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## **Classified Group (Holdings) Limited**

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

**(Stock Code: 8232)**

### **INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2019 ANNOUNCEMENT**

The board of directors (the “**Board**”) of Classified Group (Holdings) Limited (the “**Company**”) is pleased to announce the unaudited condensed consolidated results of the Company and its subsidiaries (the “**Group**”) for the six months ended 30 June 2019 (the “**Interim Results**”). This announcement contains the full text of the interim report of the Group for the six months ended 30 June 2019 and the contents were prepared in accordance with the relevant disclosure requirements of the Rules Governing the Listing of Securities on the GEM of The Stock Exchange of Hong Kong Limited (the “**Hong Kong Stock Exchange**”). The Interim Results have been reviewed by the Board and the audit committee of the Board.

This results announcement is published on the websites of the Company ([www.classifiedgroup.com.hk](http://www.classifiedgroup.com.hk)) and the Hong Kong Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)). The interim report of the Company for the six months ended 30 June 2019 will be delivered to shareholders of the Company and will also be available at the abovementioned websites in due course.

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

Hong Kong, 9 August 2019

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

*This announcement, for which the directors of the Company collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the GEM of The Stock Exchange of Hong Kong Limited for the purpose of giving information with regard to the Company. The directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief, the information contained in this announcement is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this announcement misleading.*

*This announcement will remain on the GEM website at [www.hkgem.com](http://www.hkgem.com) on the “Latest Company Announcements” page for at least seven days from the date of its posting and on the Company’s website at [www.classifiedgroup.com.hk](http://www.classifiedgroup.com.hk).*



## **Classified Group (Holdings) Limited**

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

Stock Code: 8232

# **2019** **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 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.**

*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”), together with its subsidiaries, the “Group” 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**

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	34
Other Information	41

## 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. NG Chun Fai Frank  
Mr. YUE Man Yiu, Matthew

### Compliance Officer

Mr. WONG Arnold Chi Chiu

### Authorized Representatives

Mr. WONG Arnold Chi Chiu  
Ms. LEUNG Yin Fai

### Company Secretary

Ms. LEUNG Yin Fai (*HKICPA*)

### Audit Committee

Mr. YUE Man Yiu, Matthew (*Chairman*)  
Dr. CHAN Kin Keung Eugene BBS,JP  
Mr. NG Chun Fai Frank

### Remuneration Committee

Dr. CHAN Kin Keung Eugene BBS,JP (*Chairman*)  
Mr. YUE Man Yiu, Matthew  
Mr. NG Chun Fai Frank

### Nomination Committee

Mr. NG Chun Fai Frank (*Chairman*)  
Dr. CHAN Kin Keung Eugene BBS,JP  
Mr. YUE Man Yiu, Matthew

### Auditors

Deloitte Touche Tohmatsu  
*Certified Reporting Accountants*

### Legal Advisers to the Company

Hogan Lovells

### Principal Bankers

Hang Seng Bank Limited

<b>Registered Office</b>	Cricket Square, Hutchins Drive P.O. Box 2681 Grand Cayman KY1-1111 Cayman Islands
<b>Head Office, Headquarters and Principal Place of Business in Hong Kong</b>	7/F, Remex Centre 42 Wong Chuk Hang Road Wong Chuk Hang Hong Kong
<b>Hong Kong Share Registrars and Transfer Office</b>	Union Registrars Limited Suites 3301-04, 33/F Two Chinachem Exchange Square 338 King's Road North Point Hong Kong
<b>Principal Share Registrar and Transfer Office</b>	Conyers Trust Company (Cayman) Limited Cricket Square, Hutchins Drive P.O. Box 2681 Grand Cayman KY1-1111 Cayman Islands
<b>Company Website</b>	<a href="http://www.classifiedgroup.com.hk">www.classifiedgroup.com.hk</a>
<b>GEM Stock Code</b>	8232

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

FOR THE SIX MONTHS ENDED 30 JUNE 2019

	NOTES	Three months ended		Six months ended	
		30 June 2019 HK\$'000 (unaudited)	30 June 2018 HK\$'000 (unaudited)	30 June 2019 HK\$'000 (unaudited)	30 June 2018 HK\$'000 (unaudited)
<b>Continuing operations</b>					
Revenue	5	30,515	31,969	58,403	61,517
Other income	6	521	302	786	563
Other losses		(2)	(43)	(5)	(44)
Raw materials and consumable used		(7,459)	(7,625)	(13,789)	(13,813)
Staff costs		(12,512)	(13,354)	(25,026)	(27,082)
Depreciation		(3,701)	(1,423)	(9,293)	(2,866)
Property rental and related expenses		(3,700)	(6,500)	(5,179)	(12,776)
Utility expenses		(887)	(894)	(1,627)	(1,624)
Advertising and promotion expenses		(817)	(806)	(1,573)	(1,576)
Other expenses		(3,072)	(3,900)	(6,155)	(7,323)
Finance costs	7	(658)	–	(951)	–
Loss before taxation	8	(1,772)	(2,274)	(4,409)	(5,024)
Taxation	9	–	–	–	–
Loss for the period from continuing operations		(1,772)	(2,274)	(4,409)	(5,024)
<b>Discontinued operation</b>					
Loss for the period from discontinued operation	12	(20)	(3,083)	(55)	(4,079)
Loss and total comprehensive expense attributable to owners of the Company for the period		(1,792)	(5,357)	(4,464)	(9,103)
Loss per share					
From continuing and discontinued operations					
Basic (HK cents)	11	(0.40)	(1.20)	(1.00)	(2.04)
From continuing operations					
Basic (HK cents)	11	(0.40)	(0.51)	(0.99)	(1.13)

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2019

	NOTES	30 June 2019 HK\$'000 (unaudited)	31 December 2018 HK\$'000 (audited)
Non-current assets			
Property, plant and equipment	13	8,558	10,541
Right-of-use assets		30,144	–
Deposits	14	6,254	7,148
Deferred tax assets		1,224	1,224
		<b>46,180</b>	18,913
Current assets			
Inventories		17,325	18,229
Trade and other receivables, deposits and prepayments	14	5,424	4,255
Amounts due from related companies		252	282
Amounts due from directors		1,025	1,028
Tax recoverable		45	45
Bank balances and cash		60,338	65,393
		<b>84,409</b>	89,232
Current liabilities			
Trade and other payables and accrued charges	15	7,987	11,885
Contract liabilities		128	217
Amounts due to related companies		365	152
Lease liabilities		14,022	–
Provisions		–	1,185
		<b>22,502</b>	13,439
Net current assets		<b>61,907</b>	75,793
Total assets less current liabilities		<b>108,087</b>	94,706
Non-current liabilities			
Lease liabilities		20,060	–
Provisions		1,565	3,780
		<b>21,625</b>	3,780
Net assets		<b>86,462</b>	90,926
Capital and reserves			
Issued share capital	16	4,460	4,460
Reserves		82,002	86,466
Equity attributable to owners of the Company		<b>86,462</b>	90,926



## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30 JUNE 2019

	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 <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1 January 2019 (audited)	4,460	127,329	766	(41,629)	90,926
Loss and total comprehensive expense for the period (unaudited)	-	-	-	(4,464)	(4,464)
At 30 June 2019 (unaudited)	4,460	127,329	766	(46,093)	86,462
At 1 January 2018 (audited)	4,460	127,329	766	(15,691)	116,864
Loss and total comprehensive expense for the period (unaudited)	-	-	-	(9,103)	(9,103)
At 30 June 2018 (unaudited)	4,460	127,329	766	(24,794)	107,761

## CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE SIX MONTHS ENDED 30 JUNE 2019

	Six months ended	
	30 June 2019 HK\$'000 (unaudited)	30 June 2018 HK\$'000 (unaudited)
Net cash from (used in) operating activities	<b>2,541</b>	(14,059)
Net cash from investing activities		
Interest received	<b>490</b>	303
Purchase of property, plant and equipment	<b>(402)</b>	(1,771)
Advance to directors	–	(182)
Receipts from other receivables	–	5,600
	<b>88</b>	3,950
Cash used in financing activity		
Repayment of lease liabilities	<b>(7,684)</b>	–
Net decrease in cash and cash equivalents	<b>(5,055)</b>	(10,109)
Cash and cash equivalents at beginning of the period	<b>65,393</b>	78,514
Cash and cash equivalents at end of the period representing by bank balances and cash	<b>60,338</b>	68,405

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2019

## 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 since 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 six months ended 30 June 2019 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 six months ended 30 June 2019 are the same as those followed in the preparation of the financial statements for the year ended 31 December 2018.

### 4. APPLICATION OF HKFRSs

In the current interim period, the Group has applied for the first time, the following new and revised HKFRSs and an interpretation issued by the HKICPA which are mandatory effective for the annual period beginning on or after 1 January 2019 for the preparation of the Group’s condensed consolidated financial statements:

HKFRS 16	Leases
HK(IFRIC)-Int 23	Uncertainty over Income Tax Treatments
Amendments to HKFRS 9	Prepayment Features with Negative Compensation
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015-2017 Cycle

Except as described below, the application of the new and revised HKFRSs and an interpretation in the current period has had no material impact on the Group’s financial performance and positions for the current and prior periods and/or on the disclosures set out in these condensed consolidated financial statements.

## 4. APPLICATION OF HKFRSs (Continued)

### 4.1 Impacts and changes in accounting policies of application on HKFRS 16 "Leases"

The Group has applied HKFRS 16 for the first time in the current interim period. HKFRS 16 superseded HKAS 17 "Leases" ("HKAS 17"), and the related interpretations.

#### ***4.1.1 Key changes in accounting policies resulting from application of HKFRS 16***

The Group applied the following accounting policies in accordance with the transition provisions of HKFRS 16.

##### *Definition of a lease*

A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

For contracts entered into or modified on or after the date of initial application, the Group assesses whether a contract is or contains a lease based on the definition under HKFRS 16 at inception or modification date. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed.

##### *As a lessee*

Allocation of consideration to components of a contract

For a contract that contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

## 4. APPLICATION OF HKFRSs (Continued)

### 4.1 Impacts and changes in accounting policies of application on HKFRS 16 “Leases” (Continued)

#### 4.1.1 Key changes in accounting policies resulting from application of HKFRS 16 (Continued)

*As a lessee* (Continued)

Short-term leases

The Group applies the short-term lease recognition exemption to leases of restaurant premises that have a lease term of 12 months or less from the date of initial application of HKFRS 16. Lease payments on short-term leases are recognised as expense on a straight-line basis over the lease term.

Right-of-use assets

Except for short-term leases, the Group recognises right-of-use assets at the commencement date of the lease (i.e. the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

The cost of right-of-use asset includes:

- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date, less any lease incentives received;
- any initial direct costs incurred by the Group; and
- an estimate of costs to be incurred by the Group in dismantling and removing the underlying assets, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

## 4. APPLICATION OF HKFRSs (Continued)

### 4.1 Impacts and changes in accounting policies of application on HKFRS 16 “Leases” (Continued)

#### 4.1.1 Key changes in accounting policies resulting from application of HKFRS 16 (Continued)

*As a lessee* (Continued)

Right-of-use assets (Continued)

Right-of-use assets in which the Group is reasonably certain to obtain ownership of the underlying leased assets at the end of the lease term is depreciated from commencement date to the end of the useful life. Otherwise, right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

The Group presents right-of-use assets as a separate line item on the condensed consolidated statement of financial position.

Refundable rental deposits

Refundable rental deposits paid are accounted under HKFRS 9 “Financial Instruments” (“HKFRS 9”) and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments and included in the cost of right-of-use assets.

Lease liabilities

At the commencement date of a lease, the Group recognises and measures the lease liability at the present value of lease payments that are unpaid at that date. In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable.

## 4. APPLICATION OF HKFRSs (Continued)

### 4.1 Impacts and changes in accounting policies of application on HKFRS 16 “Leases” (Continued)

#### 4.1.1 Key changes in accounting policies resulting from application of HKFRS 16 (Continued)

*As a lessee* (Continued)

Lease liabilities (Continued)

The lease payments include:

- fixed payments (including in-substance fixed payments) less any lease incentives receivable;
- variable lease payments that depend on an index or a rate;
- amounts expected to be paid under residual value guarantees;
- the exercise price of a purchase option reasonably certain to be exercised by the Group; and
- payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate.

Variable lease payments that reflect changes in market rental rates are initially measured using the market rental rates as at the commencement date. Variable lease payments that do not depend on an index or a rate are not included in the measurement of lease liabilities and right-of-use assets, and are recognised as expense in the period on which the event or condition that triggers the payment occurs.

After the commencement date, lease liabilities are adjusted by interest accretion and lease payments.



## 4. APPLICATION OF HKFRSs (Continued)

### 4.1 Impacts and changes in accounting policies of application on HKFRS 16 “Leases” (Continued)

#### 4.1.1 Key changes in accounting policies resulting from application of HKFRS 16 (Continued)

*As a lessee* (Continued)

Lease liabilities (Continued)

The Group remeasures lease liabilities (and makes a corresponding adjustment to the related right-of-use assets) whenever:

- the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the related lease liability is remeasured by discounting the revised lease payments using a revised discount rate at the date of reassessment.
- the lease payments change due to changes in market rental rates following a market rent review, in which cases the related lease liability is remeasured by discounting the revised lease payments using the initial discount rate.

Taxation

For the purposes of measuring deferred tax for leasing transactions in which the Group recognises the right-of-use assets and the related lease liabilities, the Group first determines whether the tax deductions are attributable to the right-of-use assets or the lease liabilities.

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies HKAS 12 “Income Taxes” requirements to right-of-use assets and lease liabilities separately. Temporary differences relating to right-of-use assets and lease liabilities are not recognised at initial recognition and over the lease terms due to application of the initial recognition exemption.

## 4. APPLICATION OF HKFRSS (Continued)

### 4.1 Impacts and changes in accounting policies of application on HKFRS 16 "Leases" (Continued)

#### 4.1.2 Transition and summary of effects arising from initial application of HKFRS 16

##### *Definition of a lease*

The Group has elected the practical expedient to apply HKFRS 16 to contracts that were previously identified as leases applying HKAS 17 and HK(IFRIC)-Int 4 "Determining whether an Arrangement contains a Lease" and not apply this standards to contracts that were not previously identified as containing a lease. Therefore, the Group has not reassessed contracts which already existed prior to the date of initial application.

For contracts entered into or modified on or after 1 January 2019, the Group applies the definition of a lease in accordance with the requirements set out in HKFRS 16 in assessing whether a contract contains a lease.

##### *As a lessee*

The Group has applied HKFRS 16 retrospectively with the cumulative effect recognised at the date of initial application, 1 January 2019. Any difference at the date of initial application is recognised in the opening retained profits and comparative information has not been restated.

## 4. APPLICATION OF HKFRSs (Continued)

### 4.1 Impacts and changes in accounting policies of application on HKFRS 16 “Leases” (Continued)

#### 4.1.2 Transition and summary of effects arising from initial application of HKFRS 16 (Continued)

*As a lessee* (Continued)

When applying the modified retrospective approach under HKFRS 16 at transition, the Group applied the following practical expedients to leases previously classified as operating leases under HKAS 17, on lease-by-lease basis, to the extent relevant to the respective lease contracts:

- i. relied on the assessment of whether leases are onerous by applying HKAS 37 “Provisions, Contingent Liabilities and Contingent Assets” as an alternative of impairment review;
- ii. elected not to recognise right-of-use assets and lease liabilities for leases with lease term ends within 12 months of the date of initial application;
- iii. excluded initial direct costs from measuring the right-of-use assets at the date of initial application;
- iv. applied a single discount rate to a portfolio of leases with a similar remaining terms for similar class of underlying assets in similar economic environment. Specifically, discount rate for certain leases of restaurant premises in Hong Kong was determined on a portfolio basis; and
- v. used hindsight based on facts and circumstances as at date of initial application in determining the lease term for the Group’s leases with extension and termination options.

## 4. APPLICATION OF HKFRSs (Continued)

### 4.1 Impacts and changes in accounting policies of application on HKFRS 16 "Leases" (Continued)

#### 4.1.2 Transition and summary of effects arising from initial application of HKFRS 16 (Continued)

*As a lessee* (Continued)

On transition, the Group has made the following adjustments upon application of HKFRS 16:

The Group recognised lease liabilities of approximately HK\$40,815,000 and right-of-use assets of approximately HK\$36,723,000 at 1 January 2019.

When recognising the lease liabilities for leases previously classified as operating leases, the Group has applied incremental borrowing rates of the relevant group entities at the date of initial application. The weighted average lessee's incremental borrowing rate applied is 5.0%.

	<b>At 1 January 2019</b>
	<i>HK\$'000</i>
Operating lease commitments disclosed as at 31 December 2018	49,488
Lease liabilities discounted at relevant incremental borrowing rates	46,012
Less: Recognition exemption – short-term leases	(5,197)
Lease liabilities as at 1 January 2019	<u>40,815</u>
Analysed as	
Current	13,647
Non-current	27,168
	<u>40,815</u>

## 4. APPLICATION OF HKFRSS (Continued)

### 4.1 Impacts and changes in accounting policies of application on HKFRS 16 "Leases" (Continued)

#### 4.1.2 Transition and summary of effects arising from initial application of HKFRS 16 (Continued)

As a lessee (Continued)

The carrying amount of right-of-use assets as at 1 January 2019 comprises the following:

	Notes	Right-of-use assets HK\$'000
Right-of-use assets relating to operating leases recognised upon application of HKFRS 16		40,815
Amounts included in property, plant and equipment under HKAS 17		
– Restoration and reinstatement costs	(a)	198
Adjustments on rental deposits at 1 January 2019	(b)	607
Less: Accrued lease liabilities relating to rent free period at 1 January 2019	(c)	(1,497)
Less: Provision for onerous lease	(c)	(3,400)
		<hr/>
		36,723
By class:		
Land and buildings		<hr/> 36,723

## 4. APPLICATION OF HKFRSs (Continued)

### 4.1 Impacts and changes in accounting policies of application on HKFRS 16 "Leases" (Continued)

#### 4.1.2 Transition and summary of effects arising from initial application of HKFRS 16 (Continued)

*As a lessee* (Continued)

- (a) In relation to the leases of restaurant premises that the Group acts as lessee, the carrying amount of the estimated costs of reinstating the rented premises previously included in property, plant and equipment amounting to HK\$198,000 as at 1 January 2019 were included as right-of-use assets.
- (b) Before the application of HKFRS 16, the Group considered refundable rental deposits paid as rights and obligations under leases to which HKAS 17 applied. Based on the definition of lease payments under HKFRS 16, such deposits are not payments relating to the right to use of the underlying assets and were adjusted to reflect the discounting effect at transition. Accordingly, approximately HK\$607,000 was adjusted to refundable rental deposits paid and right-of-use assets.
- (c) Rent free period

These relate to accrued lease liabilities for leases of properties in which the lessors provided rent-free period. The carrying amount of the lease incentive liabilities amounting to HK\$1,497,000 as at 1 January 2019 was adjusted to right-of-use assets at transition.

Provision for onerous lease

These relate to provisions for an onerous lease for a restaurant. The carrying amount of the provisions amounting to HK\$3,400,000 as at 1 January 2019 was adjusted to right-for-use assets at transition.

## 4. APPLICATION OF HKFRSs (Continued)

### 4.2 Significant changes in significant judgements and key sources of estimation uncertainty

The Group applies judgement to determine the lease term for lease contracts in which it is a lessee that include renewal option. The assessment of whether the Group is reasonably certain to exercise such options impacts the lease term, which significantly affects the amount of lease liabilities and right-of-use assets recognised.

The following adjustments were made to the amounts recognised in the condensed consolidated statement of financial position at 1 January 2019. Line items that were not affected by the changes have not been included.

		Carrying amounts previously reported at 31 December 2018 HK\$'000 (audited)	Adjustments HK\$'000	Carrying amounts under HKFRS 16 at 1 January 2019 HK\$'000
	Notes			
<b>Non-current Assets</b>				
Property, plant and equipment	4.1.2(a)	10,541	(198)	10,343
Right-of-use assets		–	36,723	36,723
Deposits	4.1.2(b)	7,148	(607)	6,541
<b>Current Liabilities</b>				
Trade and other payables and accrued charges	4.1.2(c)	11,885	(1,497)	10,388
Lease liabilities		–	13,647	13,647
Provisions	4.1.2(c)	1,185	(1,185)	–
<b>Non-current liabilities</b>				
Lease liabilities	4.1.2(c)	–	27,168	27,168
Provisions	4.1.2(c)	3,780	(2,215)	1,565

## 4. APPLICATION OF HKFRSs (Continued)

### 4.2 Significant changes in significant judgements and key sources of estimation uncertainty (Continued)

*Note:* For the purpose of reporting cash flows from operating activities under indirect method for the six months ended 30 June 2019, movements in working capital have been computed based on opening statement of financial position as at 1 January 2019 as disclosed above.

## 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.

The Group's operating and reportable segments are as follows:

- Casual restaurant operation ("Casual")

This segment derives its net revenue from the operation of casual dining restaurants in which customers would place orders at the front desk and basic table service would be provided by the delivery of ordered food to the table. The casual restaurants aim to provide a more casual and relaxing atmosphere.

- Full service restaurant operation ("Full service")

This segment derives its net 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 interim period. The segment information reported does not include any amounts for this discontinued operation, which are described in more detail in note 12.



## 5. REVENUE AND SEGMENT INFORMATION (CONTINUED)

### Segment revenue and results

Six months ended 30 June 2019 (unaudited)

	Causal <i>HK\$'000</i>	Full service <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
<b>Continuing operations</b>			
Segment revenue	40,766	17,637	58,403
Segment results	2,710	(204)	2,506
Other income			786
Unallocated operating costs			(7,701)
Loss before taxation			(4,409)

Six months ended 30 June 2018 (unaudited)

	Causal <i>HK\$'000</i>	Full service <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
<b>Continuing operations</b>			
Segment revenue	44,095	17,422	61,517
Segment results	2,907	(579)	2,328
Other income			563
Unallocated operating costs			(7,915)
Loss before taxation			(5,024)

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

## 5. REVENUE AND SEGMENT INFORMATION (CONTINUED)

### Segment assets and liabilities

As at 30 June 2019 (unaudited)

	Causal <i>HK\$'000</i>	Full service <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
ASSETS			
Segment assets	<b>20,086</b>	<b>32,674</b>	52,760
Property, plant and equipment			59
Deferred tax assets			1,224
Inventories			13,879
Other receivables, deposits and prepayment			1,260
Amounts due from directors			1,024
Tax recoverable			45
Bank balances and cash			60,338
Consolidated total assets			<b>130,589</b>
LIABILITIES			
Segment liabilities	<b>16,205</b>	<b>25,899</b>	42,104
Other payables			2,023
Consolidated total liabilities			<b>44,127</b>

## 5. REVENUE AND SEGMENT INFORMATION (CONTINUED)

### Segment assets and liabilities (continued)

As at 31 December 2018 (audited)

	Causal <i>HK\$'000</i>	Full service <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
<b>ASSETS</b>			
Segment assets	12,477	12,328	24,805
Property, plant and equipment			60
Deferred tax assets			1,224
Inventories			14,843
Other receivables, deposits and prepayment			747
Amounts due from directors			1,028
Tax recoverable			45
Bank balances and cash			65,393
Consolidated total assets			108,145
<b>LIABILITIES</b>			
Segment liabilities	10,239	4,955	15,194
Other payables			2,025
Consolidated total liabilities			17,219

## 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, deposits and prepayments, amounts due from directors, tax recoverable and bank balances and cash.
- all liabilities are allocated to operating and reportable segments, other than certain other payables.

## 6. OTHER INCOME

	Three months ended		Six months ended	
	30 June 2019 HK\$'000 (unaudited)	30 June 2018 HK\$'000 (unaudited)	30 June 2019 HK\$'000 (unaudited)	30 June 2018 HK\$'000 (unaudited)
Promotion income	–	63	21	125
Franchise fee income	75	60	150	120
Others	120	11	125	15
Interest income	326	168	490	303
	<b>521</b>	<b>302</b>	<b>786</b>	<b>563</b>

## 7. FINANCE COSTS

	Three months ended		Six months ended	
	30 June 2019 HK\$'000 (unaudited)	30 June 2018 HK\$'000 (unaudited)	30 June 2019 HK\$'000 (unaudited)	30 June 2018 HK\$'000 (unaudited)
The finance costs represent interest on leases liabilities	(658)	–	(951)	–

## 8. LOSS BEFORE TAXATION

	Three months ended		Six months ended	
	30 June 2019 <i>HK\$'000</i> <i>(unaudited)</i>	30 June 2018 <i>HK\$'000</i> <i>(unaudited)</i>	30 June 2019 <i>HK\$'000</i> <i>(unaudited)</i>	30 June 2018 <i>HK\$'000</i> <i>(unaudited)</i>
Loss before taxation from continuing operations have been arrived after charging:				
Raw materials and consumables used in respect of restaurant operations	<b>7,459</b>	7,625	<b>13,789</b>	13,813
Lease payments under operating leases in respect of leasehold land and building:				
– Short-term lease	<b>2,892</b>	–	<b>3,407</b>	–
– Minimum lease payments	–	5,551	–	11,029
– Contingent rents ( <i>note</i> )	<b>177</b>	256	<b>260</b>	398
	<b>3,069</b>	5,807	<b>3,667</b>	11,427

*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 2019 and 30 June 2018.

## 10. DIVIDENDS

No dividends were paid, declared and proposed by the Company during the current interim period (30 June 2018: nil). The directors have determined that no dividend will be paid 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:

### From continuing and discontinued operations

	Three months ended		Six months ended	
	30 June 2019 HK\$'000 (unaudited)	30 June 2018 HK\$'000 (unaudited)	30 June 2019 HK\$'000 (unaudited)	30 June 2018 HK\$'000 (unaudited)
<b>Loss:</b>				
Loss for the period attributable to owners of the Company for the purpose of calculating basic loss per share	<b>(1,792)</b>	(5,357)	<b>(4,464)</b>	(9,103)
	<b>30 June 2019 '000 (unaudited)</b>	30 June 2018 '000 (unaudited)	<b>30 June 2019 '000 (unaudited)</b>	30 June 2018 '000 (unaudited)
<b>Number of shares</b>				
Number of ordinary shares for the purpose of calculating basic loss per share	<b>446,000</b>	446,000	<b>446,000</b>	446,000

No diluted loss per share for the periods was presented as there were no potential ordinary shares in issue during the six months ended 30 June 2019 and 2018.

## 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		Six months ended	
	30 June 2019 HK\$'000 (unaudited)	30 June 2018 HK\$'000 (unaudited)	30 June 2019 HK\$'000 (unaudited)	30 June 2018 HK\$'000 (unaudited)
Loss for the period attributable to the owners of the Company	(1,792)	(5,357)	(4,464)	(9,103)
Less: loss for the period from discontinued operation	20	3,083	55	4,079
Loss for the purpose of calculating basic loss per share from continuing operations	(1,772)	(2,274)	(4,409)	(5,024)

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\$0.01 cents per share (2018: HK\$0.91 cents per share) for the six months ended 30 June 2019 based on the loss for the period from the discontinued operations of approximately HK\$55,000 (2018: HK\$4,079,000). 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 six months ended 30 June 2019 and 2018 are analysed as follows:

	Three months ended		Six months ended	
	30 June 2019 HK\$'000 (unaudited)	30 June 2018 HK\$'000 (unaudited)	30 June 2019 HK\$'000 (unaudited)	30 June 2018 HK\$'000 (unaudited)
Revenue	-	959	-	1,704
Raw materials and consumable used	-	(480)	-	(918)
Staff costs	-	(542)	-	(1,061)
Depreciation	-	(284)	-	(571)
Property rental and related expenses	-	(112)	-	(214)
Utility expenses	-	(73)	-	(130)
Advertising and promotion expenses	-	(9)	-	(20)
Other expenses	(20)	(293)	(55)	(620)
Impairment loss for property, plant and equipment	-	(2,249)	-	(2,249)
Loss before taxation	(20)	(3,083)	(55)	(4,079)
Taxation	-	-	-	-
Loss for the period from discontinued operation	(20)	(3,083)	(55)	(4,079)



## 12. DISCONTINUED OPERATION (CONTINUED)

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

	Three months ended		Six months ended	
	30 June 2019 HK\$'000 (unaudited)	30 June 2018 HK\$'000 (unaudited)	30 June 2019 HK\$'000 (unaudited)	30 June 2018 HK\$'000 (unaudited)
Raw materials and consumables used in respect of bakery products	-	(480)	-	(918)
Impairment loss on property, plant and equipment	-	(2,249)	-	(2,249)
Lease payments under operating leases in respect of minimum payments	-	(112)	-	(214)

## 13. MOVEMENTS IN PROPERTY, PLANT AND EQUIPMENT

During the current interim period, the Group acquired property, plant and equipment of approximately HK\$402,000 (30 June 2018: HK\$1,771,000).

During the current interim period, no impairment loss of property, plant and equipment was recognised. For the six months ended 30 June 2018, the Group recognised an impairment loss of property, plant and equipment of HK\$2,249,000 due to the closure of central kitchen.

## 14. TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	As at 30 June 2019 HK\$'000 (unaudited)	As at 31 December 2018 HK\$'000 (audited)
Trade receivables from restaurant operations	1,010	954
Rental deposits	7,292	6,900
Other deposits	960	1,886
Prepayments and other receivables	2,416	1,663
	<b>11,678</b>	11,403
Analysed as:		
Current	5,424	4,255
Non-current	6,254	7,148
	<b>11,678</b>	11,403

#### 14. TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS (CONTINUED)

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.

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.

	<b>As at 30 June 2019 HK\$'000 (unaudited)</b>	As at 31 December 2018 HK\$'000 (audited)
0 to 30 days	805	674
31 to 60 days	175	108
61 to 90 days	27	164
Over 90 days	3	8
	<b>1,010</b>	954

#### 15. TRADE AND OTHER PAYABLES AND ACCRUED CHARGES

	<b>As at 30 June 2019 HK\$'000 (unaudited)</b>	As at 31 December 2018 HK\$'000 (audited)
Trade payables	2,349	4,360
Other payables:		
Accrued staff related costs	2,974	3,847
Other payables and accrued charges	2,664	3,678
	<b>7,987</b>	11,885

## 15. TRADE AND OTHER PAYABLES AND ACCRUED CHARGES (CONTINUED)

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

	<b>As at 30 June 2019 HK\$'000 (unaudited)</b>	As at 31 December 2018 HK\$'000 (audited)
0 to 30 days	2,051	2,990
31 to 60 days	290	1,291
61 to 90 days	3	23
Over 90 days	5	56
	<b>2,349</b>	4,360

## 16. ISSUED SHARE CAPITAL

	Number of shares	Amount HK\$	HK\$'000
Ordinary shares of HK\$0.01 each			
<b>Authorised:</b>			
At 1 January 2018, 30 June 2018, 1 January 2019 and 30 June 2019	800,000,000	8,000,000	8,000
<b>Issued and fully paid:</b>			
At 1 January 2018, 30 June 2018, 1 January 2019 and 30 June 2019	446,000,000	4,460,000	4,460

## 17. 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.

	<b>Six months ended</b>	
	<b>30 June 2019 HK\$'000 (unaudited)</b>	30 June 2018 HK\$'000 (unaudited)
Catering income from directors of the Company	<b>29</b>	73
Catering income from Gold Peak Industries (Holdings) Limited <i>(note (i))</i>	<b>160</b>	239
Catering income from GP Batteries International Limited <i>(note (i))</i>	<b>213</b>	234
Purchases of goods from Altaya Wines Limited <i>(note (ii))</i>	<b>852</b>	852

*Notes:*

- (i) Father of Mr. Lo Yeung Kit, Alan, a director of the Company, is the director of Gold Peak Industries (Holdings) Limited and GP Batteries International Limited.
- (ii) Altaya Wines Limited is controlled by Mr. Pong Kin Yee, 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 2018: HK\$720,000).

## MANAGEMENT DISCUSSION AND ANALYSIS

### Industry Overview

During the six months ended 30 June 2019, the business environment of the food and beverage industry remained challenging, dynamic, and competitive. Pressure from rising food costs, rental expenses, utilities expenses, minimum wage and labour costs are enduring, which further squeezed profit margins. 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 six months ended 30 June 2019, our Group operated ten 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 street-level interaction within its neighborhood. It is our Group's flagship brand and contributes to over 69.8% of our total revenue. During the six months ended 30 June 2019, Classified recorded net revenue of approximately HK\$40.8 million (30 June 2018: HK\$44.1 million), representing a decrease of approximately 7.5% as compared to the last corresponding period. Moreover, the Group made a strategic decision and closed two restaurants and disposed of the related assets as their tenancy agreements were expiring in the third quarter of 2019. For further details, please refer to "Discloseable transaction – Disposal of assets and Business Update" Announcement dated 22 July 2019.

"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 that aims to be more than just a dining experience. It is 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 2019, The Pawn recorded revenue of approximately HK\$17.6 million (30 June 2018: HK\$17.4 million), representing an increase of approximately 1.2% as compared to the last corresponding period.

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"). 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, vacated and returned the premise of the central kitchen to the landlord in 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 all necessary food products (including bakery products) in their own kitchens. During the six months ended 30 June 2019, no revenue was recorded (30 June 2018: HK\$3.0 million).

### **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 the overall market 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 be able to 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.

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. We have identified potential locations for some of these new restaurants, but have not yet signed any lease agreement for such new restaurants;
- (2) enhance and upgrade our existing restaurant facilities to attract more customers; and
- (3) closely monitor the quotations of our suppliers to ensure we obtain competitive pricing and quality for our food ingredients.

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 six months ended 30 June 2019, the Group's total unaudited turnover was approximately HK\$58.4 million and no revenue was recorded for discontinued operation (30 June 2018: Group's total unaudited turnover of approximately HK\$63.2 million, including revenue from continuing operations of HK\$61.5 million and revenue from discontinued operation of HK\$1.7 million), representing a decrease of approximately 7.6% compared with the last corresponding period. The decrease in revenue for the six months ended 30 June 2019 was mainly due to the closure of two Classified restaurants in April and December of 2018 respectively and the termination of the Company's bakery business in August 2018.

Total loss attributable to owners of the Company was approximately HK\$4.5 million, including loss from discontinued operation HK\$55,000 for the six months ended 30 June 2019 (30 June 2018: Group's total loss HK\$9.1 million). The decrease in our loss attributable to owners 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 bakery business and two "Classified" restaurants in 2018. Moreover, there was no impairment loss on property, plant and equipment during the six months ended 30 June 2019 (30 June 2018: HK\$2.2 million as a result of the termination of the Bakery Business).

### Financial Resources, Liquidity and Capital Structure

As at 30 June 2019, the Group's current assets amounted to approximately HK\$84.4 million (as at 31 December 2018: HK\$89.2 million) of which approximately HK\$60.3 million (as at 31 December 2018: HK\$65.4 million) was bank balances and cash, and approximately HK\$5.4 million (as at 31 December 2018: HK\$4.3 million) was trade and other receivables, deposits and prepayments. As at 30 June 2019, the Group's current liabilities amounted to approximately HK\$22.5 million (as at 31 December 2018: HK\$13.4 million), which mainly included lease liabilities in the amount of approximately HK\$14.0 million (as at 31 December 2018: nil) and trade and other payables and accrued charges in the amount of approximately HK\$8.0 million (as at 31 December 2018: HK\$11.9 million).

Current ratio and quick assets ratio were 3.75 and 2.98 respectively (as at 31 December 2018: 6.64 and 5.28 respectively). Gearing ratio is calculated as total bank borrowing divided by total equity and multiplying the resulting value by 100%. Gearing ratio was 0% as at 30 June 2019 and 31 December 2018.

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 2019, the Group did not have any material capital commitments.

## **Contingent Liabilities**

As at 30 June 2019, the Group did not have any contingent liabilities.

## **Employees and Remuneration Policies**

As at 30 June 2019, the Group had 173 employees in Hong Kong (30 June 2018: 212 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 2019 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 2019, the Group's rental deposits were pledged to secure the lease liabilities.

## **USE OF PROCEEDS**

### **(1) IPO Placing**

On 11 July 2016, the Company's shares were listed on 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").

Regarding the planned use of IPO Proceeds, reference is made to: (1) the prospectus of the Company dated 30 June 2016 (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 30 June 2019 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 30 June 2019 <i>HK\$'000</i>	Unutilised IPO Proceeds as at 30 June 2019 <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)	–
Enhancement and upgrading existing restaurant facilities (other than CEX, CTH, CHV and CMB)	–	3,400	300	(300)	–
General working capital	1,996	4,702	6,037	(6,037)	–
<b>Total</b>	<b>25,075</b>	<b>25,075</b>	<b>25,075</b>	<b>(20,082)</b>	<b>4,993</b>

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 up to the date of this report, there has been no material change to the utilisation of the IPO Proceeds and reallocation of unutilised IPO Proceeds mentioned above. The Company is currently in process of exploring a potential location for the third restaurant.

## (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 30 June 2019 is set out below:

	<b>Planned use of November Placing Proceeds as at 30 June 2019</b>	<b>Utilised November Placing Proceeds as at 30 June 2019</b>	<b>Unutilised November Placing Proceeds as at 30 June 2019</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Repayment of bank borrowings	17,500	(17,500)	–
Develop, relocate, open and upgrade of restaurants ( <i>Note</i> )	24,500	(540)	23,960
Working capital for existing business of the Group	24,000	(24,000)	–
Enhancement of premium food and fine wine programme	16,400	(14,843)	1,557
	<b>82,400</b>	<b>56,883</b>	<b>25,517</b>

*Note:*

The Company had originally planned to use approximately HK\$24.5 million of the November Placing Proceeds to develop its existing business including relocation of a restaurant, opening of three new restaurants and upgrading of existing restaurant facilities. As at 30 June 2019, the Company had used approximately HK\$540,000 of the November Placing Proceeds to enhance and upgrade its existing restaurants. The Company is currently in process of exploring potential locations and in continuing negotiations with various landlords for the relocation and restaurant openings.

The Company intends to continue to apply the IPO Proceeds and November Placing Proceeds in the manner consistent with that mentioned above. Nonetheless, the Directors will constantly evaluate the Group's business objectives and may change or modify the plans against changing market conditions to ascertain the business growth of the Group. All unutilised proceeds have been placed in a licensed bank in Hong Kong.

## 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 date of the Group's Listing) to 30 June 2019 is set out below:

<b>Business Strategies</b>	<b>Actual progress</b>
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 "Business Overview" under Management Discussion and Analysis.

## OTHER INFORMATION

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

During the six months ended 30 June 2019 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 2019, the interests or short positions of the Directors in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO"), Chapter 571 of the Laws of Hong Kong), which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under such provisions of the SFO), or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules relating to securities transactions by directors to be notified to the Company and the Stock Exchange, were as follows:

#### Long positions in the ordinary shares of the Company

Name of Directors	Capacity/ nature of interest	Number of shares held	Approximate percentage of shareholding
Mr. Wong Arnold Chi Chiu	interest in controlled corporation ( <i>Note 1</i> )	41,340,000	9.3%
Mr. 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 2019, 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 2019, 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%

### 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.

Save as disclosed above, as at 30 June 2019, the Directors are not aware of any interests and short positions owned by any parties (other than a Director) in the shares and underlying shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, who was interested, directly or indirectly, in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of the Group.

### **Directors' Interests in Competing Business**

As disclosed in the Prospectus and as at the date of this report, Ms. Wong Pui Yin, the spouse of Mr. Lo Yeung Kit Alan, one of our executive Directors, was a controlling shareholder in Jia Group Holdings Limited (stock code: 8519) which is engaged in the business of restaurant operations in Hong Kong. As at 30 June 2019, the Jia Group Holdings Limited operated 10 full service restaurants in Hong Kong.

Save as disclosed in the Prospectus and above, the Directors are not aware of any business and interest of the Directors nor the controlling shareholders of the Company nor any of their respective close associates (as defined in the GEM Listing Rules) that compete or may compete with the business of the Group and any other conflict of interests which any such person has or may have with the Group during the period ended 30 June 2019.

### **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. Yue Man Yiu Matthew and Mr. Ng Chun Fai Frank. 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 six months ended 30 June 2019, which was of the opinion that such statements complied with the applicable accounting standards and requirements, and that adequate disclosures have been made.

### **Directors' Securities Transactions**

The Company adopted a code of conduct regarding directors' securities transactions on terms no less exacting than the required standard of dealings set out in Rules 5.48 to 5.67 of the GEM Listing Rules. Having made specific enquiries of all Directors, the Company confirms that all of the Directors complied with such required standard of dealings and its code of conduct regarding directors' securities transactions as at the date of this report.

## Corporate Governance

The Company is firmly committed to maintaining and ensuring a high level of corporate governance standards and will review and improve the corporate governance practices and standards constantly. Save for the deviation from A.2.1 of the Corporate Governance Code, the Company has complied with the code provisions set out in the Corporate Governance Code (the "Code Provisions") contained in Appendix 15 of the GEM Listing Rules. Code Provision A.2.1 stipulates that the roles of the chairman and chief executive should be separate and should not be performed by the same individual. During the period under review, Mr. Wong Arnold Chi Chiu was the chairman of the Company and the Company had no post of chief executive. Nevertheless, the Board considers that, in light of the size and nature of the Company's business, the absence of such post has not impaired the management of the Group. Decisions of the Company are made collectively by executive Directors who execute strategies set by the Board. Senior management responsible for the day-to-day operations of the Group also report back to the Board on a regular basis. The Board will review this structure from time to time and consider the segregation of the two roles at an appropriate time.

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

Hong Kong, 9 August 2019

*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. NG Chun Fai Frank and Mr. YUE Man Yiu Matthew.*