



Classified Group (Holdings) Limited

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 8232

2018

INTERIM
REPORT

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

GEM has been positioned as a market designed to accommodate companies to which a higher investment risk may be attached than other companies listed on the Stock 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. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board of the Stock Exchange and no assurance is given that there will be a liquid market in the securities traded on GEM.

Hong Kong Exchanges and Clearing Limited and the Stock Exchange take no responsibility for the contents of this report, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this report.

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 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.

CONTENTS

Contents	1
Corporate Information	2
Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income	4
Condensed Consolidated Statement of Financial Position	5
Condensed Consolidated Statement of Changes in Equity	6
Condensed Consolidated Statement of Cash Flows	7
Notes to the Condensed Consolidated Financial Statements	8
Management Discussion and Analysis	22
Other Information	32
Change of Directors	36

CORPORATE INFORMATION

Board of Directors

Executive Directors

Mr. WONG Arnold Chi Chiu (*Chairman*)
Mr. LO Yeung Kit Alan
Mr. PONG Kin Yee
Mr. MA Chun Fai

Independent non-executive Directors

Dr. CHAN Kin Keung Eugene BBS,JP
Mr. LAI Chik Fan
Mr. NG Chun Fai Frank

Compliance Officer

Mr. WONG Arnold Chi Chiu

Authorized Representatives

Mr. WONG Arnold Chi Chiu
Mr. LI Kai Leung

Company Secretary

Mr. LI Kai Leung (*HKICPA*)

Audit Committee

Mr. LAI Chik Fan (*Chairman*)
Dr. CHAN Kin Keung Eugene BBS,JP
Mr. NG Chun Fai Frank

Remuneration Committee

Dr. CHAN Kin Keung Eugene BBS,JP (*Chairman*)
Mr. LAI Chik Fan
Mr. NG Chun Fai Frank

Nomination Committee

Mr. NG Chun Fai Frank (*Chairman*)
Dr. CHAN Kin Keung Eugene BBS,JP
Mr. LAI Chik Fan

Auditors

Deloitte Touche Tohmatsu
Certified Reporting Accountants

Compliance Adviser

Guotai Junan Capital Limited

Legal Advisers to the Company

Hogan Lovells

Principal Bankers

Hang Seng Bank Limited

Registered Office	Cricket Square, Hutchins Drive P.O. Box 2681 Grand Cayman KY1-1111 Cayman Islands
Head Office, Headquarters and Principal Place of Business in Hong Kong	Unit B, 23/F 38 Heung Yip Road Wong Chuk Hang Hong Kong
Hong Kong Share Registrars and Transfer Office	Union Registrars Limited Suites 3301-04, 33/F Two Chinachem Exchange Square 338 King's Road North Point Hong Kong
Principal Share Registrar and Transfer Office	Codan Trust Company (Cayman) Limited Cricket Square, Hutchins Drive P.O. Box 2681 Grand Cayman KY1-1111 Cayman Islands
Company Website	www.classifiedgroup.com.hk
GEM Stock Code	8232

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30 JUNE 2018

	NOTES	Three months ended		Six months ended	
		30 June 2018 HK\$'000 (unaudited)	30 June 2017 HK\$'000 (unaudited)	30 June 2018 HK\$'000 (unaudited)	30 June 2017 HK\$'000 (unaudited)
Revenue	5	32,259	35,783	63,220	69,681
Other income	6	302	252	563	524
Other gains and losses		(43)	–	(44)	–
Impairment loss for property, plant and equipment		(2,249)	(6,529)	(2,249)	(6,529)
Impairment loss recognised in respect of rental deposits		–	(1,868)	–	(1,868)
Raw materials and consumable used		(7,474)	(8,599)	(14,730)	(16,618)
Staff costs		(13,858)	(16,897)	(28,143)	(33,263)
Depreciation		(1,707)	(2,577)	(3,437)	(5,121)
Property rental and related expenses		(6,612)	(6,838)	(12,990)	(14,850)
Utility expenses		(967)	(1,091)	(1,754)	(2,034)
Advertising and promotion expenses		(815)	(771)	(1,596)	(1,459)
Other expenses		(4,193)	(4,633)	(7,943)	(9,184)
Finance costs	7	–	(163)	–	(337)
Loss before taxation	8	(5,357)	(13,931)	(9,103)	(21,058)
Taxation	9	–	–	–	–
Loss and total comprehensive expense for the period attributable to the owners of the Company		(5,357)	(13,931)	(9,103)	(21,058)
Loss per share Basic (HK cents)	11	(1.20)	(3.48)	(2.04)	(5.26)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2018

	NOTES	30 June 2018 HK\$'000 (unaudited)	31 December 2017 HK\$'000 (audited)
Non-current assets			
Property, plant and equipment	12	16,318	20,281
Deposits	13	8,669	7,800
Deferred tax assets		1,760	1,760
		26,747	29,841
Current assets			
Inventories		18,260	18,236
Trade and other receivables, deposits and prepayments	13	4,877	5,115
Amounts due from related companies		160	288
Amounts due from directors		940	787
Tax recoverable		231	1,044
Bank balances and cash		68,405	78,514
		92,873	103,984
Current liabilities			
Trade and other payables and accrued charges	14	9,964	15,152
Amounts due to related companies		454	368
		10,418	15,520
Net current assets		82,455	88,464
Total assets less current liabilities		109,202	118,305
Non-current liabilities			
Provision		1,441	1,441
Net assets		107,761	116,864
Capital and reserves			
Issued share capital	15	4,460	4,460
Reserves		103,301	112,404
Equity attributable to owners of the Company		107,761	116,864

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30 JUNE 2018

	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)/ profits <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1 January 2018 (audited)	4,460	127,329	766	(15,691)	116,864
Loss and total comprehensive expense for the period	-	-	-	(9,103)	(9,103)
At 30 June 2018 (unaudited)	4,460	127,329	766	(24,794)	107,761
At 1 January 2017 (audited)	4,000	45,296	766	20,281	70,343
Loss and total comprehensive expense for the period	-	-	-	(21,058)	(21,058)
At 30 June 2017 (unaudited)	4,000	45,296	766	(777)	49,285

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE SIX MONTHS ENDED 30 JUNE 2018

	Six months ended	
	30 June 2018 HK\$'000 (unaudited)	30 June 2017 HK\$'000 (unaudited)
Net cash used in operating activities	(13,756)	(12,392)
Net cash from investing activities		
Purchase of property, plant and equipment	(1,771)	(1,247)
Advance to directors	(182)	(509)
Repayment from directors	–	2,770
Receipts from other receivables	5,600	5,289
	3,647	6,303
Cash used in financing activities		
Repayment of bank borrowings	–	(8,199)
Interest paid	–	(337)
	–	(8,536)
Net (decrease) increase in cash and cash equivalents	(10,109)	(14,625)
Cash and cash equivalents at beginning of the period	78,514	54,069
Cash and cash equivalents at end of the period representing by bank balances and cash	68,405	39,444

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2018

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 Unit B, 23/F, 38 Heung Yip 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 2018 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 or reviewed 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 2018 are the same as those followed in the preparation of the financial statements for the year ended 31 December 2017.

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 2018.

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.

5. REVENUE AND SEGMENT INFORMATION

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

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

5. REVENUE AND SEGMENT INFORMATION (CONTINUED)

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 the front desk and basic table service would be provided by the delivery of ordered food to the table. The casual restaurants aim to provide a more casual and relaxing atmosphere.

- Full service restaurant operation ("Full service")

This segment derives its 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 restaurant 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. Subsequent to the reporting period, the Company terminated this business. For further details, please refer to the section headed "Termination of the Bakery Business and Central Kitchen" below.

Segment revenue and results

Six months ended 30 June 2018

	Causal	Full service	Bakery	Segment total	Elimination	Consolidated
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Revenue						
External sales	44,095	17,422	1,703	63,220	-	63,220
Inter segment sales	-	-	1,302	1,302	(1,302)	-
Total	44,095	17,422	3,005	64,522	(1,302)	63,220
Segment results	2,907	(579)	(4,079)	(1,751)	-	(1,751)
Other income						563
Unallocated operating costs						(7,915)
Loss before taxation						(9,103)

5. REVENUE AND SEGMENT INFORMATION (CONTINUED)

Segment revenue and results (continued)

Six months ended 30 June 2017

	Causal <i>HK\$'000</i>	Full service <i>HK\$'000</i>	Bakery <i>HK\$'000</i>	Segment total <i>HK\$'000</i>	Elimination <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
Revenue						
External sales	44,634	22,957	2,090	69,681	-	69,681
Inter segment sales	-	-	2,259	2,259	(2,259)	-
Total	44,634	22,957	4,349	71,940	(2,259)	69,681
Segment results	2,907	(13,812)	(1,823)	(12,728)	-	(12,728)
Other income						524
Unallocated operating costs						(8,615)
Finance costs						(239)
Loss before taxation						(21,058)

Inter-segment sales are charged at mutually agreed terms.

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

5. REVENUE AND SEGMENT INFORMATION (CONTINUED)

Segment assets and liabilities

As at 30 June 2018

	Causal <i>HK\$'000</i>	Full service <i>HK\$'000</i>	Bakery <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
ASSETS				
Segment assets	16,945	28,099	1,182	46,226
Property, plant and equipment				386
Deferred tax assets				1,760
Other receivables				1,672
Amounts due from directors				940
Tax recoverable				231
Bank balances and cash				68,405
Consolidated total assets				119,620
LIABILITIES				
Segment liabilities	6,270	3,251	646	10,167
Other payables				1,692
Consolidated total liabilities				11,859

5. REVENUE AND SEGMENT INFORMATION (CONTINUED)

Segment assets and liabilities (continued)

As at 31 December 2017

	Causal <i>HK\$'000</i>	Full service <i>HK\$'000</i>	Bakery <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
ASSETS				
Segment assets	15,631	15,227	4,163	35,021
Property, plant and equipment				467
Deferred tax assets				1,760
Inventories				14,843
Other receivables				1,389
Amounts due from directors				787
Tax recoverable				1,044
Bank balances and cash				78,514
Consolidated total assets				133,825
LIABILITIES				
Segment liabilities	7,701	5,672	1,138	14,511
Other payables				2,450
Consolidated total liabilities				16,961

5. REVENUE AND SEGMENT INFORMATION (CONTINUED)

Segment assets and liabilities (continued)

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

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

6. OTHER INCOME

	Three months ended		Six months ended	
	30 June 2018 HK\$'000	30 June 2017 HK\$'000	30 June 2018 HK\$'000	30 June 2017 HK\$'000
Promotion income	63	178	125	335
Franchise fee income	60	60	120	122
Others	11	12	15	64
Interest income	168	2	303	3
	302	252	563	524

7. FINANCE COSTS

	Three months ended		Six months ended	
	30 June 2018 HK\$'000	30 June 2017 HK\$'000	30 June 2018 HK\$'000	30 June 2017 HK\$'000
The finance costs represent interest on bank borrowings	–	163	–	337

8. LOSS BEFORE TAXATION

	Three months ended		Six months ended	
	30 June 2018 HK\$'000	30 June 2017 HK\$'000	30 June 2018 HK\$'000	30 June 2017 HK\$'000
Loss before taxation has been arrived at after charging:				
Raw materials and consumables used in respect of:				
– Restaurant operations	6,387	6,750	12,575	13,203
– Bakery products	1,087	1,849	2,155	3,415
	7,474	8,599	14,730	16,618
Loss on disposal of property, plant and equipment (included in other gains and losses)	49	–	49	–
Lease payments under operating leases in respect of:				
– Minimum payments	5,551	5,338	11,029	12,036
– Contingent rents (note)	256	318	398	466
	5,807	5,656	11,427	12,502

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 2017 and 30 June 2018.

10. DIVIDENDS

No dividends were paid, declared and proposed by the Company during the current interim period (30 June 2017: nil). The directors do not recommend the payment of any dividend 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 2018 HK\$'000	30 June 2017 HK\$'000	30 June 2018 HK\$'000	30 June 2017 HK\$'000
Loss:				
Loss for the period attributable to owners of the Company for the purpose of basic loss per share	(5,357)	(13,931)	(9,103)	(21,058)
	30 June 2018 '000	30 June 2017 '000	30 June 2018 '000	30 June 2017 '000
Number of shares				
Number of ordinary shares for the purpose of basic loss per share	446,000	400,000	446,000	400,000

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 2018 and 2017.

12. MOVEMENTS IN PROPERTY, PLANT AND EQUIPMENT

During the current interim period, the Group acquired property, plant and equipment of approximately HK\$1,771,000 (30 June 2017: HK\$1,247,000).

During the current interim period, the Group recognised an impairment loss of property, plant and equipment of HK\$2,249,000 (six months ended 30 June 2017: HK\$6,529,000) due to the closure of central kitchen (six months ended 30 June 2017: a restaurant), which is loss making in current interim period, as at 30 June 2018. For further details on the closure, please refer to the section headed "Termination of the Bakery Business and Central Kitchen" below.

13. TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	As at 30 June 2018 HK\$'000	As at 31 December 2017 HK\$'000
Trade receivables from restaurant operations	720	1,474
Trade receivables from sales of bakery products	497	241
Rental deposits	8,669	7,253
Other deposits	1,083	1,936
Deposit paid for acquisition of property, plant and equipment	–	98
Prepayments and others	2,577	1,913
	13,546	12,915
Analysed as:		
Current	4,877	5,115
Non-current	8,669	7,800
	13,546	12,915

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.

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

The Group's sales of bakery products to customers are mainly from credit sales. The Group allows a credit period of 30 to 60 days to these trade customers.

The credit period provided to customers can vary based on a number of factors including nature of the customer's operations, the Group's relationship with the customer and the customer's credit profile.

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

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

	As at 30 June 2018 HK\$'000	As at 31 December 2017 HK\$'000
0 to 30 days	653	1,402
31 to 60 days	12	39
61 to 90 days	19	5
Over 90 days	36	28
	720	1,474

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

The following is an ageing analysis of trade receivables from sales of bakery products based on the invoice date, which is approximately the revenue recognition date, at the end of the reporting periods.

	As at 30 June 2018 HK\$'000	As at 31 December 2017 HK\$'000
0 to 30 days	371	123
31 to 60 days	125	112
61 to 90 days	1	5
Over 90 days	–	1
	497	241

14. TRADE AND OTHER PAYABLES AND ACCRUED CHARGES

	As at 30 June 2018 HK\$'000	As at 31 December 2017 HK\$'000
Trade payables	2,532	6,884
Other payables:		
Accrued staff related costs	4,248	4,411
Other payables and accrued charges	3,184	3,857
	9,964	15,152

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

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

	As at 30 June 2018 HK\$'000	As at 31 December 2017 HK\$'000
0 to 30 days	2,364	3,750
31 to 60 days	168	2,811
61 to 90 days	–	172
Over 90 days	–	151
	2,532	6,884

15. ISSUED SHARE CAPITAL

	Number of shares	Amount HK\$	HK\$'000
Ordinary shares of HK\$0.01 each			
Authorised:			
At 1 January 2017, 30 June 2017, 1 January 2018 and 30 June 2018	800,000,000	8,000,000	8,000
Issued and fully paid:			
At 1 January 2017 and 30 June 2017	400,000,000	4,000,000	4,000
At 1 January 2018 and 30 June 2018	446,000,000	4,460,000	4,460

16. RELATED PARTY TRANSACTIONS

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

	Six months ended	
	30 June 2018 HK\$'000	30 June 2017 HK\$'000
Catering income from directors of the Company	73	136
Catering income from Gold Peak Industries (Holdings) Limited <i>(note (i))</i>	239	179
Catering income from GP Batteries International Limited <i>(note (i))</i>	234	204
Purchases of goods from Altaya Wines Limited <i>(note (ii))</i>	852	965
Purchases of goods from Cubatabaco Limited <i>(note (ii))</i>	–	40

Notes:

- (i) Father of Mr. Lo Yeung Kit, Alan ("Mr. Lo"), a director of the Company, is the director of Gold Peak Industries (Holdings) Limited and GP Batteries International Limited.
- (ii) Altaya Wines Limited and Cubatabaco Limited are controlled by Mr. Pong Kin Yee ("Mr. Pong"), a director of the Company, and his family.

During the current interim period, the emoluments of key management personnel were HK\$720,000 (30 June 2017: HK\$540,000).

MANAGEMENT DISCUSSION AND ANALYSIS

Industry Overview

During the six months ended 30 June 2018, the business environment of the food and beverage industry remained challenging, dynamic, and competitive. Pressure from rising food costs, rental expenses, utilities expenses and labour costs are enduring, which further squeeze profit margin. People are more budget conscious and sensitive to the amounts they spend on food and the revenues of our restaurants, especially for our full service restaurants, were weaker than expected. The management believes the difficult situation may continue, which will adversely affect the food and beverage industry and Group's performance.

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

During the six months ended 30 June 2018, our Group operated eleven restaurants under the "Classified" brand and one restaurant under "The Pawn" brand.

"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. It is our Group's flagship brand and contributes to over 69.7% of our total revenue. During the six months ended 30 June 2018, Classified recorded revenue of approximately HK\$44.1 million (30 June 2017: HK\$44.6 million), representing an decrease of approximately 1.2% as compared to the last corresponding period.

“The Pawn” is a full service restaurant located in one of Hong Kong’s iconic landmarks. It marries a contemporary dining and bar concept with a unique innovative space aiming to be more than just a dining experience. A communal social venue for an eclectic mix of groups and sub-cultures at any time of the day or night, celebrating retro-futurism, arts and design through casual-chic, alfresco and contemporary dining. During the six months ended 30 June 2018, The Pawn recorded revenue of approximately HK\$17.4 million (30 June 2017: HK\$17.4 million), which remained relatively stable as compared to the last corresponding period.

“The Fat Pig” was a full service restaurant with a pork-based concept by British Chef Mr. Tom Aikens. The Fat Pig’s financial performance was below our expectation due to the decrease in the number of visitors and shoppers and spending of customers in that district. Given the adverse impact of The Fat Pig’s financial performance on the Group’s overall financial performance, the Directors considered that it was in the best interest of the Shareholders to close down The Fat Pig and divert the Group’s existing resources to the remaining brands, namely “Classified” and “The Pawn”. As such, The Fat Pig was closed on 7 September 2017 and no revenue was recorded for the six months ended 30 June 2018 (30 June 2017: HK\$5.6 million).

In addition to the above restaurants, the Group also owned and operated a central kitchen which supplied bread, bakery and semi-finished food products to our restaurants and other corporate customers throughout the reporting period (the “Bakery Business”). During the six months ended 30 June 2018, our central kitchen recorded revenue of approximately HK\$3.0 million (30 June 2017: HK\$4.3 million), representing a decrease of approximately 30.9%, as compared to the last corresponding period. Segment loss for the six months ended 30 June 2018 was approximately HK\$4.1 million (30 June 2017: HK\$1.8 million).

Termination of the Bakery Business and Central Kitchen

In June 2018, taking into consideration the above factors, the adverse impact of our Bakery Business's financial performance on the Group's overall financial performance and its prospects, the Directors considered that it was in the best interest of the Shareholders to re-structure the Group's business, terminate the Bakery Business and close down its central kitchen (the "Termination"). For further details, please refer to the Company's announcements dated 22 June 2018 and 10 July 2018 (the "Inside Information Announcements").

The Directors believe that the Termination would not materially impact the Group's operations as the Group's individual restaurants are equipped to process and produce the food products (including bakery products) in their own kitchens. In accordance with the terms of the tenancy agreement of the central kitchen, the Group has informed the landlord of its intention to early terminate the agreement, introduced a new tenant who will take over the central kitchen and will hand over the premise on 1 October 2018 or earlier. No additional compensation is expected to be made to the landlord in respect of the early termination.

As disclosed in the Inside Information Announcements, the Directors confirm that: (a) the Company intends to carry on its existing businesses on both casual and full-service restaurant operations; and (b) other than the Termination, the Company has no intention, arrangement or understanding to dispose, scale-down or terminate its existing businesses and/or any major operating assets.

Subsequent to the Inside Information Announcements, the Directors confirm that the Termination had taken place and had been concluded on 4 August 2018. Further, the Company signed a memorandum of understanding with an independent third party for the acquisition of the central kitchen's fixed assets and takeover of the kitchen on an "as is" condition for a consideration of HK\$200,000. Such acquisition is expected to be completed on or before 15 September 2018.

Future Prospects

The food and beverage industry is always a challenging industry with intense competition and high operating costs, such as rising rental expenses, food costs and labour costs. Our success is 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) 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;
- (2) 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
- (3) there may be labour shortage in the future and competition for qualified individuals in the food and beverage industry may be intense.

For further details on the risks and uncertainties faced by our Group, please refer to 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, we currently plan to:

- (1) open four new restaurants and relocate one restaurant, with at least one in Kowloon in order to establish our business presence in Kowloon. We have identified potential locations for some new restaurants and received various tenancy offers from relevant landlords. We are still negotiating terms with the relevant landlords and have yet to sign any lease agreement for such new restaurants;
- (2) enhance and upgrade our existing restaurant facilities; and
- (3) enhance our premium food and fine wine programme in order to entice higher spending customers to visit our restaurants.

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 the shareholders.

FINANCIAL REVIEW

For the six months ended 30 June 2018, the group's unaudited turnover was approximately HK\$63.2 million (30 June 2017: HK\$69.7 million), representing a decrease of approximately 9.3% compared with the last corresponding period. The decrease in revenue for the six months ended 30 June 2018 was mainly due to the closure of The Fat Pig restaurant in September 2017.

During the six months ended 30 June 2018, the Group recorded an impairment loss of property, plant and equipment of approximately HK\$2.2 million as a result of the Termination of the Bakery Business mentioned above.

The loss attributable to owners of the Company was approximately HK\$9.1 million for the six months ended 30 June 2018 (2017: loss HK\$21.1 million). The decrease in our loss of the Company was mainly due to the decrease in staff costs, property rentals and related expenses and depreciation, which were primarily attributable to the closure of The Fat Pig restaurant in September 2017.

Financial Resources, Liquidity and Capital Structure

As at 30 June 2018, current assets amounted to approximately HK\$92.9 million (as at 31 December 2017: HK\$104.0 million) of which approximately HK\$68.4 million (as at 31 December 2017: HK\$78.5 million) was bank balances and cash, approximately HK\$4.9 million (as at 31 December 2017: HK\$5.1 million) was trade and other receivables, deposits and prepayments. The Group's current liabilities amounted to approximately HK\$10.4 million (as at 31 December 2017: HK\$15.5 million), which mainly included trade and other payables and accrued charges in the amount of approximately HK\$10.0 million (as at 31 December 2017: HK\$15.2 million).

Current ratio and quick assets ratio were 8.91 and 7.16 respectively (as at 31 December 2017: 6.70 and 5.53 respectively). Gearing ratio is calculated as total debt divided by total equity and multiply the resulting value by 100%. Gearing ratio were 0% (as at 31 December 2017: 0%).

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

Foreign Currency Exposure

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

Capital Commitments

As at 30 June 2018, the Group did not have any material capital commitments.

Contingent Liabilities

As at 30 June 2018, the Group did not have any contingent liabilities.

Employees and Remuneration Policies

As at 30 June 2018, the Group had 212 employees in Hong Kong (30 June 2017: 239 employees). Remuneration is determined with reference to market terms and in accordance with the performance, qualification and experience of each individual employee. Discretionary bonuses, based on each individual's performance, are paid to employees as recognition and in reward for their contributions. Other fringe benefits such as medical insurance, retirement benefits and other allowances are offered to all our employees.

Significant Investments, Material Acquisitions or Disposals

There were no significant investments held, material acquisitions or disposals of subsidiaries and affiliated companies during the six months ended 30 June 2018 and there is no plan for material investments or capital assets as at the date of this report.

Charge on Assets

As at 30 June 2018, the Group did not have any charge on its assets.

USE OF PROCEEDS

(1) IPO Placing

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

Reference is made to: (1) the Prospectus; (2) the Company's announcement dated 1 November 2017 regarding the change in the allocation of IPO Proceeds (the "**1 November 2017 Announcement**"); and (3) the Company's announcement dated 10 July 2018 regarding a further change in the allocation of IPO Proceeds (the "**10 July 2018 Announcement**").

An analysis of the utilisation of the IPO Proceeds up to this Interim Report is set out below:

	Original allocation of IPO Proceeds (as disclosed in the Prospectus) <i>HK\$'000</i>	Revised allocation of IPO Proceeds (as disclosed in the 1 November 2017 Announcement) <i>HK\$'000</i>	Revised allocation of IPO Proceeds (as disclosed in the 10 July 2018 Announcement) <i>HK\$'000</i>	Utilised IPO Proceeds as at this Interim Report <i>HK\$'000</i>	Unutilised IPO Proceeds as at this Interim Report <i>HK\$'000</i>
Opening new restaurants under "Classified" brand					
– First restaurant	4,993	3,771	3,771	(3,771)	–
– Second restaurant	4,993	4,993	1,765	(1,765)	–
– Third restaurant	–	–	4,993	–	4,993
Establishing a new central kitchen for Classified restaurants	4,438	4,000	4,000	(4,000)	–
Enhancement and upgrading existing restaurant facilities (namely, CEX, CTH and CHV)	8,655	4,209	4,209	(4,209)	–

	Original allocation of IPO Proceeds (as disclosed in the Prospectus) <i>HK\$'000</i>	Revised allocation of IPO Proceeds (as disclosed in the 1 November 2017 Announcement) <i>HK\$'000</i>	Revised allocation of IPO Proceeds (as disclosed in the 10 July 2018 Announcement) <i>HK\$'000</i>	Utilised IPO Proceeds as at this Interim Report <i>HK\$'000</i>	Unutilised IPO Proceeds as at this Interim Report <i>HK\$'000</i>
Enhancement and upgrading existing restaurant facilities (other than CEX, CTH, CHV and CMB)	-	3,400	300	(42)	258
General working capital	1,996	4,702	6,037	(4,702)	1,335
Total	25,075	25,075	25,075	(18,489)	6,586

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

The Directors confirm that since the 10 July 2018 Announcement and up to the date of this Interim Report, there has been no material change to the utilisation of the IPO Proceeds and reallocation of unutilised IPO Proceeds mentioned above.

(2) Placing on 1 November 2017

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

An analysis of the November Placing Proceeds up to this Interim Report is set out below:

	Planned use of November Placing Proceeds as at this Interim Report <i>HK\$'000</i>	Utilised November Placing Proceeds as at this Interim Report <i>HK\$'000</i>	Unutilised November Placing Proceeds as at this Interim Report <i>HK\$'000</i>
Repayment of bank borrowings	17,500	(17,500)	–
Develop, relocate, open and upgrade of restaurants <i>Note (1)</i>	24,500	–	24,500
Working capital for existing business of the Group	24,000	(24,000)	–
Enhancement of premium food and fine wine programme <i>Note (2)</i>	16,400	(14,843)	1,557
	82,400	(56,343)	26,057

Notes:

- (1) As disclosed in the Company's Annual Report 2017, the Company intended to relocate one of its restaurants due to the landlord's early termination of the tenancy agreement. The termination took place in April 2018 and the Company is currently in process of exploring potential locations for the relocation.

In addition, the Company intends to apply part of the November Placing Proceeds to open three new restaurants. The Company is still in continuing negotiations with various landlords for potential locations.

- (2) The Company has completed the intended enhancement of premium food and fine wine programme and intends to use the remaining HK\$1.6 million for its general working capital.

COMPARISON BETWEEN BUSINESS STRATEGIES WITH ACTUAL BUSINESS PROGRESS

An analysis comparing the business strategies as set out in the Prospectus with the Group's actual business progress for the period from 11 July 2016 (being the Listing Date) to 30 June 2018 is set out below:

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

Note: The central kitchen was closed down subsequently on 4 August 2018. For further details, please refer to the section headed "Termination of the Bakery Business and Central Kitchen" above.

OTHER INFORMATION

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

During the six months ended 30 June 2018 and up to the date of this report, there has been no purchase, sale or redemption of any Company's listed securities by the Company or any of its subsidiaries.

Share Option Scheme

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

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

As at 30 June 2018, 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 (<i>Note 1</i>)	41,340,000	9.3%
Mr. Lo Yeung Kit Alan	interest in controlled corporation (<i>Note 2</i>)	68,000,000	15.3%
Mr. Pong Kin Yee	interest in controlled corporation (<i>Note 3</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. Lo beneficially owns 100% equity interest in Easy Fame Investments Limited. Therefore, Mr. Lo is deemed to be interested in 68,000,000 shares held by Easy Fame Investments Limited.
3. 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 2018, 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 2018, 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%
Easy Fame Investments Limited	Beneficial owner	68,000,000	15.3%
Ms. Wong Pui Yain	Interest of spouse (<i>Note 2</i>)	68,000,000	15.3%
Peyton Global Limited	Beneficial owner	68,000,000	15.3%
Ms. Cheng Chi Man	Interest of spouse (<i>Note 3</i>)	68,000,000	15.3%
Millennium Pacific Information Technology Limited	Beneficial owner	53,320,000	13.3%
Surplus Gain Global Limited	Beneficial owner (<i>Note 4</i>)	25,660,000	5.75%

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. Lo beneficially owns 100% equity interest in Easy Fame Investments Limited. 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.
3. 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.
4. Mr. Lau Wang Chi Barry beneficially owns 100% equity interest in Surplus Gain Global Limited. Therefore, Mr. Lau is deemed to be interested in 25,660,000 shares held by Surplus Gain Global Limited.

Save as disclosed above, as at 30 June 2018, 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 "Directors' Interests in Competing Business" in the Company's 2017 Annual Report and as at the date of this report, 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 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. Lai Chik Fan and Mr. Ng Chun Fai Frank. Mr. Lai Chik Fan 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 2018, 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. 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.

CHANGE OF DIRECTORS

On 30 June 2018: (1) Mr. Chum Kwan Yue Desmond ("Mr. Chum") resigned as an independent non-executive director, a member and the chairman of the audit committee and a member of the nomination committee and remuneration committee of the Company; and (2) Mr. Lai Chik Fan ("Mr. Lai") was appointed as an independent non-executive director, a member and the chairman of the audit committee and a member of the nomination committee and remuneration committee of the Company. For further details, please refer to the Company's announcement dated 30 June 2018 and the Company's clarification announcement dated 11 July 2018.

Following the resignation of Mr. Chum and appointment of Mr. Lai, the Company has not fully complied with the requirements under Rules 5.05(2) and 5.28 of the GEM Listing Rules which, respectively, require at least one of the independent non-executive directors and at least one audit committee member to have appropriate professional qualifications or accounting or related financial management expertise. For further details, please refer to the Company's announcement dated 23 July 2018.

In accordance with Rules 5.06 and 5.33 of the GEM Listing Rules, the Company will ensure a suitable candidate is appointed to meet the above requirements as soon as practicable, and in any event within three months from 30 June 2018, being the date of Mr. Chum's resignation. The Company will make further announcement(s) as and when appropriate.

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

Hong Kong, 10 August 2018

As at the date of this report, 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. LAI Chik Fan 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 and on the Company's website at www.classifiedgroup.com.hk.