

# CLASSIFIEDGROUP

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

(Stock Code: 8232)



FIRST QUARTERLY  
REPORT

**2023**

## **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.*

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

FOR THE THREE MONTHS ENDED 31 MARCH 2023

	NOTES	Three months ended	
		31 March 2023 HK\$'000 (unaudited)	31 March 2022 HK\$'000 (unaudited)
Revenue	5	8,706	9,725
Other income	6	574	2,841
Other gains and (losses)		–	(1)
Raw materials and consumable used		(2,179)	(2,539)
Staff costs		(4,712)	(6,302)
Depreciation		(1,118)	(1,349)
Property rental and related expenses		(698)	(721)
Utility expenses		(399)	(387)
Advertising and promotion expenses		(432)	(665)
Other expenses		(1,365)	(1,652)
Finance costs	7	(67)	(149)
Loss before taxation	8	(1,690)	(1,199)
Taxation	9	–	–
Loss and total comprehensive expense for the period attributable to the Owners of the Company		(1,690)	(1,199)
Loss per share			
Basic (HK cents)	11	(0.38)	(0.27)

## UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE THREE MONTHS ENDED 31 MARCH 2023

	Attributable to owners of the Company				
	Share capital HK\$'000	Share premium HK\$'000	Other reserve HK\$'000	Accumulated losses HK\$'000	Total HK\$'000
At 1 January 2023 (audited)	4,460	127,329	766	(112,196)	20,359
Loss and total comprehensive expense for the period	-	-	-	(1,690)	(1,690)
At 31 March 2023 (unaudited)	4,460	127,329	766	(113,886)	18,669
At 1 January 2022 (audited)	4,460	127,329	766	(91,804)	40,751
Loss and total comprehensive expense for the period	-	-	-	(1,199)	(1,199)
At 31 March 2022 (unaudited)	4,460	127,329	766	(93,003)	39,552

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE THREE MONTHS ENDED 31 MARCH 2023

## 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 three months ended 31 March 2023 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 three months ended 31 March 2023 are the same as those followed in the preparation of the financial statements for the year ended 31 December 2022.

### **4. APPLICATION OF HONG KONG FINANCIAL REPORTING STANDARDS**

In the current 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 2023.

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)

### Casual Restaurant Operation

	Three months ended	
	31 March 2023 HK\$'000 (unaudited)	31 March 2022 HK\$'000 (unaudited)
Total revenue	8,706	9,725

## 6. OTHER INCOME

	Three months ended	
	31 March 2023 HK\$'000 (unaudited)	31 March 2022 HK\$'000 (unaudited)
Promotion income	–	89
Franchise fee income	25	25
Others	3	1
Government Subsidies	–	1,950
Management fee income from related company	546	510
Rent concession related to COVID-19	–	253
	574	2,828

## 7. FINANCE COSTS

	Three months ended	
	31 March 2023 HK\$'000 (unaudited)	31 March 2022 HK\$'000 (unaudited)
Interest on leases liabilities	(67)	(149)

## 8. LOSS BEFORE TAXATION FROM CONTINUING OPERATIONS

	Three months ended	
	31 March 2023 HK\$'000 (unaudited)	31 March 2022 HK\$'000 (unaudited)
Loss before taxation has been arrived after charging:		
Raw materials and consumables used	(2,179)	(2,539)
Lease payments under operating leases in respect of leasehold land and building:		
– Short-term lease	(194)	(878)
– Contingent rents ( <i>note</i> )	(50)	(118)
	<b>(244)</b>	<b>(996)</b>

*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 three months ended 31 March 2023 and 31 March 2022.

## 10. DIVIDENDS

No dividends were paid, declared and proposed by the Company during the current period (31 March 2022: nil). The directors have determined that no dividend will be paid in respect of the current 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:

	<b>Three months ended</b>	
	<b>31 March 2023 HK\$'000 (unaudited)</b>	31 March 2022 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>(1,690)</b>	(1,199)
	<b>31 March 2023 '000</b>	31 March 2022 '000
<b>Number of shares</b>		
Number of ordinary shares for the purpose of calculating basic loss per share	<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 each of the three months ended 31 March 2023 and 2022.

## **MANAGEMENT DISCUSSION AND ANALYSIS**

### **Industry Overview**

The COVID-19 pandemic and Government social distancing measures and restrictions on public gatherings have had significant adverse impact on Hong Kong's food and beverage industry. Thanks to the relaxation of social distancing measures recently, the food and beverage industry's operating environment has slightly improved. Following the reopening of the border with Mainland China, relaxation of COVID-19 restrictions and increase in tourist arrivals in Hong Kong, we believe the restaurant business will recover gradually.

However, 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 three months ended 31 March 2023, our Group recorded revenue of approximately HK\$8.7 million (31 March 2022: HK\$9.7 million), representing a decrease of approximately 10.5% as compared to the last corresponding period.

## **FUTURE PROSPECTS**

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) and 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 three months ended 31 March 2023, the Group’s unaudited turnover was approximately HK\$8.7 million (31 March 2022: HK\$9.7 million), representing a decrease of approximately 10.5% compared with the last corresponding period. The decrease in revenue for the three months ended 31 March 2023 was mainly due to the closure of two “Classified” restaurants.

The loss attributable to owners of the Company was approximately HK\$1.7 million (2022: loss HK\$1.2 million) for the three months ended 31 March 2023. The increase in our loss of the Company was mainly attributable to the net effect of (i) reduction in government subsidies and rent concessions related to COVID-19; and (ii) closure of two loss-making restaurants upon expiry of their respective tenancy agreements in 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 31 March 2023, the Group did not have any material capital commitments.

### **Contingent Liabilities**

As at 31 March 2023, the Group did not have any contingent liabilities.

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

During the three months ended 31 March 2023, 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 three months ended 31 March 2023.

### **Charge on Assets**

As at 31 March 2023, the Group did not have any charge on its assets.

## **OTHER INFORMATION**

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

During the three months ended 31 March 2023 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 31 March 2023, 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 31 March 2023, 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 31 March 2023, 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:

- 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.
- 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 31 March 2023, 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 31 March 2023.

### **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 three months ended 31 March 2023, 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. The Company is also aware that the single gender board does not fulfill gender diversity requirements as set out in the Code Provisions and will appoint at least one director from a different gender no later than 31 December 2024.

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

Hong Kong, 11 May 2023

*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.*