



# CLASSIFIEDGROUP

*(Incorporated in the Cayman Islands with limited liability)*

(Stock Code: 8232)

INTERIM REPORT  
**2022**



## **CHARACTERISTICS OF GEM (“GEM”) OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE “STOCK EXCHANGE”)**

**GEM has been positioned as a market designed to accommodate small and mid-sized companies to which a higher investment risk may be attached than other companies listed on the Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration.**

**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

Mr. LI Kai Leung

Mr. VASTINE Mael Henri Francis

(retired on 17 June 2022)

#### *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

### Authorised 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 Public Accountants, Hong Kong*

### Legal Advisers to the Company

Bird & Bird

### Principal Bankers

Hang Seng Bank Limited

<b>Registered Office</b>	Cricket Square, Hutchins Drive P.O. Box 2681 Grand Cayman KY1-1111 Cayman Islands
<b>Head Office, Headquarters and Principal Place of Business in Hong Kong</b>	2/F Cheung Tak Industrial Building 30 Wong Chuk Hang Road Wong Chuk Hang Hong Kong
<b>Principal Share Registrar and Transfer Office</b>	Conyers Trust Company (Cayman) Limited Cricket Square, Hutchins Drive P.O. Box 2681 Grand Cayman KY1-1111 Cayman Islands
<b>Hong Kong Share Registrar and Transfer Office</b>	Union Registrars Limited Suites 3301-04, 33/F Two Chinachem Exchange Square 338 King's Road North Point Hong Kong
<b>Company Website</b>	<a href="http://www.classifiedgroup.com.hk">www.classifiedgroup.com.hk</a>
<b>GEM Stock Code</b>	08232

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

FOR THE SIX MONTHS ENDED 30 JUNE 2022

	NOTES	Three months ended		Six months ended	
		30 June 2022 HK\$'000 (unaudited)	30 June 2021 HK\$'000 (unaudited)	30 June 2022 HK\$'000 (unaudited)	30 June 2021 HK\$'000 (unaudited)
<b>Continuing operations</b>					
Revenue	5	10,882	15,529	20,607	28,425
Other income	6	2,019	270	4,847	1,321
Other gain and (losses)		2	4	1	4
Raw materials and consumable used		(3,931)	(3,640)	(6,470)	(6,670)
Staff costs		(5,373)	(7,770)	(11,585)	(14,988)
Depreciation		(933)	(1,722)	(2,282)	(3,669)
Property rental and related expenses		(1,293)	(1,030)	(2,014)	(1,786)
Utility expenses		(444)	(472)	(831)	(825)
Advertising and promotion expenses		(617)	(906)	(1,280)	(1,898)
Other expenses		(1,976)	(2,251)	(3,617)	(3,739)
Finance costs	7	(128)	(159)	(277)	(308)
Loss before taxation	8	(1,792)	(2,147)	(2,901)	(4,133)
Taxation	9	-	-	-	-
Loss for the period from continuing operations	11	(1,792)	(2,147)	(2,901)	(4,133)
<b>Discontinued operation</b>					
Loss for the period from discontinued operation	12	(34)	(459)	(124)	(2,061)
Loss and total comprehensive expense for the period attributable to Owners of the Company		(1,826)	(2,606)	(3,025)	(6,194)
Loss per share					
From continuing and discontinued operations					
Basic (HK cents)	11	(0.41)	(0.58)	(0.68)	(1.39)
From continuing operations					
Basic (HK cents)	11	(0.40)	(0.48)	(0.65)	(0.93)

## UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2022

	NOTES	30 June 2022 HK\$'000 (unaudited)	31 December 2021 HK\$'000 (audited)
Non-current assets			
Property, plant and equipment	13	449	530
Right-of-use assets		7,121	9,298
Deposits	14	2,043	2,222
Deferred tax assets		–	–
		<b>9,613</b>	12,050
Current assets			
Inventories		40,814	43,294
Trade and other receivables, deposits and prepayments	14	3,240	4,512
Amounts due from related companies		385	470
Amounts due from directors		63	63
Tax recoverable		32	32
Bank balances and cash		5,853	17,271
		<b>50,387</b>	65,642
Current liabilities			
Trade and other payables and accrued charges	15	9,375	9,003
Amounts due to related companies		994	2,829
Amounts due to directors		1,981	11,982
Contract liabilities		68	29
Lease liabilities		5,433	6,533
Tax liabilities		–	–
Provisions		341	341
		<b>18,192</b>	30,717
Net current assets		<b>32,195</b>	34,925
Total assets less current liabilities		<b>41,808</b>	46,975
Non-current liabilities			
Lease liabilities		3,700	5,842
Provisions		382	382
		<b>4,082</b>	6,224
Net assets		<b>37,726</b>	40,751
Capital and reserves			
Issued share capital	16	4,460	4,460
Reserves		33,266	36,291
Equity attributable to Owners of the Company		<b>37,726</b>	40,751

## UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30 JUNE 2022

	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 2022 (audited)	4,460	127,329	766	(91,804)	40,751
Loss and total comprehensive expense for the period	-	-	-	(3,025)	(3,025)
At 30 June 2022 (unaudited)	4,460	127,329	766	(94,829)	37,726
At 1 January 2021 (audited)	4,460	127,329	766	(75,251)	57,304
Loss and total comprehensive expense for the period	-	-	-	(6,194)	(6,194)
At 30 June 2021 (unaudited)	4,460	127,329	766	(81,445)	51,110



## UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE SIX MONTHS ENDED 30 JUNE 2022

	Six months ended	
	30 June 2022 HK\$'000 (unaudited)	30 June 2021 HK\$'000 (unaudited)
Net cash (used in) from operating activities	<b>(64)</b>	(7,153)
Net cash from investing activities		
Interest received	–	–
Purchase of property, plant and equipment	<b>(10)</b>	(1,364)
Repayment from directors	–	301
	<b>(10)</b>	(1,063)
Cash used in financing activity		
Repayment of lease liabilities	<b>(1,343)</b>	(8,782)
Repayment advances from a director	<b>(10,001)</b>	–
Net decrease in cash and cash equivalents	<b>(11,418)</b>	(16,998)
Cash and cash equivalents at beginning of the period	<b>17,271</b>	25,606
Cash and cash equivalents at end of the period representing by bank balances and cash	<b>5,853</b>	8,608

# NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2022

## 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 2022 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 2022 are the same as those followed in the preparation of the financial statements for the year ended 31 December 2021.

### **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 2022.

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 was reported to executive directors of the Company, being the chief operating decision maker, 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 segment is 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.

## 5. REVENUE AND SEGMENT INFORMATION (Continued)

### Segment revenue and results

Six months ended 30 June 2022 (unaudited)

	Continuing operation	Discontinued operation	
	Causal HK\$'000	Full service HK\$'000	Consolidated HK\$'000
Segment revenue	20,607	–	20,607
Segment results	(2,492)	(138)	(2,630)
Other income			4,861
Unallocated operating costs			(5,256)
Loss before taxation			(3,025)

Six months ended 30 June 2021 (unaudited)

	Continuing operation	Discontinued operation	
	Causal HK\$'000	Full service HK\$'000	Consolidated HK\$'000
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)

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 2022 (unaudited)

	Continuing operation	Discontinued operation	
	Causal <i>HK\$'000</i>	Full service <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
<b>ASSETS</b>			
Segment assets	<b>13,729</b>	–	<b>13,729</b>
Property, plant and equipment			–
Deferred tax assets			–
Inventories			<b>39,033</b>
Other receivables, deposits and prepayment			<b>1,290</b>
Amounts due from directors			<b>63</b>
Amounts due from related companies			–
Tax recoverable			<b>32</b>
Bank balances and cash			<b>5,853</b>
Consolidated total assets			<b>60,000</b>
<b>LIABILITIES</b>			
Segment liabilities	<b>16,564</b>	–	<b>16,564</b>
Other payables			<b>5,710</b>
Consolidated total liabilities			<b>22,274</b>

## 5. REVENUE AND SEGMENT INFORMATION (Continued)

### Segment assets and liabilities (Continued)

As at 31 December 2021 (audited)

	Continuing operation	Discontinued operation	
	Causal <i>HK\$'000</i>	Full service <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
<b>ASSETS</b>			
Segment assets	16,844	–	16,844
Property, plant and equipment			–
Deferred tax assets			–
Inventories			41,377
Other receivables, deposits and prepayment			1,987
Amounts due from directors			63
Amounts due from related companies			118
Tax recoverable			32
Bank balances and cash			17,271
Consolidated total assets			77,692
<b>LIABILITIES</b>			
Segment liabilities	18,466	–	18,466
Other payables			18,475
Consolidated total liabilities			36,941

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 2022 HK\$'000 (unaudited)	30 June 2021 HK\$'000 (unaudited)	30 June 2022 HK\$'000 (unaudited)	30 June 2021 HK\$'000 (unaudited)
Promotion income	5	–	94	–
Franchise fee income	25	–	50	50
Others	8	93	9	94
Government subsidies	1,252	–	3,202	1,000
Management fee income from related company	510	–	1,020	–
Rent concession related to COVID-19	219	177	472	177
	<b>2,019</b>	270	<b>4,847</b>	1,321

## 7. FINANCE COSTS

	Three months ended		Six months ended	
	30 June 2022 HK\$'000 (unaudited)	30 June 2021 HK\$'000 (unaudited)	30 June 2022 HK\$'000 (unaudited)	30 June 2021 HK\$'000 (unaudited)
The finance costs represent interest on leases liabilities	(128)	(159)	(277)	(308)

## 8. LOSS BEFORE TAXATION FROM CONTINUING OPERATIONS

	Three months ended		Six months ended	
	30 June 2022 HK\$'000 (unaudited)	30 June 2021 HK\$'000 (unaudited)	30 June 2022 HK\$'000 (unaudited)	30 June 2021 HK\$'000 (unaudited)
Loss before taxation has been arrived after charging:				
Raw materials and consumables used	<b>(3,931)</b>	(3,640)	<b>(6,470)</b>	(6,670)
Lease payments under operating leases in respect of leasehold land and building:				
– Short-term lease	<b>(752)</b>	(276)	<b>(1,630)</b>	(1,429)
– Contingent rents ( <i>note</i> )	<b>(140)</b>	(264)	<b>(258)</b>	(324)
	<b>(892)</b>	(540)	<b>(1,888)</b>	(1,753)

*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 2022 and 30 June 2021.

## 10. DIVIDENDS

No dividends were paid, declared and proposed by the Company during the current interim period (30 June 2021: 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 2022 HK\$'000 (unaudited)	30 June 2021 HK\$'000 (unaudited)	30 June 2022 HK\$'000 (unaudited)	30 June 2021 HK\$'000 (unaudited)
<b>Loss:</b>				
Loss for the period attributable to owners of the Company for the purpose of calculating basic loss per share	<b>(1,826)</b>	(2,606)	<b>(3,025)</b>	(6,194)
	30 June 2022 '000 (unaudited)	30 June 2021 '000 (unaudited)	30 June 2022 '000 (unaudited)	30 June 2021 '000 (unaudited)
<b>Number of shares</b>				
Number of ordinary shares for the purpose of calculating basic loss per share	<b>446,000</b>	446,000	<b>446,000</b>	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 2022 and 2021.

## 11. LOSS PER SHARE (Continued)

### From continuing operations

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

	Three months ended		Six months ended	
	30 June 2022 HK\$'000 (unaudited)	30 June 2021 HK\$'000 (unaudited)	30 June 2022 HK\$'000 (unaudited)	30 June 2021 HK\$'000 (unaudited)
Loss for the period attributable to the owners of the Company	(1,826)	(2,606)	(3,025)	(6,194)
Less: loss for the period from discontinued operation	34	459	124	2,061
Loss for the purpose of calculating basic loss per share from continuing operations	(1,792)	(2,147)	(2,901)	(4,133)

The denominators used are the same as those detailed above for basic loss per share.

### From discontinued operation

Basic loss per share for the discontinued operation is HK\$0.03 cents per share (2021: HK\$0.46 cents per share) for the six months ended 30 June 2022 based on the loss for the period from the discontinued operations of approximately HK\$124,000 (2021: HK\$2,061,000). The denominators used are the same as those detailed above for basic loss per share.

## 12. DISCONTINUED OPERATION

In light of the financial performance of The Pawn coupled with the uncertainty of the future economic conditions brought by the novel coronavirus outbreak, it is unlikely that the business performance of The Pawn operating under the existing contemporary western dining concept will be substantially improved during the remainder of the term of the Tenancy Agreement. Further, the operation of The Pawn is likely to continue to be adversely affected if the Government continues to impose or further tightens the control measures relevant to operating bars and pubs for the purpose of prevention of disease. Therefore, the Company had entered into a termination agreement with the landlord to terminate the latest tenancy agreement for The Pawn with effect from 16 September 2021 and change the mode of our operation from being the owner and manager of The Pawn to only acting as the manager of a Chinese restaurant owned by Canton Oriental Limited (the "Restaurant") by provision of catering operations and management services to the Restaurant.

The result of and loss for the period from the discontinued operation for the six months ended 30 June 2022 and 2021 are analysed as follows:

	Three months ended		Six months ended	
	30 June 2022 HK\$'000 (unaudited)	30 June 2021 HK\$'000 (unaudited)	30 June 2022 HK\$'000 (unaudited)	30 June 2021 HK\$'000 (unaudited)
Revenue	-	6,041	-	9,878
Other income	-	-	14	400
Other gain and losses	-	(2)	-	(2)
Raw materials and consumable used	-	(1,701)	-	(3,330)
Staff costs	-	(2,081)	(90)	(3,906)
Depreciation	-	(973)	-	(1,957)
Property rental and related expenses	(18)	(187)	(18)	(374)
Utility expenses	-	(206)	-	(331)
Advertising and promotion expenses	(1)	(71)	(4)	(149)
Other expenses	(15)	(1,159)	(26)	(2,026)
Finance costs	-	(120)	-	(264)
Loss before taxation	(34)	(459)	(124)	(2,061)
Taxation	-	-	-	-
Loss for the period from discontinued operation	(34)	(459)	(124)	(2,061)

## 12. DISCONTINUED OPERATION (Continued)

Loss before taxation from discontinued operation has been arrived at after charging (crediting):

	Three months ended		Six months ended	
	30 June 2022 HK\$'000 (unaudited)	30 June 2021 HK\$'000 (unaudited)	30 June 2022 HK\$'000 (unaudited)	30 June 2021 HK\$'000 (unaudited)
Other income	-	-	14	400
Raw materials and consumables used	-	(1,701)	-	(3,330)
Lease payments under operating leases in respect of minimum payments	(18)	(187)	(18)	(374)

## 13. MOVEMENTS IN PROPERTY, PLANT AND EQUIPMENT

During the current interim period, the Group acquired property, plant and equipment of approximately HK\$10,000 (30 June 2021: HK\$1,364,000).

## 14. TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	As at 30 June 2022 HK\$'000 (unaudited)	As at 31 December 2021 HK\$'000 (audited)
Trade receivables from restaurant operations	161	472
Rental deposits	3,881	4,290
Other deposits	627	828
Prepayments and other receivables	614	1,144
	<b>5,283</b>	6,734
Analysed as:		
Current	3,240	4,512
Non-current	2,043	2,222
	<b>5,283</b>	6,734

#### 14. TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

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.

	<b>As at 30 June 2022 HK\$'000 (unaudited)</b>	As at 31 December 2021 HK\$'000 (audited)
0 to 30 days	129	447
31 to 60 days	1	19
61 to 90 days	1	3
Over 90 days	30	3
	<b>161</b>	472

#### 15. TRADE AND OTHER PAYABLES AND ACCRUED CHARGES

	<b>As at 30 June 2022 HK\$'000 (unaudited)</b>	As at 31 December 2021 HK\$'000 (audited)
Trade payables	2,065	2,247
Other payables:		
Accrued staff related costs	164	2,182
Other payables and accrued charges	7,146	4,574
	<b>9,375</b>	9,003

## 15. 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.

	<b>As at 30 June 2022 HK\$'000 (unaudited)</b>	As at 31 December 2021 HK\$'000 (audited)
0 to 30 days	701	1,127
31 to 60 days	610	1,037
61 to 90 days	459	1
Over 90 days	295	82
	<b>2,065</b>	<b>2,247</b>

## 16. ISSUED SHARE CAPITAL

	Number of shares	Amount HK\$	HK\$'000
Ordinary shares of HK\$0.01 each			
<b>Authorised:</b>			
At 1 January 2021, 30 June 2021, 1 January 2022 and 30 June 2022	800,000,000	8,000,000	8,000
<b>Issued and fully paid:</b>			
At 1 January 2021, 30 June 2021, 1 January 2022 and 30 June 2022	446,000,000	4,460,000	4,460

## 17. 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.

	<b>Six months ended</b>	
	<b>30 June 2022 HK\$'000 (unaudited)</b>	30 June 2021 HK\$'000 (unaudited)
Catering income from directors of the Company	<b>5</b>	24
Catering income from Altaya Wines Limited (note (i))	–	–
Management fee income from Way Wise Limited (note (ii))	<b>60</b>	–
Management fee income from Canton Oriental Limited (note (iii))	<b>960</b>	–
Management fee to Altaya Wines Limited (note (i))	<b>433</b>	109
Purchases of goods from Altaya Wines Limited (note (i))	<b>115</b>	423

Notes:

- (i) Altaya Wines Limited is controlled by Mr. Pong Kin Yee, a director of the Company, and his family.
- (ii) Mr. Pong is shareholder and director on Way Wise Limited.
- (iii) Canton Oriental Limited is controlled by Mr. Wong and Mr. Pong. The Group has entered into management services agreement with Canton Oriental Limited for the provision of catering operations and management services during the year. The services income was negotiated in arm's length basis between both parties. Details of which were disclosed in the Company's announcement dated on 16 September 2021.

During the current interim period, the emoluments of key management personnel were HK\$318,167 (30 June 2021: HK\$360,000).

## MANAGEMENT DISCUSSION AND ANALYSIS

### Industry Overview

During the six months ended 30 June 2022, the outbreak of the fifth wave of Novel Coronavirus (COVID-19) pandemic had significantly 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 a fixed number of 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 certain 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

“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. During the six months ended 30 June 2022, Classified recorded a net revenue of approximately HK\$20.6 million (30 June 2021: HK\$28.4 million), representing a decrease of approximately 27.5% as compared to the last corresponding period.

The Group also previously owned and operated “The Pawn”, 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. In light of the financial performance of The Pawn coupled with the uncertainty of the future economic conditions brought by the novel coronavirus outbreak, it is unlikely that The Pawn operating under the existing contemporary western dining concept will be substantially improved during the remainder of the term of the latest tenancy agreement for The Pawn. Further, the operation of The Pawn is likely to continue to be adversely affected if the Hong Kong Government continues to impose or further tightens the control measures for prevention of disease for operation of bars and pubs. Therefore, the Company had entered into a termination agreement with the landlord to terminate the tenancy agreement for The Pawn with effect from 16 September 2021 and change the mode of our operation of The Pawn from being the owner and manager of The Pawn to only acting as the manager of the restaurant operating at the same address as The Pawn, which is owned by Canton Oriental Limited (the “Restaurant”) by provision of catering operations and management services to the Restaurant. During the six months ended 30 June 2022, no revenue was derived from The Pawn (30 June 2021: HK\$9.9 million). Press Room Group Management Limited, a subsidiary of the Group was the manager of the Restaurant. During the six months ended 30 June 2022, approximately \$1.0 million management fee income was recorded from being the manager for the Restaurant.

## FUTURE PROSPECTS

We believe the adverse impact of 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 values to our shareholders.

## **FINANCIAL REVIEW**

For the six months ended 30 June 2022, the Group's total unaudited turnover was approximately HK\$20.6 million, including continuing operations HK\$20.6 million and no revenue was recorded for discontinued operation (30 June 2021: Group's total unaudited turnover of approximately HK\$38.3 million, including revenue from continuing operations of HK\$28.4 million and revenue from discontinued operation of HK\$9.9 million), representing a decrease of approximately 46.2% as compared with the last corresponding period. The decrease in revenue for the six months ended 30 June 2022 was mainly due to the closure of "The Pawn" restaurant, the outbreak of the fifth waves of the COVID-19 and the adverse impacts of anti-pandemic measures imposed by the Hong Kong Government.

Total loss attributable to owners of the Company was approximately HK\$3.0 million, including loss from discontinued operation HK\$124,000 for the six months ended 30 June 2022 (30 June 2021: Group's total loss HK\$6.2 million). The decrease in our loss attributable to owners of the Company was mainly due to the closure of "The Pawn" restaurant in September 2021, increase of government subsidies and rent concession related to COVID-19.

### **Financial Resources, Liquidity and Capital Structure**

As at 30 June 2022, the Group's current assets amounted to approximately HK\$50.4 million (as at 31 December 2021: HK\$65.6 million) of which approximately HK\$5.9 million (as at 31 December 2021: HK\$17.3 million) was bank balances and cash, and approximately HK\$3.2 million (as at 31 December 2021: HK\$4.5 million) was trade and other receivables, deposits and prepayments. As at 30 June 2022, the Group's current liabilities amounted to approximately HK\$18.2 million (as at 31 December 2021: HK\$30.7 million), which mainly included lease liabilities in the amount of approximately HK\$5.4 million (as at 31 December 2021: HK\$6.5 million) and trade and other payables and accrued charges in the amount of approximately HK\$9.4 million (as at 31 December 2021: HK\$9.0 million).

Current ratio and quick assets ratio were 2.77 and 0.53 respectively (as at 31 December 2021: 2.14 and 0.73 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 2022 and 31 December 2021.

The capital structure of the Group consists of equity attributable to owners of the Company, comprising issued share capital and reserves. There was no material change in capital structure of the Group during the six months ended 30 June 2022.

### **Foreign Currency Exposure**

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

### **Capital Commitments**

As at 30 June 2022, the Group did not have any material capital commitments.

### **Contingent Liabilities**

As at 30 June 2022, the Group did not have any contingent liabilities.

### **Employees and Remuneration Policies**

As at 30 June 2022, the Group had 96 employees in Hong Kong (30 June 2021: 136 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 of our employees.

### **Issue for cash of equity securities**

During the six months ended 30 June 2022, 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, associates and joint ventures during the six months ended 30 June 2022.

### **Charge on Assets**

As at 30 June 2022, the Group did not have any charge on its assets.

## **USE OF PROCEEDS**

### **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 2022 is set out below:

	Planned use of November Placing Proceeds as at 31 December 2021 <i>HK\$'000</i>	Utilised November Placing Proceeds as at 31 December 2021 <i>HK\$'000</i>	Unutilised November Placing Proceeds as at 31 December 2021 <i>HK\$'000</i>	Utilised November Placing Proceeds during the six months ended 30 June 2022 <i>HK\$'000</i>	Unutilised November Placing Proceeds as at 30 June 2022 <i>HK\$'000</i>	Expected timeframe for utilising the remaining November Placing Proceeds <i>(Note 1)</i>
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)	-	-	-	
<b>Total</b>	<b>82,400</b>	<b>(58,440)</b>	<b>23,960</b>	<b>-</b>	<b>23,960</b>	

*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 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.

## OTHER INFORMATION

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

During the six months ended 30 June 2022 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 scheme is in place 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 2022, 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 2022, 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 2022, 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**

<b>Name</b>	<b>Capacity/ nature of interest</b>	<b>Number of shares held</b>	<b>Approximate percentage of shareholding</b>
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 2022, 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**

The Directors are not aware of any business and interest of the Directors 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 2022.

#### **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 2022, 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 C.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 C.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, 11 August 2022

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