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Classified Group (Holdings) Limited

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8232)

INSIDE INFORMATION CLOSURE OF THE PAWN AND CONTINUING CONNECTED TRANSACTION MANAGEMENT SERVICES AGREEMENT AND APPOINTMENT OF EXECUTIVE DIRECTORS

CLOSURE OF THE PAWN

The Board wishes to inform the Shareholders and potential investors of the Company that due to the continual adverse impact of the novel coronavirus outbreak on the business of the Pawn, The Company decided to cease the operation of the Pawn from 16 September 2021.

MANAGEMENT SERVICES AGREEMENT

On 16 September 2021 (after trading hours), PRGM, a wholly owned subsidiary of the Company, as the manager of the Restaurant, entered into the Management Services Agreement with CANTON, as the owner of the Restaurant. Following the entering of the Termination Agreement, CANTON, as the new tenant, entered into a tenancy agreement with the Landlord for the leasing of the Premises on 17 September 2021. Pursuant to the Management Services Agreement, PRGM has been appointed by CANTON as the manager of the Restaurant for the provision of catering operations and management services to the Restaurant for a term commencing from 17 September 2021 and expiring on 31 December 2023 (both dates inclusive).

LISTING RULES IMPLICATIONS

CANTON is ultimately and beneficially owned respectively as to 50% and 50% by Mr. Wong and Mr. Pong, who are the executive Directors. Therefore, CANTON is an associate of Mr. Wong and Mr. Pong and hence is a connected person of the Company. The transactions contemplated under the Management Services Agreement therefore constitute continuing connected transactions for the Group under Chapter 20 of the GEM Listing Rules.

As the highest of the applicable percentage ratios in respect of the proposed annual caps for the transactions contemplated under the Management Services Agreement is more than 5% but is less than 25% and each of the proposed annual caps during the Term is less than HK\$10,000,000, the transactions contemplated under the Management Services Agreement and the proposed annual caps are subject to the reporting, announcement and annual review requirements but are exempt from the circular and shareholders' approval requirements under Chapter 20 of the GEM Listing Rules.

APPOINTMENT OF EXECUTIVE DIRECTORS

The Board is pleased to announce that with effect from 16 September 2021, Mr. Vastine Mael Henri Francis and Mr. Li Kai Leung have been appointed as the executive Directors of the Company.

CLOSURE OF THE PAWN

The Group had been operating the Pawn at the Premises since 2008. The Pawn has been serving contemporary western dining and bar concept. The Tenancy Agreement for the Premises was due to expire on 31 July 2022.

The operation of the Pawn has been severely impacted by the continuous novel coronavirus outbreak, which has led to an accumulated loss of approximately HK\$4.9 million (unaudited) and HK\$11.6 million (audited) for the six months ended 30 June 2021 and the year ended 31 December 2020, respectively. The Board believes that 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 with 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 for prevention of disease for operation of bars and pubs. Therefore, the Board believes that it is in the best interests of the Shareholders as a whole not to continue to be financially exposed to these uncertainties by changing 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 by provision of catering operations and management services to the Restaurant. As far as the Directors are aware, CANTON, as the owner of the Restaurant, will be investing a substantial sum of money to revamp the Premises and change its dining concept to Chinese dining.

For the reasons set out above, the Tenant, a wholly-owned subsidiary of the Company, and the Landlord entered into the Termination Agreement to terminate the Tenancy Agreement for the Premises with effect from 16 September 2021. No compensation is required to be paid by the Tenant to the Landlord as a result of such termination. Moreover, the Tenant is not required to incur additional reinstatement costs in relation to the Premises subsequent to such termination. The closure of the Pawn results in a decrease in the amount of right-of-use asset recognised by the Company under HKFRS16 and is regarded as a disposal of assets under the GEM Listing Rules. As the applicable percentage ratio (as defined in the GEM Listing Rules) calculated based on the remaining right-of-use asset is less than 5% for the Company, the closure of the Pawn does not constitute a notifiable transaction for the Company under Chapter 19 of the GEM Listing Rules. Due to the closure of the Pawn, approximately HK\$5.2 million (unaudited) is recognised as “other income” as a result of the write off of the right-of-use assets and the derecognised lease liabilities under the Tenancy Agreement and an impairment of approximately HK\$0.32 million (unaudited) on certain fixed assets relating to the Pawn which comprised of leasehold improvements, furniture and fixtures, equipment, computer equipment and reinstatement costs is incurred. The Board do not foresee the closure of the Pawn will have a material adverse effect on the financial position of the Group.

MANAGEMENT SERVICES AGREEMENT

On 16 September 2021 (after trading hours), PRGM, a wholly-owned subsidiary of the Company, as the manager of the Restaurant, entered into the Management Services Agreement with CANTON, as the owner of the Restaurant. Following the entering of the Termination Agreement, CANTON, as the new tenant, entered into a tenancy agreement with the Landlord for the leasing of the Premises on 17 September 2021. As far as the Directors are aware, CANTON, as the new owner of the Restaurant, will be investing a substantial sum of money to revamp the Premises and change its dining concept to Chinese dining. Pursuant to the Management Services Agreement, PRGM has been appointed by CANTON as the manager of the Restaurant for the provision of catering operations and management services to the Restaurant for a term commencing from 17 September 2021 and expiring on 31 December 2023 (both dates inclusive).

A summary of principal terms of the Management Services Agreement is as follows:

Date

17 September 2021 (after trading hours)

Parties

- (1) Canton Oriental Limited (as the owner of the Restaurant)
- (2) Press Room Group Management Limited (as the manager of the Restaurant)

Term

The Management Services Agreement will be effective from 17 September 2021 and up to 31 December 2023 (both dates inclusive).

At any time during the subsistence of the Management Services Agreement, either party may give to the other party two months' notice in writing to terminate the Management Services Agreement.

Services to be provided

Pursuant to the terms of the Management Services Agreement, CANTON as the owner of the Restaurant has appointed PRGM as the manager of the Restaurant to provide catering operations and management services to the Restaurant.

PRGM will be responsible for the management of the Restaurant, including, without limitation, restaurant operation, personnel and administration matters in connection with the management of the Restaurant.

Pricing policy and payment terms

The management service fees under the Management Services Agreement were made reference to (i) the prevailing market price and charging methodology adopted by Independent Third Parties for similar management service in the market, and (ii) the management service fees currently charged by PRGM against TPL and the charging methodology for providing similar services by PRGM to TPL, where PRGM provides catering operations and management services to the Pawn while TPL is the owner of the Pawn.

After the arm's length negotiations and agreed between PRGM and CANTON, the management services fees payable by CANTON to PRGM (the "**Monthly Management Fee**") shall be 8% of the monthly Net Sales of the Restaurant, subject to a minimum monthly management services fee of HK\$160,000 (the "**Minimum Monthly Management Fee**"). The Minimum Monthly Management Fee is determined with reference to the approximate average monthly net sales of the Pawn for the past eight months ended 31 August 2021.

The aforementioned Monthly Management Fee will be settled monthly in arrears on the 15th Business Day of the immediate following Fiscal Month or (as the case may be) upon the expiration of the Term, on the 15th Business Day following the expiration of the Term.

Proposed Annual Caps

The table below sets out the proposed annual caps under the Management Services Agreement:

Annual caps	For the year ending 31 December		
	2021	2022	2023
HK\$	800,000	4,800,000	4,800,000

The above annual caps are determined with reference to the monthly Net Sales of the Restaurant projected by CANTON.

REASONS FOR AND THE BENEFITS OF ENTERING THE MANAGEMENT SERVICES AGREEMENT

The Group is principally engaged in (i) the provision of a collection of casual European cafés specializing in artisan breads, cheeses and boutique wines through operating restaurants in Hong Kong and franchise in Indonesia; (ii) the operation of a brand of modern bakery in Hong Kong; and (iii) the operation of the Pawn with contemporary western dining and bar concept in Hong Kong.

The social movement in Hong Kong since June 2019 has weakened consumer sentiment and adversely affected the food and beverage industry in Hong Kong. Moreover, the outbreak of novel coronavirus in Hong Kong since January 2020 has further worsened the local economy and the business of the Group, in particular the operation of the Restaurant. The existing dining concept of the Pawn as contemporary western dining and bar is particularly vulnerable to the situation of novel coronavirus outbreak.

The Board believes that 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 with 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 for prevention of disease for operation of bars and pubs. Therefore, the Board believes that it is in the best interests of the Shareholders as a whole not to continue to be financially exposed to these uncertainties by changing our mode of operation from being the owner and manager of the Pawn to only acting as the manager of the Restaurant by provision of catering operations and management services to the Restaurant. As far as the Directors are aware, CANTON, as the new owner of the Restaurant, will be investing a substantial sum of money to revamp the Premises and change its dining concept to Chinese dining.

The Board considers that the entering into the Management Services Agreement with CANTON while terminating the Tenancy Agreement is beneficial to the Group, as it will significantly reduce the costs and expenses for operating the Restaurant as an owner (such as the rental of the Premises and the associated labour costs). In addition, while the Chinese dining concept may improve the financial performance of the Restaurant, the change of Chinese dining concept increases the Group's business risk. The Group does not have the experience and track record to operate restaurants under Chinese dining concept. It is also uncertain that the operation of Restaurant by the Group under Chinese dining concept would be successful. The entering into the Management Services Agreement allows the Group to enjoy the benefit of deriving income from provision of catering operations and management services to the Restaurant under the new Chinese dining concept without subject to the above uncertainties and the need to incur significant costs. Based on the above, the Board considers that the entering into the Management Services Agreement will provide an opportunity for the Group to benefit from a steady income stream and improve its financial position.

Taking into account the aforementioned circumstances as a whole, the Directors (excluding Mr. Wong and Mr. Pong but including the independent non-executive Directors) consider that the terms of the Management Services Agreement, the transactions contemplated thereunder and the proposed annual caps under the Management Services Agreement are on normal commercial terms after arm's length negotiations and in the ordinary course of business of the Group are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

As Mr. Wong and Mr. Pong, both are executive Directors, have material interests in the transactions contemplated under the Management Services Agreement, both of them had abstained from voting on the board resolutions approving the Management Services Agreement and the transactions contemplated thereunder.

INFORMATION OF THE PARTIES

Information of the Group

The Group is principally engaged in (i) the provision of a collection of casual European cafés specializing in artisan breads, cheeses and boutique wines through operating restaurants in Hong Kong and franchise in Indonesia; (ii) the operation of a brand of modern bakery in Hong Kong; and (iii) the operation of the Pawn with contemporary western dining and bar concept in Hong Kong.

Information of CANTON

CANTON is a company incorporated in Hong Kong and principally engaged in the provision of Chinese cuisine catering service through the Restaurant. CANTON is ultimately and beneficially owned as to 50% by Mr. Wong and 50% by Mr. Pong respectively.

LISTING RULES IMPLICATIONS

CANTON is ultimately and beneficially owned respectively as to 50% and 50% by Mr. Wong and Mr. Pong, who are the executive Directors. Therefore, CANTON is an associate of Mr. Wong and Mr. Pong and hence is a connected person of the Company. The transactions contemplated under the Management Services Agreement therefore constitute continuing connected transactions for the Group under Chapter 20 of the GEM Listing Rules.

As the highest of the applicable percentage ratios in respect of the proposed annual caps for the transactions contemplated under the Management Services Agreement is more than 5% but is less than 25% and each of the proposed annual caps during the Term is less than HK\$10,000,000, the transactions contemplated under the Management Services Agreement and the proposed annual caps are subject to the reporting, announcement and annual review requirements but are exempt from the circular and shareholders' approval requirements under Chapter 20 of the GEM Listing Rules.

APPOINTMENT OF EXECUTIVE DIRECTORS

The Board is pleased to announce that Mr. Vastine Mael Henri Francis (“**Mr Vastine**”) and Mr. Li Kai Leung (“**Mr. Li**”) will be appointed as executive Directors of the Company with effect from 16 September 2021.

The biographical details of Mr. Vastine are set out below:

Mr. Vastine Mael Henri Francis, aged 40, joined the Group in February 2020 as chief operating officer and is primarily responsible for overseeing the Group’s overall operations strategy. Having attained a Master’s degree in Management at Teesside University, United Kingdom, Mr. Vastine started a career in Hospitality at Accor Group in 2005. With over 15 years of experience in the industry, Mr. Vastine has held positions such as General Manager, Director of Operations, and Area General Manager at Accor Group and ONYX Hospitality Group. He has managed over 30 properties in different countries and has been awarded by the French Finance Minister for the management of “The Euros Project” in 2001 and “The Revenue Generation” by Accor Group in 2008.

Mr. Vastine has entered into a letter of appointment with the Company for a period of three years commencing on 16 September 2021 unless or until terminated earlier in accordance with the letter of appointment. His appointment is subject to retirement by rotation and re-election in accordance with the articles of association of the Company. Under his letter of appointment with the Company, Mr. Vastine is entitled to a fixed monthly director’s fee of HK\$10,000. In addition, according to an employment agreement made between Mr. Vastine and the Company, he is entitled to receive a fixed remuneration of HK\$95,000 per month as the chief operating officer of the Company. Mr. Vastine is also entitled to receive discretionary bonus which will be determined in accordance with the internal regulations of the Company. Mr. Vastine’s remuneration as an executive Director is determined by the Board, under the recommendation from the remuneration committee of the Company, with reference to his background, qualification, experience, duties and responsibilities within the Group and the prevailing market conditions.

The biographical details of Mr. Li are set out below:

Mr. Li Kai Leung, aged 48, joined the Group in September 2012 as finance manager and was promoted to deputy financial controller in January 2014 and further promoted to financial controller in February 2016. He is primarily responsible for overseeing our Group’s overall financial accounting and reporting as well as corporate finance matters. He is a member of the internal control committee. Mr. Li received a Bachelor’s degree in Business Studies from The City University of Hong Kong in July 1997. He has been an associate member of the Hong Kong Society of Accountants since April 2002 and a qualified member of the Association of Chartered Certified Accountants since May 2008. Mr. Li has over 20 years of experience in accounting.

Mr. Li has entered into a letter of appointment with the Company for a period of three years commencing on 16 September 2021 unless or until terminated earlier in accordance with the letter of appointment. His appointment is subject to retirement by rotation and re-election in accordance with the articles of association of the Company. According to his letter of appointment with the Company, Mr. Li is entitled to receive a fixed monthly director's fee of HK\$10,000. In addition, according to an employment agreement made between Mr. Li and the Company, he is entitled to receive a fixed remuneration of HK\$58,740 per month as the financial controller of the Company. Mr. Li is also entitled to receive discretionary bonus which will be determined in accordance with the internal regulations of the Company. Mr. Li's remuneration as an executive Director is determined by the Board, under the recommendation from the remuneration committee of the Company, with reference to his background, qualification, experience, duties and responsibilities within the Group and the prevailing market conditions.

Save as disclosed above, as at the date of this announcement, each of Mr. Vastine and Mr. Li (i) does not have any relationships with any directors, senior management or substantial or controlling shareholders of the Company; (ii) does not have any interests in shares and underlying shares of the Company and any associated corporation of the Company (within the meaning of Part XV of the SFO); (iii) did not hold any directorships in listed public companies in Hong Kong or overseas in the last three years; and (iv) does not have any other information that needs to be disclosed pursuant to any of the requirements as set out in Rule 17.50(2) of the GEM Listing Rules (particularly in relation to subparagraphs (h) to (v) therein). Save as disclosed in this announcement, there are no other matters that need to be brought to the attention of the shareholders of the Company in relation to the appointment of Mr. Vastine and Mr. Li.

The Board would like to take this opportunity to extend its welcome to Mr. Vastine and Mr. Li on their new positions with the Company.

DEFINITIONS

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

“associates”	has the meaning ascribed to it under the GEM Listing Rules
“Business Day”	a day which banks in Hong Kong are generally open for normal banking business which is not a Saturday, Sunday or public holiday in Hong Kong
“Board”	the Board of Directors of the Company
“CANTON”	Canton Oriental Limited, a company which is owned as to 50% by Mr. Wong and 50% by Mr. Pong
“Company”	Classified Group (Holdings) Limited, a company incorporated in the Cayman Islands with limited liability, the Shares of which are listed on GEM

“Concessions”	in respect of any Fiscal Month, the amount of concessions granted by the CANTON to the guests or staff of the CANTON, including, without limitation, in connection with the provision of entertainment, discount, complimentary food and/or drinks items, staff meals allowances, and service charges applicable in Hong Kong according to the in-house point of sales system and associated software, as shall appear in the monthly report as contemplated under the Management Services Agreement for such Fiscal Month
“connected person(s)”	has the meaning ascribed to it under the GEM Listing Rules
“Director(s)”	director(s) of the Company
“Fiscal Month”	a period commencing from the first day of each calendar month to last day of the same calendar month (both days inclusive) during the Term provided that: <ul style="list-style-type: none"> (a) the first Fiscal Month shall commence from the date of the Management Services Agreement and end on the last day of the same calendar month; and (b) the last Fiscal Month shall end on, and inclusive of, the last day of the Term.
“GEM”	GEM of the Stock Exchange
“GEM Listing Rules”	Rules Governing the Listing of Securities on GEM, as amended, modified, and supplemented from time to time
“Gross Revenue”	in respect of any period, the gross income and sales proceeds, whether cash or otherwise, in connection with the carrying on the business of operating the Restaurant during such period including, without limitation, in respect of all sales of food, bread, cheese, beverages and services, and all other receipts whatsoever of all business conducted in or from the Restaurant including mail or telephone orders received or fulfilled at the Restaurant, and includes all moneys received during the course of the business of operating the Restaurant but not refunded to customers, during such period
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“HK\$”	the lawful currency of Hong Kong

“Independent Third Party(ies)”	an individual(s) or a company(ies) who or which, to the best of our Directors’ knowledge, information and belief, having made all reasonable enquires, is/are independent of and not connected with (within the meaning of the GEM Listing Rules) our Company, its subsidiaries or any of their respective associates
“Landlord”	Unions Profits Limited
“Management Services Agreement”	the management services agreement dated 17 September 2021 entered into between PRGM and CANTON in relation to the provision of catering operations and management services by PRGM to the Restaurant
“Mr. Pong”	Mr. Pong Kin Yee, an executive Director of the Company and a shareholder of CANTON who is interested in 50% of the issued share capital of CANTON
“Mr. Wong”	Mr. Wong Arnold Chi Chiu, an executive Director of the Company and a shareholder of CANTON who is interested in 50% of the issued share capital of CANTON
“Net Sales”	in respect of any Fiscal Month, the amount of the Gross Revenue for such Fiscal Month, as shall appear in the monthly report as contemplated under the Management Services Agreement for such Fiscal Month, less the amount of the Concessions for such Fiscal Month, as shall appear in the monthly report as contemplated under the Management Services Agreement for such Fiscal Month
“PRGM”	Press Room Group Management Limited, a limited company incorporated in Hong Kong and a wholly owned subsidiary of the Company
“Restaurant”	a restaurant to be opened and located at the Premises and owned by CANTON
“Shares”	the ordinary share(s) with a nominal value of HK\$0.01 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the Shares
“Tenancy Agreement”	a tenancy agreement entered into between the Landlord as the landlord and the Tenant as the tenant dated 3 August 2018 in relation to the lease of the Premises for the term commencing from 1 August 2018 to 31 July 2022
“Term”	the term commencing from 17 September 2021 to 31 December 2023

“Termination Agreement”	a termination agreement dated 16 September 2021 entered into between the Landlord as the landlord and the Tenant as the tenant in relation to early termination of the Tenancy Agreement
“TPL”	The Pawn Limited, a limited company incorporated in Hong Kong and a wholly-owned subsidiary of the Company and the owner of the Pawn before the termination of the tenancy created under the Tenancy Agreement
“the Pawn”	a restaurant named “The Pawn” owned by TPL located at the Premises before its closure
“the Premises”	known as the Pawn, Shop No. 7 on the first floor and Shop No. 11 on the second floor of J Senses, Nos. 60, 60A, 62, 64 & 66 Johnston Road, No. 18 Ship Street, Hong Kong
“the Stock Exchange”	The Stock Exchange of Hong Kong Limited
“the Tenant”	Classified Group Management Limited, a wholly owned subsidiary of the Group and the tenant under the Tenancy Agreement
“%”	per cent.

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

Hong Kong, 16 September 2021

As at the date of this announcement, the Chairman and executive director of the Company is Mr. WONG Arnold Chi Chiu; the executive directors of the Company are Mr. PONG Kin Yee, Mr. Vastine Mael Henri Francis and Mr. Li Kai Leung; and the independent non-executive directors of the Company are Dr. CHAN Kin Keung Eugene, Mr. NG Chun Fai Frank and Mr. YUE Man Yiu Matthew.

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

This announcement will remain on the GEM website at www.hkgem.com 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.