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## **Kafelaku Coffee Holding Limited**

**猫屎咖啡控股有限公司**

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

**(Stock code: 1869)**

### **INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2025**

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 unaudited consolidated results of the Group for the six months ended 30 June 2025 (the “**Period**”) together with the comparative figures for the corresponding period in 2024 (the “**Previous Period**”) as set out below.

#### **FINANCIAL HIGHLIGHTS**

For the Period, the Group’s operating results were as follows:

- revenue of the Group amounted to approximately HK\$64.3 million, representing a decrease of approximately 13.7% as compared with approximately HK\$74.5 million for the Previous Period.
- loss attributable to owners of the Company amounted to approximately HK\$11.6 million, representing a decrease in loss by approximately HK\$2.3 million as compared with approximately HK\$13.9 million for the Previous Period.
- loss per share was approximately HK0.82 cents (Previous Period: HK1.23 cents).

# CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2025

		Six months ended 30 June	
	Notes	2025 HK\$'000 (unaudited)	2024 HK\$'000 (unaudited)
<b>Revenue</b>	4	<b>64,285</b>	74,514
Other income	5	<b>530</b>	279
Cost of materials consumed		<b>(25,979)</b>	(31,395)
Employee benefits expense		<b>(25,445)</b>	(25,118)
Depreciation	6	<b>(9,803)</b>	(10,561)
Reversal of impairment loss on trade receivables under expected credit loss model, net		<b>16</b>	19
Impairment loss on property, plant and equipment		<b>–</b>	(17)
Impairment loss on right-of-use assets		<b>–</b>	(287)
Other operating expenses	6	<b>(12,955)</b>	(18,367)
Finance costs	7	<b>(2,024)</b>	(2,924)
<b>Loss before taxation</b>		<b>(11,375)</b>	(13,857)
Income tax expense	8	<b>(249)</b>	(40)
<b>Loss for the period</b>		<b>(11,624)</b>	(13,897)
Other comprehensive income			
<i>Item that may be reclassified subsequently to profit or loss:</i>			
Exchange differences arising from translation of foreign operations		<b>203</b>	740
<b>Total comprehensive expense for the period</b>		<b>(11,421)</b>	(13,157)
Loss attributable to:			
Owners of the Company		<b>(11,624)</b>	(13,897)
Non-controlling interests		<b>–</b>	–
		<b>(11,624)</b>	(13,897)
Total comprehensive expense attributable to:			
Owners of the Company		<b>(11,287)</b>	(13,272)
Non-controlling interests		<b>(134)</b>	115
		<b>(11,421)</b>	(13,157)
		<b>HK cents</b>	<b>HK cents</b>
Basic and diluted loss per share	10	<b>(0.82)</b>	(1.23)

# CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2025

		<b>30 June 2025</b>	31 December 2024
	<i>Notes</i>	<b>HK\$'000</b>	<b>HK\$'000</b>
		<b>(unaudited)</b>	<b>(audited)</b>
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	11	<b>12,466</b>	14,745
Right-of-use assets	12	<b>17,806</b>	24,055
Deposits, prepayments and other receivables		<b>21,368</b>	9,121
		<b>51,640</b>	47,921
<b>Current assets</b>			
Inventories		<b>6,037</b>	7,862
Trade receivables	13	<b>916</b>	1,438
Deposits, prepayments and other receivables		<b>22,289</b>	19,832
Cash and cash equivalents		<b>5,747</b>	10,571
		<b>34,989</b>	39,703
<b>Total assets</b>		<b>86,629</b>	87,624
<b>EQUITY</b>			
Share capital		<b>14,103</b>	14,103
Reserves		<b>(81,269)</b>	(73,739)
<b>Equity attributable to owners of the Company</b>		<b>(67,166)</b>	(59,636)
<b>Non-controlling interests</b>		<b>(4,916)</b>	(4,782)
<b>Total deficits</b>		<b>(72,082)</b>	(64,418)

		<b>30 June 2025</b>	31 December 2024
	<i>Note</i>	<b>HK\$'000</b>	<b>HK\$'000</b>
		<b>(unaudited)</b>	<b>(audited)</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Trade payables	14	<b>9,620</b>	9,170
Other payables and accruals		<b>81,133</b>	59,119
Amount due to a non-controlling shareholder		<b>1,221</b>	1,188
Contract liabilities		<b>15,989</b>	22,186
Lease liabilities		<b>14,491</b>	20,141
Tax payable		<b>289</b>	–
Provision for reinstatement costs		<b>2,500</b>	2,500
		<b>125,243</b>	114,304
<b>Non-current liabilities</b>			
Lease liabilities		<b>28,661</b>	32,963
Provision for reinstatement costs		<b>2,517</b>	2,448
Contract liabilities		<b>290</b>	327
Debenture		<b>2,000</b>	2,000
		<b>33,468</b>	37,738
<b>Total liabilities</b>		<b>158,711</b>	152,042
<b>Total deficits and liabilities</b>		<b>86,629</b>	87,624
<b>Net current liabilities</b>		<b>(90,254)</b>	(74,601)

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2025

## 1 GENERAL INFORMATION

Kafelaku Coffee Holding Limited (the “**Company**”) was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Act (2013 Revision) of the Cayman Islands. The address of the Company’s registered office in Cayman Islands and principal place of business in Hong Kong are Windward 3, Regatta Office Park, PO Box 1350, Grand Cayman KY1-1108, Cayman Islands and 26/F, Chinachem Century Tower, 178 Gloucester Road, Wan Chai, Hong Kong, respectively. The shares of the Company are listed on the Main Board of the Stock Exchange.

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

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

## 2 BASIS OF PREPARATION

The unaudited condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standards (“**HKASs**”) 34 *Interim Financial Reporting* issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”) as well as the applicable disclosure requirements of the Rules Governing the Listing of Securities on the Stock Exchange (the “**Listing Rules**”).

The unaudited condensed consolidated financial statements have been prepared under the historical cost basis. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

The Group incurred a net loss of HK\$11,624,000 during the six months ended 30 June 2025, and, as of that date, the Group had a net current liabilities and net liabilities of HK\$90,254,000 and HK\$72,082,000, respectively.

As at 30 June 2025, the Group had total liabilities of HK\$158,711,000, in which, trade payables of HK\$9,620,000, amount due to a non-controlling shareholder of HK\$1,221,000, lease liabilities of HK\$14,491,000 and other payables of HK\$81,133,000 (including amounts due to directors, amount due to a former director and provision for litigation of HK\$19,048,000, HK\$10,314,000 and HK\$15,818,000, respectively) are repayable within one year, while the Group had cash and cash equivalents of approximately HK\$5,747,000. 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 had carefully considered the liquidity of the Group, taking into consideration of the following plans and measures:

- (i) Mr. Liang Naiming (“**Mr. Liang**”), an executive Director and the former chairman 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 Mr. Liang, for loan facility amounting to Renminbi (“**RMB**”) 96,000,000 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 shops, 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.

The Directors 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 financial 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 Mr. Liang and the above-mentioned 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 unaudited condensed consolidated financial statements.

#### **Application of amendments to HKFRS Accounting Standards**

In the current interim period, the Group has applied the following amendments to HKFRS Accounting Standards issued by the HKICPA, for the first time, which are mandatorily effective for the Group's annual period beginning on 1 January 2025 for the preparation of the Group's condensed consolidated financial statements.

Amendments to HKAS 21	Lack of Exchangeability
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The application of the amendments to HKFRS Accounting Standards in the current interim period has had no material impact to the Group's financial positions and performance for the current and prior periods and/or on the disclosures set out in these condensed consolidated financial statements.

### **3 SEGMENT INFORMATION**

Information reported to the chief executive officer of the Company, 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 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 prior 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 period segment disclosures have been represented to conform with the current period's presentation.

**(a) Segment revenue and results**

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

**For the six months ended 30 June 2025**

	<b>Food Catering</b> <i>HK\$'000</i> (unaudited)	<b>Beverage</b> <i>HK\$'000</i> (unaudited)	<b>Total</b> <i>HK\$'000</i> (unaudited)
<b>Revenue</b>			
External sales	61,890	2,395	64,285
<b>Segment result</b>	(3,091)	(2,872)	(5,963)
Unallocated expenses			(5,412)
Loss before taxation			(11,375)

**For the six months ended 30 June 2024**

	<b>Food Catering</b> <i>HK\$'000</i> (unaudited)	<b>Total</b> <i>HK\$'000</i> (unaudited)
<b>Revenue</b>		
External sales	74,514	74,514
<b>Segment result</b>	(9,002)	(9,002)
Unallocated expenses		(4,855)
Loss before taxation		(13,857)

**(b) Geographical information**

The following tables present revenue from external customers for the six months ended 30 June 2025 and 2024 by geographical area.

	Six months ended 30 June	
	2025	2024
	HK\$'000 (unaudited)	HK\$'000 (unaudited)
<b>Revenue from external customers</b>		
Hong Kong	8,948	10,424
The PRC	55,337	64,090
	<u>64,285</u>	<u>74,514</u>

**4 REVENUE**

	Six months ended 30 June	
	2025	2024
	HK\$'000 (unaudited)	HK\$'000 (unaudited)
Revenue from restaurant operations	61,890	74,514
Revenue from sales of goods and equipment	2,293	–
Revenue from royalty and franchising income	102	–
	<u>64,285</u>	<u>74,514</u>

**Timing of revenue recognition**

	Six months ended 30 June	
	2025	2024
	HK\$'000 (unaudited)	HK\$'000 (unaudited)
Timing:		
– A point in time	64,183	74,514
– Over time	102	–
	<u>64,285</u>	<u>74,514</u>



## 5 OTHER INCOME

	Six months ended 30 June	
	2025	2024
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Interest income on short-term bank deposits	3	27
Interest income from amount due from a related company	211	–
Government incentive and subsidies ( <i>note</i> )	–	77
Sundry income	316	175
	<u>530</u>	<u>279</u>

*Note:* For Previous Period, 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 was recognised as other income upon receipts.

## 6 DEPRECIATION AND OTHER OPERATING EXPENSES

	Six months ended 30 June	
	2025	2024
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Depreciation on:		
– property, plant and equipment	2,904	3,490
– right-of-use assets	6,899	7,071
	<u>9,803</u>	<u>10,561</u>
Other operating expenses include the following items:		
Auditors' remuneration	500	500
Operating lease payments of premises		
– Contingent rent for premises	119	203
Lease payment not included in the measurement of lease liabilities	–	441
Building management fee and air conditioning charges	3,129	3,298
Advertising and promotion expenses	574	675
Laundry and sanitary expenses	1,176	1,418
Legal and professional fee	364	931
Repair and maintenance	388	547
Utility expenses	1,724	2,053
Penalty and related interest in relation to litigation	–	2,446

## 7 FINANCE COSTS

	Six months ended 30 June	
	2025	2024
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Interest expense on debenture	30	–
Interest expense on lease liabilities	1,994	2,924
	<u>2,024</u>	<u>2,924</u>

## 8 TAXATION

	Six months ended 30 June	
	2025	2024
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Current tax – The PRC	249	40
Total taxation for the period	<u>249</u>	<u>40</u>

No provision for Hong Kong Profits Tax is made in the unaudited condensed consolidated financial statements as the Group has no assessable profits derived in Hong Kong for both periods.

Under the Law of the PRC on Enterprise Income Tax (“EIT”) and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% for both periods.

## 9 DIVIDEND

The Board has resolved not to declare the payment of any dividend for the Period (Previous Period: nil).

## 10 LOSS PER SHARE

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

	Six months ended 30 June	
	2025 HK\$'000 (unaudited)	2024 HK\$'000 (unaudited)
<b>Loss</b>		
Loss for the period attributable to the owners of the Company	<u>(11,624)</u>	<u>(13,897)</u>
	2025 '000	2024 '000
<b>Number of Shares</b>		
Weighted average number of ordinary Shares for the purpose of calculating basic loss per Share	<u>1,410,250</u>	<u>1,129,835</u>

The diluted loss per Share is equal to basic loss per Share as there was no potential dilutive ordinary Shares outstanding during both periods.

## 11 PROPERTY, PLANT AND EQUIPMENT

During the Period, the Group had not acquired any property, plant and equipment (Previous Period: nil).

## 12 RIGHT-OF-USE ASSETS

	Premises HK\$'000
<b>Cost</b>	
As at 1 January 2025 (audited)	121,980
Exchange realignment	<u>3,274</u>
As at 30 June 2025 (unaudited)	<u>125,254</u>
<b>Accumulated depreciation and impairment</b>	
As at 1 January 2025 (audited)	97,925
Charge for the period	6,899
Exchange realignment	<u>2,624</u>
As at 30 June 2025 (unaudited)	<u>107,448</u>
<b>Carrying amount</b>	
As at 30 June 2025 (unaudited)	<u>17,806</u>
As at 31 December 2024 (audited)	<u>24,055</u>

## 13 TRADE RECEIVABLES

	30 June 2025 HK\$'000 (unaudited)	31 December 2024 HK\$'000 (audited)
Trade receivables	1,071	1,588
Less: allowance for expected credit loss ("ECL")	(155)	(150)
	<u>916</u>	<u>1,438</u>

The Group's sales from its restaurant operations are mainly conducted in cash or by credit cards. The credit period granted by the Group to its customers is within 30 days. The ageing analysis of trade receivables, net of allowance for ECL is as follows based on invoice date:

	30 June 2025 HK\$'000 (unaudited)	31 December 2024 HK\$'000 (audited)
1 to 30 days	552	1,246
31 to 60 days	110	51
61 to 90 days	48	20
Over 90 days	206	121
	<u>916</u>	<u>1,438</u>

## 14 TRADE PAYABLES

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

	30 June 2025 HK\$'000 (unaudited)	31 December 2024 HK\$'000 (audited)
1 to 30 days	5,270	4,879
31 to 60 days	–	248
61 to 90 days	228	113
Over 90 days	4,122	3,930
	<u>9,620</u>	<u>9,170</u>

## 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.

For the Period, the Group operated (i) 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; (ii) three full-service restaurants in Shenzhen under the brand name “Star of Canton (利寶閣)” (the “**Shenzhen Restaurants**”); and (iii) two coffee shops under franchise agreements in Zhejiang under the brand name “Kafelaku Coffee (貓屎咖啡)”.

For the Period, the Hong Kong market continued facing challenges due to the sluggish economy and the trend of residents traveling north to Shenzhen and nearby areas for consumption and dining. While the mid-term outlook remains challenging, there are signs of improvement following the Chinese government’s introduction of new policies that simplified the procedures for mainland visitors traveling 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. In addition, the sweeping ban order on liquor at official receptions imposed by the Chinese government since May 2025 (the “**Liquor Banning Order**”) further affected revenue of the Shenzhen Restaurants. 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 franchised coffee shops are strategically situated in landmark shopping arcades or commercial complexes at prime locations. The Group maintains a business philosophy of offering 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.

For the Period, 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) two coffee shops under franchise agreements, which were located in Wenzhou City, Zhejiang Province, the PRC.

Due to continued weakness in the restaurant operating environment, 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 the PRC.

## **FINANCIAL REVIEW**

### **Revenue**

For the Period, the Group recorded a total revenue of approximately HK\$64.3 million, representing a decrease of approximately 13.7% as compared to approximately HK\$74.5 million for the Previous Period.

The Group's total revenue for the Period 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*

For the Period, the revenue of the Central Restaurant amounted to approximately HK\$8.9 million (Previous Period: approximately HK\$10.4 million), representing a decrease of approximately 14.4%. Such decrease was mainly due to (i) the trend of residents traveling north to Shenzhen and nearby areas for consumption and dining; and (ii) the concessions offered by the Group for retaining its customers.

The aggregate revenue of the three restaurants in Shenzhen, the PRC, amounted to approximately HK\$52.9 million (Previous Period: approximately HK\$64.1 million), representing a decrease of approximately 17.5%. Such decrease was mainly due to the sluggish economic growth of the PRC and the imposition of the Liquor Banning Order during the Period.

#### *Beverage Services*

The revenue generated from our new civet coffee franchising business in the PRC of approximately HK\$2.4 million (Previous Period: 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\$38.3 million for the Period, representing a decrease of approximately 11.1% from approximately HK\$43.1 million for the Previous Period, which was in line with the decrease in revenue during the Period. Nevertheless, the Group's overall gross profit margin slightly increased to approximately 59.58% (Previous Period: approximately 57.9%) as operation of the high profit margin beverage services has commenced during the Period.

#### **Employee benefits expense**

Employee benefits expense approximately HK\$25.4 million for the Period (Previous Period: approximately HK\$25.1 million). Despite the reduction of staff head counts, the employee benefits expense has remained at a similar level due to the increase of wages and allowance of the Group as compared to the Previous Period. Going forward, the Group will continue to closely monitor staff salary costs as part of its cost control measures, and at the same time regularly review the work allocation of the staff in order to improve the work efficiency and maintain a quality standard of service.

#### **Depreciation**

Depreciation for the Period in respect of right-of-use assets in relation to the Group's leased properties was approximately HK\$9.8 million (Previous Period: approximately HK\$10.6 million).

## **Other operating expenses**

Other operating expenses mainly include, but not limited to, expenses incurred for the Group's restaurant operation, consisting of building management fee and air conditioning charges, cleaning and laundry expenses, utility expenses, service fees paid to temporary workers, advertising and promotion. For the Period, other expenses amounted to approximately HK\$13.0 million (Previous Period: approximately HK\$18.4 million), representing a decrease of approximately HK\$5.4 million or 29.3%. Such decrease was mainly due to the combined effects of (i) cost control; (ii) a share-based compensation cost amounted approximately HK\$3.8 million associated from share award after vesting (Previous Period: nil); (iii) no penalty and related interest in relation to litigation payable during the Period (Previous Period: approximately HK\$2.4 million); and (iv) a decrease in staff benefits associated with the decrease of revenue.

## **Impairment loss on right-of-use assets**

The Group has identified impairment indicator on the right-of-use assets due to the unsatisfactory performance of the Chinese restaurants in the PRC. Based on the impairment assessment performed by comparing the recoverable amount and the carrying amount of the right-of-use assets, no further impairment loss was recognised during the Period (Previous Period: impairment loss of approximately HK\$287,000).

## **Finance costs**

Finance costs for the Period included approximately HK\$2.0 million (Previous Period: approximately HK\$2.9 million) in respect of interest expense on lease liabilities in relation to the Group's leased properties.

## **Loss attributable to owners of the Company**

For the Period, the Group recorded a loss attributable to owners of the Company of approximately HK\$11.6 million (Previous Period: approximately HK\$13.9 million), representing a decrease in net loss attributable to owners of the Company by approximately HK\$2.3 million as compared to the Previous Period. The decline of the Group's revenue for the Period was mainly attributable to the weak economies of both the PRC and Hong Kong, in addition the tripping north of Hong Kong residents for consumption and dining have adversely affected the performance of the food catering segment; yet the commencement of operations of the beverage segment during the Period has partially offset the effect.

## **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 the shareholders of the Company (the "Shareholders") and to maintain an optimal capital structure to reduce the cost of capital.



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

As at 30 June 2025, the Group's gearing ratio, which is calculated based on the interest-bearing debts (excluding lease liabilities) divided by total equity attributable to owners of the Company (the **"Shareholder's Equity"**), was irrelevant as the Company has recorded a deficit in its Shareholders' Equity as at 30 June 2025. 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.

As at 30 June 2025, the Group's cash and bank balances were approximately HK\$5.7 million, representing a decrease of approximately HK\$4.9 million as compared with approximately HK\$10.6 million as at 31 December 2024. The decrease was mainly due to the increase in cash used in operating food catering business in the PRC during the Period.

As at 30 June 2025, cash and bank balances of approximately HK\$5.7 million included HK\$1.7 million and HK\$4.0 million which were denominated in HK\$ and Renminbi (**"RMB"**), respectively.

### ***Debenture***

The Group has issued a secured debenture on 12 November 2024 with principal of HK\$2 million 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 30 June 2025, the Group had no bank borrowings (31 December 2024: Nil).

### ***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. Even HK\$ is not pegged to RMB, the historical exchange rate fluctuation on RMB was not significant during the Period. Thus there is no significant exposure expected on RMB transactions and balances. Hence, the Group does not have any material foreign exchange exposure. During the Period, the Group had not used any financial instruments for hedging purposes.

### ***Securities in Issue***

As at 30 June 2025, there were 1,410,250,000 ordinary Shares in issue. There was no movement in the issued share capital of the Company during the Period.

## Commitments

Save as disclosed in this announcement, the Group had no significant outstanding contracted capital commitments as at 30 June 2025.

## Charge on Assets

As at 30 June 2025, the Group did not have any charge over its assets.

## 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 30 June 2025 (2024: HK\$15.8 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 30 June 2025, the Group did not have any material contingent liabilities.

## Major Transaction – Construction Agreement

On 3 January 2025, 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 construction contract with Jiangsu Xunca 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. The Construction Contract and the transactions contemplated thereunder have been approved by the Shareholders at an extraordinary general meeting held on 25 April 2025. Further details are set out in the Company’s announcements dated 3 January 2025, 28 January 2025, 17 February 2025, 24 March 2025 and 25 April 2025, and circular dated 31 March 2025.

\* For identification purpose only

## **Discloseable and Connected Transaction – Loan Agreement**

On 31 March 2025, the Company has announced that, during the process of the annual audit for the financial year ended 31 December 2024 in late March 2025, it was discovered that Jiangsu Kafelaku (as Lender) entered into a loan agreement with Guangzhou Kafelaku Food Company Limited\* (廣州貓屎咖啡食品有限公司), (as Borrower) on 5 July 2024 in an amount of RMB12.85 million (the “**Loan**”) for a loan period of 12 months, and repayable on demand at the request of Jiangsu Kafelaku, at an annual interest rate of loan prime rate published by the People’s Bank of China plus 50 b.p. and payable together with the loan repayment (the “**Loan Agreement**”).

As the highest applicable percentage ratio in relation to the Loan is above 5% but below 25%, the Loan constitutes a disclosable transaction of the Company and is subject to notification and announcement requirements under Chapter 14 of the Listing Rules.

The asset ratio for the Loan had exceeded 8% based on the total assets of the Company as at 31 December 2023 and therefore the Loan was subject to the announcement requirement under Rule 13.13 of the Listing Rules.

For details of the Loan Agreement, please refer to the Company’s announcement dated 31 March 2025.

As the Company had failed to comply with the relevant notification and announcement requirements under Chapter 13, 14 and 14A of the Listing Rules in respect of the Loan Agreement, an internal control consultant has been engaged to conduct an internal control review for the appropriate actions, in particular, recommending the remedial measures. Further announcements will be published in respect of the findings, recommendations and the proposed remedial actions and the status of the implementation of the remedial actions as and when appropriate.

## **Significant Investment, Material Acquisition and Disposal of Subsidiaries, Associates and Joint Ventures**

Save as disclosed above, during the Reporting Period, we did not have any significant investment, material acquisition nor disposal of subsidiaries, associates and joint ventures.

## **Future Plans for Material Investments and Capital Assets**

Save as disclosed herein, there were no plans for material investments and capital assets during the Reporting Period and up to the date of this announcement.

\* For identification purpose only

## **Employees and Remuneration Policies**

The Group had approximately 334 employees as at 30 June 2025 (as at 30 June 2024: approximately 399 employees). The staff head count decreased by approximately 16.3% as compared to 2024 which was mainly due to reduction in revenue during the Period. The employee benefits expense, including Directors' emoluments, of the Group was approximately HK\$25.4 million for the Period (Previous Period: approximately HK\$25.1 million). The remuneration policy of the Group is based on merit, performance and individual competence.

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 by 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 Company 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 and Employees may also receive share awards or options to be granted under the Share Scheme (as defined in the section headed “Share Scheme” of this announcement) adopted by the Company on 24 May 2024.

## **Dividend**

The Directors have resolved not to declare any payment of dividend for the Period (Previous Period: nil).

## **Prospects**

The Directors believe that, in the mid-to long-term, the Chinese government will gradually implement various stimulus policies aimed at boosting consumer confidence. This is expected to lead to improvements in revenue of the catering and coffee industries in the PRC. However, the catering sector continues to face several challenges, and the business environment remains weak compared to the Previous Period. The Directors anticipate that the Group's business will encounter various obstacles in the foreseeable future. The Group's key risk exposures and uncertainties are summarized as follows:

### ***1. Geopolitical Uncertainties:***

The ongoing U.S.-China trade war, particularly the tariffs imposed by the U.S. government on Chinese goods, is expected to further strain the economic conditions in both Hong Kong and the PRC. These tariffs may lead to increased costs for businesses and could negatively impact consumer sentiment, eventually affecting the business of the

retail and catering sectors. Additionally, the adverse developments from the Ukraine war and the Israel-Gaza conflict may also exacerbate economic instability, further dampening consumer confidence and spending.

**2. *Interest Rate Fluctuations:***

Unforeseen trends in interest rates in Hong Kong may influence consumers' spending sentiments, potentially adversely affecting the business operations of the Group's restaurants in the second half of 2025.

**3. *Market Responsiveness:***

The Group's future success relies heavily on its ability to continuously adapt its menu offerings and dining services to align with changing market trends, tastes, dietary habits, and customer expectations. This requires significant investments in market research and product development, which may place substantial burdens on the Group's managerial and financial resources.

**4. *Ingredient Cost Volatility:***

The operation of the Group may be affected by fluctuating prices of food ingredients, particularly those imported, which will be influenced by exchange rate fluctuations and the impact of U.S. tariffs on supply chains.

**5. *Labour Market Challenges:***

A potential labour shortage and increased competition for qualified personnel in the food and beverage industry may pose additional challenges.

Despite these uncertainties, it is anticipated that the Chinese and Hong Kong governments will announce further policies to stimulate consumer spending, such as the expansion of the "Individual Visit Scheme" to additional cities in mainland China, which could benefit the Group.

Nevertheless, the established pattern of Hong Kong citizens' frequently visiting mainland China on weekends may hinder the growth of the Group's operations in Hong Kong.

Moving forward, the Group will utilize available resources to implement its business strategies focused on steady growth and prudent expansion in Hong Kong through a multi-branding approach. It will also pursue progressive expansion in the PRC market, enhance its brand image through marketing initiatives, upgrade existing restaurant facilities, and strengthen staff training so as to attract new customers. The Group remains committed to maintaining high-quality standards.

In the short term, increased emphasis will be placed on online marketing to promote existing operations and capture greater market share. Following the recent rebranding, the Group will continue to diversify its business and to expand its coffee operations in the PRC.

Additionally, the Group will consider expanding its food catering and beverage offerings into other cuisines and operational models when opportunities arise, taking into account available resources, with the goal of maximizing returns for its Shareholders.

### Use of Proceeds from the Placing

Reference is made to the Company's announcements dated 14 May 2024 and 7 June 2024 (collectively, the "**Placing Announcements**"). On 7 June 2024, the Company has successfully placed a total of 194,650,000 new Shares (the "**Placing**") under the general mandate granted to the Directors by the Shareholders at the annual general meeting of the Company 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 30 June 2025, the planned use of the net proceeds from the Placing and the actual use of net proceeds up to 30 June 2025 were as follows:

	<b>Planned use of net proceeds as stated in the Placing announcement dated 7 June 2024 HK\$'000</b>	<b>Actual use of net proceeds up to 30 June 2025 HK\$'000</b>	<b>Remaining balance as at 30 June 2025 HK\$'000</b>
For developing of civet coffee businesses in Hong Kong and in the PRC	16,260	16,260	–
For replenishing the business operations and general working capital of the Group	10,840	10,840	–
	<u>27,100</u>	<u>27,100</u>	<u>–</u>

As a result, all of the net proceeds from the 2024 Placing have been utilised as planned as at 30 June 2025.

### Event after the Period

The Board is not aware of any other important event affecting the Group after the Period and up to the date of this announcement.

## COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

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 Period, 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 and the chief executive officer should be separated and should not be performed by the same individual.

During the period from 1 January 2025 to 29 June 2025 (the "**Deviated Period**"), the Company had not separated the roles of Chairman and the chief executive officer of the Company ( the "**Chairman**" and the "**CEO**", respectively). Mr. Liang was the Chairman and the CEO and was responsible for overseeing the operations of the Group during the Deviated Period.

In view of the fact that Mr. Liang has the relevant food and beverage operation and management experience since 2003, the Board believed that it was in the best interests of the Group to have Mr. Liang taking up both roles for effective management and business development. The Board also believed that vesting the roles of both the Chairman and the CEO in the same person had 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 had been performing by a single person during the Deviated Period, the division of responsibilities between the two roles was clearly established. While the Chairman was responsible for supervising the functions and performance of the Board, the CEO was responsible for the management of the Group's business. The Board considered that the balance of power and authority for the present arrangement was not 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 would also enable the Company to make and implement decisions promptly and effectively.

On 30 June 2025, in order to devote more time on business development of the Company, Mr. Liang has resigned as the Chairman but remained as an executive Director and the CEO. Ms. Leung Ka Wai has been appointed as an executive Director and the Chairman with effect from the same date (the "**Chairman Change**"). For details, please refer to the Company's announcement dated 30 June 2025.

As a result of the Chairman Change, the Company has fully complied with the CG Code with effect from 30 June 2025.



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.

## **CODE OF CONDUCT FOR SECURITIES TRANSACTIONS BY DIRECTORS**

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix C3 to the Listing Rules as the code of conduct regarding securities transactions by Directors in respect of the Shares (the “**Code of Conduct**”). 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 Code of Conduct during the Period.

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

Neither the Company nor any of its subsidiaries purchased or sold (including sale of treasury shares, if any) any of the Company's listed securities during the Period.

The Company did not redeem any of its listed securities during the Period.

As at 30 June 2025, the Company did not hold any treasury shares.

## **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 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 driving 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 the Company's full-time employees, Directors (other than independent non-executive Directors), directors and full-time employees of the holding company, fellow subsidiaries or associated companies of the Company, independent contractor(s), consultant(s) and advisor(s), suppliers and business partners.

The Share Scheme became effective on 24 May 2024 (the “**Adoption Date**”) and, unless otherwise terminated, will remain in force for 10 years commencing on the Adoption Date, the principal terms of which were summarised in Appendix III of the Company's circular dated 29 April 2024.



Pursuant to the Share Scheme, the Company has on 29 August 2024 (the “**Date of Grant**”) allotted an aggregate of 110,500,000 Shares (the “**Awarded Shares**”), representing approximately 8.5% of the issued share capital of the Company as at the Date of Grant, to 55 employee participants who were full-time employees of the Group (the “**Grantees**”) and subject to their meeting of the performance targets to be determined by the Group from time to time. The closing price of the Shares on the Date of Grant was HK\$0.17 per Share. Please refer to the Company’s announcement dated 29 August 2024 for further details.

During the Period, 92,670,000 Awarded Shares have been transferred to the Grantees from the trustee of the Share Scheme (the “**Trustee**”) after vesting. As at 30 June 2025, there were 17,830,000 Awarded Shares held by the Trustee pending completion of vesting.

## **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. Yang Chao and the other two members are Mr. Chan Yan Kin Philip and Ms. Zhang Guangfang.

The unaudited interim financial results of the Group for the Period have not been audited by the independent auditor of the Company but have been considered and reviewed by the Audit Committee. The Audit Committee considers that the unaudited interim financial results of the Group for the Period are in compliance with the relevant accounting standards, rules and regulations and appropriate disclosures have been duly made.

## **Publication of Interim Results Announcement and Interim Report**

This announcement is published on the websites of the Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)) and the Company ([www.kafelaku.com](http://www.kafelaku.com)).

The interim report for the Reporting Period containing all the information required by Appendix D2 to the Listing Rules will be disseminated and despatched to the Shareholders and published on the websites of the Stock Exchange and the Company in due course.

## APPRECIATION

The Board would like to express its sincere gratitude to the Shareholders, management team, employees, business partners and customers of the Company for their support and contributions to the Group.

By order of the Board  
**Kafelaku Coffee Holding Limited**  
**Leung Ka Wai**  
*Chairman*

Hong Kong, 29 August 2025

*As at the date of this announcement, the executive Directors are Ms. Leung Ka Wai, Mr. Cui Zhiqiang, Mr. Liang Naiming and Mr. Ma Xiaoping; the non-executive Directors are Mr. Cui Zifeng and Ms. Fung Wai Sim; and the independent non-executive Directors are Mr. Chan Yan Kin Philip, Ms. Zhang Guangfang and Mr. Yang Chao.*