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Kafelaku Coffee Holding Limited

貓屎咖啡控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 1869)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2024

FINAL RESULTS

The board (the “**Board**”) of directors (the “**Directors**”) of Kafelaku Coffee Holding Limited (the “**Company**”, together with its subsidiaries, collectively known as the “**Group**”) is pleased to announce the audited consolidated results of the Group for the year ended 31 December 2024 (the “**Year**”), together with the comparative figures for the previous financial year ended 31 December 2023 (the “**Previous Year**”) as set out below. This annual results announcement has been reviewed by the audit committee of the Company (the “**Audit Committee**”).

FINANCIAL HIGHLIGHTS

- The revenue of the Group amounted to approximately HK\$139.6 million for the year ended 31 December 2024, representing a decrease of approximately 21.8% as compared with the year ended 31 December 2023.
- The loss attributable to owners of the Company amounted to approximately HK\$48.7 million for the year ended 31 December 2024, compared to a profit attributable to owners of the Company of approximately HK\$8.0 million for the year ended 31 December 2023.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2024

		2024	2023
	<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Revenue	5	139,620	178,523
Other income	5	2,983	2,918
Cost of materials consumed		(56,006)	(63,878)
Employee benefits expense		(62,354)	(51,946)
Depreciation	6	(22,909)	(24,479)
Other operating expenses	6	(33,751)	(39,518)
Gain on early termination of leases, net		11	5
Gain on deconsolidation of a subsidiary		–	17,821
Impairment loss on financial assets under expected credit loss model, net		(1,086)	(36)
Impairment loss on property, plant and equipment		(865)	(563)
Impairment loss on right-of-use assets		(5,588)	(3,536)
Finance costs	7	(5,404)	(7,766)
(Loss) profit before taxation		(45,349)	7,545
Income tax (expense) credit	8	(3,331)	427
(Loss) profit for the year		(48,680)	7,972
Other comprehensive (expense) income			
Item that may be reclassified subsequently to profit or loss:			
Exchange difference arising from translation of financial statements of foreign operations		(136)	1,044
Total comprehensive (expense) income for the year		(48,816)	9,016

		2024	2023
	<i>Note</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
(Loss) profit attributable to:			
Owners of the Company		(48,680)	7,987
Non-controlling interests		<u>–</u>	<u>(15)</u>
		<u>(48,680)</u>	<u>7,972</u>
Total comprehensive (expense) income attributable to:			
Owners of the Company		(48,976)	8,896
Non-controlling interests		<u>160</u>	<u>120</u>
		<u>(48,816)</u>	<u>9,016</u>
Basic (loss) earnings per share	10	<u>HK cents (3.94)</u>	<u>HK cents 0.72</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2024

		As at 31 December	
		2024	2023
	Notes	HK\$'000	HK\$'000
ASSETS			
Non-current assets			
Property, plant and equipment		14,745	15,450
Right-of-use assets		24,055	43,771
Deposits and prepayments		9,121	6,922
Deferred tax assets		—	3,582
		<u>47,921</u>	<u>69,725</u>
Current assets			
Inventories		7,862	9,785
Trade receivables	11	1,438	1,713
Deposits, prepayments and other receivables		19,832	9,802
Tax recoverable		—	103
Cash and cash equivalents		<u>10,571</u>	<u>16,880</u>
		<u>39,703</u>	<u>38,283</u>
Total assets		<u>87,624</u>	<u>108,008</u>
EQUITY			
Equity attributable to owners of the Company			
Share capital	12	14,103	11,051
Reserves		<u>(73,739)</u>	<u>(63,837)</u>
		(59,636)	(52,786)
Non-controlling interests		<u>(4,782)</u>	<u>(4,942)</u>
Total deficits		<u>(64,418)</u>	<u>(57,728)</u>

		As at 31 December	
		2024	2023
<i>Note</i>		HK\$'000	HK\$'000
LIABILITIES			
Non-current liabilities			
Lease liabilities		32,963	52,024
Provision for reinstatement costs		2,448	3,081
Contract liabilities		327	–
Debenture		2,000	–
		<hr/>	<hr/>
		37,738	55,105
		<hr/>	<hr/>
Current liabilities			
Trade payables	13	9,170	10,439
Accruals and other payables		59,119	56,663
Amount due to a non-controlling shareholder		1,188	1,228
Contract liabilities		22,186	18,389
Lease liabilities		20,141	21,962
Provision for reinstatement costs		2,500	1,950
		<hr/>	<hr/>
		114,304	110,631
		<hr/>	<hr/>
Total liabilities		152,042	165,736
		<hr/>	<hr/>
Total deficits and liabilities		87,624	108,008
		<hr/>	<hr/>
Net current liabilities		(74,601)	(72,348)
		<hr/>	<hr/>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

1 GENERAL INFORMATION

Kafelaku Coffee Holding Limited (the “**Company**”) was incorporated in the Cayman Islands on 1 September 2015 as an exempted company with limited liability under the Companies Law (2013 Revision) of the Cayman Islands. The address of the Company’s registered offices is Windward 3, Regatta Office Park, PO Box 1350, Grand Cayman KY1-1108, Cayman Islands. The Company’s principal place of business in Hong Kong is 26/F, Chinachem Century Tower, 178 Gloucester Road, Wan Chai, Hong Kong. The Company’s shares (the “**Shares**”) are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”). Kafelaku Coffee Industrial Limited, an entity incorporated in the British Virgin Islands, is the ultimate holding company of the Company. It is ultimately controlled by Mr. Liang Naiming (“**Mr. Liang**”).

The Company is an investment holding company and its subsidiaries (collectively, the “**Group**”) are principally engaged in the provision of food catering and beverage services in Hong Kong and the People’s Republic of China (the “**PRC**” or “**China**”).

The consolidated financial statements are presented in Hong Kong dollars (“**HK\$**”) which is the same as the functional currency of the Company and all values are rounded to the nearest thousand except where otherwise indicated.

2 APPLICATION OF AMENDMENTS TO HKFRS ACCOUNTING STANDARDS

Application of amendments to HKFRS ACCOUNTING STANDARDS

In the current year, the Group has applied, for the first time, the following amendments to HKFRS Accounting Standards issued by the Hong Kong Institute of Certified Public Accountants (the “**HKICPA**”) which are effective for the Group’s financial year beginning on 1 January 2024:

Amendments to HKFRS 16	Lease Liability in a Sale and Leaseback
Amendments to HKAS 1	Classification of Liabilities as Current or Non current and related amendments to Hong Kong Interpretation 5 (2020)
Amendments to HKAS 1	Non-current Liabilities with Covenants
Amendments to HKAS 7 and HKFRS 7	Supplier Finance Arrangements

The application of the amendments to HKFRS Accounting Standards 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.

New and amendments to HKFRS Accounting Standards issued but not yet effective

Amendments to HKFRS 9 and HKFRS 7	Amendments to the Classification and Measurement of Financial Instruments ²
Amendments to HKFRS 9 and HKFRS 7	Contracts Referencing Nature – Dependent Electricity ²
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ⁴
Amendments to HKFRS Accounting Standards	Annual Improvements to HKFRS Accounting Standards – Volume 11 ²
Amendments to HKAS 21	Lack of Exchangeability ¹
HKFRS 18	Presentation and Disclosure in Financial Statements ³

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

² Effective for annual periods beginning on or after 1 January 2026

³ Effective for annual periods beginning on or after 1 January 2027

⁴ Effective for annual periods beginning on or after a date to be determined.

Except for the new and amendments to HKFRS Accounting Standards mentioned below, the directors of the Company anticipate that the application of all other new and amendments to HKFRS Accounting Standards will have no material impact on the results and the financial position of the Group.

HKFRS 18 – Presentation and Disclosure in Financial Statements

HKFRS 18 sets out requirements on presentation and disclosures in financial statements and will replace HKAS 1 Presentation of Financial Statements. HKFRS 18 introduces new requirements to present specified categories and defined subtotals in the statement of profit or loss; provide disclosures on management-defined performance measures in the notes to the financial statements and improve aggregation and disaggregation of information to be disclosed in the financial statements. Minor amendments to HKAS 7 *Statement of Cash Flows* and HKAS 33 *Earnings per Share* are also made.

HKFRS 18, and other standards, will be effective for annual periods beginning on or after 1 January 2027, with early application permitted.

The application of the HKFRS 18 is not expected to have material impact on the financial position of the Group. The directors are in the process of making an assessment of the impact of HKFRS 18, but is not yet in a position to state whether the adoption would have a material impact on the presentation and disclosures of consolidated financial statements of the Group.

3 BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS

Going concern assumption

The Group incurred a net loss of HK\$48,680,000 during the year ended 31 December 2024 and, as of that date, the Group had net current liabilities and net liabilities of HK\$74,601,000 and HK\$64,418,000, respectively.

As at 31 December 2024, the Group had total liabilities of HK\$152,042,000, in which, trade payables of HK\$9,170,000, amount due to a non-controlling shareholder of HK\$1,188,000, lease liabilities of HK\$20,141,000 and other payables of HK\$59,119,000 (including amounts due to directors, amount due to a former director and provision for litigation of HK\$252,000, HK\$8,513,000 and HK\$15,818,000, respectively) are repayable within one year, while the Group had cash and cash equivalents of approximately HK\$10,571,000. These conditions indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern, and therefore, it may be unable to realise its assets and discharge its liabilities in the normal course of business.

In view of the above, the directors of the Company had carefully considered the liquidity of the Group, taking into consideration of the following plans and measures:

- (i) the controlling shareholder of the Company has agreed to provide continuous financial support to the Group to enable it to meet its obligations when due and carry on its business without a significant curtailment of operations of the Company so as to enable it to meet its liabilities when they fall due and carry on its business for at least the next twelve months from the date of this announcement;
- (ii) the management has agreed with a related company of the Group, of which is controlled by the controlling shareholder of the Company, for loan facility amounting to RMB96,000,000 to finance the Group's working capital and commitments in the foreseeable future;
- (iii) the Group will identify and negotiate with various financial institutions and identify various options for financing the Group's working capital and commitments in the foreseeable future;
- (iv) the Group has developed a plan to raise new capital by carrying out fund-raising activities including but not limited to rights issue and placing of new shares;
- (v) the Group will consider the strategic expansion in civet coffee franchising by increasing the number of franchised coffee shop, which can reduce the set up costs and resource demands associated with the expansion; and
- (vi) the management has been endeavoring to improve the Group's operating results and cash flows through various cost control measures including streamlining of operations to minimal unnecessary expenses, evaluating the possibility of workforce reductions or reduction of payroll costs and human resources optimisation.

The directors of the Company believe that, after taking into account the above plans and measures, the Group will have sufficient working capital to satisfy its present requirements for the year ending 31 December 2025.

Notwithstanding the above, significant uncertainties exist as to whether the Group will be able to continue as a going concern which would depend upon, (i) the successful implementation of cost control measures and business plans to improve the Group's operating results and cash flows; (ii) the receipt of additional sources of financing from the controlling shareholder and a related company of the Group as and when needed; and (iii) the successful of carrying out fund raising activities to obtain financial resources as and when needed.

Should the Group fail to achieve the abovementioned measures, it might not be able to continue to operate as a going concern, and adjustments would have to be made to write down the carrying values of the Group's assets to their recoverable amounts to provide for any further liabilities which might arise and to reclassify non-current assets and non-current liabilities as current assets and current liabilities. The effects of these adjustments have been reflected in these consolidated financial statements.

4 SEGMENT INFORMATION

Information reported to the chief executive officer of the Company (the “CEO”), being the chief operating decision maker (“CODM”), for the purposes of resource allocation and assessment of segment performance focuses on types of goods or services delivered or provided. The directors of the Company have chosen to organise the Group around differences in products and services. No operating segments identified by the CODM have been aggregated in arriving at the reportable segments of the Group.

In current year, the Group reorganised its internal reporting structure which resulted in changes to the composition of its reportable segments. The CODM reviews the financial performance of its food catering and beverage separately for the purpose of resource allocation and performance assessment.

Accordingly, the Group’s operating and reportable segments are as follows:

- Food catering – Restaurant operations – delivering Cantonese cuisine, Chinese banquet and dining services
- Beverage – Coffee operations

Prior year segment disclosures have been represented to conform with the current year’s presentation.

Segment revenues and results

The following is an analysis of the Group’s revenue and results by reportable and operating segments.

For the year ended 31 December 2024

	Food Catering HK\$’000	Beverage HK\$’000	Total HK\$’000
Revenue			
External sales	<u>138,601</u>	<u>1,019</u>	<u>139,620</u>
Segment results	(20,528)	(14,517)	(35,045)
Unallocated income			51
Unallocated expenses			<u>(10,355)</u>
Loss before taxation			<u><u>(45,349)</u></u>

For the year ended 31 December 2023

	Food Catering <i>HK\$'000</i>	Total <i>HK\$'000</i>
Revenue		
External sales	178,523	178,523
Segment results		(2,826)
Unallocated income		18,070
Unallocated expenses		(7,699)
Profit before taxation		7,545

Segment loss represents the loss from each segment without allocation of certain other income, gain on deconsolidation of a subsidiary, certain employee benefits expense, certain other operating expenses and certain finance costs. This is the measure reported to CODM for the purposes of resource allocation and performance assessment.

Other segment information

For the year ended 31 December 2024

	Food Catering <i>HK\$'000</i>	Beverage <i>HK\$'000</i>	Total <i>HK\$'000</i>
Depreciation	22,909	–	22,909
Impairment loss on property, plant and equipment	865	–	865
Impairment loss on right-of-use assets	5,588	–	5,588
(Reversal of impairment loss) impairment loss on financial assets under expected credit loss model, net	(49)	1,135	1,086
Capital expenditures			
– Property, plant and equipment	–	9,677	9,677
– Right-of-use assets	837	–	837

For the year ended 31 December 2023

	Food Catering HK\$'000	Total HK\$'000
Depreciation	24,479	24,479
Impairment loss on property, plant and equipment	563	563
Impairment loss on right-of-use assets	3,536	3,536
Impairment loss on financial assets under expected credit loss model, net	36	36
Capital expenditures		
– Property, plant and equipment	5,451	5,451
– Right-of-use assets	2,783	2,783

Geographical information

The following table presents revenue from external customers for the years ended 31 December 2024 and 2023 by geographical area.

	Year ended 31 December	
	2024	2023
	HK\$'000	HK\$'000
Revenue from external customers		
Hong Kong	19,792	19,124
Mainland China	119,828	159,399
	<u>139,620</u>	<u>178,523</u>

The revenue information above is based on the locations of the customers.

	31 December	31 December
	2024	2023
	HK\$'000	HK\$'000
Non-current assets		
Hong Kong	1,684	1,819
Mainland China	37,116	57,402
	<u>38,800</u>	<u>59,221</u>

The non-current assets information above is based on the locations of the assets and excludes financial assets and deferred tax assets.

For the years ended 31 December 2024 and 2023, there are no single external customers contributed more than 10% revenue of the Group.

5 REVENUE AND OTHER INCOME

(i) An analysis of revenue during the years ended 31 December 2024 and 2023 are as follows:

	Year ended 31 December	
	2024	2023
	HK\$'000	HK\$'000
Revenue from restaurant operations	138,601	178,523
Revenue from sales of goods and equipment	928	–
Revenue from royalty and franchising income	91	–
	<u>139,620</u>	<u>178,523</u>

(ii) Timing of revenue recognition

	Year ended 31 December	
	2024	2023
	HK\$'000	HK\$'000
Timing:		
– At a point in time	139,529	178,523
– Over time	91	–
	<u>139,620</u>	<u>178,523</u>

(iii) Transaction price allocated to the remaining performance obligation for contracts with franchisees

The transaction price allocated to the remaining performance obligations for non-refundable upfront initial fee and royalty income (unsatisfied or partially unsatisfied) as at 31 December 2024 and 2023 and the expected timing of recognising revenue are as follows:

	Year ended 31 December	
	2024	2023
	HK\$'000	HK\$'000
Within one year	3,090	–
More than one year but not more than two years	91	–
Two to five years	236	–
	<u>3,417</u>	<u>–</u>

Except for non-refundable upfront initial fee, sales of goods and equipment, royalty income and pre-opening training services are for periods of one year or less. As permitted under HKFRS 15, the transaction price allocated to these unsatisfied contracts is not disclosed.

	Year ended 31 December	
	2024	2023
	HK\$'000	HK\$'000
Other income		
Interest income on short-term bank deposits	35	306
Interest income from amount due from a related company	210	–
Interest income on loan receivable	–	95
Reversal of impairment loss on loan receivable	–	1,883
Government subsidies and incentive (<i>Note</i>)	1,621	181
Rent concessions	533	–
Miscellaneous income	584	453
	<u>2,983</u>	<u>2,918</u>

Note: The government incentive represented the amounts granted by the Economic Development Bureau of different districts in the PRC to support the Group's contribution to local economy with no unfulfilled conditions or contingencies and are recognised as other income upon receipts during both years.

Disaggregation of revenue from contracts with customers by geographic markets is disclosed in note 4.

6 DEPRECIATION AND OTHER OPERATING EXPENSES

	Year ended 31 December	
	2024	2023
	HK\$'000	HK\$'000
Depreciation		
– Property, plant and equipment	8,610	7,767
– Right-of-use assets	14,299	16,712
	<u>22,909</u>	<u>24,479</u>
Other operating expenses include the following items:		
Auditor's remuneration	1,000	1,222
Operating lease payments of premises		
– Contingent rent for premises (<i>note</i>)	346	504
Lease payments not included in the measurement of lease liabilities	147	563
Bad debt written-off	–	237
Advertising and promotion expenses	2,067	1,290
Building management fee and air conditioning charges	6,901	7,232
Laundry and sanitary expenses	2,825	3,119
Legal and professional fee	1,714	1,717
Repair and maintenance	973	907
Utility expenses	4,063	4,139
Penalty and related interest in relation to litigation (<i>note 14</i>)	2,446	4,674

Note: The contingent rent refers to the operating rentals based on pre-determined percentage to the restaurant revenue less minimum rentals of the respective leases.

7 FINANCE COSTS

	Year ended 31 December	
	2024	2023
	HK\$'000	HK\$'000
Interest expenses on lease liabilities	5,396	7,257
Interest expenses on debenture	8	–
Interest expenses on bank borrowings	–	509
	<u>5,404</u>	<u>7,766</u>

8 INCOME TAX

	Year ended 31 December	
	2024	2023
	HK\$'000	HK\$'000
Current tax		
Current year	40	–
Overprovision in prior years	(175)	–
Deferred tax	<u>3,466</u>	<u>(427)</u>
Income tax expense (credit)	<u>3,331</u>	<u>(427)</u>

No provision for Hong Kong profits tax is made in the consolidated financial statements as the Group has no assessable profits derived in Hong Kong for the years ended 31 December 2024 and 2023.

No provision for the PRC income tax is made in the consolidated financial statements in respect of profit for the year as the Group has sufficient tax losses brought forward available to offset the current year's estimated assessable profits (2023: Nil).

According to the PRC Enterprise Corporate Tax Law promulgated by the PRC government, the PRC's statutory income tax rate is 25%. Except for certain preferential tax treatment available to one of its subsidiaries of the Group, the other PRC subsidiaries are subject to income tax at the rate of 25% for the years ended 31 December 2024 and 2023.

9 DIVIDEND

The Board has resolved not to recommend the payment of any final dividend for the Year (2023: Nil).

10 (LOSS) EARNINGS PER SHARE

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

	Year ended 31 December	
	2024	2023
	HK\$'000	HK\$'000
(Loss) profit		
(Loss) profit for the year attributable to the owners of the Company	(48,680)	7,987
	2024	2023
	'000	'000
Number of Shares		
Weighted average number of Shares for the purpose of calculating basic (loss) earnings per Share	1,236,683	1,105,100

Diluted (loss) earnings per Shares was the same as basic (loss) earnings per Share as there were no potential dilutive ordinary shares outstanding for the years ended 31 December 2024 and 2023.

11 TRADE RECEIVABLES

	31 December 2024	31 December 2023
	HK\$'000	HK\$'000
Trade receivables	1,588	1,912
Less: Allowance for expected credit loss ("ECL")	(150)	(199)
	1,438	1,713

Trade receivables are mainly receivables from financial institutions in relation to the payment by credit cards and mobile payment by customers. The credit period granted by the Group to its customers is within 30 days.

The ageing analysis of trade receivables based on invoice date (net of allowance for ECL) is as follows:

	31 December 2024	31 December 2023
	HK\$'000	HK\$'000
0 to 30 days	1,246	1,488
31 to 60 days	51	67
61 to 90 days	20	17
Over 90 days	121	141
	1,438	1,713

12 SHARE CAPITAL

	Number of Ordinary shares	Nominal value of Ordinary share HK\$'000
Authorised:		
Ordinary shares of HK\$0.01 each as at 1 January 2023, 31 December 2023, 1 January 2024 and 31 December 2024	2,000,000,000	20,000
Issued and fully paid:		
As at 1 January 2023, 31 December 2023 and 1 January 2024	1,105,100,000	11,051
Issue of shares upon placing (i)	194,650,000	1,947
Issue of shares upon employee share award scheme (ii)	110,500,000	1,105
As at 31 December 2024	1,410,250,000	14,103

- (i) On 14 May 2024, the Company and the placing agent entered into the placing agreement, pursuant to which the Company had conditionally agreed to place through the placing agent of up to 221,020,000 placing Shares (the “**Placing**” and the “**Placing Shares**”, respectively) to not less than six placees at the HK\$0.144 per Placing Shares. The Placing was completed on 7 June 2024. An aggregate of 194,650,000 Placing Shares had been placed to not less than six placees at HK\$0.144 per Placing Shares pursuant to the terms and conditions of the placing agreement. The gross proceeds and the net proceeds (after deduction of the relevant expenses and fees) from the Placing amounted to approximately HK\$28,030,000 and HK\$27,098,000, respectively.
- (ii) During the year ended 31 December 2024, the Company allotted 110,500,000 ordinary Shares to the share scheme trust for the purpose of granting awarded Shares to the participants under the share award schemes.

13 TRADE PAYABLES

The ageing analysis of trade payables based on invoice date is as follows:

	31 December 2024 HK\$'000	31 December 2023 HK\$'000
0 to 30 days	4,879	4,956
31 to 60 days	248	1,841
61 to 90 days	113	1,181
Over 90 days	3,930	2,461
	9,170	10,439

The carrying amounts of trade payables approximate their fair values and are denominated in HK\$ or RMB, which are the functional currencies of the respective group entities.

14 LITIGATION AND CONTINGENT LIABILITIES

Except for the case set out below, the Group did not have other significant contingent liabilities as at 31 December 2024 and up to the date of this announcement.

As disclosed in the announcement of the Company dated 6 January 2020, Excel Linker (Hong Kong) Limited, an indirect wholly-owned subsidiary of the Company, received a Writ of Summons together with an indorsement of claim (the “**Indorsement**”) dated 31 December 2019 by Foxhill Investments Limited as plaintiff (the “**Plaintiff**”) against Excel Linker (Hong Kong) Limited as defendant (the “**Defendant**”).

It was stated in the Indorsement that the Plaintiff’s claim against the Defendant was in relation to the breach of the Tenancy Agreement dated 18 April 2018 for failing and/or refusing to pay the rent and/or management fees and/or government rates in respect of the premises located at Units 201–202 on the Second Floor of Infinitus Plaza, No. 199 Des Voeux Road, Central, Hong Kong since 1 October 2019. For further details, please refer to the announcement of the Company dated 6 January 2020. The Company further received a statement of claim dated 17 January 2020 from the Plaintiff. The Group had made a provision on the rent, management fee, penalty and related interest in relation to the aforesaid litigation of approximately HK\$15,818,000 (2023: HK\$13,372,000) in the consolidated financial statements.

Up to the date of this announcement, the case is still in proceedings. On the basis of currently available information, the Director’s considered that the legal proceedings are unlikely to result in any other material outflow of economic benefits from the Group.

15 COMMITMENTS

	2024 HK\$’000	2023 HK\$’000
Capital expenditure in respect of the acquisition of property, plant and equipment contracted for but not provided in the consolidated financial statements	<u>298</u>	<u>–</u>

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS AND OPERATIONAL REVIEW

The Group is primarily engaged in providing food and beverage services in Hong Kong and the PRC. Currently, we are undergoing a rebranding process and developing our civet coffee business.

In December 2024, our first franchised coffee shop under the brand name “Kafelaku Coffee” was proudly opened in Wenzhou City, Zhejiang Province.

As of 31 December 2024, the Group operated one full-service restaurant in Hong Kong under the brand name “Li Bao House (利寶會館)” (the “**Central Restaurant**”), which focuses on classic and refined Cantonese cuisine. In the PRC, we have three full-service restaurants in Shenzhen under the brand name “Star of Canton (利寶閣)” (the “**Shenzhen Restaurants**”). We also operated a franchising business of coffee shop under the brand name “Kafelaku Coffee”.

During the Year, the Hong Kong market continued facing challenges due to the sluggish economy and the trend of residents traveling north to Shenzhen for consumption and dining. While the mid-term outlook remained challenging, there has been some of improvement following the Chinese government’s introduction of new policies facilitating that simplified travel for mainland visitors to Hong Kong.

Despite the aforesaid obstacles, the Chinese restaurant sector in Hong Kong had demonstrated resilience, maintained steady demand for both traditional and modern Chinese cuisine. The Chinese government’s introduction of more accessible multiple-entry visas for PRC travelers had, to a certain extent, counteracted the impact of Hong Kong consumers’ traveling north. A gradual recovery is anticipated.

Similarly, the Chinese restaurant sector in mainland China was also impacted by the effects of the sluggish economy. While it is expected that the market will remain competitive and face ongoing challenges, adapting to consumer preferences and economic conditions will be crucial for achieving sustained growth.

In contrast, the coffee market in China is experiencing rapid growth, with forecasts indicating a significant increase in consumption in the coming years. Key drivers of this trend include urbanization and the expansion of the middle class. Coffee is becoming the mainstream beverage, particularly among younger consumers. Major coffee chains are expanding aggressively, enriching the local coffee culture.

All of the Group's restaurants and its franchised coffee shop are strategically situated in landmark shopping arcades or commercial complexes at prime locations. The Group maintains a business philosophy of offering good quality food, beverage and services at reasonable prices in an elegant and comfortable dining setting. All of the Group's restaurants target at mid-to-high end spending customers.

As at 31 December 2024, the Group had,

In Hong Kong:

- (i) one Chinese restaurant, which was located in Central, Hong Kong (i.e. the Central Restaurant);

In Shenzhen, the PRC:

- (ii) three Chinese restaurants, which were located in Futian District, Shenzhen, the PRC (i.e. the Shenzhen Restaurant and the Shenzhen One Avenue Restaurant) and Baoan District, Shenzhen, the PRC (i.e. the Shenzhen Uniwalk Restaurant), respectively; and

In Zhejiang Province, the PRC

- (iii) a franchised coffee shop, which was located in Wenzhou City, Zhejiang Province, the PRC.

Since the business environment on restaurant operations remains weak, the expansion plan of the Group has been delayed. However, the Group will explore the opportunity to develop its coffee operations in both Hong Kong and China.

FINANCIAL REVIEW

Revenue

For the Year, the Group recorded a total revenue of approximately HK\$139.6 million, representing a decrease of approximately 21.8% as compared to approximately HK\$178.5 million for the Previous Year.

The Group's total revenue for the Year mainly comprised of (a) food catering which was restaurant operations delivering Cantonese cuisine, Chinese banquets and dining services; and (b) beverage services which was coffee operations.

Food Catering

The revenue derived from the restaurant business in Hong Kong of approximately HK\$19.8 million (2023: approximately HK\$19.1 million), which increased by approximately 3.7% and remained stable compared to the Previous Year;

The aggregate revenue of the three Chinese restaurants in Shenzhen, the PRC, of approximately HK\$118.8 million (2023: approximately HK\$159.4 million), decreased by approximately 25.5%, which was mainly due to the sluggish economic growth of the PRC during the Year; and

Beverage Services

The revenue generated from our new civet coffee franchising business in the PRC of approximately HK\$1.0 million (2023: nil), which included sale of goods and equipment to franchisees, provision of pre-opening training service and non-refundable upfront initial fee.

Gross profit and gross profit margin

The Group's gross profit (i.e. revenue minus cost of materials consumed) amounted to approximately HK\$83.6 million for the Year, representing a decrease of approximately 27.0% from approximately HK\$114.6 million for the Previous Year, which was in line with the decrease in revenue of approximately 21.8% during the Year. Furthermore, the Group's overall gross profit margin decreased to approximately 59.9% for the Year (2023: 64.2%) due to the increased discounts offered by the Group due to the weak business environment in the PRC during the Year.

Employee benefits expense

Employee benefits expense was approximately HK\$62.4 million for the Year (2023: approximately HK\$51.9 million), representing an increase of approximately 20.3% as compared to 2023 which was due to the cost of approximately HK\$15.0 million for granting 110.5 million awarded Shares to the eligible employee participants under the share scheme of the Company.

Depreciation

Depreciation in respect of the right-of-use assets in relation to the Group's leased properties for the Year was approximately HK\$14.3 million (2023: HK\$16.7 million).

Other operating expenses

Other operating expenses mainly include but not limited to expenses incurred for the Group's restaurant operations, consisting of operating lease expenses, building management fees, air conditioning charges, cleaning and laundry expenses, utility expenses, service fees to temporary workers, advertising and promotions. For the Year, other operating expenses amounted to approximately HK\$33.8 million (2023: HK\$39.5 million), representing a decrease of approximately HK\$5.8 million or 14.6% which was mainly due to the combined effects of (i) the decrease of lease payment of approximately HK\$0.4 million which was not included in the measurement of lease liabilities; (ii) the decrease of building management fee and air conditioning charge of approximately HK\$0.3 million; (iii) the increase in advertising and promotion expenses of approximately HK\$0.8 million; and (iv) a decrease of penalty and related interest in relation to litigation approximately HK\$2.2 million.

Impairment losses on right-of-use assets and property and plant and equipment

The impairment loss on right-of-use assets and property, plant and equipment amounting to approximately HK\$5.6 million (2023: HK\$3.5 million) and HK\$0.9 million (2023: HK\$0.6 million), respectively, for the Year. The increments were because of the impairment losses arised from the unsatisfactory performance of Chinese restaurants in the PRC during the Year.

Finance costs

Finance costs for the Year were approximately HK\$5.4 million (2023: HK\$7.8 million) in respect of interest expense on lease liabilities in relation to the Group's leased property, plant and equipment and debenture.

Loss attributable to owners of the Company

For the Year, the Group recorded a loss attributable to owners of the Company of approximately HK\$48.7 million, whereas the Group recorded a profit attributable to owners of the Company of approximately HK\$8.0 million for the Previous Year. Such loss-making position for the Year was mainly attributable to the combined effects of (i) the increase in employee benefits expenses due to the increase in the share-based compensation cost of approximately HK\$15.0 million; (ii) the decrease in aggregate revenue by approximately HK\$38.9 million; and (iii) the increase in the impairment loss on right-of-use assets by approximately HK\$2.1 million.

Deposits, prepayments and other receivables

As at 31 December 2024, the Group's current assets include, among others, the deposits, prepayments and other receivable amounting to approximately HK\$19.8 million (2023: HK\$9.8 million). Such increase was mainly attributable to the amount due from a related entity of the Group, Guangzhou Kafelaku Coffee Food Company Limited* (廣州貓屎咖啡食品有限公司) (“**Guangzhou Kafelaku**”), which was unsecured, with interest rate at 3.95% per annum (the “**Loans**”). The Loans are repayable on demand.

For further details, please refer to the Company's announcement dated 31 March 2025.

Liquidity, financial resources and capital structure

Capital Structure

The Group's objectives in managing capital are to safeguard its ability to continue as a going concern in order to provide returns for its Shareholders and to maintain an optimal capital structure to reduce the cost of capital.

* The English name is for identification purpose only.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to its Shareholders, return capital to its Shareholders, issue new Shares or sell assets to reduce debts.

The Group monitors its capital on the basis of the gearing ratio. The Group's strategy, which was unchanged during the Year, was to maintain the gearing ratio at an acceptable level.

As at 31 December 2024, the Group's cash and cash equivalents were approximately HK\$10.6 million, representing a decrease of approximately HK\$6.3 million as compared with approximately HK\$16.9 million as at 31 December 2023. The decrease was mainly due to an increase in cash used in operations and development of the civet coffee business in the PRC.

As at 31 December 2024, cash and cash equivalents amounted to approximately HK\$10.6 million, of which approximately HK\$8.4 million and approximately HK\$2.2 million were denominated in Hong Kong dollars ("**HK\$**") and Renminbi ("**RMB**"), respectively.

Debenture

On 12 November 2024, the Group has issued a secured debenture with principal of HK\$2 million (2023: nil) and issued at 100% of the principal amount, with interest rate at 3% per annum payable annually in arrears and maturity of 7 years from date of issuance, i.e., 12 November 2031, unless early redeemed.

Indebtedness and Banking Facilities

As at 31 December 2024, the Group had no bank borrowings (as at 31 December 2023: nil).

As at 31 December 2024, the Group's gearing ratio, which is calculated based on the interest-bearing debts divided by total equity attributable to owners of the Company (the "**Shareholders' Equity**"), was irrelevant as the Company recorded a deficit in its Shareholders' Equity as at 31 December 2024. The Directors, taking into account the nature and scale of operations and capital structure of the Group, will closely monitor the gearing ratio and will adjust its business strategies to improve it to a reasonable level.

Foreign Exchange Exposure

Most of the income and expenditures of the Group are denominated in HK\$ and RMB, which are the functional currencies of the respective group entities. Although HK\$ is not pegged to RMB, the historical exchange rate fluctuation on RMB was not significant during the Year under review. Thus, no significant exposure is expected on RMB transactions and balances. Accordingly, the Group does not have any material foreign exchange exposure. During the Year, the Group had not used any financial instruments for hedging purposes.

Securities in Issue

As at 31 December 2024, there were 1,410,250,000 ordinary Shares in issue (2023: 1,105,100,000 ordinary Shares). During the Year, the Company has: (i) placed an aggregate of 194,650,000 Shares to not less than six independent third parties (please refer to section “Placing of New Shares under General Mandate” below for details); and (ii) allotted 110,500,000 Shares to the trustee of the share award scheme of the Company.

Placing of New Shares under General Mandate

On 7 June 2024, the Company has completed a placing of an aggregate of 194,650,000 Shares (the “**Placing Shares**”) to not less than six placees (the “**Placees**”), who were individual, institutional or other professional investors that were third parties independent of the Company and its connected persons, at HK\$0.144 per Placing Shares pursuant to the terms and conditions of the placing agreement entered into between the Company and the placing agent on 14 May 2024 (the “**Placing**” and “**Placing Agreement**” respectively). The market closing price was HK\$0.178 per Share on the date of the Placing Agreement. The gross proceeds and the net proceeds (after deduction of the relevant expenses and fees) from the Placing amounted to approximately HK\$28,030,000 and HK\$27,098,000, respectively. Please refer to the Company’s announcements dated 14 May 2024 and 7 June 2024 (the “**Placing Announcements**”) for details.

Please refer to the section “Use of Proceeds from the Placing” on page 27 below for details of the use of the Placing proceeds.

Grant of Awards Pursuant to Share Scheme

Pursuant to the share scheme of the Company adopted by the Shareholders at the annual general meeting held on 24 May 2024 (the “**Share Scheme**”), the Company has on 29 August 2024 allotted an aggregate of 110,500,000 Shares (the “**Awarded Shares**”) to the employee participants subject to their meeting of the performance targets to be determined by the Group from time to time. As at 31 December 2024, the Awarded Shares were held by the trustee of the Share Scheme pending vesting. Please refer to the Company’s announcement dated 29 August 2024.

Significant Investment Held, Material Acquisition or Disposal of Subsidiaries and Affiliated Companies

On 5 August 2024, Jiangsu Kafelaku Holding Co., Ltd.* (江蘇貓鼬控股有限公司) (“**Jiangsu Kafelaku**”), a wholly-owned subsidiary of the Company, entered into a State-Owned Land Use Rights Transfer Contract with the Dongtai Bureau of Natural Resources and Planning* (東台市自然資源和規劃局), a government entity under the Dongtai Municipal People’s Government of the PRC, in relation to the acquisition for the land use rights of a land (the “**Acquisition**”) located at the east side of Yingbin Avenue, Coastal Economic Zone and south side of Haiwang Road of Dongtai City, Jiangsu Province, the PRC (中國江蘇東台市沿海經濟區迎賓大道東側、海旺路南側) (the “**Land**”) at a consideration of RMB5,790,180. In line with the Group’s rebranding process and developing its civet coffee business, the Directors intended to use the Land to set up an in-house civet coffee production base for the processing of coffee beans for the supply of its own coffee shops and coffee trading business. The Acquisition constitutes a discloseable transaction of the Company under Chapter 14 of the Listing Rules. For details, please refer to the Company’s announcements dated 17 December 2024 and 23 January 2025.

Save for the above, there was no significant investment held, material acquisition or disposal of subsidiaries and affiliated companies during the Year.

Charge on Assets

As at 31 December 2024, the Group did not have any charge over its assets (2023: nil).

Contingent Liabilities

On 31 December 2019, Excel Linker (Hong Kong) Limited, an indirect wholly-owned subsidiary of the Company received a Writ of Summons together with an indorsement of claim dated 31 December 2019 issued in the High Court of Hong Kong (the “**Court Action**”) by Foxhill Investments Limited as plaintiff against Excel Linker (Hong Kong) Limited as defendant. For details, please refer to the announcement titled “Inside Information – Litigation” dated 6 January 2020. A provision of HK\$15.8 million has been made in the consolidated financial statements as at 31 December 2024 (2023: HK\$13.4 million). The Company is of the view that the Court Action did not and will not have any material adverse impact on the ordinary operation and financial positions of the Group. To the best knowledge of the Directors, no trial in relation to the Court Action has been scheduled up to the date of this announcement.

Saved as disclosed above, as at 31 December 2024, the Group did not have any material contingent liabilities.

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Employees and Remuneration Policies

The Group had approximately 378 employees as at 31 December 2024 (2023: 430). The employee benefits expense, including Directors' emoluments, of the Group were approximately HK\$62.4 million (2023: HK\$51.9 million), increased by approximately 20.2% compared to 31 December 2023 which was due to the cost of approximately HK\$15.0 million for granting Awarded Shares under the Share Scheme.

The Directors and the senior management of the Company (the “**Senior Management**”) receive compensation in the form of salaries and discretionary bonuses with reference to salaries paid by comparable companies, time commitment and the performance of the Group. The Group regularly reviews and determines the remuneration and compensation package of the Directors and the Senior Management with reference to, among other things, the market level of salaries paid by comparable companies, the respective responsibilities of the Directors and the Senior Management and the performance of the Group.

The remuneration committee of the Board (the “**Remuneration Committee**”) reviews and determines the remuneration and compensation packages of the Directors with reference to their responsibilities, workload, the time devoted to the Group and the performance of the Group. The Directors may also receive awarded shares to be granted under the Share Scheme. During the Year, none of the Directors has been awarded any Shares under the Share Scheme.

Dividend

The Board has resolved not to recommend the payment of any final dividend for the Year (2023: nil).

Prospects

The Directors believe that, from the perspective of mid-to-longer terms, the Chinese government will gradually implement various stimulus policies, so as to boosting consumer confidence and hence an improvement of and an increase in the revenue in the catering and coffee operation industry in China can be expected. However, the catering industry still faces several challenges and the business environment still remains weak as compared to previous year. The Directors anticipate that the Group's business will face various challenges in the foreseeable future. The Group's key risk exposures and uncertainties are summarised as follows:

- (i) the Hong Kong and China economies may be further worsened as a result of the unfavourable development of the China-US trade war, the Ukraine war and the Israel-Gaza war, which would negatively affect the consumption sentiments of the general public and consequently the retail and catering sectors;

- (ii) the unforeseeable trend of in interest rates in Hong Kong may affect the consumers' spending sentiments which will adversely affect the business of the Group's restaurants in the year to come;
- (iii) the Group's future success relies heavily on its ability to constantly offer menu items, creatively-designed banquet and dining services based on changing market trends and changing tastes, dietary habits, expectations and other preferences of the Group's target customers. As such, significant costs to survey and research customer trends and preferences and to develop and market new menu items, banquet and dining services may be required, this may place substantial burden on the Group's managerial and financial resources;
- (iv) the operation of the Group may be affected by the price of the food ingredients, including the price of the imported food ingredients which will be affected by the fluctuating exchange rate; and
- (v) there may be labour shortage in the future and intensive competition for qualified individuals in the food and beverage industry.

It is expected that more policies will be announced by the Chinese and Hong Kong governments to support and stimulate consumer spending such as the expansion of the "Individual Visit Scheme" (港澳自由行) to more Mainland China cities, and that the Group can benefit from these policies.

Despite this, Hong Kong citizens have grown accustomed to visiting the Mainland China at the weekends, which may impede the growth of the Hong Kong operation of the Group.

Going forward, the Group will continue to utilise available resources to implement its business strategies, namely, steady growth and prudent expansion in Hong Kong with its multi-brand strategy, progressive expansion in the PRC market, continuing promotion of brand image and recognition through marketing initiatives, enhancement of existing restaurant facilities and strengthening of staff training aiming to attract more new customers. In this process, the Group will continue to maintain its commitment to quality as always. For the time being, the Group will put more effort into online marketing to promote existing business and to increase market share. Following the rebranding, the Group will continue to develop the beverage business of its coffee operations in the PRC so as to diversify the Group's catering business.

The Group will also consider the expansion of its food catering and beverage business into other types of cuisines and operation modes when opportunities arise, taking into account the Group's available resources, with the aim to maximize the return to its Shareholders.

Use of Proceeds from the Placing

Reference is made to the Placing Announcements. The Company has successfully placed on 7 June 2024 a total of 194,650,000 new Shares under the general mandate granted to the Directors by the Shareholders at the AGM held on 20 June 2023. The net proceeds (after deducting the placing commission, professional fees and all related expenses) were approximately HK\$27.1 million. For details, please refer to the Placing Announcements.

As at 31 December 2024, the planned use of the net proceeds from the Placing and the actual use of net proceeds up to 31 December 2024 were as follows:

	Planned use of net proceeds as stated in the Placing announcement dated 7 June 2024 HK\$'000	Actual use of net proceeds up to 31 December 2024 HK\$'000	Remaining balance as at 31 December 2024 HK\$'000
For developing of civet coffee businesses in Hong Kong and in the PRC	16,260	12,797	3,463
For replenishing the business operations and general working capital of the Group	<u>10,840</u>	<u>10,840</u>	<u>–</u>

As a result, approximately HK\$23.6 million of proceeds from the Placing have been utilised in accordance with the planned usage as detailed above. The portion of net proceeds yet to be used was deposited in licensed banks in Hong Kong and China, and is expected to be progressively utilised by 2025 in accordance with the planned usage.

CORPORATE GOVERNANCE

The Company is committed to ensure a high standard of corporate governance in the interests of the Shareholders and devotes considerable effort to maintain high level of business ethics and corporate governance practices. The Company's corporate governance practices are based on the principles and code provisions as set out in the section headed "Part 2 – Principles of good corporate governance, code provisions and recommended best practices" of Corporate Governance Code (the "CG Code") in Appendix C1 to the Listing Rules. The Company has applied the principles of, and complied with, the applicable code provisions of the CG Code for the Year, except for certain deviations as specified with considered reasons for such deviations which are explained below.

Under Code Provision C.2.1 of the CG Code, the roles of the chairman of the Board (the “**Chairman**”) and the CEO should be separated and should not be performed by the same individual.

For the Year, the Company has not separated the roles of Chairman and the CEO. Mr. Liang acts as both the Chairman and the CEO and is responsible for overseeing the operations of the Group.

In view of the fact that Mr. Liang has the relevant food and beverage operation and management experience since 2003, the Board believes that it is in the best interests of the Group to have Mr. Liang taking up both roles for effective management and business development.

The Board also believes that vesting the roles of both the Chairman and the CEO in the same person has the benefit of ensuring the consistent leadership within the Group and enables more effective and efficient overall strategic planning for the Group.

Although the roles of the Chairman and the CEO has been performing by a single person during the Year, the division of responsibilities between the two roles is clearly established. While the Chairman is responsible for supervising the functions and performance of the Board, the CEO is responsible for the management of the Group’s business. The Board considers that the balance of power and authority for the present arrangement will not be impaired given the appropriate delegation of the power of the Board to the Senior Management for the day-to-day management of the Group, and the effective functions of the independent non-executive Directors representing at least one-third of the Board such that no one individual has unfettered power of decisions. This structure will also enable the Company to make and implement decisions promptly and effectively. The Board will continue to review and consider splitting the roles of the Chairman and the CEO at a time when it is appropriate and suitable by taking into account the circumstances of the Group as a whole.

Details of the continuing evolution of our corporate governance practices for the Year will be set out in the annual report for the Year. The Board will periodically review the Company’s corporate governance functions and will continuously improve the Company’s corporate governance practices by assessing their effectiveness with evolving standards to meet changing circumstances and needs.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the required standard of dealings set out in Appendix C3 to the Listing Rules (the “**Model Code**”) as the code of conduct regarding securities transactions by Directors in respect of the Shares. The Company has made specific enquiry to all Directors, and all Directors have confirmed that they have fully complied with the required standard of dealings set out in the Model Code during the Year.

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

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the listed securities (including sale of treasury shares, if any) of the Company during the Year. The Company did not redeem any of its listed securities during the Year.

The Company did not have any treasury shares as at 31 December 2024.

SHARE OPTION SCHEME

The Company has conditionally adopted a share option scheme on 16 June 2016 (the “**Share Option Scheme**”). Pursuant to an ordinary resolution approved by the Shareholders at the Annual General Meeting 2024 (the “**AGM**”), the Share Option Scheme has been terminated with effect from the same day. Please refer to the Company's circular and announcement dated 29 April 2024 and 24 May 2024, respectively, for details.

SHARE SCHEME

The share scheme of the Company (the “**Share Scheme**”) was adopted pursuant to a resolution passed by the Shareholders on 24 May 2024 (the “**Adoption Date**”) for the purposes of (a) binding the interests of the Shareholders, the Company and its employees to focus on the realisation of the Company's strategic development objectives and to drive the performance growth; (b) improving the Group's long-term incentive mechanism to attract and retain outstanding talents and to fully mobilise the senior management team and core employees; and (c) retaining or otherwise maintaining on-going relationships with eligible participants. Eligible participants of the Share Scheme include any employees (the “**Employee Participants**”), related entities and service providers of the Company or any of its subsidiaries. The total number of new Shares which might be issued in respect of the award Share to be granted under the Share Scheme was 110,510,000 Shares, representing 10% of the issued share capital of the Company (excluding treasury shares, if any) on the Adoption Date.

The Share Scheme became effective on the Adoption Date and, unless otherwise cancelled or amended, will remain in force for 10 years commencing on the Adoption Date, the principal terms of which were summarised in Appendix III of the circular of the Company dated 29 April 2024.

On 29 August 2024 (the “**Date of Grant**”), an aggregate of 110,500,000 Awarded Shares, representing approximately 8.5% of the issued share capital of the Company as at the Date of Grant, were awarded to 55 Employee Participants who were full-time employees of the Group. The closing price of the Shares on the Date of Grant was HK\$0.17 per Share. For detail, please refer to the Company's announcement dated 29 August 2024. As at 31 December 2024, the Awarded Shares were held by the trustee of the Share Scheme pending vesting.

The Remuneration Committee has reviewed the Share Scheme at its meeting held on 26 March 2025.

ANNUAL GENERAL MEETING AND CLOSURE OF REGISTER OF MEMBERS

The forthcoming AGM is scheduled to be held at 26/F, Chinachem Century Tower, 178 Gloucester Road, Wan Chai, Hong Kong on Wednesday, 11 June 2025 at 11:00 a.m. For determining the entitlement to attend and vote at the AGM, the register of members of the Company will be closed from Friday, 6 June 2025 to Wednesday, 11 June 2025, both days inclusive, during which period no transfer of the Shares will be registered. In order to attend and vote at the AGM, all share transfer documents accompanied by the relevant share certificates must be lodged with the Share Registrar, Boardroom Share Registrars (HK) Limited, at 2103B, 21st Floor, 148 Electric Road, North Point, Hong Kong, for registration not later than 4:30 p.m. on Thursday, 5 June 2025.

EVENTS AFTER THE REPORTING DATE OF 31 DECEMBER 2024

On 3 January 2025, Jiangsu Kafelaku entered into a construction contract with Jiangsu Xuncai Construction Engineering Co., Ltd.* (江蘇迅彩建設工程有限公司) (the “**Contractor**”), an independent third party, pursuant to which the Contractor has conditionally agreed to carry out the construction of the production base on the Land at the consideration of RMB66,088,580 (the “**Construction Contract**”). Pursuant to Chapter 14 of the Listing Rules, the Construction Contract constituted a major transaction of the Company and was subject to reporting, announcement, circular and shareholders’ approval. An extraordinary general meeting (the “**EGM**”) would be convened and held for the Shareholder to consider and, if thought fit, to approve the Construction Contract and the transactions contemplated thereunder. As of the date of this announcement, the EGM was yet to be convened pending for the publication of the relevant circular. Further details are set out in the Company’s announcements dated 3 January 2025, 28 January 2025 and 17 February 2025.

Save for the above, the Board is not aware of any other important event requiring disclosure that has taken place subsequent to 31 December 2024 and up to the date of this announcement.

AUDIT COMMITTEE AND REVIEW OF ACCOUNTS

The Company has established the Audit Committee with written terms of reference in compliance with the Listing Rules and the CG Code. The Audit Committee reviews, amongst others, the financial information of the Group, the relationship with and terms of appointment of the external auditors, and the Company’s financial reporting system, internal control system and risk management system.

The Audit Committee consists of three independent non-executive Directors, chaired by Mr. Liu Huaiyu and the other two members are Ms. Zhang Guangfang and Mr. Chan Yan Kin Philip.

The consolidated financial statements of the Group for the Year have been reviewed by the Audit Committee.

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SCOPE OF WORK OF CL PARTNERS CPA LIMITED (“CL PARTNERS”)

The figures in respect of the Group’s consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the Year as set out in the preliminary announcement have been agreed by the Group’s independent auditor (the “**Independent Auditor**”), CL Partners, to the amounts set out in the Group’s audited consolidated financial statements for the Year. The work performed by CL Partners in this respect did not constitute an assurance engagement and consequently no opinion or assurance conclusion has been expressed by CL Partners on the preliminary announcement.

EXTRACTS FROM INDEPENDENT AUDITOR’S REPORT

The following is extracted from the independent auditor’s report on the consolidated financial statements of the Group for the year ended 31 December 2024.

We were engaged to audit the consolidated financial statements of Kafelaku Coffee Holding Limited (the “**Company**”) and its subsidiaries (collectively referred to as the “**Group**”), which comprise the consolidated statement of financial position as at 31 December 2024, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including material accounting policy information.

We do not express an opinion on the consolidated financial statements of the Group. Because of the significance of the matters described in the “Basis for Disclaimer of Opinion” section of our report, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these consolidated financial statements. In all other respects, in our opinion the consolidated financial statements have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Basis for Disclaimer of Opinion

Scope limitation relating to going concern basis in preparation of the consolidation financial statements

The Group incurred a net loss of HK\$48,680,000 during the year ended 31 December 2024 and, as of that date, the Group had net current liabilities and net liabilities of HK\$74,601,000 and HK\$64,418,000, respectively.

As at 31 December 2024, the Group had total liabilities of HK\$152,042,000, in which, trade payables of HK\$9,170,000, amount due to a non-controlling shareholder of HK\$1,188,000, lease liabilities of HK\$20,141,000 and other payables of HK\$59,119,000 (including amounts due to directors, amount due to a former director and provision for litigation of HK\$252,000, HK\$8,513,000 and HK\$15,818,000, respectively) are repayable within one year, while the Group had cash and cash equivalents of approximately HK\$10,571,000. These conditions indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern, and therefore, it may be unable to realise its assets and discharge its liabilities in the normal course of business.

The Company has been implementing various plans and measures to improve the Group's liquidity and financial position, as set out in note 3 to the consolidated financial statements. Based on these plans and measures, the directors of the Company have prepared a cash flow forecast for the Group, covering a period of not less than twelve months from 31 December 2024. In the opinion of the directors of the Company, assuming the successful implementation of these plans and measures, the Group will have sufficient working capital to meet its financial obligations as they fall due and continue operating as a going concern. Accordingly, the consolidated financial statements had been prepared by the directors of the Company on a going concern basis.

The validity of the going concern assumption, and consequently the appropriateness of the preparation of the consolidated financial statements on a going concern basis, depends on the successful implementation and favourable outcomes of those plans and measures, which are subject to significant uncertainties, including (i) the successful implementation of cost control measures and business plans to improve the Group's operating results and cash flows; (ii) the availability of additional sources of financing from the controlling shareholder and a related company of the Group as and when needed; and (iii) the feasibility of the fund-raising activities to obtain financial resources as and when needed.

However, we have not been able to obtain sufficient appropriate audit evidence to satisfy ourselves that the events or conditions underpinning the cash flow forecast of the Group for going concern assessment are reasonable and supportable because of (i) the lack of sufficient appropriate audit evidence to support that the controlling shareholder and a related company of the Group be able to provide sufficient funding to the Group in the timing and manner that can match the settlement of the Group's liabilities and/or future commitments; and (ii) the lack of detailed analysis in relation to the uncertainty of outcome of those plans and measures and how variability in outcomes would affect the future cash flows of the Group.

As a result of the lack of sufficient appropriate audit evidence and the significant uncertainties relating to ongoing availability of financing to the Group, we were unable to satisfy ourselves about the appropriateness of the adoption of going concern basis of accounting in the preparation of the consolidated financial statements. There were no other satisfactory audit procedures that we could adopt to conclude whether it is appropriate to use the going concern assumption to prepare these consolidated financial statements.

Should the Group fail to achieve the plans and measures as set out in note 3 to the consolidated financial statements, it might not be able to continue to operate as a going concern, and adjustments would have to be made to write down the carrying amounts of its assets to their recoverable amounts, to provide for any further liabilities that might arise, and to reclassify non-current assets and non-current liabilities as current assets and current liabilities respectively. The effects of these adjustments have not been reflected in these consolidated financial statements.

The Board's response to the Auditor's Opinion

In regard to the matters described in the section headed "Basis for Disclaimer of Opinion" in the Independent Auditor's Report, the Board would like to take this opportunity to provide the Board's response and other relevant information, as well as measures taken or to be taken by management of the Company for information purpose.

The Board's response to the basis for disclaimer of opinion

The directors of the Company have been undertaking measures to improve the Group's liquidity and financial position.

The directors of the Company have given careful consideration to the future liquidity and performance of the Group and its available sources of finance in assessing whether the Group will have sufficient financial resources to continue as going concern. The following plans and measures are formulated to mitigate the liquidity pressure and to improve the financial position of the Group:

- (i) the controlling shareholder of the Company has agreed to provide continuous financial support to the Group to enable it to meet its obligations when due and carry on its business without a significant curtailment of operations of the Company so as to enable it to meet its liabilities when they fall due and carry on its business for at least the next twelve months from the date of this announcement;
- (ii) the management has agreed with a related company of the Group, of which is controlled by the controlling shareholder of the Company, for loan facility amounting to RMB96,000,000 to finance the Group's working capital and commitments in the foreseeable future;
- (iii) the Group will identify and negotiate with various financial institutions and identify various options for financing the Group's working capital and commitments in the foreseeable future;
- (iv) the Group has developed a plan to raise new capital by carrying out fund raising activities including but not limited to rights issue and placing of new shares;

- (v) the Group will consider the strategic expansion in civet coffee franchising by increasing the number of franchised coffee shop, which can reduce the set up costs and resource demands associated with the expansion; and
- (vi) the management has been endeavoring to improve the Group's operating results and cash flows through various cost control measures, including streamlining of operations to minimise unnecessary expenses, evaluating the possibility of workforce reductions or reduction of payroll costs and human resources optimisation.

Based on the above, and in preparing the consolidated financial statements, the Directors have reviewed the Group's financial and liquidity position, and planned to improve the liquidity by the above measures and the likelihood of executing the above measures as planned. As such, the Board considered the Group will have sufficient liquidity to finance its operations for the next twelve months and therefore is of the view that the Group would be able to continue as a going concern.

The audit committee of the Company (the “**Audit Committee**”) has reviewed the Disclaimer for the Current Year and has well noted the basis thereof. The management has reviewed the impact of the Disclaimer on the Group and considers that it does not have significant impact on the Group's daily operation subject to successful outcome of the measures as set out in note 3.

There was no disagreement between the views of the Audit committee and the management in respect of (i) the Disclaimer and (ii) the Company's response to address the Disclaimer.

PUBLICATION OF ANNUAL RESULTS AND ANNUAL REPORT ON THE WEBSITES OF THE STOCK EXCHANGE AND THE COMPANY

This announcement is published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.kafelaku.com). The annual report of the Company for the Year containing all the information required by the Listing Rules will be dispatched to the Shareholders, if a printed copy is requested, and posted on the above websites in due course.

For and on behalf of
Kafelaku Coffee Holding Limited
Liang Naiming
Chairman and Chief Executive Officer

Hong Kong, 31 March 2025

As at the date of this announcement, the Board comprises Mr. Liang Naiming (chairman and chief executive officer) and Mr. Ma Xiaoping as executive Directors; Mr. Cui Zifeng as non-executive Director; and Mr. Liu Huaiyu, Mr. Chan Yan Kin Philip and Ms. Zhang Guangfang as independent non-executive Directors.