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Classified Group (Holdings) Limited

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8232)

PLACING OF NEW SHARES UNDER GENERAL MANDATE

Placing Agent



PLACING OF NEW SHARES

On 15 October 2017, the Company entered into the Placing Agreement with the Placing Agent. Pursuant to the Placing Agreement, the Placing Agent has conditionally agreed to procure subscriptions on a best effort basis not less than six Placees to subscribe for up to 46,000,000 Placing Shares at the Placing Price of HK\$1.86 per Share.

The maximum number of 46,000,000 Placing Shares under the Placing represents: (i) approximately 11.50% of the existing issued share capital of the Company as at the date of this announcement; and (ii) approximately 10.31% of the issued share capital of the Company as enlarged by such Placing Shares. The aggregate nominal value of the maximum number of the Placing Shares under the Placing will be HK\$460,000.

The Placing Price of HK\$1.86 represents:

- (a) a discount of approximately 5.58% to the closing price of HK\$1.97 per Share as quoted on the Stock Exchange on 13 October 2017, being the last full trading day prior to the release of this announcement;
- (b) a discount of approximately 19.83% to the average closing price of HK\$2.32 per Share as quoted on the Stock Exchange for the five consecutive trading days up to and including 13 October 2017; and
- (c) a premium of approximately 14.1 times over the unaudited consolidated net asset value of the Company of approximately HK\$0.123 per Share on 30 June 2017 (which is calculated by dividing the unaudited consolidated net assets attributable to the Shareholders as at 30 June 2017 of approximately HK\$49.3 million by the number of Shares in issue as at 30 June 2017 of 400,000,000).

The Placing is not subject to Shareholders' approval as the Placing Shares will be allotted and issued under the Issue Mandate.

Assuming all the 46,000,000 Placing Shares are subscribed for in full, upon completion of the Placing, the gross proceeds will be HK\$85.56 million and the net proceeds arising from the Placing are estimated to be HK\$82.4 million. The Company intends to use the net proceeds to repay the existing bank borrowings of the Group in full, for development of the Group's existing business, for working capital for the Group's existing business and for enhancement of the Group's premium food and fine wine programme.

The Placing is conditional upon (among others) the Listing Committee of the Stock Exchange granting the listing of, and permission to deal in, the Placing Shares (and such listing and permission not subsequently being revoked prior to completion of the Placing).

Completion of the Placing is subject to the fulfillment of the conditions precedent under the Placing Agreement. As the Placing may or may not proceed, Shareholders and potential investors are advised to exercise caution in dealing in the Shares.

THE PLACING AGREEMENT

Date

15 October 2017

Issuer

The Company

Placing Agent

VMS Securities Limited

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, the Placing Agent and its ultimate beneficial owners are third parties independent of the Company and its connected persons.

Placees

The Placing Agent has conditionally agreed to procure subscriptions for the Placing Shares on a best effort basis. The Placing Shares will be placed to not less than six Placees who are third parties independent of and not acting in concert with the Company or its connected persons. The Placing Agent will use its reasonable endeavours to ensure that none of the Placees (together with parties acting in concert with him/her/it) will become a substantial shareholder (within the meaning of the GEM Listing Rules) of the Company immediately upon completion of the Placing.

Number of Placing Shares

The maximum number of 46,000,000 Placing Shares under the Placing represents: (i) approximately 11.50% of the existing issued share capital of the Company Shares as at the date of this announcement; and (ii) approximately 10.31% of the issued share capital of the Company as enlarged by such Placing Shares. The aggregate nominal value of the maximum number of the Placing Shares under the Placing will be HK\$460,000.

Ranking of Placing Shares

The Placing Shares will rank, upon issue, pari passu in all respects among themselves and with the existing Shares in issue as at the date of allotment and issue of the Placing Shares.

Placing Price

The Placing Price of HK\$1.86 represents:

- (a) a discount of approximately 5.58% to the closing price of HK\$1.97 per Share as quoted on the Stock Exchange on 13 October 2017, being the last full trading day prior to the release of this announcement;
- (b) a discount of approximately 19.83% to the average closing price of HK\$2.32 per Share as quoted on the Stock Exchange for the five consecutive trading days up to and including 13 October 2017; and
- (c) a premium of approximately 14.1 times over the unaudited consolidated net asset value of the Company of approximately HK\$0.123 per Share on 30 June 2017 (which is calculated by dividing the unaudited consolidated net assets attributable to the Shareholders as at 30 June 2017 of approximately HK\$49.3 million by the number of Shares in issue as at 30 June 2017 of 400,000,000).

The Placing Price was determined with reference to the prevailing market price of the Shares and was negotiated on an arm's length basis between the Company and the Placing Agent.

Placing commission

Upon completion of the Placing, the Placing Agent will receive a placing commission of 2.5% of the aggregate Placing Price of the Placing Shares successfully placed. Such commission was arrived at after arm's length negotiations between the Company and the Placing Agent under normal commercial terms and with reference to the prevailing market conditions.

Conditions of the Placing Agreement

Completion of the Placing is conditional upon the satisfaction of the following conditions by not later than 28 days (or such later date as may be agreed between the Placing Agent and the Company in writing) after the date of the Placing Agreement:

- (1) there shall not have occurred any breach or any event render untrue or inaccurate, any of the representations, warranties or undertakings under the Placing Agreement in all material respects;
- (2) listing of and permission to deal in all the Placing Shares being granted (subject only to allotment) by the Listing Committee of the Stock Exchange in principle and dealings of the Placing Shares being allowed by the Stock Exchange (and such listing and permission not subsequently being revoked);

- (3) no relevant government, governmental, quasi-governmental, statutory or regulatory body, court or agency having granted any order or made any decision that would make the Placing void, unenforceable or illegal, or restrict or prohibit the implementation of, or impose any additional material conditions or obligations with respect to the Placing (other than such orders or decisions as would not have a material adverse effect on the legal ability of the Company to proceed with the Placing); and
- (4) the Placing Agreement not being terminated by the Placing Agent pursuant to the Placing Agreement.

If the conditions are not fulfilled by the abovementioned date, the obligations and liabilities of the Company under the Placing Agreement shall be null and void and the Company shall be released from all rights and obligations pursuant to the Placing, save for those expressly reserved and agreed in the Placing Agreement.

Completion

Completion shall take place within five Business Days after the day on which the conditions set out in the Placing Agreement have been fulfilled (or another time or date as the Company and the Placing Agent shall agree in writing).

Completion of the Placing is subject to the fulfillment of the conditions precedent under the Placing Agreement. As the Placing may or may not proceed, Shareholders and potential investors are advised to exercise caution in dealing in the Shares.

Termination

The Placing Agent may terminate the Placing Agreement by giving a written notice to the Company if, at any time on or prior to completion of the Placing Agreement:

- (1) there has come to the notice of the Placing Agent:
 - (a) that any statement contained in this announcement was, when this announcement was issued, or has become, untrue, incorrect or misleading in any material respect; or
 - (b) any matter has arisen or has been discovered which would, had it arisen or been discovered immediately before the date of this announcement, constitute a material omission therefrom; or
 - (c) any material breach of the undertakings, warranties and representations under the Placing Agreement; or
 - (d) any material breach of any of the Company's obligations under the Placing Agreement; or
 - (e) any of the undertakings, warranties and representations under the Placing Agreement would be untrue or inaccurate or misleading in any material respect when given at that time; or

- (f) any adverse change in the business or in the financial or trading position or prospects of any member of the Group taken as a whole which is material in the context of the Placing; or
- (2) there develops, occurs, or comes into effect:
- (a) any event, development or change (whether or not local, national or international or forming part of a series of events, developments or changes occurring or continuing before, on and/or after the date hereof) and including an event or change in relation to or a development of an existing state of affairs of a political, military, industrial, financial, economic, fiscal, regulatory or other nature, whether or not sui generis with any of the foregoing, resulting in a material adverse change in, or which might be expected to result in a material adverse change in, political, economic, fiscal, financial, regulatory or stock market conditions and which in the sole and absolute opinion of any of the Placing Agent would prejudice the success of the Placing; or
 - (b) the imposition of any moratorium, suspension or material restriction on trading in securities generally on the Stock Exchange occurring due to exceptional financial circumstances or otherwise and which, in the sole and absolute opinion of any of the Placing Agent, would prejudice the success of the Placing; or
 - (c) any change in conditions of local, national or international securities markets occurs which in the sole and absolute opinion of any of the Placing Agent would prejudice the success of the Placing; or
 - (d) any new law or regulation or change in existing laws or regulations or any change in the interpretation or application thereof by any court or other competent authority in Hong Kong and if in the sole and absolute opinion of any of the Placing Agent any such new law or change would materially and adversely affect the business or financial prospects of the Group and/or prejudice the success of the Placing; or
 - (e) a change or development occurs involving a prospective change of taxation or exchange control (or the implementation of exchange control) in Hong Kong which would, in the sole and absolute opinion of any of the Placing Agent, prejudice the success of the Placing; or
 - (f) any litigation or claim of material importance of any third party being instigated against any member of the Group, which has or may have a material adverse effect on the business or financial prospects of the Group and which in the sole and absolute opinion of any of the Placing Agent would materially prejudice the success of the Placing.

Issue Mandate

The Placing Shares will be allotted and issued pursuant to the Issue Mandate. The number of new Shares that can be issued by the Company under the Issue Mandate is 80,000,000 Shares. Up to the date of this announcement, no Share has been issued by the Company under the Issue Mandate. Therefore, the issue of the Placing Shares is not subject to the approval of the Shareholders.

Application for listing

The Company will apply to the Stock Exchange for the listing of, and permission to deal in, the Placing Shares.

REASONS FOR THE PLACING AND USE OF PROCEEDS

The Company is an investment holding company. The Group is a Hong Kong based food and beverage group with a primary focus on offering western cuisine in both casual dining and full service environment.

As mentioned in the Company's 2017 interim report, the Hong Kong economy remained sluggish for the first six months of 2017 and the business environment of food and beverage industry is challenging, dynamic with keen competitions. Pressures from raising food costs, rental expenses, utilities expenses and labour costs are enduring, which further squeeze profit margin. People are more budget conscious and sensitive to the amounts they spend on food and the revenues of restaurants of the Group, especially for the Group's full service restaurants, were weaker than expected. The management considered that the difficult situation would continue for the remainder of 2017, which would adversely affect the food and beverage industry and Group's performance. All of these resulted in the drop of revenue and gross profit margin of the Group for the six months ended 30 June 2017. The Group recorded unaudited consolidated loss attributable to the Shareholders of approximately HK\$21.0 million for the six months ended 30 June 2017.

It was further stated in the Company's 2017 interim report that the Group suffered net cash outflow in operating activities in an amount of approximately HK\$8.9 million and HK\$12.4 million for the six months ended 30 June 2016 and 2017 respectively. The average semi-annual net cash outflow in operating activities amounted to approximately HK\$10.7 million (being the average of HK\$8.9 million and HK\$12.4 million). Based on the average semi-annual net cash outflow in operating activities of approximately HK\$10.7 million, the cash and bank balances of the Group as at 30 June 2017 of approximately HK\$39.4 million are expected to meet the net cash outflow in operating activities for around 22 months.

Moreover, the bank borrowings amounted to approximately HK\$18.0 million as at 30 June 2017 with approximately HK\$8.1 million to be repayable within two years from the date of 30 June 2017.

On this basis, the Company considers that from a prudent financial management point of view, it is necessary for the Group to raise further funds to strengthen its financial position and to replenish the general working of the Group so that the Group will be in a better position to deal with the difficult situation ahead.

After the closure of "The Fat Pig", the Group has focused on developing its remaining brands, being "Classified" and the "Pawn". The Group intends to optimise its restaurants which may involve, among other things, relocation of restaurants, opening new restaurants and upgrading existing restaurant facilities. Moreover, the Group will enhance its premium food and fine wine programme in order to offer a greater variety as well as to entice new higher spending customers to visit the restaurants with a view of improving the average spending per customer per meal and the overall business of the Group.

The maximum gross proceeds arising from the Placing will be HK\$85.56 million and the maximum net proceeds arising from the Placing are estimated to be HK\$82.40 million. Based on the estimated expenses for the Placing, the net price for the Placing is approximately HK\$1.79 per Placing Share.

The Company intends to use the maximum net proceeds from the Placing as below:

- (a) approximately HK\$17.5 million (representing approximately 21.2% of the maximum net proceeds from the Placing) to be used to repay the existing bank borrowings of the Group in full;
- (b) approximately HK\$24.5 million (representing approximately 29.7% of the maximum net proceeds from the Placing) to be used for the development of the existing business of the Group including relocation of restaurants, opening new restaurants and upgrading existing restaurant facilities;
- (c) approximately HK\$24.0 million (representing approximately 29.2% of maximum net proceeds from the Placing) to be used for working capital for the existing business of the Group. Such amount was determined by reference to the net cash outflow in operating activities of approximately HK\$12.4 million for the six months ended 30 June 2017; and
- (d) approximately HK\$16.4 million (representing approximately 19.9% of the maximum net proceeds from the Placing) to be used for the enhancement of the Group's premium food and fine wine programme.

The Company is committed to promote its business by optimising its restaurants and enhancing its premium food and fine wine programme so as to achieve turnaround in its results. However, time is required to achieve such turnaround. Accordingly, the Company considers that it is necessary to allocate sufficient funds as working capital for the existing business of the Group so that the Group can overcome upcoming challenges.

Both the level of liabilities and the finance costs of the Group can be lowered after the repayment of bank borrowings in full by the proceeds from the Placing.

In light of the above, the Directors (other than Mr. Ma Chun Fai) are of the view that the Placing is beneficial to the Company, the terms (including the Placing Price) of the Placing contemplated under the Placing Agreement are fair and reasonable and the Placing, if consummated, is in the interests of the Company and the Shareholders as a whole. All Directors (other than Mr. Ma Chun Fai, who voted against the proposed resolutions) voted in favour of the resolutions to approve the Placing (including the Placing Agreement). As such, the Placing (including the Placing Agreement) were duly approved by the Board.

FUND RAISING ACTIVITIES IN THE PAST TWELVE MONTHS PERIOD

The Company has not carried out other fund raising activities during the 12 months immediately preceding the date of this announcement.

EFFECT ON SHAREHOLDING STRUCTURE OF THE COMPANY

To the best knowledge and belief of the Directors, the shareholding structure of the Company as at the date of this announcement and immediately upon completion of the Placing (assuming there is no change in the share capital of the Company from the date of this announcement up to Completion other than the allotment and issue of maximum number of the Placing Shares) is as follows:

	As at the date of this announcement		Immediately upon completion of the Placing	
	Shares	%	Shares	%
Wiltshire Global Limited ⁽¹⁾	41,340,000	10.34	41,340,000	9.27
Easy Fame Investments Limited ⁽²⁾	68,000,000	17.00	68,000,000	15.25
Peyton Global Limited ⁽³⁾	68,000,000	17.00	68,000,000	15.25
Placees ⁽⁴⁾	–	–	46,000,000	10.31
Other public Shareholders	222,660,000	55.66	222,660,000	49.92
	<u>400,000,000</u>	<u>100</u>	<u>446,000,000</u>	<u>100</u>

Notes:

- (1) Wiltshire Global Limited is wholly-owned by Mr. Wong Arnold Chi Chiu, an executive Director, a co-founder and a controlling Shareholder of the Company.
- (2) Easy Fame Investments Limited is wholly-owned by Mr. Lo Yeung Kit Alan, an executive Director, a co-founder and a controlling Shareholder of the Company.
- (3) Peyton Global Limited is wholly-owned by Mr. Pong Kin Yee, an executive Director, a co-founder and a controlling Shareholder of the Company.
- (4) Pursuant to the Placing Agreement, the Placees are expected to be third parties independent of the Company and its connected persons. As such, the Placees are treated as public Shareholders.

DEFINITIONS

In this announcement, the following expressions have the same meanings set out below unless the context otherwise requires:

“AGM”	the annual general meeting of the Company held on 28 June 2017
“Board”	the board of Directors
“Business Day”	any day (excluding Saturday, Sunday or public holidays in Hong Kong) on which commercial banks generally are open for normal business in Hong Kong

“Company”	Classified Group (Holdings) Limited, a company incorporated in the Cayman Islands with limited liability, the issued Shares of which are listed on GEM (stock code: 8232)
“Completion”	completion of the Placing
“connected person(s)”	has the meaning ascribed to it in the GEM Listing Rules
“Director(s)”	the director(s) of the Company
“GEM”	the Growth Enterprise Market of the Stock Exchange
“GEM Listing Rules”	the Rules Governing the Listing of Securities on GEM
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollar(s), the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Issue Mandate”	the general unconditional mandate granted to the Directors by the Shareholders at the AGM to exercise the power of the Company to allot, issue and deal up to 80,000,000 new Shares, representing 20% of the aggregate number of shares of the Company in issue as at the date of passing of the relevant resolution at the AGM
“Last Trading Day”	13 October 2017, being the last day on which the Shares were traded on the Stock Exchange prior to the publication of this announcement
“Placee(s)”	any professional, institutional or other investors selected and procured by or on behalf of the Placing Agent to subscribe for any of the Placing Shares pursuant to the Placing Agreement
“Placing”	the placing of the Placing Shares to the Placee(s) pursuant to the Placing Agreement
“Placing Agent”	VMS Securities Limited
“Placing Agreement”	the placing agreement dated 15 October 2017 entered into between the Company and the Placing Agent in respect of the Placing
“Placing Price”	HK\$1.86 per Placing Share

“Placing Share(s)”	up to 46,000,000 new Shares to be allotted and issued by the Company pursuant to the Placing Agreement
“Share(s)”	ordinary share(s) of HK\$0.01 each in the share capital of the Company
“Shareholder(s)”	the holder(s) of the Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“%”	per cent.

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

Hong Kong, 16 October 2017

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

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 7 days from the date of its posting and on the Company’s website at www.classifiedgroup.com.hk.