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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)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2025

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 2025 (the “**Year**”), together with the comparative figures for the previous financial year ended 31 December 2024 (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\$106.1 million for the year ended 31 December 2025, representing a decrease of approximately 24.0% as compared with the year ended 31 December 2024.
- The loss attributable to owners of the Company amounted to approximately HK\$4.7 million for the year ended 31 December 2025, compared to a loss attributable to owners of the Company of approximately HK\$48.7 million for the year ended 31 December 2024.

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER
COMPREHENSIVE INCOME**

For the year ended 31 December 2025

	<i>Notes</i>	2025 <i>HK\$'000</i>	2024 <i>HK\$'000</i>
Revenue	5	106,136	139,620
Other income	5	4,002	2,983
Cost of materials consumed		(44,189)	(56,006)
Employee benefits expense		(44,298)	(62,354)
Depreciation	6	(17,865)	(22,909)
Other operating expenses	6	(26,405)	(33,751)
Gain on early termination of leases, net		10,472	11
Gain on disposal of a subsidiary		14,370	–
Impairment loss on financial assets under expected credit loss model, net		(1,420)	(1,086)
Impairment loss on property, plant and equipment		–	(865)
Impairment loss on right-of-use assets		(2,057)	(5,588)
Finance costs	7	(3,185)	(5,404)
Loss before taxation		(4,439)	(45,349)
Income tax expense	8	(246)	(3,331)
Loss for the year		(4,685)	(48,680)
Other comprehensive expense			
Item that may be reclassified subsequently to profit or loss:			
Exchange difference arising from translation of financial statements of foreign operations		(583)	(136)
Total comprehensive expense for the year		(5,268)	(48,816)

	<i>Note</i>	2025 HK\$'000	2024 HK\$'000
Loss attributable to:			
Owners of the Company		(4,685)	(48,680)
Non-controlling interests		—	—
		<u> </u>	<u> </u>
		<u>(4,685)</u>	<u>(48,680)</u>
Total comprehensive (expense) income attributable to:			
Owners of the Company		(5,070)	(48,976)
Non-controlling interests		(198)	160
		<u> </u>	<u> </u>
		<u>(5,268)</u>	<u>(48,816)</u>
Basic loss per share	10	<u>HK cents (0.33)</u>	<u>HK cents (3.94)</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2025

		As at 31 December	
		2025	2024
	Notes	HK\$'000	HK\$'000
ASSETS			
Non-current assets			
Property, plant and equipment		24,807	14,745
Right-of-use assets		9,746	24,055
Deposits and prepayments		3,685	9,121
		<u>38,238</u>	<u>47,921</u>
Current assets			
Inventories		3,472	7,862
Trade receivables	11	542	1,438
Deposits, prepayments and other receivables		16,068	19,832
Cash and cash equivalents		3,945	10,571
		<u>24,027</u>	<u>39,703</u>
Total assets		<u>62,265</u>	<u>87,624</u>
EQUITY			
Equity attributable to owners of the Company			
Share capital	12	14,103	14,103
Reserves		(75,052)	(73,739)
		<u>(60,949)</u>	<u>(59,636)</u>
Non-controlling interests		<u>(4,980)</u>	<u>(4,782)</u>
Total deficits		<u>(65,929)</u>	<u>(64,418)</u>

		As at 31 December	
		2025	2024
	<i>Note</i>	HK\$'000	HK\$'000
LIABILITIES			
Non-current liabilities			
Lease liabilities		11,910	32,963
Provision for reinstatement costs		2,550	2,448
Contract liabilities		246	327
Debenture		2,000	2,000
		<u>16,706</u>	<u>37,738</u>
Current liabilities			
Trade payables	13	9,509	9,170
Accruals and other payables		72,187	59,119
Amount due to a non-controlling shareholder		1,237	1,188
Contract liabilities		16,690	22,186
Current tax payable		283	–
Lease liabilities		10,232	20,141
Provision for reinstatement costs		1,350	2,500
		<u>111,488</u>	<u>114,304</u>
Total liabilities		<u>128,194</u>	<u>152,042</u>
Total deficits and liabilities		<u>62,265</u>	<u>87,624</u>
Net current liabilities		<u>(87,461)</u>	<u>(74,601)</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

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 Room 305, 3/F., Lippo Sun Plaza, 28 Canton Road, Tsim Sha Tsui, Kowloon, 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**”).

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 2025:

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

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

² Effective for annual periods beginning on or after 1 January 2027

³ 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\$4,685,000 during the year ended 31 December 2025 and, as of that date, the Group had net current liabilities and net liabilities of HK\$87,461,000 and HK\$65,929,000, respectively.

As at 31 December 2025, the Group had total liabilities of HK\$128,194,000, in which, trade payables of HK\$9,509,000, amount due to a non-controlling shareholder of HK\$1,237,000, lease liabilities of HK\$22,142,000 and other payables of HK\$72,187,000 (including amounts due to directors, amount due to a shareholder, amounts due to related companies, amount due to a former director and provision for litigation of HK\$622,000, HK\$1,240,000, HK\$8,938,000, HK\$199,000 and HK\$15,818,000, respectively) are repayable within one year, while the Group had cash and cash equivalents of approximately HK\$3,945,000. 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 largest substantial 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 largest substantial shareholder of the Company, for loan facility amounting to HK\$91,000,000 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 premium brand coffee business through the planned opening of new direct-operated stores and in February 2026, the Group entered into a memorandum of understanding with Coffeenergy Co., Limited to cooperate in the expansion of the "Coffeenergy" brand; 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 twelve months from date of report.

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 2025

	Food Catering HK\$’000	Beverage HK\$’000	Total HK\$’000
Revenue			
External sales	<u>103,670</u>	<u>2,466</u>	<u>106,136</u>
Segment results	(3,955)	(4,091)	(8,046)
Unallocated income			14,370
Unallocated expenses			<u>(10,763)</u>
Loss before taxation			<u><u>(4,439)</u></u>

For the year ended 31 December 2024

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

Segment loss represents the loss from each segment without allocation of certain other income, gain on disposal 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 2025

	Food Catering <i>HK\$'000</i>	Beverage <i>HK\$'000</i>	Total <i>HK\$'000</i>
Depreciation	17,865	–	17,865
Impairment loss on right-of-use assets	2,057	–	2,057
(Reversal of impairment loss) impairment loss on financial assets under expected credit loss model, net	(77)	1,497	1,420
Capital expenditures			
– Property, plant and equipment	–	14,740	14,740
– Right-of-use assets	7,491	–	7,491

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

Geographical information

The following table presents revenue from external customers for the years ended 31 December 2025 and 2024 by geographical area.

	Year ended 31 December	
	2025	2024
	<i>HK\$'000</i>	<i>HK\$'000</i>
Revenue from external customers		
Hong Kong	8,817	19,792
Mainland China	97,319	119,828
	106,136	139,620

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

	31 December	31 December
	2025	2024
	<i>HK\$'000</i>	<i>HK\$'000</i>
Non-current assets		
Hong Kong	685	1,684
Mainland China	33,868	37,116
	34,553	38,800

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 2025 and 2024, 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 2025 and 2024 are as follows:

	Year ended 31 December	
	2025	2024
	<i>HK\$'000</i>	<i>HK\$'000</i>
Revenue from restaurant operations	103,670	138,601
Revenue from sales of goods and equipment	2,317	928
Revenue from royalty and franchising income	149	91
	<u>106,136</u>	<u>139,620</u>

(ii) **Timing of revenue recognition**

	Year ended 31 December	
	2025	2024
	<i>HK\$'000</i>	<i>HK\$'000</i>
Timing:		
– At a point in time	105,987	139,529
– Over time	149	91
	<u>106,136</u>	<u>139,620</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 2025 and 2024 and the expected timing of recognising revenue are as follows:

	Year ended 31 December	
	2025	2024
	<i>HK\$'000</i>	<i>HK\$'000</i>
Within one year	94	3,090
More than one year but not more than two years	94	91
Two to five years	152	236
	<u>340</u>	<u>3,417</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	
	2025	2024
	<i>HK\$'000</i>	<i>HK\$'000</i>
Other income		
Interest income on short-term bank deposits	4	35
Interest income from amount due from a related company	342	210
Government subsidies and incentive (<i>Note</i>)	–	1,621
Rent concessions	2,740	533
Miscellaneous income	916	584
	<u>4,002</u>	<u>2,983</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 were recognised as other income upon receipts.

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	
	2025	2024
	<i>HK\$'000</i>	<i>HK\$'000</i>
Depreciation		
– Property, plant and equipment	5,435	8,610
– Right-of-use assets	12,430	14,299
	<u>17,865</u>	<u>22,909</u>
Other operating expenses include the following items:		
Auditor's remuneration	1,000	1,000
Operating lease payments of premises		
– Contingent rent for premises (<i>note</i>)	121	346
Lease payments not included in the measurement of lease liabilities	430	147
Advertising and promotion expenses	1,109	2,067
Building management fee and air conditioning charges	5,075	6,901
Laundry and sanitary expenses	1,920	2,825
Legal and professional fee	2,014	1,714
Repair and maintenance	646	973
Utility expenses	3,405	4,063
Penalty and related interest in relation to litigation (<i>note 14</i>)	–	2,446

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	
	2025	2024
	HK\$'000	HK\$'000
Interest expenses on lease liabilities	3,125	5,396
Interest expenses on debenture	60	8
	<u>3,185</u>	<u>5,404</u>

8 INCOME TAX

	Year ended 31 December	
	2025	2024
	HK\$'000	HK\$'000
Current tax		
Current year	287	40
Overprovision in prior years	(41)	(175)
Deferred tax	<u>–</u>	<u>3,466</u>
Income tax expense	<u>246</u>	<u>3,331</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 2025 and 2024.

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 (2024: 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 2025 and 2024.

9 DIVIDEND

The Board has resolved not to recommend the payment of any final dividend for the Year (2024: Nil).

10 LOSS PER SHARE

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

	Year ended 31 December	
	2025	2024
	HK\$'000	HK\$'000
Loss		
Loss for the year attributable to the owners of the Company	<u>(4,685)</u>	<u>(48,680)</u>
	2025	2024
	'000	'000
Number of Shares		
Weighted average number of Shares for the purpose of calculating basic loss per Share	<u>1,410,250</u>	<u>1,236,683</u>

Diluted loss per Shares was the same as basic loss per Share as there were no potential dilutive ordinary shares outstanding for the years ended 31 December 2025 and 2024.

11 TRADE RECEIVABLES

	31 December	31 December
	2025	2024
	HK\$'000	HK\$'000
Trade receivables	586	1,588
Less: Allowance for expected credit loss ("ECL")	<u>(44)</u>	<u>(150)</u>
	<u>542</u>	<u>1,438</u>

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	31 December
	2025	2024
	HK\$'000	HK\$'000
0 to 30 days	503	1,246
31 to 60 days	11	51
61 to 90 days	2	20
Over 90 days	<u>26</u>	<u>121</u>
	<u>542</u>	<u>1,438</u>

12 SHARE CAPITAL

	Number of Ordinary shares	Nominal value of Ordinary share <i>HK\$'000</i>
Authorised:		
Ordinary shares of HK\$0.01 each as at 1 January 2024, 31 December 2024, 1 January 2025 and 31 December 2025	2,000,000,000	20,000
Issued and fully paid:		
As at 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 January 2025 and 31 December 2025	<u>1,410,250,000</u>	<u>14,103</u>

- (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 2025 <i>HK\$'000</i>	31 December 2024 <i>HK\$'000</i>
0 to 30 days	2,318	4,879
31 to 60 days	1,330	248
61 to 90 days	396	113
Over 90 days	5,465	3,930
	<u>9,509</u>	<u>9,170</u>

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 2025 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 (2024: HK\$15,818,000) 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

	2025 <i>HK\$’000</i>	2024 <i>HK\$’000</i>
Capital expenditure in respect of the acquisition of property, plant and equipment contracted for but not provided in the consolidated financial statements	<u>58,939</u>	<u>298</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. We are currently in the midst of a rebranding initiative and expanding our civet coffee business.

As at the date of this announcement, the Group operates (i) two full-service restaurants in Shenzhen under the brand name “Star of Canton (利寶閣)” (the “**Shenzhen Restaurants**”); and (ii) one coffee shop in Guangzhou branded as “Kafelaku Coffee (貓屎咖啡)”.

During the Year, due to the expiration of the tenancy agreement and challenging conditions of the traditional catering market in Hong Kong, the Group has strategically ceased the operation of “Li Bao House (利寶會館)”, the only restaurant in the region. This measure was taken to mitigate potential losses amid economic sluggishness and the growing tendency of residents to dine in Shenzhen and nearby areas.

The Chinese restaurant sector in mainland China has similarly faced challenges stemming from economic slowdowns. The sweeping ban order on liquor at official receptions enacted by the Chinese government in May 2025 (the “**Liquor Banning Order**”), has further impacted the revenue of the Shenzhen Restaurants. With competition remaining fierce, it is essential for the Group to adapt to evolving consumer preferences and economic conditions to ensure sustained growth. We have closed the restaurant in the One Avenue, Shenzhen (the “**One Avenue Restaurant**”) due to declining customer traffic within that shopping complex.

Conversely, the coffee market in China is experiencing robust growth, with forecasts indicating a significant rise in consumption in the coming years. Key drivers behind this trend include urbanisation and the expanding middle class, with coffee becoming a mainstream beverage, especially among younger consumers. Major coffee chains are aggressively expanding, enriching the local coffee culture.

All of the Group’s restaurants and coffee shop are strategically located in prominent shopping arcades or commercial complexes. The Group adheres to a business philosophy of offering quality food, beverages, and services at reasonable prices in an elegant and comfortable dining environment, targeting mid-to-high-end customers.

As at the date of this announcement, the Group has,

In Shenzhen, the PRC:

- (i) two Chinese restaurants, which are located in Futian District, Shenzhen, the PRC (i.e. the Shenzhen Futian Restaurant) and Baoan District, Shenzhen, the PRC (i.e. the Shenzhen Uniwalk Restaurant); and

In Guangzhou, the PRC:

- (ii) one coffee shop which is located in Panyu District, Guangzhou, Guangdong Province, the PRC.

Due to continued weakness in the restaurant operating environment, business strategies restructuring and the re-branding process, the expansion plan of the Group has been delayed. However, the Group will explore the opportunity to develop its coffee shop operations in both Hong Kong and the PRC.

FINANCIAL REVIEW

Revenue

For the Year, the Group recorded a total revenue of approximately HK\$106.1 million, representing a decrease of approximately 24.0% as compared to approximately HK\$139.6 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 shop operations.

Food Catering

The revenue from the restaurant business in Hong Kong was approximately HK\$8.8 million (2024: approximately HK\$19.8 million), representing a decrease of approximately 55.6% compared to the Previous Year. This was primarily due to the challenging conditions of the traditional catering market in Hong Kong and cessation of operation of the restaurant resulted from the expiration of the tenancy agreement in the third quarter of 2025.

The aggregate revenue of the three Chinese restaurants in Shenzhen, the PRC, of approximately HK\$97.3 million (2024: approximately HK\$119.8 million), decreased by approximately 18.8%, which was mainly due to: (i) weak consumption resulting from the economic slowdown in the PRC during the Year; (ii) intense competition in the market; and (iii) the closure of the One Avenue Restaurant in the third quarter of 2025 due to declining customer traffic in the shopping complex.

Beverage Services

The aggregate revenue from the coffee business was approximately HK\$2.5 million for the Year, representing an increase of approximately 150.0% as compared to the Previous Year (2024: approximately HK\$1.0 million). Notwithstanding the significant growth in revenue for the Year, the Group has ceased the operations of the two franchise coffee shops located in Wenzhou City, Zhejiang Province, the PRC. The Group was restructuring the development strategy of its coffee business and was planning to implement a dual-brand strategy positioning of “Youngful Energy + Premium Enjoyment.” Actual development was set to commence in the first quarter of 2026.

Kafelaku Coffee (貓屎咖啡), the Group’s early-developed brand of premium civet coffee in the domestic market, opened one new direct-operated store on 30 January 2026 at Guangzhou, the PRC. The Group plans to establish more direct-operated stores in 2026, continuously penetrating the upscale consumer demographic and expanding into high-end coffee gift sales and other business segments.

Subsequent to the year end, the Company has entered into a non-legally binding memorandum of understanding with Coffeenergy Co., Ltd.* (加油咖啡有限公司), a comprehensive coffee brand company originating from Yunnan Province, the PRC, covering the entire coffee industry chain, for the exploration of cooperation intention comprehensively. Upon signing of formal agreement, the Group plans to position the new brand of “Coffeenergy” (the “**Coffeenergy**”) as functional coffee, targeting youthful and athletic segments, which will create a beneficial complement to the Group’s coffee business development. As at the date of this announcement, the negotiations regarding the business cooperation was still ongoing and the business cooperation was subject to the signing of formal agreement. For details, please refer to the Company’s announcement dated on 12 February 2026 and the section headed “EVENTS AFTER THE REPORTING DATE OF 31 DECEMBER 2025” below.

Gross profit and gross profit margin

The Group’s gross profit (i.e. revenue minus cost of materials consumed) amounted to approximately HK\$61.9 million for the Year, representing a decrease of approximately 25.9% from approximately HK\$83.6 million for the Previous Year, which was in line with the decrease in revenue of approximately 24.0% during the Year. Furthermore, the Group’s overall gross profit margin decreased to approximately 58.4% for the Year (2024: approximately 59.9%) due to the slightly higher discounts offered by the Group because of the weak business environment in the PRC during the Year.

Employee benefits expense

Employee benefits expense was approximately HK\$44.3 million for the Year (2024: approximately HK\$62.4 million), representing a decrease of approximately 29.0% as compared to 2024 which was due to the closure of certain restaurants during the Year.

* *The English name is for identification purpose only.*

Depreciation

Depreciation in respect of the right-of-use assets in relation to the Group's leased properties for the Year was approximately HK\$12.4 million (2024: approximately HK\$14.3 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\$26.4 million (2024: approximately HK\$33.8 million), representing a decrease of approximately HK\$7.4 million or 21.9% which was mainly due to (i) the decrease of building management fee and air conditioning charge of approximately HK\$1.8 million; (ii) no further penalties, and the decrease in related interest in relation to litigation of approximately HK\$2.4 million; (iii) the decrease in laundry and sanitary expenses of approximately HK\$0.9 million; and (iv) the decrease in advertising and promotion expenses of approximately HK\$1.0 million.

Gain on disposal of a subsidiary

During the Year, the Group has disposed of its 100% equity interest in Keen Nation Limited, a subsidiary and an investment holding company in the food catering segment, at consideration of HK\$8,000. Keen Nation Limited was in net liabilities position at the time of disposal. As a result, the Group recognised a gain on deconsolidation of approximately HK\$14.4 million.

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

The impairment loss on right-of-use assets and property, plant and equipment amounting to approximately HK\$2.1 million (2024: approximately HK\$5.6 million) and HK\$nil (2024: HK\$0.9 million), respectively, for the Year. The decrements were because of the impairment losses arising from the unsatisfactory performance of the One Avenue Restaurant which was closed during the Year.

Finance costs

Finance costs for the Year were approximately HK\$3.2 million (2024: approximately HK\$5.4 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\$4.7 million, whereas the Group recorded a loss attributable to owners of the Company of approximately HK\$48.7 million for the Previous Year. Such reduction on loss-making position for the Year was mainly attributable to the combined effects of (i) a gain on early termination of leases from PRC business of approximately HK\$10.5 million; (ii) a gain on deconsolidation of a subsidiary of approximately HK\$14.4 million; (iii) the decrease in employee benefits expenses of approximately HK\$18.1 million due to reduction of staff from closure of restaurants; and (iv) the decrease in the impairment loss on right-of-use assets by approximately HK\$3.5 million which was partially offset by the decrease in aggregate revenue of approximately HK\$33.5 million.

Deposits, prepayments and other receivables

As at 31 December 2025, the Group's current assets include, among others, the deposits, prepayments and other receivable amounting to approximately HK\$16.1 million which is comparable to the previous year (2024: approximately HK\$19.8 million).

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 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 2025, 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 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 31 December 2025, the Group's cash and cash equivalents were approximately HK\$3.9 million, representing a decrease of approximately HK\$6.7 million as compared with approximately HK\$10.6 million as at 31 December 2024. The decrease was mainly due to an increase in cash used in operations and closure of restaurants.

As at 31 December 2025, cash and cash equivalents amounted to approximately HK\$3.9 million, of which approximately HK\$0.6 million and approximately HK\$3.3 million were denominated in Hong Kong dollars (“**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.

Bank Borrowings

As at 31 December 2025, the Group had no bank borrowings (as at 31 December 2024: nil).

Foreign Exchange Exposure

Most of the Group’s income and expenditures are denominated in HK\$ and RMB, the functional currencies of the respective group entities. Although HK\$ is not pegged to RMB, the historical exchange rate fluctuations for RMB were not significant during the Year under review. Consequently, no substantial exposure is expected from RMB transactions and balances.

Despite the closure of a restaurant in Hong Kong, the Group has recently initiated a coffee trading business in the region, which may introduce some foreign exchange considerations. However, the overall foreign exchange exposure remains minimal. Additionally, the Group did not use any financial instruments for hedging purposes during the Year.

Securities in Issue

As at 31 December 2025 and 31 December 2024, there were 1,410,250,000 ordinary Shares in issue. There was no movement in the issued share capital of the Company during the Year.

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

Save as disclosed in this announcement, during the Year, 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 2025, the Group did not have any charge over its assets (2024: 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 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 31 December 2025, the Group did not have any other material contingent liabilities.

Employees and Remuneration Policies

The Group had approximately 189 employees as at 31 December 2025 (2024: 378). The staff head count decreased by approximately 50% as compared to 2024 which was due to (i) closure of restaurants for both Hong Kong and the PRC; and (ii) optimizing human resources. The employee benefits expense, including Directors’ emoluments, of the Group were approximately HK\$44.3 million (2024: approximately HK\$62.4 million), decreased by approximately 29.0% compared to 31 December 2024 which was due to the closure of restaurants during the Year.

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 (2024: nil).

This decision reflects the Board's commitment to preserving funds for future strategic initiatives and operational needs, ensuring the company remains well-positioned for long-term growth and resilience.

Prospects

Building upon previous strategies for the culture, sports, health and tourism industries, the 15th Five-Year Plan of China (the “**15th Five-Year Plan**”) has introduced new-stage goals and policy slogans such as “Healthy China 2030” and “Exercise is Medicine”. The Board believes that the Group will embrace new structural opportunities and create a brand-new growth engine for business development by leveraging its deep-rooted expertise in the high-quality catering and service industry, aligning with national industrial development planning guidance, and actively upgrading and expanding its traditional restaurant operations into premium food and culture-sports-health sectors.

The coffee business will continue to be a key growth sector. The Group will transition from its original single-point positioning in the premium coffee market to a dual-brand development strategy of “Youthful Energy + Premium Enjoyment”. The Group will continuously penetrate into the upscale consumer demographic and expand into high-end coffee gift sales and other business segments through its premium civet coffee brand, the Kafelaku Coffee. The proposed Coffeenergy business will be strategically positioned to target the youthful and athletic segments, creating a differentiated competitive edge against mainstream coffee chains by closely aligning its coffee products with the fitness and health needs of younger consumers demographic. Coffeenergy will create a beneficial complement to the Group's coffee business development. The Group's coffee trading business has been launched in the first quarter of 2026 and enhanced the Group's supply chain operations.

Furthermore, leveraging the Group's extensive expertise in Chinese cuisine, the Directors recognise a significant opportunity and will explore the opportunity for developing the healthy food business. This move aligns with the rising global demand for authentic and traceable Chinese food products, while also supporting the objectives of the 15th Five-Year Plan, which emphasizes high-quality development and the building of technology-driven supply chains.

Despite some improvements, the catering industry continues to face significant challenges, and the overall business environment has not yet been strengthened compared to the Previous Year. The Directors expect that the Group's operations, including its new ventures planned for 2026, will encounter a range of difficulties in the near future. The Group's key risk exposures and uncertainties are summarized as follows:

- (i) The Hong Kong and Chinese economies may further deteriorate due to unfavorable developments arising from the ongoing China-US trade war and Russia-Ukraine war, and the outbreak of the US-Israel-Iran war, along with US imposed tariffs. These factors could negatively affect public consumption sentiments and, consequently, impact the retail and catering sectors, as well as the Group's new coffee trading business (which relies on cross-border sourcing and the mechanism of the Regional Comprehensive Economic Partnership (RCEP) for market expansion), proposed Coffeenergy business (dependent on youth discretionary spending and online traffic), and new Chinese cuisine healthy food supply chain businesses (targeting global markets).
- (ii) The unforeseen trend of interest rates in Hong Kong may affect consumer spending sentiments, adversely impacting the business of the Group's restaurants, proposed Coffeenergy product sales (a core youth-focused online offering), and coffee trading operations (which involve working capital for inventory and cross-border logistics).
- (iii) The operation of the Group – including its coffee trading and food supply chain businesses – may be influenced by the cost of food ingredients and coffee beans, which will be affected by fluctuating exchange rates, global commodity price volatility, and trade barriers. For the proposed Coffeenergy business, these cost pressures could impact pricing competitiveness in the price-sensitive youth market.
- (iv) A potential labor shortage and intense competition for qualified individuals in the food and beverage, coffee trading, supply chain, and digital marketing industries could pose additional challenges – particularly for roles requiring expertise in youth trend analysis, online campaign management, functional beverage development, and e-commerce operations (critical for Coffeenergy's online sales focus).

It is expected that more policies will be announced by the Chinese and Hong Kong governments to support and stimulate consumer spending, such as expanding the “Individual Visit Scheme” to more Mainland China cities, and promoting cross-border trade and digital supply chain development under the 15th Five-Year Plan – from which the Group can benefit, especially in promoting its coffee trading, the proposed Coffeenergy, and healthy food businesses in the PRC and overseas markets.

Despite this, Hong Kong citizens have become accustomed to visiting Mainland China on weekends, which may impede the growth of the Group’s operations in Hong Kong, including its planned local Coffeenergy distribution – though this risk is expected to be partially mitigated by the planned focus on Coffeenergy’s online sales, which enables cross-border consumption and access to youth consumers in both the Mainland China and Hong Kong markets.

Going forward, the Group will continue to utilize available resources to implement its business strategies, focusing on steady growth and prudent expansion in Hong Kong with a multi-brand strategy, progressive expansion in the PRC market (key growth drivers include scaling coffee trading and planned Coffeenergy’s online sales via e-commerce platforms, instant retail channels, and social media commerce), and continuing promotion of brand image and recognition through marketing initiatives. Enhancements to existing restaurant facilities, coffee trading sourcing networks, planned Coffeenergy’s youth-centric product innovation, and staff training (including specialized training for coffee experts, supply chain managers, and digital marketing teams) will aim to attract new customers. Throughout this process, the Group will remain committed to maintaining high-quality standards.

The Group will prioritize online marketing for promoting its existing businesses and the planned Coffeenergy products (with a focus on youth-focused digital channels), for building interactive experiences and emotional connections with youth consumers, and for increasing market share of coffee trading services. Following its rebranding, the Group will further develop its coffee operations in the PRC – encompassing both retail coffee services and wholesale coffee trading – to diversify its catering business, while doubling down to develop a multi-dimensional online-to-offline synergistic operational strategy for the planned Coffeenergy.

Additionally, the Group will actively advance its exploration of Chinese cuisine-driven food supply chain businesses, leveraging its Chinese cuisine expertise to develop traceable, high-quality ingredients (e.g., authentic sauces, pre-cut vegetables and frozen dim sum) for both global commercial and household markets. Taking into account available resources and the performance of its 2026 new-business performance, particularly the planned Coffeenergy’s performance in the youth market and online sales channels, the management of the Group will proactively explore development opportunities that are closely aligned with the “Healthy China 2030” policy. The Group will consider expanding into innovative health food businesses and service operations related to the culture-sports-health sector, with the aim of maximizing returns for its Shareholders.

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 Period, except for certain deviations as specified with considered reasons for such deviations which are explained below.

Code Provision C.2.1

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 the Chairman and the chief executive officer of the Company (the "**Chairman**" and the "**CEO**", respectively). Mr. Liang Naiming ("**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 the same 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.

Code Provision D.2

In addition, under Code Provision D.2 of the CG Code, the Board should undertake regular reviews on the effectiveness of the risk management and internal control systems of the Group. Certain weaknesses and deficiencies have been identified in 2025 during the preparation of the annual results for the Previous Year. They have been addressed by the Company by way of a series of remedial measures, details of which are set out below.

References are made to the announcement of the Company dated 31 March 2025, the supplemental announcement of the Company dated 12 September 2025, and the second supplemental announcement of the Company dated 13 January 2026. On 5 July 2024, Jiangsu Kafelaku Holding Co., Ltd. (“**Jiangsu Kafelaku**”), a wholly-owned subsidiary of the Company, entered into a loan agreement (the “**Loan Agreement**”) lending a sum of RMB12.85 million (the “**Loan**”) to Guangzhou Kafelaku Food Company Limited, which was owned as to approximately 77.76% equity interest by Mr. Liang as at the date of the Loan Agreement.

The Loan constituted a discloseable and connected transaction and an advance to an entity, whereby the Company was subject to reporting, announcement and notification obligations and was required to seek independent shareholders’ approval in respect of the Loan under Chapters 13, 14 and 14A of the Listing Rules. Due to an omission by Mr. Liang who entered into the Loan Agreement on behalf of Jiangsu Kafelaku without reporting the transaction to the Group in a timely manner. As a result, the Company had not announced the Loan timely until 31 March 2025.

In response to the above incident and in order to prevent future non-compliance with the Listing Rules, the Company appointed Roma Risk Advisory Limited as the independent internal control consultant (the “**IC Consultant**”) to perform an internal control assessment and review of the Group’s internal procedures on compliance management and treasury management with a view to enhancing the Company’s internal control and corporate governance generally.

As recommended by the IC Consultant, the Company has adopted various remedial measures (the “**Remedial Measures**”).

The major revisions includes enhancement and clarification of its policies on:

- (i) enhanced its written policies and procedures for managing conflicts of interest, notifiable and/or connected transactions, advance to an entity, and fund transfers as follows:
 - (a) business unit of the Company or any of its subsidiaries conducting transactions are required to collect and verify information on transaction counterparties, including their shareholders and ultimate beneficial owners, to identify potential conflicts of interest. The information will then be submitted to the accounting and finance department of the Company or the relevant subsidiary for checking. The accounting and finance staff will calculate the size tests for the transaction, determine whether it constitutes a notifiable and/or connected transaction or an advance to an entity, and cross-check the counterparties against the Company's list of connected persons, which is maintained and updated in a timely manner;
 - (b) any Director or senior management who becomes aware of a potential conflict of interest regarding a specific contract or arrangement entered into or to be entered into by the Company must promptly notify the Board for assessment and decision-making;
 - (c) transaction with a consideration exceeding HK\$3 million is required to submit to the relevant subsidiary's managerial staff, such as general manager, head of finance and accounting team, and any personnel performing equivalent functions in such roles for concurrent review;
 - (d) if the transaction triggers disclosure obligations under the Listing Rules, all relevant documents will be submitted to the managerial staff at the group level, such as financial controller, company secretary, and any other personnel performing equivalent functions in such roles, for review and assessment. The Board shall be responsible for final assessment and approval. No agreement (oral or written) may be entered into without prior Board's approval. In case of any questions concerning the potential transaction, the Directors will seek advice from finance, legal, or other professional advisers;
 - (e) following the Board's approval of the relevant transaction, the company secretary or legal adviser, where applicable, will prepare the required announcement and/or circular in accordance with the Listing Rules;
 - (f) when processing fund payments, the Company's accounting officer is required to prepare a fund transfer payment order, which will be reviewed by the financial manager and then by the general manager. All fund transfers of HK\$1 million or above require approval from two Directors before proceeding; and

- (ii) conducted training sessions led by its legal advisers to the then chairman of the Board in April 2025, covering the requirements under Chapters 13, 14 and 14A of the Listing Rules. Training was also provided to the executive Directors, chief executive officer and senior management in November 2025 on the enhanced internal control policies mentioned in (i) above, focusing on identifying and reporting potential conflicts of interest; identifying and handling potential notifiable transaction, connected transactions and/or advance to an entity, and fund transfer authorization and approval mechanisms.

Upon follow-up review by the IC Consultant in November 2025, it is confirmed that the above enhanced internal control policies are effective and adequate.

The Group has also provided training for all relevant employees, including employees in the accounting and finance department, in relation to the above enhanced internal control guidelines in January 2026. For details of the internal control deficiencies identified and remedial measures taken, please refer to the announcements of the Company dated 31 March 2025, 12 September 2025, and 13 January 2026.

Therefore, in view of the Remedial Measures having been effectively implemented, the Company concludes that it has ratified the deficiencies in the risk management and internal control systems and re-complied with Code Provision D.2.1 of the CG Code.

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 and up to the date of this announcement.

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 2025.

ANNUAL GENERAL MEETING AND CLOSURE OF REGISTER OF MEMBERS

The forthcoming AGM is scheduled to be held at Room 305, 3/F., Lippo Sun Plaza, 28 Canton Road, Tsim Sha Tsui, Kowloon, Hong Kong on Wednesday, 24 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 Thursday, 18 June 2026 to Wednesday, 24 June 2026, 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 Wednesday, 17 June 2026. The record date for determining the eligibility of Shareholders to attend and vote at the AGM is Wednesday, 24 June 2026.

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 31 December 2025, the planned use of the net proceeds from the Placing and the actual use of net proceeds up to 31 December 2025 were as follows:

	Remaining balance as at 1 January 2025	Net proceeds used during the Year	Remaining balance as at 31 December 2025
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
For developing of civet coffee businesses in Hong Kong and in the PRC	3,463	(3,463)	–
For replenishing the business operations and general working capital of the Group	–	–	–

As an result, all of the net proceeds from the Placing have been utilised as planned as at 31 December 2025.

EVENTS AFTER THE REPORTING DATE OF 31 DECEMBER 2025

On 30 January 2026, a new direct-operated store of Kafelaku Coffee was opened in Panyu District, Guangzhou, Guangdong Province, the PRC.

On 12 February 2026, the Company has entered into a non-legally binding memorandum of understanding with Coffeenergy Co., Ltd.* (加油咖啡有限公司), a comprehensive coffee brand company originating from Yunnan Province, the PRC, covering the entire coffee industry chain, for the exploration of cooperation intention comprehensively. For details, please refer to the Company's announcement dated 12 February 2026.

The Group has launched its coffee trading business in the beginning of 2026 through a wholly owned subsidiary, Global Green Food Limited, which has enhanced the Group's supply chain operations. The first transaction was taken place in February of 2026. It was expected that the expansion into the coffee trading business would improve the Group's profitability and cash flow position in the longer term.

Save for the above, the Board is not aware of any other important event requiring disclosure that has taken place subsequent to 31 December 2025 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.

As at the date of this announcement, the Audit Committee consists of three independent non-executive Directors, chaired by Mr. Yang Chao and the other two members are Mr. Huang Shan and Ms. Zhao Yuanyuan. Mr. Yang Chao possesses appropriate professional qualifications or accounting or related financial management expertise.

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

* *The English name is for identification purpose only.*

SCOPE OF WORK OF RONGCHENG (HONG KONG) CPA LIMITED

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 ended 31 December 2025 as set out in the preliminary announcement have been agreed by the Group’s independent auditor (the “**Independent Auditor**”), Rongcheng (Hong Kong) CPA Limited, to the amounts set out in the Group’s audited consolidated financial statements of the Group for the year ended 31 December 2025 as approved by the Board of Directors on 30 March 2026. The work performed by Rongcheng (Hong Kong) CPA Limited in this respect did not constitute an assurance engagement and consequently no opinion or assurance conclusion has been expressed by Rongcheng (Hong Kong) CPA Limited 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 2025.

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 2025, 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

The Group incurred a net loss of HK\$4,685,000 during the year ended 31 December 2025 and, the Group had net current liabilities and net liabilities of HK\$87,461,000 and HK\$65,929,000, respectively.

As at 31 December 2025, the Group had total liabilities of HK\$128,194,000, in which, trade payables of HK\$9,509,000, amount due to a non-controlling shareholder of HK\$1,237,000, lease liabilities of HK\$22,142,000 and other payables of HK\$72,187,000 (including amounts due to directors, amount due to a shareholder, amounts due to related companies, amount due to a former director and provision for litigation of HK\$622,000, HK\$1,240,000, HK\$8,938,000, HK\$199,000 and HK\$15,818,000, respectively) are repayable within one year, while the Group had cash and cash equivalents of approximately HK\$3,945,000. 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 2025. 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.

As a result of these multiple uncertainties, their potential interaction, and the possible cumulative effect thereof, we were unable to form an opinion as to whether the going concern basis of preparation is appropriate.

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 largest substantial 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 Group 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 largest substantial shareholder of the Company, for loan facility amounting to HK\$91,000,000 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 premium brand coffee business through the planned opening of new direct-operated stores and in February 2026, the Group entered into a memorandum of understanding with Coffeenergy Co., Limited to cooperate in the expansion of the “Coffeenergy” brand; 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 disseminated and dispatched to the Shareholders and posted on the above websites in due course.

For and on behalf of
Kafelaku Coffee Holding Limited
Cui Zhiqiang
Chairman

Hong Kong, 30 March 2026

As at the date of this announcement, the Board comprises Mr. Cui Zhiqiang (chairman), Mr. Cui Zifeng (chief executive officer), Mr. Ma Xiaoping and Ms. Ou Shu as executive Directors; Ms. Fung Wai Sim as non-executive Director; and Mr. Yang Chao, Mr. Huang Shan and Ms. Zhao Yuanyuan as independent non-executive Directors.