Classified Group (Holdings) Limited

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 8232

2017

ANNUAL REPORT

CHARACTERISTICS OF THE GEM ("GEM") OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE "STOCK EXCHANGE")

GEM has been positioned as a market designed to accommodate companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board and no assurance is given that there will be a liquid market in the securities traded on GEM.

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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	*Executive Directors* Mr. WONG Arnold Chi Chiu *(Chairman)* Mr. LO Yeung Kit Alan Mr. PONG Kin Yee Mr. MA Chun Fai (appointed on 25 July 2017) *Independent Non-executive Directors* Dr. CHAN Kin Keung Eugene BBS,JP Mr. CHUM Kwan Yue Desmond Mr. NG Chun Fai Frank
Compliance Officer	Mr. WONG Arnold Chi Chiu
Authorised Representatives	Mr. WONG Arnold Chi Chiu Mr. LI Kai Leung
Company Secretary	Mr. LI Kai Leung *(HKICPA)*
Audit Committee	Mr. CHUM Kwan Yue Desmond *(Chairman)* Dr. CHAN Kin Keung Eugene BBS,JP Mr. NG Chun Fai Frank
Remuneration Committee	Dr. CHAN Kin Keung Eugene BBS,JP *(Chairman)* Mr. CHUM Kwan Yue Desmond Mr. NG Chun Fai Frank
Nomination Committee	Mr. NG Chun Fai Frank *(Chairman)* Dr. CHAN Kin Keung Eugene BBS,JP Mr. CHUM Kwan Yue Desmond
Auditors	Deloitte Touche Tohmatsu *Certified Reporting Accountants*
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	Unit B, 23/F 38 Heung Yip Road Wong Chuk Hang Hong Kong
Principal Share Registrar and Transfer Office	Codan 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 and culture, history and design through casual, al fresco and fine dining. Consisting of twelve restaurants profiling two unique concepts at present, 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 2017, together with the comparative figures for the year ended 31 December 2016.

FINANCIAL RESULTS

For the year ended 31 December 2017, the Group's total revenue was approximately HK$134.5 million, being 19.9% less than last year (2016: HK$167.9 million). Loss for the year attributable to owners of the Company was HK$36.0 million (2016: loss HK$13.1 million) and was mainly due to (i) the decrease in revenue from the Group's full service restaurant operation; and (ii) the impairment losses recognised in respect of property, plant and equipment and in rental deposits upon early termination of a lease contract as a result of the closure of "The Fat Pig" restaurant in September 2017.

BUSINESS REVIEW

At present, our Group is operating twelve restaurants under the brands of Classified and The Pawn. There are eleven restaurants under "Classified" and one restaurant under "The Pawn". We had closed "The Fat Pig" restaurant on 7 September 2017 as its financial performance was below our expectations. In addition to the above restaurants, our Group also owns and operates a central kitchen which supplies bread, bakery and semi-finished food products to our restaurants and other corporate customers.

During the year ended 31 December 2017, 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 believe 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; ii) enhance and upgrade our existing restaurant facilities; and iii) enhance our premium food and fine wine programme.

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, 27 March 2018

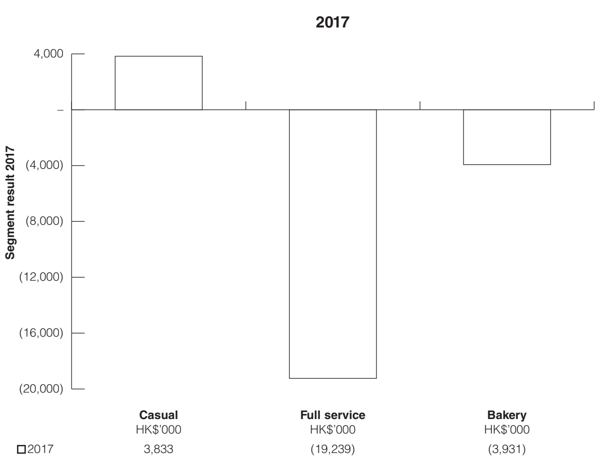
FINANCIAL HIGHLIGHTS

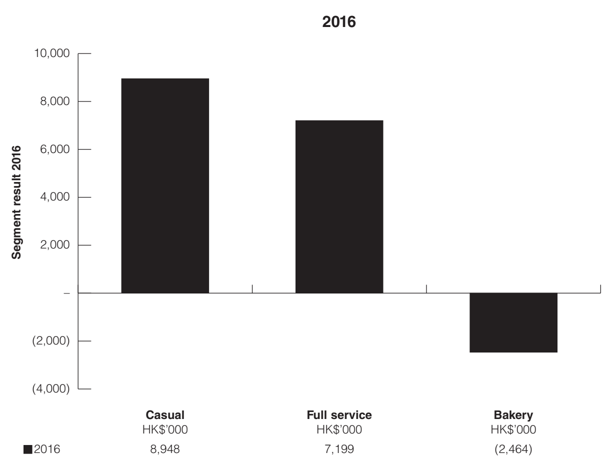
CONSOLIDATED RESULTS

	2017	2016
	HK$'000	*HK$'000*
Revenue	**134,453**	167,864
Loss before taxation	**(36,211)**	(11,866)
Loss and total comprehensive expense for the year attributable to owners of the company	**(35,972)**	(13,074)

ASSETS AND LIABILITIES

	2017	2016
	HK$'000	*HK$'000*
Assets		
Non-current assets	**29,841**	45,424
Current assets	**103,984**	74,706
Total assets	**133,825**	120,130
Liabilities		
Non-current liabilities	**1,441**	1,758
Current liabilities	**15,520**	48,029
Total liabilities	**16,961**	49,787
Total equity	**116,864**	70,343
Total equity and liabilities	**133,825**	120,130
Net current assets	**88,464**	26,677
Total assets less current liabilities	**118,305**	72,101





MANAGEMENT DISCUSSION AND ANALYSIS

INDUSTRY OVERVIEW

The business environment of the food and beverage industry is always challenging, dynamic, and competitive. Pressure from rising food costs, rental expenses, utilities expenses and labour costs are enduring, which further squeeze profit margin. People are more budget conscious and sensitive to the amounts they spend on food and the revenues of our restaurants, especially for our full service 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 over 65.7% of our total revenue. During the year ended 31 December 2017, Classified recorded revenues of approximately HK$88.3 million (2016: HK$87.9 million), representing an increase of 0.48% 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. 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 2017, The Pawn recorded revenues of approximately HK$34.7 million, representing a decrease of 27.4% as compared to the previous year (2016: HK$47.8 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, being "Classified" and "The Pawn". As such, The Fat Pig was closed on 7 September 2017. During the year ended 31 December 2017, The Fat Pig recorded revenues of approximately HK$7.6 million, a decrease of approximately 68.2% as compared to the previous year (2016: HK$23.9 million). Moreover, according to landlord information, tenants sales in Times Square dropped by 11.0% and 4.3% in 2016 and 2017 respectively.

In addition to the above restaurants, the Group also owns and operates a central kitchen which supplies bread, bakery and semi-finished food products to our restaurants and other corporate customers. Our central kitchen commenced operation in October 2016. Management believes our central kitchen can improve our operation efficiency in future. We had a food factory, which had ceased operation in October 2016 and its operation had been partially taken over by our central kitchen. During the year ended 31 December 2017, our central kitchen recorded revenues of approximately HK$8.0 million (2016: HK$10.4 million), representing a decrease of approximately 23.5%, as compared to previous year.

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.

For further details on the risks and uncertainties faced by our Group, please refer to the section headed "Risk Factors" of the prospectus of the Company dated 30 June 2016 (the "Prospectus").

In order to improve the overall business of the Group, we currently plan to:

(1) open four new restaurants and relocate one restaurant, with at least two in Kowloon in order to establish our business presence in Kowloon. We have identified potential locations for some new restaurants and received various tenancy offers from relevant landlords. We are still negotiating terms with the relevant landlords and have not yet signed any lease agreement for such new restaurants;

(2) enhance and upgrade our existing restaurant facilities; and

(3) enhance our premium food and fine wine programme in order to entice higher spending customers to visit our restaurants.

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

The Group recorded a revenue of approximately HK$134.5 million in 2017, representing a decrease of approximately 19.9% as compared to the previous year (2016: HK$167.9 million). The loss attributable to owners of the Company was approximately HK$36.0 million for the year ended 31 December 2017 (2016: loss HK$13.1 million) and was mainly due to (i) the decrease in revenue from the Group's full service restaurant operation; and (ii) the impairment losses recognised in respect of property, plant and equipment and in rental deposits upon early termination of a lease contract as a result of the closure of "The Fat Pig" restaurant in September 2017.

Total operating expenses, being staff costs, depreciation, property rental and related expenses, utility expenses, advertising and promotion expenses, other expenses and finance costs decreased by approximately 8.9% to approximately HK$131.3 million as compared to the previous year (2016: HK$144.1 million) which was mainly due to (i) the non-recurring listing fee incurred in relation to our listing; and (ii) decrease in property rental expenses related to the closure of "The Fat Pig" restaurant.

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 2017, the Group did not have any material capital commitments.

CONTINGENT LIABILITIES

As at 31 December 2017, the Group did not have any material contingent liabilities.

PLEDGE OF ASSETS

As at 31 December 2017, the Group did not have any mortgage or charge over its assets.

DIRECTORS AND SENIOR MANAGEMENT

EXECUTIVE DIRECTORS

Mr. WONG Arnold Chi Chiu, aged 44, is our Chairman and an Executive Director and the compliance officer of our Company. Mr. Wong is also one of the founders of our Group. Mr. Wong is a member and the chairman of the internal control committee. 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 38, is an Executive Director and is primarily responsible for overseeing the overall marketing of our Group. Mr. Lo is also 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 actively participates in various advisory boards of the Hong Kong SAR Government, such as member of Hong Kong Tourism Strategy Group. Greater Pearl River Delta Business Council, the non-official member of the Business Facilitation Advisory Committee. Catering Industry Training Advisory Committee under Qualifications Framework of Education Bureau. Arts and Culture Advisory Committee of the Hong Kong International Airport and member of the Liquor Licensing Board under the Food and Health Bureau.

Mr. PONG Kin Yee, aged 41, is an Executive Director and is primarily responsible for our Group's business development. Mr. Pong is also 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 former Board Member and current Vice Patron of The Community Chest; a Development Committee Member of Hong Kong Arts Festival Society. In 2017, he is also appointed as Council Member of Hong Kong Arts Development Council and Member of the Council and the Court of Hong Kong Baptist University.

Mr. MA Chun Fai, aged 47, 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 7 July 2014 to 17 Nov 2017. (stock code: 0356).

DIRECTORS AND SENIOR MANAGEMENT

INDEPENDENT NON-EXECUTIVE DIRECTORS

Dr. CHAN Kin Keung Eugene BBS,JP, aged 54, 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 is 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, a member of Citizens Advisory Committee on Community Relations of Independent Commission Against Corruption, a member of Independent Police Complaints Council and a member of the Appeal Board on Public Meetings and Procession. Dr. Chan was appointed as a member of the Quality Education Fund Steering Committee in January 2015. 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.

Mr. CHUM Kwan Yue Desmond, aged 45, was appointed as an Independent Non-executive Director on 14 June 2016. Mr. Chum obtained a Bachelor's degree from Keble College, Oxford University, the United Kingdom in June 1996 with a BA in Oriental Studies (Japanese). Mr. Chum has approximately 18 years of experience in investment and hedge fund activities. From September 2008 to June 2017, Mr. Chum was a portfolio manager at Claren Road Asia Limited, a company that provides financial services, and is responsible for building and managing a portfolio of regional corporate and sovereign bonds. He has extensive experience in trading and investments in the Asia Pacific Region.

Mr. NG Chun Fai Frank, aged 46, 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. 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 handling all legal and compliance matters. He is also a member of the Hong Kong Institute of Directors since April 2014.

DIRECTORS AND SENIOR MANAGEMENT

SENIOR MANAGEMENT

Mr. DECESSE Alain Claude, aged 47, 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 14 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 Cafe 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 44, joined our Group in September 2012 as finance manager and was promoted as assistant financial controller in January 2014 and was 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 on 26 February 2016 and is responsible for corporate compliance under the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) (the "Hong Kong Companies Ordinance"). 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 17 years of experience in accounting.

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 2017, 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.

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 (appointed on 25 July 2017)

Independent non-executive Directors

Dr. CHAN Kin Keung Eugene BBS,JP

Mr. CHUM Kwan Yue Desmond

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 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 has accounting professional qualification. 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.

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, Mr. Wong Arnold Chi Chiu, the chairman of the Company, is responsible for overseeing the overall financial matters of the Group. The day-to-day operations of the Group are delegated to the other executive Directors and the Management responsible for different aspects of the business.

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 in accordance with Rule 5.09 of the GEM Listing Rules and therefore considers each of them to be independent.

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

DIRECTORS' SECURITIES TRANSACTIONS

The Company adopted a code of conduct regarding directors' securities transactions on terms no less exacting than the required standard of dealings set out in Rules 5.48 to 5.67 of the GEM Listing Rules. Having made specific enquiries of all Directors, the Company confirms that all of the Directors complied with such required standard of dealings and its code of conduct regarding directors' securities transactions during the year ended 31 December 2017 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 2017. 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 2017.

The following corporate governance measures have been adopted to monitor the compliance of the Deed of Non-competition for the year ended 31 December 2017:

(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 2017; 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 2017.

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.

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 2017 is as follows:

Name of Directors	**Continuous professional development programmes**
Executive Directors	
Mr. WONG Arnold Chi Chiu *(Chairman)*	Yes
Mr. LO Yeung Kit Alan	Yes
Mr. PONG Kin Yee	Yes
Mr. MA Chun Fai (appointed on 25 July 2017)	Yes
Independent non-executive Directors	
Dr. CHAN Kin Keung Eugene BBS,JP	Yes
Mr. CHUM Kwan Yue Desmond	Yes
Mr. NG Chun Fai Frank	Yes

The nature of continuous professional development programmes are reading seminar materials and updates relating to the latest development of the GEM Listing Rules and other applicable regulatory requirements.

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 or the secretary to the board committees 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 2017, 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	**Board Meeting Attended/Held**
Executive Directors	
Mr. WONG Arnold Chi Chiu *(Chairman)*	4/5
Mr. LO Yeung Kit Alan	5/5
Mr. PONG Kin Yee	5/5
Mr. MA Chun Fai (appointed on 25 July 2017)	3/3
Independent non-executive Directors	
Dr. CHAN Kin Keung Eugene BBS,JP	5/5
Mr. CHUM Kwan Yue Desmond	5/5
Mr. NG Chun Fai Frank	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.

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
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 2017, 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 *(Chairman)*	2/2
Mr. CHUM Kwan Yue Desmond	2/2
Mr. NG Chun Fai Frank	2/2

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

NOMINATION COMMITTEE

The Nomination Committee was set up on 14 June 2016. 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
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 2017, the Nomination Committee convened one committee meeting. It assessed the independence of INEDs, considered the appointment of Mr. Ma Chun Fai and the re-appointment of the retired Directors and discussed matters relating to procedure of nomination of director candidates by shareholders, Directors' evaluation and succession plans etc. 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	1/1
Mr. CHUM Kwan Yue Desmond	1/1
Mr. NG Chun Fai Frank *(Chairman)*	1/1

AUDIT COMMITTEE

The Audit Committee was set up on 14 June 2016 with written terms of reference in compliance with Rules 5.28 and 5.29 of the GEM Listing Rules. 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 *(Chairman)*
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 2017, 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 2016, first quarterly results for the three months ended 31 March 2017, interim results for the six months ended 30 June 2017, and third quarterly results for the nine months ended 30 September 2017 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 *(Chairman)*	4/4
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 2017, which is subject to the approval of shareholders at the forthcoming AGM.

The Company's annual results for the year ended 31 December 2017 have been reviewed by the Audit Committee, which opined that applicable accounting standards and requirements have been complied with and that adequate disclosures have been made.

INTERNAL CONTROL AND RISK MANAGEMENT

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

The Board has conducted a review of the implemented system and procedures, covering financial, operational and legal compliance controls and risk management system. The Board keeps monitoring the risk management system on an ongoing basis, ensuring that a review of the effectiveness of the Group's risk management system is conducted regularly. The 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 annually.

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 2017, 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.

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 2017 was approximately as follows:

Type of Services	Amount (HK$'000)
Audit	1,100
Non-audit services	411
Total	1,511

COMPANY SECRETARY

Mr. Li Kai Leung, our company secretary, 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. During the year ended 31 December 2017, Mr. Li has undertaken more than 15 hours of relevant professional training in compliance with Rule 5.15 of the GEM Listing Rules.

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 2017.

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 2017.

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 and a food and bakery factory.

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 2017 and the financial position of the Group as at that date are set out in the consolidated financial statements on pages 50 to 105.

The Directors did not recommend the payment of any dividend in respect of the year ended 31 December 2017.

FINANCIAL SUMMARY

A summary of the published results and of the assets and liabilities of the Group is set out on page 8 of the Annual Report.

Financial Resources and Liquidity

As at 31 December 2017, current assets amounted to HK$104.0 million (as at 31 December 2016: HK$74.7 million), of which HK$78.5 million (as at 31 December 2016: HK$54.1 million) was bank balances and cash, HK$5.1 million (as at 31 December 2016: HK$12.9 million) was trade and other receivables, deposits and prepayments. The Group's current liabilities amounted to HK$15.5 million (as at 31 December 2016: HK$48.0 million) which primarily consisted of trade and other payables and accrued charges in the amount of HK$15.2 million (as at 31 December 2016: HK$21.3 million). Current ratio (calculated based on the total current assets divided by total liabilities) and quick assets ratio (calculated based on the total current assets less inventories divided by total liabilities) were 6.7 and 5.5 respectively (as at 31 December 2016: 1.6 and 1.5 respectively). Gearing ratio is calculated based on the total debt at the end of the year divided by total equity at the end of the year. Gearing ratio was 0% (as at 31 December 2016: 37.2%).

The Company has issued and allotted 46,000,000 new shares at a price of HK$1.86 per share by means of placing on 1 November 2017, which generated net proceeds of approximately HK$82.4 million. It was mainly used for (i) repayment of bank borrowings; (ii) development of existing business; (iii) working capital for existing business; and (iv) enhancement of premium food and wine programme.

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 2017.

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 2017 is set out below:

Business Strategies	**Actual progress**
Expanding Classified brand to different locations	We had opened a new Classified restaurant in Sai Wan in December 2016
Establishing a new central kitchen for Classified restaurants	We had acquired a new central kitchen in Wong Chuk Hang in October 2016
Enhancing and upgrading existing restaurant facilities	We had renovated our Classified restaurants in Exchange Square, Tai Hang and Happy Valley in 2016 & 2017
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 some well-known business partners, such as credit card issuers and frequent flyer programmes

USE OF PROCEEDS FROM THE IPO PLACING

On 11 July 2016, the Company's shares were listed on the 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"). As at 31 December 2017, approximately HK$3.8 million, HK$4.0 million, HK$4.2 million and HK$2.0 million had been utilised to open a new restaurant in Sai Wan, to establish a central kitchen, to enhance and upgrade our Classified restaurants in Exchange Square, Happy Valley and Tai Hang, and for general working capital, respectively.

An analysis of the utilisation of the IPO Proceeds as at 31 December 2017 is set out below:

	Planned use of IPO Proceeds up to 31 December 2017	**Utilised IPO Proceeds as at 31 December 2017**	**Unutilised IPO Proceeds as at 31 December 2017**
	HK$'000 *(Note 1)*	*HK$'000*	*HK$'000*
Opening two new restaurants under "Classified" brand			
– First restaurant	4,993	(3,771)	1,222
– Second restaurant (Note 2)	4,993	–	4,993
Establishing a new central kitchen for Classified restaurants	4,438	(4,000)	438
Enhancement and upgrading existing restaurant facilities (namely, CEX, CTH and CHV)	8,655	(4,209)	4,446
General working capital	1,996	(1,996)	–
Total	25,075	(13,976)	11,099

Note 1: The breakdown of the planned use of IPO Proceeds up to 31 December 2017 is based on the total net proceeds of HK$25.1 million and the same proportions allocated to each use as disclosed in the Prospectus.

Note 2: We have already identified a potential site for this second "Classified" restaurant. The Company is now negotiating terms of the tenancy agreement with the relevant landlord.

Reference is also made to the announcement of the Company dated 1 November 2017, which provided supplemental information in relation to the use of the IPO Proceeds including an explanation on and intended use of the utilised IPO Proceeds. As set out in such announcement, the Company reallocated some of such unutilised IPO Proceeds for uses that were not originally a planned use as set out in the Prospectus, namely approximately HK$3.4 million to enhance and upgrade the Company's restaurant facilities (other than CEX, CTH, CHV and CMB) during the six months ending 30 June 2018, and approximately HK$2.7 million for the Group's general working capital. As at 31 December 2017, the Company had already utilised approximately HK$2.7 million for the Group's general working capital, while the abovementioned enhancement and upgrading works had not yet commenced. We currently expect such works for CRB and CCR to be completed by the end of the first and second quarter of 2018, respectively. Save as the aforementioned and note 2 in the above table, there has been no material change to the intended use of such unutilised IPO Proceeds as set out in such announcement.

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"). Such November Placing Proceeds were mainly used for (i) repayment of bank borrowings; (ii) development of existing business; (iii) working capital for existing business; and (iv) enhancement of premium food and wine program.

An analysis of the November Placing Proceeds up to this Annual Report is set out below:

	Planned use of November Placing Proceeds as at this Annual Report	**Utilised November Placing Proceeds as at this Annual Report**	**Unutilised November Placing Proceeds as at this Annual Report**
	HK$'000	*HK$'000*	*HK$'000*
Repayment of bank borrowings	17,500	(17,500)	–
Develop, relocate, open and upgrade of restaurants *(Note 1)*	24,500	–	24,500
Working capital for existing business of the Group	24,000	(24,000)	–
Enhancement of premium food and fine wine programme *(Note 2)*	16,400	(14,843)	1,557
	82,400	(56,343)	26,057

Note 1: The Company intends to relocate one of its restaurants because the landlord has informed the Company that it will early terminate the tenancy agreement. We currently expect such termination to take place around the end of April 2018. While the same landlord has offered to lease another premise in the same district to relocate such restaurant, we have decided not to accept such offer having considered its terms. We are currently exploring other potential locations for the relocation of this restaurant.

In addition, we intend to apply part of the November Placing Proceeds to open three new restaurants. We are still in continuing negotiations with various landlords for potential locations.

Note 2: We have completed the intended enhancement of our Group's premium food and fine wine programme. The remaining HK$1.6 million will be used for our general working capital.

Reference is also made to the announcements of the Company dated 16 October 2017 and 1 November 2017 for further details on the November Placing.

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in property, plant and equipment of the Group during the year are set out in note 14 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 23 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 53 and note 33 to the consolidated financial statements respectively.

DISTRIBUTABLE RESERVES

As at 31 December 2017, the Company had distributable reserves of approximately HK$106.0 million.

DIRECTORS' INTERESTS IN CONTRACTS

Except for the transactions disclosed in note 25 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 which is engaged in the business of restaurant operations in Hong Kong. As at 31 December 2017, the Jia Group 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 2017. 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 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 2017 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 2017.

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.

(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.

(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.

(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 2017 are set out in note 25 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.

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 2017 was approximately HK$1,973,000.

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.

Pursuant to Rule 20.54 of the GEM Listing Rules, the auditors of the Company have performed certain pre-determined procedures and reported their findings regarding the continuing connected transactions entered into by the Group set out above for the year ended 31 December 2017 and state that:

(a) the transactions have received the approval of the Board;

(b) the transactions have been entered into in accordance with the relevant terms of agreements governing the transactions;

(c) the aggregate amounts of the transactions have not exceeded the relevant annual cap as disclosed in the Prospectus of the Company;

(d) the transactions have been entered into in accordance with the pricing policies of the Group with reference to similar transactions with independent third parties.

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.

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 (appointed on 25 July 2017)

Independent Non-Executive Directors

Dr. CHAN Kin Keung Eugene BBS,JP
Mr. CHUM Kwan Yue Desmond
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. Chum Kwan Yue Desmond 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 commencing from the Listing Date 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 2017.

As of 31 December 2017, 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 2017, 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

Save as disclosed in the announcements of the Company dated 16 October 2017 and 1 November 2017, 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 2017.

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 *(note 1)*	41,340,000	9.27%
Mr. Lo Yeung Kit Alan	interest in controlled corporation *(note 2)*	68,000,000	15.25%
Mr. Pong Kin Yee	interest in controlled corporation *(note 3)*	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.

Save as disclosed above, as at 31 December 2017, 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 2017, 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 *(note 1)*	41,340,000	9.27%
Easy Fame Limited	Beneficial owner	68,000,000	15.25%
Ms. Wong Pui Yain	Interest of spouse *(note 2)*	68,000,000	15.25%
Peyton Global Limited	Beneficial owner	68,000,000	15.25%
Ms. Cheng Chi Man	Interest of spouse *(note 3)*	68,000,000	15.25%
Millennium Pacific Information Technology Limited	Beneficial owner	53,320,000	13.30%
Huge China Holdings Limited	Beneficial owner	28,025,000	7.00%

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 Yain, 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.

Save as disclosed above, as at 31 December 2017, 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 significantly dominated in Group's revenue. For the year ended 31 December 2017, purchases from our five largest suppliers accounted for approximately 36.1% of our total purchases of raw materials and consumables consumed. During the same year, purchases from our largest supplier accounted for approximately 10.7% of our total purchases of materials & consumables. 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 18 and 25 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.

BORROWING

During the year ended 31 December 2017, the Group early repaid entire bank borrowings to the bank without any additional costs incurred.

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 2017 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 2017, the Group had 226 employees in Hong Kong (2016: 251 employees in Hong Kong). Remuneration is determined with reference to market terms and in accordance with the performance, qualification and experience of each individual employee. Discretionary bonuses, based on each individual's performance, are paid to employees as recognition and in reward for their contributions. Other fringe benefits such as medical insurance, retirement benefits and other allowances are offered to all our employees.

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.

CLOSURE OF REGISTER OF MEMBERS

In order to establish entitlements to attend and vote at the forthcoming AGM, the register of members of the Company will be closed from 14 June 2018 to 20 June 2018, both days inclusive, during which period no transfer of the shares will be registered. 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 not later than 4:00 p.m. on 13 June 2018.

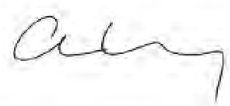
EVENTS AFTER THE REPORTING PERIOD

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 2017 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, 27 March 2018

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 50 to 105, which comprise the consolidated statement of financial position as at 31 December 2017, 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 2017, 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 ("HKSAs") 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.

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 2017, revenue from catering services of the Group's restaurant operations amounted to HK$134,453,000 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 managements' explanation for the unusual patterns identified, if any.

Key audit matter	How our audit addressed the key audit matter
Impairment assessment of property, plant and equipment The Group has property, plant and equipment in its restaurant included in full service segment which is subject to impairment assessment as the Group's full service segment incurred a segment loss of HK$19,239,000. Management of the Group considers an impairment indicator exists when the restaurant allocated to full service segment has negative earnings before interest, tax, depreciation and amortisation ("EBITDA") for the year ended 31 December 2017. The carrying amount of property, plant and equipment of that restaurant is HK$9,331,000 as at 31 December 2017. Accordingly, management of the Group prepared discounted cash flow projections on the restaurant which had negative EBITDA for the year ended 31 December 2017 to assess its value-in-use up to the end of the existing lease term ("Forecast Period"). A review of the recoverable amount of the property, plant and equipment of the restaurant was therefore carried out on the basis of a valuation carried out by an independent professional valuer (the "Valuer"). Management of the Group concluded that no impairment loss is required 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 16.5%, financial budget prepared by management of the Group (including the estimated gross profit and operating expenses) for the Forecast Period and annual revenue growth rate of 3.0%, as disclosed in note 14 to the consolidated financial statements.	In testing 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 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 rate and discount rate, adopted in the valuation model and assessing the appropriateness of these methodologies and inputs; • Discussing with 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 restaurant subject to the impairment assessment and external economic data to challenge the reasonableness of these assumptions adopted by 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 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.

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.

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 HKSAs 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 HKSAs, 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.

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 Chau Chi Ka.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong

27 March 2018

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2017

	NOTES	2017	2016
		HK$'000	HK$'000
Revenue	5	134,453	167,864
Other income	7	1,348	802
Other gains and losses	8	(8,104)	(219)
Raw materials and consumables used		(32,606)	(36,196)
Staff costs		(65,199)	(64,274)
Depreciation		(9,011)	(8,630)
Property rental and related expenses		(28,982)	(31,681)
Utility expenses		(4,084)	(4,500)
Advertising and promotion expenses		(3,155)	(4,149)
Other expenses		(20,307)	(30,203)
Finance costs	9	(564)	(680)
Loss before taxation	10	(36,211)	(11,866)
Income tax credit (expense)	11	239	(1,410)
Loss and total comprehensive expense for the year		(35,972)	(13,276)
Loss and total comprehensive expense for the year attributable to:			
– Owners of the Company		(35,972)	(13,074)
– Non-controlling interests		–	(202)
		(35,972)	(13,276)
Loss per share	13		
Basic (HK cents)		(8.82)	(3.65)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2017

	NOTES	2017 HK$'000	2016 HK$'000
Non-current assets			
Property, plant and equipment	14	**20,281**	34,385
Deposits	17	**7,702**	9,557
Deposit paid for acquisition of property, plant and equipment		**98**	–
Deferred tax assets	15	**1,760**	1,482
		29,841	45,424
Current assets			
Inventories	16	**18,236**	3,481
Trade and other receivables, deposits and prepayments	17	**5,115**	12,857
Amounts due from related companies	18	**288**	363
Amounts due from directors	18	**787**	2,770
Tax recoverable		**1,044**	1,166
Bank balances and cash	19	**78,514**	54,069
		103,984	74,706
Current liabilities			
Trade and other payables and accrued charges	20	**15,152**	21,310
Amount due to a related company	18	**368**	458
Tax payable		**–**	96
Bank borrowings	22	**–**	26,165
		15,520	48,029
Net current assets		**88,464**	26,677
Total assets less current liabilities		**118,305**	72,101
Non-current liabilities			
Provision	21	**1,441**	1,758
Net assets		**116,864**	70,343

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2017

	NOTE	**2017**	2016
		HK$'000	*HK$'000*
Capital and reserves			
Issued share capital	*23*	**4,460**	4,000
Reserves		**112,404**	66,343
Total equity		**116,864**	70,343

The consolidated financial statements on pages 50 to 105 were approved by the Board of Directors on 27 March 2018 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 2017

	Attributable to owners of the Company						
	Issued share capital *HK$'000*	Share premium *HK$'000*	Other reserve *HK$'000* *(note)*	Accumulated profits (losses) *HK$'000*	Total *HK$'000*	Non-controlling interests *HK$'000*	Total *HK$'000*
At 1 January 2016	**–**	**10,000**	**1,512**	**33,355**	**44,867**	**(542)**	**44,325**
Loss and total comprehensive expense for the year	**–**	**–**	**–**	**(13,074)**	**(13,074)**	**(202)**	**(13,276)**
Issue of shares *(note 23)*	**800**	**43,200**	**–**	**–**	**44,000**	**–**	**44,000**
Capitalisation issue *(note 23)*	**3,200**	**(3,200)**	**–**	**–**	**–**	**–**	**–**
Transaction costs directly attributable to issue of shares	**–**	**(4,704)**	**–**	**–**	**(4,704)**	**–**	**(4,704)**
Acquisition of additional interest in a subsidiary *(note 27)*	**–**	**–**	**(746)**	**–**	**(746)**	**744**	**(2)**
At 31 December 2016	**4,000**	**45,296**	**766**	**20,281**	**70,343**	**–**	**70,343**
Loss and total comprehensive expense for the year	**–**	**–**	**–**	**(35,972)**	**(35,972)**	**–**	**(35,972)**
Issue of shares *(note 23)*	**460**	**85,100**	**–**	**–**	**85,560**	**–**	**85,560**
Transaction costs directly attributable to issue of shares	**–**	**(3,067)**	**–**	**–**	**(3,067)**	**–**	**(3,067)**
At 31 December 2017	**4,460**	**127,329**	**766**	**(15,691)**	**116,864**	**–**	**116,864**

Note: Other reserve represents the difference between the share capital of group entities and that 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 during the year ended 31 December 2016.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2017

	2017 *HK$'000*	2016 *HK$'000*
OPERATING ACTIVITIES		
Loss before taxation	**(36,211)**	(11,866)
Adjustments for:		
Depreciation on property, plant and equipment	**9,011**	8,630
Loss on disposal/written-off of property, plant and equipment	**–**	204
Impairment loss recognised in respect of property, plant and equipment	**6,381**	–
Impairment loss recognised in respect of rental deposits	**1,868**	–
Write-down of inventories	**70**	–
Bad debt recovered	**(136)**	–
Interest income	**(104)**	(3)
Finance costs	**564**	680
Operating cash flows before movements in working capital	**(18,557)**	(2,355)
(Increase) decrease in inventories	**(14,825)**	169
Decrease in trade and other receivables, deposits and prepayments	**2,576**	2,578
Decrease (increase) in amounts due from related companies	**75**	(67)
(Decrease) increase in trade and other payables and accrued charges	**(6,475)**	516
Decrease in amount due to a related company	**(90)**	(327)
Cash (used in) generated from operations	**(37,296)**	514
Income tax paid	**(13)**	(388)
NET CASH (USED IN) FROM OPERATING ACTIVITIES	**(37,309)**	126
INVESTING ACTIVITIES		
Repayments (advances) of other receivables	**5,289**	(5,289)
Repayments from directors	**3,035**	43,160
Proceeds from disposal of property, plant and equipment	**148**	3
Interest received	**104**	3
Purchases of property, plant and equipment	**(1,436)**	(11,292)
Advances to directors	**(1,052)**	(28,107)
Deposit paid for acquisition of property, plant and equipment	**(98)**	–
Repayments from related companies	**–**	102
NET CASH FROM (USED IN) INVESTING ACTIVITIES	**5,990**	(1,420)

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2017

	2017 *HK$'000*	2016 *HK$'000*
FINANCING ACTIVITIES		
Proceeds from issue of shares	**85,560**	44,000
Repayment of bank borrowings	**(26,165)**	(21,533)
Transaction costs attributable to issue of shares	**(3,067)**	(4,704)
Interest paid	**(564)**	(680)
New bank borrowings raised	**–**	21,439
Advances from related companies	**–**	660
Repayments to related companies	**–**	(685)
Repayment to a non-controlling shareholder of a subsidiary	**–**	(52)
Repayment of obligation under a finance lease	**–**	(142)
Acquisition of additional interest in a subsidiary	**–**	(2)
NET CASH FROM FINANCING ACTIVITIES	**55,764**	38,301
NET INCREASE IN CASH AND CASH EQUIVALENTS	**24,445**	37,007
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	**54,069**	17,062
CASH AND CASH EQUIVALENTS AT END OF THE YEAR REPRESENTED BY BANK BALANCES AND CASH	**78,514**	54,069

1. GENERAL

The Company was incorporated as an exempted company and registered in the Cayman Islands with limited liability under the Cayman Companies Law on 24 October 2014. The shares of the Company have been listed on the GEM of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") by way of placing on 11 July 2016 (the "Listing").

Its immediate holding companies are Wiltshire Global Limited, which is owned by Mr. Wong Chi Chiu, Arnold ("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"). 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 and exercise their control collectively over the Group.

The Company is an investment holding company and its subsidiaries are principally engaged in restaurant operations and production and sales of bakery products 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")

Amendments to HKFRSs that are mandatorily effective for the current year

The Group has applied the following amendments to HKFRSs issued by the HKICPA for the first time in the current year:

Amendments to HKAS 7	Disclosure initiative
Amendments to HKAS 12	Recognition of deferred tax assets for unrealised losses[6]
Amendments to HKFRS 12	As part of annual improvements to HKFRSs 2014 – 2016 cycle

Except as described below, the application of the 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.

Amendments to Hong Kong Accounting Standard ("HKAS") 7 "Disclosure initiative"

The Group has applied these amendments for the first time in the current year. The amendments require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both cash and non-cash changes. In addition, the amendments also require disclosures on changes in financial assets if cash flows from those financial assets were, or future cash flows will be, included in cash flows from financing activities.

Specifically, the amendments require the following to be disclosed: (i) changes from financing cash flows; (ii) changes arising from obtaining or losing control of subsidiaries or other businesses; (iii) the effect of changes in foreign exchange rates; (iv) changes in fair values; and (v) other changes.

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

Amendments to HKFRSs that are mandatorily effective for the current year *(Continued)*

Amendments to Hong Kong Accounting Standard ("HKAS") 7 "Disclosure initiative" *(Continued)*

A reconciliation between the opening and closing balances of these items is provided in note 30. Consistent with the transition provisions of the amendments, the Group has not disclosed comparative information for the prior year. Apart from the additional disclosure in note 30, the application of these amendments has had no impact on the Group's consolidated financial statements.

New and revised HKFRSs issued but not yet effective

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

HKFRS 9	Financial instruments[1]
HKFRS 15	Revenue from contracts with customers and the related amendments[1]
HKFRS 16	Leases[2]
HKFRS 17	Insurance contracts[4]
HK(IFRIC)-Int 22	Foreign currency transactions and advance consideration[1]
HK(IFRIC)-Int 23	Uncertainty over income tax treatments[2]
Amendments to HKFRS 2	Classification and measurement of share-based payment transactions[1]
Amendments to HKFRS 4	Applying HKFRS 9 "Financial instruments" with HKFRS 4 "Insurance contracts"[1]
Amendments to HKFRS 9	Prepayment features with negative compensation[2]
Amendments to HKFRS 10 and HKAS 28	Sale or contribution of assets between an investor and its associate or joint venture[3]
Amendments to HKAS 28	Long-term interests in associates and joint ventures[2]
Amendments to HKAS 28	As part of the annual improvements to HKFRSs 2014-2016 cycle[1]
Amendments to HKAS 40	Transfers of investment property[1]
Amendments to HKFRSs	Annual improvements to HKFRSs 2015-2017 cycle[2]

1 Effective for annual periods beginning on or after 1 January 2018.
2 Effective for annual periods beginning on or after 1 January 2019.
3 Effective for annual periods beginning on or after a date to be determined.
4 Effective for annual periods beginning on or after 1 January 2021.

HKFRS 9 "Financial instruments"

HKFRS 9 introduces new requirements for the classification and measurement of financial assets, financial liabilities, general hedge accounting and impairment requirements for financial assets.

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

New and revised HKFRSs issued but not yet effective *(Continued)*

HKFRS 9 "Financial instruments" *(Continued)*

Key requirements of HKFRS 9 which are relevant to the Group are described below:

- All recognised financial assets that are within the scope of HKFRS 9 are subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are measured at fair value through other comprehensive income.
- In relation to the impairment of financial assets, HKFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under HKAS 39 "Financial instruments: Recognition and measurement". The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

Based on the Group's financial instruments and risk management policies as at 31 December 2017, the directors of the Company anticipate the following potential impact on initial application of HKFRS 9:

Classification and measurement:

Loans and receivables carried at amortised cost: these are held within a business model whose objective is to collect the contractual cash flows that are solely payments of principal and interest on the principal outstanding. Accordingly, these financial assets will continue to be subsequently measured at amortised cost upon the application of HKFRS 9.

Impairment:

In general, the directors of the Company anticipate that the application of the expected credit loss model of HKFRS 9 will result in earlier provision of credit losses which are not yet incurred in relation to the Group's financial assets measured at amortised costs and other items that subject to the impairment provisions upon application of HKFRS 9 by the Group.

Based on the assessment by the directors of the Company, if the expected credit loss model were to be applied by the Group, it is not likely to have material impact on the results and financial position of the Group.

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

New and revised HKFRSs issued but not yet effective *(Continued)*

HKFRS 15 "Revenue from contracts with customers"

HKFRS 15 was issued which establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. HKFRS 15 will supersede the current revenue recognition guidance including HKAS 18 "Revenue", HKAS 11 "Construction contracts" and the related interpretations when it becomes effective.

The core principle of HKFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the standard introduces a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

Under HKFRS 15, an entity 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. Far more prescriptive guidance has been added in HKFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by HKFRS 15.

In 2016, the HKICPA issued clarifications to HKFRS 15 in relation to the identification of performance obligations, principal versus agent considerations, as well as licensing application guidance.

The directors of the Company anticipate that the application of HKFRS 15 may result in more disclosures, however, the directors of the Company do not anticipate that the application of HKFRS 15 will have a material impact on the timing and amounts of revenue recognised in the respective reporting periods based on the existing business model of the Group as at 31 December 2017.

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

New and revised HKFRSs issued but not yet effective *(Continued)*

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 leases 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.

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 the 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.

Furthermore, extensive disclosures are required by HKFRS 16.

As at 31 December 2017, the Group has non-cancellable operating lease commitments of HK$27,830,000 as disclosed in note 24. A preliminary assessment indicates that these arrangements will meet the definition of a lease under HKFRS 16, and hence the Group will recognise a significant right-of-use asset and a corresponding significant liability in respect of all these leases unless they qualify for low value or short-term leases upon the application of HKFRS 16. In addition, the application of new requirements may result changes in measurement, presentation and disclosure as indicated above. However, the directors of the Company do not expect the adoption of HKFRS 16, as compared to the current accounting policy of the Group, would result in significant impact on the results and the net assets of the Group.

In addition, the Group currently considers refundable rental deposits paid of HK$7,253,000 as rights and obligations under leases to which HKAS 17 applies. 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 and such adjustments are considered as additional lease payments. Adjustments to refundable rental deposits paid would be included in the carrying amount of right-of-use assets.

Except for the above, the directors of the Company anticipate that the application of the other new and revised HKFRSs will have no material impact on the consolidated financial statements in the future.

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 the 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.

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.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Where 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.

Changes in the Group's ownership interests in existing subsidiaries

Changes in the Group's ownership interests in existing subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's relevant components of equity and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries, including re-attribution of relevant reserves between the Group and the non-controlling interests according to the Group's and the non-controlling interests' proportionate interests. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Revenue recognition

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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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

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

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

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

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.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. 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.

Financial assets

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.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (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 debt instrument, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

Interest income is recognised on an effective interest basis for debt instruments.

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.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets *(Continued)*

Impairment of loans and receivables

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; or
- 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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial liabilities and equity instruments

Debt and equity instruments issued by a group entity 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, bank borrowings and amount due to a related company are subsequently measured at amortised cost, using the effective interest method.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees 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 liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest expense is recognised on an effective interest basis.

Derecognition

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.

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.

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, annual leave and sick leave) after deducting any amount already paid.

Leasing

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.

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 "profit before taxation" as reported in the consolidated statement of profit or loss and other comprehensive income 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.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

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.

Current and deferred tax are recognised in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other 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).

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.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 3, 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 Group's management determines the estimated useful lives and depreciation method 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. Management of the Group will accelerate the depreciation charge where the economic useful lives are shorter than previously estimated due to removal or closure of restaurants.

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 restaurant with negative earnings before interest, tax, depreciation and amortisation. If the Group determines the recoverable amount of the individual asset based on the value in use calculation, the value in use calculation requires the Group to estimate several 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 rate and discount rates. 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 14.

As at 31 December 2017, the carrying amounts of property, plant and equipment are HK$20,281,000 (2016: HK$34,385,000).

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.

The financial information reported to executive directors of the Company, being the chief operating decision marker, 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 operation ("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 operation ("Full service")

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

- Production and sales of bakery products ("Bakery")

  This segment derives its revenue from the production and sales of bakery products.

Segment revenue and results

Year ended 31 December 2017

	Casual	Full service	Bakery	Segment total	Elimination	Consolidated
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Revenue						
External sales	88,292	42,248	3,913	134,453	–	134,453
Inter-segment sales	–	–	4,069	4,069	(4,069)	–
Total	88,292	42,248	7,982	138,522	(4,069)	134,453
Segment results	3,833	(19,239)	(3,931)	(19,337)	–	(19,337)
Other income						1,348
Other gains and losses						(4)
Unallocated operating costs						(17,752)
Finance costs						(466)
Loss before taxation						(36,211)

5. REVENUE AND SEGMENT INFORMATION *(Continued)*

Segment revenue and results *(Continued)*

Year ended 31 December 2016

	Casual	Full service	Bakery	Segment total	Elimination	Consolidated
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Revenue						
External sales	87,866	71,785	8,213	167,864	–	167,864
Inter-segment sales	–	–	2,218	2,218	(2,218)	–
Total	87,866	71,785	10,431	170,082	(2,218)	167,864
Segment results	8,948	7,199	(2,464)	13,683	–	13,683
Other income						802
Unallocated operating costs						(15,420)
Listing expenses						(10,442)
Finance costs						(489)
Loss before taxation						(11,866)

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), listing expenses, and certain finance costs.

Inter-segment sales are charged at mutually agreed terms.

5. REVENUE AND SEGMENT INFORMATION *(Continued)*

Segment assets and liabilities

As at 31 December 2017

	Casual *HK$'000*	Full service *HK$'000*	Bakery *HK$'000*	Consolidated *HK$'000*
ASSETS				
Segment assets	15,631	15,227	4,163	35,021
Property, plant and equipment				467
Deferred tax assets				1,760
Inventories				14,843
Other receivables				1,389
Amounts due from directors				787
Tax recoverable				1,044
Bank balances and cash				78,514
Consolidated total assets				133,825
LIABILITIES				
Segment liabilities	7,701	5,672	1,138	14,511
Other payables				2,450
Consolidated total liabilities				16,961

5. REVENUE AND SEGMENT INFORMATION *(Continued)*

Segment assets and liabilities *(Continued)*

As at 31 December 2016

	Casual	Full service	Bakery	Consolidated
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
ASSETS				
Segment assets	21,388	29,555	6,554	57,497
Property, plant and equipment				589
Deferred tax assets				1,482
Other receivables				2,557
Amounts due from directors				2,770
Tax recoverable				1,166
Bank balances and cash				54,069
Consolidated total assets				120,130
LIABILITIES				
Segment liabilities	8,014	15,459	1,441	24,914
Other payables				4,777
Tax payable				96
Bank borrowings				20,000
Consolidated total liabilities				49,787

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, amounts due from directors, tax recoverable and bank balances and cash.
- all liabilities are allocated to operating and reportable segments, other than tax payable, certain bank borrowings and certain other payables.

5. REVENUE AND SEGMENT INFORMATION *(Continued)*

Other segment information

Year ended 31 December 2017

	Casual *HK$'000*	Full service *HK$'000*	Bakery *HK$'000*	Segment total *HK$'000*	Unallocated *HK$'000*	Consolidated *HK$'000*
Amounts included in the measure of segment profit or segment assets:						
Additions of property, plant and equipment	**1,054**	**188**	**110**	**1,352**	**84**	**1,436**
Depreciation of property, plant and equipment	**3,221**	**4,446**	**1,137**	**8,804**	**207**	**9,011**
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 rental deposits upon early termination of a lease contract	**–**	**1,868**	**–**	**1,868**	**–**	**1,868**

Year ended 31 December 2016

	Casual *HK$'000*	Full service *HK$'000*	Bakery *HK$'000*	Segment total *HK$'000*	Unallocated *HK$'000*	Consolidated *HK$'000*
Amounts included in the measure of segment profit or segment assets:						
Additions of property, plant and equipment	6,623	658	4,019	11,300	94	11,394
Depreciation of property, plant and equipment	2,327	5,737	344	8,408	222	8,630
Finance costs	–	191	–	191	489	680
Loss on disposal/written-off of property, plant and equipment	–	179	25	204	–	204

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.

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	Salaries and other benefits	Contributions to retirement benefits scheme	Total emoluments
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Year ended 31 December 2017				
Executive directors				
Mr. Wong	**360**	**30**	**18**	**408**
Mr. Lo	**360**	**30**	**18**	**408**
Mr. Pong	**360**	**30**	**18**	**408**
Mr. Ma Chun Fai ("Mr. Ma") *(note iii)*	**157**	**–**	**8**	**165**
Independent non-executive directors				
Dr. Chan Kin Keung Eugene	**150**	**–**	**–**	**150**
Mr. Chum Kwan Yue Desmond	**150**	**–**	**–**	**150**
Mr. Ng Chun Fai Frank	**150**	**–**	**–**	**150**
Total	**1,687**	**90**	**62**	**1,839**
Year ended 31 December 2016				
Executive directors				
Mr. Wong *(note i)*	320	–	–	320
Mr. Lo *(note i)*	320	–	–	320
Mr. Pong *(note i)*	230	–	–	230
Independent non-executive directors				
Dr. Chan Kin Keung Eugene *(note ii)*	71	–	–	71
Mr. Chum Kwan Yue Desmond *(note ii)*	71	–	–	71
Mr. Ng Chun Fai Frank *(note ii)*	71	–	–	71
Total	1,083	–	–	1,083

6. DIRECTORS' AND EMPLOYEES' EMOLUMENTS *(Continued)*

Directors' emoluments *(Continued)*

Notes:

(i) Mr. Wong, Mr. Lo and Mr. Pong are re-designated as an executive directors of the Company on 26 February 2016.

(ii) Dr. Chan Kin Keung Eugene, Mr. Chum Kwan Yue Desmond and Mr. Ng Chun Fai Frank were appointed as independent non-executive directors of the Company on 14 June 2016.

(iii) Mr. Ma was appointed as executive director of the Company on 25 July 2017.

The emoluments stated above were for their services in connection with their role as directors of the Company and subsidiaries.

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 2017 and 2016.

Employees' emoluments

None of the five highest paid individuals are directors for each of the years ended 31 December 2017 and 2016. The emoluments of the five highest paid individuals for each of the years ended 31 December 2017 and 2016, respectively, were as follows:

	2017	2016
	HK$'000	*HK$'000*
Salaries and other benefits	**4,639**	4,432
Discretionary bonus *(note)*	**342**	746
Retirement benefits scheme contributions	**90**	87
	5,071	5,265

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:

	2017	2016
	Number of employees	*Number of employees*
Nil to HK$1,000,000	**3**	4
HK$1,000,001 to HK$1,500,000	**2**	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.

7. OTHER INCOME

	2017 HK$'000	2016 HK$'000
Franchise fee income	**242**	245
Interest income	**104**	3
Sponsorship income	**569**	–
Others	**433**	554
	1,348	802

8. OTHER GAINS AND LOSSES

	2017 HK$'000	2016 HK$'000
Bad debt recovered	**(136)**	–
Loss on disposal/written-off of property, plant and equipment	**–**	204
Impairment loss recognised in respect of property, plant and equipment *(note)*	**6,381**	–
Impairment loss recognised in rental deposits upon early termination of a lease contract *(note)*	**1,868**	–
Net foreign exchange (gain) loss	**(9)**	15
	8,104	219

Note: In August 2017, the management of the Group determined to close down a restaurant named The Fat Pig. The Fat Pig's financial performance has been below the management's expectation due to the decrease in the number of visitors and shoppers and spending of customers. The Fat Pig is included in full service segment as disclosed in note 5.

In view of the closure of The Fat Pig, an impairment loss is 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 is then forfeited by the landlord and such amount is then charged to profit or loss during the year ended 31 December 2017.

9 FINANCE COSTS

	2017	2016
	HK$'000	*HK$'000*
Interest on bank borrowings	**564**	680

10. LOSS BEFORE TAXATION

	2017	2016
	HK$'000	*HK$'000*
Loss before taxation has been arrived at after charging:		
Auditor's remuneration	**1,100**	1,200
Listing expenses (included in other expenses)	**–**	10,442
Directors' remuneration *(note 6)*	**1,839**	1,083
Other staff costs		
Salaries and other benefits	**60,736**	60,536
Retirement benefits scheme contributions	**2,624**	2,655
Total staff costs	**65,199**	64,274
Raw materials and consumables used in respect of:		
Restaurant operation	**26,333**	31,605
Bakery products	**6,203**	4,591
Write-down of inventories	**70**	–
	32,606	36,196
Lease payments under operating leases in respect of leasehold land and buildings:		
Minimum lease payments	**23,898**	26,268
Contingent rents *(note)*	**887**	846
	24,785	27,114

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.

11. INCOME TAX CREDIT (EXPENSE)

	2017	2016
	HK$'000	*HK$'000*
Hong Kong Profits Tax:		
Current tax	**–**	(128)
(Under) over provision in prior years	**(39)**	11
	(39)	(117)
Deferred taxation credit (charge) *(note 15)*	**278**	(1,293)
	239	(1,410)

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for both years.

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

	2017	2016
	HK$'000	*HK$'000*
Loss before taxation	**(36,211)**	(11,866)
Tax at the Hong Kong Profits Tax rate of 16.5%	**5,975**	1,958
Tax effect of expenses not deductible for tax purpose	**(2,266)**	(2,106)
Tax effect of income not taxable for tax purpose	**35**	23
Tax effect of tax losses not recognised	**(3,451)**	(1,270)
Tax effect of deductible temporary differences not recognised	**(15)**	(26)
(Under) over provision in prior years	**(39)**	11
Income tax credit (expense)	**239**	(1,410)

Details of deferred taxation are set out in note 15.

12. DIVIDENDS

No dividends were paid, declared and proposed by the Company during the year ended 31 December 2017 (2016: nil).

The directors of the Company do not recommend the payment of a final dividend for the year ended 31 December 2017 (2016: nil).

13. LOSS PER SHARE

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

	2017	2016
	HK$'000	*HK$'000*
Loss		
Loss for the year attributable to owners of the Company for the purpose of calculating basic loss per share	**(35,972)**	(13,074)

	2017	2016
	'000	*'000*
Number of shares		
Weighted average number of ordinary shares for the purpose of calculating basic loss per share	**407,688**	358,033

The weighted average number of ordinary shares for the purpose of calculating basic loss per share has been determined on the assumption that the capitalisation issue (details as disclosed in note 23) had been effective on 1 January 2016.

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

14. PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvements	Furniture and fixtures	Motor vehicle	Equipment	Computers	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
COST						
At 1 January 2016	36,898	8,157	274	11,944	2,699	59,972
Additions	4,830	3,067	–	3,341	156	11,394
Disposals/written-off	(2,351)	(329)	–	(1,265)	(52)	(3,997)
At 31 December 2016	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
DEPRECIATION AND IMPAIRMENT						
At 1 January 2016	14,983	2,453	123	8,423	2,162	28,144
Provided for the year	4,899	1,504	55	1,898	274	8,630
Eliminated on disposals/ written-off	(2,186)	(311)	–	(1,243)	(50)	(3,790)
At 31 December 2016	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
CARRYING AMOUNTS						
At 31 December 2017	12,605	5,203	41	2,224	208	20,281
At 31 December 2016	21,681	7,249	96	4,942	417	34,385

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%-33⅓%
Motor vehicle	20%
Equipment	33⅓%
Computers	33⅓%

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

During the year ended 31 December 2017, the Group's full service segment incurred a segment loss of HK$19,239,000. As disclosed in note 8, the Group closed down The Fat Pig and recognised an impairment loss on property, plant and equipment of HK$6,381,000 during the year ended 31 December 2017. Other than The Fat Pig, management of the Group considers that an impairment indicator on another restaurant allocated to full service segment exists as the restaurant has negative earnings before interest, tax, depreciation and amortisation for the year ended 31 December 2017. The carrying amount of property, plant and equipment of that restaurant is HK$9,331,000 as at 31 December 2017.

Accordingly, the Group carried out a review of the recoverable amount of the restaurant. The recoverable amount of the property, plant and equipment as at 31 December 2017 has been determined based on a value in use calculation and has been arrived at on the basis of a valuation carried out by Asset Appraisal Limited, an independent qualified professional valuer not connected with the Group, who is the member of The Hong Kong Institute of Surveyors.

The recoverable amount of the restaurant was determined based on the discounted cash flow approach with a discount rate of 16.5%, financial budget prepared by the management of the Group (including the estimated gross profit and estimated operating expenses) up to the end of the lease term of that restaurant and annual revenue growth rate of 3.0%. The assumptions of discount rate and annual revenue growth rate 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 restaurant's past performance. 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 restaurant.

Based on the above assessment, there is no impairment loss recognised on the property, plant and equipment over the restaurant allocated to full service segment of the Group as at 31 December 2017.

15. DEFERRED TAXATION

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

	Tax losses	Accelerated accounting depreciation	Accelerated tax depreciation	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
At 1 January 2016	2,413	1,327	(965)	2,775
(Charge) credit to profit or loss	(1,044)	(324)	75	(1,293)
At 31 December 2016	1,369	1,003	(890)	1,482
(Charge) credit to profit or loss	(20)	230	68	278
At 31 December 2017	**1,349**	**1,233**	**(822)**	**1,760**

As at 31 December 2017, the Group has estimated unused tax losses of HK$43,692,000 (2016: HK$22,898,000) and deductible temporary differences of HK$8,070,000 (2016: HK$6,585,000) available for offset against future profits. At the end of the reporting period, the Group has estimated tax losses of HK$8,176,000 (2016: HK$8,297,000) and deductible temporary difference of HK$7,473,000 (2016: HK$6,078,000) have been recognised as deferred tax assets. No deferred tax asset has been recognised in respect of the unused tax losses of HK$35,516,000 (2016: HK$14,601,000) and remaining deductible temporary differences of HK$597,000 (2016: HK$507,000) as at 31 December 2017 due to the unpredictability of future profit. Unused tax losses may be carried forward indefinitely.

16. INVENTORIES

	2017	2016
	HK$'000	*HK$'000*
Food, beverage and other consumables, at cost	**18,236**	3,481

17. TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	2017	2016
	HK$'000	*HK$'000*
Trade receivables from restaurant operations	**1,474**	1,956
Trade receivables from sales of bakery products	**241**	762
Rental deposits	**7,253**	9,140
Other deposits	**1,936**	2,096
Prepayments and others	**1,913**	8,460
	12,817	22,414
Analysed as:		
Current	**5,115**	12,857
Non-current	**7,702**	9,557
	12,817	22,414

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 are mainly from credit sales. The Group allows a credit period of 30 to 60 days to these trade customers.

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.

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. Trade receivables which are past due are provided for impairment loss based on estimated irrecoverable amounts from sales of goods, determined by reference to past default experience.

17. 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 approximated the service rendered date, at the end of the reporting period.

	2017	2016
	HK$'000	*HK$'000*
0 to 30 days	**1,402**	1,692
31 to 60 days	**39**	195
61 to 90 days	**5**	61
Over 90 days	**28**	8
	1,474	1,956

As at 31 December 2017, the trade receivables from restaurant operations with carrying amount of HK$1,402,000 (2016: HK$1,692,000) are neither past due nor impaired. The Group considers that the amounts are recoverable because of the good repayment records by the counterparties.

Included in the Group's trade receivables from restaurant operations are debtors with an aggregate carrying amount of HK$72,000 (2016: HK$264,000) which are past due as at the end of the reporting period for which the Group has not provided for impairment loss. The Group does not hold any collateral over these balances. The average age of these receivables is 83 days (2016: 55 days).

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

	2017	2016
	HK$'000	*HK$'000*
31 to 60 days	**39**	195
61 to 90 days	**5**	61
Over 90 days	**28**	8
	72	264

17. TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

(Continued)

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

	2017	2016
	HK$'000	*HK$'000*
0 to 30 days	**123**	428
31 to 60 days	**112**	18
61 to 90 days	**5**	9
Over 90 days	**1**	307
	241	762

As at 31 December 2017, the trade receivables from sales of bakery products with carrying amount of HK$235,000 (2016: HK$446,000) are neither past due nor impaired. The Group considers that these customers are with good credit quality and have no default of payment in the past.

Included in the Group's trade receivables from sales of bakery products are debtors with an aggregate carrying amount of HK$6,000 (2016: HK$316,000) which are past due at the end of the reporting period for which the Group has not provided for impairment loss. The trade receivables from sales of bakery products which are past due but not impaired were either settled subsequently or due from debtors which do not have historical default of payments. The Group does not hold any collateral over these balances. The average age of these receivables is 81 days (2016: 134 days) as at 31 December 2017.

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

	2017	2016
	HK$'000	*HK$'000*
61 to 90 days	**5**	9
Over 90 days	**1**	307
	6	316

17. TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

(Continued)

Movement in the allowance for bad and doubtful debts

	2017	2016
	HK$'000	*HK$'000*
Balance at beginning of the year	**255**	255
Bad debt recovered	**(136)**	–
Written-off as uncollectible	**(119)**	–
Balance at end of the year	**–**	255

Included in the allowance for bad and doubtful debts are individually impaired trade receivables with an aggregate balance of HK$255,000 as at 31 December 2016, which were in severe financial difficulties in repaying their outstanding balances. The Group did not hold any collateral over these balances.

In determining the recoverability of a trade receivable, the Group considers any change in credit quality of the trade receivables from the date credit was initially granted up to the end of reporting period. The directors of the Company believe that no further impairment is required in excess of the allowance for bad and doubtful debts. The directors of the Company would write off the bad and doubtful debts when the debtor is liquidated.

As at 31 December 2016, the Group advanced HK$5,289,000 to an independent third party. Such receivable is recovered during the year ended 31 December 2017.

18. 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 parties.

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

Name	**2017**	2016
	HK$'000	*HK$'000*
Altaya Wines Limited ("Altaya Wines") *(note (i))*	**131**	95
Gold Peak Industries (Holdings) Limited ("Gold Peak") *(note (ii))*	**78**	75
GP Batteries International Limited ("GP Batteries") *(note (ii))*	**79**	193
	288	363

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

Amounts due from related companies *(Continued)*

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.

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

	2017	2016
	HK$'000	*HK$'000*
0 to 30 days	**107**	171
31 to 60 days	**87**	–
Over 90 days	**94**	192
	288	363

As at 31 December 2017, the amounts due from related companies with carrying amount of HK$107,000 (2016: HK$171,000) are neither past due nor impaired. The Group considers that the amounts are recoverable because of the good repayment records by the counterparties.

Included in the Group's amounts due from related companies with aggregate carrying amount of HK$181,000 (2016: HK$192,000) which are past due as at the end of the reporting period for which the Group has not provided for impairment loss. The Group does not hold any collateral over these balances. The average age of these receivables is 92 days (2016: 136 days) as at 31 December 2017.

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

	2017	2016
	HK$'000	*HK$'000*
31 to 60 days	**87**	–
Over 90 days	**94**	192
	181	192

18. 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:

	As at 31 December		1 January	Maximum amount outstanding during the year ended 31 December	
Name	**2017**	2016	2016	**2017**	2016
	HK$'000	*HK$'000*	*HK$'000*	***HK$'000***	*HK$'000*
Mr. Wong	**94**	898	5,574	**1,059**	6,238
Mr. Lo	**593**	1,028	7,489	**1,083**	9,383
Mr. Pong	**100**	844	4,760	**881**	6,941
	787	2,770	17,823		

Amount due to a related company

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

	2017	2016
	HK$'000	*HK$'000*
Altaya Wines	**368**	458

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

	2017	2016
	HK$'000	*HK$'000*
0 to 30 days	**48**	270
31 to 60 days	**94**	188
Over 90 days	**226**	–
	368	458

19. 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 1.15% (2016: 0.01% to 1.15%) per annum.

20. TRADE AND OTHER PAYABLES AND ACCRUED CHARGES

	2017	2016
	HK$'000	*HK$'000*
Trade payables	**6,884**	7,226
Other payables:		
Accrued staff related costs	**4,411**	4,761
Other payables and accrued charges	**3,857**	9,323
	15,152	21,310

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:

	2017	2016
	HK$'000	*HK$'000*
0 to 30 days	**3,750**	4,666
31 to 60 days	**2,811**	2,291
61 to 90 days	**172**	60
Over 90 days	**151**	209
	6,884	7,226

21. PROVISION

	Reinstatement works *HK$'000*
At 1 January 2016	1,656
Provision recognised	102
At 31 December 2016	1,758
Utilised during the year	(317)
As 31 December 2017	1,441

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.

22. BANK BORROWINGS

	2017 ***HK$'000***	2016 *HK$'000*
Carrying amount of term loan (shown under current liabilities) that contains repayment on demand clause:		
– within one year	–	5,625
– within a period of more than one year but not exceeding two years	–	5,625
– within a period of more than two years but not exceeding five years	–	14,915
Unsecured bank borrowings	–	26,165

The bank borrowings were at floating rates which carry interest at one-month Hong Kong Interbank Offered Rate ("HIBOR") plus 2.0% to 2.5% per annum.

The unsecured bank borrowings of HK$26,165,000 as at 31 December 2016 was guaranteed by the Company and certain group entities.

During the year ended 31 December 2017, the Group early repaid the entire bank borrowings to the bank without any additional costs incurred.

23. ISSUED SHARE CAPITAL

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

	Number of shares	Amount	Amount
		HK$	*HK$'000*
Ordinary shares of HK$0.01 each			
Authorised:			
At 1 January 2016	38,000,000	380,000	380
Increase in authorised share capital *(note i)*	762,000,000	7,620,000	7,620
At 31 December 2016 and 2017	800,000,000	8,000,000	8,000
Issued and fully paid:			
At 1 January 2016	100	1	–
Issue of shares *(note ii)*	80,000,000	800,000	800
Capitalisation issue *(note ii)*	319,999,900	3,199,999	3,200
At 31 December 2016	400,000,000	4,000,000	4,000
Issue of shares *(note iii)*	46,000,000	460,000	460
At 31 December 2017	446,000,000	4,460,000	4,460

Notes:

(i) On 14 June 2016, the authorised share capital of the Company was increased from HK$380,000 divided into 38,000,000 shares of HK$0.01 each to HK$8,000,000 divided into 800,000,000 shares of HK$0.01 each by creation of an additional 762,000,000 shares of HK$0.01 each.

(ii) The shares of the Company have been listed on the GEM of the Stock Exchange by way of placing on 11 July 2016. 80,000,000 shares of the Company of HK$0.01 each of the Company were issued at a placing price of HK$0.55 per share. On the same date, 319,999,900 shares of the Company were issued through capitalisation of HK$3,200,000 standing to the credit of share premium account of the Company.

(iii) 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 new shares issued rank pari passu in all respects with existing shares.

24. 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:

	2017	2016
	HK$'000	*HK$'000*
Within one year	**17,230**	25,271
In the second to fifth year inclusive	**10,600**	31,016
	27,830	56,287

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.

25. RELATED PARTY TRANSACTIONS

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

	2017	2016
	HK$'000	*HK$'000*
Catering income from Mr. Wong, Mr. Lo and Mr. Pong	**163**	295
Catering income from Altaya Wines	**117**	70
Catering income from Gold Peak	**484**	557
Catering income from GP Batteries	**555**	387
Sales of bakery products to Big Team Ventures Limited and its subsidiaries *(note (i))*	**–**	104
Purchases of goods from Altaya Wines	**1,816**	2,419
Purchases of goods from Cubatabaco Limited *(note (ii))*	**40**	–
Consultancy fee to a non-controlling shareholder of a subsidiary	**–**	660
Sales of property, plant and equipment to Jia Group Limited *(note (iii))*	**16**	–

Notes:

(i) Big Team Ventures Limited is controlled by the spouse of Mr. Lo.

(ii) Cubatabaco Limited is controlled by Mr. Pong and his family.

(iii) 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:

	2017	2016
	HK$'000	*HK$'000*
Short-term benefits	**3,684**	3,404
Post-employment benefits	**98**	36
	3,782	3,440

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

26. 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 and 10, respectively.

27. ACQUISITION OF ADDITIONAL INTEREST IN A SUBSIDIARY

The Group entered into a sale and purchase agreement with the non-controlling shareholder of Classified Group Management Limited (previously known as Classified Bread and Cheese Limited, "CGML") to acquire the remaining 15% interests of CGML for a cash consideration of HK$1,500. The difference between the consideration paid and the proportionate share of net liabilities attributable to non-controlling interests of a subsidiary of HK$746,000 was debited to equity as other reserve during the year ended 31 December 2016.

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 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.

29. FINANCIAL INSTRUMENTS

Categories of financial instruments

	2017 HK$'000	2016 HK$'000
Financial assets		
Loans and receivables (including cash and cash equivalents)	**82,685**	66,691
Financial liabilities		
Amortised cost	**13,649**	43,240

Financial risk management objectives and policies

The Group's major financial instruments include trade and other receivables and deposits, amounts due from related companies and directors, bank balances and cash, trade and other payables and accrued charges, bank borrowings 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.

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 variable-rate bank borrowings as at 31 December 2016 and bank balances as at 31 December 2017 and 2016, and fair value interest rate risk in relation to non-interest bearing amounts due from directors and amounts due from/to related companies as at 31 December 2017 and 2016.

The Group currently does not have interest rate hedging policy. However, 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.

The Group's exposures to interest rates on financial liabilities are detailed in the liquidity risk section of this note. The Group's cash flow interest rate risk is mainly concentrated on the fluctuation of HIBOR plus a spread arising from the Group's variable-rate bank borrowings as at 31 December 2016.

29. FINANCIAL INSTRUMENTS *(Continued)*

Financial risk management objectives and policies *(Continued)*

Market risk *(Continued)*

Interest rate risk (Continued)

Sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to interest rate risk on bank borrowings as at 31 December 2016. The sensitivity analysis is prepared assuming the bank borrowings outstanding at the end of the reporting period were outstanding for the whole year. 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.

A 50 basis points increase or decrease is used during the year ended 31 December 2016, which represents management's assessment of the reasonably possible change in interest rates. If the interest rate had been 50 basis points higher/lower and all other variables were held constant, the Group's post-tax loss for the year ended 31 December 2016 would increase/decrease by HK$109,000.

Credit risk

As at 31 December 2017 and 2016, 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.

The Group trades with a large number of individual customer and trading terms are mainly on cash and credit card settlements. In view of the Group's operation, the Group does not have significant credit risk exposure to any single individual customer.

The Group has significant concentration of credit risk on amounts due from directors and related companies. Details of amounts due from directors and related companies are disclosed in notes 18. The management of the Group considers the counterparty with good credit worthiness based on its past repayment history and subsequent settlements.

The credit risk on liquid funds of the Group is limited because the counterparties are banks with good reputation and the Group has limited exposure to any single financial institution.

In this regard, the management of the Group considers that the Group's credit risk is significantly reduced.

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. Specifically, bank borrowings with a repayment on demand clause are included in the earliest time band regardless of the probability of the banks choosing to exercise their rights.

The tables include both interest and principal cash flows.

	Weighted average effective interest rate	Repayable on demand	Less than 3 months	Total undiscounted cash flows	Total carrying amount
	%	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
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**
		–	**13,649**	**13,649**	**13,649**
As at 31 December 2016					
Non-derivative financial liabilities					
Trade payables	N/A	–	7,226	7,226	7,226
Other payables and accrued charges	N/A	–	9,391	9,391	9,391
Amount due to a related company	N/A	–	458	458	458
Bank borrowings	2.31	26,165	–	26,165	26,165
		26,165	17,075	43,240	43,240

29. FINANCIAL INSTRUMENTS *(Continued)*

Financial risk management objectives and policies *(Continued)*

Liquidity risk *(Continued)*

The amounts included above for variable interest instruments for non-derivative financial liabilities are subject to change if changes in variable interest rates differ to those estimates of interest rates determined at the end of the reporting period.

As at 31 December 2016, bank borrowings with a repayment on demand clause with carrying amount of HK$26,165,000 was included in the "Repayable on demand" time band in the above maturity analysis. Taking into account the Group's financial position, management of the Group does not believe that it is probable that the banks will exercise their discretionary right to demand immediate repayment. Management of the Group believes that such bank borrowings of the Group will be repaid after the end of reporting period in accordance with the scheduled repayment dates set out in the loan agreement.

For the purpose of managing liquidity risk, management of the Group reviews the expected cash flow information of the Group's bank borrowings based on the scheduled repayment dates set out in the bank borrowing agreements as set out in the table below:

	Weighted average effective interest rate	Repayable on demand or less than 3 months	3 months to 1 year	1 year to 5 years	Total undiscounted cash flows	Total carrying amount
	%	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Bank borrowings:						
As at 31 December 2016	2.31	1,583	4,691	21,601	27,875	26,165

Fair value of the Group's financial assets and financial liabilities that are measured at amortised cost

The management of the Group estimates the fair value of the financial assets and financial liabilities measured at amortised cost using discounted cash flows analysis. 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
	HK$'000
At 1 January 2017	26,165
Financing cash flows *(Note)*	(26,729)
Finance costs	564
At 31 December 2017	–

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 for the primary purpose of providing incentives to directors and eligible employees. Under the Scheme, the directors of the Company may grant options to eligible employees, including directors of the Company and its subsidiaries, to subscribe for shares in the Company. Additionally, the Company may, from time to time, grant share options to outside third parties for settlement in respect of goods or services provided to the Company. Details of the share option scheme are disclosed in the Directors' Report of this Annual Report.

During the year ended 31 December 2017 and 2016, the Group did not granted any share option under the share option scheme of the Company.

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
				2017	2016	
				%	%	
CGML	Hong Kong	Hong Kong	Ordinary HK$10,000	**100**	100	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	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	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.

33. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY

	2017 HK$'000	2016 HK$'000
Non-current assets		
Unlisted investment in a subsidiary	**111,247**	–
Amounts due from subsidiaries *(note)*	**–**	35,619
	111,247	35,619
Current assets		
Trade and other receivables, deposits and prepayments	**245**	4
Current liabilities		
Trade and other payables and accrued charges	**1,035**	3,337
Net current liabilities	**(790)**	(3,333)
Total assets less current liabilities	**110,457**	32,286
Net assets	**110,457**	32,286
Capital and reserves		
Issued share capital	**4,460**	4,000
Reserves	**105,997**	28,286
Total equity	**110,457**	32,286

Note: During the year ended 31 December 2017, the Company capitalised the current account of HK$111,247,000 with its subsidiaries and such amount is considered as investment to the subsidiary.

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

Movement in the Company's reserves

	Share premium	Accumulated losses	Total
	HK$'000	*HK$'000*	*HK$'000*
At 1 January 2016	10,000	(4,606)	5,394
Loss and total comprehensive expense for the year	–	(12,404)	(12,404)
Issue of shares	43,200	–	43,200
Capitalisation issue	(3,200)	–	(3,200)
Transaction costs directly attributable to issue of shares	(4,704)	–	(4,704)
At 31 December 2016	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)
At 31 December 2017	127,329	(21,332)	105,997

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, is set out as follows:

	Year ended 31 December			
	2014	2015	2016	**2017**
	HK$'000	*HK$'000*	*HK$'000*	***HK$'000***
Revenue	150,933	175,717	167,864	**134,453**
Profit (loss) before taxation	2,579	4,333	(11,866)	**(36,211)**
Income tax credit (expense)	8	(1,513)	(1,410)	**239**
Profit (loss) for the year	2,587	2,820	(13,276)	**(35,972)**
Attributable to:				
Owners of the Company	2,606	2,936	(13,074)	**(35,972)**
Non-controlling interests	(19)	(116)	(202)	**–**
	2,587	2,820	(13,276)	**(35,972)**

	As at 31 December			
	2014	2015	2016	**2017**
	HK$'000	*HK$'000*	*HK$'000*	***HK$'000***
Assets and liabilities				
Total assets	82,081	94,378	120,130	**133,825**
Total liabilities	(40,576)	(50,053)	(49,787)	**(16,961)**
	41,505	44,325	70,343	**116,864**
Equity attributable to:				
Owners of the Company	41,931	44,867	70,343	**116,864**
Non-controlling interests	(426)	(542)	–	**–**
	41,505	44,325	70,343	**116,864**