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Classified Group (Holdings) Limited

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8232)

(1) COMPLETION OF PLACING OF NEW SHARES UNDER GENERAL MANDATE AND SUPPLEMENTAL INFORMATION IN RELATION TO THE USE OF PROCEEDS FROM THE PLACING

(2) SUPPLEMENTAL ANNOUNCEMENT IN RELATION TO THE USE OF PROCEEDS RAISED FROM THE COMPANY'S LISTING BY WAY OF PLACING

Placing Agent for the Placing



(1) COMPLETION OF PLACING OF NEW SHARES UNDER GENERAL MANDATE AND SUPPLEMENTAL INFORMATION IN RELATION TO THE USE OF PROCEEDS FROM THE PLACING

The Board is pleased to announce that all the conditions of the Placing Agreement have been satisfied and Completion of the Placing took place on 1 November 2017. An aggregate of 46,000,000 Placing Shares have been successfully placed by the Placing Agent to not less than six Placees at the Placing Price of HK\$1.86 per Share.

Reference is made to the announcement of Classified Group (Holdings) Limited (the “**Company**”) dated 16 October 2017 (the “**Announcement**”) in relation to the placing of up to 46,000,000 Placing Shares by the Placing Agent on a best efforts basis to not less than six Placees at a price of HK\$1.86 per Placing Share pursuant to the Placing Agreement. Unless otherwise stated, capitalised terms used herein shall have the same meanings as defined in the Announcement.

Completion of the Placing

The Board is pleased to announce that all the conditions of the Placing Agreement have been satisfied and Completion took place on 1 November 2017. An aggregate of 46,000,000 Placing Shares (representing approximately 10.31% of the issued share capital of the Company as enlarged by the Placing) have been successfully placed by the Placing Agent to not less than six Placees at the Placing Price of HK\$1.86 per Share. The Placing Shares were allotted and issued pursuant to the Issue Mandate.

To the best of the knowledge, information and belief of the Directors having made all reasonable enquiries, the Placees and their respective ultimate beneficial owners are third parties independent of the Company and its connected persons. None of the Placees have become a substantial shareholder (within the meaning of the GEM Listing Rules) of the Company immediately upon Completion.

Use of Proceeds

The net proceeds arising from the Placing are approximately HK\$82.4 million.

The Company would also like to provide supplemental information to the Announcement in relation to the use of proceeds from the Placing. The Company intends to use such net proceeds from the Placing as below:

- (a) **Repayment of bank borrowings** – approximately HK\$17.5 million (representing approximately 21.2% of the net proceeds from the Placing) to be used to repay the existing bank borrowings of the Group in full.
- (b) **Development of existing business** – approximately HK\$24.5 million (representing approximately 29.7% of the net proceeds from the Placing) to be used for the development of the existing business of the Group including relocation of a restaurant, opening new restaurants and upgrading existing restaurant facilities.

The Company intends to relocate one of its restaurants because the landlord has informed the Company that it will early terminate the tenancy agreement. The same landlord has also offered to lease another premise in the same district to the Company for such restaurant. The terms of this new tenancy agreement are now under negotiation. The new tenancy agreement is expected to be finalised and signed in the fourth quarter of 2017. The restaurant will be relocated in the first quarter of 2018. The estimated investment costs for such relocation range from approximately HK\$4.0 million to HK\$5.0 million.

Apart from the relocation of restaurant, the Company also intends to apply part of the net proceeds to open three new restaurants. Since the Company currently does not have any business presence in Kowloon, the Company intends to use the net proceeds to establish its restaurant footprint in Kowloon by opening two restaurants there. A third new restaurant is planned to be opened in Hong Kong Island. The potential locations for these three new restaurants have been identified and the relevant tenancy offers have been received by the Company from the landlords. The Company is now negotiating terms with the relevant landlords. The estimated total investment costs to open the three new restaurants range from approximately HK\$16.0 million to HK\$19.0 million.

The estimated total investment costs for the abovementioned relocation and new openings range from approximately HK\$20.0 million to HK\$24.0 million. Any remaining balance of the net proceeds allocated for this purpose will be used to enhance and upgrade existing restaurant facilities.

- (c) **Working capital for existing business** – approximately HK\$24.0 million (representing approximately 29.2% of net proceeds from the Placing) to be used for working capital for the existing business of the Group.

The Company is committed to promote its business by optimising its restaurants and enhancing its premium food and fine wine programme so as to achieve a turnaround in its results. However, time is required to achieve such turnaround. Accordingly, the Company considers that it is necessary to allocate sufficient funds from the Placing as working capital for the existing business of the Group (being approximately 12 months period) so that the Group can overcome upcoming challenges. The amount of HK\$24.0 million for working capital for the existing business of the Group was determined by reference to the net cash outflow in operating activities of approximately HK\$12.4 million for the six months ended 30 June 2017. This amount will be used for daily operation of the existing business of the Group. With such HK\$24.0 million, the Group can equip with additional working capital for around 11.6 months (being HK\$24.0 million/HK\$12.4 million x 6 months) to overcome upcoming challenges.

- (d) **Enhancement of premium food and fine wine programme** – approximately HK\$16.4 million (representing approximately 19.9% of the net proceeds from the Placing) to be used for the enhancement of the Group's premium food and fine wine programme.

The Company believes that there would be a greater demand for fine wine in the forthcoming Christmas, New Year and Chinese New Year. The Company is negotiating with a supplier (who is a third party independent from the Company and its connected persons (as defined under the GEM Listing Rules)) on the terms of the purchase agreement which is expected to be finalised soon. The consideration is approximately USD1.9 million (equivalent to approximately HK\$14.8 million). In view of the forthcoming Christmas, New Year and Chinese New Year, the purchase will be made soon so as to entice new higher spending customers to visit the restaurants with a view of improving the average spending per customer per meal and the overall business of the Group.

For the avoidance of doubt, the above supplemental information does not affect other information contained in the Announcement.

Effect on Shareholding Structure of the Company

Set out below is the shareholding structure of the Company (i) immediately before Completion, and (ii) immediately upon Completion:

	Immediately before Completion		Immediately upon Completion	
	Shares	%	Shares	%
Wiltshire Global Limited ⁽¹⁾	41,340,000	10.34	41,340,000	9.27
Easy Fame Investments Limited ⁽²⁾	68,000,000	17.00	68,000,000	15.25
Peyton Global Limited ⁽³⁾	68,000,000	17.00	68,000,000	15.25
Placees ⁽⁴⁾	–	–	46,000,000	10.31
Other public Shareholders	222,660,000	55.66	222,660,000	49.92
	<u>400,000,000</u>	<u>100</u>	<u>446,000,000</u>	<u>100</u>

Notes:

- (1) Wiltshire Global Limited is wholly-owned by Mr. WONG Arnold Chi Chiu, an executive Director, a co-founder and a controlling Shareholder of the Company.
- (2) Easy Fame Investments Limited is wholly-owned by Mr. LO Yeung Kit Alan, an executive Director, a co-founder and a controlling Shareholder of the Company.
- (3) Peyton Global Limited is wholly-owned by Mr. PONG Kin Yee, an executive Director, a co-founder and a controlling Shareholder of the Company.
- (4) Pursuant to the Placing Agreement, the Placees are third parties independent of the Company and its connected persons. As such, the Placees are treated as public Shareholders.

(2) SUPPLEMENTAL ANNOUNCEMENT IN RELATION TO THE USE OF PROCEEDS RAISED FROM THE COMPANY'S LISTING BY WAY OF PLACING

Reference is made to the prospectus of the Company dated 30 June 2016, the Company's annual report for the year ended 31 December 2016 (the "**2016 Annual Report**") and the Company's interim report for the six months ended 30 June 2017 (the "**2017 Interim Report**").

The Company would like to provide supplemental information to the 2017 Interim Report regarding the use of proceeds in connection with its listing pursuant to Rule 18.08A of the GEM Listing Rules.

The Company was successfully listed on the GEM of the Stock Exchange on 11 July 2016 by way of placing of a total of 140,000,000 Shares (comprising 80,000,000 new Shares and 60,000,000 Sale Shares) at the placing price of HK\$0.55 per Share (the "**Listing**").

As disclosed in the 2016 Annual Report, the net proceeds raised from the Listing by way of placing received by the Company (after deducting the underwriting fees and other expenses) were approximately HK\$25.1 million (the "**IPO Proceeds**").

An analysis of the utilisation of the IPO Proceeds as at 30 September 2017 is set out below:

	Planned use of IPO Proceeds up to 31 December 2017 <i>(Note)</i> HK\$'000	Utilised IPO Proceeds as at 30 September 2017 HK\$'000	Unutilised IPO Proceeds as at 30 September 2017 HK\$'000
Opening two new restaurants under “Classified” brand			
– <i>First restaurant</i>	4,993	(3,771)	1,222
– <i>Second restaurant</i>	4,993	–	4,993
Establishing a new central kitchen for Classified restaurants	4,438	(4,000)	438
Enhancement and upgrading existing restaurant facilities (namely, CEX, CTH and CHV)	8,655	(4,209)	4,446
General working capital	1,996	(1,996)	–
Total	<u>25,075</u>	<u>(13,976)</u>	<u>11,099</u>

Note: The breakdown of the planned use of IPO Proceeds up to 31 December 2017 is based on the total net proceeds of HK\$25.1 million and the same proportions allocated to each use as disclosed in the Prospectus.

Opening two new restaurants under “Classified” brand

The Company had planned to use approximately HK\$10.0 million of the IPO Proceeds to open two new restaurants under “Classified” brand, with each new restaurant being evenly allocated approximately HK\$5.0 million.

The first of such new restaurants was opened in Sai Wan, Hong Kong on 1 December 2016, which only used approximately HK\$3.8 million of the IPO Proceeds due to the Company’s efficient control of project costs.

The second of such new restaurants was originally intended to be opened at the end of 2017. As at the date of this announcement, the Company has not yet secured a lease for suitable premises on desirable commercial terms for such restaurant. Therefore, the Company currently expects the opening of such new restaurant will be delayed till the second quarter of 2018. For the avoidance of doubt, this new restaurant is separate from the new restaurants to be opened with the net proceeds from the Placing.

Establishing a new central kitchen for Classified restaurants

The Company had planned to use approximately HK\$4.4 million of the IPO Proceeds to establish a new central kitchen for Classified restaurants. This central kitchen was completed in October 2016 and the total investment costs were ultimately slightly lower than expected at HK\$4.0 million.

Enhancement and upgrading existing restaurant facilities (namely, CEX, CTH and CHV)

The Company had planned to use approximately HK\$8.7 million of the IPO Proceeds to enhance and upgrade its existing restaurant facilities.

Such enhancement and upgrading works involved three of the Company's restaurants (namely, CEX, CTH and CHV) and have already been completed. For one of the restaurants, such works required less of the IPO Proceeds than expected due to the Company's efficient control of project costs. For the other two restaurants, the Company had planned to complete such works by the end of 2016 upon the renewal of the relevant tenancy agreement. Given that the fourth quarter is usually the peak season for the Company's business, such works were ultimately slightly delayed and completed in the first quarter of 2017. Further, the extent of work carried out at these two restaurants was substantially reduced after consideration of the financial position and operating environment of the Group.

Unutilised IPO Proceeds as at 30 September 2017

As shown in the above table, as at 30 September 2017, unutilised IPO Proceeds amounted to approximately HK\$11.1 million. The reasons for this unutilised amount are mainly: (1) the opening of the second restaurant under "Classified" brand (as stated in the Prospectus) was delayed from the end of 2017 till the second quarter of 2018; and (2) the costs of opening the first restaurant under "Classified" brand and to enhance and upgrade CEX, CTH and CHV were less than expected as stated in the Prospectus, due to the reasons mentioned above.

The Company now intends to apply such unutilised IPO Proceeds in the amount of approximately HK\$11.1 million as follows:

Planned use of IPO Proceeds as stated in the Prospectus

- approximately HK\$5.0 million to open the second restaurant under "Classified" brand. As mentioned above, the opening of this restaurant is expected to be delayed till the second quarter of 2018;

Not a planned use of IPO Proceeds as stated in the Prospectus

- approximately HK\$3.4 million for the enhancing and upgrading of the Company's restaurant facilities (other than CEX, CTH, CHV and CMB) during the six months ending 30 June 2018; and
- the remaining balance of approximately HK\$2.7 million for the Group's general working capital.

It is also stated in the Prospectus that the Company had intended to carry out the renovation and refurbishment of CMB, CCR and CRB during the six months ending 31 December 2017. The intention was to do so upon the renewal of their relevant tenancy agreement. For CMB, the Company now intends to relocate this restaurant because the landlord has informed the Company that it will early terminate the tenancy agreement. The same landlord has also offered to lease another premise in the same district to the Company for CMB. The terms of this new tenancy agreement are now under negotiation. The Company currently does not intend to fund such relocation with the IPO Proceeds but instead by the proceeds from the Placing as disclosed above. For CCR and CRB, given that the fourth quarter is usually the peak season for the Company's business, the Directors have decided to slightly delay such renovation and refurbishment works till the first quarter of 2018. Further, the extent of work to be carried out at these two restaurants will likely be substantially reduced after consideration of the financial position and operating environment of the Group.

For the avoidance of doubt, the above supplemental information does not affect other information contained in the 2017 Interim Report.

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

Hong Kong, 1 November 2017

As at the date of this announcement, the chairman and the executive director of the Company is Mr. WONG Arnold Chi Chiu, the executive directors of the Company are Mr. LO Yeung Kit Alan, Mr. PONG Kin Yee and Mr. MA Chun Fai; and the independent non-executive directors of the Company are Dr. CHAN Kin Keung Eugene, Mr. CHUM Kwan Yue Desmond and Mr. NG Chun Fai Frank.

This announcement, for which the directors of the Company collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the GEM of The Stock Exchange of Hong Kong Limited 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 announcement 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 announcement misleading.

This announcement will remain on the GEM website at www.hkgem.com on the "Latest Company Announcements" page for at least 7 days from the date of its posting and on the Company's website at www.classifiedgroup.com.hk.