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Classified Group (Holdings) Limited

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8232)

(1) DISCLOSEABLE TRANSACTION – DISPOSAL OF ASSETS

(2) BUSINESS UPDATE

On 22 July 2019, the Vendor and the Purchaser entered into the Asset Transfer Agreement, pursuant to which the Vendor has agreed to sell and the Purchaser has agreed to purchase the Assets for a consideration of HK\$275,000. Details of the Asset Transfer Agreement are set out in this announcement below.

Upon completion of the Disposal, the business of the Group's "Classified" restaurant in Sai Wan would cease.

As one or more of the applicable percentage ratios under Chapter 19 of the GEM Listing Rules in respect of the Disposal exceeds 5% but are below 25%, the Disposal constitutes a discloseable transaction for the Company and is therefore subject to reporting and announcement requirements under Chapter 19 of the GEM Listing Rules.

The Group also wishes to inform its shareholders and potential investors that it does not intend to renew the lease of its "Classified" restaurant in Sai Kung. Accordingly, the restaurant's business would cease upon expiry of the lease on 19 August 2019.

DISCLOSEABLE TRANSACTION – DISPOSAL OF ASSETS

Introduction

On 22 July 2019, the Vendor and the Purchaser entered into the Asset Transfer Agreement, pursuant to which the Vendor has agreed to sell and the Purchaser has agreed to purchase the Assets for a consideration of HK\$275,000.

Upon completion of the Disposal, the business of Classified Sai Wan would cease.

The Asset Transfer Agreement

The principal terms of the Asset Transfer Agreement are set out as follows:

- Date: 22 July 2019
- Parties: (1) the Vendor, an indirect wholly-owned subsidiary of the Company and was engaged in the operations of Classified Sai Wan; and
- (2) the Purchaser.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, the Purchaser and its ultimate beneficial owners are Independent Third Parties as at the date of this announcement.

Assets to be disposed of: The assets to be disposed of comprise all the fixtures, decorations, plant and equipment used in or relating to Classified Sai Wan located at the Premises).

Tenancy: Pursuant to a surrender agreement, the Vendor will surrender and deliver up the Premises to the landlord on or before 30 September 2019, subject to the execution of a replacement tenancy agreement between the Purchaser and the landlord of the Premises for the lease of the said Premises. A rental deposit of HK\$295,000 held by the landlord will be refunded to the Vendor.

Consideration: HK\$275,000

- Payment terms: (a) a sum of HK\$137,500, being 50% of the consideration, shall be paid by the Purchaser to the Vendor upon signing of the Asset Transfer Agreement; and
- (b) a sum of HK\$137,500, being the remaining 50% of the consideration, shall be paid by the Purchaser to the Vendor on or before the date when the Vendor transfers the general restaurant licence of Classified Sai Wan to the Purchaser.

Basis of determining the consideration:	The consideration under the Asset Transfer Agreement was determined after arm's length negotiation and between the Vendor and the Purchaser mainly with reference to the net book value of the Assets as at 31 March 2019, before accounting for the net book value of the leasehold improvements at the Premises.
Completion:	The sale and purchase of the Assets is expected to be completed on or before 30 September 2019. Upon completion, the business of Classified Sai Wan would cease.

Further Information About the Assets

The net book value of the Assets as at 31 March 2019 was approximately HK\$0 based on the unaudited management accounts of the Vendor.

The net loss attributable to the Assets (taken to be the net loss attributable to Classified Sai Wan for illustration purpose) were approximately HK\$3.9 million (including approximately HK\$1.9 million of impairment loss provision for property, plant and equipment) for the year ended 31 December 2018 and approximately HK\$2.1 million for the year ended 31 December 2017.

Reasons for and Benefits of the Disposal

For the year ended 31 December 2018, Classified Sai Wan generated approximately HK\$6.9 million of revenue (audited), representing approximately 5.7% of the Group's total revenue, and recorded a net loss of approximately HK\$3.9 million due to: (i) its decreasing revenue and (ii) approximately HK\$1.9 million of impairment loss provision for property, plant and equipment. Considering the declining operational and financial performance of Classified Sai Wan, the Directors are of the view that Classified Sai Wan would not be able to generate a positive operating profit if the lease is renewed based on the proposed renewal terms and current business environment. Accordingly, it is agreed between the landlord of the Premises and the Group that the lease will not be renewed upon its expiry on 30 September 2019. Instead of incurring costs in renewing the lease and other related costs (such as renovation or reinstatement costs), the Disposal will enable the Company to realise its assets and to use the proceeds for developing its existing business.

Based on the above, the Directors are of the view that the terms of the Disposal are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Information of the Parties

The Group and the Vendor

The Group is principally engaged in restaurant operations in Hong Kong.

The Vendor is an indirect wholly-owned subsidiary of the Company and is engaged in the operations of Classified Sai Wan.

The Purchaser

To the best of the Directors' knowledge, information and belief and having made all reasonable enquiries, (i) the Purchaser is a company established in Hong Kong with limited liability and is engaged in restaurant operations; and (ii) the Purchaser and its ultimate beneficial owners are Independent Third Parties as at the date of this announcement.

Financial Effect of the Disposal

For illustrative purpose, based on (i) the net book value of the Assets as at 31 March 2019 of HK\$0 as shown in the unaudited management accounts of the Vendor; and (ii) the consideration of HK\$275,000, it is estimated that the Group will record a profit of HK\$275,000 from the Disposal.

Use of Proceeds from the Disposal

The net proceeds from the Disposal will be used as the Group's general working capital.

Implications of the GEM Listing Rules

As one or more of the applicable percentage ratios under Chapter 19 of the GEM Listing Rules in respect of the Disposal exceeds 5% but are below 25%, the Disposal constitutes a discloseable transaction for the Company and is therefore subject to reporting and announcement requirements under Chapter 19 of the GEM Listing Rules.

BUSINESS UPDATE

The Group also wishes to inform the Shareholders and its potential investors that it does not intend to renew the lease of its “Classified” restaurant in Sai Kung. Accordingly, the said restaurant’s business would cease upon expiry of the lease on 19 August 2019. For the year ended 31 December 2018, Classified Sai Kung generated approximately HK\$5.1 million of revenue (audited), representing approximately 4.2% of the Group’s total revenue, and recorded a net loss of approximately HK\$730,000 due to its decreasing revenue. Taking into consideration the above and based on the proposed rent by the landlord, the Board is of the view that Classified Sai Kung would not be able to generate a positive operating profit if the lease was renewed. Accordingly, the Board considers that it is in the best interests of the Shareholders not to renew the lease and to cease the business of Classified Sai Kung upon expiry of the lease.

After the closure of the above restaurants, the Group will continue to operate eight “Classified” restaurants and one restaurant under the brand “The Pawn” in Hong Kong, in addition to three franchised “Classified” restaurants in Jakarta which operate under a franchise agreement with an Independent Third Party. The Company is simultaneously looking for new locations with desirable commercial lease terms for the potential relocation of the restaurants and confirms that it intends to carry on its existing businesses on both casual and full service restaurant operations. The Directors are also constantly evaluating the Group’s business objectives against changing market conditions and seeking potential business opportunities that will broaden the Group’s sources of income and enhance value to the Shareholders.

DEFINITIONS

In this announcement, unless the context requires otherwise, the following expressions have the following meanings:

“Assets”	collectively, all the fixtures, decorations, plant and equipment used in or relating to Classified Sai Wan located at the Premises, being the subject matter of the Disposal;
“Asset Transfer Agreement”	the asset transfer agreement dated 22 July 2019 and entered into between the Purchaser and the Vendor in respect of the Disposal;
“Board”	the board of Directors;
“Classified Sai Kung”	a casual European restaurant operating under the Group’s “Classified” brand which is situated at G/F and M/F, 5 Sha Tsui Path, Sai Kung, New Territories, Hong Kong;

“Classified Sai Wan”	a casual European restaurant operating under the Group’s “Classified” brand which is situated at the Premises;
“Company”	Classified Group (Holdings) Limited, an exempted company incorporated in the Cayman Islands, the shares of which are listed on GEM (Stock Code: 8232);
“Director(s)”	the director(s) of the Company;
“Disposal”	the disposal of the Assets by the Vendor pursuant to the Asset Transfer Agreement;
“GEM”	GEM of the Stock Exchange;
“GEM Listing Rules”	The Rules Governing the Listing of Securities on GEM, as amended, supplemented or otherwise modified from time to time;
“Group”	collectively, the Company and its subsidiaries from time to time;
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong;
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China;
“Independent Third Party(ies)”	third party or parties who, to the best of the Directors’ knowledge, information and belief having made all reasonable enquiries, is/are independent of the Company and its connected persons (as defined in the GEM Listing Rules);
“Premises”	the operation location of Classified Sai Wan located at Shop 1B, Ground Floor, Upton, 180 Connaught Road West, Hong Kong;
“Purchaser”	Ultra Solutions Limited, a company incorporated in Hong Kong with limited liability;
“Shareholder(s)”	the shareholder(s) of the Company;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;

“Subsidiary(ies)”	has the meaning ascribed thereto under the GEM Listing Rules;
“Vendor”	Classified Limited, being a company incorporated in Hong Kong with limited liability and an indirect wholly-owned subsidiary of the Company which was engaged in the operations of Classified Sai Wan; and
“%”	per cent.

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

Hong Kong, 22 July 2019

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

This announcement, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with 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 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 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.