

CLASSIFIEDGROUP

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 8232

INTERIM REPORT **2021**



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Given that the companies listed on GEM are generally small and mid-sized companies, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board and no assurance is given that there will be a liquid market in the securities traded on GEM.

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This report, for which the directors (the “Directors”) of Classified Group (Holdings) Limited (the “Company”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM of the Stock Exchange (the “GEM Listing Rules”) for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this report is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this report misleading.

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CORPORATE INFORMATION

Board of Directors

Executive Directors

Mr. WONG Arnold Chi Chiu (*Chairman*)

Mr. PONG Kin Yee,JP

Independent non-executive Directors

Dr. CHAN Kin Keung Eugene SBS, BBS,JP

Mr. NG Chun Fai Frank

Mr. YUE Man Yiu, Matthew

Compliance Officer

Mr. WONG Arnold Chi Chiu

Authorized Representatives

Mr. WONG Arnold Chi Chiu

Ms. LEUNG Yin Fai

Company Secretary

Ms. LEUNG Yin Fai (*HKICPA*)

Audit Committee

Mr. YUE Man Yiu, Matthew (*Chairman*)

Dr. CHAN Kin Keung Eugene SBS, BBS,JP

Mr. NG Chun Fai Frank

Remuneration Committee

Dr. CHAN Kin Keung Eugene SBS, BBS,JP (*Chairman*)

Mr. NG Chun Fai Frank

Mr. YUE Man Yiu, Matthew

Nomination Committee

Mr. NG Chun Fai Frank (*Chairman*)

Dr. CHAN Kin Keung Eugene SBS, BBS,JP

Mr. YUE Man Yiu, Matthew

Auditors

BDO Limited

Certified Reporting Accountants

Legal Advisers to the Company

Bird & Bird

Principal Bankers

Hang Seng Bank Limited

Registered Office	Cricket Square, Hutchins Drive P.O. Box 2681 Grand Cayman KY1-1111 Cayman Islands
Head Office, Headquarters and Principal Place of Business in Hong Kong	2/F Cheung Tak Industrial Building 30 Wong Chuk Hang Road Wong Chuk Hang Hong Kong
Hong Kong Share Registrars and Transfer Office	Union Registrars Limited Suites 3301-04, 33/F Two Chinachem Exchange Square 338 King's Road North Point Hong Kong
Principal Share Registrar and Transfer Office	Conyers Trust Company (Cayman) Limited Cricket Square, Hutchins Drive P.O. Box 2681 Grand Cayman KY1-1111 Cayman Islands
Company Website	www.classifiedgroup.com.hk
GEM Stock Code	8232

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30 JUNE 2021

	NOTES	Three months ended		Six months ended	
		30 June 2021 HK\$'000 (unaudited)	30 June 2020 HK\$'000 (unaudited)	30 June 2021 HK\$'000 (unaudited)	30 June 2020 HK\$'000 (unaudited)
Revenue	5	21,570	20,625	38,303	39,293
Other income	6	270	2,629	1,721	3,998
Other gains and (losses)		2	–	2	5
Raw materials and consumable used		(5,341)	(6,438)	(10,000)	(10,048)
Staff costs		(9,851)	(8,251)	(18,894)	(18,332)
Depreciation		(2,695)	(3,949)	(5,625)	(8,598)
Property rental and related expenses		(1,217)	(493)	(2,160)	(1,553)
Utility expenses		(677)	(430)	(1,155)	(1,002)
Advertising and promotion expenses		(978)	(1,154)	(2,048)	(1,950)
Other expenses		(3,410)	(2,602)	(5,766)	(5,018)
Finance costs	7	(279)	(347)	(572)	(737)
Loss before taxation	8	(2,606)	(410)	(6,194)	(3,942)
Taxation	9	–	–	–	–
Loss and total comprehensive expense for the period attributable to the owners of the Company		(2,606)	(410)	(6,194)	(3,942)
Loss per share					
Basic (HK cents)	11	(0.59)	(0.09)	(1.39)	(0.88)

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2021

	NOTES	30 June 2021 HK\$'000 (unaudited)	31 December 2020 HK\$'000 (audited)
Non-current assets			
Property, plant and equipment	12	3,825	3,771
Right-of-use assets		9,328	13,642
Deposits	13	5,205	4,994
Deferred tax assets		1,570	1,570
		19,928	23,977
Current assets			
Inventories		46,810	34,063
Trade and other receivables, deposits and prepayments	13	6,857	6,738
Amounts due from related companies		125	118
Amounts due from directors		–	301
Tax recoverable		32	32
Bank balances and cash		8,608	25,606
		62,432	66,858
Current liabilities			
Trade and other payables and accrued charges	14	12,598	6,813
Contract liabilities		426	172
Amounts due to related companies		263	196
Lease liabilities		14,307	15,409
Tax liabilities		4	4
Provisions		49	199
		27,647	22,793
Net current assets		34,785	44,065
Total assets less current liabilities		54,713	68,042
Non-current liabilities			
Lease liabilities		2,137	9,422
Provisions		1,466	1,316
		3,603	10,738
Net assets		51,110	57,304
Capital and reserves			
Issued share capital	15	4,460	4,460
Reserves		46,650	52,844
Equity attributable to owners of the Company		51,110	57,304

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30 JUNE 2021

	Attributable to owners of the Company				
	Share capital <i>HK\$'000</i>	Share premium <i>HK\$'000</i>	Other reserve <i>HK\$'000</i>	Accumulated losses <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1 January 2021 (audited)	4,460	127,329	766	(75,251)	57,304
Loss and total comprehensive expense for the period (unaudited)	-	-	-	(6,194)	(6,194)
At 30 June 2021 (unaudited)	4,460	127,329	766	(81,445)	51,110
At 1 January 2020 (audited)	4,460	127,329	766	(58,858)	73,697
Loss and total comprehensive expense for the period (unaudited)	-	-	-	(3,942)	(3,942)
At 30 June 2020 (unaudited)	4,460	127,329	766	(62,800)	69,755

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE SIX MONTHS ENDED 30 JUNE 2021

	Six months ended	
	30 June 2021 HK\$'000 (unaudited)	30 June 2020 HK\$'000 (unaudited)
Net cash (used in) from operating activities	(7,153)	4,144
Net cash from investing activities		
Interest received	–	309
Purchase of property, plant and equipment	(1,364)	(319)
Repayment from directors	301	30
	(1,063)	20
Cash used in financing activity		
Repayment of lease liabilities	(8,782)	(9,309)
Net decrease in cash and cash equivalents	(16,998)	(5,145)
Cash and cash equivalents at beginning of the period	25,606	57,648
Cash and cash equivalents at end of the period representing by bank balances and cash	8,608	52,503

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2021

1. GENERAL

The Company was incorporated as an exempted company and registered in the Cayman Islands with limited liability under the Cayman Companies Law on 24 October 2014. The shares of the Company have been listed on the GEM (“GEM”) of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) by way of placing on 11 July 2016 (the “Listing”). The address of the Company’s registered office is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands. The address of the Company’s principal place of business in Hong Kong is 2/F., Cheung Tak Industrial Building, 30 Wong Chuk Hang Road, Wong Chuk Hang, Hong Kong.

The Company is an investment holding company and its subsidiaries are principally engaged in restaurant operations in Hong Kong.

The unaudited condensed consolidated financial statements are presented in Hong Kong Dollars (“HK\$”), which is also the functional currency of the Company.

2. BASIS OF PREPARATION AND PRESENTATION

The unaudited condensed consolidated financial statement for the six months ended 30 June 2021 has been prepared in accordance with the Hong Kong Accounting Standards (“HKAS”) 34 “Interim financial reporting” issued by the Hong Kong Institute of Certificate Public Accountants (“HKICPA”) and the disclosure requirements of the Hong Kong Companies Ordinance. The unaudited condensed consolidated financial statements also comply with the applicable disclosure requirements of Chapter 18 of the GEM Listing Rules.

The unaudited consolidated financial statements have not been audited by the Company’s auditors, but have been reviewed by the audit committee of the Company (the “Audit Committee”). The Audit Committee agreed with the accounting principles and practices adopted by the Company.

3. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis.

Other than changes in accounting policies resulting from application of new and amendments to Hong Kong Financial Reporting Standards (“HKFRSs”), the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2021 are the same as those followed in the preparation of the financial statements for the year ended 31 December 2020.

4. APPLICATION OF HONG KONG FINANCIAL REPORTING STANDARDS

In the current interim period, the Group has applied all new and revised HKFRSs issued by the HKICPA that are mandatorily effective for the accounting period beginning on or after 1 January 2021.

The adoption of these new and revised HKFRSs did not have any significant effect on the unaudited condensed consolidated financial statement of the Group.

5. REVENUE AND SEGMENT INFORMATION

Revenue represents the amounts received and receivable for services provided and goods sold and net of discount, during the period.

The financial information reported to executive directors of the Company, being the chief operating decision makers, for the purpose of assessment of segment performance and resources allocation focuses on types of services rendered and goods delivered. No operating segments identified by the chief operating decision maker have been aggregated in arriving at the reportable segments of the Group.

The Group’s operating and reportable segments are as follows:

- Casual restaurant operation (“Casual”)

This segment derives its net revenue from the operation of casual dining restaurants in which customers would place orders at the front desk and basic table service would be provided by the delivery of ordered food to the table. The casual restaurants aim to provide a more casual and relaxing atmosphere.

- Full service restaurant operation (“Full service”)

This segment derives its net revenue from the operation of a full service restaurant. Full table service is provided, including seating arrangements, order taking, delivery of food to the table, and payment processing. The full service restaurant aims to provide dining experience with full table services.

5. REVENUE AND SEGMENT INFORMATION (CONTINUED)

Segment revenue and results

Six months ended 30 June 2021 (unaudited)

	Causal <i>HK\$'000</i>	Full service <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
Segment revenue	28,425	9,878	38,303
Segment results	(324)	(1,431)	(1,755)
Other income			1,721
Unallocated operating costs			(6,160)
Loss before taxation			(6,194)

Six months ended 30 June 2020 (unaudited)

	Causal <i>HK\$'000</i>	Full service <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
Segment revenue	31,220	8,073	39,293
Segment results	888	(2,965)	(2,077)
Other income			3,998
Unallocated operating costs			(5,863)
Loss before taxation			(3,942)

Segment result represents the profit earned/loss incurred by each segment without allocation of other income and unallocated operating costs (including head office staff cost, rental and other corporate expenses).

5. REVENUE AND SEGMENT INFORMATION (CONTINUED)

Segment assets and liabilities

As at 30 June 2021 (unaudited)

	Causal <i>HK\$'000</i>	Full service <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
ASSETS			
Segment assets	18,591	7,694	26,285
Property, plant and equipment			81
Deferred tax assets			1,569
Inventories			44,012
Other receivables, deposits and prepayment			1,773
Tax recoverable			32
Bank balances and cash			8,608
Consolidated total assets			82,360
LIABILITIES			
Segment liabilities	14,946	12,756	27,702
Other payables			3,544
Tax payable			4
Consolidated total liabilities			31,250

5. REVENUE AND SEGMENT INFORMATION (CONTINUED)

Segment assets and liabilities (continued)

As at 31 December 2020 (audited)

	Causal <i>HK\$'000</i>	Full service <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
ASSETS			
Segment assets	21,015	9,779	30,794
Property, plant and equipment			42
Deferred tax assets			1,570
Inventories			31,221
Other receivables, deposits and prepayment			1,269
Amounts due from directors			301
Tax recoverable			32
Bank balances and cash			25,606
Consolidated total assets			90,835
LIABILITIES			
Segment liabilities	17,911	14,321	32,232
Other payables			1,299
Consolidated total liabilities			33,531

5. REVENUE AND SEGMENT INFORMATION (CONTINUED)

Segment assets and liabilities (continued)

For the purposes of monitoring segment performances and allocating resources between segments:

- all assets are allocated to operating and reportable segments, other than certain property, plant and equipment, deferred tax assets, certain inventories, certain other receivables, deposits and prepayments, amounts due from directors, tax recoverable and bank balances and cash.
- all liabilities are allocated to operating and reportable segments, other than certain other payables.

6. OTHER INCOME

	Three months ended		Six months ended	
	30 June 2021 HK\$'000 (unaudited)	30 June 2020 HK\$'000 (unaudited)	30 June 2021 HK\$'000 (unaudited)	30 June 2020 HK\$'000 (unaudited)
Promotion income	-	49	-	49
Franchise fee income	-	75	50	150
Others	93	20	94	76
Interest income	-	151	-	309
Government subsidies	-	1,489	1,400	2,569
Rent concession related to COVID-19	177	845	177	845
	270	2,629	1,721	3,998

7. FINANCE COSTS

	Three months ended		Six months ended	
	30 June 2021 HK\$'000 (unaudited)	30 June 2020 HK\$'000 (unaudited)	30 June 2021 HK\$'000 (unaudited)	30 June 2020 HK\$'000 (unaudited)
The finance costs represent interest on leases liabilities	(279)	(347)	(572)	(737)

8. LOSS BEFORE TAXATION

	Three months ended		Six months ended	
	30 June 2021 HK\$'000 (unaudited)	30 June 2020 HK\$'000 (unaudited)	30 June 2021 HK\$'000 (unaudited)	30 June 2020 HK\$'000 (unaudited)
Loss before taxation has been arrived after charging:				
Raw materials and consumables used in respect of restaurant operations	(5,341)	(6,438)	(10,000)	(10,048)
Lease payments under operating leases in respect of leasehold land and building:				
– Short-term lease	(719)	(1,141)	(1,944)	(2,005)
– Contingent rents <i>(note)</i>	(264)	(264)	(324)	(391)
	(983)	(1,405)	(2,268)	(2,396)

Note: The operating lease rentals for certain restaurants are determined as the higher of a fixed rental or a predetermined percentage on revenue of respective restaurants pursuant to the terms and conditions that are set out in the respective rental agreements.

9. TAXATION

No provision for Hong Kong Profits Tax has been made as the Group did not have any assessable profits for the six months ended 30 June 2021 and 30 June 2020.

10. DIVIDENDS

No dividends were paid, declared and proposed by the Company during the current interim period (30 June 2020: nil). The directors have determined that no dividend will be paid in respect of the current interim period.

11. LOSS PER SHARE

The calculation of the basic loss per share attributable to owners of the Company is based on the following data:

	Three months ended		Six months ended	
	30 June 2021 HK\$'000 (unaudited)	30 June 2020 HK\$'000 (unaudited)	30 June 2021 HK\$'000 (unaudited)	30 June 2020 HK\$'000 (unaudited)
Loss:				
Loss for the period attributable to owners of the Company for the purpose of calculating basic loss per share	(2,606)	(410)	(6,194)	(3,942)
	30 June 2021 '000 (unaudited)	30 June 2020 '000 (unaudited)	30 June 2021 '000 (unaudited)	30 June 2020 '000 (unaudited)
Number of shares				
Number of ordinary shares for the purpose of calculating basic loss per share	446,000	446,000	446,000	446,000

No diluted loss per share for the periods was presented as there were no potential ordinary shares in issue during the six months ended 30 June 2021 and 2020.

12. MOVEMENTS IN PROPERTY, PLANT AND EQUIPMENT

During the current interim period, the Group acquired property, plant and equipment of approximately HK\$1,364,000 (30 June 2020: HK\$319,000).

13. TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	As at 30 June 2021 HK\$'000 (unaudited)	As at 31 December 2020 HK\$'000 (audited)
Trade receivables from restaurant operations	683	900
Rental deposits	6,739	6,403
Other deposits	861	1,091
Prepayments and other receivables	3,779	3,338
	12,062	11,732
Analysed as:		
Current	6,857	6,738
Non-current	5,205	4,994
	12,062	11,732

13. TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS (CONTINUED)

There was no credit period to individual customers for the restaurant operations. The Group's trading terms with its customers are mainly by cash and credit card settlement. The settlement terms of credit card companies are usually 7 days after the service rendered date.

The Group allows a credit period of 30 days to the corporate customers for launching activities in the Group's restaurants.

No interest is charged on the trade receivables on the outstanding balance.

The following is an ageing analysis of trade receivables from restaurant operations presented based on the invoice date, which approximated the service rendered date, at the end of the reporting periods.

	As at 30 June 2021 HK\$'000 (unaudited)	As at 31 December 2020 HK\$'000 (audited)
0 to 30 days	374	478
31 to 60 days	38	275
61 to 90 days	34	15
Over 90 days	237	132
	683	900

14. TRADE AND OTHER PAYABLES AND ACCRUED CHARGES

	As at 30 June 2021 HK\$'000 (unaudited)	As at 31 December 2020 HK\$'000 (audited)
Trade payables	3,282	2,620
Other payables:		
Accrued staff related costs	3,033	280
Other payables and accrued charges	6,283	3,913
	12,598	6,813

14. TRADE AND OTHER PAYABLES AND ACCRUED CHARGES (CONTINUED)

The credit period for purchases of goods is 30 to 90 days. The following is an ageing analysis of trade payables presented based on the invoice date at the end of the reporting periods.

	As at 30 June 2021 HK\$'000 (unaudited)	As at 31 December 2020 HK\$'000 (audited)
0 to 30 days	1,688	1,361
31 to 60 days	1,567	1,150
61 to 90 days	10	26
Over 90 days	17	83
	3,282	2,620

15. ISSUED SHARE CAPITAL

	Number of shares	Amount HK\$	HK\$'000
Ordinary shares of HK\$0.01 each			
Authorised:			
At 1 January 2020, 30 June 2020, 1 January 2021 and 30 June 2021	800,000,000	8,000,000	8,000
Issued and fully paid:			
At 1 January 2020, 30 June 2020, 1 January 2021 and 30 June 2021	446,000,000	4,460,000	4,460

16. RELATED PARTY TRANSACTIONS

Save as disclosed elsewhere in the condensed consolidated financial statements, the Group had the following transactions with related parties during the reporting period.

	Six months ended	
	30 June 2021 HK\$'000 (unaudited)	30 June 2020 HK\$'000 (unaudited)
Catering income from directors of the Company	24	33
Catering income from Gold Peak Industries (Holdings) Limited <i>(note (i))</i>	–	85
Catering income from GP Batteries International Limited <i>(note (i))</i>	–	116
Purchases of goods from Altaya Wines Limited <i>(note (ii))</i>	423	532
Rental payment to Altaya Wines Limited <i>(note (ii))</i>	109	–

Notes:

- (i) Father of Mr. Lo Yeung Kit, Alan, a director of the Company, is the director of Gold Peak Industries (Holdings) Limited and GP Batteries International Limited. Mr. Lo has resigned from his position as executive Director on 29 April 2020 and the relevant related party transactions are up to 29 April 2020.
- (ii) Altaya Wines Limited is controlled by Mr. Pong Kin Yee, a director of the Company, and his family.

During the current interim period, the emoluments of key management personnel were HK\$360,000 (30 June 2020: HK\$660,000).

MANAGEMENT DISCUSSION AND ANALYSIS

Industry Overview

During the six months ended 30 June 2021, the continuing Novel Coronavirus (COVID-19) pandemic had affected the usual business environment. The anti-pandemic measures imposed by the Hong Kong Government, such as limiting maximum restaurant seating capacity, keeping 1.5 metres between tables, not allowing more than four people per table and limiting the operating hours had adverse impacts on the number of customers and their frequencies in visiting our restaurants.

Nevertheless, the Group has implemented cost-saving measures including but not limited to minimising the staff costs of our restaurants, reducing a few restaurants' operating hours, negotiating with our landlords for rent concessions and our suppliers for purchasing discounts and adopting some sales stimulating measures including but not limited to increasing marketing efforts and expanding the take-away product line, to partially offset the aforesaid adverse impacts.

In the long run, the business environment of the food and beverage industry in Hong Kong remains challenging, dynamic, and competitive. Pressure from rising food costs, rental expenses, utilities expenses and labour costs is enduring, which further squeezed our profit margin. Customers are more budget conscious and price sensitive to the amounts they spend on dining out and the revenues of our restaurants were weaker than expected. The management believes the difficult situation may continue, which will adversely affect the food and beverage industry and the Group's business performance.

Operating in such a difficult macroeconomic environment, we need to be agile, flexible and adaptive. We will embrace changes with flexible marketing strategies and efficient operational discipline, continue to reshape our business model and make decisions necessary to enhance the profitability of the Group.

Business Overview

During the six months ended 30 June 2021, our Group is operating ten restaurants in Hong Kong and three franchised restaurants in Indonesia under the “Classified” brand. There are seven restaurants under “Classified”, two restaurant under “Rise by Classified” and one restaurant under “The Pawn”.

“Classified” restaurants are a collection of casual European cafés specializing in artisan breads, cheeses and boutique wines, and are renowned for their breakfast and all-day dining menu. Offering casual seating areas in most locations, Classified encourages neighbourhood street-level interaction. In December 2020, we have created a new modern bakery brand, “Rise by Classified”, a sub-brand of “Classified”. With a selection of pastries, a dine-in area for comfort food, an exhaustive list of beverages, and a collection of locally sourced retail products, “Rise by Classified” focuses on providing a local dining experience that can be enjoyed in the restaurant or at home. “Classified” is our Group’s flagship brand and contributes to over 74.2% of our total revenue. During the six months ended 30 June 2021, Classified recorded net revenue of approximately HK\$28.4 million (30 June 2020: HK\$31.2 million), representing a decrease of approximately 9.0% as compared to the last corresponding period.

“The Pawn” is a full service restaurant located in one of Hong Kong’s iconic landmarks. It marries a contemporary dining and bar concept with a unique innovative space aiming to be more than just a dining experience. A communal social venue for an eclectic mix of groups and sub-cultures at any time of the day or night, celebrating retro-futurism, arts and design through casual-chic, alfresco and contemporary dining. During the six months ended 30 June 2021, The Pawn recorded revenue of approximately HK\$9.9 million (30 June 2020: HK\$8.1 million), representing an increase of approximately 22.4% as compared to the last corresponding period.

FUTURE PROSPECTS

We believe the adverse impact from COVID-19 will eventually ease. However, in the long run, the food and beverage industry in Hong Kong has always been a challenging industry with intense competition and high operating costs, such as rising rental expenses, food costs and labour costs. Our success is therefore heavily dependent on the dining concepts and economic conditions of Hong Kong.

Our Group's key risk exposures and uncertainties are summarised as follows:

- (1) business risks relating to the spread of the Novel Coronavirus (COVID-19), which include (i) anti-infection measures imposed by the Hong Kong Government; and (ii) customers' changing dining pattern including refraining from dining out;
- (2) our Group may fail to find commercially attractive locations for new restaurants and/or renew existing leases on commercially acceptable terms, and the aforesaid potential failure would have a material adverse effect on the Group's business and future development;
- (3) the operation of the Group may be affected by the price of the food ingredients, including the price of the imported food ingredients which will be affected by the fluctuating exchange rate; and
- (4) there may be labour shortage in the future and competition for qualified individuals in the food and beverage industry may be intense.

Further details on the risks and uncertainties faced by our Group are set out in the section headed "Risk Factors" of the prospectus of the Company dated 30 June 2016 (the "Prospectus").

To manage the Group's risks and to improve the Group's overall business performance, we intend to:

- (1) expand the take-away product line and increase marketing efforts and sales stimulating measures;
- (2) enhance and upgrade our existing restaurant facilities to attract more customers;
- (3) closely monitor the pricing of our suppliers of raw materials such as food ingredients and beverages to ensure we obtain competitive prices for our food ingredients; and
- (4) open more new restaurants at lower costs.

We believe our ongoing expansion and enhancement plans will improve our market share while we will continue to refine our business strategy to cope with the continuing challenges. We will also proactively seek potential business opportunities that will broaden our sources of revenue and enhance value to our shareholders.

FINANCIAL REVIEW

For the six months ended 30 June 2021, the group's unaudited turnover was approximately HK\$38.3 million (30 June 2020: HK\$39.3 million), representing a decrease of approximately 2.5% compared with the last corresponding period. The decrease in revenue for the six months ended 30 June 2021 was mainly due to the continuous spread of the Novel Coronavirus (COVID-19) which had adverse impacts on the Group's restaurant revenue.

The loss attributable to owners of the Company was approximately HK\$6.2 million for the six months ended 30 June 2021 (2020: loss HK\$3.9 million). The increase in our loss of the Company was mainly due to the reduction of Government subsidies HK\$1.2 million and the rent concession related to COVID-19 HK\$0.67 million.

Financial Resources, Liquidity and Capital Structure

As at 30 June 2021, the Group's current assets amounted to approximately HK\$62.4 million (as at 31 December 2020: HK\$66.9 million) of which approximately HK\$8.6 million (as at 31 December 2020: HK\$25.6 million) was bank balances and cash, and approximately HK\$6.9 million (as at 31 December 2020: HK\$6.7 million) was trade and other receivables, deposits and prepayments. As at 30 June 2021, the Group's current liabilities amounted to approximately HK\$27.6 million (as at 31 December 2020: HK\$22.8 million), which mainly included lease liabilities in the amount of approximately HK\$14.3 million (as at 31 December 2020: HK\$15.4 million) and trade and other payables and accrued charges in the amount of approximately HK\$12.6 million (as at 31 December 2020: HK\$6.8 million).

Current ratio and quick assets ratio were 2.26 and 0.57 respectively (as at 31 December 2020: 2.93 and 1.44 respectively). Gearing ratio is calculated as total bank borrowing divided by total equity and multiplying the resulting value by 100%. Gearing ratio was 0% as at 30 June 2021 and 31 December 2020.

The capital structure of the Group consists of equity attributable to owners of the Company, comprising issued share capital and reserves.

Foreign Currency Exposure

Most transactions of the Group are denominated in Hong Kong dollars and the Group is not exposed to significant foreign exchange exposure.

Capital Commitments

As at 30 June 2021, the Group did not have any material capital commitments.

Contingent Liabilities

As at 30 June 2021, the Group did not have any contingent liabilities.

Employees and Remuneration Policies

As at 30 June 2021, the Group had 136 employees in Hong Kong (30 June 2020: 119 employees). Remuneration is determined with reference to market terms and in accordance with the performance, qualification and experience of each individual employee. Discretionary bonuses, based on each individual's performance, are paid to employees as recognition and in reward for their contributions. Other fringe benefits such as medical insurance, retirement benefits and other allowances are offered to all our employees.

Issue for cash of equity securities

During the six months ended 30 June 2021, the Company did not issue for cash of equity securities (including securities convertible into equity securities).

Significant Investments, Material Acquisitions or Disposals

There were no significant investments held, material acquisitions or disposals of subsidiaries and affiliated companies during the six months ended 30 June 2021.

Charge on Assets

As at 30 June 2021, the Group did not have any charge on its assets.

USE OF PROCEEDS

(1) IPO Placing

On 11 July 2016, the Company's shares were listed on GEM of the Stock Exchange. A total of 80,000,000 new shares with nominal value of HK\$0.01 each of the Company were issued at HK\$0.55 per share for a total of approximately HK\$44.0 million (the "IPO Placing"). The net proceeds raised by the Company from the IPO Placing were approximately HK\$25.1 million (the "IPO Proceeds").

Regarding the planned use of IPO Proceeds, reference is made to: (1) the Prospectus; (2) the Company's announcement dated 1 November 2017 regarding the change in the allocation of IPO Proceeds (the "1 November 2017 Announcement"); (3) the Company's announcement dated 10 July 2018 regarding a further change in the allocation of IPO Proceeds (the "10 July 2018 Announcement") and (4) the Company's announcement dated 14 July 2021 regarding, inter alia, a further change in the allocation of IPO Proceeds (the "14 July 2021 Announcement").

An analysis of the utilisation of the IPO Proceeds up to 30 June 2021 is set out below:

	Revised allocation of IPO Proceeds (as disclosed in the 10 July 2018 Announcement)	Utilised IPO Proceeds as at 31 December 2020	Unutilised IPO Proceeds as at 31 December 2020	Utilised IPO Proceeds during six months 30 June 2021	Unutilised IPO Proceeds as at 30 June 2021 (Note 1)	Revised allocation of unutilised IPO Proceeds (as disclosed on 14 July 2021 announcement)	Expected timeframe for utilising the remaining IPO Proceeds (Note 1)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
Opening new restaurants under "Classified" brand							
– First restaurant	3,771	(3,771)	–	–	–	–	
– Second restaurant	1,765	(1,765)	–	–	–	–	
– Third restaurant	4,993	–	4,993	(1,084)	3,909	(3,909)	
Establishing a new central kitchen for Classified restaurants	4,000	(4,000)	–	–	–	–	
Enhancement and upgrading existing restaurant facilities (namely, CEX, CTH and CHV)	4,209	(4,209)	–	–	–	–	
Enhancement and upgrading existing restaurant facilities (other than CEX, CTH, CHV and CMB)	300	(300)	–	–	–	–	
General working capital	6,037	(6,037)	–	–	–	3,909	By 31 December 2022
Total	25,075	(20,082)	4,993	(1,084)	3,909	–	

For details regarding reasons for the reallocations of IPO Proceeds, please refer to the 1 November 2017 Announcement, the 10 July 2018 Announcement and the 14 July 2021 Announcement.

Note 1: The Company has utilised approximately HK\$1,084,000 for opening a new restaurant "Rise by Classified". Due to the continuous outbreak of the novel coronavirus disease since early 2020 ("COVID-19"), the Board does not have any immediate plans to open additional restaurants under the "Classified" brand. Therefore, on 13 July 2021, the Board has resolved to reallocate the remaining unutilised IPO Proceeds of approximately HK\$3,909,000 to be used as general working capital.

(2) Placing on 1 November 2017

In order to strengthen its financial position and to replenish the general working capital of the Group, on 15 October 2017, the Company entered into a placing agreement with VMS Securities Limited in relation to the placing of a maximum of 46,000,000 new ordinary shares at a price of HK\$1.86 per share (the "November Placing"). The closing price for the Company's shares on 13 October 2017 (being the most recent trading day) was HK\$1.97 per share. On 1 November 2017, the November Placing completed and the Company issued and allotted the maximum 46,000,000 new ordinary shares to not less than six independent third parties. The net price for such shares was approximately HK\$1.79 per share and the aggregate nominal value of such shares was HK\$460,000. The November Placing generated net proceeds of approximately HK\$82.4 million (the "November Placing Proceeds").

An analysis of the November Placing Proceeds up to 30 June 2021 is set out below:

	Planned use of November Placing Proceeds as at 31 December 2020 <i>HK\$'000</i>	Utilised November Placing Proceeds as at 31 December 2020 <i>HK\$'000</i>	Unutilised November Placing Proceeds as at 31 December 2020 <i>HK\$'000</i>	Utilised November Placing Proceeds during the six months ended 30 June 2021 <i>HK\$'000</i>	Unutilised November Placing Proceeds as at 30 June 2021 <i>HK\$'000</i>	Expected timeframe for utilising the remaining November Placing Proceeds (Note 1)
Repayment of bank borrowings	17,500	(17,500)	-	-		
Develop, relocate, open and upgrade of restaurants	24,500	(540)	23,960	-	23,960	By 31 December 2022
Working capital for existing business of the Group	24,000	(24,000)	-	-	-	
Enhancement of premium food and fine wine programme	16,400	(16,400)	-	-	-	
Total	82,400	(58,440)	23,960	-	23,960	

Note 1: The expected timeline for utilising the remaining November Placing Proceeds of approximately HK\$23,960,000 is based on the best estimation of the future market condition which may be continuously affected by COVID-19. The actual timeline for utilising the remaining November Placing Proceeds may be subject to change based on current and future development of market conditions.

The Company intends to continue to apply the IPO Proceeds and November Placing Proceeds in the manner consistent with that mentioned above. Nonetheless, the Directors will constantly evaluate the Group's business objectives and may change or modify the plans against changing market conditions to ascertain the business growth of the Group. All unutilised proceeds have been placed in a licensed bank in Hong Kong.

COMPARISON OF BUSINESS STRATEGIES AND ACTUAL BUSINESS PROGRESS

An analysis comparing the business strategies as set out in the Prospectus with the Group's actual business progress for the period from 11 July 2016 (being the Listing date) to 30 June 2021 is set out below:

Business Strategies	Actual progress
Expanding Classified brand to different locations	We had opened new Classified restaurants in Sai Wan ^(Note 1) , Kwun Tong and Tsim Sha Tsui in December 2016, June 2018 and May 2021, respectively
Establishing a new central kitchen for Classified restaurants	We had acquired and established a new central kitchen in Wong Chuk Hang in October 2016 ^(Note 2)
Enhancing and upgrading existing restaurant facilities	We had renovated our Classified restaurants in Exchange Square, Tai Hang, Happy Valley, Repulse Bay and Sheung Wan
Strengthening staff training	We had provided on-the-job trainings to our employees, including food & beverage supervision certification, food hygiene, first aid and interview skills courses etc.
Enhancing our marketing and promotion initiatives	We had launched different promotion campaigns with well-known business partners, such as credit card issuers and frequent flyer programmes

Notes:

- (1) The Classified restaurant in Sai Wan was closed subsequently in August 2019.
- (2) The central kitchen was closed down subsequently in August 2018. For further details, please refer to the Company's announcement dated 22 June 2018.

OTHER INFORMATION

Purchase, Sale or Redemption of the Company's Listed Securities

During the six months ended 30 June 2021 and up to the date of this report, there has been no purchase, sale or redemption of any Company's listed securities by the Company or any of its subsidiaries.

Share Option Scheme

No share options have been granted as at the date of this report.

Interests and Short Positions of Directors in the Shares, Underlying Shares and Debentures of the Company and Its Associated Corporations

As at 30 June 2021, the interests or short positions of the Directors in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO"), Chapter 571 of the Laws of Hong Kong), which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under such provisions of the SFO), or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules relating to securities transactions by directors to be notified to the Company and the Stock Exchange, were as follows:

Long positions in the ordinary shares of the Company

Name of Directors	Capacity/ nature of interest	Number of shares held	Approximate percentage of shareholding
Mr. Wong Arnold Chi Chiu	interest in controlled corporation (<i>Note 1</i>)	41,340,000	9.3%
Mr. Pong Kin Yee	interest in controlled corporation (<i>Note 2</i>)	68,000,000	15.3%

Notes:

1. Mr. Wong beneficially owns 100% equity interest in Wiltshire Global Limited. Therefore, Mr. Wong is deemed to be interested in 41,340,000 shares held by Wiltshire Global Limited.
2. Mr. Pong beneficially owns 100% equity interest in Peyton Global Limited. Therefore, Mr. Pong is deemed to be interested in 68,000,000 shares held by Peyton Global Limited.

Save as disclosed above, as at 30 June 2021, none of the Directors had any interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO), which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or which were required pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules relating to securities transactions by directors to be notified to the Company and the Stock Exchange.

Interests and Short Positions of Substantial Shareholders and Other Persons in the Shares, Underlying Shares and Debentures of the Company and Its Associated Corporations

As at 30 June 2021, so far as it is known to the Directors, the following persons, not being a Director or chief executive of the Company, had an interest or short position in the Shares and underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which was required pursuant to section 336 of the SFO to be recorded in the register of the Company or, who was interested, directly or indirectly, in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of the Group:

Long positions in the ordinary shares of the Company

Name	Capacity/ nature of interest	Number of shares held	Approximate percentage of shareholding
Wiltshire Global Limited	Beneficial owner	41,340,000	9.3%
Ms. Lee Yuen Ching Charmaine	Interest of spouse (<i>Note 1</i>)	41,340,000	9.3%
Peyton Global Limited	Beneficial owner	68,000,000	15.3%
Ms. Cheng Chi Man	Interest of spouse (<i>Note 2</i>)	68,000,000	15.3%
VMS Investment Group Limited	Beneficial owner	68,000,000	15.3%
Mak Siu Hang, Viola	Beneficial owner	68,000,000	15.3%
Millennium Pacific Information Technology Limited	Beneficial owner	53,320,000	12.0%

Notes:

1. Mr. Wong beneficially owns 100% equity interest in Wiltshire Global Limited. Ms. Lee Yuen Ching Charmaine, the spouse of Mr. Wong, is deemed to be interested in all the shares Mr. Wong is interested in pursuant to the SFO.
2. Mr. Pong beneficially owns 100% equity interest in Peyton Global Limited. Ms. Cheng Chi Man, the spouse of Mr. Pong, is deemed to be interested in all the shares Mr. Pong is interested in pursuant to the SFO.

Save as disclosed above, as at 30 June 2021, the Directors are not aware of any interests and short positions owned by any parties (other than a Director) in the shares and underlying shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, who was interested, directly or indirectly, in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of the Group.

Directors' Interests in Competing Business

Save as disclosed in the Prospectus, the Directors are not aware of any business and interest of the Directors nor the controlling shareholders of the Company nor any of their respective close associates (as defined in the GEM Listing Rules) that compete or may compete with the business of the Group and any other conflict of interests which any such person has or may have with the Group during the period ended 30 June 2021.

Audit Committee

The Audit Committee of the Company was established on 14 June 2016 with written terms of reference in compliance with Rules 5.28 to 5.29 of the GEM Listing Rules. The primary duties of the audit committee are to review the Company's draft annual, interim and quarterly financial reports and accounts and to provide advice and comments thereon to the Board. The audit committee is also responsible for reviewing and supervising the financial reporting process and internal control procedures of the Group. The audit committee comprises three independent non-executive Directors, namely Dr. Chan Kin Keung Eugene, Mr. Ng Chun Fai Frank and Mr. Yue Man Yiu Matthew. Mr. Yue Man Yiu Matthew is the chairman of the audit committee.

The Audit Committee of the Company has discussed and reviewed with management the unaudited condensed consolidated financial statements of the Group for the six months ended 30 June 2021, which was of the opinion that such statements complied with the applicable accounting standards and requirements, and that adequate disclosures have been made.

Directors' Securities Transactions

The Company adopted a code of conduct regarding directors' securities transactions on terms no less exacting than the required standard of dealings set out in Rules 5.48 to 5.67 of the GEM Listing Rules. Having made specific enquiries of all Directors, the Company confirms that all of the Directors complied with such required standard of dealings and its code of conduct regarding directors' securities transactions as at the date of this report.

Corporate Governance

The Company is firmly committed to maintaining and ensuring a high level of corporate governance standards and will review and improve the corporate governance practices and standards constantly. Save for the deviation from A.2.1 of the Corporate Governance Code, the Company has complied with the code provisions set out in the Corporate Governance Code (the “Code Provisions”) contained in Appendix 15 of the GEM Listing Rules. Code Provision A.2.1 stipulates that the roles of the chairman and chief executive should be separate and should not be performed by the same individual. During the period under review, Mr. Wong Arnold Chi Chiu was the chairman of the Company and the Company had no post of chief executive. Nevertheless, the Board considers that, in light of the size and nature of the Company’s business, the absence of such post has not impaired the management of the Group. Decisions of the Company are made collectively by executive Directors who execute strategies set by the Board. Senior management responsible for the day-to-day operations of the Group also report back to the Board on a regular basis. The Board will review this structure from time to time and consider the segregation of the two roles at an appropriate time.

On behalf of the Board
Classified Group (Holdings) Limited
WONG Arnold Chi Chiu
Chairman and Executive Director

Hong Kong, 13 August 2021

As at the date of this report, the executive directors of the Company are Mr. WONG Arnold Chi Chiu and Mr. PONG Kin Yee; and the independent non-executive Directors are Dr. CHAN Kin Keung Eugene, Mr. NG Chun Fai Frank and Mr. YUE Man Yiu Matthew.