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Classified Group (Holdings) Limited

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8232)

2023 ANNUAL RESULTS ANNOUNCEMENT

The board of directors (the “**Board**”) of Classified Group (Holdings) Limited (the “**Company**”) is pleased to announce the audited consolidated results of the Company and its subsidiaries (the “**Group**”) for the year ended 31 December 2023 (the “**Annual Results**”). This announcement contains the full text of the annual report of the Group for the year ended 31 December 2023 and the contents were prepared in accordance with the relevant disclosure requirements of the Rules Governing the Listing of Securities on the GEM of The Stock Exchange of Hong Kong Limited (the “**Hong Kong Stock Exchange**”). The Annual Results have been reviewed by the Board and the audit committee of the Board.

This results announcement is published on the websites of the Company (www.classifiedgroup.com.hk) and the Hong Kong Stock Exchange (www.hkexnews.hk). The annual report of the Company for the year ended 31 December 2023 will be delivered to shareholders of the Company and will also be available at the abovementioned websites in due course.

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

Hong Kong, 25 March 2024

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

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

This announcement will remain on the “Latest Listed Company Information” page of the website of the Stock Exchange at www.hkexnews.hk for at least 7 days from the day of its posting. This announcement will also be published on the Company’s website at www.classifiedgroup.com.hk.

CLASSIFIEDGROUP

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8232)



2023

ANNUAL REPORT

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.

Hong Kong Exchanges and Clearing Limited and the Stock Exchange take no responsibility for the contents of this report, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this report.

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. LI Kai Leung

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 (up to 31 December 2023)

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 and

Registered Public Interest Entity Auditor, 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

KY1-1111

Cayman Islands

CORPORATE INFORMATION

**Head Office, Headquarters and
Principal Place of Business
in Hong Kong**

2/F Cheung Tak Industrial Building
30 Wong Chuk Hang Road
Wong Chuk Hang
Hong Kong

**Principal Share Registrar and
Transfer Office**

Conyers Trust Company (Cayman) Limited
Cricket Square, Hutchins Drive
P.O. Box 2681
Grand Cayman
KY1-1111
Cayman Islands

**Hong Kong Share Registrar and
Transfer Office**

Union Registrars Limited
Suites 3301-04, 33/F
Two Chinachem Exchange Square
338 King's Road
North Point
Hong Kong

Company Website

www.classifiedgroup.com.hk

GEM Stock Code

08232

CHAIRMAN'S STATEMENT



Classified Group is a collection of dining experiences celebrating arts & culture, history and design. Consisting of six restaurants in Hong Kong profiling two unique concepts, Classified Group continues to 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 2023, together with the comparative figures for the year ended 31 December 2022.

FINANCIAL RESULTS

For the year ended 31 December 2023, the Group's total revenue was approximately HK\$36.4 million, being 2.9% less than last year (2022: HK\$37.5 million). Loss for the year attributable to owners of the Company was HK\$15.3 million (2022: HK\$20.4 million). The decrease in loss was mainly due to the combined effect of (i) the closure of two loss making restaurants upon expiry of their respective tenancy agreements in 2022; (ii) the reduction of impairment loss on right-of-use assets; (iii) the reduction of write-down of the inventories to net realisable values; and (iv) more revenue generated from existing restaurants although there were significant reduction in government subsidies and rent concessions related to COVID-19.

BUSINESS REVIEW

At present, the Group is operating six restaurants under the brands of Classified and Rise by Classified in Hong Kong. There are four restaurants under "Classified" and two restaurants under "Rise by Classified". Following the reopening of the border with Mainland China, relaxation of COVID-19 restrictions and increase in tourist arrivals in Hong Kong, the management believes the restaurant business will recover gradually. However, the business environment of the food and beverage industry in Hong Kong remains challenging and competitive. Pressure from rising food costs, rental expenses, utilities expenses and labour costs is enduring, which further squeezes the Group's 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.

PROSPECTS

Looking ahead, the food and beverage industry will continue to face acute challenges and intense competition. Success is heavily dependent on dining preferences amongst our current 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.

The Company also completed share consolidation, increase in authorised share capital and rights issue during the year to enhance its working capital and financial position. We will also proactively seek potential business opportunities that will broaden our sources of income and enhance value to the shareholders of the Company ("Shareholders").

CHAIRMAN'S STATEMENT

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, 25 March 2024

FINANCIAL HIGHLIGHTS

CONSOLIDATED RESULTS

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Revenue	36,357	37,465
Loss before taxation	(15,346)	(20,392)
Loss and total comprehensive expense for the year attributable to owners of the company	(15,346)	(20,392)

ASSETS AND LIABILITIES

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Assets		
Non-current assets	2,941	1,414
Current assets	32,993	37,512
Total assets	35,934	38,926
Liabilities		
Non-current liabilities	1,475	2,414
Current liabilities	16,640	16,153
Total liabilities	18,115	18,567
Total equity	17,819	20,359
Total equity and liabilities	35,934	38,926
Net current assets	16,353	21,359
Total assets less current liabilities	19,294	22,773

MANAGEMENT DISCUSSION AND ANALYSIS

INDUSTRY OVERVIEW

The food and beverage industry in Hong Kong has experienced challenging times due to the COVID-19 pandemic. Following the reopening of the border with Mainland China, relaxation of COVID-19 social restrictions and increase in tourist arrivals in Hong Kong, the management believes the restaurant business will recover gradually.

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.

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 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.

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 the Group's flagship brand. During the year ended 31 December 2023, the Group recorded a net revenue of approximately HK\$36.4 million (31 December 2022: HK\$37.5 million), representing a decrease of approximately 2.9% as compared to the 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. In light of the financial performance of The Pawn, 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. The mode of our operation of The Pawn changed 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. The Restaurant ceased business in October 2023 which resulted in the termination of the Group's role as manager of the Restaurant. The Group had received approximately HK\$1.6 million management fee income during the year ended 31 December 2023 (31 December 2022: HK\$1.9 million) for the

MANAGEMENT DISCUSSION AND ANALYSIS

provision of catering operations and management services to the Restaurant. For further details on the closure of The Pawn and termination of management service agreement, please refer to the Company's announcements dated 16 September 2021 and 31 October 2023.

FUTURE PROSPECTS

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. The Group's success is therefore heavily dependent on the dining concepts and economic conditions of Hong Kong.

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

- (1) business risks relating to customers' changing dining pattern and preferences, including refraining from dining out;
- (2) the 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;
- (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 the 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; and
- (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.

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

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

For the year ended 31 December 2023, the Group's total audited turnover was approximately HK\$36.4 million (31 December 2022: approximately HK\$37.5 million), representing a decrease of approximately 2.9% as compared with the last corresponding period. The decrease in revenue for the year ended 31 December 2023 was mainly due to the net effect of closure of two "Classified" restaurants in February 2022 and July 2022, respectively, and more revenue generated from existing restaurants due to reopening of the border with Mainland China together with relaxation of COVID-19 restrictions.

Total loss attributable to owners of the Company was approximately HK\$15.3 million for the year ended 31 December 2023 (31 December 2022: HK\$20.4 million). The decrease in our loss attributable to owners of the Company was mainly due to the combined effect of (i) the closure of two loss making restaurants upon expiry of their respective tenancy agreements in 2022; (ii) the reduction of impairment loss on right-of-use assets; (iii) the reduction of write-down of the inventories to net realisable values; and (iv) more revenue generated from existing restaurants although there were significant reduction in government subsidies and rent concessions related to COVID-19.

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 2023, the Group did not have any material capital commitments.

CONTINGENT LIABILITIES

As at 31 December 2023, the Group did not have any material contingent liabilities.

PLEDGE OF ASSETS

As at 31 December 2023, the Group did not have any mortgage or charge over its assets.

RIGHTS ISSUE

On 6 July 2023, the Company made a proposal to among others, implement a share consolidation, increase the authorised share capital of the Company, and conduct a rights issue on the basis of three rights share for every two consolidated shares held on record date (i.e. 18 September 2023) at a subscription price of HK\$0.426 per rights share. On 25 October 2023, the Company completed the rights issue and 33,450,000 new shares were issued, raising net proceeds (after deducting expenses) of HK\$12.81 million, which will be used to repay certain shareholder loans from Mr. Wong and Mr. Pong and to enhance the Group's working capital. Further details of the share consolidation, increase in authorised share capital and rights issue are set out in the section headed "Financial Resources, Liquidity and Capital Structure" and "Use of Proceeds" of the Directors' Report in this Annual Report.

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 2023 and there is no plan for material investments or capital assets as at the date of this Annual Report.

DIRECTORS AND SENIOR MANAGEMENT

EXECUTIVE DIRECTORS

Mr. WONG Arnold Chi Chiu, aged 50, is the Company's Chairman, an Executive Director and the compliance officer of the Company (up to 31 December 2023). Mr. Wong joined the Group in June 2005 and is also one of the founders of the Group. He is primarily responsible for overseeing the overall financial matters of the 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 47, is an Executive Director and is primarily responsible for the Group's business development. Mr. Pong joined the Group in June 2005 and is one of the founders of the 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. The 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 the Group.

Mr. Pong also actively participates in various public advisory boards. In the arts, cultural and tourism sphere, Mr. Pong is the Chairman to the Board of Ocean Park Corporation; a Board Member of West Kowloon Cultural District Authority; a Board of Director of M+ Museum Ltd; the Governing Board Chairman of JCCAC; and a Trustee of the Museum of Art. Mr. Pong is also a Member of HKTDC Hong Kong-Europe Business Council; a Council Member & Executive Director of The Hong Kong Chinese Importers and Exporters Association; and a Board Member, Executive Committee Member and Campaign Committee Chairman of The Community Chest; the Honorary Court Member of Hong Kong Baptist University; the Advisor of the Our Hong Kong Foundation; the Convenor of the Advisory Committee of 21C@JC; and the Chairman of The 11th Spirit of Hong Kong Awards Judging Panel. He has been Justice of the Peace since July 2018.

Mr. LI Kai Leung, aged 50, 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, further promoted to financial controller in February 2016 and Chief Operating Officer in July 2022. He is primarily responsible for overseeing the Group's overall operations, 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 60, 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 Faculty of General Dental Practitioners of 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 was 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 until December 2021. 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 and the Hong Kong Customs & Excise Department as the Executive Director of Executive Committee of Customs YES, youth engagement programme. Furthermore, in 2021, the Hong Kong Police Force has appointed Dr. Chan as a member of Junior Police Call Central Advisory Board and a member of Animal Watchers Programme Central Advisory Board. In 2022, he was elected as a member of the Management Board of the Institute of Human Communicative Research of The Chinese University of Hong Kong, appointed as a member Fight Crime Committee and a member of the Hospital Governing Committee of Tuen Mun Hospital.

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 2021 and 2016 respectively for his meritorious public and community service, particularly his contributions in security, broadcasting, education, youth development and the promotion of Basic Law. Dr. Chan was an independent non-executive director of PuraPharm Corporation Limited (stock code: 1498) from January 2015 to May 2021. From June 2023, Dr. Chan is an independent non-executive director of Applied Development Holdings Limited (stock code: 0519). In January 2024, Dr. Chan was appointed as a district Council member of the Central & Western District Council.

DIRECTORS AND SENIOR MANAGEMENT

Mr. NG Chun Fai Frank, aged 52, 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 of 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, Citigroup and Merrill Lynch. He is a Fellow of the Hong Kong Institute of Directors, and a member of the International Compliance Association, the Appeal Panel of the HKSAR Housing Bureau and the Guidance Committee of the Law Society of Hong Kong.

Mr. YUE Man Yiu Matthew, aged 62, 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 59, 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 2023, applied the principles set out in the Corporate Governance Code (the “Code”) as set out in Appendix C1 to the GEM Listing Rules and complied with all code provisions set out in Part 2 of 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. LI Kai Leung

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 2023, 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 Part 2 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.

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 industry 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. Going forward, the Board will continue its efforts in ensuring that appropriate balance of gender diversity is achieved with reference to stakeholders' expectation and international and local recommended best practices, with the ultimate goal of bringing additional female to the Board where suitable opportunity arises. The Board is of the view that the board diversity policy of the Company can ensure there will be a pipeline of potential successors to the Board to achieve gender diversity. Further details of the Directors are set out in the section headed "Directors and Senior Management" in this Annual Report.

As at 31 December 2023, the ratio of male and female in the Company's workforce (including the Directors and senior management) is 33.9% and 66.1%, respectively, representing a male-to-female ratio of 1:2. As such, the Company's workforce has achieved gender diversity between males and females.

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 2023. 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 2023 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 then controlling Shareholders (the “Controlling Shareholders”, comprising Wiltshire Global Limited (“Wiltshire Global”), Peyton Global Limited (“Peyton Global”), Easy Fame Investments Limited (disposed of interest in 8 April 2020), Mr. Wong Arnold Chi Chiu (“Mr. Wong”), Mr. Pong Kin Yee (“Mr. Wong”) and Mr. Lo Yeung Kit Alan (“Mr. Lo”) (resigned as director 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

The Company has received an annual declaration from each of the existing Controlling Shareholders confirming that they complied with the undertakings for the year ended 31 December 2023. The existing Controlling Shareholders also confirmed in the said annual declaration that none of them had any interest in a business, other than business of the Group, which competes or is likely to compete, either directly or indirectly, with the business of the Group for the year ended 31 December 2023.

The following corporate governance measures have been adopted to monitor the compliance of the Deed of Non-competition for the year ended 31 December 2023:

- (i) the existing Controlling Shareholders had procured the INEDs to review, on an annual basis, the compliance with the non-competition undertakings by the existing Controlling Shareholders under the Deed of Non-competition;
- (ii) the existing Controlling Shareholders had promptly provided all information requested by the Company which is necessary for the annual review by the INEDs and the enforcement of the Deed of Non-competition;
- (iii) the existing Controlling Shareholders had provided to the Company a written confirmation relating to the compliance of the Deed of Non-competition and declared that they had complied with the Deed of Non-competition for the year ended 31 December 2023; and
- (iv) the INEDs, having reviewed the relevant information and the written confirmation provided by the existing Controlling Shareholders, decided that the undertakings in respect of the Deed of Non-competition had been duly enforced and complied with by the existing Controlling Shareholders for the year ended 31 December 2023.

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;

CORPORATE GOVERNANCE REPORT

- (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.

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 2023 is as follows:

Name of Directors	Continuous professional development programmes
<i>Executive Directors</i>	
Mr. WONG Arnold Chi Chiu (<i>Chairman</i>)	Yes
Mr. PONG Kin Yee JP	Yes
Mr. LI Kai Leung	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

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.

CORPORATE GOVERNANCE REPORT

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 2023, 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:

Name of Directors	General Meeting Attended/Held	Board Meeting Attended/Held
<i>Executive Directors</i>		
Mr. WONG Arnold Chi Chiu (<i>Chairman</i>)	0/2	5/6
Mr. PONG Kin Yee JP	1/2	6/6
Mr. LI Kai Leung	2/2	6/6
<i>Independent non-executive Directors</i>		
Dr. CHAN Kin Keung Eugene SBS, BBS, JP	2/2	5/6
Mr. NG Chun Fai Frank	2/2	6/6
Mr. YUE Man Yiu Matthew	2/2	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 C1 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. The Remuneration Committee has adopted the recommendation model described in provision E.1.2(c)(ii) of Part 2 of the Code and will make recommendations to the Board on the remuneration packages of individual executive Directors and senior management accordingly.

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 2023, the Remuneration Committee convened one committee meeting. Attendance of each Remuneration Committee member is set out below:

Name of Directors	Remuneration Committee Meeting Attended/Held
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 2023, the Nomination Committee convened one committee meeting. Attendance of each Nomination Committee member is set out below:

Name of Directors	Nomination Committee Meeting Attended/ Held
Dr. CHAN Kin Keung Eugene SBS, BBS, JP	0/1
Mr. NG Chun Fai Frank (<i>Chairman</i>)	1/1
Mr. YUE Man Yiu Matthew	1/1

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 2023, 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 2022, first quarterly results for the three months ended 31 March 2023, interim results for the six months ended 30 June 2023, and third quarterly results for the nine months ended 30 September 2023 and discussed internal controls, risk management and financial reporting matters. Attendance of each Audit Committee member is set out below:

Name of Directors	Audit Committee Meeting Attended/Held
Dr. CHAN Kin Keung Eugene SBS, BBS, JP	4/4
Mr. NG Chun Fai Frank	4/4
Mr. YUE Man Yiu Matthew (<i>Chairman</i>)	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 2024, which is subject to the approval of Shareholders at the forthcoming AGM.

The Company's annual results for the year ended 31 December 2023 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 Company also has a disclosure policy which provides a general guidance to the Directors, senior management and relevant employees in handling confidential information, monitoring information disclosure and responding to enquiries. 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

Independent non-executive Directors' view on internal control for connected transactions

The management and independent non-executive Directors will continue to monitor connected transactions of the Company. The management and independent non-executive Directors consider that information provided by the Company's management to assist independent non-executive Directors in their annual review of connected transaction are fair and sufficient. The independent non-executive Directors also made regular enquiries upon whether there is any continuing connected transaction exceeding the proposed annual caps to ensure that continuing connected transaction was identified timely. The independent non-executive Directors have not encountered any challenges or difficulties in their annual review of connected transaction of the Company save as disclosed in this Annual Report.

During the year ended 31 December 2023, 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 Annual 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 2023, 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, material uncertainties relating to events or conditions that may cast significant doubt upon the Group's ability to continue as a going concern are disclosed in "Material Uncertainty Related to Going Concern" section of the Independent Auditor's Report.

REMUNERATION OF MEMBERS OF SENIOR MANAGEMENT BY BAND

Pursuant to code provision E.1.5 of Part 2 of the Code, the remuneration of the members of the senior management by band for the year ended 31 December 2023 is set out below.

Annual remuneration by band	Number of individuals
HK\$0 to HK\$500,000	1

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.

CORPORATE GOVERNANCE REPORT

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 2023 was approximately as follows:

Type of Services	Amount (HK\$'000)
Audit	800
Non-audit services (local tax compliance and reporting accountants of rights issue transactions)	346
Total	1,146

COMPANY SECRETARY AND AUTHORISED REPRESENTATIVE

The Company engages an external service provider, Ms. Leung Yin Fai ("Ms. Leung"), as its Company Secretary. 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 Chief Operating Officer of the Group, is the primary contact person whom Ms. Leung can contact. During the year ended 31 December 2023, 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 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.

CORPORATE GOVERNANCE REPORT

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.

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.

CORPORATE GOVERNANCE REPORT

INVESTORS RELATIONS

The Company considers that effective communication with Shareholders is essential for enhancing investor relations and investors' understanding of the Group's business performance and strategies. The Company also recognizes the importance of transparency and timely disclosure of corporate information, which will enable shareholders and investors to make the best investment decisions.

The annual general meeting of the Company provide a platform for communication between the Board and the shareholders. The Chairman of the Board as well as the chairmen of the Nomination Committee, Remuneration Committee and Audit Committee or, in their absence, other members of the respective committees, and, where applicable, the chairman of the independent Board committee are available to answer questions at shareholders' meeting.

To promote effective communication, the Company maintains a website at www.classifiedgroup.com.hk where up-to-date information and updates on the Company's business operations and development, financial information and other information (such as interim and annual reports, notices, circulars and announcements) are made available for the Shareholders and public access in a timely manner.

Following the annual review on the implementation and effectiveness of the measures relating to shareholders' communication as set out above, which enables the Company to carry out effective two-way communication with its shareholders by way of meeting and timely updates of the Company's financial results and operational developments, the Company considered that multiple communication channels were in place and was satisfied that the implementation and effectiveness of the measures relating to shareholders' communication was effective.

CHANGES IN CONSTITUTIONAL DOCUMENTS

At the annual general meeting held on 16 June 2023, a special resolution was passed by the Shareholders to amend and restate the then existing memorandum and articles of association of the Company in order to (i) bring the memorandum and articles of association of the Company in line with the relevant requirements of the applicable laws of the Cayman Islands and the GEM Listing Rules; (ii) allow general meetings to be held as electronic or hybrid meetings; and (iii) make certain housekeeping improvements. The amended and restated memorandum and articles of association of the Company are available for viewing on the websites of the Company and the Stock Exchange. Save as disclosed above, there was no other amendment made to the constitutional documents of the Company during the year ended 31 December 2023.

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 2023.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The principal activities of its subsidiaries are set out in note 32 to the consolidated financial statements. The principal activities of the Group are the operation of western cuisine in casual dining.

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 10 to 12 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 2023 and the financial position of the Group as at that date are set out in the consolidated financial statements on pages 51 to 105.

The Directors did not recommend the payment of any dividend in respect of the year ended 31 December 2023.

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 106 of the Annual Report.

DIRECTORS' REPORT

FINANCIAL RESOURCES, LIQUIDITY AND CAPITAL STRUCTURE

As at 31 December 2023, the Group's current assets amounted to approximately HK\$33.0 million (as at 31 December 2022: HK\$37.5 million) of which approximately HK\$6.2 million (as at 31 December 2022: HK\$1.7 million) was bank balances and cash, and approximately HK\$4.0 million (as at 31 December 2022: HK\$3.9 million) was trade and other receivables, deposits and prepayments. As at 31 December 2023, the Group's current liabilities amounted to approximately HK\$16.6 million (as at 31 December 2022: HK\$16.2 million), which mainly included lease liabilities in the amount of approximately HK\$4.3 million (as at 31 December 2022: HK\$4.5 million) and trade and other payables and accrued charges in the amount of approximately HK\$6.9 million (as at 31 December 2022: HK\$9.1 million).

Current ratio and quick assets ratio were 1.98 and 0.66 respectively (as at 31 December 2022: 2.32 and 0.39 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 2023 and 31 December 2022 respectively.

On 6 July 2023, the Company made a proposal to (i) implement a share consolidation on the basis that every twenty issued and unissued existing shares of HK\$0.1 each be consolidated into one consolidated share of HK\$0.2 each (the "Share Consolidation"); (ii) increase the authorised share capital of the Company from HK\$8,000,000 divided into 800,000,000 existing shares to HK\$40,000,000 divided into 4,000,000,000 then existing shares (or 200,000,000 consolidated shares upon the share consolidation becoming effective) (the "Increase in Authorised Share Capital"); and (iii) a rights issue on the basis of three right shares for every two consolidated shares held on record date at a subscription price of HK\$0.426 per rights share (the "Rights Issue").

The Share Consolidation, Increase in Authorised Share Capital and Rights Issue was approved by the Shareholders on 5 September 2023 and the Share Consolidation became effective on 7 September 2023. For further details, please refer to the announcements of the Company dated 6 July 2023, 5 September 2023 and the circular of the Company dated 18 August 2023.

On 25 October 2023, the Company completed the Right Issue and 33,450,000 new shares were issued. The actual net proceeds from the Rights Issue (after deducting expenses) were approximately HK\$12.81 million, of which HK\$5.1 million was to repay certain shareholder loans. Further details of the Rights Issue are set out in the announcements of the Company dated 6 July 2023, 20 October 2023 and the prospectus of the Company dated 19 September 2023.

As at 31 December 2023, the number of issued shares of the Company is 55,750,000.

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

DIRECTORS' REPORT

USE OF PROCEEDS

(1) 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 2023 is set out below:

	Planned use of November Placing Proceeds as at 31 December 2023 HK\$'000	Utilised November Placing Proceeds as at 31 December 2023 HK\$'000	Unutilised November Placing Proceeds as at 31 December 2023 HK\$'000	Expected timeframe for utilising the remaining November Placing Proceeds (Note 1)
Repayment of bank borrowings	17,500	(17,500)	–	–
Develop, relocate, open and upgrade of restaurants	24,500	(1,342)	23,158	By 31 December 2024
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	82,400	(59,242)	23,158	

Note 1: The expected timeline for utilising the remaining November Placing Proceeds of approximately HK\$23,158,000 is based on the best estimation of the future market condition made by the Group. The actual timeline for utilising the remaining November Placing Proceeds may be subject to change based on current and future development of market conditions.

The Company intends to continue to apply the November Placing Proceeds in the manner consistent with that mentioned above. Nonetheless, the Directors will constantly evaluate the Group's business objectives and may change or modify the plans against changing market conditions to ascertain the business growth of the Group. All unutilised proceeds have been placed in a licensed bank in Hong Kong.

DIRECTORS' REPORT

(2) Rights Issue completed on 25 October 2023

In order to repay certain shareholder loans from Mr. Wong and Mr. Pong and to enhance the Group's working capital, the Group completed the Rights Issue, further details of which are set out in the section headed "Financial Resources, Liquidity and Capital Structure" of the Directors' Report in this Annual Report. The gross proceeds from the Rights Issue (before expenses) were approximately HK\$14.25 million and the actual net proceeds from the Rights Issue (after deducting expenses) were approximately HK\$12.81 million (the "October Rights Issue Proceeds"). Further details of the Rights Issue are set out in the announcements of the Company dated 6 July 2023, 5 September 2023, 20 October 2023, the circular of the Company dated 18 August 2023 and the prospectus of the Company dated 19 September 2023.

An analysis of the October Rights Issue Proceeds up to 31 December 2023 is set out below:

	Planned use of October Rights Issue Proceeds as at 31 December 2023 <i>(Note 1)</i> <i>HK\$'000</i>	Utilised October Rights Issue Proceeds as at 31 December 2023 <i>HK\$'000</i>	Unutilised October Rights Issue Proceeds as at 31 December 2023 <i>HK\$'000</i>	Expected timeframe for utilising the remaining October Rights Issue Proceeds <i>(Note 2)</i>
Repayment of shareholders loans	5,100	(5,100)	–	
General working capital				
i) Payment for raw materials	2,441	(1,368)	1,073	
ii) Payment for payroll	3,853	(2,716)	1,137	
iii) Payment for enhancement and upgrade of restaurant facilities	1,412	–	1,412	By 31 December 2024
Total	12,806	(9,184)	3,622	

Note 1: The breakdown of the planned use of October Rights Issue Proceeds as at 31 December 2023 is based on the actual proceeds received. After the repayment of shareholders loan, allocation of the remaining planned use of October Rights Issue Proceeds to general working capital is in accordance with the proposed application in the same proportions as set out in the prospectus of the Company dated 19 September 2023.

Note 2: The expected timeline for utilising the unutilised funds is based on the best estimation of future market conditions made by the Group. The actual timeline for using unutilised October Rights Issue 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 15 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 25 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 54 and note 33 to the consolidated financial statements respectively.

DISTRIBUTABLE RESERVES

As at 31 December 2023, no reserves of the Company available for distribution to Shareholders (2022: HK\$14.1 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' AND CONTROLLING SHAREHOLDERS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS OF SIGNIFICANCE

Except for the transactions disclosed in note 25 and 27 to the consolidated financial statements and the section headed "Connected Transaction" below, no other contracts of significance to which the Company or any of its subsidiaries was a party and in which a Director or controlling shareholder 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 2023.

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", "Share Option Scheme" and "Connected Transactions" below, at no time during the year ended 31 December 2023 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.

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 2023.

DIRECTORS' REPORT

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 which may be granted under the Share Option Scheme is 2,000,000 shares (or such numbers of shares as shall result from a sub-division or a consolidation of such 2,000,000 shares from time to time).

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

RELATED PARTY TRANSACTIONS

The details of related party transactions for the year ended 31 December 2023 are set out in note 27 to the consolidated financial statements. In relation to those related party transactions that also constituted connected transactions or continuing connected transactions of the Group as defined under the GEM Listing Rules, the Company confirms that it has complied with the relevant disclosure requirements in accordance with Chapter 20 of the GEM Listing Rules during the year under review.

CONNECTED TRANSACTIONS

Management Services Agreement

As disclosed in the Company's announcement dated 16 September 2021 ("Announcement"), Press Room Group Management Limited ("PRGM"), a wholly-owned subsidiary of the Company, entered into a management service agreement ("Management Service Agreement") with Canton Oriental Limited ("CANTON") on 16 September 2021, pursuant to which PRGM will manage a restaurant ("Restaurant") owned by CANTON to be opened and located at the Pawn. Pursuant to the Management Service Agreement, PRGM will provide catering operations and management services to the Restaurant for a term commencing from 17 September 2021 and expiring on 31 December 2023 (both dates inclusive) ("Term").

After arm's length transaction, the management service fees payable by CANTON to PRGM shall be 8% of the monthly net sales of the Restaurant, subject to a minimum monthly management services fee of HK\$160,000. The proposed annual caps under the Management Service agreement was HK\$4.8 million for the year ended 31 December 2023 and the actual transaction amount was HK\$1,649,000.

Mr. Wong and Mr. Pong jointly own a company which own 40% interest in CANTON and Mr. Pong is a beneficiary of a trust which indirectly controls a company which holds 20% interest in CANTON. Therefore, CANTON is an associate of Mr. Wong and Mr. Pong and hence is a connected person of the Company. The transactions contemplated under the Management Services Agreement therefore constitute continuing connected transactions for the Group under Chapter 20 of the GEM Listing Rules.

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

Given that the Restaurant has ceased business, on 31 October 2023, CANTON and PRGM entered into an agreement for the termination of the Management Service Agreement, further details of which are set out in the announcement of the Company dated 31 October 2023.

The independent non-executive directors of the Company have, for the purpose of Rule 20.53 of the GEM Listing Rules, reviewed the continuing connected transaction set out above and have confirmed that the continuing connected transaction has been entered into by the Group (i) in the ordinary and usual course of its business; (ii) on normal commercial terms or better; and (iii) according to the agreement governing such transactions on terms that are fair and reasonable and in the interests of the Company's shareholders as a whole.

DIRECTORS' REPORT

For the purpose of Rule 20.54 of the GEM Listing Rules, BDO Limited, the auditor of the Company, has provided a letter to the Board, confirming that nothing has come to their attention that causes them to believe that the continuing connected transactions abovementioned: (i) have not been approved by the Board; (ii) were not, in all material respects, in accordance with the pricing policies of the Group; (iii) were not entered into, in all material respects, in accordance with the relevant agreement governing the transactions; and (iv) have exceeded the annual cap.

Underwriting Agreement in relation to the Rights Issue

On 6 July 2023, the Company made a proposal to among others, implement a share consolidation, increase the authorised share capital of the Company, and conduct a rights issue on the basis of three rights share for every two consolidated shares held on record date (i.e. 18 September 2023) at a subscription price of HK\$0.426 per rights share, further details of the share consolidation, increase in authorised share capital and Rights Issue are set out in the section headed “Financial Resources, Liquidity and Capital Structure” and “Use of Proceeds” of the Directors’ Report in this Annual Report.

On 6 July 2023, the Company entered into an underwriting agreement (“Underwriting Agreement”) with Wiltshire Global and Peyton Global (together the “Underwriters”) in relation to the underwriting and respective arrangements in respect of the Rights Issue. Pursuant to the Underwriting Agreement, the Underwriters will underwrite up to an aggregate of 25,249,500 rights shares (of which up to 9,546,500 rights shares and 15,703,000 rights shares will be underwritten by Wiltshire Global and Peyton Global, respectively). In addition, subject to the terms of the Underwriting Agreement, if there are any unsubscribed rights shares which have not been successfully placed out by the placing agent under certain compensatory arrangements, the Underwriters shall subscribe or procure subscription for up to an aggregate of 25,249,500 rights shares.

Upon completion of the Rights Issue (dealings in fully-paid rights shares commenced on 25 October 2023), pursuant to certain irrevocable undertakings, Wiltshire Global and Peyton Global have respectively subscribed for 3,100,500 rights shares and 5,100,000 rights shares provisionally allotted to them respectively. As a result of the under-subscription of the rights shares and placing, Wiltshire Global and Peyton Global had performed their underwriting obligations to subscribe for 8,676,192 and 14,271,433 rights shares, respectively, pursuant to the terms of the Underwriting Agreement. Upon completion of the Rights Issue, the aggregate number of shares held by the Underwriters represent approximately 65.7% of the enlarged share capital of the Company.

As (i) Wiltshire Global is wholly-owned by Mr. Wong, the chairman of the Board and an executive director; and (ii) Peyton Global is wholly-owned by Mr. Pong, an executive director and substantial shareholder of the Company, each of Wiltshire Global and Peyton Global is a connected person of the Company under Chapter 20 of the GEM Listing Rules and the transactions contemplated under the Underwriting Agreement constituted connected transactions of the Company under the GEM Listing Rules. For further details, please refer to the announcements of the Company dated 6 July 2023, 5 September 2023, 20 October 2023, the circular of the Company dated 18 August 2023 and the prospectus of the Company dated 19 September 2023.

Save as disclosed above, during the year ended 31 December 2023, the Group did not enter into any transactions which need to be disclosed as connected transactions or continuing connected transactions pursuant to Chapter 20 of the GEM Listing Rules.

DIRECTORS' REPORT

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. LI Kai Leung

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 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 Directors, 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.

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 the 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 13 to 15 of this Annual Report.

DIRECTORS' REPORT

MANAGEMENT CONTRACTS

As at 31 December 2023, 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 2023 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.

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 Annual 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>)	13,843,692	24.8%
Mr. Pong Kin Yee	interest in controlled corporation (<i>note 2</i>)	22,771,433	40.9%

Notes:

1. Mr. Wong beneficially owns 100% equity interest in Wiltshire Global Limited ("Wiltshire Global"). Therefore, Mr. Wong is deemed to be interested in 13,843,692 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 22,771,433 shares held by Peyton Global.

DIRECTORS' REPORT

Save as disclosed above, as at 31 December 2023, none of the Directors had any interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO), which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or which were required pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules relating to securities transactions by directors to be notified to the Company and the Stock Exchange.

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

As at 31 December 2023, so far as it is known to the Directors, the following persons, not being a Director or chief executive of the Company, had interests in 5% or more of the shares, underlying shares and debentures of the Company as recorded in the register to be kept by the Company under Section 336 of the SFO or which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO:

Long positions in the ordinary shares of the Company

Name	Capacity/nature of interest	Number of shares held	Approximate percentage of shareholding
Wiltshire Global	Beneficial owner	13,843,692	24.8%
Ms. Lee Yuen Ching Charmaine	Interest of spouse (<i>note 1</i>)	13,843,692	24.8%
Peyton Global	Beneficial owner	22,771,433	40.9%
Ms. Cheng Chi Man	Interest of spouse (<i>note 2</i>)	22,771,433	40.9%
VMS Investment Group Limited	Beneficial owner	3,400,000	6.1%
Mak Siu Hang, Viola	Interest in controlled corporation (<i>note 3</i>)	3,400,000	6.1%

Notes:

1. Mr. Wong beneficially owns 100% equity interest in Wiltshire Global. 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. 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.
3. Ms Mak Siu Hang, Viola beneficially owns 100% equity interests in VMS Investment Group Limited, and is therefore deemed to be interested in all the shares VMS Investment Group Limited is interested in pursuant to the SFO.

Save as disclosed above, as at 31 December 2023, no person (other than a Director) had interests in 5% or more of the shares, underlying shares and debentures of the Company as recorded in the register required to be kept by the Company under Section 336 of the SFO or which would fall to be disclosed to the Company and the Stock Exchange under provisions of Divisions 2 and 3 of Part XV of the SFO.

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 2023, purchases from our five largest suppliers accounted for approximately 45.5% of our total purchases of raw materials and consumables consumed (2022: 48.6%). During the same year, purchases from our largest supplier accounted for approximately 16.4% of our total purchases of raw materials & consumables (2022: 13.1%). The 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 20 and 27 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 2023 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 2023, the Group had 59 employees in Hong Kong (2022: 58 employees in Hong Kong). 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 2023.

The existing share option scheme enables the Company to grant options as an incentive to eligible participants. Details of the scheme are set out in the section headed "Share Option Scheme" on pages 35 and 38 of this Annual Report.

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.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Tuesday, 18 June 2024 to Friday, 21 June 2024, 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, 17 June 2024.

EVENTS AFTER THE REPORTING PERIOD

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 2023 and up to the date of approval of this Annual 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, 25 March 2024

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 51 to 105, which comprise the consolidated statement of financial position as at 31 December 2023, 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 material accounting policy information.

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 2023, 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) in the consolidated financial statements, which indicates that the Group incurred a net loss of approximately HK\$15,346,000. As of 31 December 2023, the Group was in cash position, comprising bank balances and cash, of approximately HK\$6,185,000 only in light of having a total current liabilities of HK\$16,640,000. As stated in note 3(b), these conditions, along with other matters as set forth 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. 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. In addition to the matter described in the "Material Uncertainty Related to Going Concern" section, we have determined the matters described below to be the key audit matters to be communicated in our report.

Revenue from catering services of the Group's restaurant operations

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

For the year ended 31 December 2023, revenue from catering services of the Group's restaurant amounted to approximately HK\$36,357,000. 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.

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

KEY AUDIT MATTERS *(Continued)*

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

(Refer to notes 4, 5, 15, 16 and 17 to the consolidated financial statements)

The Group has various leased properties used for its restaurant operation. Management is required to perform an impairment assessment where indicators of impairment are identified the respective property, plant and equipment and right-of-use 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 2023, management concluded that impairment loss of approximately HK\$274,000 in respect of the Group's property, plant and equipment and approximately HK\$2,000,000 in respect of the Group's right-of-use assets were made.

We focused on this area due to the material management judgements and estimates used to perform the impairment test.

Our response:

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

- Assessing the appropriateness of the management's identification of CGUs based on our understanding of the Group's business;
- Assessing the appropriateness of the valuation methodology in respect of the assessment of the recoverable amount;
- 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

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

- 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, 25 March 2024

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the Year ended 31 December 2023

	Notes	2023 HK\$'000	2022 HK\$'000
Revenue	6	36,357	37,465
Other income	8	1,961	6,095
Other gains and losses, net	9	(1)	764
Raw materials and consumables used		(9,240)	(10,247)
Staff costs		(18,358)	(21,616)
Depreciation		(2,033)	(4,518)
Property rentals and related expenses		(2,992)	(2,940)
Utility expenses		(1,815)	(1,735)
Advertising and promotion expenses		(1,808)	(2,080)
Other expenses		(6,702)	(7,109)
Finance costs	10	(285)	(456)
Write-down of inventories to net realisable values	18	(8,156)	(9,480)
Impairment loss of property, plant and equipment	17	(274)	(390)
Impairment loss of right-of-use assets	17	(2,000)	(4,145)
Loss before taxation	11	(15,346)	(20,392)
Income tax charge	12	–	–
Loss for the year		<u>(15,346)</u>	<u>(20,392)</u>
			(Restated)
Loss per share attributable to owners of the Company:			
– Basic (HK cents)	14	<u>(49.05)</u>	<u>(79.08)</u>
– Diluted (HK cents)	14	<u>(49.05)</u>	<u>(79.08)</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2023

	<i>Notes</i>	2023 HK\$'000	2022 <i>HK\$'000</i>
Non-current assets			
Property, plant and equipment	15	404	42
Right-of-use assets	16	2,075	801
Deposits	19	462	571
		<u>2,941</u>	<u>1,414</u>
Current assets			
Inventories	18	22,038	31,165
Trade and other receivables, deposits and prepayments	19	4,048	3,885
Amounts due from related companies	20	690	694
Tax recoverable		32	32
Bank balances and cash	21	6,185	1,736
		<u>32,993</u>	<u>37,512</u>
Total assets		<u>35,934</u>	<u>38,926</u>
Current liabilities			
Trade and other payables and accrued charges	22	6,907	9,056
Amount due to a related company	20	1,255	1,222
Amounts due to directors	20	4,096	1,212
Contract liabilities	23	13	117
Lease liabilities	26	4,289	4,546
Provisions	24	80	–
		<u>16,640</u>	<u>16,153</u>
Net current assets		<u>16,353</u>	<u>21,359</u>
Total assets less current liabilities		<u>19,294</u>	<u>22,773</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2023

	<i>Notes</i>	2023 HK\$'000	2022 <i>HK\$'000</i>
Non-current liabilities			
Lease liabilities	26	1,126	1,295
Provisions	24	349	1,119
		<u>1,475</u>	<u>2,414</u>
Total liabilities		<u>18,115</u>	<u>18,567</u>
Net assets		<u>17,819</u>	<u>20,359</u>
Capital and reserves			
Share capital	25	11,150	4,460
Reserves		6,669	15,899
Total equity		<u>17,819</u>	<u>20,359</u>

The consolidated financial statements on pages 51 to 105 were approved and authorised for issue by the Board of Directors on 25 March 2024 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 2023

	Attributable to owners of the Company				
	Share capital <i>HK\$'000</i>	Share premium <i>HK\$'000</i>	Other reserve <i>HK\$'000</i> <i>(note)</i>	Accumulated losses <i>HK\$'000</i>	Total <i>HK\$'000</i>
As at 1 January 2022	4,460	127,329	766	(91,804)	40,751
Loss and total comprehensive expense for the year	–	–	–	(20,392)	(20,392)
As at 31 December 2022 and 1 January 2023	4,460	127,329	766	(112,196)	20,359
Issuance of shares under rights issues <i>(Note 25)</i>	6,690	6,116	–	–	12,806
Loss and total comprehensive expense for the year	–	–	–	(15,346)	(15,346)
As at 31 December 2023	11,150	133,445	766	(127,542)	17,819

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 years.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the Year ended 31 December 2023

	<i>Notes</i>	2023 HK\$'000	2022 <i>HK\$'000</i>
OPERATING ACTIVITIES			
Loss before taxation		(15,346)	(20,392)
Adjustments for:			
Depreciation on property, plant and equipment	15	166	166
Depreciation on right-of-use assets	16	1,867	4,352
Impairment loss of property, plant and equipment	15	274	390
Impairment loss of right-of-use assets	16	2,000	4,145
Write-down of inventories to the net realisable value	18	8,156	9,480
Gain on termination of lease	9	–	(294)
Covid-19-related rent concession	9	–	(472)
Interest income	8	(5)	–*
Finance costs	10	285	456
Operating cash flows before movements in working capital		(2,603)	(2,169)
Decrease in inventories		971	2,649
(Increase)/decrease in trade and other receivables, deposits and prepayments		(54)	2,278
(Decrease)/increase in amounts due from related companies		4	(34)
Decrease in amounts due from directors		–	63
(Decrease)/increase in trade and other payables and accrued charges		(2,149)	53
(Decrease)/increase in contract liabilities		(104)	88
Increase/(decrease) in amount due to a related company		33	(1,607)
(Decrease)/increase in provisions		(690)	690
Cash (used in)/generated from operations		(4,592)	2,011
Income tax refunded		–	–
NET CASH (USED IN)/GENERATED FROM OPERATING ACTIVITIES		(4,592)	2,011

CONSOLIDATED STATEMENT OF CASH FLOWS

For the Year ended 31 December 2023

	<i>Notes</i>	2023 HK\$'000	2022 <i>HK\$'000</i>
INVESTING ACTIVITIES			
Interest received		5	–*
Purchases of property, plant and equipment	15	(802)	(68)
Advanced to a related company		–	(190)
		<u>(797)</u>	<u>(258)</u>
NET CASH USED IN INVESTING ACTIVITIES			
FINANCING ACTIVITIES			
Repayment of lease liabilities	30(a)	(5,852)	(6,518)
Advances from directors	30(a)	8,000	3,500
Repayment to directors	30(a)	(16)	(14,270)
Net proceeds from issuance of shares under rights issues	30(b)	7,706	–
		<u>9,838</u>	<u>(17,288)</u>
NET GENERATED FROM/(USED IN) FINANCING ACTIVITIES			
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS			
		4,449	(15,535)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR			
		<u>1,736</u>	<u>17,271</u>
CASH AND CASH EQUIVALENTS AT END OF THE YEAR, REPRESENTED BY BANK BALANCES AND CASH			
		<u>6,185</u>	<u>1,736</u>

* Represented the balance less than HK\$1,000

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

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 2/F, Cheung Tak Industrial Building, 30 Wong Chuk Hang Road, Wong Chuk Hang, Hong Kong respectively.

The Company was owned as to 24.83% (2022: 9.27%) and 40.85% (2022:15.25%) by Wiltshire Global Limited (“Wiltshire Global”), which is owned by Mr. Wong Arnold Chi Chiu (“Mr. Wong”) and Peyton Global Limited (“Peyton Global”), 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.

2. CHANGES IN ACCOUNTING POLICIES

(a) Adoption of amended Hong Kong Financial Reporting Standards (“HKFRSs”) – effective 1 January 2023

In the current year, the Group has applied for the first time the following revised HKFRSs issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”), which are relevant to and effective for the Group’s consolidated financial statements for the annual period beginning on 1 January 2023.

Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies
Amendments to HKAS 8	Definition of Accounting Estimates
Amendments to HKAS 12	Deferred tax related to Assets and Liabilities arising from a Single Transaction
Amendments to HKAS 12	International Tax Reform – Pillar Two Model Rules
HKFRS 17	Insurance Contracts

Except as described below, the application of the new and amendments to HKFRSs in the current year has had no material impact on the Group’s financial positions and performance for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

2. CHANGES IN ACCOUNTING POLICIES *(Continued)*

(a) Adoption of amended Hong Kong Financial Reporting Standards (“HKFRSs”) – effective 1 January 2023 *(Continued)*

Impact on application of Amendments to HKAS 1 and HKFRS Practice Statement 2 “Disclosure of Accounting Policies”

The Group has adopted Amendments to HKAS 1 and HKFRS Practice Statement 2 “Disclosure of Accounting Policies” for the first time in the current year. HKAS 1 “Presentation of Financial Statements” is amended to replace all instances of the term “significant accounting policies” with “material accounting policy information”. Accounting policy information is material if, when considered together with other information included in an entity’s financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements.

The amendments also clarify that accounting policy information may be material because of the nature of the related transactions, other events or conditions, even if the amounts are immaterial. However, not all accounting policy information relating to material transactions, other events or conditions is itself material. If an entity chooses to disclose immaterial accounting policy information, such information must not obscure material accounting policy information.

HKFRS Practice Statement 2 “Making Materiality Judgements” (the “Practice Statement”) is also amended to illustrate how an entity applies the “four-step materiality process” to accounting policy disclosures and to judge whether information about an accounting policy is material to its financial statements. Guidance and examples are added to the Practice Statement.

The application of the amendments has led to the presentation of material accounting policy in the financial statements, but had no material impact on the Group’s financial positions and performance.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

2. CHANGES IN ACCOUNTING POLICIES *(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 consolidated 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.

Amendments to HKAS 1	Non-current Liabilities with Covenants ¹
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current ¹
Amendments to HKFRS 16	Lease Liability in a Sale and Leaseback ¹
Amendments to HKAS 7 and HKFRS 7	Supplier Finance Arrangements ¹
Amendments to HKAS 21	Lack of Exchangeability ²
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ³

¹ Effective for annual periods beginning on or after 1 January 2024

² Effective for annual periods beginning on or after 1 January 2025

³ Effective for annual periods beginning on or after a date to be determined

The Group is currently assessing the impact of these new accounting standards and amendments. The Group does not expect these new accounting standards and amendments to have a material impact on the Group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

2. CHANGES IN ACCOUNTING POLICIES *(Continued)*

(c) New HKICPA guidance on the accounting implications of the abolition of the MPF-LSP offsetting mechanism in Hong Kong

In June 2022, Employment and Retirement Schemes Legislation (Offsetting Arrangement) (Amendment) Ordinance 2022 (“the Amendment Ordinance”) was enacted. The Amendment Ordinance abolishes the use of the accrued benefits derived from employers’ mandatory contributions under the mandatory provident fund (“MPF”) scheme to offset severance payment (“SP”) and long service payments (“LSP”) (“the Abolition”). Subsequently, the Government of HKSAR announced that the Abolition will take effect on 1 May 2025 (“the Transition Date”).

The following key changes will take effect since the Transition Date:

- Accrued benefits derived from employers’ mandatory MPF contributions cannot be used to offset the LSP/SP in respect of the employment period after the Transition Date.
- The pre-transition LSP/SP is calculated using the last month’s salary immediately preceding the Transition Date, instead of using the last month’s salary of employment termination date.

Due to the complexities of the accounting for the offsetting of accrued benefits derived from an employer’s mandatory MPF contributions and its LSP obligation and the accounting for the offsetting mechanism could become material in light of the Abolition, the HKICPA published ‘Accounting implications of the abolition of the MPF-LSP offsetting mechanism in Hong Kong’ (“the Guidance”) in July 2023 to provide guidance to account for the offsetting mechanism and the Abolition. The HKICPA concluded that there are two acceptable accounting approaches for the offsetting mechanism, being:

- Approach 1: Account for the amount expected to be offset as a deemed employee contribution towards that employee’s LSP benefits in terms of HKAS 19.93(a)
- Approach 2: Account for the employer MPF contributions and the offsetting mechanism as a funding mechanism for the LSP obligation

For the years ended 31 December 2022 and 2023, the Group’s LSP liability before the expected offsetting under the MPF-LSP offsetting mechanism is immaterial. Application of the Guidance had no material effect on the consolidated financial statements of the Group.

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 2023

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 Group incurred a loss of approximately HK\$15,346,000 for the year ended 31 December 2023. As of 31 December 2023, the Group was in a cash position, comprising bank balances and cash, of approximately HK\$6,185,000 only in light of total current liabilities of approximately HK\$16,640,000. It is still facing uncertainties to the future prospect of the Hong Kong economy in general as well as the craze of going north for spending that affects the catering industry.

As a result, for the purpose of assessing the appropriateness of the use of the going concern basis in the preparation of the consolidated financial statements, the directors of the Company have prepared a cash flow forecast covering the next 15 months from the end of reporting period (“Cash Flow Forecast”). In preparing the Cash Flow Forecast, the directors of the Company have given careful consideration to the future liquidity and performance of the Group and the Group’s available sources of financing in assessing whether the Group will have sufficient financial resources to continue as a going concern. Specifically, the Cash Flow Forecast has taken account of the undertakings of the provision of financial resources by the two major beneficial shareholders, also being the directors of the Company, to the Group to an extent to make up the cash shortfall as estimated based on the Cash Flow Forecast.

Accordingly, the directors of the Company considered that there would be sufficient financial resources to finance the Group’s operations and to meet its financial obligations as and when they fall due. It is appropriate to prepare the consolidated financial statements on a going concern basis.

Notwithstanding the above, the going concern of the Group is dependent upon the future outcome of the events or conditions mentioned above, that include (i) the two beneficial shareholders are able to provide the financial support when requested by the Group and (ii) the future general economic outlook of Hong Kong including inflation and consumers’ behaviour about the craze of going north for spending. These indicate the existence of a material uncertainty that may cast significant doubt on the Group’s ability to continue as a going concern and, therefore, that it may be unable to realize its assets and discharge its liabilities in the normal course of business.

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.

(c) Functional and presentation currency

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

3. BASIS OF PREPARATION *(Continued)*

(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.

4. MATERIAL ACCOUNTING POLICY INFORMATION

(a) 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 2023

4. MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

(b) Subsidiaries

Subsidiaries are investees over which the Group is able to exercise control. The Group controls investees if all three of the following elements are present: power over the investees, exposure, or rights, to variable returns from the investees, and the ability to use its power to affect those variable returns. Control is reassessed whenever facts and circumstances indicate that there may be a change in any of these elements of control.

In the Company's statement of financial position, investment in subsidiaries is carried at cost less any impairment loss, if any. The results of subsidiaries are accounted for by the Company on the basis of dividends received and receivable at the reporting date.

(c) 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 $\frac{1}{3}$ %
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.

(d) 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

4. MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

(e) 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.

The Group measures the right-of-use assets applying a cost model. Under the cost model, the Group measures the right-of-use at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liability. Right-of-use assets are depreciated on a straight-line basis over the lease terms.

Lease liability

The lease liability is recognised at the present value of the lease payments, principally fixed lease payments less lease incentives receivables (if any), 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.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

4. MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

(e) Leases *(Continued)*

The Group as a lessee (Continued)

Contingent rent

After the commencement date, a lessee shall recognise in profit or loss: (a) interest on the lease liability; and (b) variable lease payments not included in the measurement of the lease liability in the period in which the event or condition that triggers those payments occurs.

(f) Impairment of non-financial assets

At the end of each reporting period, the Group reviews the carrying amounts of its non-financial 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 non-financial 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

4. MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

(g) 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.

(h) 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.

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. The Group classifies its debt instruments into one category – Amortised cost:

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.

(ii) Impairment loss on financial assets

The Group recognises loss allowances for expected credit loss ("ECL") on trade receivables and, financial assets measured at amortised cost. 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

4. MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

(h) Financial instruments *(Continued)*

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

The Group measured loss allowances for trade receivables 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.

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; or
- it is probable that the debtor will enter bankruptcy or other financial reorganisation.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

4. MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

(h) Financial instruments *(Continued)*

(iii) Financial liabilities

Financial liabilities at amortised cost

Financial liabilities at amortised cost including trade and other payables, and amount due to related company and directors 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.

(i) Share Capital

Ordinary shares are classified as equity.

Any transaction costs associated with the issuing of shares are deducted from share capital (net of any related income tax benefits) to the extent they are incremental costs directly attributable to the equity transaction.

(j) 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 is recognised at a point in time when the customer obtains control of the distinct good or service.

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.

Revenue from casual 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 2023

4. MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

(j) Revenue from contracts with customers *(Continued)*

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.

(k) 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).

(l) Employee benefits

(i) 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.

(ii) Defined contribution retirement plans

Payments to the contribution retirement benefits scheme under the Mandatory Provident Fund Schemes Ordinance (Chapter 485 of the Laws of Hong Kong) (the "MPF Scheme") are recognised as an expense in profit or loss as when employees have rendered service entitling them to the contributions. The Group's obligation under the MPF Scheme is limited to the fixed percentage contributions payable.

There were no forfeited contributions (by employers on behalf of employees who leave the scheme prior to vesting fully in such contributions) to offset existing contributions under the defined contribution schemes.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

4. MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

(l) Employee benefits *(Continued)*

(iii) Defined benefit plan obligations

For the obligation of LSP under the Hong Kong Employment Ordinance, the estimated amount of future benefit is determined after deducting the negative service cost arising from the accrued benefits derived from the Group's MPF contribution that have been vested with employees, which are deemed to be contributions from the relevant employees.

(m) 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. Deferred tax liabilities are generally 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 and does not give rise to equal taxable and deductible temporary differences.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

5. CRITICAL JUDGEMENTS 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.

Going concern consideration

As mentioned in note 3(b), the directors of the Company have prepared the consolidated financial statements for the year ended 31 December 2023 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 the next 15 months from the end of 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.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

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

Net realisable value of inventories

In accordance with HKAS 2 "Inventories", the Group estimates annually the net realisable value of inventories. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses. These estimates are based on the current market condition and the historical experience of selling products of similar nature. It could change significantly as a result of changes in customer taste in response to changes in market conditions. Management reassesses these estimates at the end of each reporting period.

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

	2023 HK\$'000	2022 HK\$'000
<i>Types of services:</i>		
Casual*	<u>36,357</u>	<u>37,465</u>
<i>Geographical market (Note)</i>		
Hong Kong	<u>36,357</u>	<u>37,465</u>
<i>Timing of recognition revenue</i>		
Point in time	<u>36,357</u>	<u>37,465</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 2023

6. REVENUE AND SEGMENTAL INFORMATION (Continued)

Revenue (Continued)

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.

	2023 HK\$'000	2022 HK\$'000
Trade receivables (Note 19)	<u>357</u>	<u>330</u>
Contract liabilities (Note 23)	<u>13</u>	<u>117</u>

The contract liabilities mainly relate to the advance consideration received from customers. Approximately HK\$117,000 of the contract liabilities as of 31 December 2022 has been recognised as revenue for the year ended 31 December 2023 due to the performance obligations satisfied.

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 operating and reportable segments under HKFRS 8 "Operating Segments" are as follows:

- Casual restaurant operations ("Casual")

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

6. REVENUE AND SEGMENTAL INFORMATION *(Continued)*

Segment revenue and results

Year ended 31 December 2023

	Casual <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
Revenue	36,357	36,357
Segment loss	(4,154)	(4,154)
Other income		1,961
Other gains and losses, net		(1)
Unallocated operating costs		(13,152)
Loss before taxation		(15,346)

Year ended 31 December 2022

	Casual <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
Revenue	37,465	37,465
Segment loss	(12,000)	(12,000)
Other income		6,095
Other gains and losses, net		764
Unallocated operating costs		(15,251)
Loss before taxation		(20,392)

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 by each segment without allocation of other income, other gains and losses, net and unallocated operating costs (including head office staff costs, short-term lease expenses and other corporate expenses).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

6. REVENUE AND SEGMENTAL INFORMATION *(Continued)*

Segment assets and liabilities

As at 31 December 2023

	Casual HK\$'000	Consolidated HK\$'000
ASSETS		
Segment assets	<u>7,297</u>	7,297
Property, plant and equipment		304
Inventories		21,080
Other receivables, deposits and prepayments		784
Amounts due from related companies		252
Tax recoverable		32
Bank balances and cash		<u>6,185</u>
Consolidated total assets		<u>35,934</u>
LIABILITIES		
Segment liabilities	<u>11,527</u>	11,527
Other payables		2,492
Amounts due to directors		<u>4,096</u>
Consolidated total liabilities		<u>18,115</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

6. REVENUE AND SEGMENTAL INFORMATION *(Continued)*

Segment assets and liabilities *(Continued)*

As at 31 December 2022

	Casual <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
ASSETS		
Segment assets	<u>6,845</u>	6,845
Inventories		29,520
Other receivables, deposits and prepayments		513
Amounts due from related companies		280
Tax recoverable		32
Bank balances and cash		<u>1,736</u>
Consolidated total assets		<u>38,926</u>
LIABILITIES		
Segment liabilities	<u>14,131</u>	14,131
Other payables		3,224
Amounts due to directors		<u>1,212</u>
Consolidated total liabilities		<u>18,567</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, certain inventories, certain other receivables, deposits and prepayments, amounts due from related companies with non-trade nature, tax recoverable, bank balances and cash.
- all liabilities are allocated to operating and reportable segments, other than certain other payables and amounts due to directors.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

6. REVENUE AND SEGMENTAL INFORMATION *(Continued)*

Other segment information

Year ended 31 December 2023

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

Additions of property, plant and equipment
(Note 15)

Depreciation of property, plant and equipment
(Note 15)

Depreciation of right of use assets *(Note 16)*

Impairment loss recognised in respect of property, plant and equipment *(Note 15)*

Impairment loss recognised in respect of right of use assets *(Note 16)*

Write-down of inventories *(Note 18)*

	Casual HK\$'000	Unallocated HK\$'000	Consolidated HK\$'000
Additions of property, plant and equipment <i>(Note 15)</i>	270	532	802
Depreciation of property, plant and equipment <i>(Note 15)</i>	60	106	166
Depreciation of right of use assets <i>(Note 16)</i>	1,867	–	1,867
Impairment loss recognised in respect of property, plant and equipment <i>(Note 15)</i>	152	122	274
Impairment loss recognised in respect of right of use assets <i>(Note 16)</i>	2,000	–	2,000
Write-down of inventories <i>(Note 18)</i>	–	8,156	8,156
	<u> </u>	<u> </u>	<u> </u>

Year ended 31 December 2022

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

Additions of property, plant and equipment
(Note 15)

Depreciation of property, plant and equipment
(Note 15)

Depreciation of right of use assets *(Note 16)*

Impairment loss recognised in respect of property, plant and equipment *(Note 15)*

Impairment loss recognised in respect of right of use assets *(Note 16)*

Write-down of inventories *(Note 18)*

Gain on termination of lease

	Casual HK\$'000	Unallocated HK\$'000	Consolidated HK\$'000
Additions of property, plant and equipment <i>(Note 15)</i>	24	44	68
Depreciation of property, plant and equipment <i>(Note 15)</i>	162	4	166
Depreciation of right of use assets <i>(Note 16)</i>	4,352	–	4,352
Impairment loss recognised in respect of property, plant and equipment <i>(Note 15)</i>	345	45	390
Impairment loss recognised in respect of right of use assets <i>(Note 16)</i>	4,145	–	4,145
Write-down of inventories <i>(Note 18)</i>	–	9,480	9,480
Gain on termination of lease	294	–	294
	<u> </u>	<u> </u>	<u> </u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

6. REVENUE AND SEGMENTAL INFORMATION *(Continued)*

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.

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>
Year ended 31 December 2023				
<i>Executive directors</i>				
Mr. Wong	180	–	9	189
Mr. Pong	180	–	9	189
Mr. Li Kai Leung	60	900	18	978
<i>Independent non-executive directors</i>				
Dr. Chan Kin Keung Eugene	158	–	–	158
Mr. Ng Chun Fai Frank	158	–	–	158
Mr. Yue Man Yiu Matthew	158	–	–	158
Total	<u>894</u>	<u>900</u>	<u>36</u>	<u>1,830</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

7. DIRECTORS' AND EMPLOYEES' EMOLUMENTS (Continued)

Directors' emoluments (Continued)

	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>
Year ended 31 December 2022				
<i>Executive directors</i>				
Mr. Wong	210	–	11	221
Mr. Pong	210	–	11	221
Mr. Li Kai Leung	70	762	18	850
Mr. Vastine Mael Henri Francis ("Mr. Vastine") (Note i)	38	541	9	588
<i>Independent non-executive directors</i>				
Dr. Chan Kin Keung Eugene	105	–	–	105
Mr. Ng Chun Fai Frank	105	–	–	105
Mr. Yue Man Yiu Matthew	105	–	–	105
Total	<u>843</u>	<u>1,303</u>	<u>49</u>	<u>2,195</u>

Note:

- (i) Mr. Vastine was appointed as executive director of the Company with effect from 16 September 2021. 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.

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 2023 and 2022.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

7. DIRECTORS' AND EMPLOYEES' EMOLUMENTS (Continued)

Employees' emoluments

One (2022: Two) of the five highest paid individuals is director for the years ended 31 December 2023 whose emoluments are set out in the Directors' emoluments. The emoluments of the remaining four (2022: three) highest paid individuals for each of the years ended 31 December 2023 and 2022, respectively, were as follows:

	2023 HK\$'000	2022 HK\$'000
Salaries and other benefits	1,966	1,513
Retirement benefits scheme contributions	70	52
	<u>2,036</u>	<u>1,565</u>

Their emoluments were within the following bands:

	2023 HK\$'000	2022 HK\$'000
Nil to HK\$1,000,000	<u>4</u>	<u>3</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.

8. OTHER INCOME

	2023 HK\$'000	2022 HK\$'000
Franchise fee income	29	100
Interest income	5	-*
Management fee income	1,769	2,040
Government grant (note)	-	3,731
Others	158	224
	<u>1,961</u>	<u>6,095</u>

* Represented the balance less than HK\$1,000

Note: For the year ended 31 December 2022, the Group recognised government grants of approximately HK\$3,731,000 in respect of Covid-19-related subsidies of which approximately HK\$1,781,000 relates to Employment Support Scheme and approximately HK\$1,950,000 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 2023

9. OTHER GAINS AND LOSSES, NET

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Covid-19-related rent concessions	–	472
Net foreign exchange loss, net	(1)	(2)
Gain on lease termination	–	294
	(1)	764

10. FINANCE COSTS

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Interest on lease liabilities	285	456

11. LOSS BEFORE TAXATION

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Loss before taxation has been arrived at after charging:		
Auditor's remuneration		
– Audit services	800	800
– Non-audit services	346	86
Depreciation charge – Property, plant and equipment (<i>Note 15</i>):	166	166
Depreciation charge – Right-of-use assets (<i>Note 16</i>):	1,867	4,352
Employee benefits expenses (including directors' remuneration)	18,248	20,080
Retirement benefits expenses (<i>Note</i>)	110	1,536
Total staff costs	18,358	21,616
Write-down of inventories to net realisable value (<i>Note 18</i>)	8,156	9,480
Raw materials and consumables used in respect of		
Restaurant operations	9,240	10,247
Interest on lease liabilities – lessee (<i>Note 10</i>)	285	456
Short-term lease expenses (<i>Note 26</i>)	774	750
Contingent rents (<i>Note 26</i>)	368	451

Note: The balance included payments to defined contribution plans and reversal of provision of long service payments.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

12. INCOME TAX CHARGE

Hong Kong Profits Tax is calculated at the rate of 16.5% (2022: 16.5%) on the estimated assessable profits arising in Hong Kong, except for the first HK\$2,000,000 of qualified entity's assessable profit is calculated at 8.25%, which is in accordance with the new two-tiered profits tax rates regime with effect from the year of assessment 2018/19.

No provision of Hong Kong Tax is required since the Group has no assessable profit for both years.

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:

	2023 HK\$'000	2022 HK\$'000
Loss before taxation	(15,346)	(20,392)
Tax credit at the Hong Kong Profits Tax rate of 16.5%	(2,531)	(3,364)
Tax effect of expenses not deductible for tax purpose	881	724
Tax effect of income not taxable for tax purpose	(2)	(554)
Tax effect of temporary difference not recognised	(533)	(172)
Tax effect of tax losses not recognised	2,185	3,366
	—	—

As at 31 December 2023, the Group has unutilised estimated tax losses of approximately HK\$125,998,000 (2022: HK\$112,765,000) available for offset against future profits. No deferred tax asset has been recognised in respect of the unutilised estimated tax losses due to the unpredictability of future profit streams. The unutilised estimated tax losses can be carried forward indefinitely.

13. DIVIDENDS

No dividends were paid, declared and proposed by the Company during the year ended 31 December 2023 (2022: Nil).

The directors of the Company do not recommend the payment of a final dividend for the year ended 31 December 2023 (2022: Nil).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

14. LOSS PER SHARE

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

The calculation of the basic and diluted loss per share attributable to owners of the Company is based on the following data:

	2023 HK\$'000	2022 HK\$'000
Loss		
Loss for the year attributable to owners of the Company	<u>(15,346)</u>	<u>(20,392)</u>
	2023 Number of shares '000	2022 Number of shares '000 (Restated)
Weighted average number of ordinary shares for the purpose of calculating basic and diluted loss per share (<i>Note</i>)	<u>31,288</u>	<u>25,788</u>
	2023 HK cents	2022 HK cents (Restated)
Basic loss per share	<u>(49.05)</u>	<u>(79.08)</u>

Note:

The weighted average number of ordinary shares for the purpose of basic and diluted loss per share has been adjusted for the share consolidation which took place on 7 September 2023 as if the share consolidation occurred at the beginning of the earliest period presented (i.e. 1 January 2022). Further details of the share consolidation are set out in note 25(b) to the consolidated financial statements.

Bonus elements arising from the rights issue completed on 25 October 2023 at the price lower than market value has been adjusted on the determination of weighted average number of shares. Further details are set out in Note 25(c). Weighted average number of shares for the year ended 31 December 2022 has been restated accordingly.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

15. PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvements <i>HK\$'000</i>	Furniture and fixtures <i>HK\$'000</i>	Equipment <i>HK\$'000</i>	Computers <i>HK\$'000</i>	Total <i>HK\$'000</i>
Cost					
As at 1 January 2022	12,204	2,634	5,169	1,928	21,935
Additions	–	55	–	13	68
Disposals/written-off	(2,062)	(237)	(664)	(187)	(3,150)
As at 31 December 2022 and 1 January 2023	10,142	2,452	4,505	1,754	18,853
Additions	532	29	230	11	802
Disposals/written-off	–	–	–	(12)	(12)
As at 31 December 2023	10,674	2,481	4,735	1,753	19,643
Accumulated depreciation and impairment					
As at 1 January 2022	12,204	2,634	4,758	1,809	21,405
Provided for the year	–	28	115	23	166
Impairment loss recognised (<i>Note 17</i>)	–	27	262	101	390
Eliminated on disposals/written-off	(2,062)	(237)	(664)	(187)	(3,150)
As at 31 December 2022 and 1 January 2023	10,142	2,452	4,471	1,746	18,811
Provided for the year	106	1	50	9	166
Impairment loss recognised (<i>Note 17</i>)	122	28	114	10	274
Eliminated on disposals/written-off	–	–	–	(12)	(12)
As at 31 December 2023	10,370	2,481	4,635	1,753	19,239
Carrying amounts					
As at 31 December 2023	<u>304</u>	<u>–</u>	<u>100</u>	<u>–</u>	<u>404</u>
As at 31 December 2022	<u>–</u>	<u>–</u>	<u>34</u>	<u>8</u>	<u>42</u>

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

16. RIGHT-OF-USE ASSETS

	Properties leased for own use <i>HK\$'000</i>
Cost	
As at 1 January 2022	18,361
Expiry of lease terms	<u>(3,389)</u>
As at 31 December 2022 and 1 January 2023	14,972
Lease modifications	5,141
Expiry of lease terms	<u>(8,882)</u>
As at 31 December 2023	<u>11,231</u>
Accumulated depreciation and impairment	
As at 1 January 2022	9,063
Depreciation provided for the year	4,352
Impairment (<i>Note 17</i>)	4,145
Expiry of lease terms	<u>(3,389)</u>
As at 31 December 2022 and 1 January 2023	14,171
Depreciation provided for the year	1,867
Impairment (<i>Note 17</i>)	2,000
Expiry of lease terms	<u>(8,882)</u>
As at 31 December 2023	<u>9,156</u>
Net book value	
As at 31 December 2023	<u><u>2,075</u></u>
As at 31 December 2022	<u><u>801</u></u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

17. IMPAIRMENT ASSESSMENT

The management of the Group concluded there was indication of impairment due to the unfavourable performance of the Group resulting from the uncertain economic environment in Hong Kong, 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 18.18% (2022: 18.36%). The annual projected revenue over the remaining lease term ranged from HK\$1,291,000 to HK\$13,831,000 (2022: HK\$1,257,000 to HK\$14,644,000). The assumptions of projected revenue are determined based on past performance and management's expectation for the market development. Another key assumption for the value in use calculated is the budgeted gross profit and operating expenses, which is determined based on past 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 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\$274,000 (2022: HK\$390,000) (Note 15) and HK\$2,000,000 (2022: HK\$4,145,000) (Note 16) has been recognised against the carrying amount (before impairment) of property, plant and equipment of approximately HK\$678,000 (2022: HK\$432,000) right-of-use assets of approximately HK\$4,075,000 (2022: HK\$4,946,000) respectively.

18. INVENTORIES

	2023 HK\$'000	2022 HK\$'000
Food, beverage, wine and other consumables	22,038	31,165

For the year ended 31 December 2023, write-down of inventories to the net realisable value was recognised as an expense of approximately HK\$8,156,000 (2022: HK\$9,480,000).

For the year ended 31 December 2023, cost of inventories recognised as an expense of approximately HK\$9,240,000 (2022: HK\$10,247,000) and is included in "Raw materials and consumables used".

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

19. TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

Details of balances net of loss allowance are as follows:

	2023 HK\$'000	2022 HK\$'000
Trade receivables from restaurant operations	357	330
Refundable rental deposits	2,299	2,788
Other deposits	496	519
Other receivables	517	126
Prepayments	841	693
	<hr/> 4,510 <hr/>	<hr/> 4,456 <hr/>
Analysed as:		
Current	4,048	3,885
Non-current	462	571
	<hr/> 4,510 <hr/>	<hr/> 4,456 <hr/>

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.

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 2023

19. 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.

	2023 HK\$'000	2022 <i>HK\$'000</i>
0 to 30 days	323	253
31 to 60 days	10	9
61 to 90 days	—*	3
91 to 180 days	24	65
	357	330

* Represented the balance less than HK\$1,000

As at 31 December 2023, included in the Group's trade receivables balance are debtors with aggregate carrying amount of HK\$34,000 (2022: HK\$77,000) which are past due as at the reporting date. Out of the past due balances, HK\$24,000 (2022: HK\$65,000) has been past due 90 days or more. The Group does not hold any collateral over these balances.

During the year ended 31 December 2023, no loss allowance for trade and other receivables has been recognised (2022: Nil).

The table below reconciles the loss allowance for trade receivables:

	2023 HK\$'000	2022 <i>HK\$'000</i>
At 1 January	175	175
Loss allowance for the year	—	—
At 31 December	175	175

The table below reconciles the loss allowance for other receivables:

	2023 HK\$'000	2022 <i>HK\$'000</i>
At 1 January	773	773
Loss allowance for the year	—	—
At 31 December	773	773

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

20. BALANCES WITH RELATED COMPANIES AND DIRECTORS

Amounts due from related companies

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

Name	2023 HK\$'000	2022 HK\$'000	Maximum amount outstanding during the year HK\$'000
Altaya Wines Limited ("Altaya Wines") (Note a)	438	414	438
Way Wise Limited ("Way Wise") (Note b)	150	280	280
Canton Oriental Limited ("Canton Oriental") (Note c)	102	–	102
	<u>690</u>	<u>694</u>	

Notes:

- (a) Altaya Wines is controlled by Mr. Pong and his family. The amount is trade nature, unsecured and interest-free. The Group allows a credit period of 30 days to the related company.

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.

	2023 HK\$'000	2022 HK\$'000
0 to 30 days	–*	90
31 to 60 days	–	71
61 to 90 days	–	80
91 to 365 days	24	–
Over 1 year	414	173
	<u>438</u>	<u>414</u>

* Represented the balance less than HK\$1,000

- (b) Mr. Pong is one of the shareholders and director of Way Wise Limited. The amount is non-trade nature, unsecured, interest-free and repayable on demand.
- (c) Canton Oriental is controlled by Mr. Wong and Mr. Pong. The amount is non-trade nature and unsecured, interest-free and repayable on demand.

As at 31 December 2023 and 2022, 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 2023 and 2022 are set out in Note 28.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

20. BALANCES WITH RELATED COMPANIES AND DIRECTORS *(Continued)*

Amount due to a related company

Details of the amount due to a related company are disclosed as follows:

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Altaya Wines <i>(Note a)</i>	<u>1,255</u>	<u>1,222</u>

Note:

- (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:

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
0 to 30 days	39	1,222
31 to 60 days	17	–
60 to 90 days	45	–
91 to 365 days	<u>1,154</u>	–
	<u>1,255</u>	<u>1,222</u>

Amounts due to directors

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

Name	As at 31 December	
	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Mr. Wong	2,417	355
Mr. Pong	<u>1,679</u>	<u>857</u>
	<u>4,096</u>	<u>1,212</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

21. BANK BALANCES AND CASH

At the end of the reporting period, the cash and cash equivalents of the Group denominated in HK\$ amounted to approximately HK\$6,185,000 (2022: HK\$1,736,000).

22. TRADE AND OTHER PAYABLES AND ACCRUED CHARGES

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Trade payables	1,699	1,850
Other payables:		
Accrued staff related costs	1,490	1,386
Other payables and accrued charges	3,718	5,820
	<u>6,907</u>	<u>9,056</u>

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:

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
0 to 30 days	825	698
31 to 60 days	760	561
61 to 90 days	107	274
91 to 365 days	7	317
	<u>1,699</u>	<u>1,850</u>

23. CONTRACT LIABILITIES

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Contract liabilities from restaurant operations	<u>13</u>	<u>117</u>

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 2023

23. CONTRACT LIABILITIES *(Continued)*

Movements in contract liabilities

	2023 HK\$'000	2022 <i>HK\$'000</i>
Balance as at 1 January	117	29
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	(117)	(29)
Increase in contract liabilities as a result of billing in advance of party and event services	13	117
Balance at 31 December	<u>13</u>	<u>117</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 after the initial sale.

The management has not recognised the contract liabilities from customer loyalty programme since balance of membership points were expired on 31st December every year 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.

24. PROVISIONS

	2023 HK\$'000	2022 <i>HK\$'000</i>
Analysed for reporting purpose as:		
Non-current liabilities	349	1,119
Current liabilities	80	–
	<u>429</u>	<u>1,119</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

24. PROVISIONS (Continued)

	Employment benefits <i>HK\$'000</i>	Reinstatement works <i>HK\$'000</i> <i>(Note a)</i>	Total <i>HK\$'000</i>
As at 31 December 2022	690	429	1,119
As at 31 December 2023	–	429	429

Note:

- (a) The provision for reinstatement works related to the estimated cost of reinstating the leased 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.

25. SHARE CAPITAL

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

	Ordinary share per unit <i>HK\$</i>	Number of shares	Amount <i>HK\$'000</i>
Authorised:			
As at 1 January 2022, 31 December 2022 and 1 January 2023	0.01	800,000,000	8,000
Increase in authorised share capital (Note a)	0.01	3,200,000,000	32,000
		<u>4,000,000,000</u>	<u>40,000</u>
Share consolidation (Note b)		(3,800,000,000)	–
As at 31 December 2023	0.2	<u>200,000,000</u>	<u>40,000</u>
Issued and fully paid:			
As at 1 January 2022, 31 December 2022 and 1 January 2023	0.01	446,000,000	4,460
Share consolidation (Note b)		(423,700,000)	–
Issuance of shares under rights issues (Note c)	0.2	33,450,000	6,690
As at 31 December 2023	0.2	<u>55,750,000</u>	<u>11,150</u>

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

25. SHARE CAPITAL (Continued)

Notes:

- (a) On 5 September 2023, the authorised share capital has been increased from HK\$8,000,000 divided into 800,000,000 ordinary share(s) of par value of HK\$0.01 each in the share capital of the Company before the share consolidation became effective ("Old shares") to HK\$40,000,000 divided into 4,000,000,000 Old Shares.
- (b) On 7 September 2023, the Company implemented the share consolidation on the basis that every twenty issued and unissued shares with a par value of HK\$0.01 each in the share capital of the Company be consolidated into one consolidated share with a par value of HK\$0.2 in the share capital of the Company. The share consolidation was duly passed by the shareholders of the Company by way of poll on 5 September 2023. Further details were set out in the Company's circular dated 18 August 2023.
- (c) On 25 October 2023, the Company implemented the rights issue on the basis of three rights shares for every two existing shares at the subscription price of HK\$0.426 per rights share. The gross proceeds from the rights issue were approximately HK\$14,250,000 and the net proceeds were approximately HK\$12,806,000 after deducting the related expenses. Mr. Wong and Mr. Pong are the sole beneficial owners of Wiltshire Global and Peyton Global, who are the underwriters of such rights issue. Further details were set out in the Company's prospectus dated 19 September 2023.

26. LEASES LIABILITIES

The Group as lessee

The Group leases various properties to operate its restaurants. The leases typically run for an initial period of 9 to 36 months. The lease payments for certain restaurants are determined at the higher of a fixed lease payment or a pre-determined percentage on revenue of respective restaurants pursuant to the terms and conditions set out in the respective lease agreements. These payment terms are common in restaurants in Hong Kong where the Group operates. As the future revenue of these restaurants could not be reliably determined, the relevant contingent rents have not been included in the measurement of lease liabilities and only the minimum lease commitments have been included.

As at 31 December 2023 and 2022, the present value of future lease payments are analysed as:

	2023 HK\$'000	2022 HK\$'000
Current liabilities	4,289	4,546
Non-current liabilities	1,126	1,295
	5,415	5,841

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

26. LEASES LIABILITIES (Continued)

The Group as lessee (Continued)

	Minimum lease payments <i>HK\$'000</i>	Interest <i>HK\$'000</i>	Present value <i>HK\$'000</i>
31 December 2023			
Not later than one year	4,554	(265)	4,289
Later than one year and not later than two years	1,170	(44)	1,126
	<u>5,724</u>	<u>(309)</u>	<u>5,415</u>
31 December 2022			
Not later than one year	4,717	(171)	4,546
Later than one year and not later than two years	1,323	(28)	1,295
	<u>6,040</u>	<u>(199)</u>	<u>5,841</u>

	Land and buildings	
	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Lease payment for the year		
Interest portion (Note 10)	285	456
Principal portion	<u>5,567</u>	<u>6,062</u>
Repayment of lease liabilities	<u>5,852</u>	<u>6,518</u>
	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Short-term lease expenses (Note 11)	774	750
Contingent rents (Note 11)	<u>368</u>	<u>451</u>

As at 31 December 2023, the Group had total future minimum lease payments under non-cancellable short-term leases of approximately HK\$376,000 (2022: HK\$415,000).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

27. RELATED PARTY TRANSACTIONS

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

	2023 HK\$'000	2022 HK\$'000
Catering income from Mr. Pong and Mr. Wong	<u>7</u>	<u>10</u>
Catering income from Altaya Wines	<u>24</u>	<u>48</u>
Management fee income from Way Wise	<u>120</u>	<u>120</u>
Management fee income from Canton Oriental (<i>Note b</i>)	<u>1,649</u>	<u>1,920</u>
Management fee to Altaya Wines	<u>784</u>	<u>757</u>
Purchases of goods from Altaya Wines	<u>114</u>	<u>201</u>

Note a: All the above transactions were negotiated in terms mutually agreed with between both parties.

Note b: The Group has entered into management services agreement ("Agreement") with Canton Oriental for the provision of catering operations and management services. The Agreement has been terminated on 31 October 2023. Details of which were disclosed in the Company's announcement dated on 16 September 2021 and 31 October 2023 respectively.

Compensation of key management personnel

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

	2023 HK\$'000	2022 HK\$'000
Short-term benefits	<u>1,794</u>	2,146
Post-employment benefits	<u>36</u>	<u>49</u>
	<u>1,830</u>	<u>2,195</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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

28. FINANCIAL INSTRUMENTS

Categories of financial instruments

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Financial assets		
Financial assets at amortised cost	<u>10,544</u>	<u>6,193</u>
Financial liabilities		
Financial liabilities at amortised cost	12,258	11,490
Lease liabilities	<u>5,415</u>	<u>5,841</u>
	<u>17,673</u>	<u>17,331</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, bank balances, trade and other payables and accrued charges and amounts due to related companies and directors. 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 2023 and 2022.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

28. FINANCIAL INSTRUMENTS *(Continued)*

Financial risk management objectives and policies *(Continued)*

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 2023 and 2022.

As at 31 December 2023 and 2022, 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.

Trade receivables arising from contracts with customers and amounts due from related companies with trade nature

In respect of trade receivables from restaurant operations with corporate customers, individual credit evaluations are performed on customers of catering service requiring credit over a certain amount. 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. ECL rates of these trade receivables are assessed to be minimal, because of the customers' good background and reputation and no past default history. Thus, the loss allowance provision for such balances was insignificant and no loss allowance provision was recognised in respect of these trade receivables for the years ended 31 December 2023 and 2022.

No credit evaluations are performed to retail customers that are made in cash or via major credit cards or payments platforms. The Group's trade receivables in connection with sales settled through payment platforms such as Octopus, Alipay or WeChat Pay are with high credit rating and no past due history. These assets are short-term in nature and the probability of default is negligible on the basis of high-credit rating issuers during the years ended 31 December 2023 and 2022, and accordingly, no loss allowance was recognised in respect of these trade receivables.

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. At the reporting date, the credit risks on other receivables and deposits have not increased significantly since initial recognition, the Group measures the loss allowance for other receivables at an amount equal to 12-month ECL. Based on the historical experience of the collection of the rental deposits from the landlords, the management of the Group assessed that expected credit loss of these deposits as at 31 December 2023 and 31 December 2022 was insignificant.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

28. FINANCIAL INSTRUMENTS *(Continued)*

Financial risk management objectives and policies *(Continued)*

Bank balances

The Group's exposure to credit risk arising from cash and cash equivalents is limited because the counterparties are banks with high credit-rating assigned by international credit-rating agencies, for which the Group considers the credit risk is negligible.

Liquidity risk

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

As detailed in note 3(b), the Group incurred a loss of approximately HK\$15,346,000 for the year ended 31 December 2023. As of 31 December 2023, the Group was in a cash position, comprising bank balances and cash of approximately HK\$6,185,000 only in light of total current liabilities of approximately HK\$16,640,000. It is still facing uncertainties to the future prospect of the Hong Kong economy in general as well as the craze of going north for spending that affects the catering industry. These conditions may cast significant doubt on the Group's ability to continue as a going concern.

As a result, the purpose of assessing the appropriateness of the use of the going concern basis in the preparation of the consolidated financial statements, the directors of the Company has prepared the Cash Flow Forecast. In preparing the Cash Flow Forecast, the directors of the Company have given careful consideration to the future liquidity and performance of the Group and the Group's available sources of financing in assessing whether the Group will have sufficient financial resources to continue as a going concern. As summarised in note 3(b) to the consolidated financial statements, 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 additional financial resources up to a maximum amount of HK\$4,500,000 each in addition to the existing advances to the Group over the period up to 31 March 2025.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

28. FINANCIAL INSTRUMENTS (Continued)

Financial risk management objectives and policies (Continued)

Liquidity risk (Continued)

	Weighted average effective interest rate %	Carrying amounts HK\$'000	Total undiscounted cash flows HK\$'000	Not later than one year HK\$'000	Later than one year and not later than two years HK\$'000
As at 31 December 2023					
Non-derivative financial liabilities					
Trade payables	N/A	1,699	1,699	1,699	–
Other payables and accrued charges	N/A	5,208	5,208	5,208	–
Lease liabilities	5.70% – 10.9%	5,415	5,724	4,554	1,170
Amount due to a related company	N/A	1,255	1,255	1,255	–
Amounts due to directors	N/A	4,096	4,096	4,096	–
		<u>17,673</u>	<u>17,982</u>	<u>16,812</u>	<u>1,170</u>

As at 31 December 2022

Non-derivative financial liabilities					
Trade payables	N/A	1,850	1,850	1,850	–
Other payables and accrued charges	N/A	7,206	7,206	7,206	–
Lease liabilities	3.2%	5,841	6,040	4,717	1,323
Amount due to a related company	N/A	1,222	1,222	1,222	–
Amounts due to directors	N/A	1,212	1,212	1,212	–
		<u>17,331</u>	<u>17,530</u>	<u>16,207</u>	<u>1,323</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.

29. 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 2023

30. NOTE TO CONSOLIDATED STATEMENT OF CASH FLOWS

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

	Lease liabilities <i>(note 26)</i> <i>HK\$'000</i>	Amounts due to directors <i>(note 20)</i> <i>HK\$'000</i>
At 1 January 2022	12,375	11,982
Cash flows:		
Lease payments	(6,518)	–
Advance from directors	–	3,500
Repayment to directors	–	(14,270)
	<u>5,857</u>	<u>1,212</u>
Non-cash item:		
Rental concession related to Covid-19	(472)	–
Interest on lease liabilities	456	–
	<u>5,841</u>	<u>1,212</u>
At 31 December 2022 and 1 January 2023		
Cash flows:		
Lease payments	(5,852)	–
Advance from directors	–	8,000
Repayment to directors	–	(16)
Non-cash item:		
Lease modification	5,141	–
Interest on lease liabilities	285	–
Repayment to directors <i>(note 30(b))</i>	–	(5,100)
	<u>5,415</u>	<u>4,096</u>
At 31 December 2023		

(b) Significant non-cash transactions:

For the year 31 December 2023, upon the issuance of rights issue, approximately HK\$5,100,000 of the net proceeds from rights issue of approximately HK\$12,806,000 (Note 25(c)) were used for partial repayment of the outstanding shareholders' loans included in the amounts due to directors.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

31. 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 the 2,000,000 shares in issue. 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 2023 and 2022, the Group did not grant any share option under the Share Option Scheme of the Company.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

32. 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
				2023 %	2022 %	
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
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 2023

33. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Non-current asset		
Interest in a subsidiary	<u>12,787</u>	<u>19,956</u>
Current assets		
Other receivables, deposits and prepayments	211	112
Bank balance and cash	<u>1,147</u>	<u>–</u>
	<u>1,358</u>	<u>112</u>
Current liabilities		
Other payables and accrued charges	1,323	1,479
Amounts due to directors	<u>4,100</u>	<u>–</u>
	<u>5,423</u>	<u>1,479</u>
Net current liabilities	<u>(4,065)</u>	<u>(1,367)</u>
Total assets less current liabilities	<u>8,722</u>	<u>18,589</u>
Net assets	<u>8,722</u>	<u>18,589</u>
Capital and reserves		
Issued share capital	11,150	4,460
Reserves	<u>(2,428)</u>	<u>14,129</u>
Total equity	<u>8,722</u>	<u>18,589</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

33. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY

(Continued)

Movement in the Company's reserves

	Share Premium <i>HK\$'000</i>	Accumulated losses <i>HK\$'000</i>	Total <i>HK\$'000</i>
As at 1 January 2022	127,329	(103,350)	23,979
Loss and total comprehensive expense for the year	–	(9,850)	(9,850)
As at 31 December 2022 and 1 January 2023	127,329	(113,200)	14,129
Issuance of shares under rights issues (<i>Note 25</i>)	6,116	–	6,116
Loss and total comprehensive expense for the year	–	(22,673)	(22,673)
As at 31 December 2023	<u>133,445</u>	<u>(135,873)</u>	<u>(2,428)</u>

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				2023 HK\$'000
	2019 HK\$'000	2020 HK\$'000	2021 HK\$'000	2022 HK\$'000	
Revenue	<u>107,466</u>	<u>74,631</u>	<u>76,061</u>	<u>37,465</u>	<u>36,357</u>
Loss before taxation	(18,402)	(15,562)	(14,987)	(20,392)	(15,346)
Income tax credit/(expense)	<u>1,173</u>	<u>(831)</u>	<u>(1,556)</u>	<u>-</u>	<u>-</u>
Loss for the year	<u>(17,229)</u>	<u>(16,393)</u>	<u>(16,553)</u>	<u>(20,392)</u>	<u>(15,346)</u>
Attributable to:					
Owners of the Company	(17,229)	(16,393)	(16,553)	(20,392)	(15,346)
Non-controlling interests	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>(17,229)</u>	<u>(16,393)</u>	<u>(16,553)</u>	<u>(20,392)</u>	<u>(15,346)</u>
	As at 31 December				2023 HK\$'000
	2019 HK\$'000	2020 HK\$'000	2021 HK\$'000	2022 HK\$'000	
Assets and liabilities					
Total assets	116,276	90,835	77,692	38,926	35,934
Total liabilities	<u>(42,579)</u>	<u>(33,531)</u>	<u>(36,941)</u>	<u>(18,567)</u>	<u>(18,115)</u>
	<u>73,697</u>	<u>57,304</u>	<u>40,751</u>	<u>20,359</u>	<u>17,819</u>
Equity attributable to:					
Owners of the Company	<u>73,697</u>	<u>57,304</u>	<u>40,751</u>	<u>20,359</u>	<u>17,819</u>