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Classified Group (Holdings) Limited

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8232)

UNAUDITED ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2021

CHARACTERISTICS OF GEM OF THE STOCK EXCHANGE OF HONG KONG LIMITED

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 of Hong Kong Limited (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.

UNAUDITED ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2021

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 year ended 31 December 2021, together with the comparative audited figures for the year ended 31 December 2020.

The annual results for the year have neither been audited nor reviewed by the Company’s auditors. In addition, the annual results for the year have not been agreed by the Company’s auditors as required under Rule 18.49 of the Rules Governing the Listing of Securities on GEM of The Stock Exchange of Hong Kong Limited (the “**GEM Listing Rules**”) due to the escalation of the novel coronavirus (“**COVID-19**”) pandemic in Hong Kong, which has caused delays in the auditing process for the annual results for the year ended 31 December 2021 (the “**2021 Annual Results**”) and additional time is required to complete certain outstanding audit procedures as a result of the negative impact and restrictions (i.e., quarantine and travel restrictions) caused by the fifth wave of COVID-19 in Hong Kong. The unaudited 2021 Annual Results have been agreed and reviewed by the audit committee of the Company (the “**Audit Committee**”). It is expected that the audited 2021 Annual Results will be available by the end of April 2022.

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND
OTHER COMPREHENSIVE INCOME**
FOR THE YEAR ENDED 31 DECEMBER 2021

	<i>Notes</i>	2021 <i>HK\$'000</i> (unaudited)	2020 <i>HK\$'000</i> (re-presented)
Continuing operation			
Revenue	4	59,898	57,481
Other income		1,596	7,507
Other gains and losses	5	(819)	712
Raw materials and consumables used		(15,063)	(13,417)
Staff costs		(30,580)	(29,899)
Depreciation		(8,195)	(9,640)
Property rentals and related expenses		(3,837)	(3,747)
Utility expenses		(1,876)	(1,455)
Advertising and promotion expenses		(3,800)	(3,654)
Other expenses		(8,573)	(6,958)
Finance costs	6	(584)	(319)
Impairment loss recognised in respect of property, plant and equipment		(2,702)	–
Impairment loss recognised in respect of right-of-use assets		(2,471)	(971)
Loss before taxation	7	(17,006)	(4,360)
Income tax charge	8	(1,600)	(396)
Loss for the year from continuing operation		(18,606)	(4,756)
Discontinued operation			
Profit/(loss) for the year from discontinued operation	9	2,053	(11,637)
Loss for the year		(16,553)	(16,393)
(Loss)/earnings per share from:			
Continuing operation – Basic (HK cents)	10	(4.17)	(1.07)
Discontinued operation – Basic (HK cents)	10	0.46	(2.61)

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AT 31 DECEMBER 2021

	<i>Notes</i>	2021 <i>HK\$'000</i> (unaudited)	2020 <i>HK\$'000</i> (audited)
Non-current assets			
Property, plant and equipment		530	3,771
Right-of-use assets		9,298	13,642
Deposits		2,222	4,994
Deferred tax assets		–	1,570
		<u>12,050</u>	<u>23,977</u>
Current assets			
Inventories		43,294	34,063
Trade and other receivables, deposits and prepayments	11	4,512	6,738
Amount due from related companies		470	118
Amounts due from directors		63	301
Tax recoverable		32	32
Bank balances and cash		17,271	25,606
		<u>65,642</u>	<u>66,858</u>
Current liabilities			
Trade and other payables and accrued charges	12	9,003	6,813
Amounts due to related companies		2,829	196
Amounts due to a director		11,982	–
Contract liabilities		29	172
Lease liabilities		6,533	15,409
Tax liabilities		–	4
Provisions		341	199
		<u>30,717</u>	<u>22,793</u>
Net current assets		<u>34,925</u>	44,065
Total assets less current liabilities		<u>46,975</u>	<u>68,042</u>
Non-current liabilities			
Lease liabilities		5,842	9,422
Provisions		382	1,316
		<u>6,224</u>	<u>10,738</u>
Net assets		<u>40,751</u>	<u>57,304</u>
Capital and reserves			
Issued share capital	13	4,460	4,460
Reserves		36,291	52,844
Total equity		<u>40,751</u>	<u>57,304</u>

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

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 2/F., Cheung Tak Industrial Building, 30 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

These unaudited financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (“**HKFRSs**”) (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (“**HKASs**”) and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Companies Ordinance (Cap. 622, Laws of Hong Kong). The unaudited condensed consolidated financial statements also comply with the applicable disclosure requirements of Chapter 18 of the GEM Listing Rules.

3. PRINCIPAL ACCOUNTING POLICIES

The unaudited 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 unaudited condensed consolidated financial statements are the same as those followed in the preparation of the financial statements for the year ended 31 December 2020.

4. REVENUE AND SEGMENTAL INFORMATION

Segment information

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

The Group's continuing and discontinued operations and reportable segments under HKFRS 8 "Operating Segments" are as follows:

- Casual restaurant operations ("**Casual**") – Continuing operation

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

- Full service restaurant operations ("**Full service**") – Discontinued operation (*Note 9*)

This segment derives its revenue from operation of a full service restaurant. Full table service includes 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.

Segment revenue and results

Year ended 31 December 2021

	<u>Continuing operation</u>	<u>Discontinued operation</u>	
	Casual	Full service	Consolidated
	HK\$'000	HK\$'000	HK\$'000
Revenue			
Sales	<u>59,898</u>	<u>16,163</u>	<u>76,061</u>
Segment loss	<u>(5,291)</u>	<u>(2,090)</u>	(7,381)
Other income			2,158
Other loss			4,458
Unallocated operating costs			<u>(14,222)</u>
Loss before taxation			<u>(14,987)</u>

Year ended 31 December 2020

	Continuing operation	Discontinued operation	
	Casual <i>HK\$'000</i>	Full service <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
Revenue			
Sales	57,481	17,150	74,631
Segment loss	(2,046)	(13,890)	(15,936)
Other income			9,709
Other losses			2,868
Unallocated operating costs			(12,203)
Loss before taxation			(15,562)

There was no inter-segment revenue for both years.

The accounting policies of the operating and reportable segments are the same as the Group's accounting policies described in note 4. Segment results represent the loss incurred/profit earned by each segment without allocation of other income, certain other gains and losses, unallocated operating costs (including head office staff costs, rental and other corporate expenses), and certain finance costs.

As at 31 December 2021

	Continuing operation	Discontinued operation	
	Casual <i>HK\$'000</i>	Full service <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
ASSETS			
Segment assets	16,844	–	16,844
Property, plant and equipment			–
Deferred tax assets			–
Inventories			41,377
Other receivables, deposits and prepayments			1,987
Amounts due from directors			63
Amounts due from related companies			118
Tax recoverable			32
Bank balances and cash			17,271
Consolidated total assets			77,692
LIABILITIES			
Segment liabilities	18,466	–	18,466
Other payables			18,475
Consolidated total liabilities			36,941

As at 31 December 2020

	Continuing operation	Discontinued operation	
	Casual <i>HK\$'000</i>	Full service <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
ASSETS			
Segment assets	21,015	9,779	30,794
Property, plant and equipment			42
Deferred tax assets			1,570
Inventories			31,221
Other receivables, deposits and prepayments			1,269
Amounts due from directors			301
Tax recoverable			32
Bank balances and cash			25,606
Consolidated total assets			<u>90,835</u>
LIABILITIES			
Segment liabilities	17,911	14,321	32,232
Other payables			1,299
Consolidated total liabilities			<u>33,531</u>

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, bank balances and cash.
- all liabilities are allocated to operating and reportable segments, other than certain other payables.

Other segment information

Year ended 31 December 2021

	Continuing operation		Discontinued operation	Consolidated HK\$'000
	Casual HK\$'000	Unallocated HK\$'000	Full service HK\$'000	
Amounts included in the measure of segment profit or segment assets:				
Additions of property, plant and equipment	1,319	903	104	2,326
Depreciation of property, plant and equipment (<i>Note 7</i>)	903	114	787	1,804
Depreciation of right of use assets (<i>Note 7</i>)	7,178	–	1,524	8,702
Loss on disposal/written-off of property, plant and equipment	259	–	492	751
Impairment loss recognised in respect of trade receivables (<i>Note 5</i>)	175	–	–	175
Impairment loss recognised in respect of other receivables (<i>Note 5</i>)	773	–	–	773
Gain on termination of lease	–	–	(5,766)	(5,766)
Impairment loss recognised in respect of property, plant and equipment	2,702	–	–	2,702
Impairment loss recognised in respect of right of use assets	2,471	–	–	2,471

Year ended 31 December 2020

	Continuing operation		Discontinued operation	Consolidated HK\$'000
	Casual HK\$'000	Unallocated HK\$'000	Full service HK\$'000	
Amounts included in the measure of segment profit or segment assets:				
Additions of property, plant and equipment	1,474	31	290	1,795
Depreciation of property, plant and equipment (<i>Note 7</i>)	940	27	1,708	2,675
Depreciation of right of use assets (<i>Note 7</i>)	8,781	(108)	5,176	13,849
Loss on disposal/written-off of property, plant and equipment	411	–	–	411
Impairment loss recognised in respect of property, plant and equipment	–	–	962	962
Impairment loss recognised in respect of right of use assets	971	–	4,675	5,646

5. OTHER GAINS AND LOSSES, NET

	2021 <i>HK\$'000</i> (unaudited)	2020 <i>HK\$'000</i> (re-presented)
Continuing operation		
Loss on disposal of/written-off property, plant and equipment, net	(259)	(411)
Covid-19-related rent concessions	367	1,115
Net foreign exchange gain, net	21	8
Impairment loss recognised in respect of trade receivables	(175)	–
Impairment loss recognised in respect of other receivables	(773)	–
	<u>(819)</u>	<u>712</u>

6. FINANCE COSTS

	2021 <i>HK\$'000</i> (unaudited)	2020 <i>HK\$'000</i> (re-presented)
Continuing operation		
Interest on lease liabilities	<u>584</u>	<u>319</u>

7. LOSS BEFORE TAXATION

	2021 <i>HK\$'000</i> (unaudited)	2020 <i>HK\$'000</i> (re-presented)
Continuing operation		
Loss before taxation has been arrived at after charging:		
Auditor's remuneration	655	620
Depreciation charge – Property, plant and equipment	1,017	967
Depreciation charge – Right of use assets	7,178	8,673
Directors' remuneration	1,993	1,635
Other staff costs		
Salaries and other benefits	27,558	27,269
Retirement benefits scheme contributions	1,029	995
Total staff costs	<u>30,580</u>	<u>29,899</u>
Interest on lease liabilities – lessee	584	319
Raw materials and consumables used in respect of		
Restaurant operations	15,063	13,416
– Short-term lease expenses	1,041	1,105
– Contingent rents	793	565

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.

8. INCOME TAX CHARGE

	2021 <i>HK\$'000</i> (unaudited)	2020 <i>HK\$'000</i> (re-presented)
Continuing operation		
Current tax	–	4
Over-provision in respect of prior years	(4)	–
Deferred taxation charge	<u>1,604</u>	<u>392</u>
 Total tax charges	 <u><u>1,600</u></u>	 <u><u>396</u></u>

Under the two-tiered profits tax rates regime, the first HK\$2 million of profits of the qualifying group entity will be taxed at 8.25%, and profits above HK\$2 million will be taxed at 16.5%. The profits of group entities in Hong Kong not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%.

Accordingly, the Hong Kong Profits Tax is calculated at 8.25% on the first HK\$2 million of the estimated assessable profits and at 16.5% on the estimated assessable profits above HK\$2 million (2020: same).

9. DISCONTINUED OPERATION

The Group also owned and operated “The Pawn”, a full service restaurant. In light of the financial performance of The Pawn coupled with the uncertainty of the future economic conditions brought by the novel coronavirus outbreak, it is unlikely that the business performance of The Pawn operating under the existing contemporary western dining concept will be substantially improved during the remainder of the term of the Tenancy Agreement. Further, the operation of The Pawn is likely to continue to be adversely affected if the Government continues to impose or further tightens the control measures relevant to operating bars and pubs for the purpose of prevention of disease.

Therefore, a subsidiary of the Group has entered into a termination agreement with the landlord to terminate the latest tenancy agreement for The Pawn effective from 16 September 2021. Upon the termination of the lease, the Full Services segment operation is discontinued. Hence, this business segment is presented as discontinued operation in accordance with HKFRS 5 Non-current Assets Held for Sale and Discontinued Operations. The sales, results and cash flows of the Full Services segment for the year are presented below:

	2021 <i>HK\$'000</i> (unaudited)	2020 <i>HK\$'000</i>
Discontinued operation		
Revenue	16,163	17,150
Other income	562	2,202
Other gains and losses	5,277	2,156
Raw materials and consumables used	(5,702)	(7,164)
Staff costs	(6,096)	(6,391)
Depreciation	(2,311)	(6,884)
Property rentals and related expenses	(925)	(1,166)
Utility expenses	(613)	(540)
Advertising and promotion expenses	(194)	(362)
Other expenses	(3,795)	(3,757)
Finance costs	(347)	(809)
Impairment loss recognised in respect of property, plant and equipment	–	(962)
Impairment loss recognised in respect of right-of-use assets	–	(4,675)
	<hr/>	<hr/>
Profit/(loss) before taxation	2,019	(11,202)
	<hr/>	<hr/>
Income tax credit/(expense)	34	(435)
	<hr/>	<hr/>
Profit/(loss) for the year from discontinued operation	<u>2,053</u>	<u>(11,637)</u>

10. (LOSS)/EARNINGS PER SHARE

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

	2021 HK\$'000 (unaudited)	2020 <i>HK\$'000</i>
Loss		
Loss for the year attributable to owners of the Company	(16,553)	(16,393)
Less: profit/(loss) for the year from a discontinued operation	2,053	(11,637)
	<hr/>	<hr/>
Loss for the year from continuing operation	(18,606)	(4,756)
	<hr/>	<hr/>
	2021 Number of shares '000 (unaudited)	2020 Number of shares '000
Weighted average number of ordinary shares for the purpose of calculating basic (loss)/earnings per share	446,000	446,000
	<hr/>	<hr/>
	2021 HK cents	2020 <i>HK cents</i>
Basic loss per share from continuing operation	(4.17)	(1.07)
	<hr/>	<hr/>

Basic earnings per share from the discontinued operation is 0.46 HK cents per share (2020: loss of 2.61 HK cents per share), based on the profit for the year from the discontinued operation of HK\$2,053,000 (2020: loss of HK\$11,637,000) and the weighted average number of share for the purpose of basic (loss)/earnings per share at 446,000,000 (2020: 446,000,000).

No diluted (loss)/earnings per share for both years were presented as there were no potential ordinary shares in issues for both years.

11. TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

Details of receivables net of loss allowance are as follows:

	2021 <i>HK\$'000</i> (unaudited)	2020 <i>HK\$'000</i>
Trade receivables from restaurant operations	472	900
Rental deposits	4,290	6,403
Other deposits	828	1,091
Other receivables	55	919
Prepayments	1,089	2,419
	<u>6,734</u>	<u>11,732</u>
Analysed as:		
Current	4,512	6,738
Non-current	2,222	4,994
	<u>6,734</u>	<u>11,732</u>

The Group's trading terms with its customers are mainly on cash and credit card settlement, except for well-established corporate customers. Trade receivables mainly represent receivables from financial institutions in relation to the payment settled by credit cards by customers of which the settlement period is normally within 7 days from transaction date. Generally, there is no credit period granted to walk in individual customers, except for well-established corporate customers in relation to event sales, which credit period of 30 days is granted by the Group, and therefore are all classified as current.

Before accepting any new corporate customers, the Group assesses the potential corporate customer's credit quality and defines credit limits by customers. Limits and scoring attributed to customers are reviewed regularly by directors of the Company. The credit period provided to customers can vary based on a number of factors including nature of operations, the Group's relationship with the customer and the customer's credit profile.

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

The Group's trade receivables are denominated in HK\$. The carrying value of trade receivables approximate their fair values due to their short-term maturities.

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

	2021 HK\$'000 (unaudited)	2020 <i>HK\$'000</i>
0 to 30 days	447	478
31 to 60 days	19	275
61 to 90 days	3	15
91 to 180 days	3	–
181 to 365 days	–	132
	<u>472</u>	<u>900</u>

12. TRADE AND OTHER PAYABLES AND ACCRUED CHARGES

	2021 HK\$'000 (unaudited)	2020 <i>HK\$'000</i>
Trade payables	2,247	2,620
Other payables:		
Accrued staff related costs	2,182	280
Other payables and accrued charges	4,574	3,913
	<u>9,003</u>	<u>6,813</u>

Credit terms 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 period:

	2021 HK\$'000 (unaudited)	2020 <i>HK\$'000</i>
0 to 30 days	1,127	1,361
31 to 60 days	1,037	1,150
61 to 90 days	1	26
91 to 365 days	82	83
	<u>2,247</u>	<u>2,620</u>

13. ISSUED SHARE CAPITAL

The issued share capital of the Company with the details as follows:

	Number of shares	Amount HK\$	Amount HK\$'000
Ordinary shares of HK\$0.01 each			
Authorised:			
At 1 January 2020, 31 December 2020 and 2021	<u>800,000,000</u>	<u>8,000,000</u>	<u>8,000</u>
Issued and fully paid:			
At 1 January 2020, 31 December 2020 and 2021	<u>446,000,000</u>	<u>4,460,000</u>	<u>4,460</u>

The new shares issued rank pari passu in all respects with existing shares.

14. DIVIDENDS

No dividends were paid, declared and proposed by the Company during the year ended 31 December 2021 (31 December 2020: nil). The directors have determined that no dividend will be paid in respect of the year ended 31 December 2021.

15. COMPARATIVE FIGURES

As mentioned in note 9, certain comparative figures related to discontinued operation have been reclassified to conform to current year's presentation.

MANAGEMENT DISCUSSION AND ANALYSIS

Industry Overview

The continuing Novel Coronavirus (COVID-19) pandemic had affected the usual business environment. The anti-pandemic measures imposed by the Hong Kong Government, such as limiting maximum restaurant seating capacity, keeping 1.5 metres between tables, not allowing more than four people per table and limiting the operating hours had adverse impacts on the number of customers and their frequencies in visiting our restaurants.

Nevertheless, the Group has implemented cost-saving measures including but not limited to minimising the staff costs of our restaurants, reducing a few restaurants' operating hours, negotiating with our landlords for rent concessions and our suppliers for purchasing discounts and adopting some sales stimulating measures including but not limited to increasing marketing efforts and expanding the take-away product line, to partially offset the aforesaid adverse impacts.

In the long run, the business environment of the food and beverage industry in Hong Kong remains challenging, dynamic, and competitive. Pressure from rising food costs, rental expenses, utilities expenses and labour costs is enduring, which further squeezed our profit margin. Customers are more budget conscious and price sensitive to the amounts they spend on dining out 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 the Group's business performance.

Operating in such a difficult macroeconomic environment, we need to be agile, flexible and adaptive. We will embrace changes with flexible marketing strategies and efficient operational discipline, continue to reshape our business model and make decisions necessary to enhance the profitability of the Group.

Business Overview

"Classified" restaurants are a collection of casual European cafés specializing in artisan breads, 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. In December 2020, we have created a new modern bakery brand, "Rise by Classified", a sub-brand of "Classified". With a selection of pastries, a dine-in area for comfort food, an exhaustive list of beverages, and a collection of locally sourced retail products, "Rise by Classified" focuses on providing a local dining experience that can be enjoyed in the restaurant or at home. "Classified" is our Group's flagship brand and contributes to over 78.8% of our total revenue. During the year ended 31 December 2021, Classified recorded net revenue of approximately HK\$59.9 million (31 December 2020: HK\$57.5 million), representing an increase of approximately 4.2% as compared to the last corresponding period.

The Group also previously owned and operated “The Pawn”, 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. In light of the financial performance of The Pawn coupled with the uncertainty of the future economic conditions brought by the novel coronavirus outbreak, it is unlikely that The Pawn operating under the existing contemporary western dining concept will be substantially improved during the remainder of the term of the latest tenancy agreement for The Pawn. Further, the operation of The Pawn is likely to continue to be adversely affected if the Government continues to impose or further tightens the control measures for prevention of disease for operation of bars and pubs. Therefore, the Company had entered into a termination agreement with the landlord to terminate the tenancy agreement for The Pawn with effect from 16 September 2021 and change the mode of our operation of The Pawn from being the owner and manager of The Pawn to only acting as the manager of the restaurant operating at the same address as The Pawn, which is owned by Canton Oriental Limited (the “**Restaurant**”) by provision of catering operations and management services to the Restaurant. During the year ended 31 December 2021, The Pawn recorded revenue of approximately HK\$16.2 million (31 December 2020: HK\$17.1 million), representing a decrease of approximately 5.8% as compared to the last corresponding period.

FUTURE PROSPECTS

We believe the adverse impact of COVID-19 will eventually ease. However, in the long run, the food and beverage industry in Hong Kong has always been a challenging industry with intense competition and high operating costs, such as rising rental expenses, food costs and labour costs. Our success is therefore 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) business risks relating to the spread of the Novel Coronavirus (COVID-19), which include (i) anti-infection measures imposed by the Hong Kong Government; and (ii) customers’ changing dining pattern including refraining from dining out;
- (2) 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;
- (3) 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
- (4) there may be labour shortage in the future and competition for qualified individuals in the food and beverage industry may be intense.

Further details on the risks and uncertainties faced by our Group are set out in 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 performance, we intend to:

- (1) expand the take-away product line and increase marketing efforts and sales stimulating measures;
- (2) enhance and upgrade our existing restaurant facilities to attract more customers;
- (3) closely monitor the pricing of our suppliers of raw materials such as food ingredients and beverages to ensure we obtain competitive prices for our food ingredients; and
- (4) open more new restaurants at lower costs.

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 our shareholders.

FINANCIAL REVIEW

For the year ended 31 December 2021, the Group's total unaudited turnover was approximately HK\$76.1 million, including turnover from continuing operations of HK\$59.9 million and discontinued operation of HK\$16.2 million (31 December 2020: the Group's total audited turnover was approximately HK\$74.6 million, including revenue from continuing operations of HK\$57.5 million and revenue from discontinued operation of HK\$17.1 million), representing an increase of approximately 1.9% compared with the last corresponding period. The increase in revenue for the year ended 31 December 2021 was mainly due to the relaxing of the COVID-19 anti-pandemic measures imposed by the Hong Kong Government and the increase in sale of premium wines.

Total loss attributable to owners of the Company was approximately HK\$16.6 million, including profit from discontinued operation HK\$2.1 million for the year ended 31 December 2021 (31 December 2020: Group's total loss HK\$16.4 million). The increase in our loss attributable to owners of the Company was mainly due to the decrease of Government grants, rent concessions, the increase of impairment loss recognised in fixed assets and right-of-use assets, the increase in income tax charge although there was relaxing of the COVID-19 anti-pandemic measures imposed by the HKSAR and a one-off other income as a result of the closure of "The Pawn" restaurant.

Financial Resources, Liquidity and Capital Structure

As at 31 December 2021, the Group's current assets amounted to approximately HK\$65.6 million (as at 31 December 2020: HK\$66.9 million) of which approximately HK\$17.3 million (as at 31 December 2020: HK\$25.6 million) was bank balances and cash, and approximately HK\$4.5 million (as at 31 December 2020: HK\$6.7 million) was trade and other receivables, deposits and prepayments. As at 31 December 2021, the Group's current liabilities amounted to approximately HK\$30.7 million (as at 31 December 2020: HK\$22.8 million), which mainly included lease liabilities in the amount of approximately HK\$6.5 million (as at 31 December 2020: HK\$15.4 million) and trade and other payables and accrued charges in the amount of approximately HK\$9.0 million (as at 31 December 2020: HK\$6.8 million).

Current ratio and quick assets ratio were 2.14 and 0.73 respectively (as at 31 December 2020: 2.93 and 1.44 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 31 December 2021 and 31 December 2020 respectively.

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 31 December 2021, the Group did not have any material capital commitments.

Contingent Liabilities

As at 31 December 2021, the Group did not have any contingent liabilities.

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

During the year ended 31 December 2021 and up to the date of this announcement, there had been no purchase, sales or redemption of the Company's listed securities by the Company or any of its subsidiaries.

Employees and Remuneration Policies

As at 31 December 2021, the Group had 92 employees in Hong Kong (31 December 2020: 124 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 of our employees.

Issue for cash of equity securities

During the year ended 31 December 2021, the Company did not issue for cash of equity securities (including securities convertible into equity securities).

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 31 December 2021.

Charge on Assets

As at 31 December 2021, the Group did not have any charge on its assets.

Directors' Interests in Competing Business

Save as disclosed in the Prospectus, 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 year ended 31 December 2021.

Following Mr. Lo Yeung Kit Alan's disposal of his entire shareholding interest in the Company on 8 April 2020, Mr. Wong and Mr. Pong being the remaining covenanters, have ceased to be interested in 30% or more of the issued Shares individually or collectively and to be regarded as controlling shareholders. Therefore, the deed of non-competition dated 14 June 2016 made between inter alia, Mr. Lo Yeung Kit Alan, Mr. Wong and Mr. Pong has ceased to have effect from 8 April 2020 according to its terms.

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. Ng Chun Fai Frank and Mr. Yue Man Yiu Matthew. 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 year ended 31 December 2021, 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 did not have any 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 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.

ANNUAL GENERAL MEETING

A notice convening the annual general meeting will be published and dispatched in the manner as required by the GEM Listing Rules in due course. Information regarding the record date and book close date to determine the entitlement of the shareholders to attend and vote at the annual general meeting will be announced in due course.

PUBLICATION OF AUDITED ANNUAL RESULTS ANNOUNCEMENT AND ANNUAL REPORT

Due to the escalation of the novel coronavirus (“COVID-19”) pandemic in Hong Kong, the auditing process for the audited 2021 Annual Results has not yet been completed as additional time is required to complete certain outstanding audit procedures as a result of the negative impact of and restrictions (i.e., quarantine and travel restrictions) caused by the fifth wave of COVID-19 in Hong Kong. It is currently expected that the audited annual results for the year will be agreed with the Company’s external auditors, BDO Limited, by the end of April, 2022. The unaudited annual results for the year contained herein have not been agreed with the Company’s auditors but have been agreed and reviewed by the Audit Committee. The Company will publish the audited annual results and the annual report for the year as soon as practicable after they have been agreed with the Company’s auditors.

APPRECIATION

The Group’s continued success depends on all its staff’s commitment, dedication and professionalism. The Board would like to thank every member of staff for their diligence and dedication and to express its sincere appreciation to our shareholders, clients and suppliers for their continuous and valuable support.

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

Hong Kong, 31 March 2022

As at the date of this announcement, the executive directors of the Company are Mr. WONG Arnold Chi Chiu, Mr. PONG Kin Yee, Mr. VASTINE Mael Henri Francis and Mr. LI Kai Leung; and the independent non-executive Directors 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 on the “Latest Listed Company Information” page for at least seven days from the date of its posting and on the Company’s website at www.classifiedgroup.com.hk.