/or the use of forced labour. During the recruitment processes, all laws and regulations for children employment and forced labour have been taken into account to ensure that all our new recruits are legal workers in Hong Kong.

In accordance with the relative laws and regulations for child labour and forced labour, no violation was observed by company during the Reporting Period.

v. Procurement Management and Schemes

The Company arranges meetings with food suppliers and other service providers on a regular basis to ensure the provision of quality dining service for customers. Based on the standards for internal auditing and the related laws and regulations applied in Hong Kong, we have regularly reviewed of the performance and services of the suppliers. We will therefore only appoint those with satisfactory performance in line with the quality standards, laws and regulations. For those non-compliant with the set requirements, we will remove them from the supplier list or even terminate the business cooperation.

When purchasing the ingredients and food items, the Company arranges the head chef to check and inspect before using in our restaurants. If any non-conformity found, we will return the ingredients/food items back to the suppliers.

Geographic zone	Number of suppliers	Occupied percentage (%)
Hong Kong	430	97%
China	1	0%
Others	12	3%
Total	443	100%

vi. Quality of Food, Services and Hygiene

No violation of the laws and regulations for the food hygiene and food safety was observed during the Reporting Period. This proves that our strict compliance with the related laws, rules and regulations, and our practices of internal monitoring and management control take effectiveness. In addition to focusing on the freshness and food hygiene, the environmental hygiene for kitchens and dining areas should reach the highest level.

To achieve our goal for providing quality dining, a high concern from the Company has been placed on whether employees are able to completely understand the food processing, manage a restaurant and serve customers. Employees are required to receive the adequate training to ensure the attainment of the highest service quality and customer expectation.

vii. Trade Description Ordinance

In line with the Trade Description Ordinance in Hong Kong, the descriptions for our services and dishes shown on the advertisement, promotional items and menus take no exaggeration or any false statements. During the Reporting Period, no case of any violation of the laws of advertising and labelling was discovered, nor was any complaint from customers or violation of the Trade Description Ordinance recorded.

viii. Data Privacy and Compliance

The Company stringently follows the Personal Data (Privacy) Ordinance (“PDPO”) when collecting, processing and use the personal data of our customers. We are committed to protecting our customers, affiliates and staff in terms of their privacy and personal data. During the Reporting Period, no record for violation of PDPO was obtained.

ix. Anti-corruption and Anti-bribery

During the Reporting Period, no violation of bribery and corruption laws and regulations record was found. This results from our practical action over the monitoring and prevention for the bribery, extortion and fraud. The talks delivered by the Independent Commission Against Corruption (“ICAC”) will be arranged for increasing the awareness of anti-corruption.

In addition, the relative code of practice for anti-corruption and anti-bribery has been stated in Employee Handbook to remind our staff members not to be engaged into any corruption with suppliers. Other schemes for corruption prevention include supplier due-diligence, segregation of duties and the declaration of conflict of interest.

x. Social Engagement for Caring

The Company always cares about the social relations with the neighbourhood areas and actively participates in various charity activities to help those in need in the society.

Following our good practices for charity works, we continually participated in “Feeding Hong Kong” Donation Scheme during the Reporting Period. We donated part of our revenue collected from our designated dishes to support the less privileged groups.