

# **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 2019**

### **INTRODUCTION**

Classified Group (Holdings) Limited (the “Company”), together with its subsidiaries (collectively the “Group”), presents this Environmental, Social and Governance Report (the “ESG Report”) for the year ended 31 December 2019 (the “Reporting Period”) in accordance with Appendix 20 — Environmental, Social and Governance Reporting Guide of the GEM Listing Rules.

This ESG Report covers the Company’s principal business operations of 9 restaurants and headquarter office in Hong Kong, provides an overview on the environment, social and governance (“ESG”) performance of the Group and has complied with the “Comply or Explain” Provisions in the GEM Listing Rules. The Board of Directors has overall responsibility for the ESG strategic planning and reporting. Our management team, on the other hand, is responsible for monitoring the ESG-related risks and managing the effectiveness and appropriateness of the risk management and internal control systems.

The Group endeavours to create sustainable growth and long-term value for its stakeholders, who mainly are customers, staff members, suppliers and shareholders. We continue to interact with our stakeholders on an ongoing basis in order to understand their views and collect their feedbacks. We have also established effective communication channels with our stakeholders through our website, annual general meeting, staff and suppliers meetings. The opinions of stakeholders are beneficial to formulate and implement material sustainable development strategies so that we can improve our ESG performance.

#### **A) Environment Protection and Compliance**

As the Group is engaged in restaurant operations in Hong Kong, the Group attributes the success to its dedication to offering quality food and services to its customers. We are aware of the importance of balancing our business needs with our responsibility towards the natural environment. Environment protection is one of the material concerns of the Group and we are committed to contribute through more efficient use of resources and implement waste management into all areas of our business, where possible. Moreover, we also support the “Green Environment” idea and is a business partner of the “Green Monday” initiative, committed to our social responsibility of protecting the environment as a responsible corporation.

During the Reporting Period, the Group is not aware nor identified any material non-compliance with environmental laws and regulations. Moreover, the Group measured and managed its environmental performance in several aspects throughout its operations:

**i. Emissions**

The Group's major source of emissions is greenhouse gases or Carbon Dioxide and main consumption of resources include liquefied petroleum gas, diesel, towngas and electricity. The combustion of liquefied petroleum gas, towngas and diesel, which directly attributes to gaseous emission, accounts for 14.3% of the Group's total energy consumption, and so gaseous emissions are considered immaterial and thus not disclosed. The volume of the greenhouse gas emissions and energy consumption for the Company during the Reporting Period are cited as below.

<b>Group's annual total consumption of fuel and energy</b>			
<b>Fuel and Energy</b>	<b>Unit</b>	<b>2019</b>	2018
Liquefied Petroleum Gas	(kWh)	<b>4,907</b>	13,953
Diesel	(kWh)	<b>0</b>	19,302
Towngas	(kWh)	<b>344,480</b>	374,840
Electricity	(kWh)	<b>2,092,575</b>	2,313,264
Total Group's Revenue	(HK\$'M)	<b>109.1</b>	121.6
<b>Group's Intensity of greenhouse gases emission per year</b>			
Total Amount for Greenhouse Gases Emission	(tCO <sub>2</sub> e)	<b>1,716</b>	1,816
Greenhouse Gases Emissions intensity (Divided by total revenue)	(tCO <sub>2</sub> e/ HK\$'M)	<b>15.7</b>	14.9

Particulate matter ("PM") from 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 use of appropriate and efficient filtering equipment as well as organizing the regular inspection, maintenance and repair of the ventilation system in our restaurants.

Moreover, the Company always plans seriously its selection of locations for opening and operating a restaurant. We particularly choose locations which being less negative impact of the cooking fume emissions and the odour nuisance to the neighbourhood.

During the Reporting Period, no case for non-conformity against the relevant laws and regulations for environment including Air Pollution Control Ordinance that have a significant impact on the Company was recorded.

**ii. Sewage Discharges**

The Company always acts in compliance with the Water Pollution Control Ordinance for the sewage discharge. The 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**

Food leftovers are the main source of 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 our Employee Handbook and Training Manual. With the implementation of controls over recipes and food portion, we are able to reduce food waste effectively and avoid leaving excessive ingredients and dishes. In addition, our employees are more aware of the concept of reducing food waste through the training we provide.

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

The Group's intensity of hazardous and non-hazardous waste produced during the Reporting Period is stated below.

<b>Group's Intensity of hazardous and non-hazardous waste produced per year</b>			
<b>Emission</b>	<b>Unit</b>	<b>2019</b>	2018
Hazardous Waste Produced	(Tonnes)	<b>N/A</b>	N/A
Non-hazardous Waste Produced	(Tonnes)	<b>7.5</b>	8.4
Hazardous Waste Intensity	(Tonnes/HK\$'M)	<b>N/A</b>	N/A
Non-hazardous Waste Intensity	(Tonnes/HK\$'M)	<b>0.07</b>	0.07

**iv. Energy Saving**

Through a series of proper management measures, the management 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 in food washing, cooking and cleaning. Head chefs and restaurant managers have acted on water conservation in our workflow and practices. In order to increase the awareness of water saving among our staff members and visitors, we have actively promoted the concept and practices for water conservation through displaying the slogans at the eye-catching areas of our restaurants and kitchens. During the Reporting Period, the Group did not encounter any issue in sourcing water for business operations.

**vi. Effective Use of Resources**

The daily administration activities in our head office use paper as well. To achieve the goal of effective use of our resources and minimise the impact on the environment and natural resources, all team members are encouraged to adopt the practice of double-sided printing, reuse of printed paper and replacing the paper-based notices/circulars by using electronic means of communication.

### **vii. Use of Packaging Materials**

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

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

<b>Group's Intensity of resource consumption per year</b>			
<b>Resources</b>	<b>Unit</b>	<b>2019</b>	2018
Energy Consumption	(kWh)	<b>2,441,962</b>	2,721,359
Water Consumption	(m <sup>3</sup> )	<b>13,799</b>	16,011
Package Materials Consumption	(Tonnes)	<b>20.76</b>	61.92
Total Group's Revenue	HK\$'M	<b>109.1</b>	121.6
Energy Consumption Intensity (Divided by total revenue)	(kWh/HK\$'M)	<b>22,383</b>	22,380
Water Consumption Intensity (Divided by total revenue)	(m <sup>3</sup> /HK\$'M)	<b>126.5</b>	131.7
Package Materials Consumption Intensity (Divided by total revenue)	(Tonnes/ HK\$'M)	<b>0.19</b>	0.51

### **viii. Economic Development and Heritage Preservation**

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

In 2014, the Company fought to strike a balance between the economic development and heritage preservation for this building which was 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 in The Pawn.

## **B) Social**

### **i. Human Resources and the Scheme**

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

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

The Company also prohibits any kind of discrimination in the workplace, which generally refer to gender, pregnancy, marital status, disability, family status, and race. In addition to policies for anti-discrimination, the Company provides fair opportunities for all staff members. During the Reporting Period, the Group is not aware nor identified any material violation of the employment laws and regulations.

The total number of full time employees and the distribution on demographics as of 31 December 2019 have been depicted as below.

<b>Total Number of Full Time Employees and Distribution</b>				
	<b>2019</b>		<b>2018</b>	
<b>Gender</b>	<b>No. of employee</b>	<b>Occupied percentage (%)</b>	<b>No. of employee</b>	<b>Occupied percentage (%)</b>
Male	<b>68</b>	<b>47%</b>	74	40%
Female	<b>76</b>	<b>53%</b>	113	60%
<b>Job Type</b>	<b>No. of employee</b>	<b>Occupied percentage (%)</b>	<b>No. of employee</b>	<b>Occupied percentage (%)</b>
Full Time	<b>144</b>	<b>100%</b>	186	99%
Trainee and Internship	<b>0</b>	<b>0%</b>	1	1%
<b>Age Range</b>	<b>No. of employee</b>	<b>Occupied percentage (%)</b>	<b>No. of employee</b>	<b>Occupied percentage (%)</b>
18 – 30	<b>46</b>	<b>32%</b>	59	31%
31 – 40	<b>44</b>	<b>31%</b>	56	30%
41 – 50	<b>28</b>	<b>19%</b>	36	19%
51 – 64	<b>22</b>	<b>15%</b>	31	17%
> 65	<b>4</b>	<b>3%</b>	5	3%
<b>Total Number of Full Time Employees</b>	<b>144</b>	<b>100%</b>	187	100%

<b>Employee Turnover Rate by Gender and Age Group</b>				
	<b>2019</b>		2018	
<b>Gender</b>	<b>No. of Employee</b>	<b>Turnover Rate</b>	<b>No. of Employee</b>	<b>Turnover Rate</b>
Male	<b>39</b>	<b>27%</b>	60	32%
Female	<b>73</b>	<b>51%</b>	72	39%
<b>Age Group</b>	<b>No. of Employee</b>	<b>Turnover Rate</b>	<b>No. of Employee</b>	<b>Turnover Rate</b>
18-30	<b>48</b>	<b>33%</b>	70	38%
31-40	<b>28</b>	<b>20%</b>	32	17%
41-50	<b>18</b>	<b>13%</b>	18	10%
51-64	<b>16</b>	<b>11%</b>	10	5%
>65	<b>2</b>	<b>1%</b>	2	1%

All employees of the Group are based in Hong Kong.

**ii. Occupational Health and Safety**

The Company has made a pledge to provide 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 comprehensive health and safety training pack for all new joined employee, first-aid, 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 any accidents happened, 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 laws, standards and regulations, such as Occupational Safety and Health Ordinance, for the Company was observed. No case of staff deceased due to work injury was recorded. The below table shows the number of lost days recorded due to work-related accidents.

<b>Number of Staff Deceased and Lost Days Due to Work-related Accidents</b>		
	<b>2019</b>	2018
Number of staff deceased Due to Work injury	<b>0</b>	0
Number of Lost Days Due to Work injury	<b>5</b>	189

### **iii. Staff Training and Development**

In order to provide quality dining service, sharpen and strengthen the job knowledge and skills for the given roles of staff members, the Company provides training to staff members on a regular basis. The standard procedures and methods for cooking and storing food and ingredients, customer service provision and quality control mechanisms in the catering 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 2019 have been recorded as below.

<b>Gender/Level</b>	<b>2019</b>		<b>2018</b>	
	<b>Number of Times for Training Received</b>	<b>Average Number of Training Hours Completed</b>	<b>Number of Times for Training Received</b>	<b>Average Number of Training Hours Completed</b>
Male	<b>330</b>	<b>2.3</b>	407	1.8
Female	<b>388</b>	<b>1.5</b>	611	3.4
Top Management	<b>23</b>	<b>3.3</b>	27	1.4
Middle Management	<b>166</b>	<b>2.5</b>	229	3.7
Supervisors	<b>234</b>	<b>2.0</b>	317	3.6
General Staff	<b>295</b>	<b>1.3</b>	445	1.8

During the Reporting Period, training was provided for a total of 718 times (2018: 1,018 times) training and a total of 1,331 training hours (2018: 2,796 hours) were recorded. On average, each employee spent 1.9 hours (2018: 2.7 hours) in average on training in the year 2019.

### **iv. Anti-Child and Forced Labour**

The Company and our restaurants always comply with the Employment Ordinance and forbid any recruitment for 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 relevant laws and regulations for child labour and forced labour, no violation was identified 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 all of our suppliers. We will therefore only appoint those with satisfactory performance in line with our quality standards, and are in compliance with laws and regulations. For those non-compliant with the set requirements, we will remove them from our supplier list or even terminate our business cooperation.

When purchasing 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	2019		2018	
	Number of Suppliers	Occupied (%)	Number of Suppliers	Occupied (%)
Hong Kong	363	98%	395	99%
Others	9	2%	5	1%
<b>Total</b>	<b>372</b>	<b>100%</b>	400	100%

**vi. Quality of Food, Services and Hygiene**

No material violation of the laws and regulations, such as Food Safety Ordinance, 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 are effective. In addition to focusing on food 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 that they attain the highest service quality and meet the customer expectation. During the Reporting Period, the Group is not aware of nor identified any customer complaints on our food quality which are material to our business operations and no sold food/drinks was subject to recall for safety and health reason.

**vii. Trade Description Ordinance**

In line with the Trade Description Ordinance upheld in Hong Kong, the descriptions for our services and dishes shown on the advertisement, promotional items and menus do not make any exaggeration or any false statements. During the Reporting Period, no case for any violation of the laws of advertising and labelling was discovered. Further, no complaint from customers or violation of the Trade Description Ordinance was 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 for promotion and business purpose. We are committed to protecting our customers, affiliates and staff in terms of their privacy and personal data. During the Reporting Period, no violation of PDPO case was identified.



**ix Protection of Intellectual Property**

The Group respects intellectual property rights and had run its restaurants under various brands with necessary filling or registration of trademarks. During the Reporting Period, the Group has fully complied with the relevant laws and regulations, including Trade Marks Ordinance and Copyright Ordinance.

**x. Anti-corruption and Anti-bribery**

During the Reporting Period, no violation record of Prevention of Bribery Ordinance or other relevant laws and regulations in relation to corruption, extortion, fraud and money laundering was found. This results from our practical action over the monitoring and prevention for the bribery, extortion, fraud and money laundering. 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. The Group also encourages employees to report corruption or other illegal acts through our whistle-blowing measures.

**xi. Community Investment**

The Company always cares about 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 under-privileged groups. We had also participated in charity fund raising for the Hong Kong Society for the Protection of Children in March 2019.