

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 2016

In accordance with Appendix 20 – Environmental, Social and Governance (“ESG”) Reporting Guide (the “ESG Guide”) of the Growth Enterprise Market (“GEM”) Listing Rules published by Hong Kong Exchanges and Clearing Limited, Classified Group (Holdings) Limited (the “Company”, “We”, “Our” and “Us”) presents this Environmental, Social and Governance Report (the “ESG Report”) for the year ended 31 December 2016 (the “Reporting Period”).

This Report covers the Company’s principal businesses of restaurant operations in Hong Kong and was prepared in accordance with the “Comply or Explain” Provisions of the ESG Guide.

The Board of Directors is overall responsible for the Company’s ESG strategy and reporting. Our management is responsible for monitoring and managing the Company’s ESG-related risks and the effectiveness of the ESG management systems. The ESG issues that are relevant and material to our Company have been identified by our internal stakeholders and included in this ESG Report.

A) Environment

Air Emissions

Oily fume containing particulate matter (“PM”) is emitted from our kitchen which may have negative impact on human health and create odour nuisance to the neighbourhood. The Company is committed to reducing and better control of such emissions through various measures such as installation of efficient filtering equipment, regular maintenance of ventilation system, as well as selection of restaurant locations with minimal impact to the neighbourhood as possible.

As for greenhouse gases, the most significant parts of our carbon footprint are sourced from fuel and electricity consumption in our restaurants, factories and offices. The policies on reduction of such emission are described in “Use of Energy and Water” section below.

Water Discharge

We strictly follow the requirements as set out in the Water Pollution Control Ordinance when we discharge waste water. All of the Company’s restaurants possess water pollution control license issued by the Environmental Protection Department of the Hong Kong Special Administrative Region (“HKSAR”), and we have installed sufficient equipment to ensure sewage is properly processed before discharge.

Waste Management

The major type of waste generated from our operations is food waste from our diners' leftover, which is not directly controllable by us. However, to help reduce wastage, our restaurants' operations manuals and training packs contain food ordering and processing guidelines which have been communicated to our employees to raise their awareness on food waste reduction, and we have also established recipes and portion controls so as to avoid excessive food being catered.

Paper waste is also generated from our administrative activities in offices, which we are taking an active role to control through reducing paper use by double-sided printing, reusing printed papers, replacing paper forms with electronic ones and recycling used papers.

No hazardous wastes were generated during the Reporting Period due to our business nature.

Use of Energy and Water

The Company consumes electricity and fuel for its restaurant operations. In order to reduce energy use, we adopt a holistic management approach from selection of energy efficient hardware, designing our restaurant layout and workflow with energy-saving considerations, to encouraging our staff to adopt green working practices. The same approach applies to water, for which the Company supports water conservation through deploying advanced technology and changing the behaviour of our people.

Use of Packaging Materials

To better retain the quality and ensure the safety of our food products, we use certain packaging materials including takeaway boxes, plastic bags as well as various disposables in our restaurant operations. We understand the environmental impact of such materials therefore we have set out guidelines for our staff to minimize the usage and encourage our customers to reuse and recycle as possible. Moreover, we prefer those packaging materials which are made from environmentally-friendly substances and are recyclable.

Environment Management and Compliance

Since all of the Company's restaurants are located at prime areas, we are aware of the importance of environmental management and have developed mechanism on identifying, assessing and mitigating the environmental risks arising from our operations. We did not note any material non-compliance with environmental laws and regulations during the Reporting Period.

Heritage Preservation

One of the Company's restaurants, The Pawn, is located at a historical building where the Woo Cheong Pawnshop previously operated. The building was constructed in 1888 and has long been drawing public attention on how it can be preserved. During the re-modelling work in 2014, the Company endeavoured to maintain its features of arts and culture while meeting our operating requirements. We successfully integrated its historical elements with our brand, food and services to provide a unique dining experience to customers, which is demonstrated by the positive feedbacks we received.

B) Social

Employment

The Company offers competitive packages, as well as development opportunities to our people in order to attract talents. We have established a comprehensive Human Resources ("HR") Policy to govern our recruitment and dismissal procedures, and set our working hours, rest periods and employee benefits in accordance with the Employment Ordinance of Hong Kong.

In addition, the Company prohibits discrimination of any kind. We ensure equal opportunities in all of our HR practices, regardless of gender, pregnancy, marital status, disability, family status, and race. To better recognise contribution of our staff, we have established a fair performance evaluation mechanism to promote and award employees on a regular basis.

During the Reporting Period, we have not identified any material non-compliance with employment-related laws and regulations.

Workplace Health and Safety

The Company seeks to create a safe working environment for our employees. We have established the Health and Safety at Work Policy to provide guidelines and raise the awareness of safety in our restaurants. Accidents are reported to management and handled promptly in accordance with our standard procedures. We have also formed the Health and Safety Committee to oversee the related risks and meet with the operation teams regularly to understand their concerns on the working environment.

In order to further mitigate the health and safety risks in our restaurants, staff are required to receive trainings on health and safety topics such as first aid, fire evacuation and other emergency procedures.

During the Reporting Period, we have not identified any material non-compliance with occupational safety and health-related laws and regulations.

Training and Development

To maintain a high level of service standard and to enhance the knowledge of our people, we provides on-job trainings to our employees in relation to food preparation and preservation, customer services and quality control in different aspects of the restaurant operations. We ensure all of our staff could receive adequate training, at the time when they join the Company and on a continuing basis.

Anti-Child and Forced Labour

All of the Company's restaurants and offices strictly comply with the requirements of the Employment Ordinance of the HKSAR which explicitly prohibit child and forced labour. Multiple control measures have been implemented in the recruitment process to ensure all new joiners are legitimate workers in Hong Kong.

During the Reporting Period, we have not identified any material non-compliance with child and forced labour-related laws and regulations.

Procurement Management

We require our suppliers to deliver services or products that meet our internal quality standards and relevant regulatory requirements in Hong Kong. To ensure that our suppliers maintain a desired level of quality. We only purchase from pre-approved suppliers who has passed our initial assessment. Prior to using their food products, inspection needs to be carried out by our chefs and those do not meet our standards are returned to the supplier. Moreover, regular meetings and performance review of suppliers are performed. Suppliers who failed to meet our quality standard are removed from our supplier list on a timely basis.

Quality of Food, Service and Hygiene

The Company strives to consistently deliver high quality food and beverage services and continuously enhancing our customers' dining experience through understanding their expectation and innovation. We also emphasize the use of fresh and healthy ingredients and maintain a top quality hygiene standard in the kitchens and dining areas of our restaurants.

The Company implements appropriate internal control and management systems for environmental and food safety. Sufficient and adequate training are provided to our staff to equip them with knowledge on properly handling of food, managing restaurants' environment as well as serving our customers. During the Reporting Period, we have not identified any cases of material non-compliance with laws and regulations relating to food hygiene matters.

Advertising and Menu Setting

In accordance with the Trade Description Ordinance of the HKSAR, the Company ensures the contents of our advertisements and menus truly reflect the facts and are consistent with our services and products without exaggeration. We have not identified any material non-compliance with advertising and labelling-related laws and regulations during the Reporting Period.

Data Privacy

The Company is committed to protecting the privacy of our customers, partners and staff in the collection, processing and use of their personal data. The Company strictly follows the Personal Data (Privacy) Ordinance (“PDPO”) in Hong Kong and we have not identified any non-compliance with the PDPO during the Reporting Period.

Anti-Corruption

The Company implements adequate internal controls in preventing and detecting bribery, extortion and fraud.

To prevent any bribery or kick back arrangements between our staff and suppliers, we have implemented certain policies, such as supplier due-diligence, segregation of duties, declaration of conflict of interest, etc., and have set out our expectation on our employees’ code of conduct in our employee handbook. We have also invited the Independent Commission Against Corruption (“ICAC”) to deliver anti-bribery talks to our staff, thereby enhancing their awareness.

We have not identified any material non-compliance with anti-corruption-related laws and regulations during the Reporting Period.

Caring for the Community

The Company values its relationship with the community and participates in various charitable events in order to support the underserved. We aim at utilizing our resources in creating a harmonious environment in the areas we operate, and strengthening our bonding to build our brand in the neighbourhood.

In 2015, the Company launched a “Neighbourhood Spotlight” programme with some local enterprises near our restaurants, which were held every two to three weeks to provide the community with various pop-up workshops for bonding the community.

Furthermore, during the Reporting Period, the Company joined the “Feeding Hong Kong” as well as the “Liberty to Slaves” Programmes which the Company will donate a portion of the income from specific dishes to these programmes so as to provide support to the deprived groups.