



CLASSIFIEDGROUP

(Incorporated in the Cayman Islands with limited liability)
Stock Code: 8232

INTERIM REPORT
2020

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

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

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This report, for which the directors (the “Directors”) of Classified Group (Holdings) Limited (the “Company” and 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 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

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CORPORATE INFORMATION

Board of Directors

Executive Directors

Mr. WONG Arnold Chi Chiu (*Chairman*)

Mr. PONG Kin Yee, JP

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. NG Chun Fai Frank

Mr. YUE Man Yiu, Matthew

Nomination Committee

Mr. NG Chun Fai Frank (*Chairman*)

Dr. CHAN Kin Keung Eugene BBS, JP

Mr. YUE Man Yiu, Matthew

Auditors

BDO Limited

Certified Reporting Accountants

Legal Advisers to the Company

Bird & Bird

Principal Bankers

Hang Seng Bank Limited

Registered Office	Cricket Square, Hutchins Drive P.O. Box 2681 Grand Cayman KY1-1111 Cayman Islands
Head Office, Headquarters and Principal Place of Business in Hong Kong	8/F, Remex Centre 42 Wong Chuk Hang Road Wong Chuk Hang Hong Kong
Hong Kong Share Registrars and Transfer Office	Union Registrars Limited Suites 3301-04, 33/F Two Chinachem Exchange Square 338 King's Road North Point Hong Kong
Principal Share Registrar and Transfer Office	Conyers Trust Company (Cayman) Limited Cricket Square, Hutchins Drive P.O. Box 2681 Grand Cayman KY1-1111 Cayman Islands
Company Website	www.classifiedgroup.com.hk
GEM Stock Code	8232

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

FOR THE SIX MONTHS ENDED 30 JUNE 2020

	NOTES	Three months ended		Six months ended	
		30 June 2020 HK\$'000 (unaudited)	30 June 2019 HK\$'000 (unaudited)	30 June 2020 HK\$'000 (unaudited)	30 June 2019 HK\$'000 (unaudited)
Revenue	5	20,625	30,515	39,293	58,403
Other income	6	2,629	521	3,998	786
Other gains and (losses)		–	(2)	5	(5)
Raw materials and consumable used		(6,438)	(7,459)	(10,048)	(13,789)
Staff costs		(8,251)	(12,512)	(18,332)	(25,026)
Depreciation		(3,949)	(3,701)	(8,598)	(9,293)
Property rental and related expenses		(493)	(3,700)	(1,553)	(5,179)
Utility expenses		(430)	(887)	(1,002)	(1,627)
Advertising and promotion expenses		(1,154)	(817)	(1,950)	(1,573)
Other expenses		(2,602)	(3,092)	(5,018)	(6,210)
Finance costs	7	(347)	(658)	(737)	(951)
Loss before taxation	8	(410)	(1,792)	(3,942)	(4,464)
Taxation	9	–	–	–	–
Loss and total comprehensive expense for the period attributable to the owners of the Company		(410)	(1,792)	(3,942)	(4,464)
Loss per share					
Basic (HK cents)	11	(0.09)	(0.40)	(0.88)	(1.00)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2020

	NOTES	30 June 2020 HK\$'000 (unaudited)	31 December 2019 HK\$'000 (audited)
Non-current assets			
Property, plant and equipment	12	4,978	6,024
Right-of-use assets		16,798	24,031
Deposits	13	5,544	6,040
Deferred tax assets		2,397	2,397
		29,717	38,492
Current assets			
Inventories		11,804	14,464
Trade and other receivables, deposits and prepayments	13	6,919	4,287
Amounts due from related companies		199	288
Amounts due from directors		1,035	1,065
Tax recoverable		32	32
Bank balances and cash		52,503	57,648
		72,492	77,784
Current liabilities			
Trade and other payables and accrued charges	14	6,025	7,950
Contract liabilities		541	185
Amounts due to related companies		131	115
Lease liabilities		13,713	15,739
Provisions		200	400
		20,610	24,389
Net current assets		51,882	53,395
Total assets less current liabilities		81,599	91,887
Non-current liabilities			
Lease liabilities		10,679	17,225
Provisions		1,165	965
		11,844	18,190
Net assets		69,755	73,697
Capital and reserves			
Issued share capital	15	4,460	4,460
Reserves		65,295	69,237
Equity attributable to owners of the Company		69,755	73,697

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30 JUNE 2020

	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 2020 (audited)	4,460	127,329	766	(58,858)	73,697
Loss and total comprehensive expense for the period (unaudited)	-	-	-	(3,942)	(3,942)
At 30 June 2020 (unaudited)	4,460	127,329	766	(62,800)	(69,755)
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

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE SIX MONTHS ENDED 30 JUNE 2020

	Six months ended	
	30 June 2020 HK\$'000 (unaudited)	30 June 2019 HK\$'000 (unaudited)
Net cash from operating activities	4,144	2,541
Net cash from investing activities		
Interest received	309	490
Purchase of property, plant and equipment	(319)	(402)
Repayment from directors	30	–
	20	88
Cash used in financing activity		
Repayment of lease liabilities	(9,309)	(7,684)
Net decrease in cash and cash equivalents	(5,145)	(5,055)
Cash and cash equivalents at beginning of the period	57,648	65,393
Cash and cash equivalents at end of the period representing by bank balances and cash	52,503	60,338

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2020

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 8/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 2020 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 2020 are the same as those followed in the preparation of the financial statements for the year ended 31 December 2019.

4. APPLICATION OF HONG KONG FINANCIAL REPORTING STANDARDS

In the current period, the Group has applied all new and revised HKFRSs issued by the HKICPA that are mandatorily effective for the accounting period beginning on or after 1 January 2020.

The Group has also applied the following revised Hong Kong Financial Reporting Standards (“HKFRSs”) for the first time for the current period’s financial information.

Amendment to HKFRS 16 *Covid-19-Related Rent Concessions (early adopted)*

Amendment to HKFRS 16 provides a practical expedient for lessees to elect not to apply lease modification accounting for rent concessions arising as a direct consequence of the covid-19 pandemic. The practical expedient applies only to rent concessions occurring as a direct consequence of the covid-19 pandemic and only if (i) the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change; (ii) any reduction in lease payments affects only payments originally due on or before 30 June 2021; and (iii) there is no substantive change to other terms and conditions of the lease. The amendment is effective retrospectively for annual periods beginning on or after 1 June 2020 with earlier application permitted.

4. APPLICATION OF HONG KONG FINANCIAL REPORTING STANDARDS (CONTINUED)

During the period ended 30 June 2020, certain monthly lease payments for the leases of the Group's restaurants have been reduced or waived by the lessors as a result of the covid-19 pandemic and there are no other changes to the terms of the leases. The Group has early adopted the amendment on 1 January 2020 and elected not to apply lease modification accounting for all rent concessions granted by the lessors as a result of the covid-19 pandemic during the period ended 30 June 2020. Accordingly, a reduction in the lease payments arising from the rent concessions of approximately HK\$845,000 has been accounted for as a variable lease payment by derecognising part of the lease liabilities and crediting to profit or loss for the period ended 30 June 2020.

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.

5. REVENUE AND SEGMENT INFORMATION (CONTINUED)

Segment revenue and results

Six months ended 30 June 2020 (unaudited)

	Causal <i>HK\$'000</i>	Full service <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
Segment revenue	31,220	8,073	39,293
Segment results	888	(2,965)	(2,077)
Other income			3,998
Unallocated operating costs			(5,863)
Loss before taxation			(3,942)

Six months ended 30 June 2019 (unaudited)

	Causal <i>HK\$'000</i>	Full service <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
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)

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 2020 (unaudited)

	Causal <i>HK\$'000</i>	Full service <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
ASSETS			
Segment assets	16,631	19,791	36,422
Property, plant and equipment			25
Deferred tax assets			2,397
Inventories			8,969
Other receivables, deposits and prepayment			826
Amounts due from directors			1,035
Tax recoverable			32
Bank balances and cash			52,503
Consolidated total assets			102,209
LIABILITIES			
Segment liabilities	13,129	18,174	31,303
Other payables			1,151
Consolidated total liabilities			32,454

5. REVENUE AND SEGMENT INFORMATION (CONTINUED)

Segment assets and liabilities (continued)

As at 31 December 2019 (audited)

	Causal <i>HK\$'000</i>	Full service <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
ASSETS			
Segment assets	20,849	21,814	42,663
Property, plant and equipment			40
Deferred tax assets			2,397
Inventories			11,352
Other receivables, deposits and prepayment			1,079
Amounts due from directors			1,065
Tax recoverable			32
Bank balances and cash			57,648
Consolidated total assets			116,276
LIABILITIES			
Segment liabilities	18,203	22,266	40,469
Other payables			2,110
Consolidated total liabilities			42,579

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 2020 HK\$'000 (unaudited)	30 June 2019 HK\$'000 (unaudited)	30 June 2020 HK\$'000 (unaudited)	30 June 2019 HK\$'000 (unaudited)
Promotion income	49	–	49	21
Franchise fee income	75	75	150	150
Others	20	120	76	125
Interest income	151	326	309	490
Government subsidies	1,489	–	2,569	–
Rent concession related to COVID-19	845	–	845	–
	2,629	521	3,998	786

7. FINANCE COSTS

	Three months ended		Six months ended	
	30 June 2020 HK\$'000 (unaudited)	30 June 2019 HK\$'000 (unaudited)	30 June 2020 HK\$'000 (unaudited)	30 June 2019 HK\$'000 (unaudited)
The finance costs represent interest on leases liabilities	(347)	(658)	(737)	(951)

8. LOSS BEFORE TAXATION

	Three months ended		Six months ended	
	30 June 2020 HK\$'000 (unaudited)	30 June 2019 HK\$'000 (unaudited)	30 June 2020 HK\$'000 (unaudited)	30 June 2019 HK\$'000 (unaudited)
Loss before taxation from continuing operations have been arrived after charging:				
Raw materials and consumables used in respect of restaurant operations	(6,438)	(7,459)	(10,048)	(13,789)
Lease payments under operating leases in respect of leasehold land and building:				
– Short-term lease	(1,141)	(2,892)	(2,005)	(3,407)
– Contingent rents <i>(note)</i>	(264)	(177)	(391)	(260)
	(1,405)	(3,069)	(2,396)	(3,667)

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 2020 and 30 June 2019.

10. DIVIDENDS

No dividends were paid, declared and proposed by the Company during the current interim period (30 June 2019: 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:

	Three months ended		Six months ended	
	30 June 2020 HK\$'000 (unaudited)	30 June 2019 HK\$'000 (unaudited)	30 June 2020 HK\$'000 (unaudited)	30 June 2019 HK\$'000 (unaudited)
Loss:				
Loss for the period attributable to owners of the Company for the purpose of calculating basic loss per share	(410)	(1,792)	(3,942)	(4,464)
	30 June 2020 '000 (unaudited)	30 June 2019 '000 (unaudited)	30 June 2020 '000 (unaudited)	30 June 2019 '000 (unaudited)
Number of shares				
Number of ordinary shares for the purpose of calculating basic loss per share	446,000	446,000	446,000	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 2020 and 2019.

12. MOVEMENTS IN PROPERTY, PLANT AND EQUIPMENT

During the current interim period, the Group acquired property, plant and equipment of approximately HK\$319,000 (30 June 2019: HK\$402,000).

13. TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	As at 30 June 2020 HK\$'000 (unaudited)	As at 31 December 2019 HK\$'000 (audited)
Trade receivables from restaurant operations	2,009	483
Rental deposits	7,076	6,257
Other deposits	1,003	1,721
Prepayments and other receivables	2,375	1,866
	12,463	10,327
Analysed as:		
Current	6,919	4,287
Non-current	5,544	6,040
	12,463	10,327

13. 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.

	As at 30 June 2020 HK\$'000 (unaudited)	As at 31 December 2019 HK\$'000 (audited)
0 to 30 days	1,640	347
31 to 60 days	285	125
61 to 90 days	40	2
Over 90 days	44	9
	2,009	483

14. TRADE AND OTHER PAYABLES AND ACCRUED CHARGES

	As at 30 June 2020 HK\$'000 (unaudited)	As at 31 December 2019 HK\$'000 (audited)
Trade payables	2,010	2,264
Other payables:		
Accrued staff related costs	2,482	3,062
Other payables and accrued charges	1,533	2,624
	6,025	7,950

14. 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.

	As at 30 June 2020 HK\$'000 (unaudited)	As at 31 December 2019 HK\$'000 (audited)
0 to 30 days	1,955	1,714
31 to 60 days	38	532
61 to 90 days	2	2
Over 90 days	15	16
	2,010	2,264

15. ISSUED SHARE CAPITAL

	Number of shares	Amount HK\$	HK\$'000
Ordinary shares of HK\$0.01 each			
Authorised:			
At 1 January 2019, 30 June 2019, 1 January 2020 and 30 June 2020	800,000,000	8,000,000	8,000
Issued and fully paid:			
At 1 January 2019, 30 June 2019, 1 January 2020 and 30 June 2020	446,000,000	4,460,000	4,460

16. RELATED PARTY TRANSACTIONS

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

	Six months ended	
	30 June 2020 HK\$'000 (unaudited)	30 June 2019 HK\$'000 (unaudited)
Catering income from directors of the Company	33	29
Catering income from Gold Peak Industries (Holdings) Limited <i>(note (i))</i>	85	160
Catering income from GP Batteries International Limited <i>(note (i))</i>	116	213
Purchases of goods from Altaya Wines Limited <i>(note (ii))</i>	532	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. Mr. Lo has resigned from his position as executive Director on 29 April 2020 and the relevant related party transactions are up to 29 April 2020.
- (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\$660,000 (30 June 2019: HK\$720,000).

MANAGEMENT DISCUSSION AND ANALYSIS

Industry Overview

During the six months ended 30 June 2020, there was an outbreak of the Novel Coronavirus (COVID-19) epidemic which had affected the usual business environment. The anti-infection measures imposed by the Hong Kong Government, like limiting maximum restaurant seating capacity, keeping 1.5 metres between tables and not allowing more than two/four/eight people per table 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, temporary suspension of the operation of "The Pawn" restaurant, negotiating with our landlords for rent concessions and our suppliers for purchasing discounts and 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.

Business Overview

During the six months ended 30 June 2020, our Group operated eight restaurants in Hong Kong and three franchised restaurants in Indonesia under the "Classified" brand and one restaurant under "The Pawn" brand.

"Classified" restaurants are a collection of casual European cafés specializing in artisan breads, cheeses and boutique wines, and are renowned for their breakfast and all-day dining menu. Offering casual seating areas in most locations, Classified encourages neighbourhood street-level interaction. It is our Group's flagship brand and contributes to over 79.5% of our total revenue. During the six months ended 30 June 2020, Classified recorded net revenue of approximately HK\$31.2 million (30 June 2019: HK\$40.8 million), representing a decrease of approximately 23.4% as compared to the last corresponding period.

"The Pawn" is a full service restaurant located in one of Hong Kong's iconic landmarks. It marries a contemporary dining and bar concept with a unique innovative space aiming to be more than just a dining experience. A communal social venue for an eclectic mix of groups and sub-cultures at any time of the day or night, celebrating retro-futurism, arts and design through casual-chic, alfresco and contemporary dining. During the six months ended 30 June 2020, The Pawn recorded revenue of approximately HK\$8.1 million (30 June 2019: HK\$17.6 million), representing a decrease of approximately 54.2% as compared to the last corresponding period.

Future Prospects

The food and beverage industry is always a challenging industry with intense competition and high operating costs, such as rising rental expenses, food costs and labour costs. Our success is heavily dependent on the dining concepts and economic conditions of Hong Kong.

Our Group's key risk exposures and uncertainties are summarised as follows:

- (1) our Group may fail to find commercially attractive locations for new restaurants and/or renew existing leases on commercially acceptable terms, and the aforesaid potential failure would have a material adverse effect on the Group's business and future development;
- (2) the operation of the Group may be affected by the price of the food ingredients, including the price of the imported food ingredients which will be affected by the fluctuating exchange rate;
- (3) there may be labour shortage in the future and competition for qualified individuals in the food and beverage industry may be intense; and
- (4) 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 concept to refrain from dining out.

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, we currently plan 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 quotations of our suppliers 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 the shareholders.

FINANCIAL REVIEW

For the six months ended 30 June 2020, the group's unaudited turnover was approximately HK\$39.3 million (30 June 2019: HK\$58.4 million), representing a decrease of approximately 32.7% compared with the last corresponding period. The decrease in revenue for the six months ended 30 June 2020 was mainly due to the spread of the Novel Coronavirus (COVID-19) which had adverse impacts on the Group's restaurant revenue and the closure of two "Classified" restaurants in August 2019.

The loss attributable to owners of the Company was approximately HK\$3.9 million for the six months ended 30 June 2020 (2019: loss HK\$4.5 million). The decrease in our loss of the Company was mainly due to the receipts of Government subsidies HK\$2.6 million and the rent concession related to COVID-19 HK\$0.8 million although we are suffered from COVID-19 with adverse impacts on the number of customers and their frequencies of visiting our restaurants.

Financial Resources, Liquidity and Capital Structure

As at 30 June 2020, the Group's current assets amounted to approximately HK\$72.5 million (as at 31 December 2019: HK\$77.8 million) of which approximately HK\$52.5 million (as at 31 December 2019: HK\$57.6 million) was bank balances and cash, and approximately HK\$6.9 million (as at 31 December 2019: HK\$4.3 million) was trade and other receivables, deposits and prepayments. As at 30 June 2020, the Group's current liabilities amounted to approximately HK\$20.6 million (as at 31 December 2019: HK\$24.4 million), which mainly included lease liabilities in the amount of approximately HK\$13.7 million (as at 31 December 2019: HK\$15.7 million) and trade and other payables and accrued charges in the amount of approximately HK\$6.0 million (as at 31 December 2019: HK\$8.0 million).

Current ratio and quick assets ratio were 3.52 and 2.94 respectively (as at 31 December 2019: 3.19 and 2.60 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 2020 and 31 December 2019.

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 2020, the Group did not have any material capital commitments.

Contingent Liabilities

As at 30 June 2020, the Group did not have any contingent liabilities.

Employees and Remuneration Policies

As at 30 June 2020, the Group had 119 employees in Hong Kong (30 June 2019: 173 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.

Issue for cash of equity securities

During the six months ended 30 June 2020, 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 30 June 2020.

Charge on Assets

As at 30 June 2020, the Group did not have any charge on its assets.

USE OF PROCEEDS

(1) IPO Placing

On 11 July 2016, the Company's shares were listed on 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; (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 2020 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 2020 <i>HK\$'000</i>	Unutilised IPO Proceeds as at 30 June 2020 <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)	–
Total	25,075	25,075	25,075	(20,082)	4,993

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 interim 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 2020 is set out below:

	Planned use of November Placing Proceeds as at 30 June 2020 <i>HK\$'000</i>	Utilised November Placing Proceeds as at 30 June 2020 <i>HK\$'000</i>	Unutilised November Placing Proceeds as at 30 June 2020 <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
	82,400	56,883	25,517

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 upgrade of existing restaurant facilities. As at 30 June 2020, 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 OF BUSINESS STRATEGIES AND ACTUAL BUSINESS PROGRESS

An analysis comparing the business strategies as set out in the Prospectus with the Group's actual business progress for the period from 11 July 2016 (being the Listing date) to 30 June 2020 is set out below:

Business Strategies	Actual progress
Expanding Classified brand to different locations	We had opened new Classified restaurants in Sai Wan ^(Note 1) and Kwun Tong in December 2016 and June 2018, respectively
Establishing a new central kitchen for Classified restaurants	We had acquired and established a new central kitchen in Wong Chuk Hang in October 2016 ^(Note 2)
Enhancing and upgrading existing restaurant facilities	We had renovated our Classified restaurants in Exchange Square, Tai Hang, Happy Valley, Repulse Bay and Sheung Wan
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

Notes:

- (1) The Classified restaurant in Sai Wan was closed subsequently in August 2019.
- (2) The central kitchen was closed down subsequently in August 2018. For further details, please refer to the Company's announcement dated 22 June 2018.

OTHER INFORMATION

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

During the six months ended 30 June 2020 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 2020, 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. Pong Kin Yee	interest in controlled corporation (<i>Note 2</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. 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 2020, 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 2020, 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%
Peyton Global Limited	Beneficial owner	68,000,000	15.3%
Ms. Cheng Chi Man	Interest of spouse (<i>Note 2</i>)	68,000,000	15.3%
VMS Investment Group Limited	Beneficial owner	68,000,000	15.3%
Mak Siu Hang, Viola	Beneficial owner	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. 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 2020, 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 30 June 2020, Ms. Wong Pui Yain, the spouse of Mr. Lo Yeung Kit Alan, the then executive Director (who has resigned from his post as one of our executive Directors on 29 April 2020), was a controlling shareholder in Jia Group Holdings Limited (stock code: 8519) which is engaged in the business of restaurant operations 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 2020.

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 six months ended 30 June 2020, 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, 14 August 2020

As at the date of this report, the chairman and the executive director of the Company is Mr. WONG Arnold Chi Chiu, the executive director of the Company is Mr. PONG Kin Yee; and the independent non-executive Directors are Dr. CHAN Kin Keung Eugene, Mr. NG Chun Fai Frank and Mr. YUE Man Yiu Matthew.