



Classified Group (Holdings) Limited

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 8232

2018 ANNUAL REPORT

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



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CORPORATE INFORMATION

Board of Directors	<i>Executive Directors</i> Mr. WONG Arnold Chi Chiu (<i>Chairman</i>) Mr. LO Yeung Kit Alan Mr. PONG Kin Yee Mr. MA Chun Fai <i>Independent Non-executive Directors</i> Dr. CHAN Kin Keung Eugene BBS,JP Mr. YUE Man Yiu Matthew Mr. NG Chun Fai Frank
Compliance Officer	Mr. WONG Arnold Chi Chiu
Authorised Representatives	Mr. WONG Arnold Chi Chiu Ms. LEUNG Yin Fai
Company Secretary	Ms. LEUNG Yin Fai (<i>HKICPA</i>)
Audit Committee	Mr. YUE Man Yiu Matthew (<i>Chairman</i>) Dr. CHAN Kin Keung Eugene BBS,JP Mr. NG Chun Fai Frank
Remuneration Committee	Dr. CHAN Kin Keung Eugene BBS,JP (<i>Chairman</i>) Mr. YUE Man Yiu Matthew Mr. NG Chun Fai Frank
Nomination Committee	Mr. NG Chun Fai Frank (<i>Chairman</i>) Dr. CHAN Kin Keung Eugene BBS,JP Mr. YUE Man Yiu Matthew
Auditors	Deloitte Touche Tohmatsu <i>Certified Reporting Accountants</i>
Compliance Adviser	Guotai Junan Capital Limited
Legal Advisers to the Company	Hogan Lovells
Principal Bankers	Hang Seng Bank Limited
Registered Office	Cricket Square, Hutchins Drive P.O. Box 2681 Grand Cayman KY1-1111 Cayman Islands
Head Office, Headquarters and Principal Place of Business in Hong Kong	7/F., Remex Centre 42 Wong Chuk Hang Road Wong Chuk Hang Hong Kong
Principal Share Registrar and Transfer Office	Conyers Trust Company (Cayman) Limited Cricket Square, Hutchins Drive P.O. Box 2681 Grand Cayman KY1-1111 Cayman Islands
Hong Kong Share Registrar and Transfer Office	Union Registrars Limited Suites 3301-04, 33/F Two Chinachem Exchange Square 338 King's Road North Point Hong Kong
Company Website	www.classifiedgroup.com.hk
GEM Stock Code	08232



CHAIRMAN'S STATEMENT

Explore, experience and taste!

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



CHAIRMAN'S STATEMENT

TO OUR SHAREHOLDERS

On behalf of the board of Directors (the "Board"), I am pleased to present the annual results of Classified Group (Holdings) Limited (the "Company") and its subsidiaries (together with the Company, the "Group") for the year ended 31 December 2018, together with the comparative figures for the year ended 31 December 2017.

FINANCIAL RESULTS

For the year ended 31 December 2018, the Group's total revenue from continuing and discontinued operations was approximately HK\$121.6 million, being 9.6% less than last year (2017: HK\$134.5 million). Loss for the year attributable to owners of the Company was HK\$25.9 million (2017: HK\$36.0 million). The decrease in loss was mainly due to the decrease in impairment loss, staff costs, property rentals and related expenses and depreciation, which were primarily attributable to the closure of The Fat Pig restaurant and the termination of the Company's bakery business and central kitchen in September 2017 and August 2018, respectively.

BUSINESS REVIEW

At present, our Group is operating eleven restaurants under the brands of Classified and The Pawn. There are ten restaurants under "Classified" and one restaurant under "The Pawn". We closed "The Fat Pig" restaurant in September 2017 and our bakery business and central kitchen in August 2018 as their financial performance were below our expectations.

During the year ended 31 December 2018, the Directors believed our restaurant revenue and profit margin of the Group had been adversely affected by keen competition and rising operation costs. People are more budget conscious and sensitive to the amounts they spend on food. The management believes the difficult situation will continue and will adversely influence the food and beverage industry as a whole and the Group's performance.

PROSPECTS

Looking ahead, the food and beverage industry should continue to be a challenging industry with intense competition and success is heavily dependent on the dining concepts and economic conditions of Hong Kong. In order to improve the overall business of the Group, we plan to i) open four new restaurants and relocate one restaurant and ii) enhance and upgrade our existing restaurant facilities.

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

CHAIRMAN'S STATEMENT

APPRECIATION

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

Wong Arnold Chi Chiu

Chairman

Hong Kong, 22 March 2019

FINANCIAL HIGHLIGHTS

CONSOLIDATED RESULTS

	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Revenue		
– Continuing operations	119,660	130,540
– Discontinued operations	1,926	3,913
	121,586	134,453
Loss before taxation		
– Continuing operations	(20,934)	(32,280)
– Discontinued operations	(4,468)	(3,931)
	(25,402)	(36,211)
Loss and total comprehensive expense for the year attributable to owners of the company	(25,938)	(35,972)

ASSETS AND LIABILITIES

	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Assets		
Non-current assets	18,913	29,841
Current assets	89,232	103,984
Total assets	108,145	133,825
Liabilities		
Non-current liabilities	3,780	1,441
Current liabilities	13,439	15,520
Total liabilities	17,219	16,961
Total equity	90,926	116,864
Total equity and liabilities	108,145	133,825
Net current assets	75,793	88,464
Total assets less current liabilities	94,706	118,305

MANAGEMENT DISCUSSION AND ANALYSIS

INDUSTRY OVERVIEW

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

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

BUSINESS OVERVIEW

"Classified" restaurants are a collection of casual European cafés specializing in artisan breads, cheeses and boutique wines, and are renowned for their breakfast and all-day dining menu. Offering casual seating areas in most locations, Classified encourages neighbourhood street-level interaction. It is our Group's flagship brand and contributes to over 69.9% of our total revenue from continuing and discontinued operations. During the year ended 31 December 2018, Classified recorded revenues of approximately HK\$85.0 million (2017: HK\$88.3 million), representing a decrease of 3.8% as compared to the previous year.

"The Pawn" is a full service restaurant located in one of Hong Kong's iconic landmarks. It marries a contemporary dining and bar concept with a unique innovative space aiming to be more than just a dining experience. It is a communal social venue for an eclectic mix of groups and sub-cultures at any time of the day or night, celebrating retro-futurism, arts and design through casual-chic, alfresco and contemporary dining. During the year ended 31 December 2018, The Pawn recorded revenues of approximately HK\$34.7 million, which remained relatively stable as compared to the previous year (2017: HK\$34.7 million).

"The Fat Pig" was a full service restaurant with a pork-based concept by British Chef Mr. Tom Aikens. The Fat Pig's financial performance was below our expectation due to the decrease in the number of visitors and shoppers and spending of customers in that district. Given the adverse impact of The Fat Pig's financial performance on the Group's overall financial performance, the Directors considered that it was in the best interest of the Shareholders to close down The Fat Pig and divert the Group's existing resources to the remaining brands, namely "Classified" and "The Pawn". As such, The Fat Pig was closed on 7 September 2017, thus no revenue was recorded for the year ended 31 December 2018 (2017: HK\$7.6 million).

MANAGEMENT DISCUSSION AND ANALYSIS

In addition to the above restaurants, the Group also owned and operated a central kitchen which supplied bread, bakery and semi-finished food products to our restaurants and other corporate customers (the “Bakery Business”). Taking into consideration the adverse impact of the Bakery Business on the Group’s overall financial performance and other factors, the Company terminated this business in August 2018 and handed over the premise of the central kitchen to the landlord in September 2018. The Directors believed that the termination had no material impact on the Group’s operations as the Group’s individual restaurants are equipped to process and produce the food products (including bakery products) in their own kitchens. During the year ended 31 December 2018, our Bakery Business recorded revenues from external customers of approximately HK\$1.9 million (2017: HK\$3.9 million). For further details on the termination, please refer to the Company’s announcements dated 22 June 2018 and 10 July 2018.

FUTURE PROSPECTS

The food and beverage industry is always a challenging industry with intense competition and high operating costs, such as rising rental expenses, food costs and labour costs. Our success is heavily dependent on the dining concepts and economic conditions of Hong Kong.

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

- (1) our Group may fail to find commercially attractive locations for new restaurants and/or renew existing leases on commercially acceptable terms, and the aforesaid potential failure would have a material adverse effect on the Group’s business and future development;
- (2) the operation of the Group may be affected by the price of the food ingredients, including the price of the imported food ingredients which will be affected by the fluctuating exchange rate; and
- (3) there may be labour shortage in the future and competition for qualified individuals in the food and beverage industry may be intense.

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

To manage the Group’s risks and to improve the Group’s overall business, we currently plan to:

- (1) open four new restaurants and relocate one restaurant. We have identified potential locations for some new restaurants but have not signed any lease agreement for such new restaurants;
- (2) enhance and upgrade our existing restaurant facilities to attract more customers; and
- (3) closely monitor the quotations of our suppliers to ensure we obtain competitive prices for our food ingredients.

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

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

For the year ended 31 December 2018, the Group's total revenue was approximately HK\$121.6 million (2017: HK\$134.5 million), including revenue from continuing operations of HK\$119.7 million (2017: HK\$130.6 million) and revenue from discontinued operations of HK\$1.9 million (2017: HK\$3.9 million), representing a decrease of approximately 9.6% compared with last year. The decrease in revenue for the year ended 31 December 2018 was mainly due to the closure of The Fat Pig restaurant in September 2017, a Classified restaurant in April 2018 due to the early termination of tenancy agreement by the landlord, and the termination of the Company's bakery business in August 2018.

During the year ended 31 December 2018, the Group recorded total impairment loss of property, plant and equipment of approximately HK\$3.5 million for two restaurants within the casual segment due to their unsatisfactory sales performance. The Group also made a provision of HK\$3.4 million on an onerous lease contract for a restaurant because the costs of meeting the obligation under such lease contract would inevitably exceed the economic benefits expected to be received from such lease contract. In addition, there is a loss on disposal/written-off of property, plant and equipment of approximately HK\$2.0 million recognised during the year ended 31 December 2018 as a result of the termination of the Bakery Business.

The loss attributable to owners of the Company was approximately HK\$25.9 million (2017: HK\$36.0 million), including loss for the year from continuing operations of HK\$21.5 million (2017: HK\$32.1 million) and loss for the year from discontinued operation of HK\$4.4 million for the year ended 31 December 2018 (2017: HK\$3.9 million). The decrease in our loss of the Company was mainly due to the decrease in impairment loss, staff costs, property rentals and related expenses and depreciation, which were primarily attributable to the closure of The Fat Pig restaurant and the Bakery Business in September 2017 and August 2018, respectively.

FOREIGN CURRENCY EXPOSURE

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

CAPITAL COMMITMENTS

As at 31 December 2018, the Group did not have any material capital commitments.

CONTINGENT LIABILITIES

As at 31 December 2018, the Group did not have any material contingent liabilities.

PLEDGE OF ASSETS

As at 31 December 2018, the Group did not have any mortgage or charge over its assets.

SIGNIFICANT INVESTMENTS, MATERIAL ACQUISITIONS OR DISPOSALS

There were no significant investments held, material acquisition or disposals of subsidiaries and affiliated companies during the year ended 31 December 2018 and there is no plan for material investments or capital assets as at the date of this report.

DIRECTORS AND SENIOR MANAGEMENT

EXECUTIVE DIRECTORS

Mr. WONG Arnold Chi Chiu, aged 45, is our Chairman and an Executive Director and the compliance officer of our Company. Mr. Wong joined the Group in June 2005 and is one of the founders of our Group. He is primarily responsible for overseeing the overall financial matters of our Group. Mr. Wong graduated from St. Hugh's College, Oxford University, the United Kingdom with a Bachelor's degree in Jurisprudence in June 1996. Mr. Wong had three years and six years of experience in auditing and corporate finance, respectively.

Mr. LO Yeung Kit Alan, aged 39, is an Executive Director and is primarily responsible for overseeing the overall marketing of our Group. Mr. Lo joined the Group in June 2005 and is one of the founders of our Group. Mr. Lo graduated from Princeton University, the United States of America with a Bachelor's degree in Architecture in June 2003. Mr. Lo have had several years of experience in the food and beverage and hospitality industry.

Mr. Lo has participated in various advisory boards of the Hong Kong SAR Government, such as Tourism Strategy Group from November 2008 to October 2014, Greater Pearl River Delta Business Council from March 2012 to March 2013, the Catering Industry Training Advisory Committee under Qualifications Framework of Education Bureau from January 2015 to December 2018, Hong Kong Arts Development Council from January 2011 to December 2016, Arts and Culture Advisory Committee of the Hong Kong International Airport from April 2015 to March 2017, the Liquor Licensing Board under the Food and Health Bureau from January 2016 to December 2017, and Harbourfront Commission since July 2016.

Mr. PONG Kin Yee, aged 42, is an Executive Director and is primarily responsible for our Group's business development. Mr. Pong joined the Group in June 2005 and is one of the founders of our Group. Mr. Pong graduated from the Massachusetts Institute of Technology, Cambridge, the United States of America with a Bachelor's degree in Materials Science and Engineering in June 2000.

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

Mr. Pong also actively participates in various public advisory boards, Mr. Pong served as a Board Member as well as Chairman of Product and Events Committee of Hong Kong Tourism Board; a Board Member, Executive Committee Member and Co-Chairman of Campaign Committee of The Community Chest; a Development Committee Member of Hong Kong Arts Festival Society. Since January 2017, he has also acted as Council Member of Hong Kong Arts Development Council and Member of the Council and the Court of Hong Kong Baptist University. In January 2018, he was appointed as a member of Commercial Letting Panel of West Kowloon Cultural District Authority; and he was appointed as Justice of the Peace in July 2018. In December 2018, he was appointed as a Member of M+Food & Beverage and Retail committee of M Plus Museum Limited.

Mr. MA Chun Fai, aged 48, joined the Group and was appointed as an Executive Director on 25 July 2017. Mr. Ma obtained a Bachelor's degree in Management Science from London School of Economics and Political Science in the U.K. in 1993. He has been licensed under the SFO to carry out type 4 (advising on securities), type 6 (advising on corporate finance) and type 9 (asset management) regulated activities since 2015. Mr. Ma has over 16 years of experience in private equity investment and involved in a number of investment projects in Hong Kong, PRC and Singapore.

Mr. Ma was a non-executive director of DT Capital Limited from July 2014 to November 2017 (stock code: 0356).

DIRECTORS AND SENIOR MANAGEMENT

INDEPENDENT NON-EXECUTIVE DIRECTORS

Dr. CHAN Kin Keung Eugene BBS,JP, aged 55, was appointed as an Independent Non-executive Director on 14 June 2016. Dr. Chan received a Bachelor's degree in Dentistry from the University of Adelaide in Australia in May 1988 and a Fellowship Ad Eundem from the Royal College of Surgeons of England in February 2006. Dr. Chan is a registered dentist with The Dental Council of Hong Kong. Since 2007, Dr. Chan has been an honorary clinical associate professor of the Faculty of Medicine of The Chinese University of Hong Kong. Since 2011, Dr. Chan has also been a visiting professor of the Jinan University (暨南大學) in the PRC. Since 2010, Dr. Chan has been the member of the Board of Advisors of Radio Television Hong Kong and its Chairman from 2016. Since 2011, Dr. Chan has been the Chairman of the Association of Hong Kong Professionals and its President since 2016. In 2013, he was appointed as a member of the Advisory Committee of School of Chinese Medicine of Hong Kong Baptist University. From January 2013 to December 2018, he was a member of Citizens Advisory Committee on Community Relations of Independent Commission Against Corruption and a member of Independent Police Complaints Council. Since December 2013, he has been a member of the Appeal Board on Public Meetings and Procession. Dr. Chan has also been a member of the Quality Education Fund Steering Committee since January 2015. In January 2019, Dr. Chan was appointed as a member of the Council of City University of Hong Kong, HKSAR Environmental Campaign Committee and HKSAR Witness Protection Review Board Panel. He was selected as an awardee of the Ten Outstanding Young Persons in 2004, appointed by the Government of the Hong Kong Special Administrative Region as a Justice of Peace in 2011 and was awarded a Bronze Bauhinia Star in 2016 for his meritorious public and community service, particularly his contributions in youth development and the promotion of the Basic Law. Dr. Chan has also been an independent non-executive director of PuraPharm Corporation Limited (stock code: 1498) since January 2015.

Mr. NG Chun Fai Frank, aged 47, was appointed as an Independent Non-executive Director on 14 June 2016. He received a Bachelor of Science degree in Economics from University College London, the United Kingdom, a Bachelor of Laws degree from City University London, the United Kingdom and a Postgraduate Diploma in Legal Practice from the College of Law, the United Kingdom in August 1992, June 1994 and 1995 respectively. He was admitted to the High Court of Hong Kong as a solicitor in November 1997 and in the Supreme Court of England and Wales as a solicitor in July 1998 and is currently a practising solicitor in Hong Kong and in England and Wales. Mr. Ng has over 20 years of experience in the legal and finance industries. Since June 2014, Mr. Ng has been a managing director and head of legal and compliance at Crosby Securities Limited, a company that provides financial services ranging from institutional sales, research, corporate access, principal investment, financial products, corporate finance and asset management, where he is responsible for all company secretarial, legal and compliance matters. He is also a member of the Hong Kong Institute of Directors since April 2014, a member of the Guidance Committee of the Law Society of Hong Kong since August 2018 and the International Compliance Association since December 2018.

DIRECTORS AND SENIOR MANAGEMENT

Mr. YUE Man Yiu Matthew, aged 57, was appointed as an Independent Non-executive Director on 19 October 2018. Mr. Yue obtained a Bachelor's degree in business administration from the Chinese University of Hong Kong in December 1984. He has been a fellow of the Association of Chartered Certified Accountants since September 1992, a fellow of the Hong Kong Institute of Certified Public Accountants since February 2005 and a member of the Hong Kong Securities Institute since April 1999.

Mr. Yue has been the chief financial officer of Ko Shi Wai Holdings Limited since September 2009. He has been an independent non-executive director of Asia Cassava Resources Holdings Limited (stock code: 841) since January 2009, Royale Furniture Holdings Limited (stock code: 1198) since November 2011 and China Suntien Green Energy Corporation Limited (stock code: 956) since June 2010. Mr. Yue has over 30 years of experience in accounting, financial control, project analysis and management functions.

SENIOR MANAGEMENT

Mr. DECESSE Alain Claude, aged 48, joined our Group in August 2015 as chief executive officer of Press Room Group Management Limited ("PRGML"), a subsidiary of the Company. He is primarily responsible for supervising and managing business of our Group's restaurants as well as reporting to the Board of Directors of our Company. He is also a member of the internal control committee. He has over 15 years of experience in the food and beverage industry mainly from working at restaurants in UK, Dubai and Asia. Mr. Decesse had worked for our Group between August 2010 and July 2013 as operation director responsible for overseeing various disciplines including finance, marketing, operations and human resources. From July 2013 to August 2015, he worked for Ikram Café LLC, a food and beverage company in Dubai, as general manager for its food and beverage division, where he was mainly responsible for, among other things, commercial negotiations for franchise arrangements, training and recruitment of staff, business strategies and expansion of food and beverage business and development, of three restaurants, retail food and beverage in Dubai and one in Kuwait.

Mr. LI Kai Leung, aged 45, joined our Group in September 2012 as finance manager and was promoted to assistant financial controller in January 2014 and further promoted to financial controller in February 2016. He is primarily responsible for overseeing our Group's overall financial accounting and reporting as well as corporate finance matters. He was appointed as Company Secretary of our Group from 26 February 2016 to 14 November 2018. He is also a member of the internal control committee. Mr. Li received a Bachelor's degree in Business Studies from The City University of Hong Kong in July 1997. He has been an associate member of the Hong Kong Society of Accountants since April 2002 and a qualified member of the Association of Chartered Certified Accountants since May 2008. Mr. Li has over 18 years of experience in accounting.

COMPANY SECRETARY

Ms. LEUNG Yin Fai, aged 54, was appointed as the Company's company secretary on 14 November 2018. Ms Leung is a director of K E Corporate Services Limited (a company secretarial services provider), a fellow member of the Association of Chartered Certified Accountants, a fellow member of CPA Australia and a member of the Hong Kong Institute of Certified Public Accountants. Ms. Leung also holds a Master's degree in Commerce from the University of New South Wales, Australia.

CORPORATE GOVERNANCE REPORT

INTRODUCTION

The Board and the senior management (the “Management”) of the Company is committed to achieving high standards of corporate governance by focusing on principles of integrity, accountability, transparency, independence, responsibility and fairness. The Company has, throughout the year ended 31 December 2018, adopted the Corporate Governance Code (the “Code”) as set out in Appendix 15 to the GEM Listing Rules and complied with all applicable code provisions under the Code, save for certain deviations as specified with reasons below.

THE BOARD OF DIRECTORS

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

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

COMPOSITION

The Board currently consists of seven Directors as follows:

Executive Directors

Mr. WONG Arnold Chi Chiu (*Chairman*)

Mr. LO Yeung Kit Alan

Mr. PONG Kin Yee

Mr. MA Chun Fai

Independent non-executive Directors

Dr. CHAN Kin Keung Eugene BBS,JP

Mr. CHUM Kwan Yue Desmond (resigned on 30 June 2018)

Mr. LAI Chik Fan (appointed on 30 June 2018 and resigned on 30 November 2018)

Mr. YUE Man Yiu Matthew (appointed on 19 October 2018)

Mr. NG Chun Fai Frank

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

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

CORPORATE GOVERNANCE REPORT

NON-COMPLIANCE WITH REQUIREMENTS UNDER RULES 5.05(2) AND 5.28 OF THE GEM LISTING RULES

During the year, the Company had not fully complied with Rules 5.05(2) and 5.28 of the GEM Listing Rules during the period from 30 June 2018 to 19 October 2018.

Following the resignation of Mr. CHUM Kwan Yue Desmond on 30 June 2018, the Company had not fully complied with Rule 5.05(2) of the GEM Listing Rules, which requires at least one independent non-executive director (“INED”) to have appropriate professional qualifications or accounting or related financial management expertise. Accordingly, the Company had also not fully complied with Rule 5.28 of the GEM Listing Rules, which requires at least one audit committee member to be an INED with appropriate professional qualifications or accounting or related financial management expertise as required under Rule 5.05(2) of the GEM Listing Rules.

Since 30 June 2018, the Company had taken active steps to identify suitable candidates with appropriate expertise, including shortlisting potential candidates based on their professional qualifications, experience and independence, performing relevant due diligence and seeking appropriate advice in relation to the proposed appointment of such potential candidates.

Pursuant to Rules 5.06 and 5.33 of the GEM Listing Rules, the Company should appoint a suitable candidate to meet the requirements set out in Rules 5.05(2) and 5.28 of the GEM Listing Rules within three months from failing to meet such requirements. However, the Company was ultimately unable to formally appoint a suitable candidate on time due to various reasons, including potential issues raised during the Company’s due diligence process and a potential candidate opting for another job opportunity.

As such, the Company further applied for, and the Stock Exchange granted, a waiver from strict compliance with Rules 5.05(2) and 5.28 of the GEM Listing Rules for the period from 30 September 2018 to 19 October 2018. On 19 October 2018, the Board appointed Mr. Yue Man Yiu Matthew as an INED and the Chairman of the Audit Committee. As Mr. Yue has the appropriate professional qualifications or accounting or financial management expertise, the Company has complied with the requirements under Rules 5.05(2) and 5.28 of the GEM Listing Rules since 19 October 2018.

Further details of the above non-compliance and remedial steps are set out in the Company’s announcements dated 23 July 2018, 2 October 2018 and 19 October 2018.

CHAIRMAN AND CHIEF EXECUTIVE

According to paragraph A.2.1 of the Code, the roles of the chairman and the chief executive should be separate and should not be performed by the same individual. During the year ended 31 December 2018, Mr. Wong Arnold Chi Chiu, the chairman of the Company, was responsible for overseeing the overall financial matters of the Group. The day-to-day operations of the Group were delegated to the other executive Directors and the Management responsible for different aspects of the business.

Accordingly, the Company has deviated from paragraph A.2.1 of the Code as it had no post of chief executive. Nevertheless, the Board considers that, in light of the size and nature of the Company’s business, the absence of such post has not impaired the management of the Group. Decisions of the Company are made collectively by executive Directors who execute strategies set by the Board. Senior management responsible for the day-to-day operations of the Group also report back to the Board on a regular basis. Nonetheless, the Board will review this structure from time to time and consider the segregation of the two roles at an appropriate time.

CORPORATE GOVERNANCE REPORT

BOARD DIVERSITY

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

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

The Nomination Committee has reviewed the structure, size, composition and diversity of the Board and confirmed that the Company has maintained a balanced composition with a strong independent element on the Board. The Directors collectively possess diversified experience in management and broad industrial experience. Three INEDs possess professional knowledge in accounting and finance, legal advisory and business management, respectively. Further details of the Directors are set out in the section headed "Directors and Senior Management" in this report.

INDEPENDENT NON-EXECUTIVE DIRECTORS ("INEDs")

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

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

The Company has received confirmation from each of the INEDs regarding his independence for the year ended 31 December 2018. The Nomination Committee has reviewed such confirmations and assessed the independence of each INED in accordance with Rule 5.09 of the GEM Listing Rules and considers each of them to be independent. The Board adopted the view of the Nomination Committee and accordingly confirmed that all INEDs are independent.

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

CORPORATE GOVERNANCE REPORT

DIRECTORS' SECURITIES TRANSACTIONS

The Company adopted a code of conduct regarding directors' securities transactions on terms no less exacting than the required standard of dealings set out in Rules 5.48 to 5.67 of the GEM Listing Rules. Having made specific enquiries of all Directors, the Company confirms that all of the Directors complied with such required standard of dealings and its code of conduct regarding directors' securities transactions during the year ended 31 December 2018 and up to the date of this Annual Report.

NON-COMPETITION UNDERTAKINGS BY CONTROLLING SHAREHOLDERS

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

The Company has received an annual declaration from each of the Controlling Shareholders confirming that they complied with the undertakings for the year ended 31 December 2018. The Controlling Shareholders also confirmed in the said annual declaration that none of them had any interest in a business, other than business of the Group, which competes or is likely to compete, either directly or indirectly, with the business of the Group for the year ended 31 December 2018.

The following corporate governance measures have been adopted to monitor the compliance of the Deed of Non-competition for the year ended 31 December 2018:

- (i) the Controlling Shareholders had procured the INEDs to review, on an annual basis, the compliance with the non-competition undertakings by the Controlling Shareholders under the Deed of Non-competition;
- (ii) the Controlling Shareholders had promptly provided all information requested by the Company which is necessary for the annual review by the INEDs and the enforcement of the Deed of Non-competition;
- (iii) the Controlling Shareholders had provided to the Company a written confirmation relating to the compliance of the Deed of Non-competition and declared that they had complied with the Deed of Non-competition for the year ended 31 December 2018; and
- (iv) the INEDs, having reviewed the relevant information and the written confirmation provided by the Controlling Shareholders, decided that the undertakings in respect of the Deed of Non-competition had been duly enforced and complied with by the Controlling Shareholders for the year ended 31 December 2018.

CORPORATE GOVERNANCE REPORT

DELEGATION BY THE BOARD

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

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

CORPORATE GOVERNANCE DUTIES

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

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

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

CORPORATE GOVERNANCE REPORT

INDUCTION AND CONTINUING PROFESSIONAL DEVELOPMENT OF DIRECTORS

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

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

According to the information provided by the Directors, a summary of training received by the Directors throughout the year ended 31 December 2018 is as follows:

Name of Directors	Continuous professional development programmes
<i>Executive Directors</i>	
Mr. WONG Arnold Chi Chiu (<i>Chairman</i>)	Yes
Mr. LO Yeung Kit Alan	Yes
Mr. PONG Kin Yee	Yes
Mr. MA Chun Fai	Yes
<i>Independent non-executive Directors</i>	
Dr. CHAN Kin Keung Eugene BBS,JP	Yes
Mr. YUE Man Yiu Matthew (appointed on 19 October 2018)	Yes
Mr. NG Chun Fai Frank	Yes

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

CORPORATE GOVERNANCE REPORT

BOARD MEETINGS

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

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

During the year ended 31 December 2018, the Board convened a total of five meetings in person or by means of electronic communication. Attendance of each Director at the Board meetings is set out below:

Name of Directors	General Meeting Attended/Held	Board Meeting Attended/Held
<i>Executive Directors</i>		
Mr. WONG Arnold Chi Chiu (<i>Chairman</i>)	1/1	5/5
Mr. LO Yeung Kit Alan	1/1	3/5
Mr. PONG Kin Yee	1/1	4/5
Mr. MA Chun Fai	1/1	5/5
<i>Independent non-executive Directors</i>		
Dr. CHAN Kin Keung Eugene BBS,JP	1/1	4/5
Mr. CHUM Kwan Yue Desmond (resigned on 30 June 2018)	0/1	1/2
Mr. LAI Chik Fan (appointed on 30 June 2018 and resigned on 30 November 2018)	0/0	2/2
Mr. YUE Man Yiu Matthew (appointed on 19 October 2018)	0/0	1/1
Mr. NG Chun Fai Frank	1/1	5/5

INDEPENDENT BOARD COMMITTEE

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

CORPORATE GOVERNANCE REPORT

BOARD COMMITTEES

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

REMUNERATION COMMITTEE

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

Currently, the Remuneration Committee comprises three INEDs as follows:

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

Mr. CHUM Kwan Yue Desmond (resigned on 30 June 2018)

Mr. LAI Chik Fan (appointed on 30 June 2018 and resigned on 30 November 2018)

Mr. YUE Man Yiu Matthew (appointed on 19 October 2018)

Mr. NG Chun Fai Frank

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

During the year ended 31 December 2018, the Remuneration Committee convened two committee meeting. Attendance of each Remuneration Committee member is set out below:

Name of Directors	Remuneration Committee Meeting Attended/Held
Dr. CHAN Kin Keung Eugene BBS,JP (<i>Chairman</i>)	1/2
Mr. CHUM Kwan Yue Desmond (resigned on 30 June 2018)	1/1
Mr. LAI Chik Fan (appointed on 30 June 2018 and resigned on 30 November 2018)	1/1
Mr. YUE Man Yiu Matthew (appointed on 19 October 2018)	0/0
Mr. NG Chun Fai Frank	2/2

Details of the Directors' remuneration are set out in note 6 to the consolidated financial statements.

CORPORATE GOVERNANCE REPORT

NOMINATION COMMITTEE

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

Currently, the Nomination Committee comprises three INEDs as follows:

Dr. CHAN Kin Keung Eugene BBS,JP

Mr. CHUM Kwan Yue Desmond (resigned on 30 June 2018)

Mr. LAI Chik Fan (appointed on 30 June 2018 and resigned on 30 November 2018)

Mr. YUE Man Yiu Matthew (appointed on 19 October 2018)

Mr. NG Chun Fai Frank (*Chairman*)

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

During the year ended 31 December 2018, the Nomination Committee convened two committee meeting. Attendance of each Nomination Committee member is set out below:

Name of Directors	Nomination Committee Meeting Attended/ Held
Dr. CHAN Kin Keung Eugene BBS,JP	1/2
Mr. CHUM Kwan Yue Desmond (resigned on 30 June 2018)	1/1
Mr. LAI Chik Fan (appointed on 30 June 2018 and resigned on 30 November 2018)	1/1
Mr. YUE Man Yiu Matthew (appointed on 19 October 2018)	0/0
Mr. NG Chun Fai Frank (<i>Chairman</i>)	2/2

CORPORATE GOVERNANCE REPORT

AUDIT COMMITTEE

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

Currently, the Audit Committee comprises three INEDs as follows:

Dr. CHAN Kin Keung Eugene BBS,JP

Mr. CHUM Kwan Yue Desmond (resigned on 30 June 2018)

Mr. LAI Chik Fan (appointed on 30 June 2018 and resigned on 30 November 2018)

Mr. YUE Man Yiu Matthew (*Chairman*) (appointed on 19 October 2018)

Mr. NG Chun Fai Frank

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

During the year ended 31 December 2018, the Audit Committee convened four committee meetings. The Audit Committee had reviewed the Group's annual results and annual report for the year ended 31 December 2017, first quarterly results for the three months ended 31 March 2018, interim results for the six months ended 30 June 2018, and third quarterly results for the nine months ended 30 September 2018 and discussed internal controls, risk management and financial reporting matters. Attendance of each Audit Committee member is set out below:

Name of Directors	Audit Committee Meeting Attended/Held
Dr. CHAN Kin Keung Eugene BBS,JP	4/4
Mr. CHUM Kwan Yue Desmond (resigned on 30 June 2018)	1/2
Mr. LAI Chik Fan (appointed on 30 June 2018 and resigned on 30 November 2018)	2/2
Mr. YUE Man Yiu Matthew (<i>Chairman</i>) (appointed on 19 October 2018)	1/1
Mr. NG Chun Fai Frank	4/4

There is no disagreement between the Board and the Audit Committee regarding the selection and appointment of the Company's auditors. The Audit Committee is satisfied with their review of the auditors' remuneration, the independence of the auditors, Deloitte Touche Tohmatsu ("DTT"), and recommended the Board to re-appoint DTT as the Company's auditors in the year 2019, which is subject to the approval of shareholders at the forthcoming AGM.

The Company's annual results for the year ended 31 December 2018 have been reviewed by the Audit Committee, which opined that applicable accounting standards and requirements have been complied with and that adequate disclosures have been made.

CORPORATE GOVERNANCE REPORT

INTERNAL CONTROL AND RISK MANAGEMENT

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

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

The Group has an independent internal auditor who reports directly to the Audit Committee and is responsible for carrying out an independent appraisal of the adequacy and effectiveness of the Group's internal control and risk management system in accordance with its approved audit plan during the year ended 31 December 2018.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

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

In preparing the financial statements of the Group for the year ended 31 December 2018, the Directors have adopted appropriate and consistent accounting policies and made prudent and reasonable judgments and estimations. The Directors are responsible for maintaining proper accounting records which reflect with reasonable accuracy the state of affairs, operating results, cash flows and equity movement of the Group at any time. The Directors confirm that the preparation of the financial statements of the Group is in accordance with statutory requirements and applicable accounting standards.

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

CORPORATE GOVERNANCE REPORT

AUDITOR'S REMUNERATION

The Group's independent external auditor is DTT. There has been no change in the Group's auditors in the preceding 3 years. The remuneration for the audit and non-audit services provided by DTT to the Group during the year ended 31 December 2018 was approximately as follows:

Type of Services	Amount (HK\$'000)
Audit	1,000
Non-audit services	116
	<hr/>
Total	1,116
	<hr/> <hr/>

COMPANY SECRETARY AND AUTHORISED REPRESENTATIVE

Mr. Li Kai Leung had resigned as the company secretary and an authorised representative of the Company on 14 November 2018 and Ms. Leung Yin Fai had been appointed as company secretary and an authorised representative of the Company on the same day. Details of the change are set out in the Company's announcement dated 14 November 2018. As the Company's company secretary, Ms. Leung is responsible for advising the Board on corporate governance matters and ensuring that the Board policy and procedures, and the applicable laws, rules and regulations are followed. Mr. Li Kai Leung, the financial controller of the Group, is the primary contact person whom Ms. Leung can contact. During the year ended 31 December 2018, Ms. Leung has undertaken more than 15 hours of relevant professional training in compliance with Rule 5.15 of the GEM Listing Rules.

DIVIDEND POLICY

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

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

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

CORPORATE GOVERNANCE REPORT

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

SHAREHOLDERS' RIGHTS

Convening an extraordinary general meeting

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

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

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

Enquiries to the Board

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

Putting forward proposals at a general meeting

Shareholders are welcome to put forward proposals relating to the operations and management of the Group to be discussed at shareholders' meetings. The proposals shall be sent to the company secretary of the Company by a written requisition. Shareholders who wish to put forward a proposal should convene an extraordinary general meeting by following the procedures set out in "Convening an extraordinary general meeting" above.

CONSTITUTIONAL DOCUMENTS

There were no significant changes in the Company's constitutional documents during the year ended 31 December 2018.

LOOKING FORWARD

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

DIRECTORS' REPORT

The directors of the Company are pleased to present their report together with the audited financial statements of the Group for the year ended 31 December 2018.

PRINCIPAL ACTIVITIES

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

BUSINESS REVIEW

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

RESULTS AND DIVIDEND

The results of the Group for the year ended 31 December 2018 and the financial position of the Group as at that date are set out in the consolidated financial statements on pages 51 to 119.

The Directors did not recommend the payment of any dividend in respect of the year ended 31 December 2018.

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

FINANCIAL SUMMARY

A summary of the published results and of the assets and liabilities of the Group is set out on page 120 of the Annual Report.

Financial Resources and Liquidity

As at 31 December 2018, current assets amounted to HK\$89.2 million (as at 31 December 2017: HK\$104.0 million), of which HK\$65.4 million (as at 31 December 2017: HK\$78.5 million) was bank balances and cash, HK\$4.3 million (as at 31 December 2017: HK\$5.1 million) was trade and other receivables, deposits and prepayments. The Group's current liabilities amounted to HK\$13.4 million (as at 31 December 2017: HK\$15.5 million) which primarily consisted of trade and other payables and accrued charges in the amount of HK\$11.9 million (as at 31 December 2017: HK\$15.2 million). Current ratio (calculated based on the total current assets divided by total current liabilities) and quick assets ratio (calculated based on the total current assets less inventories divided by total current liabilities) were 6.6 and 5.3 respectively (as at 31 December 2017: 6.7 and 5.5 respectively). There were no bank borrowings for the Group as at 31 December 2018 and 2017.

DIRECTORS' REPORT

FUTURE PLANS FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS

Save as disclosed in the Prospectus and in this Annual Report, the Group did not have other plans for material investments or capital assets as of 31 December 2018.

Comparison of Business Strategies and Actual Business Progress

An analysis comparing the business strategies as set out in the Prospectus with the Group's actual business progress for the period from 11 July 2016 (being the Listing date) to 31 December 2018 is set out below:

Business Strategies	Actual progress
Expanding Classified brand to different locations	We had opened new Classified restaurants in Sai Wan and Kwun Tong in December 2016 and June 2018, respectively
Establishing a new central kitchen for Classified restaurants	We had acquired and established a new central kitchen in Wong Chuk Hang in October 2016 <i>(Note)</i>
Enhancing and upgrading existing restaurant facilities	We had renovated our Classified restaurants in Exchange Square, Tai Hang, Happy Valley, Repulse Bay and Sheung Wan
Strengthening staff training	We had provided on-the-job trainings to our employees, including food & beverage supervision certification, food hygiene, first aid and interview skills courses etc.
Enhancing our marketing and promotion initiatives	We had launched different promotion campaigns with well-known business partners, such as credit card issuers and frequent flyer programmes

Note: The central kitchen was closed down subsequently in August 2018. For further details, please refer to the Company's announcement dated 22 June 2018.

USE OF PROCEEDS FROM THE IPO PLACING

(1) IPO Placing

On 11 July 2016, the Company's shares were listed on GEM of the Stock Exchange. A total of 80,000,000 new shares with nominal value of HK\$0.01 each of the Company were issued at HK\$0.55 per share for a total of approximately HK\$44.0 million (the "IPO Placing"). The net proceeds raised by the Company from the IPO Placing were approximately HK\$25.1 million (the "IPO Proceeds").

Regarding the planned use of IPO Proceeds, reference is made to: (1) the Prospectus; (2) the Company's announcement dated 1 November 2017 regarding the change in the allocation of IPO Proceeds (the "1 November 2017 Announcement"); and (3) the Company's announcement dated 10 July 2018 regarding a further change in the allocation of IPO Proceeds (the "10 July 2018 Announcement").

DIRECTORS' REPORT

An analysis of the utilisation of the IPO Proceeds up to 31 December 2018 is set out below:

	Original allocation of IPO Proceeds (as disclosed in the Prospectus) <i>HK\$'000</i>	Revised allocation of IPO Proceeds (as disclosed in the 1 November 2017 Announcement) <i>HK\$'000</i>	Revised allocation of IPO Proceeds (as disclosed in the 10 July 2018 Announcement) <i>HK\$'000</i>	Utilised IPO Proceeds as at 31 December 2018 <i>HK\$'000</i>	Unutilised IPO Proceeds as at 31 December 2018 <i>HK\$'000</i>
Opening new restaurants under "Classified" brand					
– First restaurant	4,993	3,771	3,771	(3,771)	–
– Second restaurant	4,993	4,993	1,765	(1,765)	–
– Third restaurant	–	–	4,993	–	4,993
Establishing a new central kitchen for Classified restaurants	4,438	4,000	4,000	(4,000)	–
Enhancement and upgrading existing restaurant facilities (namely, CEX, CTH and CHV)	8,655	4,209	4,209	(4,209)	–
Enhancement and upgrading existing restaurant facilities (other than CEX, CTH, CHV and CMB)	–	3,400	300	(300)	–
General working capital	1,996	4,702	6,037	(6,037)	–
Total	<u>25,075</u>	<u>25,075</u>	<u>25,075</u>	<u>(20,082)</u>	<u>4,993</u>

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

The Directors confirm that up to the date of this Annual Report, there has been no material change to the utilisation of the IPO Proceeds and reallocation of unutilised IPO Proceeds mentioned above. The Company is currently in process of exploring a potential location for the third restaurant.

(2) Placing on 1 November 2017

In order to strengthen its financial position and to replenish the general working capital of the Group, on 15 October 2017, the Company entered into a placing agreement with VMS Securities Limited in relation to the placing of a maximum of 46,000,000 new ordinary shares at a price of HK\$1.86 per share (the "November Placing"). The closing price for the Company's shares on 13 October 2017 (being the most recent trading day) was HK\$1.97 per share. On 1 November 2017, the November Placing completed and the Company issued and allotted the maximum 46,000,000 new ordinary shares to not less than six independent third parties. The net price for such shares was approximately HK\$1.79 per share and the aggregate nominal value of such shares was HK\$460,000. The November Placing generated net proceeds of approximately HK\$82.4 million (the "November Placing Proceeds").

DIRECTORS' REPORT

An analysis of the November Placing Proceeds up to 31 December 2018 is set out below:

	Planned use of November Placing Proceeds as at 31 December 2018	Utilised November Placing Proceeds as at 31 December 2018	Unutilised November Placing Proceeds as at 31 December 2018
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Repayment of bank borrowings	17,500	(17,500)	–
Develop, relocate, open and upgrade of restaurants (<i>Note</i>)	24,500	(540)	23,960
Working capital for existing business of the Group	24,000	(24,000)	–
Enhancement of premium food and fine wine programme	16,400	(14,843)	1,557
	<u>82,400</u>	<u>56,883</u>	<u>25,517</u>

Note:

The Company had originally planned to use approximately HK\$24.5 million of the November Placing Proceeds to develop its existing business including relocation of a restaurant, opening of three new restaurants and upgrade of existing restaurant facilities. As at 31 December 2018, the Company had used approximately HK\$540,000 of the November Placing Proceeds to enhance and upgrade its existing restaurants. The Company is currently in process of exploring potential locations and in continuing negotiations with various landlords for the relocation and restaurant openings.

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

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in property, plant and equipment of the Group during the year are set out in note 15 to the consolidated financial statements.

SHARE CAPITAL

Details of movements in the share capital of the Company during the year are set out in note 24 to the consolidated financial statements.

RESERVES

Details of movements in reserves of the Group and the Company during the year are set out in the consolidated statement of changes in equity on page 54 and note 33 to the consolidated financial statements respectively.

DIRECTORS' REPORT

DISTRIBUTABLE RESERVES

As at 31 December 2018, the Company had distributable reserves of approximately HK\$85.8 million.

DIRECTORS' INTERESTS IN CONTRACTS

Except for the transactions disclosed in note 26 to the consolidated financial statements, no other contracts of significance to which the Company or any of its subsidiaries was a party and in which a Director of the Company had a material interest subsisted at the end of the year or at any time during the year.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

As disclosed in the Prospectus and as at the date of this Annual Report, Ms. Wong Pui Yain ("Mrs. Lo"), the spouse of Mr. Lo Yeung Kit Alan, one of our executive Directors, was a controlling shareholder in Jia Group Holdings Limited (stock code: 8519) which is engaged in the business of restaurant operations in Hong Kong. As at 31 December 2018, the Jia Group Holdings Limited operated 10 full service restaurants in Hong Kong.

Save as disclosed in the Prospectus and above, the Directors are not aware of any business and interest of the Directors nor the controlling shareholders of the Company nor any of their respective close associates (as defined in the GEM Listing Rules) that compete or may compete with the business of the Group and any other conflict of interests which any such person has or may have with the Group during the year ended 31 December 2018. The independent non-executive Directors confirmed that the internal control measures in relation to managing actual or potential conflict of interest between the Group and the Jia Group Holdings Limited have been properly implemented.

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

Apart from the sections headed "Interests and Short Positions of Directors in the Shares, Underlying Shares and Debentures of the Company and its Associated Corporations", "Interests and Short Positions of Substantial Shareholders and Other Persons in the Shares, Underlying Shares and Debentures of the Company and its Associated Corporations" and "Share Option Scheme" below, at no time during the year ended 31 December 2018 were rights to acquire benefits by means of the acquisition of Shares in or debentures of the Company granted to any Director or their respective associates nor was the Company and any of its subsidiaries a party to any arrangement to enable the Directors, or their respective associates to acquire such rights in any other body corporate.

EQUITY-LINKED ARRANGEMENTS

Save as disclosed in the section headed "Share Option Scheme" below, no equity-linked agreements were entered into during or subsisted at the end of the year ended 31 December 2018.

DIRECTORS' REPORT

SHARE OPTION SCHEME

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

(A) Purpose of the Share Option Scheme

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

(B) Who may join and basis of eligibility

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

(C) Price of shares

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

(D) Grant of options and acceptance of offers

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

DIRECTORS' REPORT

(E) Maximum number of shares

- (a) Subject to sub-paragraphs (b) and (c) below, the maximum number of shares issuable upon exercise of all options to be granted under the Share Option Scheme and any other share option schemes of the Company as from the Adoption Date (excluding, for this purpose, shares issuable upon exercise of options which have been granted but which have lapsed in accordance with the terms of the Share Option Scheme or any other share option schemes of the Company) must not in aggregate exceed 10% of all the 44,600,000 shares in issue (or such numbers of shares as shall result from a subdivision or a consolidation of such 44,600,000 shares from time to time) to the participants under the Share Option Scheme.
- (b) The 10% limit as mentioned above may be refreshed at any time by obtaining approval of the Shareholders in general meeting provided that the total number of shares which may be issued upon exercise of all options to be granted under the Share Option Scheme and any other share option schemes of the Company must not exceed 10% of the shares in issue as at the date of approval of the refreshed limit. Options previously granted under the Share Option Scheme and any other share option schemes of the Company (including those outstanding, cancelled or lapsed in accordance with the terms of the Share Option Scheme and any other share option schemes of the Company) will not be counted for the purpose of calculating the refreshed 10% limit. A circular must be sent to the Shareholders containing the information as required under the GEM Listing Rules in this regard.
- (c) The Company may seek separate approval by the Shareholders in general meeting for granting options beyond the 10% limit under sub-paragraph (a) and (b) above provided the options in excess of the 10% limit are granted only to participants specifically identified by the Company before such approval is sought. In such event, the Company must send a circular to the Shareholders containing a generic description of such grantees, the number and terms of such options to be granted and the purpose of granting options to them with an explanation as to how the terms of the options will serve such purpose and all other information required under the GEM Listing Rules.
- (d) The aggregate number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other share option schemes of the Company must not, in aggregate, exceed 30% of the shares in issue from time to time. No options may be granted under the Share Option Scheme or any other share option schemes of the Company, if this will result in the limit being exceeded.

DIRECTORS' REPORT

(F) Maximum entitlement of each participant

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

(G) Grant of options to certain connected persons

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

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

DIRECTORS' REPORT

(H) Restrictions on the times of grant of options

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

(I) Time of exercise of option

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

(J) Period of the Share Option Scheme

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

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

CONTINUING CONNECTED TRANSACTIONS

The details of related party transactions for the year ended 31 December 2018 are set out in note 26 to the consolidated financial statements. Save as disclosed below, the Group had no material related party transactions which constituted non-exempt connected transactions under Chapter 20 of the GEM Listing Rules.

DIRECTORS' REPORT

The Master Agreements

Altaya Wines Limited (“Altaya Wines”), Cubatabaco Limited (“Cubatabaco”) and Etc Wine Shops Limited (“Etc Wine”) are wholly-owned by Mr. Pong and his father. We had entered into the following master agreements on 14 June 2016 (collectively, “Master Agreements”):

- (a) a purchase agreement with Altaya Wines from the date of Listing to 31 December 2018 in respect of the purchase of goods from Altaya Wines (the “Wine Purchase Agreement”);
- (b) a purchase agreement with Cubatabaco from the date of Listing to 31 December 2018 in respect of the purchase of cigars from Cubatabaco (the “Cigar Agreement”);
- (c) a service agreement with Altaya Wines from the date of Listing to 31 December 2018 in respect of the provision of catering services to Altaya Wines (the “Catering Services Agreement”); and
- (d) a sales agreement with Etc Wine from the date of Listing to 31 December 2018 in respect of the sale of the products to Etc Wine (the “Etc Supply Agreement”).

The aggregate annual cap set for the Master Agreements is approximately HK\$4,502,000 and the actual aggregate transaction amount for the year ended 31 December 2018 was approximately HK\$1,868,000.

The INEDs have reviewed the above continuing connected transactions during the year and confirmed that the transactions have been entered into:

- (i) in the ordinary and usual course of the business of the Group;
- (ii) either on normal commercial terms or on terms no less favourable to the Group than terms available to or from independent third parties; and
- (iii) in accordance with the relevant agreements governing them on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

The Company’s auditor was engaged to report on the Group’s continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised) “Assurance Engagements other than Audits or Reviews of Historical Financial Information” and with reference to Practice Note 740 “Auditor’s Letter on Continuing Connected Transactions under the Hong Kong Listing Rules” issued by the Hong Kong Institute of Certified Public Accountants. The auditor has issued his unqualified letter containing his findings and conclusions in respect of the continuing connected transactions set out above in accordance with Rule 20.54 of the GEM Listing Rules. A copy of the auditor’s letter has been provided by the Company to the Stock Exchange.

As Mr. Pong has interests in the above continuing connected transactions, he has abstained from voting on any such board resolution of the Group in relation to the relevant continuing connected transactions.

The Master Agreements fall under the definition of continuing connected transactions under Chapter 20 of the GEM Listing Rules, and also constitute related party transactions of the Group as disclosed on page 96 of this annual report. The Group has complied with applicable disclosure requirements under Chapter 20 of the GEM Listing Rules in respect of such continuing connected transactions.

The Group confirms that it will comply or continue to comply with the relevant provisions of Chapter 20 of the GEM Listing Rules in relation to the continuing connected transactions of the Company.

DIRECTORS' REPORT

INTERESTS OF THE COMPLIANCE ADVISER

In accordance with Rule 6A.19 of the GEM Listing Rules, the Company has appointed Guotai Junan Capital Limited ("Guotai Junan") to be the compliance adviser. As informed by Guotai Junan, neither Guotai Junan nor any of its directors or employees or associates, has or may have, any interest in the share capital of the Company or any member of the Group (including options or rights to subscribe for such securities), which is required to be notified to the Company pursuant to Rule 6A.32 of the GEM Listing Rules, except for the compliance adviser agreement entered into between the Company and Guotai Junan dated 26 February 2016.

DIRECTORS

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

Executive Directors

Mr. WONG Arnold Chi Chiu (*Chairman*)
Mr. LO Yeung Kit Alan
Mr. PONG Kin Yee
Mr. MA Chun Fai

Independent Non-Executive Directors

Dr. CHAN Kin Keung Eugene BBS,JP
Mr. CHUM Kwan Yue Desmond (resigned on 30 June 2018)
Mr. LAI Chik Fan (appointed on 30 June 2018 and resigned on 30 November 2018)
Mr. YUE Man Yiu Matthew (appointed on 19 October 2018)
Mr. NG Chun Fai Frank

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

DIRECTORS' SERVICE CONTRACTS AND LETTERS OF APPOINTMENT

Each of Mr. Wong Arnold Chi Chiu, Mr. Lo Yeung Kit Alan, Mr. Pong Kin Yee, and Mr. Ma Chun Fai being the executive Directors, has entered into a service contract with the Company for a term of three years and shall continue thereafter unless terminated by either party giving to the other not less than three month's notice in writing.

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

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

DIRECTORS' REPORT

INDEPENDENCE CONFIRMATION

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

EMOLUMENTS OF DIRECTORS AND FIVE HIGHEST PAID INDIVIDUALS

Our Directors' emoluments are determined by the Remuneration Committee with reference to their experience, responsibility, workload and the time devoted to our Group. Details of the emoluments of the Directors and the five highest paid individuals of the Group are set out in note 6 to the consolidated financial statements.

DIRECTORS AND SENIOR MANAGEMENT PROFILE

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

DIRECTORS' AND CONTROLLING SHAREHOLDERS' INTERESTS IN CONTRACTS

None of the Directors had a material interest, whether directly or indirectly, in any contract of significance to the business of the Group to which the Company or any of its subsidiaries was a party at any time during or at the end of the year ended 31 December 2018.

As of 31 December 2018, no contract of significance had been entered into between the Company, or any of its subsidiaries and the controlling shareholders of the Company or any of its subsidiaries.

MANAGEMENT CONTRACTS

As at 31 December 2018, the Company did not enter into or have any management and administration contracts in respect of the whole or any principal business of the Company.

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

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities during the year ended 31 December 2018.

DIRECTORS' REPORT

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

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

As at the date of this report, the interests or short positions of the Directors in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO), which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under such provisions of the SFO), or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules relating to securities transactions by directors to be notified to the Company and the Stock Exchange, were as follows:

Long positions in the ordinary shares of the Company

Name of Directors	Capacity/nature of interest	Number of shares held	Approximate percentage of shareholding
Mr. Wong Arnold Chi Chiu	interest in controlled corporation (<i>note 1</i>)	41,340,000	9.27%
Mr. Lo Yeung Kit Alan	interest in controlled corporation (<i>note 2</i>)	68,000,000	15.25%
Mr. Pong Kin Yee	interest in controlled corporation (<i>note 3</i>)	68,000,000	15.25%

Notes:

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

DIRECTORS' REPORT

Save as disclosed above, as at 31 December 2018, none of the Directors had any interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO), which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or which were required pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules relating to securities transactions by directors to be notified to the Company and the Stock Exchange.

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

Interests and Short Positions of Substantial Shareholders and Other Persons in the Shares, Underlying Shares and Debentures of the Company and Its Associated Corporations

As at 31 December 2018, so far as it is known to the Directors, the following persons, not being a Director or chief executive of the Company, had an interest or short position in the shares and underlying shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, who was interested, directly or indirectly, in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of the Group:

Long positions in the ordinary shares of the Company

Name	Capacity/nature of interest	Number of shares held	Approximate percentage of shareholding
Wiltshire Global Limited	Beneficial owner	41,340,000	9.27%
Ms. Lee Yuen Ching Charmaine	Interest of spouse (<i>note 1</i>)	41,340,000	9.27%
Easy Fame Limited	Beneficial owner	68,000,000	15.25%
Ms. Wong Pui Yain	Interest of spouse (<i>note 2</i>)	68,000,000	15.25%
Peyton Global Limited	Beneficial owner	68,000,000	15.25%
Ms. Cheng Chi Man	Interest of spouse (<i>note 3</i>)	68,000,000	15.25%
Surplus Gain Global Limited	Beneficial owner	56,805,000	12.74%
Mr. Lau Wang Chi Barry	Beneficial owner (<i>note 4</i>)	56,805,000	12.74%
Millennium Pacific Information Technology Limited	Beneficial owner	53,320,000	11.96%

DIRECTORS' REPORT

Notes:

1. Mr. Wong beneficially owns 100% equity interest in Wiltshire Global Limited. Ms. Lee Yuen Ching Charmaine, the spouse of Mr. Wong, is deemed to be interested in all the shares Mr. Wong is interested in pursuant to the SFO.
2. Mr. Lo beneficially owns 100% equity interest in Easy Fame Limited. Ms. Wong Pui Yin, being the spouse of Mr. Lo, is deemed to be interested in all the shares Mr. Lo is interested in pursuant to the SFO.
3. Mr. Pong beneficially owns 100% equity interest in Peyton Global Limited. Ms. Cheng Chi Man, the spouse of Mr. Pong, is deemed to be interested in all the shares Mr. Pong is interested in pursuant to the SFO.
4. Mr. Lau Wang Chi Barry beneficially owns 100% equity interest in Surplus Gain Global Limited and had sold all shares in January 2019. To the knowledge of the Company, Surplus Gain Global Limited and Mr. Lau Wang Chi Barry are not connected with any of the Controlling Shareholders (Mr. Wong, Mr. Lo and Mr. Pong) or directors of the Company.

Save as disclosed above, as at 31 December 2018, the Directors are not aware of any interests and short positions owned by any parties (other than a Director) in the shares and underlying shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, who was interested, directly or indirectly, in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of the Group.

COMPLIANCE WITH THE RELEVANT LAWS AND REGULATIONS

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

MAJOR CUSTOMERS AND SUPPLIERS

As a restaurant operator, the Group has a large and diverse customer base. There is no customer that significantly dominated the Group's revenue. For the year ended 31 December 2018, purchases from our five largest suppliers accounted for approximately 37.1% of our total purchases of raw materials and consumables consumed (2017: 36.1%). During the same year, purchases from our largest supplier accounted for approximately 9.6% of our total purchases of raw materials & consumables (2017: 10.7%). Our Group has had approximately eight years of relationship with our five largest suppliers in general. Save for the purchases from Altaya Wines Limited and Cubatabaco Limited (both companies are controlled by Mr. Pong Kin Yee, an executive Director, and his family and details are set out in notes 19 and 26 to the consolidated financial statements), none of the Directors, their respective associates, or any shareholders of the Company (which, to the best knowledge of the Directors, own more than 5% of the Company's share capital) had any significant beneficial interest in the major customers and suppliers disclosed above.

DIRECTORS' REPORT

SUFFICIENCY OF PUBLIC FLOAT

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

PRE-EMPTIVE RIGHTS

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

PERMITTED INDEMNITY PROVISION

Subject to applicable laws, the Directors of the Company shall be indemnified and secured harmless out of the assets and profits of the Company from and against all actions, costs, charges, losses, damages and expenses which they or any of them may incur or sustain by or by reason of any act done, concurred in or omitted in or about the execution of their duty, or supposed duty, in their respective offices, pursuant to the articles of association of the Company. Such provisions were in force throughout the year ended 31 December 2018 and are currently in force. The Company has arranged for appropriate insurance cover for Directors' Liabilities in respect of legal actions that may be brought against the Directors.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2018, the Group had 187 employees in Hong Kong (2017: 226 employees in Hong Kong). The decrease in number of employees was attributable to the decrease in restaurant staff as a result of the closure of restaurants and termination of the Bakery Business in 2018. Remuneration is determined with reference to market terms and in accordance with the performance, qualification and experience of each individual employee. Discretionary bonuses, based on each individual's performance, are paid to employees as recognition and in reward for their contributions. Other fringe benefits such as medical insurance, retirement benefits and other allowances are offered to all our employees. No discretionary bonus was paid or receivable by the Directors for the year ended 31 December 2018.

ENVIRONMENTAL, POLICIES AND PERFORMANCE

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

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

DIRECTORS' REPORT

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Wednesday, 19 June 2019 to Monday, 24 June 2019, both days inclusive, during which period no transfer of the shares will be registered. In order to establish entitlements to attend and vote at the forthcoming AGM, shareholders are reminded to ensure that all completed share transfer forms accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Union Registrars Limited, at Suites, 3301-04, 33/F., Two Chinachem Exchange Square, 338 King's Road, North Point, Hong Kong for registration not later than 4:00 p.m. on Tuesday, 18 June 2019.

EVENTS AFTER THE REPORTING PERIOD

Save as disclosed in this Annual Report, the Directors are not aware of any significant event requiring disclosure that has taken place subsequent to 31 December 2018 and up to the date of approval of this Annual Report.

AUDITOR

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

On behalf of the Board

WONG Arnold Chi Chiu

Chairman

Hong Kong, 22 March 2019

INDEPENDENT AUDITOR'S REPORT

Deloitte.

德勤

TO THE SHAREHOLDERS OF CLASSIFIED GROUP (HOLDINGS) LIMITED

(incorporated in the Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of Classified Group (Holdings) Limited (the "Company") and its subsidiaries (collectively referred to as "the Group") set out on pages 51 to 119, which comprise the consolidated statement of financial position as at 31 December 2018, 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 a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2018, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

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

INDEPENDENT AUDITOR'S REPORT

KEY AUDIT MATTERS

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

Key audit matter

How our audit addressed the key audit matter

Revenue from catering services of the Group's restaurant operations

We identified revenue from catering services of the Group's restaurant operations as a key audit matter, due to the significance of revenue from catering services of the Group's restaurant operations to the consolidated statement of profit or loss and other comprehensive income.

The accounting policy for revenue recognition in relation to revenue from catering services of the Group's restaurant operations is disclosed in note 3 to the consolidated financial statements. For the year ended 31 December 2018, revenue from catering services of the Group's restaurant operations from continuing operations amounted to HK\$119,660,000 with details set out in note 5 to the consolidated financial statements.

As the vast majority of revenue was settled in cash or by credit card, we focused on the reconciliation of daily sales report to cash receipts and credit card settlements.

Our procedures in relation to revenue from catering services of the Group's restaurant operations included:

- Obtaining an understanding of the Group's revenue recognition policy for catering service of the Group's restaurant operations;
- Obtaining an understanding of the revenue business processes and key controls, and testing of the key manual and information technology controls for validity of revenue recognition in relation to revenue from catering services of the Group's restaurant operations with the involvement of our internal information technology specialist;
- Verifying the revenue from catering services of the Group's restaurant operations by tracing revenue recognised for catering services to daily sales reports and cash receipts and credit card settlements, on a sample basis; and
- Using data analytic tools to identify the unusual patterns of revenue from catering services of the Group's restaurant operations, and obtaining and assessing the reasonableness of the managements' explanation for the unusual patterns identified, if any.

INDEPENDENT AUDITOR'S REPORT

Key audit matter

Impairment assessment of property, plant and equipment

The management of the Group considers an impairment indicator exists for the property, plant and equipment in its certain restaurants included in casual and full service segments as these restaurants incurred operating losses for the year ended 31 December 2018. The aggregate carrying amount of property, plant and equipment (before impairment) belongs to the relevant restaurants included in casual and full service segments for impairment assessment amounted to HK\$3,461,000 and HK\$7,067,000 respectively. Accordingly, the management of the Group prepared discounted cash flow projections on the relevant restaurants to assess their value in use up to the end of the existing lease term ("Forecast Period"). In addition, the management of the Group also engaged an independent professional valuer (the "Valuer") to perform a valuation on the recoverable amount of the property, plant and equipment of the restaurant included in full service segment as the amount involved is quantitatively significant.

The management of the Group concluded that impairment loss of HK\$3,461,000 is recognised in respect of the property, plant and equipment of the two restaurants included in casual segment and no impairment loss is recognised in respect of the property, plant and equipment of the restaurant included in full service segment based on this assessment. We identified this as a key audit matter because such impairment assessment involved significant management judgement with respect to the assumptions used such as discount rate of 16.78%, financial budget prepared by the management of the Group (including the estimated gross profit and estimated operating expenses) for the Forecast Period and annual revenue growth rates of 0% to 3.5%, as disclosed in note 15 to the consolidated financial statements.

How our audit addressed the key audit matter

In testing the management's impairment assessment of property, plant and equipment, we have performed the following procedures:

- Assessing the competence, capabilities and objectivity of the Valuer, and checking the qualifications of the Valuer;
- Discussing the scope of work of the Valuer with the management of the Group and reviewing the terms of engagement to determine that there were no matters that affected the Valuer's objectivity or imposed scope limitations upon the Valuer;
- Discussing with the Valuer about the methodologies used and the key inputs, such as financial budget prepared by the management of the Group (including the estimated gross profit and estimated operating expenses), annual revenue growth rates and discount rate, adopted in the valuation model and assessing the appropriateness of these methodologies and inputs;
- Discussing with the management of the Group on the assumption and basis used in their financial budget and forecasting operating results in the Forecast Period;
- Comparing the assumptions used including annual revenue growth rate, estimated gross profit and estimated operating expenses with historical trend and data of the relevant restaurants subject to the impairment assessment and external economic data to challenge the reasonableness of these assumptions adopted by the management of the Group in the discounted cash flow projections;
- Engaging our valuation specialist to analyse the reasonableness of the discount rate adopted by the Valuer;
- Evaluating the sensitivity analysis prepared by the management of the Group around the key assumptions within the discounted cash flow projections to ascertain the extent and likelihood of such changes have been appropriately considered and disclosed; and
- Considering whether disclosures in the consolidated financial statements are adequate and appropriate.

INDEPENDENT AUDITOR'S REPORT

OTHER INFORMATION

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

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

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

RESPONSIBILITIES OF DIRECTORS AND THOSE CHARGED WITH GOVERNANCE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

Those charged with governance are responsible for overseeing the Group's financial reporting process.

INDEPENDENT AUDITOR'S REPORT

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSA's will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

INDEPENDENT AUDITOR'S REPORT

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

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

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

The engagement partner on the audit resulting in the independent auditor's report is Wong Wang Hei.

Deloitte Touche Tohmatsu

Certified Public Accountants

Hong Kong

22 March 2019

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2018

	NOTES	2018 HK\$'000	2017 HK\$'000 (restated)
Continuing operations			
Revenue	5	119,660	130,540
Other income	7	1,566	1,348
Other gains and losses	8	(3,799)	(8,260)
Raw materials and consumables used		(27,116)	(30,305)
Staff costs		(53,859)	(62,934)
Depreciation		(5,952)	(7,874)
Property rental and related expenses		(25,917)	(28,574)
Utility expenses		(3,447)	(3,759)
Advertising and promotion expenses		(3,142)	(3,116)
Other expenses		(18,928)	(18,782)
Finance costs	9	–	(564)
Loss before taxation from continuing operations	10	(20,934)	(32,280)
Income tax (charge) credit	11	(536)	239
Loss for the year from continuing operations		(21,470)	(32,041)
Discontinued operation			
Loss for the year from discontinued operation	12	(4,468)	(3,931)
Loss and total comprehensive expense for the year attributable to owners of the Company		(25,938)	(35,972)
Loss per share	14		
From continuing and discontinued operations			
Basic (HK cents)		(5.82)	(8.82)
From continuing operations			
Basic (HK cents)		(4.82)	(7.86)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2018

	<i>NOTES</i>	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Non-current assets			
Property, plant and equipment	15	10,541	20,281
Deposits	18	7,148	7,702
Deposit paid for acquisition of property, plant and equipment		–	98
Deferred tax assets	16	1,224	1,760
		<u>18,913</u>	<u>29,841</u>
Current assets			
Inventories	17	18,229	18,236
Trade and other receivables, deposits and prepayments	18	4,255	5,115
Amounts due from related companies	19	282	288
Amounts due from directors	19	1,028	787
Tax recoverable		45	1,044
Bank balances and cash	20	65,393	78,514
		<u>89,232</u>	<u>103,984</u>
Current liabilities			
Trade and other payables and accrued charges	21	11,885	15,152
Amount due to a related company	19	152	368
Contract liabilities	22	217	–
Provisions	23	1,185	–
		<u>13,439</u>	<u>15,520</u>
Net current assets		<u>75,793</u>	<u>88,464</u>
Total assets less current liabilities		<u>94,706</u>	<u>118,305</u>
Non-current liabilities			
Provisions	23	3,780	1,441
Net assets		<u>90,926</u>	<u>116,864</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2018

	NOTE	2018 HK\$'000	2017 HK\$'000
Capital and reserves			
Issued share capital	24	4,460	4,460
Reserves		<u>86,466</u>	<u>112,404</u>
Total equity		<u>90,926</u>	<u>116,864</u>

The consolidated financial statements on pages 51 to 119 were approved and authorised for issue by the Board of Directors on 22 March 2019 and are signed on its behalf by:

MR. LO YEUNG KIT ALAN
DIRECTOR

MR. PONG KIN YEE
DIRECTOR

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2018

	Attributable to owners of the Company				Total HK\$'000
	Issued share capital HK\$'000	Share premium HK\$'000	Other reserve HK\$'000 (note)	Accumulated profits (losses) HK\$'000	
At 1 January 2017	4,000	45,296	766	20,281	70,343
Loss and total comprehensive expense for the year	–	–	–	(35,972)	(35,972)
Issue of shares (note 24)	460	85,100	–	–	85,560
Transaction costs directly attributable to issue of shares	–	(3,067)	–	–	(3,067)
At 31 December 2017	4,460	127,329	766	(15,691)	116,864
Loss and total comprehensive expense for the year	–	–	–	(25,938)	(25,938)
At 31 December 2018	4,460	127,329	766	(41,629)	90,926

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

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2018

	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
OPERATING ACTIVITIES		
Loss before taxation		
Continuing operations	(20,934)	(32,280)
Discontinued operation	(4,468)	(3,931)
Adjustments for:		
Depreciation on property, plant and equipment	6,523	9,011
Loss on disposal/written-off of property, plant and equipment	2,302	–
Impairment loss recognised in respect of property, plant and equipment	3,461	6,381
Impairment loss recognised in respect of rental deposits	–	1,868
Write-down of inventories	–	70
Reversal of allowance for bad and doubtful debts	–	(136)
Provision for onerous lease contract	3,400	–
Interest income	(761)	(104)
Finance costs	–	564
Operating cash flows before movements in working capital	(10,477)	(18,557)
Decrease (increase) in inventories	7	(14,825)
Decrease in trade and other receivables, deposits and prepayments	1,414	2,576
Decrease in amounts due from related companies	6	75
Decrease in trade and other payables and accrued charges	(2,749)	(6,158)
Decrease in amount due to a related company	(216)	(90)
Decrease in contract liabilities	(301)	–
Increase (decrease) in provisions	124	(317)
Cash used in operations	(12,192)	(37,296)
Income tax refunded (paid)	999	(13)
NET CASH USED IN OPERATING ACTIVITIES	(11,193)	(37,309)
INVESTING ACTIVITIES		
Repayments of other receivables	–	5,289
Repayments from directors	197	3,035
Proceeds from disposal of property, plant and equipment	295	148
Interest received	761	104
Purchases of property, plant and equipment	(2,743)	(1,436)
Advances to directors	(438)	(1,052)
Deposit paid for acquisition of property, plant and equipment	–	(98)
NET CASH (USED IN) FROM INVESTING ACTIVITIES	(1,928)	5,990

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2018

	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
FINANCING ACTIVITIES		
Proceeds from issue of shares	–	85,560
Repayment of bank borrowings	–	(26,165)
Transaction costs attributable to issue of shares	–	(3,067)
Interest paid	–	(564)
	<hr/>	<hr/>
NET CASH FROM FINANCING ACTIVITIES	–	55,764
	<hr/>	<hr/>
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(13,121)	24,445
	<hr/>	<hr/>
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	78,514	54,069
	<hr/>	<hr/>
CASH AND CASH EQUIVALENTS AT END OF THE YEAR, REPRESENTED BY BANK BALANCES AND CASH	65,393	78,514
	<hr/> <hr/>	<hr/> <hr/>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

1. GENERAL

The Company was incorporated as an exempted company and registered in the Cayman Islands with limited liability under the Companies Law of Cayman Islands on 24 October 2014. The shares of the Company have been listed on GEM of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) by way of placing on 11 July 2016. The addresses of the Company’s registered office and the principal place of business are Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands and 7/F., Remex Centre, 42 Wong Chuk Hang Road, Wong Chuk Hang, Hong Kong respectively.

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

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

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

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

New and amendments to HKFRSs that are mandatorily effective for the current year

The Group has applied the following new and amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) for the first time in the current year:

HKFRS 9	Financial Instruments
HKFRS 15	Revenue from Contracts with Customers and the related Amendments
Hong Kong (International Financial Reporting Interpretations Committee) Interpretation (“HK(IFRIC)-Int”) 22	Foreign Currency Transactions and Advance Consideration
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions
Amendments to HKFRS 4	Applying HKFRS 9 “Financial Instruments” with HKFRS 4 “Insurance Contracts”
Amendments to Hong Kong Accounting Standard (“HKAS”) 28	As part of the Annual Improvements to HKFRSs 2014-2016 Cycle
Amendments to HKAS 40	Transfers of Investment Property

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

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

2.1 HKFRS 15 “Revenue from Contracts with Customers”

The Group has applied HKFRS 15 for the first time in the current year. HKFRS 15 superseded HKAS 18 “Revenue”, HKAS 11 “Construction Contracts” and the related interpretations.

The Group has applied HKFRS 15 retrospectively with the cumulative effect of initially applying this standard recognised at the date of initial application, 1 January 2018. Any difference at the date of initial application is recognised in the opening accumulated losses and comparative information has not been restated. Furthermore, in accordance with the transition provisions in HKFRS 15, the Group has elected to apply the standard retrospectively only to contracts that are not completed at 1 January 2018. Accordingly, certain comparative information may not be comparable as comparative information was prepared under HKAS 18 and HKAS 11 and the related interpretations.

The Group recognises revenue from the restaurant operations in Hong Kong which arise from contracts with customers.

Information about the Group’s performance obligations and the accounting policies resulting from application of HKFRS 15 are disclosed in notes 3 and 5, respectively.

Summary of effects arising from initial application of HKFRS 15

The following adjustments were made to the amounts recognised in the consolidated statement of financial position at 1 January 2018. Line items that were not affected by the changes have not been included.

	Carrying amounts previously reported at 31 December 2017 HK\$'000	Reclassification HK\$'000	Carrying amounts under HKFRS 15 at 1 January 2018 HK\$'000
Current liabilities			
Trade and other payables and accrued charges	15,152	(518)	14,634
Contract liabilities	–	518	518

Note: As at 1 January 2018, advances from customers of HK\$518,000 in respect of restaurant operations previously included in trade and other payables and accrued charges were reclassified to contract liabilities for HK\$518,000.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

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

2.1 HKFRS 15 “Revenue from Contracts with Customers” (Continued)

The following tables summarise the impacts of applying HKFRS 15 on the Group’s consolidated statement of financial position as at 31 December 2018 and its consolidated statement of cash flows for the current year for each of the line items affected. There is no impact on the consolidated statement of profit or loss and other comprehensive income for the current year. Line items that were not affected by the changes have not been included.

Impact on the consolidated statement of financial position

	As reported	Reclassification	Amounts without application of HKFRS 15
	HK\$’000	HK\$’000	HK\$’000
Current liabilities			
Trade and other payables and accrued charges	11,885	217	12,102
Contract liabilities	217	(217)	–

Note: Contract liabilities of HK\$217,000 was recognised for the advances received from customers upon the application of HKFRS 15 which previously was classified as trade and other payables and accrued charges under HKAS 18.

Impact on the consolidated statement of cash flows

	As reported	Adjustments	Amounts without application of HKFRS 15
	HK\$’000	HK\$’000	HK\$’000
Operating activities			
Decrease in trade and other payables and accrued charges	(2,749)	(301)	(3,050)
Decrease in contract liabilities	(301)	301	–

Note: Without the application of HKFRS 15, decrease in contract liabilities of HK\$301,000 which represents the decrease in advances received from customers of HK\$301,000 would be presented as decrease in trade and other payables and accrued charges.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

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

2.2 HKFRS 9 “Financial Instruments” and the related amendments

In the current year, the Group has applied HKFRS 9 and the related consequential amendments to other HKFRSs. HKFRS 9 introduces new requirements for (1) the classification and measurement of financial assets and financial liabilities, (2) expected credit losses (“ECL”) for financial assets and (3) general hedge accounting.

The Group has applied HKFRS 9 in accordance with the transition provisions set out in HKFRS 9, i.e. applied the classification and measurement requirements (including impairment under ECL model) retrospectively to instruments that have not been derecognised as at 1 January 2018 (date of initial application) and has not applied the requirements to instruments that have already been derecognised as at 1 January 2018. The difference between carrying amounts as at 31 December 2017 and the carrying amounts as at 1 January 2018 are recognised in the opening accumulated losses, without restating comparative information.

Accordingly, certain comparative information may not be comparable as comparative information was prepared under HKAS 39 “Financial Instruments: Recognition and Measurement”.

Accounting policies resulting from application of HKFRS 9 are disclosed in note 3.

Classification and measurement of financial assets and financial liabilities

All financial assets and financial liabilities continue to be measured on the same bases as were previously measured under HKAS 39.

Impairment under ECL model

The Group applies the HKFRS 9 simplified approach to measure ECL which uses a lifetime ECL for all trade receivables and amounts due from related companies. To measure the ECL, credit card trade receivables and amounts due from related companies have been assessed individually, the remaining balances have been grouped based on shared credit risk characteristics. Based on assessment by the management of the Group, the management of the Group considers the ECL for trade receivables and amounts due from related companies are insignificant at 1 January 2018.

Loss allowances for other financial assets at amortised cost mainly comprise of other receivables and deposits, amounts due from directors and bank balances, are assessed on 12-month ECL (“12m ECL”) basis as there had been no significant increase in credit risk since initial recognition.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

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

2.2 HKFRS 9 “Financial Instruments” and the related amendments (Continued)

Impairment under ECL model (Continued)

For bank balances, the Group only transacts with reputable banks with high credit ratings assigned by international credit-rating agencies and consider the risk of default is regard as low and 12m ECL is insignificant.

For other receivables, deposits and amounts due from directors, the management of the Group makes periodic collective as well as individual assessment on the recoverability of other receivables, deposits and amounts due from directors based on historical settlement records and past experience with available reasonable and supportive forward-looking information. Based on assessment by the management of the Group, the management of the Group considers the ECL for other receivables, deposits and amounts due from directors is insignificant.

2.3 Impacts on opening consolidated statement of financial position arising from the application of all new standards, amendments and interpretation

As a result of the changes in the Group’s accounting policies above, the opening consolidated statement of financial position had to be restated. The following table shows the adjustments recognised for each individual line item.

	At 31 December 2017	HKFRS 15	At 1 January 2018
	HK\$’000	HK\$’000	HK\$’000
	(audited)		(restated)
Current liabilities			
Trade and other payables and accrued charges	15,152	(518)	14,634
Contract liabilities	–	518	518

Note: For the purpose of reporting cash flows from operating activities under indirect method for the year ended 31 December 2018, movements in working capital have been computed based on opening consolidated statement of financial position as at 1 January 2018 as described above.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

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

New and amendments to HKFRSs in issue but not yet effective

The Group has not early applied the following new and amendments to HKFRSs that have been issued but are not yet effective:

HKFRS 16	Leases ¹
HKFRS 17	Insurance Contracts ³
HK(IFRIC) – Int 23	Uncertainty over Income Tax Treatments ¹
Amendments to HKFRS 3	Definition of a Business ⁴
Amendments to HKFRS 9	Prepayment Features with Negative Compensation ¹
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ²
Amendments to HKAS 1 and HKAS 8	Definition of Material ⁵
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement ¹
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures ¹
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015 – 2017 Cycle ¹

1 Effective for annual periods beginning on or after 1 January 2019.

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

3 Effective for annual periods beginning on or after 1 January 2021.

4 Effective for business combinations and asset acquisitions for which the acquisition date is on or after the beginning of the first annual period beginning on or after 1 January 2020.

5 Effective for annual periods beginning on or after 1 January 2020.

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

HKFRS 16 “Leases”

HKFRS 16 introduces a comprehensive model for the identification of lease arrangements and accounting treatments for both lessors and lessees. HKFRS 16 will supersede HKAS 17 “Leases” and the related interpretations when it becomes effective.

HKFRS 16 distinguishes lease and service contracts on the basis of whether an identified asset is controlled by a customer. Distinctions of operating leases and finance leases are removed for lessee accounting, and is replaced by a model where a right-of-use asset and a corresponding liability have to be recognised for all leases by lessees, except for short-term leases and leases of low value assets.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

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

HKFRS 16 “Leases” *(Continued)*

The right-of-use asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions) less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liability. The lease liability is initially measured at the present value of the lease payments that are not paid at that date. Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications, amongst others. For the classification of cash flows, the Group currently presents operating lease payments as operating cash flows. Upon application of HKFRS 16, lease payments in relation to lease liability will be allocated into a principal and an interest portion which will be presented as financing cash flows by the Group.

Other than certain requirements which are also applicable to lessor, HKFRS 16 substantially carries forward the lessor accounting requirements in HKAS 17, and continues to require a lessor to classify a lease either as an operating lease or a finance lease.

Furthermore, extensive disclosures are required by HKFRS 16.

As at 31 December 2018, the Group has non-cancellable operating lease commitments of HK\$49,488,000 as disclosed in note 25. A preliminary assessment indicates that these arrangements will meet the definition of a lease. Upon application of HKFRS 16, the Group will recognise a right-of-use asset and a corresponding liability in respect of all these leases unless they qualify for low value or short-term leases.

In addition, the Group currently considers refundable rental deposits paid of HK\$6,900,000 as at 31 December 2018 as rights under leases to which HKAS 17 applies as disclosed in note 18. Based on the definition of lease payments under HKFRS 16, such deposits are not payments relating to the right to use the underlying assets, accordingly, the carrying amounts of such deposits may be adjusted to amortised cost. Adjustments to refundable rental deposits paid would be considered as additional lease payments and included in the carrying amount of right-of-use assets.

The application of new requirements may result in changes in measurement, presentation and disclosure as indicated above. The Group intends to elect the practical expedient to apply HKFRS 16 to contracts that were previously identified as leases applying HKAS 17 and HK(IFRIC)-Int 4 “Determining whether an Arrangement contains a Lease” and not apply this standard to contracts that were not previously identified as containing a lease applying HKAS 17 and HK(IFRIC)-Int 4. Therefore, the Group will not reassess whether the contracts are, or contain a lease which already existed prior to the date of initial application. Furthermore, the Group intends to elect the modified retrospective approach for the application of HKFRS 16 as lessee and will recognise the cumulative effect of initial application to opening accumulated losses without restating comparative information.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

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

Amendments to HKAS 1 and HKAS 8 “Definition of Material”

The amendments provide refinements to the definition of material by including additional guidance and explanations in making materiality judgements. The amendments also align the definition across all HKFRSs and will be mandatorily effective for the Group’s annual period beginning on 1 January 2020. The application of the amendments is not expected to have significant impact on the financial position and performance of the Group but may affect the presentation and disclosures in the consolidated financial statements.

3. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared on the historical cost basis and in accordance with HKFRSs issued by the HKICPA. In addition, the consolidated financial statements include the applicable disclosures required by the Rules Governing the Listing of Securities on GEM of the Stock Exchange (“GEM Listing Rules”) and by the Hong Kong Companies Ordinance.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of HKFRS 2 “Share-based Payment”, leasing transactions that are within the scope of HKAS 17, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 “Inventories” or value in use in HKAS 36 “Impairment of Assets”.

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

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

The principal accounting policies adopted are set out below.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

All intra-group assets, liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Revenue from contracts with customers (upon application of HKFRS 15 in accordance with transitions in note 2)

Under HKFRS 15, the Group recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer.

A performance obligation represents a good or service (or a bundle of goods or services) that is distinct or a series of distinct goods or services that are substantially the same.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Revenue from contracts with customers (upon application of HKFRS 15 in accordance with transitions in note 2) *(Continued)*

Control of the good or service may be transferred over time or at a point in time. Control of the good or service is transferred over time if one of the following criteria is met:

- the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;
- the Group's performance creates or enhances an asset that the customer controls as the Group performs; or
- the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

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

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

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

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

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

Revenue from casual restaurant and full service restaurant operations

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Revenue from contracts with customers (upon application of HKFRS 15 in accordance with transitions in note 2) *(Continued)*

Revenue from production and sales of bakery products

Revenue from production and sales of bakery products is recognised at a point in time when control of the goods has been transferred, being when the goods have been delivered to the customers. Payment of the transaction price is due immediately at the point the customer purchases the goods.

Sponsorship income and franchise fee income

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

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

Output method

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

Revenue recognition (prior to 1 January 2018)

Revenue is measured at fair value of the consideration received or receivable and represents amounts receivable for goods sold and services provided in the normal course of business and net of discount.

Revenue is recognised when the amount of revenue can be reliably measured; when it is probable that future economic benefits will flow to the Group and when specific criteria have been met for each of the Group's activities, as described below.

Sales of goods are recognised when the goods are delivered and titles have passed.

Service income is recognised when the services are rendered.

Sponsorship income and franchise fee income are recognised on a straight-time basis over the sponsorship period and franchise period respectively.

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Property, plant and equipment

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

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

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

Impairment on tangible assets

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Impairment on tangible assets *(Continued)*

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

Inventories

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

Financial instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the market place.

Financial assets and financial liabilities are initially measured at fair value except for trade receivables arising from contracts with customers and amounts due from related companies which are initially measured in accordance with HKFRS 15 since 1 January 2018. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income and interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts and payments (including all fees or points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset or financial liability, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets

Classification and subsequent measurement of financial assets (upon application of HKFRS 9 in accordance with transition in note 2)

Financial assets that meet the following conditions are subsequently measured at amortised cost:

- the financial asset is held within a business model whose objective is to hold the financial assets in order to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on a specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Amortised cost and interest income

Interest income is recognised using the effective interest method for financial assets measured subsequently at amortised cost. Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired. For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset from the next reporting period. If the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset from the beginning of the reporting period following the determination that the asset is no longer credit-impaired.

Impairment of financial assets (upon application of HKFRS 9 with transitions in accordance with note 2)

The Group recognises a loss allowance for ECL on financial assets which are subject to impairment under HKFRS 9 (including trade and other receivables, deposits, amounts due from related companies and directors and bank balances). The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12m ECL represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date. Assessment are done based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets *(Continued)*

Impairment of financial assets (upon application of HKFRS 9 with transitions in accordance with note 2) (Continued)

The Group always recognise lifetime ECL for trade receivables and amounts due from related companies without significant financing component. The ECL on these assets are assessed individually for credit card trade receivables and amounts due from related companies and collectively for corporate customers using a provision matrix with past due status grouping.

For all other instruments, the Group measures the loss allowance equal to 12m ECL, unless when there has been a significant increase in credit risk since initial recognition, the Group recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition.

(i) Significant increase in credit risk

In assessing whether the credit risk has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether the credit risk has increased significantly:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread and the credit default swap prices for the debtor;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor; or
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets *(Continued)*

Impairment of financial assets (upon application of HKFRS 9 with transitions in accordance with note 2) (Continued)

(i) Significant increase in credit risk *(Continued)*

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

Despite the foregoing, the Group assumes that the credit risk on a debt instrument has not increased significantly since initial recognition if the debt instrument is determined to have low credit risk at the reporting date. A debt instrument is determined to have low credit risk if (i) it has a low risk of default; (ii) the borrower has a strong capacity to meet its contractual cash flow obligations in the near term; and (iii) adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations. The Group considers a debt instrument to have low credit risk when it has an internal or external credit rating of “investment grade” as per globally understood definitions.

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

(ii) Definition of default

The Group considers that default has occurred when the instrument is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets *(Continued)*

Impairment of financial assets (upon application of HKFRS 9 with transitions in accordance with note 2) (Continued)

(iii) Credit-impaired financial assets

A financial asset is “credit-impaired” when one or more events that have a detrimental impact on the estimated future cash flows of the financial assets have been occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

- significant financial difficulty of the issuer of the borrower;
- a breach of contract, such as a default or past due event;
- the lender(s) of the borrower, for economic or contractual reasons relating to the borrower’s financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider; or
- it is becoming probably that the borrower will enter bankruptcy or other financial reorganisation.

(iv) Write-off policy

The Group writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, for example, when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings, or in the case of trade receivables and amounts due from related companies, when the amounts are over one year past due, whichever occurs sooner. Financial assets written off may still be subject to enforcement activities under the Group’s recovery procedures, taking into account legal advice when appropriate. A write-off constitutes a derecognition event. Any subsequent recoveries are recognised in profit or loss.

(v) Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information. Estimation of ECL reflects an unbiased and probability-weighted amount that is determined with the respective risks of default occurring as the weights.

Generally, the ECL is estimated as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets *(Continued)*

Impairment of financial assets (upon application of HKFRS 9 with transitions in accordance with note 2) (Continued)

(v) Measurement and recognition of ECL *(Continued)*

Where ECL is measured on a collective basis to cater for cases where evidence at the individual instrument level may not yet be available, the financial instruments are grouped on the following basis:

- Nature of financial instruments;
- Past-due status;
- Nature, size and industry of debtors; and
- External credit ratings where available.

The grouping is regularly reviewed by the management to ensure the constituents of each group continue to share similar credit risk characteristics.

Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit-impaired, in which case interest income is calculated based on amortised cost of the financial asset.

The Group recognises an impairment gain or loss in profit or loss for all financial instruments by adjusting their carrying amount, with the exception of trade receivables and amounts due from related companies where the corresponding adjustment is recognised through a loss allowance account.

Classification and subsequent measurement of financial assets (before application of HKFRS 9 on 1 January 2018)

The Group's financial assets are loans and receivables. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets *(Continued)*

Classification and subsequent measurement of financial assets (before application of HKFRS 9 on 1 January 2018) (Continued)

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including trade and other receivables, deposits, amounts due from related companies and directors and bank balances and cash) are measured at amortised cost using the effective interest method, less any identified impairment (see accounting policy on impairment of loans and receivables below).

Interest income is recognised by applying the effective interest rate, except for short-term receivables where the recognition of interest would be immaterial.

Impairment of loans and receivables (before application of HKFRS 9 on 1 January 2018)

Loans and receivables are assessed for indicators of impairment at the end of each reporting period. Loans and receivables are considered to be impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the loans and receivables, the estimated future cash flows of the loans and receivables have been affected.

Objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty;
- breach of contract, such as default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments as well as observable changes in national or local economic conditions that correlate with default on receivables.

For certain categories of financial assets, such as trade receivables, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis.

The amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the financial asset's original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss. Subsequent recoveries of amounts previously written off are credited to profit or loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets *(Continued)*

Impairment of loans and receivables (before application of HKFRS 9 on 1 January 2018) (Continued)

If, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire.

On derecognition of a financial asset, the difference between the asset's carrying amount and the consideration received and receivable is recognised in profit or loss.

Financial liabilities and equity instruments

Classification as debt or equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recognised at the proceeds received, net of direct issue costs.

Financial liabilities at amortised cost

The Group's financial liabilities including trade and other payables and accrued charges and amount due to a related company are subsequently measured at amortised cost, using the effective interest method.

Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Retirement benefits costs

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

Short-term employee benefits

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

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

Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessee

Operating lease payments are recognised as an expense on a straight-line basis over the term. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from "loss before taxation" because of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

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

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

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

Current and deferred tax are recognised in profit or loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Borrowing costs

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

Provisions

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

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

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

Foreign currencies

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

4. KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

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

Estimation of useful lives and impairment of property, plant and equipment

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

Assessing impairment of the property, plant and equipment requires an estimation of its recoverable amounts which is the higher of value in use and fair value less costs of disposal. If there is any indication that an asset may be impaired, recoverable amount shall be estimated for the relevant restaurant in which the asset belongs to. Accordingly, the management of the Group prepared discounted cash flow projections on the relevant restaurants to assess their value in use up to the end of the existing lease term ("Forecast Period"). In addition, the management of the Group also engaged an independent professional valuer to perform a valuation on the recoverable amount of the property, plant and equipment of the restaurant included in full service segment as the amount involved is quantitatively significant. The value in use calculation requires significant management judgement with respect to the assumptions used such as discount rate of 16.78% (2017: 16.5%), financial budget prepared by the management of the Group (including the estimated gross profit and estimated operating expenses) for the Forecast Period and annual revenue growth rates of 0% to 3.5% (2017: 3.0%). Where the actual future cash flows are less than expected or there is a downward revision of future estimated cash flows due to unfavourable changes in facts and circumstances, a material impairment loss may arise. Details of the recoverable amount calculation of the asset are disclosed in note 15.

During the year ended 31 December 2018, impairment loss in respect of property, plant and equipment of HK\$3,461,000 (2017: HK\$6,381,000) has been recognised. As at 31 December 2018, the carrying amounts of property, plant and equipment are HK\$10,541,000 (2017: HK\$20,281,000).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

5. REVENUE AND SEGMENT INFORMATION

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

Revenue

(i) For the year ended 31 December 2018

Disaggregation of revenue from contracts with customers

Continuing operations

Types of services:

Casual*	84,967
Full service*	34,693
	<hr/>
	119,660
	<hr/> <hr/>
 <i>Geographical market (Note)</i>	
Hong Kong	119,660
	<hr/> <hr/>

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

Timing of recognition revenue

Point in time	119,660
	<hr/> <hr/>

Performance obligations for contracts with customers

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

Transaction price allocated to be the remaining performance obligations

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

5. REVENUE AND SEGMENT INFORMATION *(Continued)*

Revenue *(Continued)*

(ii) For the year ended 31 December 2017

An analysis of the Group's revenue from services by segment for the year is as follows:

	HK\$'000 (restated)
Continuing operations	
<i>Types of services:</i>	
Casual*	88,292
Full service*	42,248
	<hr/>
	130,540
	<hr/> <hr/>

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

Segment information

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

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

- Casual restaurant operations ("Casual")

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

- Full service restaurant operations ("Full service")

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

An operating segment regarding the production and sales of bakery products ("Bakery") was discontinued in the current year. The segment information reported does not include any amounts for this discontinued operation, which are described in more detail in note 12.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

5. REVENUE AND SEGMENT INFORMATION *(Continued)*

Segment revenue and results

Year ended 31 December 2018

	Casual <i>HK\$'000</i>	Full service <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
Continuing operations			
Revenue			
Sales	<u>84,967</u>	<u>34,693</u>	<u>119,660</u>
Segment results	<u>(4,543)</u>	<u>(973)</u>	<u>(5,516)</u>
Other income			1,566
Other gains and losses			(290)
Unallocated operating costs			<u>(16,694)</u>
Loss before taxation			<u>(20,934)</u>

Year ended 31 December 2017

	<i>Casual</i> <i>HK\$'000</i>	<i>Full service</i> <i>HK\$'000</i>	<i>Consolidated</i> <i>HK\$'000</i>
Continuing operations			
Revenue			
Sales	<u>88,292</u>	<u>42,248</u>	<u>130,540</u>
Segment results	<u>3,833</u>	<u>(19,239)</u>	(15,406)
Other income			1,348
Other gains and losses			(4)
Unallocated operating costs			(17,752)
Finance costs			<u>(466)</u>
Loss before taxation			<u>(32,280)</u>

There was no inter-segment revenue for both years.

The accounting policies of the operating and reportable segments are the same as the Group's accounting policies described in note 3. Segment results represent the loss incurred/profit earned by each segment without allocation of other income, certain other gains and losses, unallocated operating costs (including head office staff costs, rental and other corporate expenses), and certain finance costs.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

5. REVENUE AND SEGMENT INFORMATION *(Continued)*

Segment assets and liabilities

As at 31 December 2018

	Casual <i>HK\$'000</i>	Full service <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
ASSETS			
Segment assets	<u>12,477</u>	<u>12,328</u>	24,805
Property, plant and equipment			60
Deferred tax assets			1,224
Inventories			14,843
Other receivables, deposits and prepayments			747
Amounts due from directors			1,028
Tax recoverable			45
Bank balances and cash			<u>65,393</u>
Consolidated total assets			<u>108,145</u>
LIABILITIES			
Segment liabilities	<u>10,239</u>	<u>4,955</u>	15,194
Other payables			<u>2,025</u>
Consolidated total liabilities			<u>17,219</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

5. REVENUE AND SEGMENT INFORMATION *(Continued)*

Segment assets and liabilities *(Continued)*

As at 31 December 2017

	Casual <i>HK\$'000</i>	Full service <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
ASSETS			
Segment assets	<u>15,631</u>	<u>15,227</u>	30,858
Property, plant and equipment			467
Deferred tax assets			1,760
Inventories			14,843
Other receivables, deposits and prepayments			1,389
Amounts due from directors			787
Tax recoverable			1,044
Bank balances and cash			78,514
Assets relating to discontinued operation			<u>4,163</u>
Consolidated total assets			<u>133,825</u>
LIABILITIES			
Segment liabilities	<u>7,701</u>	<u>5,672</u>	13,373
Other payables			2,450
Liabilities relating to discontinued operation			<u>1,138</u>
Consolidated total liabilities			<u>16,961</u>

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

5. REVENUE AND SEGMENT INFORMATION *(Continued)*

Other segment information

Year ended 31 December 2018

Continuing operations

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

Additions of property, plant and equipment

Casual HK\$'000	Full service HK\$'000	Segment total HK\$'000	Unallocated HK\$'000	Consolidated HK\$'000
2,358	448	2,806	35	2,841
3,087	2,713	5,800	152	5,952
58	–	58	290	348
<u>3,461</u>	<u>–</u>	<u>3,461</u>	<u>–</u>	<u>3,461</u>

Depreciation of property, plant and equipment

Loss on disposal/written-off of property, plant and equipment

Impairment loss recognised in respect of property, plant and equipment

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

5. REVENUE AND SEGMENT INFORMATION *(Continued)*

Other segment information *(Continued)*

Year ended 31 December 2017

Continuing operations

	Casual <i>HK\$'000</i>	Full service <i>HK\$'000</i>	Segment total <i>HK\$'000</i>	Unallocated <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
Amounts included in the measure of segment profit or segment assets:					
Additions of property, plant and equipment (Note)	1,054	188	1,242	84	1,326
Depreciation of property, plant and equipment	3,221	4,446	7,667	207	7,874
Finance costs	–	98	98	466	564
Impairment loss recognised in respect of property, plant and equipment	–	6,381	6,381	–	6,381
Write-down of inventories	–	70	70	–	70
Impairment loss recognised in respect of rental deposits upon early termination of a lease contract	–	1,868	1,868	–	1,868

Note: Property, plant and equipment excluded those relating to discontinued operation.

Information about major customers

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

Geographical information

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

6. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

Directors' emoluments

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

	Directors' fees <i>HK\$'000</i>	Salaries and other benefits <i>HK\$'000</i>	Retirement benefits scheme contributions <i>HK\$'000</i>	Total emoluments <i>HK\$'000</i>
Year ended 31 December 2018				
<i>Executive directors</i>				
Mr. Wong	360	–	18	378
Mr. Lo	360	–	18	378
Mr. Pong	360	–	18	378
Mr. Ma Chun Fai ("Mr. Ma") (<i>note i</i>)	360	–	18	378
<i>Independent non-executive directors</i>				
Dr. Chan Kin Keung Eugene	160	–	–	160
Mr. Ng Chun Fai Frank	160	–	–	160
Mr. Chum Kwan Yue Desmond (<i>note ii</i>)	75	–	–	75
Mr. Lai Chik Fan (<i>note iii</i>)	70	–	–	70
Mr. Yue Man Yiu Matthew (<i>note iv</i>)	36	–	–	36
Total	<u>1,941</u>	<u>–</u>	<u>72</u>	<u>2,013</u>
Year ended 31 December 2017				
<i>Executive directors</i>				
Mr. Wong	360	30	18	408
Mr. Lo	360	30	18	408
Mr. Pong	360	30	18	408
Mr. Ma (<i>note i</i>)	157	–	8	165
<i>Independent non-executive directors</i>				
Dr. Chan Kin Keung Eugene	150	–	–	150
Mr. Ng Chun Fai Frank	150	–	–	150
Mr. Chum Kwan Yue Desmond	150	–	–	150
Total	<u>1,687</u>	<u>90</u>	<u>62</u>	<u>1,839</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

6. DIRECTORS' AND EMPLOYEES' EMOLUMENTS (Continued)

Directors' emoluments (Continued)

Notes:

- (i) Mr. Ma was appointed as executive director of the Company on 25 July 2017.
- (ii) Mr. Chum Kwan Yue Desmond resigned as independent non-executive director of the Company on 30 June 2018.
- (iii) Mr. Lai Chik Fan was appointed as independent non-executive director of the Company on 30 June 2018 and resigned on 30 November 2018.
- (iv) Mr. Yue Man Yiu Matthew was appointed as independent non-executive director of the Company on 19 October 2018.

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

The emoluments of independent non-executive directors shown above were for their services as directors of the Company.

No remuneration was paid by the Group to the directors of the Company as an inducement to join or upon joining the Group or as compensation for loss of office for both years. None of the directors of the Company has waived any remuneration during the years ended 31 December 2018 and 2017.

Employees' emoluments

None of the five highest paid individuals are directors for each of the years ended 31 December 2018 and 2017. The emoluments of the five highest paid individuals for each of the years ended 31 December 2018 and 2017, respectively, were as follows:

	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Salaries and other benefits	4,155	4,639
Discretionary bonus (<i>note</i>)	156	342
Retirement benefits scheme contributions	90	90
	4,401	5,071

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

Their emoluments were within the following bands:

	2018 <i>Number of employees</i>	2017 <i>Number of employees</i>
Nil to HK\$1,000,000	4	3
HK\$1,000,001 to HK\$1,500,000	–	2
HK\$1,500,001 to HK\$2,000,000	1	–
	5	5

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

7. OTHER INCOME

	2018 HK\$'000	2017 HK\$'000 (restated)
Continuing operations		
Franchise fee income	265	242
Interest income	761	104
Sponsorship income	337	569
Others	203	433
	<u>1,566</u>	<u>1,348</u>

8. OTHER GAINS AND LOSSES

	2018 HK\$'000	2017 HK\$'000 (restated)
Continuing operations		
Loss on disposal/written-off of property, plant and equipment	348	–
Impairment loss recognised in respect of property, plant and equipment (<i>note</i>)	3,461	6,381
Impairment loss recognised in respect of rental deposits upon early termination of a lease contract (<i>note</i>)	–	1,868
Net foreign exchange (gain) loss	(10)	11
	<u>3,799</u>	<u>8,260</u>

Note: Having considered the unsatisfactory sales performance of the two restaurants within the Casual segment, the management of the Group has fully impaired the property, plant and equipment pertaining to these two restaurants amounting to HK\$3,461,000 for the year ended 31 December 2018.

In August 2017, the management of the Group determined to close down a restaurant named The Fat Pig. The Fat Pig's financial performance had been below the management's expectation due to the decrease in the number of visitors and shoppers and spending of customers. The Fat Pig was included in Full service segment as disclosed in note 5. In view of the closure of The Fat Pig, an impairment loss was then recognised to profit or loss in respect of property, plant and equipment of The Fat Pig amounting to HK\$6,381,000 during the year ended 31 December 2017.

On the other hand, the Group early terminated the rental contract with the landlord of the premise of The Fat Pig. The rental deposits paid by the Group amounting to HK\$1,868,000 was then forfeited by the landlord and such amount was then charged to profit or loss during the year ended 31 December 2017.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

9. FINANCE COSTS

	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Continuing operations		
Interest on bank borrowings	—	564

10. LOSS BEFORE TAXATION FROM CONTINUING OPERATIONS

	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Loss before taxation from continuing operations has been arrived at after charging:		
Auditor's remuneration	990	1,090
Directors' remuneration (<i>note 6</i>)	2,013	1,839
Other staff costs		
Salaries and other benefits	49,629	58,583
Retirement benefits scheme contributions	2,217	2,512
Total staff costs	<u>53,859</u>	<u>62,934</u>
Raw materials and consumables used in respect of		
Restaurant operations	27,116	30,235
Write-down of inventories	—	70
	<u>27,116</u>	<u>30,305</u>
Provision for onerous lease contract (included in other operating expenses)	3,400	—
Lease payments under operating leases in respect of leasehold land and buildings:		
Minimum lease payments	22,120	23,491
Contingent rents (<i>note</i>)	636	887
	<u>22,756</u>	<u>24,378</u>

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

11. INCOME TAX (CHARGE) CREDIT

	2018 HK\$'000	2017 HK\$'000
Hong Kong Profits Tax:		
Under provision in prior years	–	(39)
Deferred taxation (charge) credit (<i>note 16</i>)	(536)	278
	(536)	239

On 21 March 2018, the Hong Kong Legislative Council passed The Inland Revenue (Amendment) (No. 7) Bill 2017 (the “Bill”) which introduces the two-tiered profits tax rates regime. The Bill was signed into law on 28 March 2018 and was gazetted on the following day. Under the two-tiered profits tax rates regime, the first HK\$2 million of profits of the qualifying group entity will be taxed at 8.25%, and profits above HK\$2 million will be taxed at 16.5%. The profits of group entities not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%.

The directors of the Company considered the amount involved upon implementation of the two-tiered profits tax rates regime as insignificant to the consolidated financial statements. Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for both years.

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

	2018 HK\$'000	2017 HK\$'000 (restated)
Loss before taxation from continuing operations	(20,934)	(32,280)
Tax credit at the Hong Kong Profits Tax rate of 16.5%	3,454	5,326
Tax effect of expenses not deductible for tax purpose	(1,999)	(2,266)
Tax effect of income not taxable for tax purpose	127	35
Tax effect of tax losses not recognised	(1,547)	(2,802)
Tax effect of deductible temporary differences not recognised	(35)	(15)
Under provision in prior years	–	(39)
Others	(536)	–
Income tax (charge) credit	(536)	239

Details of deferred taxation are set out in note 16.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

12. DISCONTINUED OPERATION

Taking into consideration the adverse impact of the Bakery business on the Group's overall financial performance, the Company terminated the Bakery business in August 2018 and handed over the premise of the central kitchen to the landlord on 28 September 2018. Upon the handover of the central kitchen to the landlord, the directors of the Company considered that the Bakery business is discontinued and recognised a loss on disposal/written-off of property, plant and equipment of HK\$1,954,000 during the year ended 31 December 2018.

The result of the Bakery business for the year ended 31 December 2018 and 2017 are analysed as follows:

	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Revenue	1,926	3,913
Other gains and losses	(1,934)	156
Raw materials and consumable used	(1,096)	(2,301)
Staff costs	(1,279)	(2,265)
Depreciation	(571)	(1,137)
Property rental and related expenses	(326)	(407)
Utility expenses	(185)	(325)
Advertising and promotion expenses	(50)	(39)
Other expenses	(953)	(1,526)
Loss for the year from discontinued operation	<u>(4,468)</u>	<u>(3,931)</u>

Loss for the year from discontinued operation includes the following:

	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Auditor's remuneration	10	10
Other staff costs		
Salaries and other benefits	1,219	2,153
Retirement benefits scheme contributions	60	112
	1,279	2,265
Loss on disposal/written-off of property, plant and equipment	1,954	-
Reversal of allowance for bad and doubtful debts	-	(136)
Net foreign exchange gain	(20)	(20)
Raw materials and consumables used in respect of bakery products	1,096	2,301
Minimum lease payments under operating leases in respect of leasehold land and building	326	407

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

13. DIVIDENDS

No dividends were paid, declared and proposed by the Company during the year ended 31 December 2018 (2017: nil).

The directors of the Company do not recommend the payment of a final dividend for the year ended 31 December 2018 (2017: nil).

14. LOSS PER SHARE

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

For continuing and discontinued operations

	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Loss		
Loss for the year attributable to owners of the Company for the purpose of calculating basic loss per share	<u>(25,938)</u>	<u>(35,972)</u>
Number of shares		
Weighted average number of ordinary shares for the purpose of calculating basic loss per share	<u>446,000</u>	<u>407,688</u>

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

For continuing operations

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

Loss figures are calculated as follows:

	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Loss for the year attributable to owners of the Company	(25,938)	(35,972)
Less: loss for the year from discontinued operation	<u>4,468</u>	<u>3,931</u>
Loss for the purpose of basic loss per share from continuing operations	<u>(21,470)</u>	<u>(32,041)</u>

The denominators used are the same as those detailed above for basic loss per share.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

14. LOSS PER SHARE *(Continued)*

For discontinued operation

Basic loss per share for the discontinued operation is HK1.00 cent per share (2017: HK0.96 cent per share) for year ended 31 December 2018 based on the loss for the year from the discontinued operation of approximately HK\$4,468,000 (2017: HK\$3,931,000). The denominators used are the same as those detailed above for basic loss per share.

15. PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvements <i>HK\$'000</i>	Furniture and fixtures <i>HK\$'000</i>	Motor vehicle <i>HK\$'000</i>	Equipment <i>HK\$'000</i>	Computers <i>HK\$'000</i>	Total <i>HK\$'000</i>
COST						
At 1 January 2017	39,377	10,895	274	14,020	2,803	67,369
Additions	577	482	–	231	146	1,436
Disposals/written-off	(7,837)	(933)	–	(3,625)	(280)	(12,675)
At 31 December 2017	32,117	10,444	274	10,626	2,669	56,130
Additions	1,454	434	–	815	138	2,841
Disposals/written-off	(5,707)	(2,908)	(55)	(3,385)	(317)	(12,372)
At 31 December 2018	27,864	7,970	219	8,056	2,490	46,599
DEPRECIATION AND IMPAIRMENT						
At 1 January 2017	17,696	3,646	178	9,078	2,386	32,984
Provided for the year	4,608	1,903	55	2,220	225	9,011
Impairment loss recognised	5,045	625	–	581	130	6,381
Eliminated on disposals/ written-off	(7,837)	(933)	–	(3,477)	(280)	(12,527)
At 31 December 2017	19,512	5,241	233	8,402	2,461	35,849
Provided for the year	3,628	1,642	23	1,098	132	6,523
Impairment loss recognised	2,501	354	–	496	110	3,461
Eliminated on disposals/ written-off	(5,402)	(1,495)	(37)	(2,525)	(316)	(9,775)
At 31 December 2018	20,239	5,742	219	7,471	2,387	36,058
CARRYING AMOUNTS						
At 31 December 2018	7,625	2,228	–	585	103	10,541
At 31 December 2017	12,605	5,203	41	2,224	208	20,281

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

15. PROPERTY, PLANT AND EQUIPMENT *(Continued)*

The above items of property, plant and equipment are depreciated on a straight-line basis at the following rates per annum:

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

The management of the Group considers that an impairment indicator on certain restaurants (2017: a restaurant) exists as these restaurants (2017: a restaurant) incurred operating loss for the year ended 31 December 2018. The aggregate carrying amount of property, plant and equipment (before impairment) belongs to the relevant restaurants included in casual and full service segments for impairment assessment amounted to HK\$3,461,000 (2017: nil) and HK\$7,067,000 (2017: HK\$9,331,000) respectively.

Accordingly, the Group carried out a review of the recoverable amounts of the relevant restaurants (2017: a restaurant) included in Casual and Full service segments (2017: Full service segment). The recoverable amounts of the property, plant and equipment as at 31 December 2018 have been determined based on a value in use calculation. In addition, the Group engaged Asset Appraisal Limited, an independent qualified professional valuer not connected with the Group, to carry out a valuation on the recoverable amount of the property, plant and equipment of the restaurant included in Full service segment as the amount involved in quantitatively significant for both years.

The recoverable amounts of the relevant restaurants (2017: a restaurant) were determined based on the discounted cash flow approach with a discount rate of 16.78% (2017: 16.5%), financial budget prepared by the management of the Group (including the estimated gross profit and estimated operating expenses) for the Forecast Period and annual revenue growth rates of 0% to 3.5% (2017: 3.0%). The assumptions of discount rate and annual revenue growth rates are determined based on expectations for the market development and is not expected to exceed the average long-term growth rate for the catering industry in Hong Kong. Other key assumptions for value in use calculation relate to the estimation of gross profit and operating expenses, such estimation is based on the recent performance of the relevant restaurants. The management of the Group believes that any reasonably possible change in any of these assumptions would not cause the carrying amount to exceed the recoverable amount of the property, plant and equipment of the restaurants.

During the year ended 31 December 2018, impairment loss of HK\$3,461,000 (2017: nil) is recognised in respect of the property, plant and equipment for two restaurants included in Casual segment and no impairment loss is recognised (2017: HK\$6,381,000) in respect of the property, plant and equipment of the restaurant included Full service segment of the Group as at 31 December 2018.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

16. DEFERRED TAXATION

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

	Tax losses <i>HK\$'000</i>	Accelerated accounting depreciation <i>HK\$'000</i>	Accelerated tax depreciation <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1 January 2017	1,369	1,003	(890)	1,482
(Charge) credit to profit or loss (note 11)	(20)	230	68	278
At 31 December 2017	1,349	1,233	(822)	1,760
Charge to profit or loss (note 11)	(491)	(9)	(36)	(536)
At 31 December 2018	858	1,224	(858)	1,224

As at 31 December 2018, the Group has estimated unused tax losses of HK\$55,463,000 (2017: HK\$43,692,000) and deductible temporary differences of HK\$8,343,000 (2017: HK\$8,070,000) available for offset against future profits. At the end of the reporting period, the Group has estimated tax losses of HK\$5,200,000 (2017: HK\$8,176,000) and deductible temporary differences of HK\$7,418,000 (2017: HK\$7,473,000) have been recognised as deferred tax assets. No deferred tax asset has been recognised in respect of the unused tax losses of HK\$50,263,000 (2017: HK\$35,516,000) and remaining deductible temporary differences of HK\$925,000 (2017: HK\$597,000) as at 31 December 2018 due to the unpredictability of future profit. Unused tax losses may be carried forward indefinitely.

17. INVENTORIES

	2018 HK\$'000	2017 <i>HK\$'000</i>
Food, beverage and other consumables, at cost	18,229	18,236

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

18. TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	2018 HK\$'000	2017 HK\$'000
Trade receivables from restaurant operations	954	1,474
Trade receivables from sales of bakery products	–	241
Rental deposits	6,900	7,253
Other deposits	1,886	1,936
Other receivables	103	59
Prepayments	1,560	1,854
	<u>11,403</u>	<u>12,817</u>
Analysed as:		
Current	4,255	5,115
Non-current	7,148	7,702
	<u>11,403</u>	<u>12,817</u>

As at 31 December 2018 and 1 January 2018, trade receivables from contracts with customers amounted to HK\$954,000 and HK\$1,715,000, respectively.

There was no credit period to individual customers for the restaurant operations. The Group's trading terms with its customers are mainly by cash and credit card settlements. The settlement terms of credit card companies are usually 7 days after the service rendered date. However, the Group allows a credit period of 30 days to its corporate customers for launching activities in the Group's restaurants.

The Group's sales of bakery products to customers were mainly from credit sales. The Group allowed a credit period of 30 to 60 days to these trade customers.

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

18. TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

(Continued)

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

	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
0 to 30 days	674	1,402
31 to 60 days	108	39
61 to 90 days	164	5
Over 90 days	8	28
	<hr/> 954 <hr/>	<hr/> 1,474 <hr/>

As at 31 December 2018, included in the Group's trade receivables balance are debtors with aggregate carrying amount of HK\$280,000 which are past due as at the reporting date. Out of the past due balances, HK\$5,000 has been past due 90 days or more and no impairment allowance was provided as the amount is insignificant. The Group does not hold any collateral over these balances.

As at 31 December 2017, 95% of the trade receivables from restaurant operations that are neither past due nor impaired have good repayment records.

As at 31 December 2017, included in the Group's trade receivables from restaurant operations were debtors with an aggregate carrying amount of HK\$72,000 which were past due as at the end of the reporting period for which the Group had not provided for impairment loss. The Group did not hold any collateral over these balances.

Ageing of trade receivables from restaurant operations which are past due but not impaired

	2017 <i>HK\$'000</i>
31 to 60 days	39
61 to 90 days	5
Over 90 days	28
	<hr/> 72 <hr/>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

18. TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

(Continued)

The following was an ageing analysis of trade receivables from sales of bakery products based on the invoice date, which was approximated the revenue recognition date, at the end of the reporting period.

	2017 HK\$'000
0 to 30 days	123
31 to 60 days	112
61 to 90 days	5
Over 90 days	<u>1</u>
	<u>241</u>

As at 31 December 2017, 98% of the trade receivables from sales of bakery products that were neither past due nor impaired were with good credit quality and had no default of payment in the past.

As at 31 December 2017, included in the Group's trade receivables from sales of bakery products were debtors with an aggregate carrying amount of HK\$6,000 which were past due at the end of the reporting period for which the Group had not provided for impairment loss. The Group did not hold any collateral over these balances.

Ageing of trade receivables from sales of bakery products which are past due but not impaired

	2017 HK\$'000
61 to 90 days	5
Over 90 days	<u>1</u>
	<u>6</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

18. TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

(Continued)

Movement in the allowance for bad and doubtful debts

	2017 HK\$'000
Balance at beginning of the year	255
Reversal of allowance for bad and doubtful debt	(136)
Written-off as uncollectible	(119)
	<hr/>
Balance at end of the year	–

Details of impairment assessment of trade receivables, other receivables and deposits for the year ended 31 December 2018 are set out in note 29.

19. AMOUNTS DUE FROM/TO RELATED COMPANIES/AMOUNTS DUE FROM DIRECTORS

Amounts due from related companies

Amounts are unsecured and interest-free. The amounts are trade nature. The Group allows a credit period of 30 days to the related companies.

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

Name	2018 HK\$'000	2017 HK\$'000
Altaya Wines Limited ("Altaya Wines") (note (i))	173	131
Gold Peak Industries (Holdings) Limited ("Gold Peak") (note (ii))	26	78
GP Batteries International Limited ("GP Batteries") (note (ii))	83	79
	<hr/>	<hr/>
	282	288

Notes:

- (i) Altaya Wines is controlled by Mr. Pong and his family.
- (ii) Father of Mr. Lo is the director of Gold Peak and GP Batteries.

As at 31 December 2018 and 1 January 2018, amounts due from related companies amounted to HK\$282,000 and HK\$288,000, respectively.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

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

Amounts due from related companies *(Continued)*

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

	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
0 to 30 days	61	107
31 to 60 days	90	87
Over 90 days	131	94
	<hr/> 282 <hr/>	<hr/> 94 <hr/> <hr/> 181 <hr/>

As at 31 December 2018, included in the Group's amounts due from related companies with aggregate carrying amount of HK\$221,000 which are past due as at the reporting date. Out of the past due balances, HK\$131,000 has been past due 90 days or more. No impairment allowance was provided as the amount is insignificant. The Group does not hold any collateral over these balances.

As at 31 December 2017, 37% of the amounts due from related companies that are neither past due nor impaired have the good repayment records.

As at 31 December 2017, included in the Group's amounts due from related companies with aggregate carrying amount of HK\$181,000 which were past due as at the end of the reporting period for which the Group had not provided for impairment loss. The Group did not hold any collateral over these balances.

Ageing of amounts due from related companies which are past due but not impaired

	2017 <i>HK\$'000</i>
31 to 60 days	87
Over 90 days	94
	<hr/> 181 <hr/>

Details of impairment assessment of amounts due from related companies for the year ended 31 December 2018 are set out in note 29.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

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

Amounts due from directors

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

Name	As at		1 January 2017	Maximum amount outstanding during the year ended	
	31 December 2018	31 December 2017		31 December 2018	31 December 2017
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Mr. Wong	160	94	898	189	1,059
Mr. Lo	834	593	1,028	838	1,083
Mr. Pong	34	100	844	101	881
	<u>1,028</u>	<u>787</u>	<u>2,770</u>		

Details of impairment assessment of amounts due from directors for the year ended 31 December 2018 are set out in note 29.

Amount due to a related company

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

	2018 HK\$'000	2017 HK\$'000
Altaya Wines	<u>152</u>	<u>368</u>

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

	2018 HK\$'000	2017 HK\$'000
0 to 30 days	152	48
31 to 60 days	–	94
Over 90 days	–	226
	<u>152</u>	<u>368</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

20. BANK BALANCES AND CASH

Bank balances and cash comprise cash held and short term bank deposits with an original maturity of three months or less and carry interest at prevailing market rates which range from 0.01% to 2.35% (2017: 0.01% to 1.15%) per annum.

Details of impairment assessment of bank balances for the year ended 31 December 2018 are set out in note 29.

21. TRADE AND OTHER PAYABLES AND ACCRUED CHARGES

	2018 HK\$'000	2017 HK\$'000
Trade payables	4,360	6,884
Other payables:		
Accrued staff related costs	3,847	4,411
Other payables and accrued charges	3,678	3,857
	11,885	15,152

As at 1 January 2018, advances from customers of HK\$518,000 in respect of restaurant operations previously included in trade and other payables and accrued charges were reclassified to contract liabilities for HK\$518,000.

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

	2018 HK\$'000	2017 HK\$'000
0 to 30 days	2,990	3,750
31 to 60 days	1,291	2,811
61 to 90 days	23	172
Over 90 days	56	151
	4,360	6,884

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For the year ended 31 December 2018

22. CONTRACT LIABILITIES

	31 December 2018 HK\$'000	1 January 2018* HK\$'000
Contract liabilities from restaurant operations	<u>217</u>	<u>518</u>

* The amount in this column is after the adjustments from the application of HKFRS 15.

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

The following table shows how much of the revenue recognised in the current year relates to carried-forward contract liabilities and how much relates to performance obligations that were satisfied in prior periods.

	Income from restaurant operations HK\$'000
Revenue recognised that was included in the contract liabilities balance at the beginning of the year	<u>518</u>

23. PROVISIONS

	2018 HK\$'000	2017 HK\$'000
Analysed for reporting purpose as:		
Non-current liabilities	3,780	1,441
Current liabilities	<u>1,185</u>	<u>–</u>
	4,965	1,441

	Onerous contract HK\$'000	Reinstatement works HK\$'000	Total HK\$'000
At 1 January 2017	–	1,758	1,758
Utilised during the year	–	(317)	(317)
At 31 December 2017	–	1,441	1,441
Provision recognised	3,400	171	3,571
Utilised during the year	–	(47)	(47)
As 31 December 2018	<u>3,400</u>	<u>1,565</u>	<u>4,965</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

23. PROVISIONS (Continued)

The provision for onerous contract represents the management's best estimate of onerous lease contract of a restaurant as the management of the Group considers the unavoidable costs of meeting the obligation under such lease contract exceed the economic benefits expected to be received from the relevant lease contract. The unexpired term of the lease is 3.5 years. The present value of the anticipated irrecoverable costs on the lease contract for the period from 1 January 2019 up to the end of the lease term is HK\$3,400,000.

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

24. ISSUED SHARE CAPITAL

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

	Number of shares	Amount HK\$	Amount HK\$'000
Ordinary shares of HK\$0.01 each			
Authorised:			
At 1 January 2017, 31 December 2017 and 2018	<u>800,000,000</u>	<u>8,000,000</u>	<u>8,000</u>
Issued and fully paid:			
At 1 January 2017	400,000,000	4,000,000	4,000
Issue of shares (<i>note</i>)	<u>46,000,000</u>	<u>460,000</u>	<u>460</u>
At 31 December 2017 and 2018	<u>446,000,000</u>	<u>4,460,000</u>	<u>4,460</u>

Note: On 1 November 2017, 46,000,000 new ordinary shares of the Company of HK\$0.01 each were issued by placing at price of HK\$1.86 per share. The net proceeds from the placing are for the (i) repayment of bank borrowings; (2) development, relocation, opening and upgrade of restaurants; (3) working capital for existing business of the Group; and (4) enhancement of premium food and fine wine programme.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

25. OPERATING LEASE COMMITMENTS

The Group as lessee

At the end of the reporting period, the Group had commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	2018 HK\$'000	2017 HK\$'000
Within one year	20,689	17,230
In the second to fifth year inclusive	28,799	10,600
	49,488	27,830

The above operating lease payments represent rental payable by the Group for office premises, storage and restaurants for both years.

Leases and rentals are negotiated and fixed for term of one to five years. The operating lease rentals for certain restaurants are determined at the higher of a fixed rental or a pre-determined percentage on revenue of respective restaurants pursuant to the terms and conditions that are set out in the respective rental agreements. As the future revenue of these restaurants could not be reliably determined, the relevant contingent rents have not been included above and only the minimum lease commitment have been included in the table above.

The lease agreement entered into between the landlord and the Group includes a renewal option at the discretion of the respective group entities for further two to four years from the end of the leases without fixed rental. Accordingly, this is not included in the above commitment.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

26. RELATED PARTY TRANSACTIONS

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

	2018 HK\$'000	2017 HK\$'000
Catering income from Mr. Wong, Mr. Lo and Mr. Pong	<u>92</u>	<u>163</u>
Catering income from Altaya Wines	<u>152</u>	<u>117</u>
Catering income from Gold Peak	<u>431</u>	<u>484</u>
Catering income from GP Batteries	<u>503</u>	<u>555</u>
Purchases of goods from Altaya Wines	<u>1,716</u>	<u>1,816</u>
Purchases of goods from Cubatabaco Limited (<i>note (i)</i>)	<u>–</u>	<u>40</u>
Sales of property, plant and equipment to Jia Group Limited (<i>note (ii)</i>)	<u>–</u>	<u>16</u>

Notes:

- (i) Cubatabaco Limited is controlled by Mr. Pong and his family.
- (ii) Jia Group Limited is 50% owned by the spouse of Mr. Lo.

Compensation of key management personnel

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

	2018 HK\$'000	2017 HK\$'000
Short-term benefits	<u>3,620</u>	<u>3,684</u>
Post-employment benefits	<u>98</u>	<u>98</u>
	<u>3,718</u>	<u>3,782</u>

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

27. RETIREMENT BENEFITS SCHEME

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

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

The contributions paid and payable to the schemes by the Group are disclosed in notes 6, 10 and 12, respectively.

28. CAPITAL RISK MANAGEMENT

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

29. FINANCIAL INSTRUMENTS

Categories of financial instruments

	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Financial assets		
Financial assets at amortised cost	68,665	–
Loans and receivables (including cash and cash equivalents)	<u>–</u>	<u>82,685</u>
Financial liabilities		
Amortised cost	<u>10,460</u>	<u>13,649</u>

Financial risk management objectives and policies

The Group's major financial instruments include financial assets at amortised cost (2017: loans and receivables), trade and other receivables, deposits, amounts due from related companies and directors, bank balances, trade and other payables and accrued charges and amount due to a related company. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below.

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

Market risk

Interest rate risk

The Group is mainly exposed to cash flow interest rate risk in relation to bank balances as at 31 December 2018 and 2017.

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

Sensitivity analysis

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

29. FINANCIAL INSTRUMENTS *(Continued)*

Financial risk management objectives and policies *(Continued)*

Credit risk and impairment assessment

The Group's credit risk is primarily attributable to trade and other receivables, deposits, amounts due from related companies and directors and bank balances as at 31 December 2018 and 2017.

As at 31 December 2018 and 2017, the maximum exposure to credit risk of the Group which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties is arising from the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position.

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

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

In addition, the Group performs impairment assessment under ECL model upon application of HKFRS 9 (2017: incurred loss model) on credit card trade receivables and amounts due from related companies individually and the remaining trade receivables are grouped using a provision matrix with past due status grouping. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

Other receivables and deposits

The management of the Group makes periodic collective assessment as well as individual assessment on the recoverability of other receivables and deposits based on historical settlement records, past experience, and also available reasonable and supportive forward-looking information under ECL model upon application of HKFRS 9 (2017: incurred loss model). The management of the Group believes that there is no material credit risk inherent in the Group's outstanding balance of other receivables and deposits.

Amounts due from directors

The Group has concentration risk on amounts due from directors as at 31 December 2018 and 2017. The directors of the Company continuously monitor the credit quality and financial positions of the counterparties and the level of exposure to ensure that the follow-up action is taken to recover the debts. In addition, the Group performs impairment assessment under ECL model upon application of HKFRS 9 (2017: incurred loss model) on balances individually. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

29. FINANCIAL INSTRUMENTS *(Continued)*

Financial risk management objectives and policies *(Continued)*

Bank balances

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

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

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

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

2018	Notes	External credit rating	Internal credit rating	12m ECL or lifetime ECL	Gross carrying amount <i>HK\$'000</i>
Financial assets at amortised cost					
Trade receivables	18	N/A	<i>(note 1)</i>	Lifetime ECL (provision matrix)	672
		A1, A3 <i>(note 1)</i>	N/A	Lifetime ECL	282
Other receivables and deposits	18	N/A	Low risk <i>(note 2)</i>	12m ECL	1,374
Amounts due from related companies	19	N/A	Low risk <i>(note 1)</i>	Lifetime ECL	282
Amounts due from directors	19	N/A	Low risk <i>(note 2)</i>	12m ECL	1,028
Bank balances	20	Aa2, Aa3, Baa2 <i>(note 3)</i>	N/A	12m ECL	65,027

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

29. FINANCIAL INSTRUMENTS (Continued)

Financial risk management objectives and policies (Continued)

Notes:

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

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

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

As part of the Group's credit risk management, the Group uses debtors' aging to assess the impairment for its corporate customers in relation to its restaurant operations because these customers consist of a large number of small customers with common risk characteristics that are representative of the customers' abilities to pay all amounts due in accordance with the contractual terms. The following table provides information about the exposure to credit risk for trade receivables which are assessed based on provision matrix as at 31 December 2018 within lifetime ECL (not credit impaired).

Gross carrying amount

	Average loss rate	Trade receivables
	%	HK\$'000
Current (not past due)	0.1	392
1 – 30 days past due	0.5	109
31 – 90 days past due	1.0	166
Over 90 days past due	100	5
		<u>672</u>

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

During the year ended 31 December 2018, no impairment allowance was provided for trade receivables from restaurant operations and amounts due from related companies as the amount is insignificant.

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

	Past due	Not past due/ no fixed repayment terms	Total
	HK\$'000	HK\$'000	HK\$'000
Other receivables and deposits	–	1,374	1,374
Amounts due from directors	–	1,028	1,028
	<u>–</u>	<u>1,028</u>	<u>1,028</u>

During the year ended 31 December 2018, no impairment allowance was provided for other receivables, deposits and amounts due from directors as the amount is insignificant.

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

During the year ended 31 December 2018, no impairment allowance was provided for bank balances as the amount is insignificant.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

29. FINANCIAL INSTRUMENTS *(Continued)*

Financial risk management objectives and policies *(Continued)*

Liquidity risk

In the management of liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management of the Group to finance the Group's operations and mitigate the effects of fluctuations in cash flows.

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

The tables include both interest and principal cash flows.

	Weighted average effective interest rate %	Less than 3 months HK\$'000	Total undiscounted cash flows HK\$'000	Total carrying amounts HK\$'000
As at 31 December 2018				
Non-derivative financial liabilities				
Trade payables	N/A	4,360	4,360	4,360
Other payables and accrued charges	N/A	5,948	5,948	5,948
Amount due to a related company	N/A	152	152	152
		<u>10,460</u>	<u>10,460</u>	<u>10,460</u>

As at 31 December 2017

Non-derivative financial liabilities				
Trade payables	N/A	6,884	6,884	6,884
Other payables and accrued charges	N/A	6,397	6,397	6,397
Amount due to a related company	N/A	368	368	368
		<u>13,649</u>	<u>13,649</u>	<u>13,649</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

29. FINANCIAL INSTRUMENTS *(Continued)*

Financial risk management objectives and policies *(Continued)*

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

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

30. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's consolidated statement of cash flows as cash flows from financing activities.

	Bank borrowings <i>HK\$'000</i>
At 1 January 2017	26,165
Financing cash flows <i>(note)</i>	(26,729)
Finance costs	564
	<hr/>
At 31 December 2017 and 2018	<hr/> <hr/> –

Note: The cash flows are in relation to repayments of bank borrowings and finance costs.

31. SHARE OPTION SCHEME

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

31. SHARE OPTION SCHEME *(Continued)*

An offer for the grant of options must be accepted within seven days inclusive of the day on which such offer was made. A nominal consideration of HK\$1 is payable by the grantee on acceptance of the grant of an option. The subscription price of a share in respect of any particular option granted under the Share Option Scheme shall be a price solely determined by the board of directors of the Company and notified to a participant and shall be at least the higher of: (i) the closing price of the shares as stated in the Stock Exchange's daily quotations sheet on the date of grant of the option, which must be a business day; (ii) the average of the closing prices of the shares as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the date of grant of the option; and (iii) the nominal value of a share on the date of grant of the option, provided that in the event of fractional prices, the subscription price per share shall be rounded upwards to the nearest whole cent.

The maximum number of the shares that may be allotted and issued upon the exercise of all options (excluding, for this purpose, options which have lapsed in accordance with the terms of the Share Option Scheme and any other share option scheme of the Group) under the Share Option Scheme and any other share option scheme of the Group shall not exceed 10% of all the 44,600,000 shares in issue. The Company may seek approval of the shareholders in a general meeting to refresh the 10% limit provided that the total number of shares which may be allotted and issued upon exercise of all options to be granted under the Share Option Scheme and any other share option scheme of the Group shall not exceed 10% of the number of shares in issue as at the date of approval of the limit.

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

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

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

During the year ended 31 December 2018 and 2017, the Group did not grant any share option under the Share Option Scheme of the Company.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

32. PARTICULARS OF SUBSIDIARIES OF THE COMPANY

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

Name of subsidiary	Place of incorporation/ registration	Place of operation	Class of shares held and issued and fully paid share capital	Proportion of nominal value of issued share capital held by the Company as at 31 December		Principal activities
				2018 %	2017 %	
Classified Group Management Limited	Hong Kong	Hong Kong	Ordinary HK\$10,000	100	100	Inactive (2017: Production and sales of bakery products)
Classified Limited	Hong Kong	Hong Kong	Ordinary HK\$903,000	100	100	Restaurant operations
Ease Summit Investments Limited	BVI	Hong Kong	Ordinary US\$1	100	100	Investment holding
Ever Alliance Ventures Limited ("EAVL")	BVI	Hong Kong	Ordinary US\$1	100	100	Investment holding
Noble Network Investments Limited	BVI	Hong Kong	Ordinary US\$1	100	100	Investment holding
Press Room Group Investments Limited	Hong Kong	Hong Kong	Ordinary HK\$1,200,000	100	100	Investment holding
Press Room Group Management Limited	Hong Kong	Hong Kong	Ordinary HK\$3	100	100	Provision of management services
Small Medium Large Limited	Hong Kong	Hong Kong	Ordinary HK\$300,000	100	100	Inactive (2017: Restaurant operations)
The Pawn Limited	Hong Kong	Hong Kong	Ordinary HK\$120	100	100	Restaurant operations
Classified Food Factory Limited	Hong Kong	Hong Kong	Ordinary HK\$100	100	100	Inactive (2017: Production and sales of bakery products)

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

33. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY

	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Non-current asset		
Unlisted investment in a subsidiary	<u>96,247</u>	<u>111,247</u>
Current assets		
Other receivables, deposits and prepayments	<u>242</u>	<u>245</u>
Current liabilities		
Other payables and accrued charges	<u>628</u>	1,035
Amounts due to subsidiaries	<u>5,575</u>	<u>–</u>
	<u>6,203</u>	<u>1,035</u>
Net current liabilities	<u>(5,961)</u>	<u>(790)</u>
Total assets less current liabilities	<u>90,286</u>	<u>110,457</u>
Net assets	<u>90,286</u>	<u>110,457</u>
Capital and reserves		
Issued share capital	<u>4,460</u>	4,460
Reserves	<u>85,826</u>	<u>105,997</u>
Total equity	<u>90,286</u>	<u>110,457</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

33. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY *(Continued)*

Movement in the Company's reserves

	Share premium <i>HK\$'000</i>	Accumulated losses <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1 January 2017	45,296	(17,010)	28,286
Loss and total comprehensive expense for the year	–	(4,322)	(4,322)
Issue of shares	85,100	–	85,100
Transaction costs directly attributable to issue of shares	(3,067)	–	(3,067)
	<hr/>	<hr/>	<hr/>
At 31 December 2017	127,329	(21,332)	105,997
Loss and total comprehensive expense for the year	–	(20,171)	(20,171)
	<hr/>	<hr/>	<hr/>
At 31 December 2018	<u>127,329</u>	<u>(41,503)</u>	<u>85,826</u>

FINANCIAL SUMMARY

A summary of the published results and of the assets and liabilities of the Group pursuant to Rule 18.33 of the GEM Listing Rules, as extracted from the published audited consolidated financial statements or the Prospectus, after adjusting the effect of discontinued operation which took place during the year ended 31 December 2018, is set out as follows:

	Year ended 31 December				2018* HK\$'000
	2014 HK\$'000 (restated)	2015 HK\$'000 (restated)	2016 HK\$'000 (restated)	2017 HK\$'000 (restated)	
Revenue					
– Continuing operations	140,316	165,381	159,651	130,540	119,660
– Discontinued operation	10,617	10,336	8,213	3,913	1,926
	<u>150,933</u>	<u>175,717</u>	<u>167,864</u>	<u>134,453</u>	<u>121,586</u>
Profit (loss) before taxation					
– Continuing operations	1,480	4,166	(9,402)	(32,280)	(20,934)
– Discontinued operation	1,099	167	(2,464)	(3,931)	(4,468)
	<u>2,579</u>	<u>4,333</u>	<u>(11,866)</u>	<u>(36,211)</u>	<u>(25,402)</u>
Income tax credit (expense)	8	(1,513)	(1,410)	239	(536)
	<u>2,587</u>	<u>2,820</u>	<u>(13,276)</u>	<u>(35,972)</u>	<u>(25,938)</u>
Profit (loss) for the year					
Attributable to:					
Owners of the Company	2,606	2,936	(13,074)	(35,972)	(25,938)
Non-controlling interests	(19)	(116)	(202)	–	–
	<u>2,587</u>	<u>2,820</u>	<u>(13,276)</u>	<u>(35,972)</u>	<u>(25,938)</u>
	As at 31 December				2018* HK\$'000
	2014 HK\$'000	2015 HK\$'000	2016 HK\$'000	2017 HK\$'000	
Assets and liabilities					
Total assets	82,081	94,378	120,130	133,825	108,145
Total liabilities	(40,576)	(50,053)	(49,787)	(16,961)	(17,219)
	<u>41,505</u>	<u>44,325</u>	<u>70,343</u>	<u>116,864</u>	<u>90,926</u>
Equity attributable to:					
Owners of the Company	41,931	44,867	70,343	116,864	90,926
Non-controlling interests	(426)	(542)	–	–	–
	<u>41,505</u>	<u>44,325</u>	<u>70,343</u>	<u>116,864</u>	<u>90,926</u>

* The figures for 2018 have been presented upon the adoption of HKFRS 9 and HKFRS 15.