



Classified Group (Holdings) Limited

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 8232

2018

THIRD
QUARTERLY
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 small and mid-sized 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.

Given that the companies listed on GEM are generally small and mid-sized companies, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board and no assurance is given that there will be a liquid market in the securities traded on GEM.

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This report, for which the directors (the “Directors”) of Classified Group (Holdings) Limited (the “Company”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on 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 2018

NOTES	Three months ended		Nine months ended		
	30 September 2018 HK\$'000 (unaudited)	30 September 2017 HK\$'000 (unaudited)	30 September 2018 HK\$'000 (unaudited)	30 September 2017 HK\$'000 (unaudited)	
Continuing operations					
Revenue	5	27,182	29,466	88,698	97,057
Other income	6	511	347	1,074	871
Other losses		(279)	-	(323)	-
Impairment loss for property, plant and equipment		-	-	-	(6,529)
Allowance for rental deposits		-	-	-	(1,868)
Raw materials and consumable used		(6,019)	(7,193)	(19,831)	(22,655)
Staff costs		(13,464)	(16,185)	(40,546)	(48,219)
Depreciation		(1,468)	(1,676)	(4,334)	(6,233)
Property rental and related expenses		(6,569)	(7,597)	(19,345)	(22,243)
Utility expenses		(947)	(1,066)	(2,570)	(2,948)
Advertising and promotion expenses		(768)	(643)	(2,344)	(2,093)
Other expenses		(4,402)	(5,663)	(11,726)	(14,248)
Finance costs	7	-	(107)	-	(444)
Loss before taxation	8	(6,223)	(10,317)	(11,247)	(29,552)
Taxation	9	-	-	-	-
Loss for the period from continuing operations		(6,223)	(10,317)	(11,247)	(29,552)
Discontinued operation					
Loss for the period from discontinued operation	12	(318)	(1,118)	(4,397)	(2,941)
Loss and total comprehensive expense for the period attributable to the Owners of the Company		(6,541)	(11,435)	(15,644)	(32,493)
Loss per share					
From continuing and discontinued operations					
Basic (HK cents)	11	(1.47)	(2.86)	(3.51)	(8.12)
From continuing operations					
Basic (HK cents)	11	(1.40)	(2.58)	(2.52)	(7.39)

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2018

	Attributable to owners of the Company				Total HK\$'000
	Share capital HK\$'000	Share premium HK\$'000	Other reserve HK\$'000	Accumulated profits (losses) HK\$'000	
At 1 January 2018 (audited)	4,460	127,329	766	(15,691)	116,864
Loss and total comprehensive expense for the period	-	-	-	(15,644)	(15,644)
At 30 September 2018 (unaudited)	4,460	127,329	766	(31,335)	101,220
At 1 January 2017 (audited)	4,000	45,296	766	20,281	70,343
Loss and total comprehensive expense for the period	-	-	-	(32,493)	(32,493)
At 30 September 2017 (unaudited)	4,000	45,296	766	(12,212)	37,850

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE NINE MONTHS ENDED 30 SEPTEMBER 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 7/F., Remex Centre, 42 Wong Chuk Hang Road, Wong Chuk Hang, Hong Kong.

The Company is an investment holding company and its subsidiaries are principally engaged in restaurant operations in Hong Kong.

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

2. BASIS OF PREPARATION AND PRESENTATION

The unaudited condensed consolidated financial statement for the nine months ended 30 September 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 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 nine months ended 30 September 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 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 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 the operation of casual dining restaurants in which customers would place orders at the front desk and basic table service would be provided by the delivery of ordered food to the table. The casual restaurants aim to provide a more casual and relaxing atmosphere.

- Full service restaurant operation ("Full service")

This segment derives its revenue from the operation of a 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 aims to provide dining experience with full table services.

An operating segment regarding the production and sales of bakery products ("Bakery") was discontinued in the current period. The segment information reported does not include any amounts for this discontinued operation, which are described in more detail in note 12.

	Three months ended		Nine months ended	
	30 September 2018 HK\$'000 (unaudited)	30 September 2017 HK\$'000 (unaudited)	30 September 2018 HK\$'000 (unaudited)	30 September 2017 HK\$'000 (unaudited)
Casual	19,812	20,466	63,906	65,100
Full Service	7,370	9,000	24,792	31,957
Revenue from continuing operations	27,182	29,466	88,698	97,057

6. OTHER INCOME

	Three months ended		Nine months ended	
	30 September 2018 HK\$'000 (unaudited)	30 September 2017 HK\$'000 (unaudited)	30 September 2018 HK\$'000 (unaudited)	30 September 2017 HK\$'000 (unaudited)
Promotion income	154	178	279	513
Franchise fee income	70	60	190	182
Others	67	108	82	172
Interest income	220	1	523	4
	511	347	1,074	871

7. FINANCE COSTS

	Three months ended		Nine months ended	
	30 September 2018 HK\$'000 (unaudited)	30 September 2017 HK\$'000 (unaudited)	30 September 2018 HK\$'000 (unaudited)	30 September 2017 HK\$'000 (unaudited)
The finance costs represent interest on bank borrowings	–	107	–	444

8. LOSS BEFORE TAXATION FROM CONTINUING OPERATIONS

	Three months ended		Nine months ended	
	30 September 2018 HK\$'000 (unaudited)	30 September 2017 HK\$'000 (unaudited)	30 September 2018 HK\$'000 (unaudited)	30 September 2017 HK\$'000 (unaudited)
Loss before taxation from continuing operations has been arrived at after charging:				
Raw materials and consumables used in respect of Restaurant operations	5,895	6,114	18,470	19,317
Net loss on disposal of property, plant and equipment (included in other gains and losses)	283	–	332	–
Lease payments under operating leases in respect of:				
– Minimum payments	5,653	6,292	16,468	18,124
– Contingent rents (<i>note</i>)	95	206	493	672
	5,748	6,498	16,961	18,796

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 each of the nine months ended 30 September 2018 and 2017.

10. DIVIDENDS

No dividends were paid, declared and proposed by the Company during the current period (nine months ended 30 September 2017: nil). The directors have determined that no dividend will be paid in respect of the current period.

11. LOSS PER SHARE

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

From continuing and discontinued operations

	Three months ended		Nine months ended	
	30 September 2018 HK\$'000 (unaudited)	30 September 2017 HK\$'000 (unaudited)	30 September 2018 HK\$'000 (unaudited)	30 September 2017 HK\$'000 (unaudited)
Loss:				
Loss for the period attributable to owners of the Company for the purpose of basic loss per share	(6,541)	(11,435)	(15,644)	(32,493)
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 each of the nine months ended 30 September 2018 and 2017.

11. LOSS PER SHARE (continued)

From continuing operations

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

	Three months ended		Nine months ended	
	30 September 2018 HK\$'000 (unaudited)	30 September 2017 HK\$'000 (unaudited)	30 September 2018 HK\$'000 (unaudited)	30 September 2017 HK\$'000 (unaudited)
Loss is calculated as follows:				
Loss for the period attributable to the owners of the Company	(6,541)	(11,435)	(15,644)	(32,493)
Add: loss for the period from discontinued operation	318	1,118	4,397	2,941
Loss for the purpose of basic loss per share from continuing operations	(6,223)	(10,317)	(11,247)	(29,552)

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

From discontinued operation

Basic loss per share for the discontinued operation is HK\$0.99 cents per share (2017: HK\$0.74 cents per share) for the nine months ended 30 September 2018 based on the loss for the period from the discontinued operations of approximately HK\$4,397,000 (2017: HK\$2,941,000). The denominators used are the same as those detailed above for basic loss per share.

12. DISCONTINUED OPERATION

Taking into consideration the adverse impact of the Bakery business on the Group's overall financial performance and other factors, the Company terminated this business in August 2018 and handed over the premise of the central kitchen to the landlord on 28 September 2018. Upon the handover of the central kitchen, the directors of the Company considered that the operation of Bakery is discontinued.

The result of and loss for the period from the discontinued operation for the nine months ended 30 September 2018 and 2017 are analysed as follows:

	Three months ended		Nine months ended	
	30 September 2018 HK\$'000 (unaudited)	30 September 2017 HK\$'000 (unaudited)	30 September 2018 HK\$'000 (unaudited)	30 September 2017 HK\$'000 (unaudited)
Revenue	169	805	1,873	2,895
Gain on disposal of property, plant and equipment	295	-	-	-
Impairment loss for property, plant and equipment	-	-	(1,954)	-
Raw materials and consumable used	(178)	(495)	(1,096)	(1,651)
Staff costs	(177)	(554)	(1,238)	(1,783)
Depreciation	-	(286)	(571)	(850)
Property rental and related expenses	(112)	(102)	(326)	(306)
Utility expenses	(54)	(96)	(185)	(248)
Advertising and promotion expenses	-	(2)	(20)	(11)
Other expenses	(261)	(388)	(880)	(987)
Loss before taxation	(318)	(1,118)	(4,397)	(2,941)
Taxation	-	-	-	-
Loss for the period from discontinued operation	(318)	(1,118)	(4,397)	(2,941)

12. DISCONTINUED OPERATION (continued)

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

	Three months ended		Nine months ended	
	30 September 2018 HK\$'000 (unaudited)	30 September 2017 HK\$'000 (unaudited)	30 September 2018 HK\$'000 (unaudited)	30 September 2017 HK\$'000 (unaudited)
Gain on disposal of property, plant and equipment	(295)	-	-	-
Raw materials and consumables used in respect of bakery products	178	495	1,096	1,651
Lease payments under operating leases in respect of minimum payments	112	102	326	306

MANAGEMENT DISCUSSION AND ANALYSIS

Industry Overview

During the nine months ended 30 September 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 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 nine months ended 30 September 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 70.6% of our total revenue. During the nine months ended 30 September 2018, Classified recorded revenue of approximately HK\$63.9 million (30 September 2017: HK\$65.1 million), representing a decrease of approximately 1.8% 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 nine months ended 30 September 2018, The Pawn recorded revenue of approximately HK\$24.8 million (30 September 2017: HK\$24.4 million), representing an increase of approximately 1.6% 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 nine months ended 30 September 2018 (30 September 2017: HK\$7.6 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 (the “Bakery Business”). During the nine months ended 30 September 2018, our central kitchen recorded revenue to external customers of approximately HK\$1.9 million (30 September 2017: HK\$2.9 million), representing a decrease of approximately 35.3%, as compared to the last corresponding period. Taking into consideration the adverse impact of the Bakery Business on the Group’s overall financial performance and other factors, the Company terminated this business in August 2018 and handed over the premise of the central kitchen to the landlord on 28 September 2018. The Directors believed that the termination had no material impact on the Group’s operations as the Group’s individual restaurants were equipped to process and produce the food products (including bakery products) in their own kitchens. For further details, please refer to the Company’s announcements dated 22 June 2018 and 10 July 2018 (the “Inside Information Announcements”) and the Company’s 2018 Interim Report.

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.

We believe our ongoing expansion and enhancement plans will improve our market share while we will continue to refine our business strategy to cope with the continuing challenges. We will also proactively seek potential business opportunities that will broaden our sources of revenue and enhance value to the shareholders.

FINANCIAL REVIEW

For the nine months ended 30 September 2018, the group's unaudited turnover was approximately HK\$90.6 million, included continuing operations HK\$88.7 million and discontinued operation HK\$1.9 million (30 September 2017: Group's total HK\$100.0 million), representing a decrease of approximately 9.4% compared with the last corresponding period. The decrease in revenue for the nine months ended 30 September 2018 was mainly due to the closure of The Fat Pig restaurant in September 2017, a Classified restaurant in April 2018 due to the early termination of tenancy agreement by the landlord, and the termination of the Company's bakery business in August 2018.

During the nine months ended 30 September 2018, the Group recorded an impairment loss of property, plant and equipment of approximately HK\$2.0 million as a result of the termination of the bakery business mentioned above.

The loss attributable to owners of the Company was approximately HK\$15.6 million, included continuing operations HK\$11.2 million and discontinued operation HK\$4.4 million for the nine months ended 30 September 2018 (30 September 2017: Group's total loss HK\$32.5 million). The decrease in our loss of the Company was mainly due to the decrease in impairment loss, staff costs, property rentals and related expenses and depreciation, which were primarily attributable to the closure of The Fat Pig restaurant and the bakery business in September 2017 and August 2018, respectively.

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 September 2018, the Group did not have any material capital commitments.

Contingent Liabilities

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

Significant Investments, Material Acquisitions or Disposals

There were no significant investments held, material acquisitions or disposals of subsidiaries and affiliated companies during the nine months ended 30 September 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 September 2018, the Group did not have any charge on its assets.

OTHER INFORMATION

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

During the nine months ended 30 September 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 September 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 September 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 September 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	12.0%
Surplus Gain Global Limited	Beneficial owner (<i>Note 4</i>)	44,895,000	10.1%

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 44,895,000 shares held by Surplus Gain Global Limited.

Save as disclosed above, as at 30 September 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 four independent non-executive Directors, namely Dr. Chan Kin Keung Eugene, Mr. Yue Man Yiu Matthew, Mr. Ng Chun Fai Frank and Mr. Lai Chik Fan. Mr. Yue Man Yiu Matthew is the chairman of the audit committee.

The Audit Committee of the Company has discussed and reviewed with management, the unaudited condensed consolidated financial statements of the Group for the nine months ended 30 September 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

Reference is also made to the Company's announcement dated 19 October 2018, in which the Company announced the appointment of Mr. Yue Man Yiu Matthew as an independent non-executive director, a member and the Chairman of the audit committee and a member of the nomination and remuneration committees of the Company, and the redesignation of Mr. Lai Chik Fan from the Chairman of the audit committee to a member of the audit committee of the Company.

As disclosed in such announcement, following the previous change of directors of the Company on 30 June 2018, the Company had not fully complied with Rules 5.05(2) and 5.28 of the GEM Listing Rules. Over the past months, the Company had taken active steps to identify suitable candidates with appropriate expertise, including shortlisting potential candidates based on their professional qualifications, experience and independence, performing relevant due diligence and seeking appropriate advice in relation to the proposed appointment of such potential candidates. However, the Company was ultimately not able to formally appoint a suitable candidate on time due to various reasons, including potential issues raised during the Company's due diligence process and the candidate opting for another job opportunity.

As such, additional time was required for the appointment. On 28 September 2018, the Company applied to the Stock Exchange for an extension of time to appoint an independent non-executive director with appropriate professional qualifications or accounting or related financial management expertise as required under Rules 5.05(2) and 5.28 of the GEM Listing Rules. On 19 October 2018, the Stock Exchange granted such waiver from strict compliance with Rules 5.05(2) and 5.28 of the GEM Listing Rules for the period from 30 September 2018 to 19 October 2018.

Following Mr. Yue Man Yiu Matthew's appointment on 19 October 2018, as he (one of the independent non-executive directors of the Company and the Chairman of the audit committee of the Company) has appropriate professional qualifications or accounting or related financial management expertise, the Company is in compliance with the requirements under Rules 5.05(2) and 5.28 of the GEM Listing Rules.

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

Hong Kong, 14 November 2018

As at the date of this report, the Company's executive Directors are Mr. WONG Arnold Chi Chiu, Mr. LO Yeung Kit Alan, Mr. PONG Kin Yee and Mr. MA Chun Fai; the independent non-executive Directors are Dr. CHAN Kin Keung Eugene, Mr. YUE Man Yiu Matthew, Mr. NG Chun Fai Frank and Mr. LAI Chik Fan.

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.