

Classified Group (Holdings) Limited

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 8232



THIRD QUARTERLY REPORT
2016

CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET (“GEM”) OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE “STOCK EXCHANGE”)

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This report, for which the directors (the “Directors”) of Classifield 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 the 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.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2016

	NOTES	Three months ended		Nine months ended	
		30.9.2016 HK\$'000 (unaudited)	30.9.2015 HK\$'000 (unaudited)	30.9.2016 HK\$'000 (unaudited)	30.9.2015 HK\$'000 (unaudited)
Revenue	5	37,857	41,063	128,588	129,791
Other income	6	237	301	418	767
Other losses		(30)	(249)	(177)	(254)
Raw materials and consumable used		(8,266)	(9,045)	(27,352)	(29,938)
Staff costs		(15,792)	(15,385)	(48,740)	(47,214)
Depreciation		(1,992)	(1,593)	(6,200)	(5,515)
Property rental and related expenses		(7,750)	(7,589)	(23,573)	(22,013)
Utility expenses		(1,202)	(1,292)	(3,391)	(3,734)
Advertising and promotion expenses		(610)	(472)	(2,191)	(2,089)
Other expenses		(4,471)	(3,197)	(22,322)	(14,145)
Finance costs	7	(154)	(111)	(470)	(331)
(Loss) profit before taxation	8	(2,173)	2,431	(5,410)	5,325
Taxation	9	—	—	(1,118)	(861)
(Loss) profit and total comprehensive (expense) income for the period		(2,173)	2,431	(6,528)	4,464
(Loss) profit and total comprehensive (expense) income for the period attributable to:					
– Owners of the Company		(2,015)	2,504	(6,326)	4,539
– Non-controlling interests		(158)	(73)	(202)	(75)
		(2,173)	2,431	(6,528)	4,464
(Loss) earnings per share Basic (HK cents)	11	(0.51)	0.78	(1.84)	1.42

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2016

	Attributable to owners of the Company				Total	Non-controlling interests	Total
	Share capital	Share premium	Other reserve	Accumulated profits			
	HK\$'000	HK\$'000	HK\$'000 (note)	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 January 2016 (audited)	—	10,000	1,512	33,355	44,867	(542)	44,325
Loss and total comprehensive expense for the period	—	—	—	(6,326)	(6,326)	(202)	(6,528)
Issue of shares	800	43,200	—	—	44,000	—	44,000
Capitalisation issue	3,200	(3,200)	—	—	—	—	—
Transaction costs directly attributable to issue of shares	—	(4,238)	—	—	(4,238)	—	(4,238)
At 30 September 2016 (unaudited)	<u>4,000</u>	<u>45,762</u>	<u>1,512</u>	<u>27,029</u>	<u>78,303</u>	<u>(744)</u>	<u>77,559</u>
At 1 January 2015 (audited)	<u>10</u>	<u>10,000</u>	<u>1,502</u>	<u>30,419</u>	<u>41,931</u>	<u>(426)</u>	<u>41,505</u>
Profit (loss) and total comprehensive income (expense) for the period	—	—	—	4,539	4,539	(75)	4,464
Arising from group reorganisation	(10)	—	10	—	—	—	—
At 30 September 2015 (unaudited)	<u>—</u>	<u>10,000</u>	<u>1,512</u>	<u>34,958</u>	<u>46,470</u>	<u>(501)</u>	<u>45,969</u>

Note: Other reserve represents the difference between the share capital of group entities and that of the Company issued pursuant of the group reorganisation as stated in note 2.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2016

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. Its ultimate holding companies are Wiltshire Global Limited (“Wiltshire Global”), Easy Fame Investments Limited (“Easy Fame”) and Peyton Global Limited (“Peyton Global”), each of which owned equally share in the Company and were incorporated in the BVI and wholly owned by Mr. Wong Chi Chiu, Arnold (“Mr. Wong”), Mr. Lo Yeung Kit, Alan (“Mr. Lo”) and Mr. Pong Kin Yee (“Mr. Pong”) (collectively known as “Controlling Shareholders”), respectively. They were acting in concert on their ownerships and exercised their control collectively over the Group.

The Company’s shares have been listed on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) since 11 July 2016.

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

2. BASIS OF PREPARATION AND PRESENTATION

The condensed consolidated financial statements of the Group for the nine months ended 30 September 2016 have been prepared in accordance with the applicable disclosure requirements of Chapter 18 of the Rules Governing the Listing of Securities on the Growth Enterprise Market of the Stock Exchange and with Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”).

In the preparation for the listing of the Company’s shares on the Growth Enterprise Market of the Stock Exchange, the Company underwent the reorganisation which included the following steps:

- (i) On 24 October 2014, the Company was incorporated in the Cayman Islands with limited liability. The initial authorised share capital of the Company was HK\$380,000 divided into 38,000,000 shares of HK\$0.01 each. Upon its incorporation, one subscriber share was allotted and issued, to the subscriber, which was transferred to Wiltshire Global. On 11 November 2014, 24 shares, 25 shares and 25 shares were allotted and issued at par value to Wiltshire Global, Easy Fame and Peyton Global respectively;
- (ii) Wiltshire Global was set up by Mr. Wong, Easy Fame was set up by Mr. Lo and Peyton Global was set up by Mr. Pong during the year ended 31 December 2014. On 16 October 2014, Ever Alliance Ventures Limited (“EAVL”) was incorporated in the BVI with limited liability as a shell company and the Company subscribed 1 share of EAVL at par by cash on 4 November 2014. EAVL is authorised to issue 50,000 shares at a par value of US\$1.00 each;
- (iii) UG PRG Venture Limited (“Pre-IPO Investor”), an independent third party and a limited company incorporated in the British Virgin Islands (“BVI”), entered into a subscription agreement with the Company, Mr. Wong, Mr. Lo and Mr. Pong for the subscription of 10 new shares of the Company for HK\$10,000,000 on 21 November 2014;

2. BASIS OF PREPARATION AND PRESENTATION *(Continued)*

- (iv) On 31 December 2014, Classified Limited ("CL") entered into a sale and purchase agreement with AAP Enterprise Limited pursuant to which CL agreed to transfer its entire equity interest in Classified Bread & Cheese Limited ("CBCL") to AAP Enterprise Limited, which is controlled by Mr. Wong, Mr. Lo and Mr. Pong, for a minimal consideration. On 13 February 2015, Noble Network Investment Limited ("NNIL") was incorporated and one share of NNIL was allotted and issued to EAVL on 11 March 2015. On 31 March 2015, AAP Enterprise Limited transferred its interest in CBCL to NNIL in consideration of the allotment and issue of 1, 1 and 1 share of the Company to Wiltshire Global, Easy Fame and Peyton Global, respectively;
- (v) On 31 December 2014, Mr. Wong, Mr. Lo and Mr. Pong transferred their entire shareholding interest in Press Room Group Investment Limited ("PRGIL") to EAVL in consideration of the allotment and issue of 1, 1 and 1 share of the Company to Wiltshire Global, Easy Fame and Peyton Global, respectively. Upon the completion of the transfer, PRGIL and its subsidiary, Press Room Group Management Limited, became the wholly-owned subsidiary of the Company;
- (vi) On 31 December 2014, Mr. Wong, Mr. Lo and Mr. Pong transferred their entire shareholding interest in CL to EAVL in consideration of the allotment and issue of 1, 1 and 1 share of the Company to Wiltshire Global, Easy Fame and Peyton Global, respectively. Upon the completion of the transfer, CL became the wholly-owned subsidiary of the Company;
- (vii) On 31 December 2014, Mr. Wong, Mr. Lo and Mr. Pong transferred their entire shareholding interest in The Pawn Limited ("TPL") to EAVL in consideration of the allotment and issue of 1, 1 and 1 share of the Company to Wiltshire Global, Easy Fame and Peyton Global, respectively. Upon the completion of the transfer, TPL became the wholly-owned subsidiary of the Company;
- (viii) On 31 December 2014, Mr. Wong, Mr. Lo and Mr. Pong transferred their entire shareholding interest in Small Medium Large Limited ("SMLL") to EAVL in consideration of the allotment and issue of 1, 1 and 1 share of the Company to Wiltshire Global, Easy Fame and Peyton Global, respectively. Upon the completion of the transfer, SMLL became the wholly-owned subsidiary of the Company; and
- (ix) On 5 February 2015, Ease Summit Investments Limited ("ESIL") was incorporated and one share of ESIL was allotted and issued to EAVL on 12 February 2015.

Pursuant to the reorganisation detailed above, the Company has legally become the holding company of the companies now comprising the Group since 31 March 2015, whereas the Company and its subsidiaries have been under the common control of Controlling Shareholders historically and throughout the period prior to the completion of the reorganisation on 31 March 2015. Therefore, the condensed consolidated statement of profit or loss and other comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the nine months ended 30 September 2015 include the results, changes in equity and cash flows of the companies now comprising the Group as if the current group structure had been in existence as of 1 January 2015 and throughout the nine months ended 30 September 2015.

3. APPLICATION OF HONG KONG FINANCIAL REPORTING STANDARDS

In the current interim period, the Group has applied, for the first time, new amendments to Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the HKICPA that are mandatorily effective for the accounting period beginning on or after 1 January 2016.

The application of the new amendments to HKFRSs in the current interim period has had no material effect on the amounts reported in these condensed consolidated financial statements and/or disclosures set out in these condensed consolidated financial statements.

4. PRINCIPAL ACCOUNTING POLICIES

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

The accounting policies and methods of computation used in the condensed consolidated financial statements for the nine months ended 30 September 2016 are the same as those followed in the preparation of the financial information of the Group for two years ended 31 December 2015 included in accountants’ report for inclusion in the prospectus of the Company dated 30 June 2016.

5. REVENUE

The financial information 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 segments are as follows:

- Casual restaurant operation (“Casual”)

This segment derives its revenue from operation of casual dining restaurants in which customers would place orders at front desk and basic table service is 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 revenue from operation of 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 restaurants aim to provide dining experience with full table services.

- Production and sales of bakery products (“Bakery”)

This segment derives its revenue from the production and sales of bakery products.

5. REVENUE *(Continued)*

	Three months ended		Nine months ended	
	30.9.2016	30.9.2015	30.9.2016	30.9.2015
Casual	19,547	23,322	64,913	67,924
Full Service	16,440	15,338	56,681	54,308
Bakery	2,191	3,256	8,187	10,615
	<u>38,178</u>	<u>41,916</u>	<u>129,781</u>	<u>132,847</u>
Inter-segment transaction elimination	(321)	(853)	(1,193)	(3,056)
Total	<u><u>37,857</u></u>	<u><u>41,063</u></u>	<u><u>128,588</u></u>	<u><u>129,791</u></u>

6. OTHER INCOME

	Three months ended		Nine months ended	
	30.9.2016 HK\$'000	30.9.2015 HK\$'000	30.9.2016 HK\$'000	30.9.2015 HK\$'000
Promotion income	—	—	—	296
Others	237	301	418	471
	<u>237</u>	<u>301</u>	<u>418</u>	<u>767</u>

7. FINANCE COSTS

	Three months ended		Nine months ended	
	30.9.2016 HK\$'000	30.9.2015 HK\$'000	30.9.2016 HK\$'000	30.9.2015 HK\$'000
The finance costs represent interest on:				
– Bank borrowings	154	109	470	325
– Obligation under finance lease	—	2	—	6
	<u>154</u>	<u>111</u>	<u>470</u>	<u>331</u>

8. (LOSS) PROFIT BEFORE TAXATION

	Three months ended		Nine months ended	
	30.9.2016 HK\$'000	30.9.2015 HK\$'000	30.9.2016 HK\$'000	30.9.2015 HK\$'000
(Loss) profit before taxation has been arrived at after charging:				
Listing expense	99	—	8,184	—
Raw material and consumables used in respect of:				
Restaurant operation	7,390	7,638	24,239	25,713
Bakery products	876	1,407	3,113	4,225
	<u>8,266</u>	<u>9,045</u>	<u>27,352</u>	<u>29,938</u>
Loss on disposal of plant and equipment (included in other losses)	30	249	177	254
Lease payments under operating leases in respect of:				
Minimum payments	6,505	6,404	19,512	17,661
Contingent rents (<i>note</i>)	125	192	661	1,244
	<u>6,630</u>	<u>6,596</u>	<u>20,173</u>	<u>18,905</u>

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

	Three months ended		Nine months ended	
	30.9.2016 HK\$'000	30.9.2015 HK\$'000	30.9.2016 HK\$'000	30.9.2015 HK\$'000
Hong Kong Profits Tax:				
Current tax	—	—	(554)	(559)
Underprovision in prior year	—	—	—	(26)
	—	—	(554)	(585)
Deferred taxation	—	—	(564)	(276)
	—	—	<u>(1,118)</u>	<u>(861)</u>

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for both periods.

10. DIVIDENDS

No dividends were paid, declared and proposed by the Company during the current period (nine months ended 30 September 2015: nil). The directors have determined that no dividend will be paid in respect of the current period.

11. (LOSS) EARNINGS PER SHARE

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

	Three months ended		Nine months ended	
	30.9.2016 HK\$'000	30.9.2015 HK\$'000	30.9.2016 HK\$'000	30.9.2015 HK\$'000
(Loss) earnings				
(Loss) earnings for the period attributable to owners of the Company for the purpose of basic (loss) earnings per share	<u>(2,015)</u>	<u>2,504</u>	<u>(6,326)</u>	<u>4,539</u>
	30.9.2016 '000	30.9.2015 '000	30.9.2016 '000	30.9.2015 '000
Number of shares				
Number of ordinary shares for the purpose of basic (loss) earnings per share	<u>391,304</u>	<u>320,000</u>	<u>343,942</u>	<u>320,000</u>

The number of ordinary shares for the purpose of calculating basic (loss) earnings per share has been determined on the assumption that the reorganisation and the capitalisation issue had been effective on 1 January 2015.

No diluted (loss) earnings per share for the periods was presented as there were no potential ordinary shares in issue during the periods.

MANAGEMENT DISCUSSION AND ANALYSIS

Industry Overview

Hong Kong economy remained sluggish this year: the deceleration of growth in China's economy, recent devaluation of Renminbi and the conflicts between Hong Kong locals and mainland PRC travelers dampened heavily the business of retail and Food & Beverage industry in Hong Kong.

Despite a mild downward adjustment in rent in tourist shopping areas due to the drop in the number of mainland Chinese tourists in Hong Kong, rental costs remain significantly high in the Food & Beverage industry in Hong Kong. Pressures from rising price of food, manpower cost and utilities are enduring, especially due to the periodic debate on the mandatory wage floor and the occasional onset of food safety concerns. People are more budget conscious and sensitive to the amounts they spend on food and the revenues of our restaurants were weaker than expected. Management believes the difficult situation may continue until next year and will adversely affect the food and beverage industry.

To operate 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 and cheeses, boutique wines and are renowned for their breakfast & all-day dining menu. Offering casual seating areas in most locations, Classified encourages neighbourhood street-level interaction. It is our flagship brand of the Group and contributes over 50% of our total revenue. During the nine months ended 30 September 2016, Classified had recorded revenues of approximately HK\$64,913,000, a decrease of 4.4% as compared to the last corresponding period.

"The Pawn" is a full-service restaurant located in one of Hong Kong's most iconic landmarks. It marries a brand new 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 nine months ended 30 September 2016, The Pawn had recorded revenues of approximately HK\$36,695,000, a decrease of 4.9% as compared to the last corresponding period.

"The Fat Pig" is a full service restaurant with a pork-based concept by British Chef Tom Aikens. The restaurant was upgraded from previous restaurant, namely SML after three months renovation and was re-opened in November 2015. Showcasing the best of all that is pork, from piglets to full-grown cuts and parts, butchered or in the form of charcuterie. From soups to suckling pig, pates to knuckles, the menu choices are diverse and multi-cultural. During the nine months ended 30 September 2016, The Fat Pig had recorded revenues of approximately HK\$19,985,000, an increase of 27.2% as compared to the last corresponding period. One of the reasons is because "The Fat Pig" was under renovation in the middle of August 2015 until early of November 2015.

In addition to the above restaurants, our group also owns and operates a food factory which supplies cheeses, bread and other bakery products to our restaurants and other corporate customers. Customers of our food factory include hotels, restaurants, clubs, coffee shops, cafés and supermarkets. During the nine months ended 30 September 2016, Our food factory had recorded revenues of approximately HK\$8,187,000, a significant decrease of 22.9% as compared to the last corresponding period. Landlord had informed us on 31 August 2016 that we needed to return the premise for landlord's own use and the tenancy agreement would not be extended. Considering the food factory prospects and the set-up and investment costs, we decided to cease the food factory business on 7 October 2016 and acquired 15% of the entire share capital in CBCL from Leader Asia Pacific Limited. CBCL has become a wholly-owned subsidiary of the Group since the acquisition. In addition, we have combined part of the food factory business with our new central kitchen which we had acquired on 1 October 2016.

As disclosed in our prospectus, we had planned to set up a central kitchen in the second half of 2016. Total purchase cost was HK\$4.0 million for Fixed Assets and another HK\$1.0 million for loose operating equipment installed in premise and stock. Management believes the acquisition of central kitchen can save on set-up cost and improve operation efficiency.

Future Prospects

F&B industry is always a challenging industry with intense competition and success is heavily dependent on the economic conditions of Hong Kong. Given the recent slowdown in the Hong Kong economy, we will adopt a prudent expansion strategy of opening just one "Classified" restaurant as well as carrying out renovation work on several restaurants at the end of this year. We had established a central kitchen and expected our group will enjoy a higher operating efficiency and lower food costs in future. We had signed a new tenancy agreement on 19 September 2016 to open a new Classified in Sai Wan. Renovation is in progress and we expect it to open in early December. Our ongoing expansion plans will enhance our market share while we will continue to refine our business strategy to cope with the continuing challenges.

FINANCIAL REVIEW

For the nine months unaudited turnover ended 30 September 2016, the group recorded turnover of HK\$128.6 million (2015: HK\$129.8 million), representing an decrease of 0.9% compared with the same period of the last financial year.

Loss attributable to owners of the Company was HK\$6.3 million (2015: profit HK\$4.5 million).

The gross profit margin of the Group was 78.7% (2015: 77.0%).

Total operating expenses increased by 12.5% to HK\$106.9 million (2015: HK\$95.0 million) mainly due to the increase of listing fee amortization HK\$8.2 million, Staff costs \$1.5 million and increase of Property rental and related expenses HK\$1.6 million.

Foreign Currency Exposure

Most of 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 September 2016, the Group did not have any material capital commitments.

Contingent Liabilities

As at 30 September 2016, the Group did not have any contingent liabilities.

OTHER INFORMATION

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

The Directors confirm that as at the date of the Listing on 11 July 2016 and up to the date this report, there has been no purchase, sale or redemption of the Company's listed securities.

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

As at the date of this report, 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 under 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 (Note 1)	76,000,000	19%
Mr. Lo Yeung Kit Alan	interest in controlled corporation (Note 2)	76,000,000	19%
Mr. Pong Kin Yee	interest in controlled corporation (Note 3)	76,000,000	19%

Notes:

1. Mr. Wong beneficially owns 100% equity interest in Wiltshire Global. Therefore, Mr. Wong is deemed to be interested in 76,000,000 shares held by Wiltshire Global.
2. Mr. Lo beneficially owns 100% equity interest in Easy Fame. Therefore, Mr. Lo is deemed to be interested in 76,000,000 shares held by Easy Fame.
3. Mr. Pong beneficially owns 100% equity interest in Peyton Global. Therefore, Mr. Pong is deemed to be interested in 76,000,000 shares held by Peyton Global.

Save as disclosed above, as at the date of this report, 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 the date of this report, 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, 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	Beneficial owner	76,000,000	19%
Ms. Lee Yuen Ching Charmaine	Interest of spouse (Note 1)	76,000,000	19%
Easy Fame	Beneficial owner	76,000,000	19%
Ms. Wong Pui Yain	Interest of spouse (Note 2)	76,000,000	19%
Peyton Global	Beneficial owner	76,000,000	19%
Ms. Cheng Chi Man	Interest of spouse (Note 3)	76,000,000	19%
UG PRG Venture	Beneficial owner	27,220,000	6.8%
Mr. Ma Chi Un Fred	Interest in controlled corporation (Note 4)	27,220,000	6.8%
Mr. Ngan Chi Wing	Interest in controlled corporation (Note 5)	27,220,000	6.8%
HF Pre-IPO Fund	Beneficial owner (Note 6)	27,130,000	6.8%

Notes:

- Mr. Wong beneficially owns 100% equity interest in Wiltshire Global. 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. Lo beneficially owns 100% equity interest in Easy Fame. Ms. Wong Pui Yain, being the spouse of Mr. Lo, is deemed to be interested in all the shares Mr. Lo is interested in pursuant to the SFO.
- Mr. Pong beneficially owns 100% equity interest in Peyton Global. 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.
- Mr. Ma Chi Un Fred beneficially owns 50% equity interest in UG PRG Venture Limited ("**UG PRG Venture**"). Therefore, Mr. Ma is deemed to be interested in all the shares held by UG PRG Venture.
- Mr. Ngan Chi Wing beneficially owns 50% equity interest in UG PRG Venture. Therefore, Mr. Ngan is deemed to be interested in all the shares held by UG PRG Venture.
- HF Pre-IPO Fund is a Cayman Islands Investment Funds with a focus in private equity in Greater China.

Save as disclosed above, as at the date of this report, 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.

Competing Interests

Save as disclosed in the section headed "Relationship with Controlling Shareholders" in the prospectus of the Company dated 30 June 2016, for the nine months ended 30 September 2016, none of the Directors, the controlling shareholders or the substantial shareholders of the Company or any of their respective close associates (as defined under the GEM Listing Rules) are engaged in any business that competes or may compete, directly or indirectly, with the business of the Group or have any other conflicts of interest with the Group nor are they aware of any other conflicts of interest which any such person has or may have with the Group.

Interests of the Compliance Adviser

In accordance with Rule 6A.19 of the GEM Listing Rules, the Company has appointed Guotai Junan Capital Limited ("Guotai Junan") to be the compliance adviser. As informed by Guotai Junan, neither Guotai Junan nor any of its directors or employees or associates, has or may have, any interest in the share capital of the Company or any member of the Group (including options or rights to subscribe for such securities), which is required to be notified to the Company pursuant to Rule 6A.32 of the GEM Listing Rules, except for the compliance adviser agreement entered into between the Company and Guotai Junan dated 26 February 2016.

Audit Committee

The Company has established an audit committee 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. Chum Kwan Yue Desmond and Mr. Ng Chun Fai Frank. Mr. Chum Kwan Yue Desmond is the chairman of the audit committee.

Up to the date of approval of the Group's unaudited results for the nine months ended 30 September 2016, the audit committee had held meeting and had reviewed the draft 3rd quarterly financial report and accounts for the nine months ended 30 September 2016 prior to recommending such report and accounts to the Board for approval.

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. 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 from the date of Listing up to the date of this report.

On behalf of the Board
Classified Group (Holdings) Limited
Mr. Wong Arnold Chi Chiu
Chairman and executive Director

Hong Kong, 10 November 2016

As at the date of this report, the Company's executive Directors are Mr. Wong Arnold Chi Chiu, Mr. Lo Yeung Kit Alan and Mr. Pong Kin Yee; the independent non-executive Directors are Dr. Chan Kin Keung Eugene, Mr. Chum Kwan Yue Desmond and Mr. Ng Chun Fai Frank.

This report will remain on the GEM website on the "Latest Company Announcements" page for at least 7 days from the date of its posting.