



# CLASSIFIEDGROUP

*(Incorporated in the Cayman Islands with limited liability)*

(Stock Code: 8232)

ANNUAL REPORT

**2021**



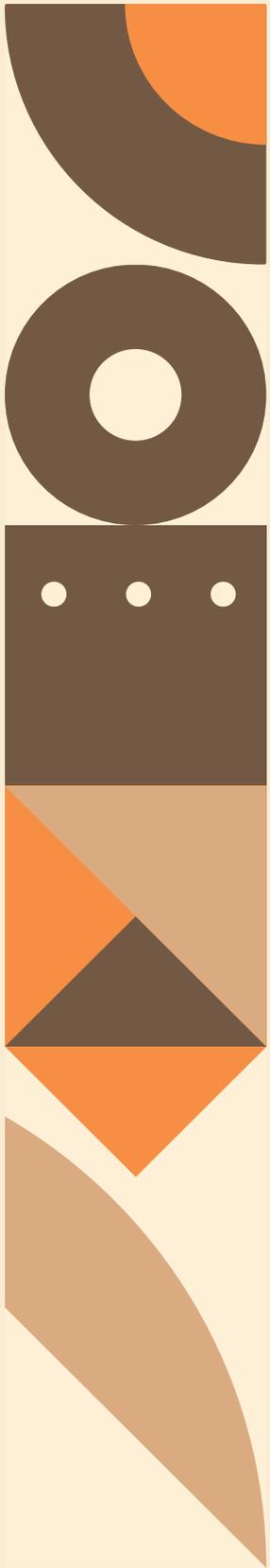
# CHARACTERISTICS OF GEM (“GEM”) OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE “STOCK EXCHANGE”)

**GEM has been positioned as a market designed to accommodate small and mid-sized companies to which a higher investment risk may be attached than other companies listed on the Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration.**

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

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

Mr. VASTINE Mael Henri Francis (appointed on 16 September 2021)

Mr. LI Kai Leung (appointed on 16 September 2021)

### *Independent Non-executive Directors*

Dr. CHAN Kin Keung Eugene SBS, BBS, JP

Mr. NG Chun Fai Frank

Mr. YUE Man Yiu Matthew

## **Compliance Officer**

Mr. WONG Arnold Chi Chiu

## **Authorised 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 SBS, BBS, JP

Mr. NG Chun Fai Frank

## **Remuneration Committee**

Dr. CHAN Kin Keung Eugene SBS, 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 SBS, BBS, JP

Mr. YUE Man Yiu Matthew

## **Auditors**

BDO Limited

*Certified Public Accountants, Hong Kong*

## **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

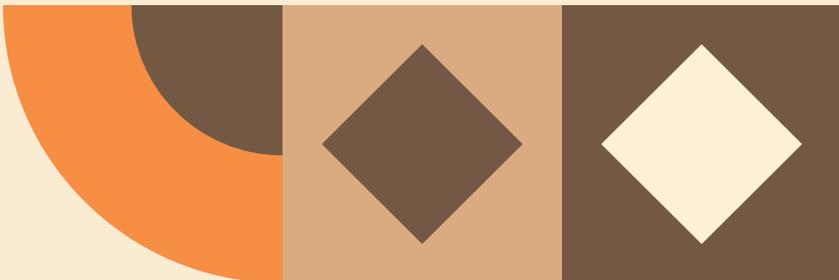
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Cayman Islands

# CORPORATE INFORMATION

<b>Head Office, Headquarters and Principal Place of Business in Hong Kong</b>	2/F Cheung Tak Industrial Building 30 Wong Chuk Hang Road Wong Chuk Hang Hong Kong
<b>Principal Share Registrar and Transfer Office</b>	Conyers Trust Company (Cayman) Limited Cricket Square, Hutchins Drive P.O. Box 2681 Grand Cayman KY1-1111 Cayman Islands
<b>Hong Kong Share Registrar and Transfer Office</b>	Union Registrars Limited Suites 3301-04, 33/F Two Chinachem Exchange Square 338 King's Road North Point Hong Kong
<b>Company Website</b>	<a href="http://www.classifiedgroup.com.hk">www.classifiedgroup.com.hk</a>
<b>GEM Stock Code</b>	08232

# CHAIRMAN'S STATEMENT



## Explore Experience and Taste



Classified Group is a collection of dining experiences celebrating arts & culture, history and design through casual, al fresco and fine dining. Consisting of seven restaurants in Hong Kong and three franchised restaurants in Indonesia profiling two unique concepts, Classified Group continues to expand and serve Hong Kong the very best of simply good food.



# CHAIRMAN'S STATEMENT

## TO OUR SHAREHOLDERS

On behalf of the board of Directors (the "Board"), I am pleased to present the annual results of Classified Group (Holdings) Limited (the "Company") and its subsidiaries (together with the Company, the "Group") for the year ended 31 December 2021, together with the comparative figures for the year ended 31 December 2020.

## FINANCIAL RESULTS

For the year ended 31 December 2021, the Group's total revenue from continuing and discontinued operations was approximately HK\$76.1 million, being 1.9% more than last year (2020: HK\$74.6 million). Loss for the year attributable to owners of the Company was HK\$16.6 million (2020: HK\$16.4 million). The increase in loss was mainly due to the decrease of Government grants and rent concessions, although there was relaxation of the COVID-19 anti-pandemic measures imposed by the HKSAR and a special other income as a result of the closure of "The Pawn" restaurant.

## BUSINESS REVIEW

At present, our Group is operating seven restaurants under the brands of Classified, Rise by Classified in Hong Kong and three franchised restaurants in Indonesia. There are five restaurants under "Classified", two restaurants under "Rise by Classified". During the year ended 31 December 2021, the Directors believed our restaurant revenue and profit margin had been adversely affected by the continuing of the Novel Coronavirus (COVID-19) pandemic, keen competition and rising operation costs. People are more budget conscious and price sensitive to the amounts they spend on dining out. The management believes the difficult situation will continue and will adversely influence the food and beverage industry as a whole and the Group's performance.

## PROSPECTS

Looking ahead, the food and beverage industry will continue to face acute challenges due to COVID-19 and intense competition. Success is heavily dependent on whether COVID-19 could be successfully contained in Hong Kong, dining concepts amongst our eating and prospective customers and economic conditions of Hong Kong. In order to improve the overall business of the Group, we plan to: i) expand the take-away product line and diversity marketing strategies; ii) enhance and upgrade our existing restaurant facilities to attract more customers; iii) closely monitor the pricing of our suppliers of raw materials and iv) open more new restaurants at lower costs.

We will also proactively seek potential business opportunities that will broaden our sources of income and enhance value to the shareholders.

## APPRECIATION

On behalf of the Board, I would like to express my sincere gratitude to our valued customers, business partners, and shareholders for their persistent support, and express my appreciation to the management team and employees for their valuable contribution to the development of the Group.

**Wong Arnold Chi Chiu**  
*Chairman*

Hong Kong, 29 April 2022

# FINANCIAL HIGHLIGHTS

## CONSOLIDATED RESULTS

	<b>2021</b> <i>HK\$'000</i>	2020 <i>HK\$'000</i> (re-presented)
Revenue		
– Continuing operations – Casual Service	<b>59,898</b>	57,481
– Discontinued operations – Full Service	<b>16,163</b>	17,150
	<b>76,061</b>	74,631
Profit/(Loss) before taxation		
– Continuing operations – Casual Service	<b>(17,006)</b>	(4,360)
– Discontinued operations – Full Service	<b>2,019</b>	(11,202)
	<b>(14,987)</b>	(15,562)
Loss and total comprehensive expense for the year attributable to owners of the company	<b>(16,553)</b>	(16,393)

## ASSETS AND LIABILITIES

	<b>2021</b> <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Assets		
Non-current assets	<b>12,050</b>	23,977
Current assets	<b>65,642</b>	66,858
<b>Total assets</b>	<b>77,692</b>	90,835
Liabilities		
Non-current liabilities	<b>6,224</b>	10,738
Current liabilities	<b>30,717</b>	22,793
<b>Total liabilities</b>	<b>36,941</b>	33,531
<b>Total equity</b>	<b>40,751</b>	57,304
<b>Total equity and liabilities</b>	<b>77,692</b>	90,835
<b>Net current assets</b>	<b>34,925</b>	44,065
<b>Total assets less current liabilities</b>	<b>46,975</b>	68,042

# MANAGEMENT DISCUSSION AND ANALYSIS

## INDUSTRY OVERVIEW

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

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

In the long run, the business environment of the food and beverage industry in Hong Kong remains challenging, dynamic, and competitive. Pressure from rising food costs, rental expenses, utilities expenses and labour costs is enduring, which further squeezed our profit margin. Customers are more budget conscious and price sensitive to the amounts they spend on dining out and the revenues of our restaurants were weaker than expected. The management believes the difficult situation may continue, which will adversely affect the food and beverage industry and the Group's business performance.

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

## BUSINESS OVERVIEW

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

The Group also previously owned and operated "The Pawn", a full service restaurant, located in one of Hong Kong's iconic landmarks. It marries a contemporary dining and bar concept with a unique innovative space aiming to be more than just a dining experience. A communal social venue for an eclectic mix of groups and sub-cultures at any time of the day or night, celebrating retro-futurism, arts and design through casual-chic, alfresco and contemporary dining. In light of the financial performance of The Pawn coupled with the uncertainty of the future economic conditions brought by the novel coronavirus outbreak, it is unlikely that The Pawn operating under the existing contemporary western dining concept will be substantially improved during the remainder of the term of the latest tenancy

# MANAGEMENT DISCUSSION AND ANALYSIS

agreement for The Pawn. Further, the operation of The Pawn is likely to continue to be adversely affected if the Hong Kong Government continues to impose or further tightens the control measures for prevention of disease for operation of bars and pubs. Therefore, the Company had entered into a termination agreement with the landlord to terminate the tenancy agreement for The Pawn with effect from 16 September 2021 and change the mode of our operation of The Pawn from being the owner and manager of The Pawn to only acting as the manager of the restaurant operating at the same address as The Pawn, which is owned by Canton Oriental Limited (the "Restaurant") by provision of catering operations and management services to the Restaurant. During the year ended 31 December 2021, The Pawn recorded revenue of approximately HK\$16.2 million (31 December 2020: HK\$17.1 million), representing a decrease of approximately 5.8% as compared to the last corresponding period.

## FUTURE PROSPECTS

We believe the adverse impact of COVID-19 will eventually ease. However, in the long run, the food and beverage industry in Hong Kong has always been a challenging industry with intense competition and high operating costs, such as rising rental expenses, food costs and labour costs. Our success is therefore heavily dependent on the dining concepts and economic conditions of Hong Kong.

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

- (1) business risks relating to the spread of the Novel Coronavirus (COVID-19), which include (i) anti-infection measures imposed by the Hong Kong Government; and (ii) customers' changing dining pattern including refraining from dining out;
- (2) our Group may fail to find commercially attractive locations for new restaurants and/or renew existing leases on commercially acceptable terms, and the aforesaid potential failure would have a material adverse effect on the Group's business and future development;
- (3) the operation of the Group may be affected by the price of the food ingredients, including the price of the imported food ingredients which will be affected by the fluctuating exchange rate; and
- (4) there may be labour shortage in the future and competition for qualified individuals in the food and beverage industry may be intense.

Further details on the risks and uncertainties faced by our Group are set out in the section headed "Risk Factors" of the prospectus of the Company dated 30 June 2016 (the "Prospectus").

To manage the Group's risks and to improve the Group's overall business performance, we intend to:

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

We believe our ongoing expansion and enhancement plans will improve our market share while we will continue to refine our business strategy to cope with the continuing challenges. We will also proactively seek potential business opportunities that will broaden our sources of revenue and enhance value to our shareholders.

# MANAGEMENT DISCUSSION AND ANALYSIS

## FINANCIAL REVIEW

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

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

## FOREIGN CURRENCY EXPOSURE

Most transactions of the Group are denominated in Hong Kong dollars and the Group is not exposed to significant foreign exchange risks.

## CAPITAL COMMITMENTS

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

## CONTINGENT LIABILITIES

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

## PLEDGE OF ASSETS

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

## ISSUE FOR CASH OF EQUITY SECURITIES

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

## SIGNIFICANT INVESTMENTS, MATERIAL ACQUISITIONS OR DISPOSALS

There were no significant investments held, material acquisition or disposals of subsidiaries and affiliated companies during the year ended 31 December 2021 and there is no plan for material investments or capital assets as at the date of this report.

# DIRECTORS AND SENIOR MANAGEMENT

## EXECUTIVE DIRECTORS

**Mr. WONG Arnold Chi Chiu**, aged 48, is our Chairman and an Executive Director and the compliance officer of our Company. Mr. Wong joined the Group in June 2005 and is also one of the founders of our Group. He is primarily responsible for overseeing the overall financial matters of our Group. Mr. Wong graduated from St. Hugh's College, Oxford University, the United Kingdom with a Bachelor's degree in Jurisprudence in June 1996. Mr. Wong had three years and six years of experience in auditing and corporate finance, respectively.

**Mr. PONG Kin Yee**, JP, aged 45, is an Executive Director and is primarily responsible for our Group's business development. Mr. Pong joined the Group in June 2005 and is one of the founders of our Group. Mr. Pong graduated from the Massachusetts Institute of Technology, Cambridge, the United States of America with a Bachelor's degree in Materials Science and Engineering in June 2000.

In March 1999, Mr. Pong and his father co-founded Altaya Wines Limited ("Altaya Wines"), a company that imports and distributes fine wines in Hong Kong. Our Group was a catering service provider of Altaya Wines and a bread and cheese supplier of Etc Wine Shops Limited while Altaya Wines and Cubatabaco Limited were the suppliers of wine and cigars of our Group.

Mr. Pong also actively participates in various public advisory boards. In the art and culture sphere, Mr. Pong is the Deputy Chairman to the Board of Ocean Park Corporation; a Board of Director of M Plus Museum Ltd and Member of M+ Enterprise & Partnerships Committee; a Council Member of Hong Kong Arts Development Council, the Governing Board Chairman of JCCAC; and a Trustee of the Museum of Art. He was previously a Member of Commercial Letting Panel of West Kowloon Cultural District Authority in 2018-2022. Mr. Pong is also a Member of HKTDC Hong Kong-Europe Business Council; a Council and Court Member of Hong Kong Baptist University; a Council Member & Executive Director of The Hong Kong Chinese Importers and Exporters Association; and a Board Member and Executive Committee Member of The Community Chest. He was formerly a Member of the Hong Kong Tourism Board in 2013-2019 and has been Justice of the Peace since July 2018.

**Mr. VASTINE Mael Henri Francis**, aged 42, was appointed as an Executive Director on 16 September 2021 and is primarily responsible for overseeing the Group's overall operations strategy.

Mr. Vastine joined the Group in February 2020 as chief operating officer. 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 17 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. LI Kai Leung**, aged 48, was appointed as an Executive Director on 16 September 2021. Mr. Li 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.

# DIRECTORS AND SENIOR MANAGEMENT

## INDEPENDENT NON-EXECUTIVE DIRECTORS

**Dr. CHAN Kin Keung Eugene** SBS, BBS, JP, aged 58, was appointed as an Independent Non-executive Director on 14 June 2016. Dr. Chan received a Bachelor's degree in Dentistry from the University of Adelaide in Australia in May 1988 and a Fellowship Ad Eundem from the Royal College of Surgeons of England in February 2006. Dr. Chan is a registered dentist with The Dental Council of Hong Kong. Since 2007, Dr. Chan has been an honorary clinical associate professor of the Faculty of Medicine of The Chinese University of Hong Kong. Since 2011, Dr. Chan has also been a visiting professor of the Jinan University (暨南大學) in the PRC. Since 2010, Dr. Chan has been the member of the Board of Advisors of Radio Television Hong Kong and its Chairman from September 2016 to August 2020. Since 2011, Dr. Chan has been the Chairman of the Association of Hong Kong Professionals and its President since 2016. In 2013, he was appointed as a member of the Advisory Committee of School of Chinese Medicine of Hong Kong Baptist University. From January 2013 to December 2018, he was a member of Citizens Advisory Committee on Community Relations of Independent Commission Against Corruption and a member of Independent Police Complaints Council. Since December 2013, he has been a member of the Appeal Board on Public Meetings and Procession. Dr. Chan has also been a member of the Quality Education Fund Steering Committee from January 2015 to January 2021. In January 2019, Dr. Chan was appointed as a member of the Council of City University of Hong Kong, HKSAR Environmental Campaign Committee and HKSAR Witness Protection Review Board Panel. In 2020, Dr. Chan was appointed as a Member of the Hong Kong Housing Authority Subsidised Housing Committee. In 2021, Dr. Chan was appointed as a Member of Action Committee Against Narcotics. He was selected as an awardee of the Ten Outstanding Young Persons in 2004, appointed by the Government of the Hong Kong Special Administrative Region as a Justice of Peace in 2011 and was awarded Silver Bauhinia Star and Bronze Bauhinia Star in 2016 and 2021 respectively for his meritorious public and community service, particularly his contributions in youth development and the promotion of the Basic Law. Dr. Chan was an independent non-executive director of PuraPharm Corporation Limited (stock code: 1498) from January 2015 to May 2021.

**Mr. NG Chun Fai Frank**, aged 50, was appointed as an Independent Non-executive Director on 14 June 2016. Mr. Ng holds a Bachelor of Science degree in Economics from University College London, United Kingdom, a Bachelor of Laws degree from City University London, United Kingdom and a Postgraduate Diploma in Legal Practice from the College of Law, United Kingdom, and was admitted as a solicitor of the High Court of Hong Kong in November 1997 and the Supreme Court of England and Wales in July 1998. Mr. Ng has over 20 years of experience in the legal and finance industries. Mr. Ng was the General Counsel and Head of Compliance of the Heung Kong Financial Group, a group that provides financial services ranging from securities brokerage, research, corporate finance, asset management and fintech, where he oversaw all of the group's legal, compliance and company secretarial matters; and has held senior management positions in several other financial institutions including Crosby, JPMorgan and Merrill Lynch. He is a Fellow of the Hong Kong Institute of Directors, a member of the Guidance Committee of the Law Society of Hong Kong and of the International Compliance Association.

## DIRECTORS AND SENIOR MANAGEMENT

**Mr. YUE Man Yiu Matthew**, aged 60, was appointed as an Independent Non-executive Director on 19 October 2018. Mr. Yue obtained a Bachelor's degree in business administration from the Chinese University of Hong Kong in December 1984. He has been a fellow of the Association of Chartered Certified Accountants since September 1992, a fellow of the Hong Kong Institute of Certified Public Accountants since February 2005 and a member of the Hong Kong Securities Institute since April 1999.

Mr. Yue has been the chief financial officer of Ko Shi Wai Holdings Limited since September 2009. He has been an independent non-executive director of Royale Home Holdings Limited (stock code: 1198) since November 2011 and he was an independent non-executive director of Asia Cassava Resources Holdings Limited (stock code: 841) from January 2009 to September 2019 and China Suntien Green Energy Corporation Limited (stock code:956) from June 2010 to June 2019. Mr. Yue has over 33 years of experience in accounting, financial control, project analysis and management functions.

### COMPANY SECRETARY

**Ms. LEUNG Yin Fai**, aged 57, was appointed as the Company's company secretary on 14 November 2018. Ms Leung is a director of K E Corporate Services Limited (a company secretarial services provider), a fellow member of the Association of Chartered Certified Accountants, a fellow member of CPA Australia and a member of the Hong Kong Institute of Certified Public Accountants. Ms. Leung also holds a Master's degree in Commerce from the University of New South Wales, Australia.

# CORPORATE GOVERNANCE REPORT

## INTRODUCTION

The Board and the senior management (the “Management”) of the Company is committed to achieving high standards of corporate governance by focusing on principles of integrity, accountability, transparency, independence, responsibility and fairness. The Company has, throughout the year ended 31 December 2021, adopted the Corporate Governance Code (the “Code”) as set out in Appendix 15 to the GEM Listing Rules and complied with all applicable code provisions under the Code, save for certain deviations as specified with reasons below.

## THE BOARD OF DIRECTORS

The Board is the core of the corporate governance structure of the Company. It is responsible for giving guidance to and reviewing the efficiency of the Management. The Board is fully aware of its prime responsibilities to the Company and its duties to protect and enhance long-term shareholders’ value.

To provide effective supervision of and proper guidance to the Management, the Board is required to consider and approve decisions in relation to the Company’s long-term strategy, annual business plan and financial budget, major acquisition and disposal, dividend policy, appointment of Directors, remuneration policy, risk management and internal control.

## COMPOSITION

Details of the composition of the Directors during the year and up to the date of this report by category are as follows:

### *Executive Directors*

Mr. WONG Arnold Chi Chiu (*Chairman*)

Mr. PONG Kin Yee JP

Mr. VASTINE Mael Henri Francis (appointed on 16 September 2021)

Mr. LI Kai Leung (appointed on 16 September 2021)

### *Independent non-executive Directors*

Dr. CHAN Kin Keung Eugene SBS, BBS,JP

Mr. NG Chun Fai Frank

Mr. YUE Man Yiu Matthew

All Directors have appropriate professional qualification or substantive experience and industry knowledge. The Board as a whole has achieved an appropriate balance of skills and experience. The Directors’ biographies are set out under the section headed “Directors and Senior Management” of this annual report (“Annual Report”).

The current composition of the Board is in accordance with the requirement of Rules 5.05 and 5.05A of the GEM Listing Rules. There are three independent non-executive Directors and one of them (namely Mr. Yue Man Yiu Matthew) has the appropriate accounting professional qualifications and accounting and financial management expertise. More than one-third of the members of the Board are independent non-executive Directors, which brings a fairly strong independence element in its composition.

# CORPORATE GOVERNANCE REPORT

## CHAIRMAN AND CHIEF EXECUTIVE

According to paragraph C.2.1 of the Code, the roles of the chairman and the chief executive should be separate and should not be performed by the same individual. During the year ended 31 December 2021, Mr. Wong Arnold Chi Chiu, the chairman of the Company, was responsible for overseeing the overall financial matters of the Group. The day-to-day operations of the Group were delegated to the other executive Directors and the Management responsible for different aspects of the business.

Accordingly, the Company has deviated from paragraph C.2.1 of the Code as it 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 reports back to the Board on a regular basis. Nonetheless, the Board will review this structure from time to time and consider the segregation of the two roles at an appropriate time.

## BOARD DIVERSITY

The Board has adopted a board diversity policy with effect from 3 January 2019 which sets out the approach to achieve diversity on the Board.

Selection of candidates will be based on a range of factors, including diversity in age, gender, education and cultural background, ethnicity, professional expertise, industry experience, skills, knowledge, length of service and independence. The ultimate decision will be based on merit and contribution that the selected candidates will bring to the Board. For further details, please refer to the board diversity policy published on the Company's website.

The Nomination Committee has reviewed the structure, size, composition and diversity of the Board and confirmed that the Company has maintained a balanced composition with a strong independent element on the Board. The Directors collectively possess diversified experience in management and broad industrial experience. Three INEDs possess professional knowledge in accounting and finance, legal advisory and business management, respectively. The Board is aware of the existing single gender composition of the Board and will appoint a director of a different gender no later than 31 December 2024. Further details of the Directors are set out in the section headed "Directors and Senior Management" in this report.

# CORPORATE GOVERNANCE REPORT

## **INDEPENDENT NON-EXECUTIVE DIRECTORS (“INEDs”)**

The INEDs serve an important function of advising the Management on strategy development and ensuring that the Board maintains high standards in financial and other mandatory reporting as well as providing adequate checks and balances for safeguarding the interests of the shareholders and the Company as a whole.

The INEDs are experienced professionals with expertise in respective areas of accounting, finance, industry knowledge and expertise. With their professional knowledge and experience, the INEDs advise the Company on its operation and management; provide independent opinion on the Company's connected transactions; and participate in the Company's various committees including Audit Committee, Remuneration Committee and Nomination Committee.

The Company has received confirmation from each of the INEDs regarding their independence for the year ended 31 December 2021. The Nomination Committee has reviewed such confirmations and assessed the independence of each INED in accordance with Rule 5.09 of the GEM Listing Rules and considers each of them to be independent. The Board adopted the view of the Nomination Committee and accordingly confirmed that all INEDs are independent.

All of the Directors including both the executive Directors and the INEDs are appointed for a specific term. Each of the INEDs has entered into a letter of appointment with the Company for a period of one year subject to the rotation requirement and shall continue thereafter unless terminated by either party giving at least one month's notice in writing. In accordance with the Company's articles of association and, at each annual general meeting (“AGM”) of the Company, the Directors will retire from office by rotation but will be eligible for re-election.

## **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 during the year ended 31 December 2021 and up to the date of this Annual Report.

## **NON-COMPETITION UNDERTAKINGS BY CONTROLLING SHAREHOLDERS**

In accordance with the non-competition undertakings set out in the deed of non-competition dated 14 June 2016 (“Deed of Non-competition”) executed by the controlling shareholders of the Company (the “Controlling Shareholders”, comprising Wiltshire Global Limited, Peyton Global Limited, Easy Fame Investments Limited, Mr. Wong, Mr. Pong and Mr. Lo (resigned on 29 April 2020) in favour of the Company (for itself and as trustee for each of its subsidiaries), save and except for certain exceptional circumstances, the Controlling Shareholders have undertaken to the Company that they shall not carry on any business which is in competition with any business that is similar to or in competition directly or indirectly with or is likely to be in competition with any business currently and from time to time engaged by the Group in Hong Kong and any other country or jurisdiction to which the Group carries on business or grants franchise from time to time. The principal terms of the Deed of Non-competition are set out in the section headed “Relationship with Controlling Shareholders” of the Prospectus.

# CORPORATE GOVERNANCE REPORT

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

## DELEGATION BY THE BOARD

The Board reserves its decisions on all major matters of the Company, including the approval and monitoring of major policy matters, overall strategies and budgets, internal control and risk management systems, material transactions (in particular those may involve conflict of interests), financial information, appointment of Directors and other significant financial and operational matters.

The day-to-day management, administration and operation of the Company are delegated to certain executive Directors and the Management. The delegated functions and work tasks are reviewed from time to time. Approval has to be obtained from the Board prior to any significant transactions entered into by the abovementioned officers. The INEDs bring a wide range of business and financial expertise, experiences and independent judgement to the Board.

## CORPORATE GOVERNANCE DUTIES

The Board recognises that corporate governance should be the collective responsibility of the Directors and their corporate governance duties include:

- (a) to develop, review and implement the Company's policy and practices on corporate governance;
- (b) to review and monitor the training and continuous professional development of the Directors and Management;
- (c) to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;
- (d) to develop, review and monitor the code of conduct and compliance manual (if any) applicable to employees and Directors;
- (e) to review the Company's compliance with the Code and disclosure in the Corporate Governance Report; and
- (f) to develop, review and monitor the implementation of the shareholders' communication policy to ensure its effectiveness, and make recommendation to the Board where appropriate to enhance shareholders' relationship with the Company.

During the year, the above corporate governance duties have been duly performed and executed by the Board and the Board has reviewed the Company's compliance with the Code.

# CORPORATE GOVERNANCE REPORT

## INDUCTION AND CONTINUING PROFESSIONAL DEVELOPMENT OF DIRECTORS

Each newly appointed Director shall receive formal, comprehensive and tailored induction on the first occasion of his appointment to ensure appropriate understanding of the business and operations of the Company and full awareness of directors' responsibilities and obligations under the GEM Listing Rules and relevant statutory requirements.

The Directors will be continuously updated on the statutory and regulatory regime and the business environment to facilitate the discharge of their responsibilities. Directors are also encouraged to participate in continuous professional development to develop and refresh their knowledge and skills. The company secretary of the Company updates Directors on the latest development regarding the GEM Listing Rules and other applicable regulatory requirements from time to time, to ensure compliance and enhance their awareness of good corporate governance practices.

According to the information provided by the Directors, a summary of training received by the Directors throughout the year ended 31 December 2021 is as follows:

<b>Name of Directors</b>	<b>Continuous professional development programmes</b>
<i>Executive Directors</i>	
Mr. WONG Arnold Chi Chiu ( <i>Chairman</i> )	Yes
Mr. PONG Kin Yee JP	Yes
Mr. VASTINE Mael Henri Francis (appointed on 16 September 2021)	Yes
Mr. LI Kai Leung (appointed on 16 September 2021)	Yes
<i>Independent non-executive Directors</i>	
Dr. CHAN Kin Keung Eugene SBS, BBS,JP	Yes
Mr. NG Chun Fai Frank	Yes
Mr. YUE Man Yiu Matthew	Yes

# CORPORATE GOVERNANCE REPORT

The nature of continuous professional development programmes include training courses organised by Company, seminar materials, e-training introduced by the Stock Exchange and updates relating to the latest development of the GEM Listing Rules and other applicable regulatory requirements.

## BOARD MEETINGS

The Board meets regularly, and at least four times a year, in person or by means of electronic communication. The Chairman also meets with the INEDs at least once a year without the presence of the executive Directors. Notices of regular Board meetings are served to all Directors at least 14 days before the meetings. For all other Board and committee meetings, reasonable notice is generally given. All notices, agendas, schedules and the relevant information of each Board and committee meeting are generally made available to Directors or committee members in advance. The Board and each Director also have separate and independent access to the Management whenever necessary.

The company secretary of the Company is responsible for taking and/or keeping minutes of all Board meetings and various committees meetings in sufficient detail. Draft minutes are normally circulated to Directors for comment within a reasonable time after each meeting is held, and the final version of the minutes is opened for Directors' inspection.

During the year ended 31 December 2021, the Board convened a total of six meetings in person or by means of electronic communication. Attendance of each Director at the Board meetings is set out below:

<b>Name of Directors</b>	<b>General Meeting Attended/Held</b>	<b>Board Meeting Attended/Held</b>
<i>Executive Directors</i>		
Mr. WONG Arnold Chi Chiu ( <i>Chairman</i> )	0/1	5/6
Mr. PONG Kin Yee JP	1/1	6/6
Mr. VASTINE Mael Henri Francis (appointed on 16 September 2021)	N/A	1/1
Mr. LI Kai Leung (appointed on 16 September 2021)	N/A	1/1
<i>Independent non-executive Directors</i>		
Dr. CHAN Kin Keung Eugene SBS, BBS,JP	1/1	6/6
Mr. NG Chun Fai Frank	1/1	6/6
Mr. YUE Man Yiu Matthew	1/1	6/6

## INDEPENDENT BOARD COMMITTEE

Where there are matters involving connected or continuing connected transactions, so far as required under the GEM Listing Rules, an Independent Board Committee, comprising wholly the INEDs, will be established.

# CORPORATE GOVERNANCE REPORT

## BOARD COMMITTEES

The Board has established three committees, namely the Remuneration Committee, the Nomination Committee and the Audit Committee with delegated powers for overseeing particular aspects of the Company's affair. Each of the committees of the Company has been established with written terms of reference.

## REMUNERATION COMMITTEE

The Remuneration Committee was set up on 14 June 2016 in compliance with Appendix 15 of the GEM Listing Rules. The terms of reference setting out the Remuneration Committee's authority, duties and responsibilities are available on both the GEM website and the Company's website. The primary duties of the Remuneration Committee are to make recommendation to the Board on the overall remuneration policy and structure relating to all Directors and the Management of the Group; review performance-based remuneration; and ensure none of the Directors determine their own remuneration.

Currently, the Remuneration Committee comprises three INEDs as follows:

Dr. CHAN Kin Keung Eugene SBS, BBS, JP (*Chairman*)

Mr. NG Chun Fai Frank

Mr. YUE Man Yiu Matthew

Pursuant to the terms of reference of the Remuneration Committee, a meeting shall be held at least once a year and additional meetings should be held if the committee shall so request.

During the year ended 31 December 2021, the Remuneration Committee convened one committee meeting. Attendance of each Remuneration Committee member is set out below:

<b>Name of Directors</b>	<b>Remuneration Committee Meeting Attended/Held</b>
Dr. CHAN Kin Keung Eugene SBS, BBS,JP ( <i>Chairman</i> )	1/1
Mr. NG Chun Fai Frank	1/1
Mr. YUE Man Yiu Matthew	1/1

Details of the Directors' remuneration are set out in note 7 to the consolidated financial statements.

# CORPORATE GOVERNANCE REPORT

## NOMINATION COMMITTEE

The Nomination Committee was set up on 14 June 2016. On 3 January 2019, the Company adopted a set of revised terms of reference of the Nomination Committee in line with the GEM Listing Rules requirement. The terms of reference setting out the Nomination Committee's authority, duties and responsibilities are available on both the GEM website and the Company's website. The primary duties of the Nomination Committee are to review the structure, size and composition of the Board on regular basis; identify individuals suitably qualified to become Board members; assess the independence of independent non-executive Directors; and make recommendations to the Board on relevant matters relating to the appointment or re-appointment of Directors. The nomination procedures are as below:

1. The secretary should give the nomination committee member a membership list, listing out the current board members' name, position & duties at the organization.
2. Each year, the nominating committee is to evaluate current board members to assess whether they are performing satisfactorily and should be considered for re-election. Evaluations may be performed by a subset of the nominating committee or an independent third party to ensure the fairness.
3. Next step is to receive recommendations for new board members from management or current board members. The nomination committee should review the resumes of potential candidates, assessing their skills and experience to determine if they meet qualifications for the position. In reviewing candidate profiles, the committee should also consider criteria that includes:
  - proven leadership
  - previous board experience
  - knowledge and experience
  - diversity including age, gender, ethnicity, race, disabilities, geography
  - experience with large and complex organization
  - skillset including finance, legal, auditing, government affairs, public relations, community experience, and knowledge of the organizations
  - in case of nomination for independent non-executive directors, should consider why the candidate is considered to be independent (please refer to the relevant GEM Listing Rules for requirements on independence)
4. Give the list of candidates to the full committee for discussion and review.
5. The committee then makes contact with each candidate to make an assessment based on criteria such as a high level of personal and professional integrity, as well as their level of commitment to the organization, and availability. This is often done by assigning one member of the nominating committee to one candidate, who will bring a candidate summary with recommendations back to the full committee. Additional interviews by the nominating committee and the chairman may be necessary to ensure due diligence interviews could be conducted with the assistance of a third party.

# CORPORATE GOVERNANCE REPORT

6. The committee forms a final recommendation of candidates to the full board for formal approval. Nominees should not be present at this meeting to allow for open discussion by the board.

Currently, the Nomination Committee comprises three INEDs as follows:

Dr. CHAN Kin Keung Eugene SBS, BBS,JP  
Mr. NG Chun Fai Frank (*Chairman*)  
Mr. YUE Man Yiu Matthew

Pursuant to the terms of reference of the Nomination Committee, a meeting shall be held at least once a year and additional meetings should be held if the committee shall so request.

During the year ended 31 December 2021, the Nomination Committee convened two committee meeting. Attendance of each Nomination Committee member is set out below:

<b>Name of Directors</b>	<b>Nomination Committee Meeting Attended/ Held</b>
Dr. CHAN Kin Keung Eugene SBS, BBS,JP	2/2
Mr. NG Chun Fai Frank ( <i>Chairman</i> )	2/2
Mr. YUE Man Yiu Matthew	2/2

## AUDIT COMMITTEE

The Audit Committee was set up on 14 June 2016 with written terms of reference in compliance with Rules 5.28 and 5.29 of the GEM Listing Rules. On 3 January 2019, the Company adopted a set of revised terms of reference of the Audit Committee in line with the GEM Listing Rules requirements. The terms of reference setting out the Audit Committee's authority, duties and responsibilities are available on both the GEM website and the Company's website. The primary duties of the Audit Committee are mainly to make recommendations to the Board on the appointment and removal of external auditor; review the financial statements and material advice in respect of financial reporting; and oversee internal control procedures of the Company.

Currently, the Audit Committee comprises three INEDs as follows:

Dr. CHAN Kin Keung Eugene SBS, BBS,JP  
Mr. NG Chun Fai Frank  
Mr. YUE Man Yiu Matthew (*Chairman*)

Pursuant to the terms of reference of the Audit Committee, meetings shall be held not less than twice a year and the external auditor may request a meeting if they consider that is necessary.

# CORPORATE GOVERNANCE REPORT

During the year ended 31 December 2021, the Audit Committee convened four committee meetings. The Audit Committee had reviewed the Group's annual results and annual report for the year ended 31 December 2020, first quarterly results for the three months ended 31 March 2021, interim results for the six months ended 30 June 2021, and third quarterly results for the nine months ended 30 September 2021 and discussed internal controls, risk management and financial reporting matters. Attendance of each Audit Committee member is set out below:

<b>Name of Directors</b>	<b>Audit Committee Meeting Attended/Held</b>
Dr. CHAN Kin Keung Eugene SBS, BBS,JP	3/4
Mr. NG Chun Fai Frank	4/4
Mr. YUE Man Yiu Matthew	4/4

There is no disagreement between the Board and the Audit Committee regarding the selection and appointment of the Company's auditors. There was no change in auditors by the Group in any of the preceding three years. The Audit Committee is satisfied with their review of the auditors' remuneration, the independence of the auditors, BDO Limited ("BDO") and recommended the Board to re-appoint BDO as the Company's auditors in the year 2022, which is subject to the approval of shareholders at the forthcoming AGM.

The Company's annual results for the year ended 31 December 2021 have been reviewed by the Audit Committee, which opined that applicable accounting standards and requirements have been complied with and that adequate disclosures have been made.

## INTERNAL CONTROL AND RISK MANAGEMENT

The Board has overall responsibility for formulation and overseeing the implementation of the internal control measures and effectiveness of risk management system, which is designed to provide reasonable assurance regarding the achievement of objectives relating to operations, reporting and compliance. The internal control system of the Group aims to facilitate effective and efficient operation which in turn minimises the risks to which the Group is exposed. The system can only provide reasonable but not absolute assurance against misstatement or losses.

The Board has conducted a review of the implemented system and procedures, covering financial, operational and legal compliance controls and risk management system. The Board keeps monitoring the risk management system on an ongoing basis, ensuring that a review of the effectiveness of the Group's risk management system is conducted regularly. The Directors consider that the Group has implemented appropriate procedures safeguarding the Group's assets against unauthorised use or misappropriation, maintaining proper accounting records, execution with appropriate authority and compliance of the relevant laws and regulations.

# CORPORATE GOVERNANCE REPORT

During the year ended 31 December 2021, the management had outsourced its internal audit function to an independent internal audit firm (“Internal Auditor”). The Internal Auditor reports directly to the Audit Committee on all internal audit matters. The internal audit plan was submitted to the Audit Committee for approval prior to the commencement of the internal audit work on annual basis to cover the financial year of this Report. The Audit Committee reviewed the internal audit report and monitored the implementation of the improvements required on internal control weaknesses identified. The Company considers its risk management and internal control systems to be effective and adequate.

## DIRECTORS’ RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The Directors understand and acknowledge their responsibility for ensuring that the financial statements for each financial year are prepared to give a true and fair view of the state of affairs, profitability and cash flow of the Group in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

In preparing the financial statements of the Group for the year ended 31 December 2021, the Directors have adopted appropriate and consistent accounting policies and made prudent and reasonable judgments and estimations. The Directors are responsible for maintaining proper accounting records which reflect with reasonable accuracy the state of affairs, operating results, cash flows and equity movement of the Group at any time. The Directors confirm that the preparation of the financial statements of the Group is in accordance with statutory requirements and applicable accounting standards.

The Directors also confirm that, to the best of their knowledge, information and belief, having made all reasonable enquiries, they are not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Company’s ability to continue as a going concern.

## AUDITOR’S REMUNERATION

The Group’s independent external auditor is BDO. The remuneration for the audit and non-audit services provided by BDO to the Group during the year ended 31 December 2021 was approximately as follows:

Type of Services	Amount (HK\$’000)
Audit	735
Non-audit services (i.e. local tax compliance)	90
Total	<u>825</u>

# CORPORATE GOVERNANCE REPORT

## COMPANY SECRETARY AND AUTHORISED REPRESENTATIVE

As the Company's secretary, Ms. Leung Yin Fai ("Ms. Leung") is responsible for advising the Board on corporate governance matters and ensuring that the Board policy and procedures, and the applicable laws, rules and regulations are followed. Mr. Li Kai Leung, the executive director and financial controller of the Group, is the primary contact person whom Ms. Leung can contact. During the year ended 31 December 2021, Ms. Leung has undertaken more than 15 hours of relevant professional training in compliance with Rule 5.15 of the GEM Listing Rules.

## DIVIDEND POLICY

The Company has adopted a dividend policy on 3 January 2019 which sets out the principles and measures on how the Company may propose a dividend.

The Board will take into account the following factors when considering the payment of dividends:

- i. general financial conditions of the Group;
- ii. retained earnings and distributable reserves of the Company and each of the members of the Group;
- iii. actual and future operations and liquidity positions of the Group;
- iv. future cash requirements and availability of the Group, including its expected working capital requirements, capital expenditure requirements and future expansion plans;
- v. any restrictions on payments of dividends that may be imposed by the Group's lenders;
- vi. general market conditions, business cycle of the Group's business and other internal and external factors that may have an impact on the business or financial performance and position of the Company; and
- vii. any other factor that the Board deems appropriate.

Any declaration and payment of future dividends under the dividend policy will be subject to the Board's determination that the same would be in the best interests of the Group and the shareholders of the Company as a whole. In addition, the declaration and payment of dividends may be subject to legal restrictions or any applicable laws, rules and regulations and the Articles of Association of the Company.

## SHAREHOLDERS' RIGHTS

### Convening an extraordinary general meeting

To safeguard shareholders' interests and rights, a separate resolution is proposed for each issue at shareholder meetings, including the election of individual directors.

All resolutions put forward at shareholder meetings will be voted by poll pursuant to the GEM Listing Rules and poll results will be posted on the websites of the Company and the Stock Exchange in a timely manner after each shareholder meeting.

# CORPORATE GOVERNANCE REPORT

Pursuant to the Articles of Association of the Company, any shareholder holding not less than one-tenth of the paid up share capital of the Company carrying the right of voting at general meetings of the Company has statutory rights to call for extraordinary general meetings and put forward agenda items for consideration by shareholders by sending to the Board or the company secretary of the Company at the principal place of business of the Company in Hong Kong a written request for such general meeting duly signed by the shareholders concerned together with the proposed agenda items and such meeting shall be held within two months of the deposit of such requisition. Shareholders also have the right to propose a person for election as a Director, the procedures are available on the websites of the Company and the Stock Exchange.

## **Enquiries to the Board**

Shareholders may at any time make a request for the Company's information to the extent such information is publicly available to the company secretary of the Company who is responsible for forwarding communications relating to matters within the Board and communication relating to ordinary business matters, such as suggestions, inquiries and consumer complaints, to the executive directors.

## **Putting forward proposals at a general meeting**

The Company considers that effective communication with Shareholders is essential for enhancing investor relations and investor understanding of the Group's business, performance and strategies. The Company endeavors to maintain an ongoing dialogue with Shareholders and in particular, Shareholders are welcome to put forward proposals relating to the operations and management of the Group to be discussed at shareholders' meetings. The proposals shall be sent to the company secretary of the Company by a written requisition. Shareholders who wish to put forward a proposal should convene an extraordinary general meeting by following the procedures set out in "Convening an extraordinary general meeting" above.

## **CONSTITUTIONAL DOCUMENTS**

There were no significant changes in the Company's constitutional documents during the year ended 31 December 2021.

## **LOOKING FORWARD**

The Group will keep on reviewing its corporate governance standards on a timely basis and the Board endeavors to take the necessary actions to ensure compliance with the required practices and standards including the provisions of the Code.

# DIRECTORS' REPORT

The directors of the Company are pleased to present their report together with the audited financial statements of the Group for the year ended 31 December 2021.

## PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The principal activities of its subsidiaries are set out in note 35 to the consolidated financial statements. The principal activities of the Group are the operation of western cuisine in both casual dining and full service environment.

## BUSINESS REVIEW

The business review of the Group, including a discussion of the principal risks and uncertainties facing the Group and an indication of likely future developments in the Group's business is set out in the section headed "Management Discussion and Analysis" on pages 9 to 11 of this annual report. Those discussions form part of this Directors' Report.

## RESULTS AND DIVIDEND

The results of the Group for the year ended 31 December 2021 and the financial position of the Group as at that date are set out in the consolidated financial statements on pages 49 to 117.

The Directors did not recommend the payment of any dividend in respect of the year ended 31 December 2021.

There is no arrangement under which a shareholder has waived or agreed to waive any dividends.

## FINANCIAL SUMMARY

A summary of the published results and of the assets and liabilities of the Group is set out on page 118 of the Annual Report.

## FINANCIAL RESOURCES, LIQUIDITY AND CAPITAL STRUCTURE

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

Current ratio and quick assets ratio were 2.14 and 0.73 respectively (as at 31 December 2020: 2.93 and 1.44 respectively). Gearing ratio is calculated as total bank borrowing divided by total equity and multiplying the resulting value by 100%. Gearing ratio was 0% as at 31 December 2021 and 31 December 2020 respectively.

The capital structure of the Group consists of equity attributable to owners of the Company, comprising issued share capital and reserves.

# DIRECTORS' REPORT

## FUTURE PLANS FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS

Save as disclosed in the Prospectus and in this Annual Report, the Group did not have other plans for material investments or capital assets as of 31 December 2021.

### 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 31 December 2021 is set out below:

#### Business Strategies

Expanding Classified brand to different locations

Establishing a new central kitchen for Classified restaurants

Enhancing and upgrading existing restaurant facilities

Strengthening staff training

Enhancing our marketing and promotion initiatives

#### Actual progress

We had opened new Classified restaurants in Sai Wan <sup>(Note 1)</sup>, Kwun Tong and Tsim Sha Tsui in December 2016, June 2018 and May 2021 respectively

We had acquired and established a new central kitchen in Wong Chuk Hang in October 2016 <sup>(Note 2)</sup>

We had renovated our Classified restaurants in Exchange Square, Tai Hang, Happy Valley, Repulse Bay and Sheung Wan

We had provided on-the-job trainings to our employees, including food & beverage supervision certification, food hygiene, first aid and interview skills courses etc.

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 subsequently closed 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.

# DIRECTORS' REPORT

## USE OF PROCEEDS FROM THE IPO PLACING

### (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") and (4) the Company's announcement dated 14 July 2021 regarding, inter alia, a further change in the allocation of IPO Proceeds (the "14 July 2021 Announcement").

An analysis of the utilisation of the IPO Proceeds up to 31 December 2021 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>	Revised allocation of IPO Proceeds (as disclosed in the 14 July 2021 Announcement) <i>HK\$'000</i>	Utilized IPO Proceeds as at 31 December 2021 <i>HK\$'000</i>
Opening new restaurants under "Classified" brand					
– First restaurant	4,993	3,771	3,771	3,771	(3,771)
– Second restaurant	4,993	4,993	1,765	1,765	(1,765)
– Third restaurant	–	–	4,993	1,084	(1,084)
Establishing a new central kitchen for Classified restaurants	4,438	4,000	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	(4,209)
Enhancement and upgrading existing restaurant facilities (other than CEX, CTH, CHV and CMB)	–	3,400	300	300	(300)
General working capital	1,996	4,702	6,037	9,946	(9,946)
Total	<u>25,075</u>	<u>25,075</u>	<u>25,075</u>	<u>25,075</u>	<u>(25,075)</u>

For details regarding reasons for the reallocations of IPO Proceeds, please refer to the 1 November 2017 Announcement, the 10 July 2018 Announcement and the 14 July 2021 Announcement.

# DIRECTORS' REPORT

## (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 31 December 2021 is set out below:

	Planned use of November Placing Proceeds as at 31 December 2021	Utilised November Placing Proceeds as at 31 December 2021	Unutilised November Placing Proceeds as at 31 December 2021	Expected timeframe for utilising the remaining November Placing Proceeds (Note 1)
	HK\$'000	HK\$'000	HK\$'000	
Repayment of bank borrowings	17,500	(17,500)	-	
Develop, relocate, open and upgrade of restaurants	24,500	(540)	23,960	By 31 December 2022
Working capital for existing business of the Group	24,000	(24,000)	-	
Enhancement of premium food and fine wine programme	16,400	(16,400)	-	
Total	<u>82,400</u>	<u>(58,440)</u>	<u>23,960</u>	

*Note 1:* The expected timeline for utilising the remaining November Placing Proceeds of approximately HK\$23,960,000 is based on the best estimation of the future market condition which may be continuously affected by COVID-19. The actual timeline for utilising the remaining November Placing Proceeds may be subject to change based on current and future development of market conditions.

## PROPERTY, PLANT AND EQUIPMENT

Details of the movements in property, plant and equipment of the Group during the year are set out in note 16 to the consolidated financial statements.

## SHARE CAPITAL

Details of movements in the share capital of the Company during the year are set out in note 26 to the consolidated financial statements.

# DIRECTORS' REPORT

## RESERVES

Details of movements in reserves of the Group and the Company during the year are set out in the consolidated statement of changes in equity on page 52 and note 36 to the consolidated financial statements respectively.

## DISTRIBUTABLE RESERVES

As at 31 December 2021, the reserves of the Company available for distribution to shareholders amounted to HK\$24.0 million (2020: HK\$43.4 million). Under the Companies Law of the Cayman Islands, the share premium account of the Company may be applied for paying distributions or dividends to shareholders subject to the provisions of the Company's articles of association and provided that immediately following the payment of distributions or dividends, the Company shall be able to pay its debts as they fall due in the ordinary course of business.

## DIRECTORS' INTERESTS IN CONTRACTS

Except for the transactions disclosed in note 28 to the consolidated financial statements, no other contracts of significance to which the Company or any of its subsidiaries was a party and in which a Director of the Company had a material interest subsisted at the end of the year or at any time during the year.

## DIRECTORS' INTERESTS IN COMPETING BUSINESS

Save as disclosed in the Prospectus, the Directors are not aware of any business and interest of the Directors nor the controlling shareholders of the Company nor any of their respective close associates (as defined in the GEM Listing Rules) that compete or may compete with the business of the Group and any other conflict of interests which any such person has or may have with the Group during the year ended 31 December 2021.

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

## ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

Apart from the sections headed "Interests and Short Positions of Directors in the Shares, Underlying Shares and Debentures of the Company and its Associated Corporations", "Interests and Short Positions of Substantial Shareholders and Other Persons in the Shares, Underlying Shares and Debentures of the Company and its Associated Corporations" and "Share Option Scheme" below, at no time during the year ended 31 December 2021 were rights to acquire benefits by means of the acquisition of Shares in or debentures of the Company granted to any Director or their respective associates nor was the Company and any of its subsidiaries a party to any arrangement to enable the Directors, or their respective associates to acquire such rights in any other body corporate.

# DIRECTORS' REPORT

## EQUITY-LINKED ARRANGEMENTS

Save as disclosed in the section headed "Share Option Scheme" below, no equity-linked agreements were entered into during or subsisted for the year ended 31 December 2021.

## SHARE OPTION SCHEME

The following is a summary of the principal terms of the rules of the Share Option Scheme conditionally adopted by the resolutions in writing of all the Shareholders passed on 14 June 2016 (the "Adoption Date"). The terms of the Share Option Scheme are in accordance with the provisions of Chapter 23 of the GEM Listing Rules.

### (A) Purpose of the Share Option Scheme

The purpose of the Share Option Scheme is to attract and retain the best available personnel, to provide additional incentive to employees (full-time and part-time), directors, consultants, advisers, distributors, contractors, suppliers, agents, customers, business partners and service providers of the Group and to promote the success of the business of the Group.

### (B) Who may join and basis of eligibility

The basis of eligibility of any participant to the grant of any option shall be determined by the Board (or as the case may be, including, where required under the GEM Listing Rules, the independent non-executive Directors) from time to time on the basis of the participant's contribution or potential contribution to the development and growth of the Group.

### (C) Price of shares

The subscription price of a share in respect of any particular option granted under the Share Option Scheme shall be a price solely determined by the Board and notified to a participant and shall be at least the higher of: (i) the closing price of the shares as stated in the Stock Exchange's daily quotations sheet on the date of grant of the option, which must be a business day; (ii) the average of the closing prices of the shares as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the date of grant of the option; and (iii) the nominal value of a share on the date of grant of the option, provided that in the event of fractional prices, the subscription price per share shall be rounded upwards to the nearest whole cent.

### (D) Grant of options and acceptance of offers

An offer for the grant of options must be accepted within seven days inclusive of the day on which such offer was made. The amount payable by the grantee of an option to the Company on acceptance of the offer for the grant of an option is HK\$1.00.

# DIRECTORS' REPORT

## **(E) Maximum number of shares**

- (a) Subject to sub-paragraphs (b) and (c) below, the maximum number of shares issuable upon exercise of all options to be granted under the Share Option Scheme and any other share option schemes of the Company as from the Adoption Date (excluding, for this purpose, shares issuable upon exercise of options which have been granted but which have lapsed in accordance with the terms of the Share Option Scheme or any other share option schemes of the Company) must not in aggregate exceed 10% of shares in issue as at the date listed on GEM (or such numbers of shares as shall result from a subdivision or a consolidation from time to time) to the participants under the Share Option Scheme.
- (b) The 10% limit as mentioned above may be refreshed at any time by obtaining approval of the Shareholders in general meeting provided that the total number of shares which may be issued upon exercise of all options to be granted under the Share Option Scheme and any other share option schemes of the Company must not exceed 10% of the shares in issue as at the date of approval of the refreshed limit. Options previously granted under the Share Option Scheme and any other share option schemes of the Company (including those outstanding, cancelled or lapsed in accordance with the terms of the Share Option Scheme and any other share option schemes of the Company) will not be counted for the purpose of calculating the refreshed 10% limit. A circular must be sent to the Shareholders containing the information as required under the GEM Listing Rules in this regard.
- (c) The Company may seek separate approval by the Shareholders in general meeting for granting options beyond the 10% limit under sub-paragraph (a) and (b) above provided the options in excess of the 10% limit are granted only to participants specifically identified by the Company before such approval is sought. In such event, the Company must send a circular to the Shareholders containing a generic description of such grantees, the number and terms of such options to be granted and the purpose of granting options to them with an explanation as to how the terms of the options will serve such purpose and all other information required under the GEM Listing Rules.
- (d) The aggregate number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other share option schemes of the Company must not, in aggregate, exceed 30% of the shares in issue from time to time. No options may be granted under the Share Option Scheme or any other share option schemes of the Company, if this will result in the limit being exceeded.

# DIRECTORS' REPORT

## **(F) Maximum entitlement of each participant**

The total number of shares issued and to be issued upon exercise of options granted to each participant (including both exercised and outstanding options) under the Share Option Scheme of the Company, in any 12-month period up to the date of grant shall not exceed 1% of the shares in issue. Where any further grant of options to a participant would result in the shares issued and to be issued upon exercise of all options granted and to be granted to such participant (including exercised, cancelled and outstanding options) in the 12 months period up to and including the date of such further grant representing in aggregate over 1% of the shares in issue, must be separately approved by Shareholders in general meeting with such participant and his close associates abstaining from voting, and the number and terms (including the subscription price) of the options to be granted to such participant must be fixed before the Shareholder's approval. In such event, the Company must send a circular to the Shareholders containing the identity of the participant, the number and terms of the options to be granted (and options previously granted to such participant), and all other information required under the GEM Listing Rules. The date of the Board meeting proposing such further grant should be taken as the date of grant for the purpose of calculating the subscription price.

## **(G) Grant of options to certain connected persons**

- (a) Any grant of options to a Director, chief executive or substantial shareholder of the Company or any of their respective associates must be approved by the independent non-executive Directors (excluding any independent non-executive Director who is the grantee of the option).
- (b) Where any grant of options to a substantial Shareholder or an independent non-executive Director or any of their respective associates will result in the total number of shares issued and to be issued upon exercise of all options already granted and to be granted to such person under the Share Option Scheme (including options exercised, cancelled and outstanding) and any other share option schemes of the Company to such person in any 12-month period up to and including the date of grant:
  - (i) representing in aggregate over 0.1% of the shares in issue; and
  - (ii) having an aggregate value, based on the closing price of the shares at the date of each grant, in excess of HK\$5.0 million,

such further grant of options is required to be approved by Shareholders at a general meeting of the Company, with voting to be taken by way of poll. The Company shall send a circular to the Shareholders containing all information as required under the GEM Listing Rules in this regard. The grantee, his associate and all core connected persons of the Company shall abstain from voting (except where any of such person intends to vote against the proposed grant and his/her intention to do so has been stated in the aforesaid circular). Any change in the terms of an option granted to a substantial shareholder or an independent non-executive Director or any of their respective associates is also required to be approved by Shareholders in the aforesaid manner.

# DIRECTORS' REPORT

## **(H) Restrictions on the times of grant of options**

- (a) No offer for the grant of options may be made after any inside information has come to the knowledge of the Group until such inside information has been announced pursuant to the requirements of the GEM Listing Rules and the Securities and Futures Ordinance (the "SFO") (Chapter 571 of the Laws of Hong Kong). No option may be granted during the period commencing one month immediately preceding the earlier of:
  - (i) the date of the Board meeting (such date to first be notified to the Stock Exchange in accordance with the GEM Listing Rules) for the approval of the Company's results for any year, half-year, quarterly or other interim period (whether or not required under the GEM Listing Rules); and
  - (ii) the deadline for the Company to publish an announcement of the results for any year or half-year under the GEM Listing Rules, or quarterly or any other interim period (whether or not required under the GEM Listing Rules).
- (b) Further to the restrictions in paragraph (a) above, no option may be granted to a Director on any day on which financial results of the Company are published and:
  - (i) during the period of 60 days immediately preceding the publication date of the annual results or, if shorter, the period from the end of the relevant financial year up to the publication date of the results; and
  - (ii) during the period of 30 days immediately preceding the publication date of the quarterly results and half-year results or, if shorter, the period from the end of the relevant quarterly or half-year period up to the publication date of the results.

## **(I) Time of exercise of option**

An option may be exercised in accordance with the terms of the Share Option Scheme at any time during a period as the Board may determine which shall not exceed 10 years from the date of grant subject to the provisions of early termination thereof.

## **(J) Period of the Share Option Scheme**

The Share Option Scheme will remain in force for a period of ten years commencing on the Adoption Date and shall expire at the close of business on the business day immediately preceding the tenth anniversary thereof unless terminated earlier by the Shareholders in general meeting or by the Board.

The total number of shares may be granted under the Share Option Scheme is 40,000,000 shares, which represents 9.0% of the total number of shares issued at the date of this Annual Report.

As at the date of this Annual Report, no option has been granted or agreed to be granted since from the Adoption Date under the Share Option Scheme.

# DIRECTORS' REPORT

## CONTINUING CONNECTED TRANSACTIONS

The details of related party transactions for the year ended 31 December 2021 are set out in note 28 to the consolidated financial statements. Save as disclosed herein, the Group had no material related party transactions which constituted non-exempt connected transactions under Chapter 20 of the GEM Listing Rules.

## DIRECTORS

The Directors during the year and up to the date of this Annual Report are as follows:

### Executive Directors

Mr. WONG Arnold Chi Chiu (*Chairman*)  
Mr. PONG Kin Yee JP  
Mr. VASTINE Mael Henri Francis (appointed on 16 September 2021)  
Mr. LI Kai Leung (appointed on 16 September 2021)

### Independent Non-Executive Directors

Dr. CHAN Kin Keung Eugene SBS, BBS,JP  
Mr. NG Chun Fai Frank  
Mr. YUE Man Yiu Matthew

Pursuant to article 84 of the Articles of Association, one-third of the Directors shall retire from office by rotation and re-election at an annual general meeting of the Company in accordance with the Company's Articles of Association, providing that every Director shall be retired at least once every three years.

## DIRECTORS' SERVICE CONTRACTS AND LETTERS OF APPOINTMENT

Each of Mr. Wong Arnold Chi Chiu, Mr. Pong Kin Yee, Mr. Vastine Mael Henri Francis and Mr. Li Kai Leung being the executive Directors, has entered into a service contract with the Company for a term of three years and shall continue thereafter unless terminated by either party giving to the other not less than three month's notice in writing.

Each of Dr. Chan Kin Keung Eugene, Mr. Ng Chun Fai Frank and Mr. Yue Man Yiu Matthew, being the independent non-executive Director, have entered into a letter of appointment for a term of one year and shall continue thereafter unless terminated by either party giving to the other at least one month's notice in writing.

No Director proposed for re-election at the forthcoming annual general meeting has a service contract with the Company which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

# DIRECTORS' REPORT

## INDEPENDENCE CONFIRMATION

The Company has received confirmation from each of the INEDs regarding his independence in accordance with Rule 5.09 of the GEM Listing Rules and therefore considers each of them to be independent.

## EMOLUMENTS OF DIRECTORS AND FIVE HIGHEST PAID INDIVIDUALS

Our Directors' emoluments are determined by the Remuneration Committee with reference to their experience, responsibility, workload and the time devoted to our Group. Details of the emoluments of the Directors and the five highest paid individuals of the Group are set out in note 7 to the consolidated financial statements.

## DIRECTORS AND SENIOR MANAGEMENT PROFILE

Biographical details of the Directors of the Group are set out on pages 12 to 14 of this report.

## DIRECTORS' AND CONTROLLING SHAREHOLDERS' INTERESTS IN CONTRACTS

None of the Directors had a material interest, whether directly or indirectly, in any contract of significance to the business of the Group to which the Company or any of its subsidiaries was a party at any time during or at the end of the year ended 31 December 2021.

As of 31 December 2021, no contract of significance had been entered into between the Company, or any of its subsidiaries and the controlling shareholders of the Company or any of its subsidiaries.

## MANAGEMENT CONTRACTS

As at 31 December 2021, the Company did not enter into or have any management and administration contracts in respect of the whole or any principal business of the Company.

## PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

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

# DIRECTORS' REPORT

## INTERESTS AND SHORT POSITIONS OF DIRECTORS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS

### Interests and Short Positions of Directors in the Shares, Underlying Shares and Debentures of the Company and Its Associated Corporations

As at the date of this report, 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 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 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	9.27%
Mr. Pong Kin Yee	interest in controlled corporation ( <i>note 2</i> )	68,000,000	15.25%

*Notes:*

1. Mr. Wong beneficially owns 100% equity interest in Wiltshire Global Limited ("Wiltshire Global"). Therefore, Mr. Wong is deemed to be interested in 41,340,000 shares held by Wiltshire Global.
2. Mr. Pong beneficially owns 100% equity interest in Peyton Global Limited ("Peyton Global"). Therefore, Mr. Pong is deemed to be interested in 68,000,000 shares held by Peyton Global.

Save as disclosed above, as at 31 December 2021, 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.

# DIRECTORS' REPORT

## INTERESTS AND SHORT POSITIONS OF SUBSTANTIAL SHAREHOLDERS AND OTHER PERSONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS

### 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 31 December 2021, 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, 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	9.27%
Ms. Lee Yuen Ching Charmaine	Interest of spouse ( <i>note 1</i> )	41,340,000	9.27%
Peyton Global Limited	Beneficial owner	68,000,000	15.25%
Ms. Cheng Chi Man	Interest of spouse ( <i>note 2</i> )	68,000,000	15.25%
VMS Investment Group Limited	Beneficial owner	68,000,000	15.25%
Mak Siu Hang, Viola	Beneficial owner	68,000,000	15.25%
Millennium Pacific Information Technology Limited	Beneficial owner	53,320,000	11.96%

#### 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 31 December 2021, 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' REPORT

## COMPLIANCE WITH THE RELEVANT LAWS AND REGULATIONS

As far as the Director is aware, the Group has complied in material respects with the relevant laws and regulations that have a significant impact on the business and operation of the Group. During the year, there was no material breach of or non-compliance with the applicable laws and regulations by the Group.

## MAJOR CUSTOMERS AND SUPPLIERS

As a restaurant operator, the Group has a large and diverse customer base. There is no customer that significantly dominated the Group's revenue and the percentage of revenue from sales of goods or rendering of services attributable to the Group's five largest customers combined is less than 30%. For the year ended 31 December 2021, purchases from our five largest suppliers accounted for approximately 31.2% of our total purchases of raw materials and consumables consumed (2020: 29.3%). During the same year, purchases from our largest supplier accounted for approximately 8.5% of our total purchases of raw materials & consumables (2020: 8.9%). Our Group had approximately ten years of relationship with our five largest suppliers in general. Save for the purchases from Altaya Wines Limited (a company which is controlled by Mr. Pong Kin Yee, an executive Director, and his family and details are set out in notes 21 and 28 to the consolidated financial statements), none of the Directors, their respective associates, or any shareholders of the Company (which, to the best knowledge of the Directors, own more than 5% of the Company's share capital) had any significant beneficial interest in the major customers and suppliers disclosed above.

## SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors, the Company has maintained a sufficient public float as required under the GEM Listing Rules during the year and up to the date of this Annual Report.

## PRE-EMPTIVE RIGHTS

There are no pre-emptive or similar rights under the Caymans Islands Law or the articles of association of the Company (the "Articles of Association") which would oblige the Company to offer new shares on a pro-rata basis to the existing shareholders.

## PERMITTED INDEMNITY PROVISION

Subject to applicable laws, the Directors of the Company shall be indemnified and secured harmless out of the assets and profits of the Company from and against all actions, costs, charges, losses, damages and expenses which they or any of them may incur or sustain by or by reason of any act done, concurred in or omitted in or about the execution of their duty, or supposed duty, in their respective offices, pursuant to the articles of association of the Company. Such provisions were in force throughout the year ended 31 December 2021 and are currently in force. The Company has arranged for appropriate insurance cover for Directors' Liabilities in respect of legal actions that may be brought against the Directors.

# DIRECTORS' REPORT

## EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2021, the Group had 92 employees in Hong Kong (2020: 124 employees in Hong Kong). The decrease in number of employees was attributable to the decrease in restaurant staff as a result of reducing our staff costs in order to cope with the outbreak of COVID-19 and the closure of "The Pawn" restaurant. 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. No discretionary bonus was paid or receivable by the Directors for the year ended 31 December 2021.

## ENVIRONMENTAL, POLICIES AND PERFORMANCE

The Group is devoted to promoting and maintaining the environmental and social sustainable development of Hong Kong. As a responsible enterprise, the Group strives to comply with all the relevant laws and regulations in terms of the environmentally friendliness, health and safety, adopts effective measures, conserves energy and reduces waste.

A separate environmental, social and governance report is expected to be published on the Stock Exchange's website and the Company's website no later than three months after the annual report had been published.

## CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Tuesday, 14 June 2022 to Friday, 17 June 2022, both days inclusive, during which period no transfer of the shares will be registered. In order to establish entitlements to attend and vote at the forthcoming AGM, shareholders are reminded to ensure that all completed share transfer forms accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Union Registrars Limited, at Suites, 3301-04, 33/F., Two Chinachem Exchange Square, 338 King's Road, North Point, Hong Kong for registration not later than 4:00 p.m. on Monday, 13 June 2022.

## EVENTS AFTER THE REPORTING PERIOD

Mr. VASTINE Mael Henri Francis decided not to stand for re-election as an executive director of the Company when he is due to retire by rotation at the forthcoming AGM. For details of the retirement of Mr. VASTINE being an executive director and resignation of chief operating officer, please refer to the announcement of the Company dated 29 April 2022.

Save as disclosed in this Annual Report, the Directors are not aware of any significant event requiring disclosure that has taken place subsequent to 31 December 2021 and up to the date of approval of this Annual Report.

# DIRECTORS' REPORT

## AUDITOR

The financial statements have been audited by BDO Limited who shall retire at the forthcoming annual general meeting and, being eligible, offered themselves for re-appointment.

On behalf of the Board

**WONG Arnold Chi Chiu**

*Chairman*

Hong Kong, 29 April 2022

# INDEPENDENT AUDITOR'S REPORT



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## **TO THE SHAREHOLDERS OF CLASSIFIED GROUP (HOLDINGS) LIMITED**

*(incorporated in the Cayman Islands with limited liability)*

### **OPINION**

We have audited the consolidated financial statements of Classified Group (Holdings) Limited (the “Company”) and its subsidiaries (collectively referred to as “the Group”) set out on pages 49 to 117, which comprise the consolidated statement of financial position as at 31 December 2021, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2021, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

### **BASIS FOR OPINION**

We conducted our audit in accordance with Hong Kong Standards on Auditing (“HKSA”) issued by the HKICPA. Our responsibilities under those standards are further described in the “Auditor’s Responsibilities for the Audit of the Consolidated Financial Statements” section of our report. We are independent of the Group in accordance with the HKICPA’s “Code of Ethics for Professional Accountants” (the “Code”), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

# INDEPENDENT AUDITOR'S REPORT

## MATERIAL UNCERTAINTY RELATED TO GOING CONCERN

We draw attention to Note 3(b) to the consolidated financial statements which indicates that the Group incurred a net loss of HK\$16,553,000 and net cash outflow of HK\$8,335,000 during the financial year ended 31 December 2021. These conditions, along with other matters as set forth in Note 3(b) to the consolidated financial statements, indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

## KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

### Revenue from catering services of the Group's restaurant operations

*(Refer to notes 4 and 6 to the consolidated financial statements)*

We identified revenue from catering services of the Group's restaurant operations as a key audit matter, due to the significance of revenue from catering services of the Group's restaurant operations to the consolidated statement of profit or loss and other comprehensive income. For the year ended 31 December 2021, revenue from catering services of the Group's restaurant continuing operation and discontinued operation amounted to HK\$59,898,000 and HK\$16,163,000 respectively.

We focused on revenue reconciliation of daily sales report to cash receipts and credit card settlements as the vast majority of revenue was settled in cash or by credit card. In addition, the recording of revenue involves high volume of small amount transactions through various systems. Any errors arising from capturing of data or interfaces of data amongst the various systems may have significant impact on revenue. Therefore, it required significant time and resources for the audit.

Our response:

Our key procedures to ascertain the revenue recognition included:

- Obtaining an understanding of the Group's revenue recognition process and validating the management's key internal controls over the revenue recognition process;
- Performing analytical procedures on revenue through comparing the actual result of current year with that of prior year and assessing reasonableness of its trend in relation to the Group's restaurant operation;
- Verifying the daily sales reports, cash receipts and credit card settlement on sample basis; and
- Verifying the accuracy and completeness of the daily sales reports generated from the back end systems on sample basis.

# INDEPENDENT AUDITOR'S REPORT

## **Impairment assessment on property, plant and equipment and right-of-use assets**

***(Refer to notes 4, 5, 16, 17 and 18 to the consolidated financial statements)***

The Group had significant assets on its consolidated statement of financial position, including property, plant and equipment and right-of-use assets as at 31 December 2021.

Management is required to perform an impairment assessment where indicators of impairment are identified, on these assets. For the purpose of assessing impairment, these assets were allocated to cash generating units ("CGUs"), and management has assessed the recoverable amount of these assets based on higher of value in use and fair value less cost of disposal. In carrying out the impairment assessment, significant management judgement was used to appropriately identify CGUs and to determine the key assumptions and estimations. Based on the above assessment performed, for the year ended 31 December 2021, management concluded that impairment loss of approximately HK\$2,702,000 in respect of the Group's property, plant and equipment and HK\$2,471,000 in respect of its right-of-use assets were made.

Our response:

Our key procedures in relation to management's impairment assessment included:

- Assessing the appropriateness of the valuation methodology in respect of the assessment of the recoverable amount;
- Assessing the appropriateness of the management's identification of CGUs based on our understanding of the Group's business;
- Assessing the reasonableness of key assumptions and estimations used; and
- Assessing the appropriateness of key input data used in the assessment of the recoverable amount.

## **Other Information in the Annual Report**

The directors are responsible for the other information. The other information comprises the information included in the Company's annual report, but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

# INDEPENDENT AUDITOR'S REPORT

## **Directors' Responsibilities for the Consolidated Financial Statements**

The directors are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The directors are also responsible for overseeing the Group's financial reporting process. The Audit Committee assists the directors in discharging their responsibility in this regard.

## **Auditor's Responsibilities for the Audit of the Consolidated Financial Statements**

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. This report is made solely to you, as a body, in accordance with the terms of our engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

# INDEPENDENT AUDITOR'S REPORT

- conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

## **BDO Limited**

*Certified Public Accountants*

## **Lo Ngai Hang**

Practising Certificate no. P04743

Hong Kong, 29 April 2022

# CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2021

	<i>Notes</i>	<b>2021</b> <b>HK\$'000</b>	2020 HK\$'000 (re-presented)
<b>Continuing operation</b>			
Revenue	6	59,898	57,481
Other income	8	1,596	7,507
Other gains and losses	9	(819)	712
Raw materials and consumables used		(15,063)	(13,417)
Staff costs		(30,580)	(29,899)
Depreciation		(8,195)	(9,640)
Property rentals and related expenses		(3,837)	(3,747)
Utility expenses		(1,876)	(1,455)
Advertising and promotion expenses		(3,800)	(3,654)
Other expenses		(8,573)	(6,958)
Finance costs	10	(584)	(319)
Impairment loss recognised in respect of property, plant and equipment	18	(2,702)	–
Impairment loss recognised in respect of right-of-use assets	18	(2,471)	(971)
Loss before taxation	11	(17,006)	(4,360)
Income tax charge	12	(1,600)	(396)
Loss for the year from continuing operation		<u>(18,606)</u>	<u>(4,756)</u>
<b>Discontinued operation</b>			
Profit/(loss) for the year from discontinued operation	13	<u>2,053</u>	<u>(11,637)</u>
Loss for the year		<u>(16,553)</u>	<u>(16,393)</u>
(Loss)/earnings per share from:			
Continuing operation – Basic (HK cents)	15	(4.17)	(1.07)
Discontinued operation – Basic (HK cents)	15	0.46	(2.61)
		<u>(3.71)</u>	<u>(3.68)</u>

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2021

	<i>Notes</i>	<b>2021</b> <b>HK\$'000</b>	2020 <i>HK\$'000</i>
<b>Non-current assets</b>			
Property, plant and equipment	16	530	3,771
Right-of-use assets	17	9,298	13,642
Deposits	20	2,222	4,994
Deferred tax assets	29	–	1,570
		<u>12,050</u>	<u>23,977</u>
<b>Current assets</b>			
Inventories	19	43,294	34,063
Trade and other receivables, deposits and prepayments	20	4,512	6,738
Amount due from related companies	21	470	118
Amounts due from directors	21	63	301
Tax recoverable		32	32
Bank balances and cash	22	17,271	25,606
		<u>65,642</u>	<u>66,858</u>
<b>Current liabilities</b>			
Trade and other payables and accrued charges	23	9,003	6,813
Amounts due to related companies	21	2,829	196
Amounts due to a director	21	11,982	–
Contract liabilities	24	29	172
Lease liabilities	27	6,533	15,409
Tax liabilities		–	4
Provisions	25	341	199
		<u>30,717</u>	<u>22,793</u>
<b>Net current assets</b>		<u>34,925</u>	<u>44,065</u>
<b>Total assets less current liabilities</b>		<u>46,975</u>	<u>68,042</u>

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2021

	<i>Notes</i>	<b>2021</b> <b>HK\$'000</b>	2020 <i>HK\$'000</i>
<b>Non-current liabilities</b>			
Lease liabilities	27	5,842	9,422
Provisions	25	382	1,316
		<u>6,224</u>	<u>10,738</u>
<b>Total liabilities</b>		<u>36,941</u>	<u>33,531</u>
<b>Net assets</b>		<u>40,751</u>	<u>57,304</u>
<b>Capital and reserves</b>			
Issued share capital	26	4,460	4,460
Reserves		36,291	52,844
<b>Total equity</b>		<u>40,751</u>	<u>57,304</u>

The consolidated financial statements on pages 49 to 117 were approved and authorised for issue by the Board of Directors on 29 April 2022 and are signed on its behalf by:

**MR. WONG ARNOLD CHI CHIU**  
*Director*

**MR. PONG KIN YEE**  
*Director*

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2021

	Attributable to owners of the Company				Total HK\$'000
	Issued share capital HK\$'000	Share premium HK\$'000	Other reserve HK\$'000 (note)	Accumulated losses HK\$'000	
At 1 January 2020	4,460	127,329	766	(58,858)	73,697
Loss and total comprehensive expense for the year	–	–	–	(16,393)	(16,393)
At 31 December 2020	4,460	127,329	766	(75,251)	57,304
Loss and total comprehensive expense for the year	–	–	–	(16,553)	(16,553)
At 31 December 2021	4,460	127,329	766	(91,804)	40,751

*Note:* Other reserve represents the difference between the share capital of group entities and the share capital of the Company issued pursuant to the group reorganisation in previous years and the difference between the consideration paid and the proportionate share of net liabilities attributable to non-controlling interests of a subsidiary arising from the acquisition of additional interest of a subsidiary in previous year.

# CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2021

	<i>Notes</i>	<b>2021</b> <b>HK\$'000</b>	2020 <i>HK\$'000</i> (re-presented)
<b>OPERATING ACTIVITIES</b>			
(Loss)/profit before taxation			
– from continuing operation		<b>(17,006)</b>	(4,360)
– from discontinued operation		<b>2,019</b>	(11,202)
		<b>(14,987)</b>	(15,562)
Adjustments for:			
Depreciation on property, plant and equipment	16	<b>1,804</b>	2,675
Depreciation on right-of-use assets	17	<b>8,702</b>	13,849
Loss on disposal/written-off of property, plant and equipment	9	<b>751</b>	411
Impairment loss recognised in respect of property, plant and equipment	16	<b>2,702</b>	962
Impairment loss recognised in respect of right-of-use assets	17	<b>2,471</b>	5,646
Impairment loss recognised in respect of trade receivables	20	<b>(175)</b>	–
Impairment loss recognised in respect of other receivables	20	<b>(773)</b>	–
Gain on termination of lease	9	<b>(5,766)</b>	–
Covid-19-related rent concession	9	<b>(367)</b>	(3,260)
Interest income	8	<b>(1)</b>	(371)
Finance costs	10	<b>931</b>	1,128
Operating cash flows before movements in working capital		<b>(4,708)</b>	5,478
Increase in inventories		<b>(9,231)</b>	(19,599)
Decrease/(increase) in trade and other receivables, deposits and prepayments		<b>5,946</b>	(1,405)
(Increase)/decrease in amounts due from related companies		<b>(262)</b>	170
Decrease in amounts due from directors		<b>238</b>	764
Increase/(decrease) in trade and other payables and accrued charges		<b>2,190</b>	(1,137)
Increase/(decrease) in amounts due to related companies		<b>2,633</b>	81
Decrease in contract liabilities		<b>(143)</b>	(13)
Increase in provisions		<b>–</b>	150
Cash used in operations		<b>(3,337)</b>	(15,511)
Income tax		<b>–</b>	–
<b>NET CASH USED IN OPERATING ACTIVITIES</b>		<b>(3,337)</b>	(15,511)

# CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2021

	<i>Notes</i>	<b>2021</b> <b>HK\$'000</b>	2020 <i>HK\$'000</i> (re-presented)
<b>INVESTING ACTIVITIES</b>			
Proceeds from disposal of property, plant and equipment		<b>310</b>	–
Interest received		<b>1</b>	371
Purchases of property, plant and equipment	<i>16</i>	<b>(2,326)</b>	(1,795)
Advance to a related company		<b>(90)</b>	–
		<hr/> <b>(2,105)</b>	<hr/> (1,424)
<b>NET CASH USED IN INVESTING ACTIVITIES</b>			
<b>FINANCING ACTIVITIES</b>			
Repayment of lease liabilities	<i>33</i>	<b>(14,875)</b>	(15,107)
Advances from a director	<i>33</i>	<b>11,982</b>	–
		<hr/> <b>(2,893)</b>	<hr/> (15,107)
<b>NET USED IN FINANCING ACTIVITIES</b>			
		<hr/> <b>(8,335)</b>	<hr/> (32,042)
<b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>			
		<hr/> <b>25,606</b>	<hr/> 57,648
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR</b>			
		<hr/> <b>17,271</b>	<hr/> 25,606
<b>CASH AND CASH EQUIVALENTS AT END OF THE YEAR, REPRESENTED BY BANK BALANCES AND CASH</b>			

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

## 1. GENERAL

The Company was incorporated as an exempted company and registered in the Cayman Islands with limited liability under the Companies Law of Cayman Islands on 24 October 2014. The shares of the Company have been listed on GEM of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) by way of placing on 11 July 2016. The addresses of the Company’s registered office and the principal place of business are Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands and 8/F., Remex Centre, 42 Wong Chuk Hang Road, Wong Chuk Hang, Hong Kong respectively.

The Company was owned as to 9.27% and 15.25% by Wiltshire Global Limited, which is owned by Mr. Wong Arnold Chi Chiu (“Mr. Wong”) and Peyton Global Limited, which is owned by Mr. Pong Kin Yee (“Mr. Pong”), respectively. These companies were incorporated in the British Virgin Islands (“BVI”) with limited liability. Mr. Wong and Mr. Pong are acting in concert on their ownerships over the Group.

The Company is an investment holding company and its subsidiaries are principally engaged in restaurant operations in Hong Kong.

The consolidated financial statements are presented in Hong Kong Dollar (“HK\$”), which is also the functional currency of the Company.

## 2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”)

### (a) Adoption of new or amended HKFRSs for the current year’s financial statements

Amendments to HKAS 39, HKFRS 4, HKFRS 7, HKFRS 9 and HKFRS 16	Interest Rate Benchmark Reform – Phase 2
Amendments to HKFRS 16	COVID-19-related Rent Concessions beyond 30 June 2021

Except for the early adoption of the amendments to HKFRS 16, COVID-19-Related Rent Concessions beyond 30 June 2021, the Group has not early adopted any other new standards and interpretations that are not yet effective for the current accounting period, the above new or amended HKFRSs did not have any material impact on the Group’s accounting policies.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

## 2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”) (Continued)

### (b) New or amended HKFRSs that have been issued but are not yet effective

The following new or amended HKFRSs, potentially relevant to the Group’s financial statements, have been issued, but are not yet effective and have not been early adopted by the Group. The Group’s current intention is to apply these changes on the date they become effective.

Annual Improvements Framework	Annual Improvements to HKFRSs 2018–2020 (amendments) <sup>1</sup>
Amendment HKAS 16	Proceeds before Intended Use <sup>1</sup>
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract <sup>1</sup>
Amendments to HKAS 1 and HKFRS Practice Statement 2	Definition of Accounting Policies <sup>2</sup>
Amendments to HKAS 8	Definition of Accounting Estimates <sup>2</sup>
Amendments to HKAS 1	Presentation of Financial Statements <sup>2</sup>
Amendment to HKFRS 3	Reference to the Conceptual Framework <sup>3</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2022

<sup>2</sup> Effective for annual periods beginning on or after 1 January 2023

<sup>3</sup> Effective for business combinations for which the date of acquisition is on or after the beginning of the first annual period beginning on or after 1 January 2022

The directors of the Company anticipate that the application of all other new and amendments to HKFRSs will have no material impact on the consolidated financial statements in the foreseeable future.

## 3. BASIS OF PREPARATION

### (a) Statement of compliance

The consolidated financial statements have been prepared in accordance with HKFRSs, Hong Kong Accounting Standards (“HKASs”) and Interpretations (hereinafter collectively referred to as the “HKFRS”) and the disclosure requirements of the Hong Kong Companies Ordinance. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on GEM of the Stock Exchange (“GEM Listing Rules”).

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

## 3. BASIS OF PREPARATION *(Continued)*

### (b) Basis of measurement and going concern assumption

The consolidated financial statements have been prepared under the historical cost basis, as explained in the accounting policies set out below.

The COVID-19 pandemic and the related measures imposed by government in Hong Kong to contain the spreading of COVID-19 pandemic had resulted in operating hours restriction and temporary closure of the restaurants during the year. These had negatively impacted the results of the Group during the reporting period and its liquidity position. There has been relaxation of certain of those measures but the situation in which the Group operates is still precarious.

During the year, the Group has incurred a net loss of HK\$16,553,000 and net cash outflow of HK\$8,335,000.

The above events or conditions indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern and therefore, the Group may not be able to realise its assets and discharge its liabilities in the normal course of business.

For the purpose of assessing going concern, the directors of the Company have prepared a cash flow forecast covering a period of 12 months from the end of the reporting period of these consolidated financial statements ("Forecast"). The past performance and liquidity and the following measures have been taken into account in the preparation of the Forecast, which including active cost-saving and other measures to improve the Group's operating cash flows and financial position:

- a) The Group is taking measures to tighten cost controls over staff costs; and
- b) The Group has closed certain restaurants temporary and taken closely monitoring the development of COVID-19 to consider reopening of the temporary closed restaurants.

In consideration of the Group's current operation and business plan, the directors are satisfied that the Group will be able to meet in full its financial obligations when they fall due in the foreseeable future.

In addition to the above, two major beneficial shareholders also being the directors of the Company, have undertaken to provide adequate financial resources to the Group so as to enable the Group to fulfil its obligations to repay its debts and other liabilities as they fall due, and to maintain the Group as a going concern and continue its operations. Accordingly, the consolidated financial statements have been prepared on a going concern basis.

Should the Group be unable to operate as a going concern, adjustments would have to be made to reduce the carrying values of the Group's assets to their net realisable amounts, to provide for further liabilities which might arise, and to reclassify non-current assets and non-current liabilities as current assets and current liabilities, respectively. The effect of these adjustments has not been reflected in the consolidated financial statements.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

## 3. BASIS OF PREPARATION *(Continued)*

### (c) Functional and presentation currency

The financial statements are presented in Hong Kong dollars (“HK\$”), which is the same as the functional currency of the Company.

### (d) Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of HKFRS 2 “Share-based Payment”, leasing transactions that are within the scope of HKFRS 16, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 “Inventories” or value in use in HKAS 36 “Impairment of Assets”.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability. The principal accounting policies adopted are set out below.

## 4. SIGNIFICANT ACCOUNTING POLICIES

### (a) Basis of consolidation and basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries (the “Group”). Inter-company transactions and balances between group companies together with unrealised profits are eliminated in full in preparing the consolidated financial statements. Unrealised losses are also eliminated unless the transaction provides evidence of impairment on the asset transferred, in which case the loss is recognised in profit or loss.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

## 4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### (a) Basis of consolidation and basis of consolidation *(Continued)*

The results of subsidiaries acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the dates of acquisition or up to the dates of disposal, as appropriate. Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

The Group accounts for business combinations using the acquisition method when the acquired set of activities and assets meets the definition of a business and control is transferred to the Group. In determining whether a particular set of activities and assets is a business, the Group assesses whether the set of assets and activities acquired includes, at a minimum, an input and substantive processes and whether the acquired set has the ability to produce outputs.

The cost of an acquisition is measured at the aggregate of the acquisition-date fair value of assets transferred, liabilities incurred and equity interests issued by the Group, as the acquirer. The identifiable assets acquired and liabilities assumed are principally measured at acquisition-date fair value. The Group's previously held equity interest in the acquiree is re-measured at acquisition-date fair value and the resulting gains or losses are recognised in profit or loss. The Group may elect, on a transaction-by-transaction basis, to measure the non-controlling interests that represent present ownership interests in the subsidiary either at fair value or at the proportionate share of the acquiree's identifiable net assets. All other non-controlling interests are measured at fair value unless another measurement basis is required by HKFRSs. Acquisition-related costs incurred are expensed unless they are incurred in issuing equity instruments in which case the costs are deducted from equity.

Any contingent consideration to be transferred by the acquirer is recognised at acquisition-date fair value. Subsequent adjustments to consideration are recognised against goodwill only to the extent that they arise from new information obtained within the measurement period (a maximum of 12 months from the acquisition date) about the fair value at the acquisition date. All other subsequent adjustments to contingent consideration classified as an asset or a liability are recognised in profit or loss.

Subsequent to acquisition, the carrying amount of non-controlling interests that represent present ownership interests in the subsidiary is the amount of those interests at initial recognition plus such non-controlling interest's share of subsequent changes in equity. Non-controlling interests are presented in the consolidated statement of financial position within equity, separately from equity attributable to owners of the Company. Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income is attributed to such non-controlling interests even if this results in those non-controlling interests having a deficit balance.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

## 4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### (a) Basis of consolidation and basis of consolidation *(Continued)*

Changes in the Group's interests in a subsidiary that do not result in a loss of control of the subsidiary are accounted for as equity transactions. The carrying amount of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to the owners of the Company.

When the Group loses control of a subsidiary, the gain or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. Amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for on the same basis as would be required if the relevant assets or liabilities were disposed of.

### (b) Property, plant and equipment

Property, plant and equipment are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

Depreciation is recognised so as to write off the cost of items of property, plant and equipment over their estimated useful lives, using the straight-line method. The estimated useful lives and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

The useful lives, residual value and depreciation method are reviewed, and adjusted if appropriate, at the end of each reporting period. The useful lives are as follows:

Leasehold improvements	Over the shorter of the term of the lease or 20%
Furniture and fixtures	20%-33 $\frac{1}{3}$ %
Motor vehicle	20%
Equipment	33 $\frac{1}{3}$ %
Computers	33 $\frac{1}{3}$ %

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

## 4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### (c) Government grant

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate. Specifically, government grants whose primary condition is that the Group should purchase, construct or otherwise acquire non-current assets (including property, plant and equipment) are recognised as deferred income in the statement of financial position and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

### (d) Leases

#### *The Group as a lessee*

All leases are required to be capitalised in the statement of financial position as right-of-use assets and lease liabilities, but accounting policy choices exist for an entity to choose not to capitalise (i) leases which are short-term leases and/or (ii) leases for which the underlying asset is of low-value. The Group has elected not to recognise right-of-use assets and lease liabilities for low-value assets and leases for which at the commencement date have a lease term of less than 12 months. The lease payments associated with those leases have been expensed on straight-line basis over the lease term.

The right-of-use asset is initially recognised at cost and would comprise:

- (i) the amount of the initial measurement of the lease liability (see below for the accounting policy to account for lease liability);
- (ii) any lease payments made at or before the commencement date, less any lease incentives received;
- (iii) any initial direct costs incurred by the lessee; and
- (iv) an estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

## 4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### (d) Leases *(Continued)*

#### *The Group as a lessee (Continued)*

##### *Lease liability*

The lease liability is recognised at the present value of the lease payments that are not paid at the date of commencement of the lease. The lease payments are discounted using the interest rate implicit in the lease, if that rate can be readily determined. If that rate cannot be readily determined, the Group uses the lessee's incremental borrowing rate.

The following payments for the right-to-use the underlying asset during the lease term that are not paid at the commencement date of the lease are considered to be lease payments:

- (i) fixed lease payments less any lease incentives receivable;
- (ii) variable lease payments that depend on an index or a rate, initially measured using the index or rate as at commencement date;
- (iii) amounts expected to be payable by the lessee under residual value guarantees;
- (iv) exercise price of a purchase option, if the lessee is reasonably certain to exercise that option; and
- (v) payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease.

Subsequent to the commencement date, the Group measures the lease liability by:

- (i) increasing the carrying amount to reflect interest on the lease liability;
- (ii) reducing the carrying amount to reflect the lease payments made; and
- (iii) remeasuring the carrying amount to reflect any reassessment or lease modification, or to reflect revised in-substance fixed lease payments.

When the Group revises its estimate of the term of any lease (because, for example, it reassesses the probability of a lessee extension or termination option being exercised), it adjusts the carrying amount of the lease liability to reflect the payments to make over the revised term, which are discounted using a revised discount rate. The carrying value of lease liabilities is similarly revised when the variable element of future lease payments dependent on a rate or index is revised, except the discount rate remains unchanged. In both cases, an equivalent adjustment is made to the carrying value of the right-of-use asset, with the revised carrying amount being amortised over the remaining (revised) lease term. If the carrying amount of the right-of-use asset is adjusted to zero, any further reduction is recognised in profit or loss.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

## 4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### (e) Impairment of tangible assets

At the end of each reporting period, the Group reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any.

The recoverable amount of tangible assets are estimated individually. When it is not possible to estimate the recoverable amount of an asset individually, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset (or a cash-generating unit) for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash-generating unit) is reduced to its recoverable amount. In allocating the impairment loss, the impairment loss is allocated first to reduce the carrying amount of any goodwill (if applicable) and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit. The carrying amount of an asset is not reduced below the highest of its fair value less costs of disposal (if measurable), its value in use (if determinable) and zero. The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro-rata to the other assets of the unit. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or a cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or a cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

### (f) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost of inventories are determined on a first-in, first-out method. Net realisable value represents the estimated selling price for inventories less all costs necessary to make the sale.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

## 4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### (g) Financial instruments

#### (i) *Financial assets*

A financial asset (unless it is a trade receivable without a significant financing component) is initially measured at fair value plus, for an item not at fair value through profit or loss, transaction costs that are directly attributable to its acquisition or issue. Trade receivable without a significant financing component is initially measured at the transaction price.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

#### *Debt instruments*

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Group classifies its debt instruments:

**Amortised cost:** Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Financial assets at amortised cost are subsequently measured using the effective interest method. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain on derecognition is recognised in profit or loss.

**Fair value through other comprehensive income ("FVTOCI"):** Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVTOCI. Debt investments at FVTOCI are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognised in profit or loss. Other net gains and losses are recognised in other comprehensive income. On derecognition, gains and losses accumulated in other comprehensive income are reclassified to profit or loss.

**Fair value through profit or loss ("FVTPL"):** Financial assets at FVTPL include financial assets held for trading, financial assets designated upon initial recognition at FVTPL, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at FVTPL, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortised cost or at FVTOCI, as described above, debt instruments may be designated at FVTPL on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

## 4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### (g) Financial instruments *(Continued)*

#### (i) **Financial assets** *(Continued)*

##### *Equity instruments*

On initial recognition of an equity investment that is not held for trading, the Group could irrevocably elect to present subsequent changes in the investment's fair value in other comprehensive income. This election is made on an investment-by-investment basis. Equity investments at FVTOCI are measured at fair value. Dividend income are recognised in profit or loss unless the dividend income clearly represents a recovery of part of the cost of the investments. Other net gains and losses are recognised in other comprehensive income and are not reclassified to profit or loss. All other equity instruments are classified as FVTPL, whereby changes in fair value, dividends and interest income are recognised in profit or loss.

#### (ii) **Impairment loss on financial assets**

The Group recognises loss allowances for expected credit loss ("ECL") on trade receivables, contract assets, financial assets measured at amortised cost and debt investments measured at FVTOCI. ECLs are measured on either of the following bases:

- 12-months ECLs: these are ECLs that result from possible default events within the 12 months after the reporting date; and
- Lifetime ECLs: these are ECLs that result from all possible default events over the expected life of a financial instrument. The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive. The shortfall is then discounted at an approximation to the assets' original effective interest rate.

The Group measured loss allowances for trade receivables and contract assets using HKFRS 9 simplified approach and has calculated ECLs based on lifetime ECLs. The Group has established a provision matrix that is based on the Group's historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

For other debt financial assets, ECLs are based on lifetime ECLs except when there has not been a significant increase in credit risk since initial recognition, in which case the allowance will be based on the 12-months ECLs.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information analysis, based on the Group's historical experience and informed credit assessment and including forward-looking information.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

## 4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### (g) Financial instruments *(Continued)*

#### (ii) **Impairment loss on financial assets** *(Continued)*

The Group assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due.

The Group considers a financial asset to be in default when the debtor is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to action such as realising security (if any is held); or the financial asset is more than 90 days past due.

Depending on the nature of the financial instruments, the assessment of a significant increase in credit risk is performed on either an individual or a collective basis. When the assessment is performed on a collective basis, the financial instruments are grouped based on shared credit risk characteristics, such as past due status and credit risk ratings.

The Group considers a financial asset to be credit-impaired when:

- significant financial difficulty of the debtor;
- a breach of contract, such as a default or being more than 90 days past due;
- the restructuring of a loan or advance by the Group on terms that the Group would not consider otherwise;
- it is probable that the debtor will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for a security because of financial difficulties.

The Group recognises an impairment gain or loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account, except for investments in debt instruments that are measured at FVTOCI, for which the loss allowance is recognised in other comprehensive income and accumulated in "FVTOCI reserve (recycling)".

The Group writes off a financial asset when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the debtor has been placed under liquidation or has entered into bankruptcy proceedings, or in the case of trade receivables, when the amounts are over one year past due, whichever occurs sooner. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognised in profit or loss.

Interest income on credit-impaired financial assets is calculated based on the amortised cost (i.e. the gross carrying amount less loss allowance) of the financial asset. For non credit-impaired financial assets, interest income is calculated based on the gross carrying amount.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

## 4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### (g) Financial instruments *(Continued)*

#### *(iii) Financial liabilities*

The Group classifies its financial liabilities, depending on the purpose for which the liabilities were incurred. Financial liabilities at FVTPL are initially measured at fair value and financial liabilities at amortised costs are initially measured at fair value, net of directly attributable costs incurred.

##### *Financial liabilities at FVTPL*

Financial liabilities at FVTPL include financial liabilities held for trading and financial liabilities designated upon initial recognition as at FVTPL.

Financial liabilities are classified as held for trading if they are acquired for the purpose of sale in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on liabilities held for trading are recognised in profit or loss.

Where a contract contains one or more embedded derivatives, the entire hybrid contract may be designated as a financial liability at FVTPL, except where the embedded derivative does not significantly modify the cash flows or it is clear that separation of the embedded derivative is prohibited.

Financial liabilities may be designated upon initial recognition as at FVTPL if the following criteria are met: (i) the designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the liabilities or recognising the gains or losses on them on a different basis; (ii) the liabilities are part of a group of financial liabilities which are managed and their performance is evaluated on a fair value basis, in accordance with a documented risk management strategy; or (iii) the financial liability contains an embedded derivative that would need to be separately recorded.

Subsequent to initial recognition, financial liabilities at FVTPL are measured at fair value, with changes in fair value recognised in profit or loss in the period in which they arise, except for the gains and losses arising from the Group's own credit risk which are presented in other comprehensive income with no subsequent reclassification to the statement of profit or loss. The net fair value gain or loss recognised in the statement of profit or loss does not include any interest charged on these financial liabilities.

##### *Financial liabilities at amortised cost*

Financial liabilities at amortised cost including trade and other payables, borrowings, certain preference shares and the debt element of convertible loan notes issued by the Group are subsequently measured at amortised cost, using the effective interest method. The related interest expense is recognised in profit or loss.

Gains or losses are recognised in profit or loss when the liabilities are derecognised as well as through the amortisation process.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

## 4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### (g) Financial instruments *(Continued)*

#### *(iv) Effective interest method*

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts or payments through the expected life of the financial asset or liability, or where appropriate, a shorter period.

#### *(v) Equity instruments*

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

#### *(vi) Derecognition*

The Group derecognises a financial asset when the contractual rights to the future cash flows in relation to the financial asset expire or when the financial asset has been transferred and the transfer meets the criteria for derecognition in accordance with HKFRS 9.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires.

Where the Group issues its own equity instruments to a creditor to settle a financial liability in whole or in part as a result of renegotiating the terms of that liability, the equity instruments issued are the consideration paid and are recognised initially and measured at their fair value on the date the financial liability or part thereof is extinguished. If the fair value of the equity instruments issued cannot be reliably measured, the equity instruments are measured to reflect the fair value of the financial liability extinguished. The difference between the carrying amount of the financial liability or part thereof extinguished and the consideration paid is recognised in profit or loss for the year.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

## 4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### (h) Revenue from contracts with customers

Revenue from contracts with customers is recognised when control of goods or services is transferred to the customers at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services, excluding those amounts collected on behalf of third parties. Revenue excludes value added taxes or other sales taxes and is after deduction of any trade discounts.

Depending on the terms of the contract and the laws that apply to the contract, control of the goods or service may be transferred over time or at a point in time. Control of the goods or service is transferred over time if the Group's performance:

- provides all of the benefits received and consumed simultaneously by the customer;
- creates or enhances an asset that the customer controls as the Group performs; or
- does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

Otherwise, revenue is recognised at a point in time when the customer obtains control of the distinct good or service.

A contract asset represents the Group's right to consideration in exchange for goods or services that the Group has transferred to a customer that is not yet unconditional. It is assessed for impairment in accordance with HKFRS 9. In contrast, a receivable represents the Group's unconditional right to consideration, i.e. only the passage of time is required before payment of that consideration is due.

A contract liability represents the Group's obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

A contract asset and a contract liability relating to the same contract are accounted for and presented on a net basis.

Revenue is measured based on the consideration specified in a contract with a customer. The Group recognises revenue when it transfers control of a product or service to a customer.

#### ***Revenue from casual restaurant and full service restaurant operations***

The Group recognises revenue from restaurant operations which provides catering services. Revenue from catering services is recognised at a point in time when the services are rendered. A receivable is recognised by the Group when the services are rendered to the customers at which the right to consideration becomes unconditional, as only the passage of time is required before payment is due.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

## 4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### (h) Revenue from contracts with customers *(Continued)*

#### ***Sponsorship income and franchise fee income***

Under the terms of these contracts, sponsorship income and franchisee fee income are recognised as a performance obligation satisfied over time. The sponsorship period and franchise period are 1 year and 5 years respectively.

#### ***Over time revenue recognition: measurement of progress towards complete satisfaction of a performance obligation***

##### *Output method*

The progress towards complete satisfaction of a performance obligation is measured based on output method, which is to recognise revenue on the basis of direct measurements of the value of the goods or services transferred to the customer to date relative to the remaining goods or services promised under the contract when time elapsed, that best depict the Group's performance in transferring control of goods or services.

#### ***Customer incentive programmes***

The Group operates an incentive programme where a customer accumulated points for purchases made at specific levels within designated periods which entitle them to collect the discount vouchers for their future purchases. The reward points are recognised as a separately identifiable component of the initial sales transaction by allocating the consideration received based on the relative stand-alone selling price of the award points and the other components of the sale. Revenue from the reward points is recognised when the discount vouchers are utilised or expired. Reward points accumulated within designated periods expire 12 months after the points converted to discount voucher.

### (i) Retirement benefits costs

Payments to the Mandatory Provident Fund Scheme ("MPF Scheme") as defined contribution plan are recognised as an expense when employees have rendered service entitling them to the contributions.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

## 4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### (j) Short-term employee benefits

Short-term employee benefits are recognised at the undiscounted amount of the benefits expected to be paid as and when employees rendered the services. All short-term employee benefits are recognised as an expense unless another HKFRS requires or permits the inclusion of the benefit in the cost of an asset.

A liability is recognised for benefits accruing to employees (such as wages and salaries and annual leave and sick leave) after deducting any amount already paid.

### (k) Income taxes

Income taxes for the year comprise current tax and deferred tax.

Current tax is based on the profit or loss from ordinary activities adjusted for items that are non-assessable or disallowable for income tax purposes and is calculated using tax rates that have been enacted or substantively enacted at the end of reporting period. The amount of current tax payable or receivable is the best estimate of the tax amount expected to be paid or received that reflects any uncertainty related to income tax.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the corresponding amounts used for tax purposes. Except for goodwill not deductible for tax purposes and initial recognition of assets and liabilities that are not part of the business combination which affect neither accounting nor taxable profits, taxable temporary differences arising on investments in subsidiaries, associates and joint ventures where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future, deferred tax liabilities are recognised for all taxable temporary differences.

Deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised, provided that the deductible temporary differences are not arises from initial recognition of assets and liabilities in a transaction other than in a business combination that affects neither taxable profit nor the accounting profit. Deferred tax is measured at the tax rates appropriate to the expected manner in which the carrying amount of the asset or liability is realised or settled and that have been enacted or substantively enacted at the end of reporting period, and reflects any uncertainty related to income taxes.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income tax levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the assets to be recovered.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

## 4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### **(k) Income taxes** *(Continued)*

An exception to the general requirement in determining the appropriate tax rate used in measuring deferred tax amount is when an investment property is carried at fair value under HKAS 40 "Investment Property". Unless the presumption is rebutted, the deferred tax amounts on these investment properties are measured using the tax rates that would apply on sale of these investment properties at their carrying amounts at the reporting date. The presumption is rebutted when the investment property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the property over time, rather than through sale.

Income taxes are recognised in profit or loss except when they relate to items recognised in other comprehensive income in which case the taxes are also recognised in other comprehensive income or when they relate to items recognised directly in equity in which case the taxes are also recognised directly in equity.

### **(l) Borrowing costs**

All borrowing costs are recognised in profit or loss in the period in which they are incurred.

### **(m) Provisions**

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle the obligations, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material).

Present obligations arising under onerous contracts are recognised and measured as provisions. An onerous contract is considered to exist where the Group has a contract under which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received from the contract.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

## 4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### (n) Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recognised at the rates of exchanges prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise.

### (o) Discontinued operation

A discontinued operation is a component of the Group's business, the operations and cash flows of which can be clearly distinguished from the rest of the Group and which represents a separate major line of business or geographical area of operations.

Where an operation is classified as discontinued, a single amount is presented on the face of the statement of comprehensive income, which comprises:

- the post-tax profit or loss of the discontinued operation; and
- the post-tax gain or loss recognised on the measurement to fair value less costs to sell, or on the disposal, of the assets or disposal groups constituting the discontinued operation.

## 5. CRITICAL JUDGEMENT AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 3 & 4, the management of the Group is required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and underlying assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The followings are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period that have a significant risk of causing a material adjustment to the carrying amounts of assets within the next financial year.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

## 5. CRITICAL JUDGEMENT AND KEY SOURCES OF ESTIMATION UNCERTAINTY *(Continued)*

### (a) Key sources of estimation uncertainty

#### (i) *Estimation of useful lives of property, plant and equipment*

The management of the Group determines the estimated useful lives in determining the related depreciation charges for its property, plant and equipment. This estimate is based on the management's experience of the actual useful lives of property, plant and equipment of similar nature and functions. The management of the Group will accelerate the depreciation charge where the economic useful lives are shorter than previously estimated.

#### (ii) *Estimation of impairment of property, plant and equipment and right-of-use asset*

Assessing impairment of the property, plant and equipment and right-of-use assets requires an estimation of its recoverable amounts which is the higher of value in use and fair value less costs of disposal. If there is any indication that the property, plant and equipment and right-of-use assets allocated to each individual restaurant cash generating unit ("CGU") may be impaired, such as restaurants operated with operating loss, recoverable amount shall be estimated for such restaurant CGU. When value in use calculations are undertaken, management must estimate the expected future cash flows from the CGUs of each individual restaurant and choose a suitable discount rate in order to calculate the present value to those cash flows. When fair value less costs of disposal calculations are undertaken, the fair value was estimated using relevant valuation technique and make reference to recent market comparative for similar assets adjusted for differences in condition in order to determine the fair value.

### (b) Critical judgement in applying accounting policies

#### (i) *Going concern*

As mentioned in note 3(b), the directors of the Company have prepared the consolidated financial statements for the year ended 31 December 2021 based on a going concern basis. The assessment of the going concern assumption involves making judgement by the directors of the Company at a particular point of time, about the future outcome of events or conditions which are uncertain. The Group's management has prepared a cash flow forecast of the Group covering a period of twelve months from the end of the reporting period and concluded that the Group will be able to meet in full its financial obligations when they fall due in the foreseeable future. Accordingly, the directors of the Company consider that the Group have the capability to continue as a going concern.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

## 6. REVENUE AND SEGMENTAL INFORMATION

Revenue represents the amounts received and receivable for services provided and goods sold and net of discount, during the year.

### Revenue

Disaggregation of revenue from contracts with customers

	<b>2021</b> <i>HK\$'000</i>	2020 <i>HK\$'000</i> (re-presented)
<b>Continuing operation:</b>		
<i>Types of services:</i>		
Casual*	<u>59,898</u>	<u>57,481</u>
<b>Discontinued operation:</b>		
<i>Types of services:</i>		
Full service	<u>16,163</u>	<u>17,150</u>
	<u><b>76,061</b></u>	<u><b>74,631</b></u>
<i>Geographical market (Note)</i>		
<b>Continuing operation:</b>		
Hong Kong	<u>59,898</u>	<u>57,481</u>
<b>Discontinued operation:</b>		
Hong Kong	<u>16,163</u>	<u>17,150</u>

*Note:* Information about the Group's revenue from external customers is presented based on the location of the services provided.

\* The segment names are defined in the section "Segment information" below.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

## 6. REVENUE AND SEGMENTAL INFORMATION (Continued)

### Revenue (Continued)

	<b>2021</b> <b>HK\$'000</b>	2020 HK\$'000 (re-presented)
<i>Timing of recognition revenue</i>		
Point in time		
– continuing operation	<b>59,898</b>	57,481
– discontinued operation	<b>16,163</b>	17,150

### **Performance obligations for contracts with customers**

The performance obligation is the promise to provide catering services. Revenue from catering services is recognised at a point in time when the services are rendered. A receivable is recognised by the Group when the services are rendered to the customers at which the right to consideration becomes unconditional, as only the passage of time is required before payment is due.

### **Transaction price allocated to be the remaining performance obligations**

All the Group's contracts with customers are for periods of less than one year. As permitted under HKFRS 15, the transaction price allocated to these unsatisfied contracts is not disclosed.

The following table provides information about trade receivables, contract assets and contract liabilities from contracts with customers.

	<b>2021</b> <b>HK\$'000</b>	2020 HK\$'000
Receivables (note 20)	<b>472</b>	900
Contract liabilities (note 24)	<b>29</b>	172

The contract liabilities mainly relate to the advance consideration received from customers. HK\$172,000 of the contract liabilities as of 31 December 2020 has been recognised as revenue for the year ended 31 December 2021 due to the performance obligations satisfied.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

## 6. REVENUE AND SEGMENTAL INFORMATION *(Continued)*

### Segment information

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

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

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

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

- Full service restaurant operations ("Full service") – Discontinued operation

This segment derives its revenue from operation of a full service restaurant. Full table service includes seating arrangements, order taking, delivery of food to the table, and payment processing. The full service restaurant aims to provide dining experience with full table services.

### Segment revenue and results

#### Year ended 31 December 2021

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

## 6. REVENUE AND SEGMENTAL INFORMATION *(Continued)*

### Segment revenue and results *(Continued)*

Year ended 31 December 2020 (re-presented)

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

There was no inter-segment revenue for both years.

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

## 6. REVENUE AND SEGMENTAL INFORMATION *(Continued)*

### Segment assets and liabilities

As at 31 December 2021

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

## 6. REVENUE AND SEGMENTAL INFORMATION *(Continued)*

### Segment assets and liabilities *(Continued)*

As at 31 December 2020 (re-presented)

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

For the purposes of monitoring segment performances and allocating resources between segments:

- all assets are allocated to operating and reportable segments, other than certain property, plant and equipment, deferred tax assets, certain inventories, certain other receivables, deposits and prepayments, amounts due from directors, tax recoverable, bank balances and cash.
- all liabilities are allocated to operating and reportable segments, other than certain other payables.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

## 6. REVENUE AND SEGMENTAL INFORMATION *(Continued)*

### Other segment information

Year ended 31 December 2021

Amounts included in the measure of segment profit or segment assets:

Additions of property, plant and equipment *(Note 16)*

	Continuing operation		Discontinued operation	Consolidated
	Casual <i>HK\$'000</i>	Unallocated <i>HK\$'000</i>	Full service <i>HK\$'000</i>	<i>HK\$'000</i>
Additions of property, plant and equipment <i>(Note 16)</i>	1,319	903	104	2,326
Depreciation of property, plant and equipment <i>(Note 16)</i>	903	114	787	1,804
Depreciation of right of use assets <i>(Note 17)</i>	7,178	–	1,524	8,702
Loss on disposal/written-off of property, plant and equipment <i>(Note 9)</i>	259	–	492	751
Impairment loss recognised in respect of trade receivables	175	–	–	175
Impairment loss recognised in respect of other receivables	773	–	–	773
Gain on termination of lease	–	–	(5,766)	(5,766)
Impairment loss recognised in respect of property, plant and equipment <i>(Note 16)</i>	2,702	–	–	2,702
Impairment loss recognised in respect of right of use assets <i>(Note 17)</i>	2,471	–	–	2,471

Depreciation of property, plant and equipment *(Note 16)*

Depreciation of right of use assets *(Note 17)*

Loss on disposal/written-off of property, plant and equipment *(Note 9)*

Impairment loss recognised in respect of trade receivables

Impairment loss recognised in respect of other receivables

Gain on termination of lease

Impairment loss recognised in respect of property, plant and equipment *(Note 16)*

Impairment loss recognised in respect of right of use assets *(Note 17)*

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

## 6. REVENUE AND SEGMENTAL INFORMATION *(Continued)*

### Other segment information *(Continued)*

Year ended 31 December 2020 (re-presented)

	Continuing operation		Discontinued operation	Consolidated HK\$'000
	Casual HK\$'000	Unallocated HK\$'000	Full service HK\$'000	
Amounts included in the measure of segment profit or segment assets:				
Additions of property, plant and equipment <i>(Note 16)</i>	1,474	31	290	1,795
Depreciation of property, plant and equipment <i>(Note 16)</i>	940	27	1,708	2,675
Depreciation of right of use assets <i>(Note 17)</i>	8,781	(108)	5,176	13,849
Loss on disposal/written-off of property, plant and equipment <i>(Note 9)</i>	411	–	–	411
Impairment loss recognised in respect of property, plant and equipment <i>(Note 16)</i>	–	–	962	962
Impairment loss recognised in respect of right of use assets <i>(Note 17)</i>	971	–	4,675	5,646

### Information about major customers

No revenue from individual external customer contributes over 10% of total revenue of the Group for both years.

### Geographical information

All the Group's operations are located in Hong Kong. Accordingly, the Group's revenue from external customers and all the non-current assets are located in the Hong Kong.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

## 7. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

### Directors' emoluments

The emoluments paid or payable to the directors, disclosed pursuant to the applicable GEM Listing Rules and the Hong Kong Companies Ordinance, were as follows:

	Directors' fees <i>HK\$'000</i>	Salaries and other benefits <i>HK\$'000</i>	Retirement benefits scheme contributions <i>HK\$'000</i>	Total emoluments <i>HK\$'000</i>
<b>Year ended 31 December 2021</b>				
<b>Executive directors</b>				
Mr. Wong	360	–	18	378
Mr. Pong	360	–	18	378
Mr. Li Kai Leung ("Mr. Li") ( <i>note iii</i> )	35	235	6	276
Mr. Vastine Mael Henri Francis ("Mr. Vastine") ( <i>note iv</i> )	35	380	6	421
<b>Independent non-executive directors</b>				
Dr. Chan Kin Keung Eugene	180	–	–	180
Mr. Ng Chun Fai Frank	180	–	–	180
Mr. Yue Man Yiu Matthew	180	–	–	180
Total	<u>1,330</u>	<u>615</u>	<u>48</u>	<u>1,993</u>

Year ended 31 December 2020

### Executive directors

Mr. Wong	360	–	18	378
Mr. Lo ( <i>note i</i> )	120	–	6	126
Mr. Pong	360	–	18	378
Mr. Ma Chun Fai ("Mr. Ma") ( <i>note ii</i> )	203	–	10	213

### Independent non-executive directors

Dr. Chan Kin Keung Eugene	180	–	–	180
Mr. Ng Chun Fai Frank	180	–	–	180
Mr. Yue Man Yiu Matthew	180	–	–	180
Total	<u>1,583</u>	<u>–</u>	<u>52</u>	<u>1,635</u>

Notes:

- (i) Mr. Lo Yeung Kit, Alan tendered his resignation as an executive director of the Company with effect from 29 April 2020.
- (ii) Mr. Ma Chun Fai tendered his resignation as an executive director of the Company with effect from 24 July 2020.
- (iii) Mr. Li was appointed as executive director of the Company with effect from 16 September 2021. The salary and retirement benefits scheme contributions incurred before appointment of director were HK\$470,000 and HK\$12,000 respectively during the year. Total emoluments of Mr. Li as director and non-director employee amounted to HK\$758,000 during the year.
- (iv) Mr. Vastine was appointed as executive director of the Company with effect from 16 September 2021. The salary and retirement benefits scheme contributions incurred before appointment of director were HK\$760,000 and HK\$12,000 respectively during the year. Total emoluments of Mr. Vastine as director and non-director employee amounted to HK\$1,193,000 during the year. Subsequent to the end of the reporting period, as detailed in the Company's announcement dated 29 April 2022, Mr. Vastine decided not to stand for re-election as an executive director of the Company when he is due to retire by rotation at the annual general meeting of the Company to be held on 17 June 2022 (the "2022 AGM"). Mr. Vastine has tendered his resignation as the chief operating officer of the Group with effect from the conclusion of the 2022 AGM.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

## 7. DIRECTORS' AND EMPLOYEES' EMOLUMENTS (Continued)

### Directors' emoluments (Continued)

The emoluments of executive directors stated above were for their services in connection with the management of the affairs of the Company and the Group. The emoluments of independent non-executive directors shown above were for their services as directors of the Company.

No remuneration was paid by the Group to the directors of the Company as an inducement to join or upon joining the Group or as compensation for loss of office for both years. None of the directors of the Company has waived any remuneration during the years ended 31 December 2021 and 2020.

### Employees' emoluments

Two of the five highest paid individuals are directors for the year ended 31 December 2021 (2020: none) whose emoluments are set out in the Directors' emoluments. The emoluments of the remaining three (2020: five) highest paid individuals for each of the years ended 31 December 2021 and 2020, respectively, were as follows:

	<b>2021</b> <b>HK\$'000</b>	2020 HK\$'000
Salaries and other benefits	<b>1,544</b>	3,522
Discretionary bonus ( <i>note</i> )	–	–
Retirement benefits scheme contributions	<b>46</b>	86
	<b><u>1,590</u></b>	<u>3,608</u>

*Note:* The discretionary bonus is determined by reference to the duties and responsibilities of the relevant individual within the Group and the Group's performance.

Their emoluments were within the following bands:

	<b>2021</b> <b>HK\$'000</b>	2020 HK\$'000
Nil to HK\$1,000,000	<b><u>3</u></b>	<u>5</u>

No emoluments were paid by the Group to the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office for both years.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

## 8. OTHER INCOME

	<b>2021</b> <b>HK\$'000</b>	2020 HK\$'000 (re-presented)
<b>Continuing operation</b>		
Franchise fee income	50	150
Interest income	1	371
Sponsorship income	34	80
Government grant ( <i>note</i> )	1,200	6,827
Others ( <i>note 1</i> )	311	79
	<u>1,596</u>	<u>7,507</u>
<b>Discontinued operation</b>		
Sponsorship income	46	20
Government grant ( <i>note 2</i> )	400	2,125
Others	116	57
	<u>562</u>	<u>2,202</u>

*Note 1:* Management fee income of HK\$160,000 (2020: nil) from a related company Canton Oriental Limited (note 28) was included in others.

*Note 2:* During the year, the continuing operation recognised government grants of HK\$1,200,000 (2020: HK\$6,827,000) in respect of Covid-19-related subsidies of which HK\$ nil (2020: HK\$3,605,000) relates to Employment Support Scheme and HK\$1,200,000 (2020: HK\$3,222,000) relates to Subsidy Schemes under Anti-epidemic Fund, both of which were provided by the Hong Kong government. There are no unfulfilled conditions and other contingencies attached to the receipts of those subsidies.

During the year, the discontinued operation recognised government grants of HK\$400,000 (2020: HK\$2,125,000) in respect of Covid-19-related subsidies of which HK\$ nil (2020: HK\$ nil) relates to Employment Support Scheme and HK\$400,000 (2020: HK\$2,125,000) relates to Subsidy Schemes under Anti-epidemic Fund, both of which were provided by the Hong Kong government. There are no unfulfilled conditions and other contingencies attached to the receipts of those subsidies.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

## 9. OTHER GAINS AND LOSSES, NET

	<b>2021</b> <b>HK\$'000</b>	2020 HK\$'000 (re-presented)
<b>Continuing operation</b>		
Loss on disposal of/written-off property, plant and equipment, net ( <i>Note 6</i> )	<b>(259)</b>	(411)
Covid-19-related rent concessions	<b>367</b>	1,115
Net foreign exchange gain, net	<b>21</b>	8
Impairment loss recognised in respect of trade receivables	<b>(175)</b>	–
Impairment loss recognised in respect of other receivables	<b>(773)</b>	–
	<u><b>(819)</b></u>	<u>712</u>
<b>Discontinued operation</b>		
Loss on disposal of/written-off property, plant and equipment, net ( <i>Note 6</i> )	<b>(492)</b>	–
Covid-19-related rent concessions	–	2,145
Net foreign exchange gain, net	<b>3</b>	11
Gain on lease termination	<b>5,766</b>	–
	<u><b>5,277</b></u>	<u>2,156</u>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

## 10. FINANCE COSTS

	<b>2021</b> <b>HK\$'000</b>	2020 HK\$'000 (re-presented)
<b>Continuing operation</b>		
Interest on lease liabilities	<u>584</u>	<u>319</u>
<b>Discontinued operation</b>		
Interest on lease liabilities	<u>347</u>	<u>809</u>

## 11. LOSS BEFORE TAXATION

	<b>2021</b> <b>HK\$'000</b>	2020 HK\$'000 (re-presented)
<b>Continuing operation</b>		
Loss before taxation has been arrived at after charging:		
Auditor's remuneration	655	620
Depreciation charge – Property Plant and equipment ( <i>note 6</i> ):	1,017	967
Depreciation charge – Right of use assets ( <i>note 6</i> ):	7,178	8,673
Directors' remuneration ( <i>note 7</i> )	1,993	1,635
Other staff costs		
Salaries and other benefits	27,558	27,269
Retirement benefits scheme contributions	1,029	995
Total staff costs	<u>30,580</u>	<u>29,899</u>
Interest on lease liabilities – lessee	584	319
Raw materials and consumables used in respect of		
Restaurant operations	15,063	13,417
– Short-term lease expenses ( <i>note 27</i> )	1,041	1,105
– Contingent rents ( <i>note 27</i> )	793	565

*Note:* The operating lease rentals for certain restaurants are determined as the higher of a fixed rental or a predetermined percentage on revenue of respective restaurants pursuant to the terms and conditions that are set out in the respective rental agreements.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

## 12. INCOME TAX CHARGE

	<b>2021</b> <b>HK\$'000</b>	2020 HK\$'000 (re-presented)
<b>Continuing operation</b>		
Current tax	–	4
Over-provision in respect of prior years	<b>(4)</b>	–
Deferred taxation charge ( <i>note 29</i> )	<b>1,604</b>	392
	<hr/>	<hr/>
Total tax charges	<b>1,600</b>	396
	<hr/> <hr/>	<hr/> <hr/>

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

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

The income tax charge can be reconciled to the loss before taxation per consolidated statement of profit or loss and other comprehensive income as follows:

	<b>2021</b> <b>HK\$'000</b>	2020 HK\$'000 (re-presented)
Loss before taxation – continuing operation	<b>(17,006)</b>	(4,360)
	<hr/>	<hr/>
Tax credit at the Hong Kong Profits Tax rate of 16.5%	<b>(2,805)</b>	(719)
Tax effect of expenses not deductible for tax purpose	<b>1,790</b>	811
Tax effect of income not taxable for tax purpose	<b>(198)</b>	(61)
Tax effect of temporary difference not recognised	<b>1,404</b>	–
Tax effect of tax losses not recognised	<b>1,413</b>	370
Utilisation of tax losses previously not recognised	–	(5)
Over-provision in respect of prior years	<b>(4)</b>	–
	<hr/>	<hr/>
	<b>1,600</b>	396
	<hr/> <hr/>	<hr/> <hr/>

Details of deferred taxation are set out in note 29.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

## 13. DISCONTINUED OPERATION

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

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

	<i>Note</i>	<b>2021</b> <i>HK\$'000</i>	2020 <i>HK\$'000</i>
<b>Discontinued operation</b>			
Revenue	<i>6</i>	<b>16,163</b>	17,150
Other income	<i>8</i>	<b>562</b>	2,202
Other gains and losses	<i>9</i>	<b>5,277</b>	2,156
Raw materials and consumables used		<b>(5,702)</b>	(7,164)
Staff costs		<b>(6,096)</b>	(6,391)
Depreciation	<i>6</i>	<b>(2,311)</b>	(6,884)
Property rentals and related expenses		<b>(925)</b>	(1,166)
Utility expenses		<b>(613)</b>	(540)
Advertising and promotion expenses		<b>(194)</b>	(362)
Other expenses		<b>(3,795)</b>	(3,757)
Finance costs	<i>10</i>	<b>(347)</b>	(809)
Impairment loss recognised in respect of property, plant and equipment	<i>6</i>	–	(962)
Impairment loss recognised in respect of right-of-use assets	<i>6</i>	–	(4,675)
Profit/(loss) before taxation		<b>2,019</b>	(11,202)
Income tax credit/(expense)		<b>34</b>	(435)
Profit/(loss) for the year from discontinued operation		<b>2,053</b>	(11,637)

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

## 13. DISCONTINUED OPERATION *(Continued)*

	<i>Note</i>	<b>2021</b> <b>HK\$'000</b>	2020 <i>HK\$'000</i>
Net cash generated from operating activities		<b>2,117</b>	1,205
Net cash (used in)/generated from investing activities		<b>(740)</b>	2,690
Net cash used in financing activities		<b>(2,978)</b>	(3,313)
		<hr/>	<hr/>
Net cash (outflow)/inflows		<b>(1,601)</b>	582
		<hr/>	<hr/>
Profit/(loss) before taxation has been arrived at after charging:			
Auditor's remuneration		<b>80</b>	80
Depreciation of property, plant and equipment	<i>6</i>	<b>787</b>	1,708
Depreciation of right of use assets	<i>6</i>	<b>1,524</b>	5,176
Staff costs		<b>6,096</b>	6,391
Interest on lease liabilities		<b>347</b>	809
Impairment loss recognised in respect of property, plant and equipment	<i>6</i>	–	962
Impairment loss recognised in respect of right of use assets	<i>6</i>	–	4,675
Loss on disposal of property, plant and equipment	<i>6</i>	<b>492</b>	–
Raw materials and consumables used		<b>5,702</b>	7,164
		<hr/>	<hr/>

The corresponding consolidated financial statements and the compare figures have been represented to reflect the results of the discontinued operation.

## 14. DIVIDENDS

No dividends were paid, declared and proposed by the Company during the year ended 31 December 2021 (2020: nil).

The directors of the Company do not recommend the payment of a final dividend for the year ended 31 December 2021 (2020: nil).

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

## 15. (LOSS)/EARNINGS PER SHARE

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

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

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

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

## 16. PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvements <i>HK\$'000</i>	Furniture and fixtures <i>HK\$'000</i>	Motor vehicle <i>HK\$'000</i>	Equipment <i>HK\$'000</i>	Computers <i>HK\$'000</i>	Total <i>HK\$'000</i>
<b>COST</b>						
At 1 January 2020	26,358	8,041	219	7,922	2,611	45,151
Additions	874	367	–	438	116	1,795
Disposals/written-off	(2,885)	(580)	–	(225)	(59)	(3,749)
At 31 December 2020	24,347	7,828	219	8,135	2,668	43,197
Additions	1,159	444	–	563	160	2,326
Disposals/written-off	(13,302)	(5,638)	(219)	(3,529)	(900)	(23,588)
At 31 December 2021	12,204	2,634	–	5,169	1,928	21,935
<b>DEPRECIATION AND IMPAIRMENT</b>						
At 1 January 2020	22,451	6,651	219	7,436	2,370	39,127
Provided for the year	1,818	434	–	301	122	2,675
Impairment loss recognised (Note 18)	962	–	–	–	–	962
Eliminated on disposals/ written-off	(2,583)	(483)	–	(224)	(48)	(3,338)
At 31 December 2020	22,648	6,602	219	7,513	2,444	39,426
Provided for the year	983	290	–	382	149	1,804
Impairment loss recognised (Note 18)	1,529	902	–	225	46	2,702
Eliminated on disposals/ written-off	(12,956)	(5,160)	(219)	(3,362)	(830)	(22,527)
At 31 December 2021	12,204	2,634	–	4,758	1,809	21,405
<b>CARRYING AMOUNTS</b>						
At 31 December 2021	–	–	–	411	119	530
At 31 December 2020	1,699	1,226	–	622	224	3,771

The above items of property, plant and equipment are depreciated on a straight-line basis (note 4(b)).

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

## 17. RIGHT-OF-USE ASSETS

	<b>Buildings</b> <i>HK\$'000</i>
<b>Cost</b>	
As at 1 January 2020	42,229
Lease modification	9,106
	<hr/>
At 31 December 2020 and 1 January 2021	51,335
Lease modification	8,600
Termination of lease	(23,792)
Expiry of lease terms	(17,782)
	<hr/>
At 31 December 2021	18,361
	<hr/>
<b>Accumulated depreciation</b>	
As at 1 January 2020	18,198
Depreciation provided for the year	13,849
Impairment ( <i>note 18</i> )	5,646
	<hr/>
At 31 December 2020 and 1 January 2021	37,693
Depreciation provided for the year	8,702
Impairment ( <i>note 18</i> )	2,471
Termination of lease	(22,021)
Expiry of lease terms	(17,782)
	<hr/>
At 31 December 2021	9,063
	<hr/>
<b>Net Book Value</b>	
At 31 December 2021	9,298
	<hr/> <hr/>
At 31 December 2020	13,642
	<hr/> <hr/>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

## 18. IMPAIRMENT ASSESSMENT

The management of the Group concluded there was indication of impairment and conducted impairment assessment on recoverable amounts of certain property, plant and equipment and right-of-use assets associated to the restaurants. The recoverable amount of the relevant restaurants are estimated individually.

The recoverable amount of CGUs have been determined based on a value in use calculation. That calculation uses cash flow projections based on financial budgets approved by the management of the Group covering the remaining lease term with a pre-tax discount rate is 17.21% (2020: 17.40%). The annual growth rate used is 0% to 5% (2020: 0% to 5%) as at 31 December 2021. The assumptions of annual revenue growth rates are determined based on expectation for the market development and is not expected to exceed the average long-term growth rate for the catering industry in Hong Kong. Another key assumption for the value in use calculated is the budgeted gross profit and operating expenses, which is determined based on recent performance of the relevant restaurants. The management of the Group believes that any reasonably possible change in any of these assumptions would not cause the carrying amount to exceed the recoverable amount.

Based on the result of the assessment, management of the Group determined that the recoverable amounts of the CGUs were is lower than the carrying amount. The impairment amount has been allocated to each category of property, plant and equipment and right-of-use assets such that the carrying amount of each category of asset is not reduced below the highest of its fair value less cost of disposal, its value in use and zero. Based on the value in use calculation and the allocation, an impairment of HK\$2,702,000 for the continuing operation (2020: HK\$962,000 for the discontinued operation) (note 16) and HK\$2,471,000 for the continuing operation (2020: HK\$5,646,000 (HK\$971,000 for continuing operation and HK\$4,675,000 for discontinued operation)) (note 17) have been recognised against the carrying amount (before impairment) of property, plant and equipment of HK\$2,719,000 (2020: HK\$1,640,000) and right-of-use assets of HK\$2,471,000 (2020: HK\$8,942,000) respectively.

## 19. INVENTORIES

	<b>2021</b>	2020
	<b>HK\$'000</b>	HK\$'000
Food, beverage, wine and other consumables, at cost	<b><u>43,294</u></b>	<u>34,063</u>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

## 20. TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

Details of receivables net of loss allowance are as follows:

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

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

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

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

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

## 20. TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

(Continued)

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

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

As at 31 December 2021, included in the Group's trade receivables balance are debtors with aggregate carrying amount of HK\$48,000 (2020: HK\$422,000) which are past due as at the reporting date. Out of the past due balances, HK\$26,000 (2020: HK\$132,000) has been past due 90 days or more. The Group does not hold any collateral over these balances.

During the year ended 31 December 2021, loss allowance for trade and other receivables has been recorded as the Group considers the default risk of that amount is high and the recoverability of such is uncertain.

The table below reconciles the loss allowance for trade receivables:

	<b>2021</b> <b>HK\$'000</b>	2020 <i>HK\$'000</i>
At 1 January	–	–
Loss allowance for the year	<b>175</b>	–
At 31 December	<b>175</b>	–

The table below reconciles the loss allowance for other receivables:

	<b>2021</b> <b>HK\$'000</b>	2020 <i>HK\$'000</i>
At 1 January	–	–
Loss allowance for the year	<b>773</b>	–
At 31 December	<b>773</b>	–

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

## 21. AMOUNTS DUE FROM/TO RELATED COMPANIES/AMOUNTS DUE FROM DIRECTORS

### Amounts due from related companies

Details of amounts due from related companies are disclosed as follows:

Name	2021		2020		Maximum amount outstanding during the year ended 31 December	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	2021	2020
Altaya Wines Limited ("Altaya Wines") (note a)	380	118	380	202		
Way Wise Limited ("Way Wise") (note b)	90	–	90	–		
	<u>470</u>	<u>118</u>				

Notes:

- (a) Altaya Wines is controlled by Mr. Pong and his family. The amount is trade nature. The Group allows a credit period of 30 days to the related company.
- (b) Mr. Pong is one of the shareholders and directors of Way Wise. The amount is non-trade nature, unsecured, interest-free and repayable on demand.

As at 31 December 2021 and 31 December 2020, amounts due from related companies amounted to HK\$470,000 and HK\$118,000, respectively.

The following is an ageing analysis of the above related companies based on the invoice date at the end of the reporting period.

	2021	2020
	HK\$'000	HK\$'000
0 to 30 days	262	–
31 to 60 days	–	–
91 to 365 days	–	118
Over 1 year	118	–
	<u>380</u>	<u>118</u>

As at 31 December 2021, included in the Group's amounts due from related companies with aggregate carrying amount of HK\$118,000 (2020: HK\$118,000) which has been past due 90 days or more as at the reporting date. No impairment allowance was provided as the amount is insignificant. The Group does not hold any collateral over these balances.

Details of impairment assessment of amounts due from related companies for the year ended 31 December 2021 and 2020 are set out in note 32.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

## 21. AMOUNTS DUE FROM/TO RELATED COMPANIES/AMOUNTS DUE FROM DIRECTORS *(Continued)*

### Amounts due from directors

Details of amounts due from directors, which are of non-trade nature, unsecured, interest-free and repayable on demand, are disclosed as follows:

Name	As at 31 December		Maximum amount outstanding during the year ended 31 December	
	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Mr. Wong	63	247	247	247
Mr. Pong	—	54	54	89
	<u>63</u>	<u>301</u>		

Details of impairment assessment of amounts due from directors for the year ended 31 December 2021 are set out in note 32.

### Amount due to a director

Details of amount due to a director, which is of non-trade nature, unsecured, interest-free and repayable on demand, are disclosed as follows:

Name	As at 31 December	
	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Mr. Pong	<u>11,982</u>	<u>—</u>

Subsequent to the end of the reporting period, the Group has made a net repayment of HK\$8.7 million to Mr. Pong.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

## 21. AMOUNTS DUE FROM/TO RELATED COMPANIES/AMOUNTS DUE FROM DIRECTORS *(Continued)*

### Amounts due to related companies

Details of the amounts due to related companies are disclosed as follows:

	<b>2021</b> <b>HK\$'000</b>	2020 HK\$'000
Altaya Wines <i>(note a)</i>	<b>95</b>	196
Canton Oriental Limited <i>(note b)</i>	<b>2,734</b>	–
	<b>2,829</b>	196

- a) The amount is trade nature and the credit period for purchase of goods is 30 days for Altaya Wines. The following is an ageing analysis of the trade balance with the related company based on the invoice date at the end of the reporting period:

	<b>2021</b> <b>HK\$'000</b>	2020 HK\$'000
0 to 30 days	<b>95</b>	196

- b) The amount is receipt in advance for trade nature and subsequent to the end of the reporting period, the outstanding amount has been settled.

## 22. BANK BALANCES AND CASH

Bank balances and cash comprise cash held and short term bank deposits with an original maturity of three months or less and carry interest at prevailing market rates which range from 0.01% to 1.5% per annum in 2020. No short term bank deposits held as at 31 December 2021.

Details of impairment assessment of bank balances for the year ended 31 December 2020 and 2021 are set out in note 32.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

## 23. TRADE AND OTHER PAYABLES AND ACCRUED CHARGES

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

Credit terms for purchases of goods is 30 to 90 days. The following is an ageing analysis of trade payables presented based on the invoice date at the end of the reporting period:

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

## 24. CONTRACT LIABILITIES

	<b>2021</b> <b>HK\$'000</b>	2020 <i>HK\$'000</i>
Contract liabilities from restaurant operations	<b>29</b>	172

### Contract liabilities from restaurant operations

The Group classifies these contract liabilities as current because the Group expects to them to be settled in its normal operating cycle which is within 12 months after the reporting period end.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

## 24. CONTRACT LIABILITIES (Continued)

### Movements in contract liabilities

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Balance as at 1 January	172	185
Decrease in contract liabilities as a result of recognising revenue during the year that was included in the contract liabilities at the beginning of the year	(172)	(185)
Increase in contract liabilities as a result of billing in advance of party and event services	29	172
Balance at 31 December	<u>29</u>	<u>172</u>

### Customer loyalty programme

The Group operates a loyalty programme where customers accumulate points for purchases made which entitle them to discount on future purchases. A contract liability for the award points is recognised at the time of the sale. Revenue is recognised when the points are redeemed or when they expire 12 months after the initial sale.

The management has not recognised the contract liabilities from customer loyalty programme since not significant balance of membership point and free of membership fee for the financial year.

The points provide a material right to customers that they would not receive without entering into a contract. Therefore, the promise to provide points to the customer is a separate performance obligation.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

## 25. PROVISIONS

	<b>2021</b> <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Analysed for reporting purpose as:		
Non-current liabilities	<b>382</b>	1,316
Current liabilities	<b>341</b>	199
	<hr/> <b>723</b> <hr/>	<hr/> 1,515 <hr/>
	<b>Reinstatement</b>	<b>Total</b>
	<b>works</b>	<b>HK\$'000</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
At 1 January 2020	1,365	1,365
Additions during the year	150	150
	<hr/> 1,515	<hr/> 1,515
As 31 December 2020	1,515	1,515
Additions during the year	–	150
Reversal during the year	(792)	(942)
	<hr/> 723	<hr/> 723
As 31 December 2021	<hr/> <b>723</b> <hr/>	<hr/> <b>723</b> <hr/>

The provision for reinstatement works related to the estimated cost of reinstating the rented premises to be carried out at the end of respective lease periods (i.e. 24 months to 48 months). These amounts have not been discounted for the purpose of measuring the provision for reinstatement works as the effect is not significant.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

## 26. ISSUED SHARE CAPITAL

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

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

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

## 27. LEASES LIABILITIES

### The Group as lessee

	<b>Land and buildings</b>	
	<b>2021</b>	2020
	<b>HK\$'000</b>	HK\$'000
<b>Rental payment for the year</b>		
Interest portion ( <i>note 10 &amp; 13</i> )	<b>931</b>	1,128
Principal portion	<b>13,944</b>	13,979
	<hr/>	<hr/>
Repayment of lease liability	<b>14,875</b>	15,107
	<hr/>	<hr/>
Variable lease payment adjustment (as expenses)	<b>793</b>	565
	<hr/>	<hr/>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

## 27. LEASES LIABILITIES (Continued)

### The Group as lessee (Continued)

As at 31 December 2021, the present value of future lease payments are analysed as:

	Land and buildings	
	2021	2020
	HK\$'000	HK\$'000
Current liabilities	6,533	15,409
Non-current liabilities	5,842	9,422
	<u>12,375</u>	<u>24,831</u>

Future lease payments are due as follows:

	Minimum lease payments	Interest	Present value
	31 December	31 December	31 December
	2021	2021	2021
	HK\$'000	HK\$'000	HK\$'000
<b>31 December 2021</b>			
Not later than one year	6,989	(456)	6,533
Later than one year and not later than two years	4,717	(170)	4,547
Later than two years and not later than five years	1,323	(28)	1,295
	<u>13,029</u>	<u>(654)</u>	<u>12,375</u>
<b>31 December 2020</b>			
Not later than one year	16,280	(871)	15,409
Later than one year and not later than two years	8,150	(228)	7,922
Later than two years and not later than five years	1,529	(29)	1,500
	<u>25,959</u>	<u>(1,128)</u>	<u>24,831</u>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

## 27. LEASES LIABILITIES (Continued)

### The Group as lessee (Continued)

	2021 HK\$'000	2020 HK\$'000
Short term lease expense	1,041	1,105
Expense relating to variable lease payments not included in the measurement of lease liabilities (note 11)	<u>793</u>	<u>565</u>

## 28. RELATED PARTY TRANSACTIONS

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

	2021 HK\$'000	2020 HK\$'000
Catering income from Mr. Pong, Mr. Wong and Mr. Lo (note)	<u>95</u>	<u>77</u>
Catering income from Altaya Wines	<u>35</u>	<u>73</u>
Catering income from Gold Peak (note 1)	<u>–</u>	<u>85</u>
Catering income from GP Batteries (note 1)	<u>–</u>	<u>116</u>
Catering income from Way Wise Limited (note 2)	<u>60</u>	<u>–</u>
Other income from Canton Oriental Limited (note 3)	<u>160</u>	<u>–</u>
Management fee to Altaya Wines	<u>627</u>	<u>–</u>
Purchases of goods from Altaya Wines	<u>736</u>	<u>959</u>

*Note 1:* These related parties were owned by the father of Mr. Lo. As Mr. Lo tendered his resignation with effect from 29 April 2020, these transactions relates to the catering income generated before his resignation in 2020. They are no longer related parties in 2021.

*Note 2:* Mr. Pong is shareholder and director on Way Wise Limited.

*Note 3:* Canton Oriental Limited is controlled by Mr. Wong and Mr. Pong. The Group has entered into management services agreement with Canton Oriental Limited for the provision of catering operations and management services during the year. The services income was negotiated in arm's length basis between both parties. Details of which were disclosed in the Company's announcement dated on 16 September 2021.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

## 28. RELATED PARTY TRANSACTIONS *(Continued)*

### Compensation of key management personnel

The remuneration of executive directors and other members of key management during the year was as follows:

	<b>2021</b> <b>HK\$'000</b>	2020 HK\$'000
Short-term benefits	<b>3,935</b>	2,665
Post-employment benefits	<b>119</b>	84
	<b><u>4,054</u></b>	<u>2,749</u>

The remuneration of executive directors and key executives is determined by the remuneration committee having regard to the performance of individuals and market trends.

## 29. DEFERRED TAX ASSETS/LIABILITIES

The following is the deferred tax assets/(liability) recognised and movements thereon during the current and prior years.

	<b>Tax losses</b> <i>HK\$'000</i>	<b>Accelerated depreciation allowance</b> <i>HK\$'000</i>	<b>Total</b> <i>HK\$'000</i>
At 1 January 2020	658	1,739	2,397
Charge to profit or loss <i>(note 12)</i>	<u>(658)</u>	<u>(169)</u>	<u>(827)</u>
At 31 December 2020 and 1 January 2021	–	1,570	1,570
Credit to profit or loss <i>(note 12 &amp; 13)</i>	<u>–</u>	<u>(1,570)</u>	<u>(1,570)</u>
At 31 December 2021	<u>–</u>	<u>–</u>	<u>–</u>

At the end of the reporting period, the Group has unused tax losses of HK\$77,484,000 (2020: HK\$68,473,000) available for offset against future profits. No deferred tax asset in respect of the tax losses was recognised due to the unpredictability of future profit streams. As at 31 December 2021, all the tax losses may be carried forward indefinitely.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

## 30. RETIREMENT BENEFITS SCHEME

The MPF Scheme is registered with the Mandatory Provident Fund Schemes Authority under the Mandatory Provident Fund Schemes Ordinance. The assets of the MPF Scheme are held separately from those of the Group in funds under the control of an independent trustee. Under the MPF Scheme, the employer and its employees are each required to make contributions to the MPF Scheme at rates specified in the rules. The only obligation of the Group with respect to the MPF Scheme is to make the required contributions. Except for voluntary contribution, no forfeited contribution under the MPF Scheme is available to reduce the contribution payable in future years. The cap of contribution amount is HK\$1,500 per employee per month.

The retirement benefits scheme contributions arising from the MPF Scheme charged to the profit or loss represent contributions paid or payable to the funds by the Group at rates specified in the rules of the schemes.

The contributions paid and payable to the schemes by the Group are disclosed in notes 7, 11, respectively.

## 31. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from prior year.

The capital structure of the Group consists of debt balance and equity balance. Equity balance consists of equity attributable to owners of the Company, comprising issued share capital and reserves.

The management of the Group reviews the capital structure on an on-going annual basis. As part of this review, the management of the Group considers the cost of capital and the risks associated with each class of capital. Based on recommendations of the management of the Group, the Group will balance its overall capital structure through the issue of new shares as well as the issue of new debt.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

## 32. FINANCIAL INSTRUMENTS

### Categories of financial instruments

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
<b>Financial assets</b>		
Financial assets at amortised cost	<u>23,449</u>	<u>35,338</u>
<b>Financial liabilities</b>		
Amortised cost	<u>36,189</u>	<u>31,840</u>

### Financial risk management objectives and policies

The Group's major financial instruments include financial assets at amortised cost including trade and other receivables, deposits, amounts due from related companies and directors, bank balances, trade and other payables and accrued charges and amount due to a related company. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below.

The management of the Group manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

#### **Market risk**

##### *Interest rate risk*

The Group is mainly exposed to cash flow interest rate risk in relation to bank balances as at 31 December 2021 and 2020.

The Group currently does not have interest rate hedging policy. However, the management of the Group closely monitors its exposure to future cash flow risk as a result of change on market interest rate and will consider hedging changes in market interest rates should the need arise.

##### *Sensitivity analysis*

No sensitivity analysis is provided on bank balances as the management of the Group considers that the interest rate fluctuation on bank balances is minimal.

#### **Credit risk and impairment assessment**

The Group's credit risk is primarily attributable to trade and other receivables, deposits, amounts due from related companies and directors and bank balances as at 31 December 2021 and 2020.

As at 31 December 2021 and 2020, the maximum exposure to credit risk of the Group which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties is arising from the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

## 32. FINANCIAL INSTRUMENTS *(Continued)*

### **Financial risk management objectives and policies** *(Continued)*

#### ***Trade receivables arising from contracts with customers and amounts due from related companies***

In order to minimise the credit risk, the management of the Group has delegated a team responsible for determination of credit limits and credit approvals. Before accepting any new customer, the Group uses an internal credit scoring system to assess the potential customer's credit quality and defines credit limits by customer. Limits and scoring attributed to customers are reviewed twice a year. Other monitoring procedures are in place to ensure that follow-up action is taken to recover overdue debts.

In addition, the Group performs impairment assessment under ECL model upon application of HKFRS 9 on credit card trade receivables and amounts due from related companies individually and the remaining trade receivables are grouped using a provision matrix with past due status grouping. As at 31 December 2021, the management of the Group assessed that amounts due from an individual of HK\$175,000 (2020: HK\$ Nil) are credit impaired and impairment loss is fully provided and charged to profit or loss, the expected credit loss allowance for remaining receivables is immaterial.

#### ***Other receivables and deposits***

The management of the Group makes periodic collective assessment as well as individual assessment on the recoverability of other receivables and deposits based on historical settlement records, past experience, and also available reasonable and supportive forward-looking information under ECL model upon application of HKFRS 9. As at 31 December 2021, the management of the Group assessed that amounts due from an individual of HK\$773,000 (2020: HK\$ Nil) are credit impaired and impairment loss is fully provided and charged to profit or loss, the expected credit loss allowance for remaining receivables is immaterial.

#### ***Amounts due from directors***

The Group has concentration risk on amounts due from directors as at 31 December 2021 and 2020. The directors of the Company continuously monitor the credit quality and financial positions of the counterparties and the level of exposure to ensure that the follow-up action is taken to recover the debts. In addition, the Group performs impairment assessment under ECL model upon application of HKFRS 9 on balances individually. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

#### ***Bank balances***

The credit risks on bank balances are limited because the counterparties are banks/financial institutions with high credit ratings assigned by international credit-rating agencies. No loss allowance provision for bank balances was recognised upon application of HKFRS 9. The Group has limited exposure to any single financial institution.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

## 32. FINANCIAL INSTRUMENTS (Continued)

### Financial risk management objectives and policies (Continued)

#### Bank balances (Continued)

The Group's internal credit risk grading assessment comprises the following categories:

Internal credit rating	Description	Trade and other receivables/amounts due from related companies	Other financial assets
Low risk	The counterparty has a low risk of default and does not have any past-due amounts	Lifetime ECL – not credit-impaired	12m ECL
Watch list	Debtor frequently repays but usually settles after due date	Lifetime ECL – not credit-impaired	12m ECL
Doubtful	There have been significant increases in credit risk since initial recognition through information developed internally or external resources	Lifetime ECL – not credit-impaired	Lifetime ECL – not credit-impaired
Loss	There is evidence indicating the asset is credit-impaired	Lifetime ECL – credit-impaired	Lifetime ECL – credit-impaired
Write-off	There is evidence indicating that the debtor is in severe financial difficulty and the Group has no realistic prospect of recovery	Amount is written off	Amount is written off

The tables below detail the credit risk exposures of the Group's financial assets (trade receivables, other receivables, deposits, amounts due from related companies and directors and bank balances), which are subject to ECL assessment:

	Notes	External credit rating	Internal credit rating	12m ECL or lifetime ECL	Gross carrying amount	
					2021 HK\$'000	2020 HK\$'000
<b>Financial assets at amortised cost</b>						
Trade receivables	20	N/A	(note 1)	Lifetime ECL (provision matrix)	647	478
		A1, A3 (note 1)	N/A	Lifetime ECL	–	422
Other receivables and deposits	20	N/A	Low risk (note 2)	12m ECL	5,946	8,413
Amounts due from related companies	21	N/A	Low risk (note 1)	Lifetime ECL	470	118
Amounts due from directors	21	N/A	Low risk (note 2)	12m ECL	63	301
Bank balances	22	Aa2, Aa3, Baa2 (note 3)	N/A	12m ECL	17,123	25,606

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

## 32. FINANCIAL INSTRUMENTS (Continued)

### Financial risk management objectives and policies (Continued)

#### Bank balances (Continued)

Notes:

1. For trade receivables and amounts due from related companies, the Group has applied the simplified approach in HKFRS 9 to measure the loss allowance at lifetime ECL. The Group determines the ECL on trade receivables from corporate customers by using a provision matrix, grouped by past due status and assesses the ECL for credit card trade receivables and amounts due from related companies individually.

For credit card trade receivables, the external credit rating is assessed according to Moody's Rating Scaling. The Group has balances with two financial institutions in which the ratings are A1 and A3.

For amounts due from related companies, the credit risks are limited as the related companies have good business relationships with the Group and recurring overdue records of these customers with satisfactory settlement history.

As part of the Group's credit risk management, the Group uses debtors' aging to assess the impairment for its corporate customers in relation to its restaurant operations because these customers consist of a large number of small customers with common risk characteristics that are representative of the customers' abilities to pay all amounts due in accordance with the contractual terms. The following table provides information about the exposure to credit risk for trade receivables which are assessed based on provision matrix as at 31 December 2020 and 2021 within lifetime ECL (not credit impaired).

#### Gross carrying amount of trade receivables

	Average loss rate	2021	2020
	%	HK\$'000	HK\$'000
Current (not past due)	0.1	447	462
1 – 30 days past due	0.5	19	14
31 – 90 days past due	1.0	6	2
Over 90 days past due	100	175	–
		<u>647</u>	<u>478</u>

The estimated loss rates are estimated based on historical observed default rates over the expected life of the debtors and are adjusted for forward-looking information that is available without undue cost or effort. The grouping is regularly reviewed by management to ensure relevant information about specific debtors is updated.

During the year ended 31 December 2020 and 2021, Nil and HK\$175,000 impairment allowance was provided for trade receivables from restaurant operations and amounts due from related companies as the amount is insignificant.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

## 32. FINANCIAL INSTRUMENTS (Continued)

### Financial risk management objectives and policies (Continued)

#### Bank balances (Continued)

Notes: (Continued)

2. For the purposes of internal credit risk management, the Group uses past due information to assess whether credit risk has increased significantly since initial recognition.

	Past due HK\$'000	Not past due/no fixed repayment terms HK\$'000	Amount HK\$'000
<b>31 December 2021</b>			
Other receivables and deposits	773	5,173	5,946
Amounts due from directors	–	63	63
<b>31 December 2020</b>			
Other receivables and deposits	–	8,413	8,413
Amounts due from directors	–	301	301

During the year ended 31 December 2021, HK\$773,000 (2020: HK\$ Nil) impairment allowance was provided for other receivables.

3. The external credit rating is assessed according to Moody's Rating Scaling. The Group has balances with four banks, in which one bank rating as Aa2, two banks rating as Aa3 and one bank rating as Baa2.

During the year ended 31 December 2020 and 2021, no impairment allowance was provided for bank balances as the amount is insignificant.

#### Liquidity risk

For the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents.

During the year ended 31 December 2021, the Group incurred a net loss of HK\$16,553,000 and net cash outflow of HK\$8,335,000. These conditions along with other matters as set out in Note 3(b) indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern and therefore, the Group may not be able to realise its assets and discharge its liabilities in the normal course of business.

As summarised in Note 3(b), for the purpose of assessing going concern, the directors of the Company have prepared the Forecast, and a series of measures to mitigate the liquidity pressure have been taken to improve its financial and liquidity position of the Group as a whole. In addition, the Group has obtained the financial support from each of Mr. Pong and Mr. Wong, being the major beneficial shareholders and also the directors of the Company, to undertake adequate financial resources up to a maximum amount of HK\$7,500,000 each to the Group over the period up to 30 April 2023.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

## 32. FINANCIAL INSTRUMENTS (Continued)

### Financial risk management objectives and policies (Continued)

#### Liquidity risk (Continued)

The following tables detail the Group's remaining contractual maturity for its non-derivative financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay.

The tables include both interest and principal cash flows.

	Weighted average effective interest rate %	Not later than one year HK\$'000	Later than one year and not later than two years HK\$'000	Later than two years and not later than five years HK\$'000	Total undiscounted cash flows HK\$'000	Total carrying amounts HK\$'000
<b>As at 31 December 2021</b>						
<b>Non-derivative financial liabilities</b>						
Trade payables	N/A	2,247	-	-	2,247	2,247
Other payables and accrued charges	N/A	6,756	-	-	6,756	6,756
Lease liabilities	5%	6,989	4,717	1,323	13,029	12,375
Amount due to a director	N/A	11,982	-	-	11,982	11,982
Amount due to related companies	N/A	2,829	-	-	2,829	2,829
		<u>30,803</u>	<u>4,717</u>	<u>1,323</u>	<u>36,843</u>	<u>36,189</u>
<b>As at 31 December 2020</b>						
<b>Non-derivative financial liabilities</b>						
Trade payables	N/A	2,620	-	-	2,620	2,620
Other payables and accrued charges	N/A	4,193	-	-	4,193	4,193
Lease liabilities	5%	16,280	8,150	1,529	25,959	24,831
Amount due to a related company	N/A	196	-	-	196	196
		<u>23,289</u>	<u>8,150</u>	<u>1,529</u>	<u>32,968</u>	<u>31,840</u>

#### Fair value of the Group's financial assets and financial liabilities that are not measured at fair value on a recurring basis

The management of the Group considers that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the consolidated financial statements approximate their fair values.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

## 33. NOTE TO CONSOLIDATED STATEMENT OF CASH FLOWS

Reconciliation of movements of liabilities to cash flows arising from financing activities:

	<b>Lease liabilities (note 27) <i>HK\$'000</i></b>	<b>Amount to a director (note 21) <i>HK\$'000</i></b>
At 1 January	32,964	–
Cash flows:		
Lease payments	(15,107)	–
	17,857	–
Non-cash item:		
Rental concession related to Covid-19	(3,260)	–
Lease modification	9,106	–
Interest on lease liabilities paid	1,128	–
At 31 December 2020 and 1 January 2021	24,831	–
Cash flows:		
Lease payments	(14,875)	–
Advance from a director	–	11,982
	9,956	11,982
Non-cash item:		
Rental concession related to Covid-19	(367)	–
Lease modification	8,600	–
Termination of lease	(6,745)	–
Interest on lease liabilities paid	931	–
At 31 December	<u>12,375</u>	<u>11,982</u>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

## 34. SHARE OPTION SCHEME

The Company's share option scheme was adopted pursuant to a resolution passed on 14 June 2016 ("Share Option Scheme") for the primary purpose of providing incentives to eligible participants for their contributions to the Group. Under the Share Option Scheme, the directors of the Company may grant options to eligible employees, including directors of the Company and its subsidiaries, employees, consultants, advisers, distributors, contractors, suppliers, agents, customers, business partners and service providers.

An offer for the grant of options must be accepted within seven days inclusive of the day on which such offer was made. A nominal consideration of HK\$1 is payable by the grantee on acceptance of the grant of an option. The subscription price of a share in respect of any particular option granted under the Share Option Scheme shall be a price solely determined by the board of directors of the Company and notified to a participant and shall be at least the higher of: (i) the closing price of the shares as stated in the Stock Exchange's daily quotations sheet on the date of grant of the option, which must be a business day; (ii) the average of the closing prices of the shares as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the date of grant of the option; and (iii) the nominal value of a share on the date of grant of the option, provided that in the event of fractional prices, the subscription price per share shall be rounded upwards to the nearest whole cent. The maximum number of the shares that may be allotted and issued upon the exercise of all options (excluding, for this purpose, options which have lapsed in accordance with the terms of the Share Option Scheme and any other share option scheme of the Group) under the Share Option Scheme and any other share option scheme of the Group shall not exceed 10% of all the shares in issue as at the date listed on GEM. The Company may seek approval of the shareholders in a general meeting to refresh the 10% limit provided that the total number of shares which may be allotted and issued upon exercise of all options to be granted under the Share Option Scheme and any other share option scheme of the Group shall not exceed 10% of the number of shares in issue as at the date of approval of the limit.

The total number of shares issued and which may fall to be issued upon the exercise of the options granted under the Share Option Scheme and any other share option scheme of the Group (including both exercised or outstanding options) to each grantee in any 12-month period shall not exceed 1% of the shares of the Company in issue. Any further grant of options in excess of the 1% limit in any 12-month period up to and including the date of such further grant must be separately approved by the shareholders in a general meeting of the Company with such grantee and his associates abstaining from voting. The number and terms (including the exercise price) of options to be further granted must be fixed before the approval of the shareholders and the date of the board meeting for proposing such further grant should be taken as the date of grant for the purpose of calculating the exercise price under the GEM Listing Rules.

An option may be exercised in accordance with the terms of the Share Option Scheme at any time during a period to be determined and notified by the directors to each grantee, which period may commence from the date of offer for the grant of options is made, but shall end in any event not later than 10 years from the date of grant of the option subject to the provisions for early termination thereof.

The Share Option Scheme will remain in force for a period of 10 years commencing on the date on which the Share Option Scheme is adopted (i.e. 14 June 2016).

During the year ended 31 December 2021 and 2020, the Group did not grant any share option under the Share Option Scheme of the Company. As at 31 December 2021, no option has been granted or agreed to be granted under the Share Option Scheme (2020: Nil).

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

## 35. PARTICULARS OF SUBSIDIARIES OF THE COMPANY

Particulars of the Company's subsidiaries at the end of the reporting period are as follows:

Name of subsidiary	Place of incorporation/ registration	Place of operation	Class of shares held and issued and fully paid share capital	Proportion of nominal value of issued share capital held by the Company as at 31 December		Principal activities
				2021 %	2020 %	
Classified Group Management Limited	Hong Kong	Hong Kong	Ordinary HK\$10,000	100	100	Inactive
Classified Limited	Hong Kong	Hong Kong	Ordinary HK\$903,000	100	100	Restaurant operations
Ease Summit Investments Limited	BVI	Hong Kong	Ordinary US\$1	100	100	Investment holding
Ever Alliance Ventures Limited ("EAVL")	BVI	Hong Kong	Ordinary US\$1	100	100	Investment holding
Noble Network Investments Limited	BVI	Hong Kong	Ordinary US\$1	100	100	Investment holding
Press Room Group Investments Limited	Hong Kong	Hong Kong	Ordinary HK\$1,200,000	100	100	Investment holding
Press Room Group Management Limited	Hong Kong	Hong Kong	Ordinary HK\$3	100	100	Provision of management services
Small Medium Large Limited	Hong Kong	Hong Kong	Ordinary HK\$300,000	100	100	Inactive
The Pawn Limited	Hong Kong	Hong Kong	Ordinary HK\$120	100	100	Inactive (2020: restaurant operations)
Classified Food Factory Limited	Hong Kong	Hong Kong	Ordinary HK\$100	100	100	Inactive

\* EAVL is directly held by the Company. All other subsidiaries are indirectly held by the Company.

None of the subsidiaries had issued any debt securities at the end of year.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

## 36. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY

	2021 HK\$'000	2020 HK\$'000
<b>Non-current asset</b>		
Interest in a subsidiary	29,551	47,413
<b>Current assets</b>		
Other receivables, deposits and prepayments	220	1,102
<b>Current liabilities</b>		
Other payables and accrued charges	1,332	690
<b>Net current (liabilities)/assets</b>	<b>(1,112)</b>	412
<b>Total assets less current liabilities</b>	<b>28,439</b>	47,825
<b>Net assets</b>	<b>28,439</b>	47,825
<b>Capital and reserves</b>		
Issued share capital	4,460	4,460
Reserves	23,979	43,365
<b>Total equity</b>	<b>28,439</b>	47,825

### Movement in the Company's reserves

	Share premium HK\$'000	Accumulated losses HK\$'000	Total HK\$'000
At 1 January 2020	127,329	(60,727)	66,602
Loss and total comprehensive expense for the year	–	(23,237)	(23,237)
At 31 December 2020 and 1 January 2021	127,329	(83,964)	43,365
Loss and total comprehensive expense for the year	–	(19,386)	(19,386)
At 31 December 2021	127,329	(103,350)	23,979

## 37. COMPARATIVE FIGURES

As mentioned in note 13, certain comparative figures related to discontinued operation have been reclassified to conform to current year's presentation.

## FINANCIAL SUMMARY

A summary of the published results and of the assets and liabilities of the Group pursuant to Rule 18.33 of the GEM Listing Rules, as extracted from the published audited consolidated financial statements, is set out as follows:

	Year ended 31 December				2021 HK\$'000
	2017 HK\$'000 (restated)	2018 HK\$'000	2019 HK\$'000 (re-presented)	2020 HK\$'000 (re-presented)	
Revenue					
– Continuing operations	130,540	119,660	107,466	57,481	59,898
– Discontinued operation	3,913	1,926	–	17,150	16,163
	<u>134,453</u>	<u>121,586</u>	<u>107,466</u>	<u>74,631</u>	<u>76,061</u>
Profit (loss) before taxation					
– Continuing operations	(32,280)	(20,934)	(18,402)	(4,360)	(17,006)
– Discontinued operation	(3,931)	(4,468)	–	(11,202)	2,019
	<u>(36,211)</u>	<u>(25,402)</u>	<u>(18,402)</u>	<u>(15,562)</u>	<u>(14,987)</u>
Income tax credit (expense)	239	(536)	1,173	(831)	(1,556)
Profit (loss) for the year	<u>(35,972)</u>	<u>(25,938)</u>	<u>(17,229)</u>	<u>(16,393)</u>	<u>(16,553)</u>
Attributable to:					
Owners of the Company	(35,972)	(25,938)	(17,229)	(16,393)	(16,553)
Non-controlling interests	–	–	–	–	–
	<u>(35,972)</u>	<u>(25,938)</u>	<u>(17,229)</u>	<u>(16,393)</u>	<u>(16,553)</u>
	As at 31 December				2021 HK\$'000
	2017 HK\$'000	2018 HK\$'000	2019 HK\$'000	2020 HK\$'000	
Assets and liabilities					
Total assets	133,825	108,145	116,276	90,835	77,692
Total liabilities	(16,961)	(17,219)	(42,579)	(33,531)	36,941
	<u>116,864</u>	<u>90,926</u>	<u>73,697</u>	<u>57,304</u>	<u>40,751</u>
Equity attributable to:					
Owners of the Company	<u>116,864</u>	<u>90,926</u>	<u>73,697</u>	<u>57,304</u>	<u>40,751</u>