龍皇
DRAGON KING
RESTAURANT

Dragon King Group Holdings Limited
龍皇集團控股有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 8493

Annual Report 2017

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

GEM has been positioned as a market designed to accommodate small and mid-sized 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.

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*This report, for which the directors (the "**Directors**") of Dragon King Group Holdings Limited (the "**Company**" and together with its subsidiaries, the "**Group**") 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

Ms. Lee Ching Nung Angel *(Chairman)*
Mr. Wong Wing Chee *(Chief Executive Officer)*
Mr. Wong Wing Hong

Independent non-executive Directors

Mr. Kwong Ping Man
Mr. Lin Zhisheng
Mr. Chang Cheuk Cheung Terence

AUDIT COMMITTEE

Mr. Kwong Ping Man *(Chairman)*
Mr. Lin Zhisheng
Mr. Chang Cheuk Cheung Terence

REMUNERATION COMMITTEE

Mr. Lin Zhisheng *(Chairman)*
Mr. Wong Wing Chee
Mr. Kwong Ping Man
Mr. Chang Cheuk Cheung Terence

NOMINATION COMMITTEE

Mr. Wong Wing Chee *(Chairman)*
Mr. Kwong Ping Man
Mr. Lin Zhisheng
Mr. Chang Cheuk Cheung Terence

COMPLIANCE OFFICER

Mr. Wong Wing Hong

AUTHORISED REPRESENTATIVES

Mr. Wong Wing Chee
Mr. Chan Ka Nam

COMPLIANCE ADVISOR

Frontpage Capital Limited
26th Floor, Siu On Centre
188 Lockhart Road
Wan Chai, Hong Kong

AUDITOR

Ernst & Young
22nd Floor, CITIC Tower
1 Tim Mei Avenue
Central, Hong Kong

LEGAL ADVISOR AS TO HONG KONG LAWS

CFN Lawyers in association with Broad and Bright
Units 4101-4104
Sun Hung Kai Centre
30 Harbour Road
Wan Chai, Hong Kong

REGISTERED OFFICE IN THE CAYMAN ISLANDS

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Grand Cayman KY1-1108
Cayman Islands

HEADQUARTERS AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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10 Shing Yip Street
Kwun Tong
Kowloon, Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE IN THE CAYMAN ISLANDS

Estera Trust (Cayman) Limited
PO Box 1350
Clifton House
75 Fort Street
Grand Cayman KY1-1108
Cayman Islands

BRANCH SHARE REGISTRAR AND TRANSFER OFFICE IN HONG KONG

Tricor Investor Services Limited
Level 22, Hopewell Centre
183 Queen's Road East
Hong Kong

PRINCIPAL BANKERS

Hang Seng Bank Limited
Kowloon Main Branch
618 Nathan Road
Hong Kong

DBS Bank (Hong Kong) Limited
16th Floor, The Center
99 Queen's Road Central
Central, Hong Kong

COMPANY'S WEBSITE

www.dragonkinggroup.com

STOCK CODE

8493

Chairman's Statement

Dear Shareholders,

On behalf of the board (the "**Board**") of directors of Dragon King Group Holdings Limited, I am pleased to present the annual report of the Group for the year ended 31 December 2017.

OVERVIEW

For the year ended 31 December 2017, the Group operated nine Cantonese full service restaurants in Hong Kong, Macau and Shanghai, the People's Republic of China (the "**PRC**"). The Group's restaurants operate under four self-owned brands, namely "Dragon King（龍皇）", "Dragon Seal（龍璽）", "Imperial Seal（皇璽）" and "Dragon Feast（龍宴）". Although the Group was faced with various challenges in the respective business environment in Hong Kong, Macau and Shanghai, including the competition on food and beverage industry and the continuous increase of rental and staff costs during the past year, the Group maintained a stable development of the overall business.

The Group's revenue increased by 6.3% from HK$393.7 million for the year ended 31 December 2016 to approximately HK$418.5 million for the year ended 31 December 2017. Such increase was principally attributed to the full year operation of the Wan Chai Restaurant and Macau Restaurant and the increase in revenue of the ICC Restaurant. The Group recorded a loss attributable to the owners of the Company of approximately HK$10.2 million for the year ended 31 December 2017. The net loss was mainly attributed to the non-recurring listing expenses. Excluding the listing expenses, the Group's net profit for this year would be approximately HK$3.1 million.

PROSPECTS

The Group has successfully achieved a new milestone on 16 January 2018 (the "**Listing Date**"), having listed on the GEM of the Stock Exchange (the "**Listing**"). Apart from the capital raised by the support from our shareholders, the Listing provides a great platform for the Group to meet and achieve its business opportunities and strategies which will further strengthen the Group's market position in food and beverage industry.

The Group will continue to enhance and diversify its self-owned brands in the market. We believe that brand recognition, together with quality food and services, are essential elements to the success of the Group's operation.

The Group will also strengthen the management team by providing more training to all staff, particularly on the sense of environment protection, emphasizing that continuous improvement can be made on energy conservation and recycling food waste.

The Group will continue to closely supervise the cost structure and reduction in spending in order to improve efficiency and increase the revenue, and ultimately create additional value for the shareholders of the Company.

Chairman's Statement

APPRECIATION

I would like to take this opportunity to express my sincere gratitude to all our shareholders, investors and business partners for their continuous support to the Group. I would also like to express my appreciation to all fellow Directors, the senior management and staff of all levels for their contributions to achieve the major milestones of the Group to date.

Lee Ching Nung Angel
Chairman and Executive Director

Hong Kong, 23 March 2018

Management Discussion and Analysis

BUSINESS AND OPERATIONAL REVIEW

The Group is a Cantonese full-service restaurants group operating Cantonese cuisine restaurant under four self-owned brands.

Restaurant Operations

For the year ended 31 December 2017, the Group operated nine full-service restaurants in Hong Kong, Macau and Shanghai, the PRC to provide Cantonese cuisine under the brand name of "Dragon King (龍皇)", "Dragon Seal (龍璽)", "Imperial Seal (皇璽)" and "Dragon Feast (龍宴)". All of the Group's restaurants are strategically located in prominent commercial areas, residential areas or shopping complexes. The Group is committed to providing quality food and services as well as comfortable dinning environment to the customers.

Vast majority of the Group's restaurants are located in Hong Kong. As at 31 December 2017, the Group had seven restaurants in Hong Kong, two of which are located in Hong Kong Island (respectively known as the "Causeway Bay Restaurant" and the "Wan Chai Restaurant"), four of which are located in Kowloon (respectively known as the "ICC Restaurant", the "Kwun Tong Restaurant", the "San Po Kong Restaurant" and the "Whampoa Restaurant"), and one of which is located in New Territories (known as the "Sheung Shui Restaurant"). The Group's restaurant in Macau is in the Venetian Macao (known as the "Macau Restaurant") and the Shanghai's restaurant is in Pudong New District (known as the "Shanghai Restaurant").

FINANCIAL REVIEW

Revenue

For the year ended 31 December 2017, the Group recorded a total revenue of approximately HK$418.5 million, representing an increase of approximately 6.3% as compared to approximately HK$393.7 million for the year ended 31 December 2016.

The increase in revenue was principally attributed to (i) the newly operated Wan Chai Restaurant and Macau Restaurant which commenced business in July 2016; and (ii) the increase in revenue of ICC Restaurant resulting from the increase in relatively large banquets during the year. The increase in revenue was partially offset by the decrease in revenue of the Whampoa Restaurant, the Sheung Shui Restaurant and the Shanghai Restaurant. The Group considered that the decrease in revenue of the Whampoa Restaurant and the Sheung Shui Restaurant are mainly due to the decrease in number of customers visited while the decrease in revenue of the Shanghai Restaurant resulted from the further enforcement of anti-corruption campaign in Shanghai since 2015. The revenue contributed by the other restaurants remained generally stable during the comparable period.

Management Discussion and Analysis

Gross profit and gross profit margin

The Group's gross profit (i.e. revenue minus cost of inventories consumed) amounted to approximately HK$287.0 million for the year ended 31 December 2017, representing an increase of approximately 7.7% from approximately HK$266.4 million for the year ended 31 December 2016 driven by the increase in revenue.

Moreover, the Group's overall gross profit margin slightly increased from approximately 67.7% for the year ended 31 December 2016 to approximately 68.6% for the year ended 31 December 2017, the increase in gross profit margin was mainly due to higher gross profit margins of (i) the ICC Restaurant resulting from the increase in relatively large banquets which generally have higher gross profit margins; and (ii) the Shanghai Restaurant mainly attributable to the improving profit margin of the seafood dishes in 2017.

Other income and gains

Other income and gains decreased approximately 41.1% from approximately HK$4.3 million for the year ended 31 December 2016 to approximately HK$2.5 million for the year ended 31 December 2017. Such decrease was mainly due to (i) the one-off gain on bargain purchase of approximately HK$1.0 million in relation to the acquisition of certain equipment, furniture and utensils and rental deposits of the Wan Chai Restaurant and the Macau Restaurant in 2016; and (ii) the decrease in financial subsidy received from PRC tax authority in 2017 by approximately HK$0.6 million.

Staff Costs

Staff costs was approximately HK$131.4 million for the year ended 31 December 2017, representing an increase of approximately 6.9% as compared to HK$123.0 million for the year ended 31 December 2016. Such increase was mainly due to the full year operation of the Wan Chai Restaurant and Macau Restaurant.

Rental and related expenses

The Group's rental and related expenses increased by approximately 17.3% from approximately HK$62.3 million for the year ended 31 December 2016 to approximately HK$73.1 million for the year ended 31 December 2017. Such increase was mainly due to the full year operation of the Wan Chai Restaurant and Macau Restaurant.

Management Discussion and Analysis

Other operating expenses

The Group's other operating expenses increased by approximately 5.6% from approximately HK$55.0 million for the year ended 31 December 2016 to approximately HK$58.1 million for the year ended 31 December 2017. Such increase was mainly due to the full year operation of the Wan Chai Restaurant and the Macau Restaurant.

Finance costs

Finance costs of the Group decreased by approximately 44.2% from approximately HK$4.2 million for the year ended 31 December 2016 to approximately HK$2.4 million for the year ended 31 December 2017. The decrease in finance costs was mainly attributable to the early repayment and fully repaid of certain bank and other borrowings during the year ended 31 December 2017.

Loss attributable to owners of the Company

For the year ended 31 December 2017, the Group recorded a loss attributable to owners of the Company of approximately HK$10.2 million, while the Group recorded a attributable to owners of the Company profit of approximately HK$1.1 million for the year ended 31 December 2016. It was mainly due to the non-recurring listing expenses of HK$13.4 million incurred for the year ended 31 December 2017. Excluding the listing expenses, the Group's profit attributable to owners of the Company would be HK$3.1 million.

COMPARISON OF BUSINESS OBJECTIVES AND STRATEGIES WITH ACTUAL BUSINESS PROGRESS

The Group will endeavor to achieve the following business objectives:

Business Strategy as stated in the prospectus of the Company	Implementation plans
Expansion in Hong Kong with multi-brand strategy	• To open 3 additional restaurants in Hong Kong under the name of "Dragon King" and "Dragon Feast"
Enhancement of existing restaurant facilities	• To refurbish the Group's existing restaurants' fitting out and utensils
	• To attract new and returning customer traffic
Enhancement of marketing and promotions	• To advertise and promote more in conventional media channels and online platforms
	• To engage in more marketing campaigns and other marketing activities
	• To participate in more different cooking competitions

Management Discussion and Analysis

USE OF NET PROCEEDS FROM LISTING

The net proceeds from the issue of new shares of the Group at the time of its Listing on GEM on 16 January 2018 through the share offer of 360,000,000 shares of HK$0.01 each in the share capital of the Group at the price of HK$0.21 per share, after deduction of the underwriting commission and actual expenses paid by the Group in connection thereto, were approximately HK$45.6 million.

No proceeds was available as at 31 December 2017. Therefore, no actual usage for the year ended 31 December 2017.

CAPITAL STRUCTURE

The shares of the Company were listed on GEM of the Stock Exchange on 16 January 2018. There has been no change in the capital structure of the Group since the Listing Date and up to the date of this annual report. The capital of the Group only comprised of ordinary shares.

LIQUIDITY AND FINANCIAL RESOURCES

The Group has funded the liquidity and capital requirements principally from cash generated from operations and bank and other borrowings.

As at 31 December 2017, the Group had borrowings of approximately HK$48.5 million which was denominated in Hong Kong Dollars (2016: approximately HK$60.3 million). The Group's bank borrowings were primarily used in financing the working capital requirement of its operations.

As at 31 December 2017, the Group's cash and cash equivalents were approximately HK$15.9 million (2016: approximately HK$15.5 million). The Group had no bank overdraft as at 31 December 2017 (2016: approximately HK$7,000). The Directors believe that the Group is in a healthy financial position to expand its business and to achieve its business objectives.

Management Discussion and Analysis

GEARING RATIO

As at 31 December 2017, the gearing ratio of the Group was approximately 65.7% (2016: 65.1%). Gearing ratio is calculated as net debt divided by capital and net debt. Net debt represented total liabilities (excluding tax payable) of the Group less cash and cash equivalents. Capital represented the equity attributable to owners of the Company.

CHARGE ON GROUP ASSETS

As at 31 December 2017, the borrowings were secured by a building owned by the Group and life insurance policies amounted to approximately HK$31.1 million (2016: approximately HK$31.9 million) and approximately HK$19.9 million (2016: HK$21.5 million), respectively, for certain banking facilities granted to the Group.

SIGNIFICANT INVESTMENTS HELD, MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND AFFILIATED COMPANIES, AND PLANS FOR MATERIAL INVESTMENTS OF CAPITAL ASSETS

There was no significant investment held, material acquisition and disposal of subsidiaries and affiliated companies by the Company during the year ended 31 December 2017. There is no other plan for material investments or capital assets as at 31 December 2017.

FOREIGN EXCHANGE EXPOSURE

Most of the income and expenditures of the Group are denominated in HKD and RMB, which are the functional currencies of the respective group entities. Although HKD is not pegged to RMB, the historical exchange rate fluctuation on RMB was not significant during the year. Therefore, no significant exposure is expected on RMB transactions and balances.

The Group does not have any material foreign exchange exposure. During the year ended 31 December 2017, the Group had not used any financial instruments for hedging purposes.

TREASURY POLICIES

The Directors will continue to follow a prudent policy in managing the Group's cash balances and maintain a strong and healthy liquidity to ensure that the Group is well placed to take advantage of future growth opportunities.

CONTINGENT LIABILITIES

The Group did not have any material contingent liabilities as at 31 December 2017 (2016: Nil).

COMMITMENTS

The contract commitments mainly involve rental payable by the Group in respect of the certain restaurants, staff quarters and office premises under operating leases arrangements. As at 31 December 2017, the Group's operating lease commitments were approximately HK$175.4 million (2016: HK$191.7 million).

Management Discussion and Analysis

FINAL DIVIDEND

The Board does not recommend the payment of final dividend for the year ended 31 December 2017 (2016: Nil).

During the year ended 31 December 2016, a wholly-owned subsidiary of the Company declared a special dividend in the sum of approximately HK$27.3 million to the then shareholder, which was settled by way of offsetting its then outstanding amount due from the controlling shareholder.

INFORMATION ON EMPLOYEES

As at 31 December 2017, the Group had approximately 600 employees (2016: approximately 617 employees) working in Hong Kong, Macau and Shanghai. Employees are remunerated based on their qualifications, position and performance. The remuneration offered to employees generally includes salaries, allowances and discretionary bonus. Various kind of trainings were provided to the employees. The total staff costs (including remuneration of Directors and mandatory provident funds contributions) for the year ended 31 December 2017 and 2016 amounted to approximately HK$131.4 million and HK$123.0 million respectively.

SHARE OPTIONS

Details of the Company's share option schemes is set out on page 32 of this annual report.

PRINCIPAL RISKS AND UNCERTAINTIES

Credit Risk

The Group trades only with recognised and creditworthy third parties. It is the Group's policy that only well-established customers will be considered for open account terms and the approval of credit terms is subject to stringent credit check procedures. In addition, receivable balances are monitored on an ongoing basis and the Group's exposure to bad debts is not significant.

Interest Rate Risk

The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's short term and long term debt obligations with floating interest rates. The Group's policy is to manage its interest cost using variable rate debts, which is regularly reviewed by senior management.

Liquidity Risk

The Group monitors its risk to a shortage of funds using a recurring liquidity planning tool. This tool considers the maturity of both its financial instruments and financial assets and projected cash flows from operations. The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank loans and funds generated from operations.

Management Discussion and Analysis

ENVIRONMENTAL POLICIES AND PERFORMANCE

The Group has implemented a wide variety of green measures, including the responsible use of resources, an energy saving program, waste management and reduction in carbon emissions to alleviate the intensity of environmental impact to the community. Environmental considerations are always an integral part of the Group's decision-making process and it believes that by focusing on reducing resource consumption during its operations and engaging the community in its work, it can act as one of the catalysts for a sustainable future. To help conserve the environment, the Group implements green practices such as reusing and recycling papers, separating paper waste from other waste for easier collection, recycling paper waste instead of disposing them directly, reducing energy consumption by replacing the majority of the lighting system with LED lights and switching off air conditioning and electrical appliances upon used. The Group's operations has complied in all material respects with currently applicable local environmental protection laws and regulations in Hong Kong during the year.

A separate report on environmental, social and governance matters will be published within three months after the publication of this annual report.

COMPLIANCE WITH THE RELEVANT LAWS AND REGULATIONS

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

RELATIONSHIP WITH SUPPLIERS, CUSTOMERS AND OTHER STAKEHOLDERS

The Group understands the importance of maintaining a good relationship with its suppliers, customers and other stakeholders in order to meet its immediate and long-term goals. During the year under review, there was no material or significant dispute between the Group and its suppliers, customers and/other stakeholders.

EVENTS AFTER THE REPORTING PERIOD

Listing on the GEM of Stock Exchange

The shares of the Company were listed on the GEM on 16 January 2018 through the share offer of 360,000,000 shares at a price of HK$0.21 per share.

Biographical Details of Directors and Senior Management

EXECUTIVE DIRECTORS

Ms. Lee Ching Nung Angel (李靜濃) ("Ms. Lee"), aged 35, is the chairman of the Board and the executive Director of the Company. Ms. Lee is responsible for the overall strategic management and development of the Group's business operations. Ms. Lee was appointed as the executive Director and the chairman of the Board on 14 March 2017.

Ms. Lee has over 14 years of experience in the full-service restaurant industry. Ms. Lee first joined the Group as director of King Harbour Limited in August 2006 and has since been responsible for the supervision of business operation, human resources and all administrative functions of the Group. Prior to joining the Group, she worked in various well-known restaurant chains from 2002, including Lei Garden Restaurant Group, King of the King Group and Tao Yuen Restaurant and was mainly responsible for public relations and hall operations, during which Ms. Lee gained substantial experience and knowledge about the industry and established close relationships with customers. Ms. Lee is a director of All Best Harvest Limited, Dragon King Restaurant Group Limited, Dragon Seal Restaurant Limited, Gold Profit Trading Limited, King Harbour Limited, Mass Effort Limited, Premier Oriental Limited and Prominent Voice Limited.

Ms. Lee is the spouse of Mr. Wong Wing Chee.

Mr. Wong Wing Chee (黃永幟) ("Mr. Wong WC"), aged 58, is the Chief Executive Officer (the "**Chief Executive Officer**") and the executive Director of the Company. Mr. Wong WC is responsible for the overseeing the Group's operation, business development, finance and administration.

Mr. Wong WC was appointed as the Director on 8 August 2016 and was re-designated to be the executive Director and the Chief Executive Officer on 14 March 2017, respectively. Mr. Wong WC has over 38 years of experience in the full-service restaurant industry. He started his career as a chef at Tsui Hang Village Restaurant in 1978. He then joined Lei Garden Restaurant Group in 1982 and was promoted to head chef in 1985. From 1987 to 1992, Mr. Wong WC worked as a chef in various prestigious restaurants in Australia. During such period, he gathered extensive knowledge of the industry and learnt new cooking techniques which inspired him to create new style of gourmet dishes. In 1992, Mr. Wong WC returned to Hong Kong and worked as executive chef in Lei Garden Restaurant Group and helped expand its business from Hong Kong to Guangzhou and Singapore. In 2004, Mr. Wong WC first operated the Group's first restaurant, the Yau Ma Tei Restaurant, under the brand "Dragon King (龍皇)" with Mr. Wong Wing Hong. From 2007 to 2011, Mr. Wong WC was also the host of several TV programmes in Hong Kong. Save for Dragon Seal Food & Beverage Management (Shanghai) Limited (龍璽餐飲管理(上海)有限公司) ("**Dragon Seal Shanghai**"), Mr. Wong WC is a director of all subsidiaries of the Group.

Biographical Details of Directors and Senior Management

Since 2003 Mr. Wong WC has received various awards, including:

Year of award	Awards	Awarding body
2003	Chinese Cooking Master (中國烹飪大師)	China Hospitality Association (中國飯店協會)
2005	Hong Kong, Guangdong and Macau Top Ten Chefs 2004－Gold Award (2004年度粵港澳餐飲業十佳名廚金獎)	Editorial Board of the Hong Kong, Guangdong and Macau Chefs Ceremony (粵港澳名廚大典編緝委員會)
	Platinum Award (五星鑽石優異之星)	Les Amis d'Escoffier' Society, Inc. (法國國際廚皇美食會)
	Hong Kong Top Ten Chefs (香港十佳名廚)	China Hospitality Association (中國飯店協會)
2006	"Top Ten Super Star" for 2006 China Hotel Master Chefs in YueGang-Ao Area (2006中國飯店業廚藝大師－十佳優異之星(粵港澳地區))	China Hospitality Association (中國飯店協會)
2010	Asian Cuisine Open Competition－Bronze medal (亞洲美饌大師－銅獎)	Asian Cuisine Open Competition of the Asian Games (亞洲美饌大師迎亞運公開賽)
	Australian Chinese Best Chef (澳華食神)	The Australian Chinese Association of Hong Kong (香港澳洲華人協會)
2010-2011	Top Ten Chefs China (中國十大名廚)	Organising Committee of Annual Meeting of the China Hotel Industry (中國飯店業年會組織委員會)
2011	Best Chef of Canton, Hong Kong and Macau (粵港澳食神)	Guangdong, Hong Kong and Macao Gourmet New Force Organising Committee (粵港澳美食新勢力推選行動組委會)

Mr. Wong WC was previously admitted to membership of the following organisation:

Year of admission	Membership title	Name of organisation
2003	China A.S.B.F.S Professional Committee Executive Member (全國鮑翅燕肚參專家委員會執行委員)	China Hotel Association and China A.S.B.F.S Professional Committee (中國飯店協會及全國鮑翅燕肚參專家委員會)
	Maitre Rotisseur	Chaine Des Rotisseurs (法國國際美食協會)
2005	Honourable Advisor	The World Royal Chef Yeung Koon Yat Master Fund (世界御廚楊貫一大師基金)
	Committee Member of International Cate Appraising 2005 (2005國際美食評委)	International Hotel & Restaurant Association and China Hospitality Association (國際飯店與餐館協會及中國飯店協會)
	Honourable Chairman	Les Amis d'Escoffier Society, Inc. (法國國際廚皇美食會)
2006	Honourable Chairman	Chinese Transworld Gourmet Association (中華國際美饌交流協會)
	Committee Member of the 2nd Congress of the China Cuisine Association Professional Committee of Chefs (中國烹飪協會名廚專業委員會第二屆代表大會—委員)	China Cuisine Association Professional Committee of Chefs (中國烹飪協會名廚專業委員會)
2007	Vice Chairman	Association of Restaurant Managers (現代管理(飲食)專業協會)

Biographical Details of Directors and Senior Management

Year of admission	Membership title	Name of organisation
2008	Director	Association of Industries and Commerce of Yaumatei Tsimshatsui Mongkok (油尖旺工商聯會)
2013	South Australia Premium Food and Wine from our Clean Environment Ambassador (南澳洲純淨無污染美酒與美食的名譽大使)	Government of South Australia (南澳洲政府)
	Chairman	Association of Restaurant Managers (現代管理(飲食)專業協會)
2015	Honourable Chairman	The World Master Chefs Association for Cantonese Cuisine (世界粵菜廚皇協會)

Mr. Wong WC is the spouse of Ms. Lee, brother of Mr. Wong Wing Hong and Ms. Wong Sau Yee.

Mr. Wong Wing Hong (黃永康) ("Mr. Wong WH"), aged 53, is the executive Director of the Company. Mr. Wong WH is responsible for the overall corporate strategic development of the Group's business operations. Mr. Wong WH was appointed as the executive Director on 14 March 2017.

Mr. Wong WH has over 31 years of experience in food and beverage industry. Mr. Wong WH joined the Group as a director in 2004. From 1985 to 1991, Mr. Wong WH had worked as an apprentice chef in various Chinese and western restaurants in Shenzhen where he gathered basic cooking techniques. From 1991 to 1994, Mr. Wong WH had worked at Lei Garden Restaurant Group as a chef and later returned to Shenzhen from 1994 working as a head chef in a seafood restaurant until he joined the Group in November 2004. Mr. Wong WH is also a director of Dragon Lake Limited and Wealth Club Limited.

Mr. Wong WH is the brother of Mr. Wong WC and Ms. Wong Sau Yee.

Biographical Details of Directors and Senior Management

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Kwong Ping Man (鄺炳文) ("Mr. Kwong"), aged 53, was appointed as the independent non-executive Director on 15 December 2017. Mr. Kwong possesses over 24 years of experience in accounting and administration. He is currently the managing director of O'park Corporate Services Limited, a company primarily engaged in corporate advisory and company secretarial services.

Mr. Kwong's primary working experience also includes

Name of organisation	Principal business activity for the relevant period	Position	Period of service
China Agroforestry LowCarbon Holdings Limited (formerly known as "Jiangchen International Holdings Limited") (a company listed on the Main Board (stock code: 1069))	Manufacture and wholesale of original equipment manufacture of branded products and operations and management of forestry	Company secretary	September 2009 - June 2013
Karce International Holdings Company Limited (currently known as "Starlight Culture Entertainment Group Limited") (a company listed on the Main Board (stock code: 1159))	Conductive silicon rubber keypads, electronic products and printed circuit boards	Financial controller and company secretary	June 2008 - January 2009
Polyard Petroleum International Group (formerly known as "Kanstar Environmental Paper Products Holdings Limited") (a company listed on the GEM (stock code: 8011))	Development, manufacture and sale of pulp and paper products	Qualified accountant and company secretary	March 2006 - July 2007
Sinobest Technology Holdings Limited	Provision of computer and network system integration services, and application software development	Chief financial officer	September 2000 - April 2003
The World Enterprise Holdings Limited	Manufacture and sale of jewellery, optical and fashion products	Part-time Accountant/ Accountant	February 1997 - November 1998
Utilux (Asia) Limited	Manufacture of and trade in electronic connector	Accountant	October 1992 - November 1994

Biographical Details of Directors and Senior Management

Mr. Kwong graduated from the Curtin University of Technology in Australia with a Bachelor of Commerce in Accounting in August 1996. He obtained a Postgraduate Diploma in Corporate Administration and a Master of Professional Accounting from the Hong Kong Polytechnic University in November 1998 and November 2003, respectively. He is also a certified practising accountant of the Australian Society of Certified Practising Accountants, a fellow member of the Hong Kong Institute of Certified Public Accountants, and an associate member of each of the Hong Kong Institute of Company Secretaries and the Institute of Chartered Secretaries and Administrators. Mr. Kwong is currently the independent non-executive director of Royal Deluxe Holdings Limited (stock code: 3789), Group Sense (International) Limited (stock code: 601), Tang Palace (China) Holdings Limited (stock code: 1181) and Century Sunshine Group Holdings Limited (stock code: 509).

Mr. Lin Zhisheng (林智生) ("Mr. Lin"), aged 55, was appointed as the independent non-executive Director on 15 December 2017.

Mr. Lin had worked as a deputy program director of the Executive Master of Business Administration program for the School of Business and Management of Hong Kong University of Science and Technology from January 2002 to July 2009. From September 2011 to September 2013, Mr. Lin was appointed as the consultant of Hong Kong branch of the International Finance Forum. He had been serving as the chief executive officer (executive) of Asia United Broadcasting Limited from October 2014 to October 2017. Mr. Lin has also been the legal representative of A R Evans Technology Partners (Hong Kong) Limited and Beijing Blue Era International Technology Development Company Limited (北京藍思時代國際科技發展有限公司) since May 2016 and October 2016, respectively. He is currently serving as the general manager of Tian Hua Hua Wen (HK) Motion Picture Investment Limited and the director of Multi Vision Media (Hong Kong) Co., Limited.

Mr. Lin was a member of the Advisory Committee for School of Professional Education and Executive Development of The Hong Kong Polytechnic University from 2006 to 2008 and a member of the Advisory Committee for the College of Professional and Continuing Education from November 2012 to October 2016, respectively. In July 2011, Mr. Lin was awarded a diploma of membership from Les Amis d'Escoffier Society. In April 2015, Mr. Lin became the honorary president of China Star Light Charity Fund Association.

Mr. Lin completed a postgraduate course of Litigation Law at the China University of Political Science and Law in December 2011. He also obtained a degree of Doctor of Business Administration from Victoria University in November 2012 and a Master Degree of European and Law through distance learning from University of Hamburg, Germany in July 2014.

Biographical Details of Directors and Senior Management

Mr. Chang Cheuk Cheung Terence (張灼祥) ("Mr. Chang"), aged 70, was appointed as the independent non-executive Director on 15 December 2017. Mr. Chang has over 27 years of experience in education. Mr. Chang's primary working experience is set out below:

Name of organisation	Principal business activity	Position	Period of service
Jockey Club Ti-I College	N/A	Principal I	January 1989 to August 2000
Diocesan Boys' School	N/A	Headmaster	September 2000 to August 2012
SIU Group Limited	International trading services including product design and development, quality controls from raw materials sourcing to finished goods, and total logistics solutions	Director	September 2012 to October 2014
Glory Wisdom International Limited	Provision of marketing consultant services and the preparation of articles for newspaper agencies	Director	November 2012 to present
St. Hilary's Kindergarten	N/A	Supervisor	November 2015 to present

Mr. Chang graduated from The University of Hong Kong with a Bachelor degree in Arts in November 1970. He obtained a Postgraduate Diploma in Education from The Chinese University of Hong Kong and a Master of Education from Harvard University in December 1976 and June 1981, respectively. Mr. Chang is currently the independent non-executive director of Speedy Global Holdings Limited (stock code: 540).

SENIOR MANAGEMENT

Mr. Leung Woon Hing (梁煥興) ("Mr. Leung"), aged 49, is the executive chef of the Group. Mr. Leung joined the Group as the chief chef in September 2005 and was promoted to executive chef in November 2008. Mr. Leung is primarily responsible for overseeing the kitchen operations, food quality control and developing new dishes. Mr. Leung has over 29 years of experience in working as a chef in Chinese restaurants. He entered the Chinese restaurant industry as a chef in a vegetarian restaurant in 1987. He joined the Lei Garden Restaurant Group in March 1988 and later was invited to Taiwan to promote the Cantonese seafood cuisine in 1991. In October 1993, Mr. Leung re-joined the Lei Garden Restaurant Group and advanced his knowledge in Cantonese cuisine. With his previous experience, Mr. Leung has extensive knowledge in kitchen operations, and food quality control.

Biographical Details of Directors and Senior Management

Mr. Ng Yick Kit（吳翼傑）("Mr. Ng"), aged 65, is the chief operating officer of the Group. Mr. Ng joined the Group as chief operating officer on 1 June 2016. Mr. Ng is primarily responsible for overseeing the operations of the restaurants. Mr. Ng started his career by working as a supervisor from September 1971 to May 1983 in a restaurant of the Maxim's Group with his last position held as manager. He then worked as a manager in Kin Shing Restaurant（堅城酒樓）from October 1983 to March 1987. From March 1987 to May 1992, he joined the Lei Garden Restaurant Group with his last position held as manager. He worked for the Lei Garden Restaurant Group in Singapore from June 1992 to November 2005.

Mr. Ng joined the Group as chief operating officer in January 2008 and left his position in February 2012. He later worked in Prosperous Tang F&B Group Limited, a subsidiary of Tang Palace (China) Holdings Limited, from March 2012 to May 2016 with his last position held as vice president, operations. Mr. Ng re-joined the Group as Chief Operating Officer in June 2016.

Mr. Ng completed a course related to beverages and bartender in International Hotel Services Training Centre（國際酒店服務訓練中心）in August 1971 and obtained a certificate in Food and Beverage Management and Service at The Educational Institute of American Hotel & Motel Association in March 1983.

Ms. Wan Pik Yuk Janet（溫碧玉）("Ms. Wan"), aged 56, is the chief administrative officer of the Group. Ms. Wan joined the Group as general manager in October 2009 and was promoted to chief administrative officer of the Group in January 2014. Ms. Wan is primarily responsible for overseeing the human resources, financial control, purchasing, marketing and promotion, opening for new restaurants and administration of the Group.

Ms. Wan completed her secondary education in Delia Memorial School in July 1981 and obtained a Certificate in Business Studies 1 from Caritas Bianchi College of Careers in October 1982. In June 1990, she obtained a Certificate in Purchasing and Supply from the Vocational Training Council. She then received a Food Safety Management Internal Auditor Certificate from Hong Kong 5-S Association in November 2009. In August 2013, Ms. Wan completed a course on Food Hygiene Manager Training organised by The Hong Kong Polytechnic University. In August 2013 and March 2014, Ms. Wan obtained Level 2 Award in Food Safety in Catering and Level 3 Award in HACCP for Food Manufacturing, respectively, from the Chartered Institute of Environment Health. In December 2013 and July 2015, Ms. Wan obtained a Certificate in Employment Ordinance and a Certificate in Human Resources Management, respectively, from the Hong Kong Management Association.

Biographical Details of Directors and Senior Management

Ms. Wan's primary working experience also includes:

Name of organisation	**Principal business activity**	**Position**	**Period of service**
Great Time Hotel Supplies Ltd	Trading in hotel supplies	Deputy General Manager	April 1996 - May 2009
Hagemeyer (Hong Kong) Limited	Trading consumer products in worldwide brand	Secretary	July 1995 - April 1996
GTM-Wan-Hin-CFE Joint Venture	Civil engineering	Secretary	March 1995 - July 1995
Power Chain Destination Management Inc. (Taiwan)	Function and event	Manager (International Conference Department)	April 1993 - March 1994
Hagemeyer (Hong Kong) Limited	Trading consumer products in worldwide brand	Secretary/Sales Coordinator (Hotel & Restaurant Supplies Department)	May 1987 - March 1993
General Traders & Manufacturing Co.	Hotel supplies	Purchasing & Supply officer	April 1986 - May 1987
Park Lane Hotel	Accommodation service	Purchasing Clerk & Purchasing Assistant	September 1982 - February 1986

Biographical Details of Directors and Senior Management

Ms. Wong Sau Yee (黃秀儀) ("Ms. Wong"), aged 47, is the general manager of the Group. Ms. Wong joined the Group as office manager in August 2007. Ms. Wong is primarily responsible for the management and administrative of the Shanghai restaurant. Ms. Wong joined Lei Garden Restaurant Group as an administrative officer from March 1991 to March 1993, where she was responsible for monitoring costs and administrating work for Hong Kong region. From September 1994 to July 2007, Ms. Wong held various position at a number of restaurants of Lei Garden Restaurant Group in Guangzhou with her last position held as administrative manager in Guangzhou Lei Garden Restaurant.

Ms. Wong joined the Group as the office manager of Shanghai Region in August 2007. With her vast experience in the administration and management of Chinese restaurant in the PRC, she is responsible for both business and internal operations of the Shanghai Restaurant. She is currently the director and legal representative of Dragon Seal Shanghai, and the responsible person of Pudong branch of Dragon Seal Shanghai (龍璽餐飲管理(上海)有限公司浦東分公司) and Dragon Seal Food & Beverage Management (Shanghai) Limited Food Trading Branch (龍璽餐飲管理(上海)有限公司食品商貿分公司).

Ms. Wong completed a three-year computer course at Shenzhen City Electronic Technology School in June 1989 and obtained a Certificate in Labour Law in the Mainland from The Hong Kong Management Association in April 2011.

Ms. Wong is the sister of Mr. Wong WC and Mr. Wong WH. Ms. Wong is the executive director and the legal representative of Dragon Seal Shanghai.

Mr. Chan Ka Nam (陳迦南) ("Mr. Chan"), aged 34, is the financial controller and company secretary of the Group. Mr. Chan joined the Group in July 2016 as the financial controller and was appointed as company secretary on 14 March 2017. Mr. Chan is primarily responsible for overseeing financial reporting, financial planning, financial control and company secretarial matters of the Group. Mr. Chan has over 9 years of experience in accounting and financial reporting. Prior to joining the Group, Mr. Chan worked for Grant Thornton (later known as JBPB & Company) from September 2007 to December 2010 and his last position was senior accountant. Mr. Chan then worked for BDO Limited from January 2011 to April 2016 with his last position as manager. Mr. Chan obtained a Bachelor of Commerce degree in Accountancy from the Hong Kong Baptist University in November 2007. Mr. Chan has been a member of the Hong Kong Institute of Certified Public Accountants since May 2013.

Corporate Governance Report

INTRODUCTION

The Group is committed to achieving and maintaining high standard of corporate governance, as the Board believes that good and effective corporate governance practices are key to obtaining and maintaining the trust of the shareholders of the Company and other stakeholders, and are essential for encouraging accountability and transparency so as to sustain the success of the Group and to create long-term value for the shareholders of the Company.

CORPORATE GOVERNANCE PRACTICE

The Company has applied the principles and code provisions in the Corporate Governance Code and Corporate Governance Report (the "**CG Code**") as set out in Appendix 15 of the GEM Listing Rules. In the opinion of the Board, the Company has complied with the CG Code since 16 January 2018 up to the date of this annual report.

DIRECTORS' SECURITIES TRANSACTIONS

The Company adopted the required standard of dealings set out in Rules 5.48 to 5.67 of the GEM Listing Rules as the code of conduct regarding Directors' securities transactions in securities of the Company (the "**Required Standard of Dealings**"). Based on specific enquiry with the Directors, all Directors confirmed that they had fully complied with the Required Standard of Dealings and there was no event of non-compliance from the Listing Date up to the date of this annual report.

DIRECTORS' RESPONSIBILITIES

The Board takes the responsibility to oversee all major matters of the Company, including but not limited to formulating and approving the overall strategies and business performance of the Company, monitoring the financial performance and internal control as well as overseeing the risk management system of the Company and monitoring the performance of senior executives. The Board is also responsible for performing the corporate governance duties including the development and reviewing the Company's policies and practices on corporate governance.

Liability insurance for Directors and senior management officers of the Company was maintained by the Company with coverage for any legal liabilities which may arise in the course of performing their duties.

Corporate Governance Report

DELEGATION BY THE BOARD

Daily operation and managing of the business of the Group, inter alia, the implementation of strategies are delegated to the executive Directors along with other senior executives. Executions of operational matters and the powers thereof are delegated to the management by the Board with clear directions. They report periodically their work and business decisions to the Board.

Board Composition

The composition of the Board as at this annual report is set out as follows:

Executive Directors

Ms. Lee Ching Nung Angel (Chairman)	(Appointed on 14 March 2017)
Mr. Wong Wing Chee (Chief Executive Officer)*Note 1*	(Appointed on 8 August 2016)
Mr. Wong Wing Hong	(Appointed on 14 March 2017)

Independent Non-executive Directors

Mr. Kwong Ping Man	(Appointed on 15 December 2017)
Mr. Lin Zhisheng	(Appointed on 15 December 2017)
Mr. Chang Cheuk Cheung Terence	(Appointed on 15 December 2017)

Biographical details of the Directors are set out in “Biographical Details of the Directors and Senior Management” on pages 13 to 22 of this annual report.

The proportion of which is higher than what is required by Rule 5.05A, 5.05(1) and (2) of the GEM Listing Rules whereby independent non-executive directors of a listed issuer represent at least one-third of the Board. The three independent non-executive directors represent more than one-third of the Board and at least one of whom has appropriate professional qualifications, or accounting or related financial management expertise. With the various experience of both the executive Directors and the independent non-executive Directors and the nature of the Group’s business, the Board considered that the Directors have a balance of skills and experience for the business of the Group.

Note 1: Mr. Wong WC was appointed as a Director on 8 August 2016 and was re-designated to be the executive Director and the Chief Executive Officer on 14 March 2017.

Corporate Governance Report

INDEPENDENT NON-EXECUTIVE DIRECTORS

The independent non-executive Directors play a significant role on the Board as they bring an impartial view on the Company's strategies, performance and control, as well as ensure that the interests of all shareholders are taken into account. All independent non-executive Directors possess appropriate academic, professional qualifications or related financial management experience. None of the independent non-executive Directors held any other offices in the Company or any of its subsidiaries or is interested in any shares of the Company.

The Company has received from each independent non-executive Director an annual confirmation of his independence, and the Company considers such Directors to be independent in accordance with the criteria set out in rule 5.09 of the GEM Listing Rules.

APPOINTMENT AND RE-ELECTION OF DIRECTORS

Each executive Director has entered into a service contract with the Company on 14 March 2017 and each independent non-executive Director has entered into a service contract on 15 December 2017. The service contracts with the executive Directors and the letters of appointment with the independent non-executive Directors are for an initial term of three years. The service contracts and letters of appointment are subject to termination in accordance with their respective terms. The service contracts may be renewed in accordance with the articles of association of the Company and the applicable GEM Listing Rules.

According to Article 108 of the Company's articles of association, one-third of the Directors for the time being shall retire from office by rotation at every annual general meeting of the Company, provided that every Director shall retire from office by rotation and are subject to re-election at annual general meeting at least once every three years. Article 112 of the articles of association of the Company provides that any Directors who are appointed to fill casual vacancies shall hold office only until the next following general meeting after their appointment, and are subject to re-election by shareholders of the Company.

Each of Ms. Lee, Mr. Wong WC, Mr. Wong WH, Mr. Kwong, Mr. Lin and Mr. Chang will retire from office as Directors at the forthcoming annual general meeting of the Company to be held on 7 May 2018. Each of them will offer themselves for re-election.

At the forthcoming annual general meeting of the Company, separate ordinary resolutions will be put forward to the shareholders of the Company in relation to proposed re-election of Ms. Lee, Mr. Wong WC and Mr. Wong WH as executive Directors, Mr. Kwong, Mr. Lin and Mr. Chang as independent non-executive Directors.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

The roles of Chairman and Chief Executive Officer are separate and not performed by the same individual in order to balance the distribution of power. Ms. Lee was the chairman of the Board throughout the year. Mr. Wong WC is the Chief Executive Officer.

DIRECTORS' TRAINING AND PROFESSIONAL DEVELOPMENT

The Group acknowledges the importance of adequate and ample continuing professional development for the Directors for a sound and effective internal control system and corporate governance. In this regard, the Group has always encouraged the Directors to attend relevant training courses to receive the latest news and knowledge regarding corporate governance.

During the year ended 31 December 2017, the Company has provided and all Directors have attended at least one training course on the updates of the GEM Listing Rules concerning good corporate governance practices. The Company will, if necessary, provide timely and regular trainings to the Directors to ensure that they keep abreast with the current requirements under the GEM Listing Rules.

BOARD COMMITTEES

The Board has established the Board committees, namely, the Remuneration Committee, the Nomination Committee and the Audit Committee, for overseeing particular aspects of the Company's affairs. All Board committees have been established with defined written terms of reference, which are posted on the Stock Exchange's website www.hkexnews.hk and the Company's website at www.dragonkinggroup.com. All the Board committees should report to the Board on their decisions or recommendations made.

The practices, procedures and arrangements in conducting meetings of Board committees follow in line with, so far as practicable, those of the Board meetings set out above.

All Board committees are provided with sufficient resources to perform their duties and, upon reasonable request, are able to seek independent professional advice in appropriate circumstance, at the Company's expense.

The Board is responsible for performing the corporate governance duties set out in the CG Code which include developing and reviewing the Company's policies and practices on corporate governance, training and continuous professional development of Directors, and reviewing the Company's compliance with the code provision in the CG Code and disclosures in the annual report.

REMUNERATION COMMITTEE

The remuneration committee of the Company (the "**Remuneration Committee**") was established on 15 December 2017. The chairman of the Remuneration Committee is Mr. Lin, the independent non-executive Director, and other members included Mr. Wong WC, the executive Director, Mr. Kwong and Mr. Chang, the independent non-executive Directors. The written terms of reference of the Remuneration Committee are posted on the Stock Exchange's website and the Company's website.

The Remuneration Committee has been charged with the responsibility of making recommendations to the Board on the appropriate policy and structures for all aspects of Directors' and senior management's remuneration. The Remuneration Committee considers factors such as salaries paid by comparable companies, time commitment and responsibilities of the Directors, employment conditions elsewhere in the Group and desirability of performance-based remuneration. The Remuneration Committee has reviewed the remuneration packages and emoluments of Directors and senior management and considered that they are fair and reasonable during the year ended 31 December 2017.

NOMINATION COMMITTEE

The nomination committee of the Company (the "**Nomination Committee**") was established on 15 December 2017. The chairman of the Nomination Committee is Mr. Wong WC, the executive Director, and other members include Mr. Kwong, Mr. Lin and Mr. Chang, the independent non-executive Directors. The written terms of reference of the Nomination Committee are posted on the Stock Exchange's website and on the Company's website.

The primary duties of the Nomination Committee are to review and assess the composition of the Board and the independence of the independent non-executive Directors and make recommendations to the Board on appointment of new Directors of the Company. In recommending candidates for appointment to the Board, the Nomination Committee considers candidates on merit against an objective criteria and with due regards to the benefits of diversity on the Board.

In designing the Board's composition, the Board diversity is considered from a number of perspectives, including but not limited to gender, age, cultural and educational background, industry experience, technical and professional skills and/or qualifications, knowledge, length of services and time to be devoted as a director. The Company will also take into account factors relating to its own business model and specific needs from time to time. The ultimate decision is based on merit and contribution that the selected candidates will bring to the Board.

AUDIT COMMITTEE

The audit committee of the Company (the "**Audit Committee**") was established on 15 December 2017. The chairman of the Audit Committee is Mr. Kwong, the independent non-executive Director, and other members included Mr. Lin and Mr. Chang, the independent non-executive Directors. The written terms of reference of the Audit Committee are posted on the Stock Exchange website and on the Company's website.

The primary duties of the Audit Committee are mainly to review the financial information and reporting process, internal control procedures and risk management system, audit plan and relationship with external auditors and arrangements to enable employees of the Company to raise, in confidence, concerns about possible improprieties in financial reporting, internal control or other matters of the Company.

The Company has complied with Rule 5.28 of the GEM Listing Rules in that at least one of the members of the Audit Committee (which must comprise a minimum of three members and must be chaired by an independent non-executive Director) is an independent non-executive Director who possesses appropriate professional qualifications or accounting related financial management expertise.

The Group's consolidated financial statements for the year ended 31 December 2017 have been reviewed by the Audit Committee. The Audit Committee is of the opinion that the consolidated financial statements of the Group for the year ended 31 December 2017 comply with applicable accounting standards, GEM Listing Rules and that adequate disclosures have been made.

ATTENDANCE RECORDS OF MEETINGS

The Board meet regularly for considering, reviewing and/or approving matters relating to, among others, the financial and operating performance, as well as, the overall strategies and policies of the Company. Additional meetings are held when significant events or important issues are required to be discussed and resolved.

For the year ended 31 December 2017, no general meeting, Board meeting, Audit Committee meeting, Remuneration Committee meeting and Nomination Committee meeting was held, as the Company was newly listed on 16 January 2018.

COMPANY SECRETARY

The company secretary of the Company (the "**Company Secretary**") assists the Board by ensuring the Board policy and procedures are followed. The Company Secretary is also responsible for advising the Board on corporate governance matters.

The Company has appointed Mr. Chan Ka Nam as the Company Secretary.

For the year ended 31 December 2017, Mr. Chan undertook no less than 15 hours of relevant professional training to develop his skills and knowledge. The biographical details of Mr. Chan is set out in the section headed "Biographical Details of the Directors and Senior Management" of this annual report.

AUDITOR'S REMUNERATION

The fees in respect of audit and non-audit services provided to the Company and its subsidiaries by the external auditor of the Company for current year are set out below:

	HK$'000
Audit services	1,150
Non-audit services	
Services provided in connection with initial public offering of the Company	2,450
Tax services	233
Total	3,833

SHAREHOLDERS' RIGHT

One of the measures to safeguard the shareholders' interest and rights is to separate resolutions proposed at the shareholders' meetings on each substantial issue, including the election of individual Directors, for shareholders' consideration and voting. All resolutions put forward at the shareholders' meetings will be voted by poll pursuant to the GEM Listing Rules and the poll voting results will be posted on the Stock Exchange's website and the Company's website after the relevant shareholders' meeting.

Extraordinary general meeting may be convened by the Board on requisition of shareholders holding not less than one-tenth of the paid up capital of the Company or by such shareholders who made the requisition (the "**Requisitionists**") pursuant to Article 64 of the articles of association of the Company. Such requisition must state the object of business to be transacted at the meeting and must be signed by the Requisitionists and deposited at the registered office of the Company or the Company's principal place of business in Hong Kong. Shareholders should follow the requirements and procedures as set out in such Articles for convening an extraordinary general meeting. Shareholders may put forward proposals at general meetings by sending the same to the Company at the principal office of the Company in Hong Kong.

Shareholders may send written enquiries or requests in respect of their rights to the Company's principal business address in Hong Kong.

RISK MANAGEMENT AND INTERNAL CONTROL

The Group maintains an effective internal control and risk management systems. It consists, in part, of organizational arrangements with defined lines of responsibility and delegation of authority, and comprehensive systems and control procedures in order to safeguard the investment of the Company's shareholders and the Group's assets at all times.

The Directors acknowledge that they have overall responsibility for overseeing the Company's internal control, financial control and risk management system and shall monitor its effectiveness on an ongoing basis. A review of the effectiveness of the risk management and internal control systems has been conducted by the Board at least annually.

Aimed at providing reasonable assurance against material errors, losses or fraud, the Company has established a risk management procedures which comprised the following steps:

– Identify risks: Identify major and significant risks that could affect the achievement of goals of the Group;

– Risk assessment: Assess and evaluate the identified risk according to its likely impact and the likelihood of occurrence;

– Risk mitigation: Develop effective control activities to mitigate the risks.

Risk identification and assessment is performed or updated annually, and the results of risk assessment, evaluation and mitigation of each functions or operation are documented in the Risk Registry to communicate to the Board and Management for reviews.

The Group's risk management and internal control systems are, however, designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss.

A review on the internal control systems of the Company, including financial, operational and compliance controls and risk management functions has been carried out by an independent consultancy company with staff in possession of relevant expertise to conduct an independent review.

The Audit Committee reviewed the internal control review report issued by the independent consultancy company and the Company's risk management and internal control systems in respect of the year ended 31 December 2017 and considered that they are effective and adequate. The Board assessed the effectiveness of internal control systems by considering the internal control review report and reviews performed by the Audit Committee and concurred the same.

The Group has yet to establish its internal audit function during the year ended 31 December 2017 as required under CG Code C.2.5. The Audit Committee and the Board, has considered the internal control review report prepared by an independent consultancy company and communications with the Company's external auditor in respect of any material control deficiencies identified during the course of the financial statement audit to form the basis to review the adequacy and effectiveness of the Group's risk management and internal control systems. The Audit Committee and the Board will continue to review the need for an internal audit function on an annual basis.

There is currently no internal audit function within the Group. The Directors have reviewed the need for an internal audit function and are of the view that in light of the size, nature and complexity of the business of the Group, it would be more cost effective to appoint external independent professionals to perform internal audit function for the Group in order to meet its needs. Nevertheless, the Directors will continue to review at least annually the need for an internal audit function.

COMMUNICATION WITH SHAREHOLDERS AND INVESTOR RELATIONS

The Company has a adopted shareholders communication policy with the objective of ensuring that the shareholders and potential investors are provided with ready, equal and timely access to balanced and understandable information about the Company.

The Company has established several channels to communicate with the shareholders as follows:

(i) Corporate communications such as annual reports, quarterly reports, interim reports and circulars are issued printed form and are available on the Stock Exchange's website www.hkexnews.hk and the Company's website www.dragonkinggroup.com;

(ii) Periodic announcements are made through the Stock Exchange and published on the respective websites of the Stock Exchange and the Company;

(iii) Corporate information is made available on the Company's website;

(iv) Annual and extraordinary general meetings provide a forum for the shareholders to make comments and exchange views with the Directors and senior management; and

(v) The Hong Kong share registrar of the Company serves the shareholders in respect of share registration, dividend payment and related matters.

The Company keeps on promoting investor relations and enhancing communication with the existing shareholders and potential investors. It welcomes suggestions from investors, stakeholders and the public. Enquiries to the Board or the Company may be sent by post to the Company's principal place of business in Hong Kong.

Since the Listing Date, there was no change to the Company's articles of association.

Directors' Report

The Directors present their report and the audited consolidated financial statements for the year ended 31 December 2017.

PRINCIPAL ACTIVITIES

The Company is an investment holding company, and its subsidiaries are principally engaged in the operation and management of restaurants. The Company is a Cantonese full-service restaurant group operating Cantonese cuisines restaurants under four brands. Details of the principal activities of the subsidiaries of the Company are set out in Note 1 to the consolidated financial statements.

There were no significant changes in the nature of the Group's principal activities during the year.

FINANCIAL SUMMARY

A summary of the results and assets and liabilities of the Group for the past three financial years is set out on page 114 of the annual report.

CORPORATE REORGANISATION

The Company was incorporated in the Cayman Islands on 8 August 2016 as an exempted company with limited liability under the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised), of the Cayman Islands. In preparation of the Listing, the companies now comprising the Group underwent the corporate reorganisation (the "**Reorganisation**") pursuant to which the Company became the holding company of the Group on 15 December 2017. For details of the Reorganisation, please refer to the paragraph headed "History, Development and Reorganisation" in the Prospectus.

The Company's shares have been listed on the Stock Exchange since 16 January 2018.

RESULTS AND DIVIDENDS

The results of the Group for the year ended 31 December 2017 and the financial position of the Company and of the Group at that date are set out in the consolidated financial statements on pages 47 to 113 of this annual report. The Board does not recommend the payment of a final dividend for the year ended 31 December 2017.

CLOSURE OF THE REGISTER OF MEMBERS

The forthcoming annual general meeting is scheduled to be held on 7 May 2018 (the "**2018 AGM**"). For determining the entitlement to attend and vote at the 2018 AGM, the register of members of the Company will be closed from 2 May 2018 to 7 May 2018, both days inclusive, during which period no transfer of shares of the Company will be registered. In order to attend and vote at the 2018 AGM, all share transfer documents accompanied by the relevant share certificates must be lodged with the share registrar of the Company in Hong Kong, Tricor Investor Services limited, Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on 30 April 2018.

Directors' Report

BUSINESS REVIEW

The review of the business of the Group during the year and the discussion on the Group's future business development are set out in the sections headed "Chairman's Statement" and "Management Discussion and Analysis", and the description of the principal risks and uncertainties facing the Group and key financial performance indicators are set out in the section headed "Management Discussion and Analysis". The financial risk management objectives and policies of the Group are set out in note 33 to the consolidated financial statements. No important event affecting the Group has occurred since the Listing Date (i.e. 16 January 2018) up to the date of this annual report.

SHARE CAPITAL

Details of the Company's share capital is set out in note 25 to the consolidated financial statements.

SHARE OPTION SCHEME

The purpose of the Share Option Scheme is to enable the Company to grant options to selected participants as incentives or rewards for their contribution to the Group. The Directors consider the Share Option Scheme, with its broadened basis of participation, will enable the Group to reward the employees of the Company, the Directors and other selected participants for their contributions to the Group. The Company has conditionally adopted the Share Option Scheme on 15 December 2017. Further details of the Share Option Scheme are set in the section headed "Statutory and General Information – E. Share option scheme" in Appendix V of the Prospectus.

For the year ended 31 December 2017, no share option was granted, exercised, expired or lapsed and there is no outstanding share option under the Share Option Scheme.

RESERVES

Details of movements in the reserves of the Company and the Group are set out in note 26 to the consolidated financial statements and in the consolidated statement of changes in equity respectively.

Directors' Report

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's articles of association or the laws of Cayman Islands which would oblige the Company to offer new shares on a pro rata basis to existing shareholders.

RELATED PARTY TRANSACTIONS AND CONNECTED TRANSACTIONS

Details of the significant related party transactions entered by the Group during the year ended 31 December 2017 are set out in note 30 to the consolidated financial statements. To the best knowledge of the Directors, none of these related party transactions constitute connected transactions that need to be disclosed under the GEM Listing Rules.

DISTRIBUTABLE RESERVES

As at 31 December 2017, the Company's reserves available for distribution to owners comprising share premium account less accumulated losses, amounted to approximately HK$26.4 million.

MAJOR CUSTOMERS AND SUPPLIERS

Due to the nature of the Group's business, its customers are mainly walk-in customers from the general public. As such, the Directors consider that it is not practicable to identify the five largest customers of the Group, and the Group did not rely on any single customers.

The aggregate amount of purchases attributable to the Group's five largest suppliers accounted for less than 30.0% of the Group's total purchases.

None of the Directors or any of their close associates or shareholders (which, to the best knowledge of the Directors, own more than 5% of the Company's issued share capital) has any beneficial interest in the Group's fiver largest customers or suppliers.

Directors' Report

DIRECTORS

The Directors during the year and up to the date of this annual report were as follows:

Executive Directors

Ms. Lee Ching Nung Angel *(Chairman)*	(Appointed on 14 March 2017)
Mr. Wong Wing Chee [Note 1] *(Chief Executive Officer)*	(Appointed on 8 August 2016)
Mr. Wong Wing Hong	(Appointed on 14 March 2017)

Independent Non-executive Directors

Mr. Kwong Ping Man	(Appointed on 15 December 2017)
Mr. Lin Zhisheng	(Appointed on 15 December 2017)
Mr. Chang Cheuk Cheung Terence	(Appointed on 15 December 2017)

In accordance with the Company's articles of association, at each annual general meeting, one third of the Director for the time being shall retire from office by rotation provided that every Director shall be subject to retirement by rotation at least once every three years. Such retiring Directors may, being eligible, offer themselves for re-election at the annual general meeting. All Directors appointed by the Board to fill a casual vacancy shall hold office until the first general meeting of shareholders after their appointment and be subject to re-election at such meeting and all Directors appointed by the Board as an addition to the existing Board shall hold office only until the next following annual general meeting and shall then be eligible for re-election.

Note 1: Mr. Wong WC was appointed as the Director on 8 August 2016 and was re-designated to be the executive Director and the Chief Executive Officer on 14 March 2017.

DIRECTORS' AND SENIOR MANAGEMENT'S BIOGRAPHIES

Biographical details of the Directors and the senior management of the Group are set out on pages 13 to 22 of this annual report.

PERMITTED INDEMNITY PROVISION

Every Director shall be entitled to be indemnified out of the assets of the Company against all losses or liabilities incurred or sustained by him as a Director in defending any proceedings, whether civil or criminal, in which judgment is given in his favour, or in which he is acquitted.

DIRECTORS' SERVICE CONTRACTS

None of the Directors 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.

EMOLUMENTS OF DIRECTORS AND FIVE HIGHEST PAID INDIVIDUALS

Details of the emoluments of the Directors and the five highest paid individuals of the Group are set out in notes 9 and 10 to the consolidated financial statements.

The remuneration of the senior management of the Group for the year ended 31 December 2017 falls within the following band:

Remuneration band	Number of senior management
Up to HK$1,000,000	2
HK$1,000,000 to up to HK$1,500,000	–
Above HK$1,500,000	–

EMOLUMENT POLICY

The Company's remuneration policy comprises primarily a fixed component (in the form of a base salary) and a variable component (which include discretionary bonus and other merit payments), taking into account other factors such as their experience, level of responsibility, individual performance, the profit performance of the Group and general market conditions.

The Remuneration Committee will meet at least once every year to discuss remuneration related matters (including the remuneration of Directors and senior management) and review the remuneration policy of the Group. It has been decided that Remuneration Committee would determine, with delegated responsibility, the remuneration packages of individual executive Directors and senior management.

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

No director or a connected entity of a director had a material interest, either directly or indirectly, in any transactions, arrangements or contracts of significance to the business of the Group to which the Company or any of its subsidiaries was a party during the year.

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.

DIRECTORS' REMUNERATION

The directors' remuneration is determined by the Company's board of directors with reference to directors' duties, responsibilities and performance and the results of the Group, and reviewed by the remuneration committee of the Group. Particulars of the duties and responsibilities of the remuneration committee are set out in "Corporate Governance Report" of this annual report.

DIRECTORS' RIGHT TO ACQUIRE SHARES OR DEBENTURES

Apart from as disclosed under the paragraph headed "Directors' and chief executives' interests and short positions in shares, underlying shares and debentures of the Company" below, at no time during the year 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 spouse or children under 18 years of age, or were any such rights exercised by them; or was the Company or any of the Company's subsidiaries a party to any arrangement to enable the Directors to acquire such rights in any other body corporate.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES OR DEBENTURES OF THE COMPANY

The shares of the Company were only listed on GEM on 16 January 2018 and therefore, the respective Division 7 and 8 of Part XV of the Securities and Futures ("**SFO**") and Rules 5.46 to 5.67 of the GEM Listing Rules were not applicable as at 31 December 2017.

As at the date of this report, the interests and short positions of the Directors and chief executives of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of SFO) which were 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 recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or which were required, pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange, were as follows:

Long positions in ordinary shares and underlying shares of the Company

Name of Director/ chief executive	Capacity/ Nature of interest	Number of shares held/ interested	Approximate percentage of shareholding
Ms. Lee *Note 1*	Interest of spouse	578,880,000	40.2%
Mr. Wong WC *Note 2*	Interested in a controlled corporation	578,880,000	40.2%
Mr. Wong WH *Note 3*	Interested in a controlled corporation	10,800,000	0.75%

Notes:

1. Ms. Lee is the spouse of Mr. Wong WC. Under the SFO, Ms. Lee is deemed to be interested in the same number of shares of the Company in which Mr. Wong WC is interested.

2. Mr. Wong WC beneficially owns the entire issued share capital of Million Edge Developments Limited ("**Million Edge**"). Therefore, Mr. Wong WC is deemed, or taken to be, interested in all the shares of the Company held by Million Edge for the purpose of the SFO. Mr. Wong WC is the sole director of Million Edge.

3. Mr. Wong WH beneficially owns the entire issued share capital of Wealthy Time Limited ("**Wealthy Time**"). Therefore, Mr. Wong WH is deemed, or taken to be, interested in all the shares of the Company held by Wealthy Time for the purpose of the SFO. Mr. Wong WH is the sole director of Wealthy Time.

Save as disclosed above, as at the date of this report, none of the Directors and chief executive of the Company had any interests or short positions in any shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which would have 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 recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or which were required, pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange.

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES OF THE COMPANY

As at 31 December 2017, the shares were not listed on GEM. The respective Division 2 and 3 of Part XV of the SFO and Section 336 of the SFO were not applicable.

So far as known to the Directors or chief executive of the Company, as at the date of this report, the following persons/entities (other than the Directors and chief executives of the Company) had or were deemed to have an interest or a short position in the shares or the underlying shares which would be required to be disclosed to the Company and the Stock Exchange under the provisions of Division 2 and 3 of Part XV of the SFO, or which were directly or indirectly, to be interested 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 the Company or any other member of the Group:

Long positions in ordinary shares and underlying shares of the Company

Name of Shareholder	Capacity/Nature of interest	Number of shares held/interested	Approximate percentage of shareholding
Million Edge	Beneficial owner	578,880,000	40.2%
Good Vision Limited	Beneficial owner	237,600,000	16.5%

Name of Shareholder	Capacity/Nature of interest	Number of shares held/interested	Approximate percentage of shareholding
Hong Kong Tang Palace Food & Beverage Group Company Limited *note 1*	Interested in controlled corporation	237,600,000	16.5%
Tang Palace (China) Holdings Limited *note 2*	Interested in a controlled corporation	237,600,000	16.5%
Mr. Chan Man Wai *note 3*	Interested in a controlled corporation	237,600,000	16.5%
Ms. Au Yim Bing *note 4*	Interest of spouse	237,600,000	16.5%
Wise Alliance Limited	Beneficial owner	108,000,000	7.5%
Mr. Lee Wing Sun *note 5*	Interest in a controlled corporation	108,000,000	7.5%
Ms. Wat Hoi San *note 6*	Interest of spouse	108,000,000	7.5%
Dragon Eagle King Limited	Beneficial owner	75,600,000	5.25%
Centurion Treasure Limited *note 7*	Interested in a controlled corporation	75,600,000	5.25%
Mr. Wee Ho *note 8*	Interested in a controlled corporation	75,600,000	5.25%
Ms. Chui Shuk Man *note 9*	Interest of spouse	75,600,000	5.25%

Notes:

1. Hong Kong Tang Palace Food & Beverage Group Company Limited ("**Tang Palace BVI**") beneficially owns the entire issued share capital of Good Vision Limited ("**Good Vision**"). Therefore, Tang Palace BVI is deemed or taken to be interested in all the shares of the Company held by Good Vision for the purpose of the SFO. Mr. Chan Man Wai is the sole director of Good Vision.

2. Tang Palace (China) Holdings Limited ("**Tang Palace (China)**"), a company listed on the Main Board of the Stock Exchange, beneficially owns the entire issued share capital of Tang Palace BVI. Therefore, Tang Palace (China) is deemed, or taken to be, interested in all the shares of the Company in which Tang Palace BVI is interested for the purpose of the SFO.

3. Mr. Chan Man Wai either directly or through Best Active Investments Limited ("**Best Active**", a company wholly-owned by him) holds a total of 33.81% of the total issued share capital of Tang Palace (China). As such, Mr. Chan Man Wai controls more than one-third of the voting rights of Tang Palace (China) and is deemed to be interested in its interests in the Company by virtue of the SFO. Mr. Chan Man Wai is the sole director of Best Active.

4. Ms. Au Yim Bing ("**Ms. Au**") is the spouse of Mr. Chan Man Wai. Under the SFO, Ms. Au is deemed to be interested in the same number of shares of company in which Mr. Chan Man Wai is interested.

5. Mr. Lee Wing Sun ("**Mr. Lee**") beneficially owns the entire issued share capital of Wise Alliance Limited ("**Wise Alliance**"). Therefore, Mr. Lee is deemed or taken to be interested in all the shares of the Company held by Wise Alliance for the purpose of the SFO. Mr. Lee is the sole director of Wise Alliance.

6. Ms. Wat Hoi San ("**Ms. Wat**") is the spouse of Mr. Lee. Under the SFO, Ms. Wat is deemed to be interested in the same number of shares of the Company in which Mr. Lee is interested.

7. Centurion Treasure Limited ("**Centurion Treasure**") beneficially owns the entire issued share capital of Dragon Eagle King Limited ("**Dragon Eagle King**"). Therefore, Centurion Treasure is deemed or taken to be interested in all the shares of the Company held by Dragon Eagle King for the purpose of the SFO. Centurion Treasure is the sole director of Dragon Eagle King.

8. Mr. Wee Ho ("**Mr. Wee**") beneficially owns the entire issued share capital of Centurion Treasure. Therefore, Mr. Wee is deemed or taken to be interested in all the shares of the Company held by Centurion Treasure for the purpose of the SFO. Mr. Wee is the sole director of Centurion Treasure.

9. Ms. Chui Shuk Man ("**Ms. Chui**") is the spouse of Mr. Wee. Under the SFO, Ms. Chui is deemed to be interested in the same number of shares in which Mr. Wee is interested.

Save as disclosed above, as at the date of this report, there was no person or corporation, other than the Directors and Chief Executive Officer whose interests are set out in the section "Directors' and chief executives' interest and short positions in shares, underlying shares and debenture of the Company" above, had any interest or a short position in the shares or underlying shares of the Company as recorded in the register required to be kept by the Company under Section 336 of the SFO.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

The shares of the Company were successfully listed on GEM on 16 January 2018. Save for the Reorganisation as disclosed in the Prospectus, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the year ended 31 December 2017.

COMPETITION AND CONFLICT OF INTERESTS

Tang Palace Group (consist of Tang Palace (China) and its subsidiaries) was a restaurant chain group including restaurants in China and Hong Kong. Tang Palace (China) was interested in 16.5% interest in the Group through Good Vision. Tang Palace Group does not and will not involve in the daily operation and management of the Group. Moreover, Mr. Kwong Ping Man, the independent non-executive Director, was also an independent non-executive director of Tang Palace (China). Despite that Mr. Kwong is a director of Tang Palace (China), he confirms that he does not involved in day-to-day operations of both Tang Palace Group's and the Group's restaurant business. Save as disclosed above, none of the Directors, the controlling shareholders or substantial shareholders of the Company or any of its respective close associates has engaged in any business that competes or may compete, either directly or indirectly, with the businesses of the Group, as defined in the GEM Listing Rules, or has any other conflict of interests with Group during the year ended 31 December 2017.

Non-Competition Undertaking

In order to avoid any possible future competition between the Group and the controlling shareholders, Mr. Wong WC and Million Edge (each a "**Covenantor**" and collectively the "**Covenantors**") have entered into the Deed of Non-competition with the Company (for itself and for the benefit of each other member of the Group) on 15 December 2017. Pursuant to the Deed of Non-competition, each of the Covenantors has irrevocably and unconditionally undertaken to the Company (for itself and as trustee for its subsidiaries) that, during the period that the Deed of Non-competition remains effective, he/it shall not, and shall procure that his/its close associates (other than any member of the Group) not to develop, acquire, invest in, participate in, carry on or be engaged, concerned or interested or otherwise be involved, whether directly or indirectly, in any business in competition with or likely to be in competition with the existing business activity of any member of the Group.

Each of the Covenantors further undertakes that if any of he/it or his/its close associates other than any member of the Group is offered or becomes aware of any business opportunity which may compete with the business of the Group, he/it shall (and he/it shall procure his/its close associates to) notify the Group in writing and the Group shall have a right of first refusal to take up such business opportunity. The Group shall, within 6 months after receipt of the written notice (or such longer period if the Group is required to complete any approval procedures as set out under the GEM Listing Rules from time to time), notify the Covenantor(s) (and his/its close associates, if applicable) whether the Group will exercise the right of first refusal or not.

The Group shall only exercise the right of first refusal upon the approval of all the independent non-executive Directors (who do not have any interest in such opportunity). The relevant Covenantor(s) and the other conflicting Directors (if any) shall abstain from participating in and voting at and shall not be counted as quorum at all meetings of the Board where there is a conflict of interest or potential conflict of interest including but not limited to the relevant meeting of the independent non-executive Directors for considering whether or not to exercise the right of first refusal.

Each of the covenantors also gave certain non-competition undertakings under the Deed of Non-Competition as set out in the paragraph headed "Relationship with our controlling shareholders – Non-competition undertaking" in the Prospectus.

During the year, the Company has received an annual written confirmation from each controlling shareholder of the Company in respect of him/it and his/its associates in compliance with the deed of non-competition. The independent non-executive Directors have also reviewed and were satisfied that each of the controlling shareholders of the Company had complied with the deed of non-competition.

CORPORATE GOVERNANCE

Details of the Company's corporate governance practices are set out in the Corporate Governance Report on page 23 to 30 of this annual report.

Directors' Report

EQUITY-LINKED AGREEMENTS

Save as "Share Option Scheme" disclosed on page 32 of this annual report, there was no equity-linked agreement entered into by the Company during the year ended 31 December 2017.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information publicly available to the Company and to the best knowledge of the Directors, throughout the year ended 31 December 2017 and prior to the issue of this annual report, the Company maintained a sufficient public float of 25% in the issued share capital of the Company pursuant to the GEM Listing Rules.

AUDIT COMMITTEE

The Company has an audit committee which was established in compliance with Rule 5.28 of the GEM Listing Rules, for the purposes of reviewing and providing supervision over the Group's financial reporting process and internal controls. The audit committee comprises the independent non-executive directors of the Company.

The summary of duties and works of the audit committee is set out in the "Corporate Governance Report" of this annual report.

INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received from each of the independent non-executive Directors annual written confirmation of his independence pursuant to Rule 5.09 of the GEM Listing Rules and the Company considers all the independent non-executive Directors to be independent.

AUDITORS

Ernst & Young retire and a resolution for their reappointment as auditors of the Company will be proposed at the forthcoming annual general meeting.

ON BEHALF OF THE BOARD
Lee Ching Nung Angel
Chairman

Hong Kong, 23 March 2018

Independent Auditor's Report

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To the shareholders of Dragon King Group Holdings Limited
(Incorporated in the Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of Dragon King Group Holdings Limited (the "Company") and its subsidiaries (the "Group") set out on pages 47 to 113, which comprise the consolidated statement of financial position as at 31 December 2017, and the consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the 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 judgement, 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. For each matter below, our description of how our audit addressed the matter is provided in that context.

KEY AUDIT MATTERS *(Continued)*

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

Key audit matter	How our audit addressed the key audit matter
Estimates relating to impairment testing of property, plant and equipment	
As at 31 December 2017, the Group had property, plant and equipment of HK$76,420,000. The Group's management performed impairment assessment of property, plant and equipment for identified restaurants that continued to underperform by estimating the recoverable amount of their property, plant and equipment based on value in use calculation. Significant judgement was involved in the assessment of the recoverable amount of the property, plant and equipment of those restaurants, including assumptions on the budgeted gross margin of respective restaurants and discount rate. Relevant disclosures of property, plant and equipment are set out in notes 4 and 14 to the financial statements.	In evaluating management's impairment assessment, we tested the assumptions used in the value in use calculation by: (i) comparing the budgeted gross margin with historical results and other industry specific statistics; (ii) comparing the discount rate with the relevant industry's weighted average cost of capital; and (iii) assessing the sensitivity of management estimates and assumptions used in evaluating whether a reasonably possible change in assumptions could cause the carrying amount to exceed their recoverable amount.
Recoverability of trade receivables	
As at 31 December 2017, the Group had trade receivables of HK$8,880,000. Management performs an impairment assessment on a regular basis, with the impairment provision estimated through the application of significant judgement and use of subjective assumptions. Relevant disclosures are included in notes 4 and 16 to the consolidated financial statements.	We evaluated the design and implementation of management's controls over the accounts receivable impairment assessment, and management's procedures on aged receivables or amounts in dispute. We tested the ageing classification of receivables and evaluated the factors and assumptions used by management such as customers' creditworthiness, subsequent settlement and other relevant information.

OTHER INFORMATION INCLUDED IN THE ANNUAL REPORT

The directors of the Company are responsible for the other information. The other information comprises the information included in the Annual Report, other than 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 THE DIRECTORS 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 of the Company either intend to liquidate the Company or to cease operations or have no realistic alternative but to do so.

The directors of the Company are assisted by the Audit Committee in discharging their responsibilities 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. Our report is made solely to you, as a body, 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.

AUDITOR’S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

As part of an audit in accordance with HKSAs, we exercise professional judgement and maintain professional scepticism 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 the Audit Committee 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 the Audit Committee 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.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

From the matters communicated with the Audit Committee, 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 this independent auditor's report is Chan Sai Yu.

Ernst & Young
Certified Public Accountants
Hong Kong
23 March 2018

Consolidated Statement of Profit or Loss

Year ended 31 December 2017

	Notes	2017 HK$'000	2016 HK$'000
Revenue	6	**418,513**	393,705
Cost of inventories consumed		**(131,515)**	(127,337)
GROSS PROFIT		**286,998**	266,368
Other income and gains, net	6	**2,524**	4,283
Staff costs		**(131,449)**	(122,963)
Depreciation of items of property, plant and equipment	14	**(17,783)**	(18,327)
Rental and related expenses		**(73,063)**	(62,306)
Other operating expenses		**(58,091)**	(55,009)
Finance costs	8	**(2,360)**	(4,232)
Listing expenses		**(13,360)**	(4,125)
PROFIT/(LOSS) BEFORE TAX	7	**(6,584)**	3,689
Income tax expense	11	**(3,649)**	(2,475)
PROFIT/(LOSS) FOR THE YEAR		**(10,233)**	1,214
Attributable to:			
Owners of the Company		**(10,161)**	1,128
Non-controlling interests		**(72)**	86
		(10,233)	1,214
Earnings/(loss) per share attributable to ordinary equity holders of the Company		**HK cents**	HK cents
– Basic and diluted	13	**(0.9)**	0.1

Consolidated Statement of Comprehensive Income

Year ended 31 December 2017

	2017 **HK$'000**	2016 HK$'000
PROFIT/(LOSS) FOR THE YEAR	**(10,233)**	1,214
OTHER COMPREHENSIVE INCOME/(LOSS)		
Other comprehensive income/(loss) to be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	**518**	(863)
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR	**(9,715)**	351
Attributable to:		
Owners of the Company	**(9,643)**	265
Non-controlling interests	**(72)**	86
	(9,715)	351

Consolidated Statement of Financial Position

31 December 2017

	Notes	2017 HK$'000	2016 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment	14	**76,420**	87,958
Deposits and other receivables	17	**24,798**	24,859
Deferred tax assets	24	**3,756**	3,592
Total non-current assets		**104,974**	116,409
CURRENT ASSETS			
Inventories	15	**10,376**	11,402
Trade receivables	16	**8,880**	5,076
Prepayments, deposits and other receivables	17	**22,575**	25,038
Amounts due from related companies	18	**402**	332
Amount due from directors	19	**15,375**	29,393
Tax recoverable		**–**	134
Cash and cash equivalents	20	**15,917**	15,497
Total current assets		**73,525**	86,872
CURRENT LIABILITIES			
Trade payables	21	**40,683**	40,818
Other payables and accruals	22	**27,192**	30,166
Amount due to a related company	18	**–**	283
Amount due to a director	19	**1,797**	1,797
Interest-bearing bank and other borrowings	23	**48,522**	59,749
Tax payable		**2,213**	1,308
Total current liabilities		**120,407**	134,121
NET CURRENT LIABILITIES		**(46,882)**	(47,249)
TOTAL ASSETS LESS CURRENT LIABILITIES		**58,092**	69,160
NON-CURRENT LIABILITIES			
Other payables and accruals	22	**3,051**	3,514
Interest-bearing other borrowings	23	**–**	558
Deferred tax liabilities	24	**–**	332
Total non-current liabilities		**3,051**	4,404
Net assets		**55,041**	64,756

Consolidated Statement of Financial Position *(Continued)*

31 December 2017

	Notes	**2017** **HK$'000**	2016 HK$'000
EQUITY			
Equity attributable to owners of the Company			
Issued capital	25	**–**	–
Reserves	26	**55,041**	64,981
		55,041	64,981
Non-controlling interests		**–**	(225)
Total equity		**55,041**	64,756

The consolidated financial statements on pages 47 to 113 were approved and authorised for issue by the Board of Directors on 23 March 2018 and are signed on its behalf by:

Wong Wing Chee
Director

Lee Ching Nung Angel
Director

Consolidated Statement of Changes in Equity

Year ended 31 December 2017

	Attributable to owners of the Company								
	Issued capital HK$'000 (note 25)	Share premium HK$'000 (note 26(a))	Other reserve HK$'000 (note 26(b))	Capital reserve HK$'000 (note 26(c))	Exchange fluctuation reserve HK$'000 (note 26(d))	Retained profits HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
At 1 January 2016	–	–	–	–	538	48,471	49,009	(311)	48,698
Profit for the year	–	–	–	–	–	1,128	1,128	86	1,214
Other comprehensive loss for the year:									
Exchange differences on translation of foreign operations	–	–	–	–	(863)	–	(863)	–	(863)
Total comprehensive income for the year	–	–	–	–	(863)	1,128	265	86	351
Issue of shares of a subsidiary	–	–	–	43,000	–	–	43,000	–	43,000
Dividends paid to the then shareholder (note 12)	–	–	–	–	–	(27,293)	(27,293)	–	(27,293)
At 31 December 2016 and 1 January 2017	**–**	**–**	**–**	**43,000***	**(325)***	**22,306***	**64,981**	**(225)**	**64,756**
Loss for the year	**–**	**–**	**–**	**–**	**–**	**(10,161)**	**(10,161)**	**(72)**	**(10,233)**
Other comprehensive income for the year:									
Exchange differences on translation of foreign operations	**–**	**–**	**–**	**–**	**518**	**–**	**518**	**–**	**518**
Total comprehensive loss for the year	**–**	**–**	**–**	**–**	**518**	**(10,161)**	**(9,643)**	**(72)**	**(9,715)**
Issue of new shares pursuant to the Reorganisation (note 25(c))	**–**	**43,224**	**(43,224)**	**–**	**–**	**–**	**–**	**–**	**–**
Acquisitions of non-controlling interests	**–**	**–**	**–**	**(297)**	**–**	**–**	**(297)**	**297**	**–**
At 31 December 2017	**–**	**43,224***	**(43,224)***	**42,703***	**193***	**12,145***	**55,041**	**–**	**55,041**

* These reserve accounts comprise the consolidated reserves of HK$55,041,000 (2016: HK$64,981,000) in the consolidated statements of financial position as at 31 December 2017.

Consolidated Statement of Cash Flows

Year ended 31 December 2017

	Notes	2017 HK$'000	2016 HK$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit/(loss) before tax		**(6,584)**	3,689
Adjustments for:			
Finance costs	8	**2,360**	4,232
Bank interest income	6	**(2)**	(3)
Other interest income	6	**–**	(205)
Interest income from life insurance policies	6	**(724)**	(905)
Premium charges of life insurance policies	7	**438**	789
Adjustments of expected cash flows from insurance policies	7	**–**	400
Loss on disposal of items of property, plant and equipment	7	**10**	3
Fair value loss of a derivative financial instrument	7	**–**	105
Depreciation		**17,783**	18,327
Gain on bargain purchase	7	**–**	(985)
		13,281	25,447
Decrease/(increase) in inventories		**1,026**	(79)
Increase in trade receivables		**(3,804)**	(3,968)
Decrease/(increase) in prepayments, deposits and other receivables		**916**	(7,347)
Movement in balances with related companies		**(353)**	(969)
Increase/(decrease) in trade payables		**(135)**	10,609
Decrease in a derivative financial instrument		**–**	(577)
Decrease in other payables and accruals		**(3,437)**	(5,336)
Cash generated from operations		**7,494**	17,780
Interest paid on bank loans, overdrafts and other loans		**(2,360)**	(4,228)
Interest element of finance leases payments		**–**	(4)
Hong Kong profits tax paid		**(3,106)**	(1,835)
Net cash flows from operating activities		**2,028**	11,713

Consolidated Statement of Cash Flows *(Continued)*

Year ended 31 December 2017

	Notes	2017 HK$'000	2016 HK$'000
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received		**2**	208
Purchases of items of property, plant and equipment	14	**(5,201)**	(3,105)
Proceeds from withdrawal of life insurances policies		**1,894**	4,664
Net cash flows from/(used in) investing activities		**(3,305)**	1,767
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of shares of a subsidiary		**–**	28,000
New bank and other borrowings		**20,176**	30,228
Repayment of bank and other borrowings		**(27,154)**	(50,935)
Capital element of finance leases payments	28	**–**	(227)
Movement in balances with directors	28	**9,218**	(10,900)
Net cash flows from/(used in) financing activities		**2,240**	(3,834)
NET INCREASE IN CASH AND CASH EQUIVALENTS		**963**	9,646
Cash and cash equivalents at beginning of year		**15,490**	5,355
Effect of foreign exchange rate changes, net		**(536)**	489
CASH AND CASH EQUIVALENTS AT END OF YEAR		**15,917**	15,490
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and cash equivalents as stated in the consolidated statement of financial position		**15,917**	15,497
Bank overdrafts	23	**–**	(7)
CASH AND CASH EQUIVALENTS AS STATED IN THE CONSOLIDATED STATEMENT OF CASH FLOWS		**15,917**	15,490

1. CORPORATE AND GROUP INFORMATION

The Company is a limited liability company incorporated in the Cayman Islands on 8 August 2016. The registered address of the Company is PO Box 1350, Clifton House, 75 Fort Street, Grand Cayman, KY1-1108, Cayman Islands. The principal place of business of the Company is located at Office A, 20/F, TG Place, 10 Shing Yip Street, Kwun Tong, Kowloon, Hong Kong. The Company's shares are listed on GEM of the Stock Exchange (the "**Listing**") since 16 January 2018 (the "**Listing Date**").

During the reporting year, the Group was engaged in the operation and management of restaurants.

Information about subsidiaries

Particulars of the Company's principal subsidiaries are as follows:

Company Name	Place of incorporation/ registration and business	Issued ordinary/ registered share capital	Percentage of equity attributable to the Company Direct	Indirect	Principal activities
Able Ascent Limited	Hong Kong	HK$1	–	100	Restaurant operation
All Best Harvest Limited	Hong Kong	HK$2	–	100	Property holding
Dragon Lake Limited	Hong Kong	HK$10,000	–	100	Dormant
Dragon King Holdings Limited*	BVI	US$10,000 (2016: US$100)	100	–	Investment holding
Dragon King Restaurant Group Limited	Hong Kong	HK$10	–	100	Restaurant operation
Dragon Seal Food & Beverage Management (Shanghai) Limited (龍璽餐飲管理(上海)有限公司)*^	People's Republic of China ("PRC")	HK$22,500,000	–	100	Restaurant operation
Dragon Seal Restaurant Limited	Hong Kong	HK$10	–	100	Dormant
Gold Profit Trading Limited	Hong Kong	HK$10	–	100	Trading of food products
Greater Year Investments Limited*	BVI	US$1	–	100	Investment holding
King Harbour Limited	Hong Kong	HK$10	–	100	Restaurant operation
Mass Effort Limited	Hong Kong	HK$10	–	100	Restaurant operation
Premier Oriental Limited	Hong Kong	HK$10	–	100	Restaurant operation

1. CORPORATE AND GROUP INFORMATION *(Continued)*

Company Name	Place of incorporation/ registration and business	Issued ordinary/ registered share capital	Percentage of equity attributable to the Company Direct	Indirect	Principal activities
Prominent Voice Limited	Hong Kong	HK$10	–	100 (2016: 70%)	Restaurant operation
Silver Everford Limited	Hong Kong	HK$1	–	100	Investment holding
Dragon King Restaurant (Macau) Limited*	Macau	MOP6,000,000	–	100	Restaurant operation
Wealth Club Limited	Hong Kong	HK$10,000	–	100 (2016: 90%)	Restaurant operation

* Not audited by Ernst & Young, Hong Kong or another member firm of the Ernst & Young global network

^ This entity is registered as a wholly-foreign-owned enterprise under the laws of the People's Republic of China (the "**PRC**").

The above table lists the subsidiaries of the Company which, in the opinion of the directors, principally affected the results for the year or formed a substantial portion of the net assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

2.1 BASIS OF PRESENTATION

As at 31 December 2017, the Group's current liabilities exceeded its current assets by approximately HK$46,882,000. The current liabilities mainly consisted of interest-bearing bank borrowings of approximately HK$48,522,000 as at 31 December 2017, of which HK$26,553,000 were classified as current liabilities due to the existence of the repayment on demand clause (note 23) in the loan agreements. These interest-bearing bank loans were mainly used for financing the purchases of non-current assets. Based on the Group's history of its operating performance and its expected future working capital, the directors believe that there are sufficient financial resources available to the Group to meet its liabilities as and when they fall due. Accordingly, the directors consider that it is appropriate to prepare the consolidated financial statements on a going concern basis.

Pursuant to a reorganisation scheme to rationalise the structure of the Group in the preparation for the Listing (the "**Reorganisation**"), the Company became the holding company of the companies now comprising the Group on 15 December 2017.

2.1 BASIS OF PRESENTATION *(Continued)*

Details of the Reorganisation are set out in the section headed "History, Reorganisation and Development" of the prospectus of the Company dated 29 December 2017 ("**Prospectus**").

The consolidated statement of profit or loss, consolidated statement of other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows of the Group for the years ended 31 December 2017 and 2016 include the results and cash flows of all companies now comprising the Group from the earliest date presented or since the date when the subsidiaries first came under the common control of the controlling shareholder, where this is a shorter period. The consolidated statement of financial position of the Group as at 31 December 2017 and 2016 have been prepared to present the assets and liabilities of all companies now comprising the Group using the existing book values from the controlling shareholder's perspective. No adjustments are made to reflect fair values, or recognise any new assets or liabilities as a result of the Reorganisation. All intragroup transactions and balances have been eliminated on combination.

Equity interests in subsidiaries and/or businesses held by parties other than the Controlling Shareholder of the Company prior to the Reorganisation are presented as non-controlling interests in equity. Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests, even this results in the non-controlling interests having a deficit balance.

2.2 BASIS OF PREPARATION

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("**HKASs**") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention at amortised cost. These financial statements are presented in Hong Kong dollars and all values are rounded to the nearest thousand except when otherwise indicated.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries (collectively referred to as the "**Group**") for the year ended 31 December 2017. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

2.2 BASIS OF PREPARATION *(Continued)*

Basis of consolidation *(Continued)*

When the Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

(a) the contractual arrangement with the other vote holders of the investee;

(b) rights arising from other contractual arrangements; and

(c) the Group's voting rights and potential voting rights.

The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Profit or loss and each component of other comprehensive income are attributed to the owners of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

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 described above. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

2.3 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the following revised HKFRSs for the first time for the current year's financial statements.

Amendments to HKAS 7	*Disclosure Initiative*
Amendments to HKAS 12	*Recognition of Deferred Tax Assets for Unrealised Losses*
Amendments to HKFRS 12 included in *Annual Improvements to HKFRSs 2014-2016 Cycle*	*Disclosure of Interests in Other Entities: Clarification of the Scope of HKFRS 12*

None of the above amendments to HKFRSs has had a significant financial effect on these financial statements. Disclosure has been made in note 28 to the financial statements upon the adoption of amendments to HKAS 7, which require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes.

The nature and the impact of the amendments are described below:

(a) Amendments to HKAS 7 require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes. Disclosure of the changes in liabilities arising from financing activities provided in note 28 to the financial statements.

(b) Amendments to HKAS 12 clarify that an entity, when assessing whether taxable profits will be available against which it can utilise a deductible temporary difference, needs to consider whether tax law restricts the sources of taxable profits against which it may make deductions on the reversal of that deductible temporary difference. Furthermore, the amendments provide guidance on how an entity should determine future taxable profits and explain the circumstances in which taxable profit may include the recovery of some assets for more than their carrying amount. The amendments have had no impact on the financial position or performance of the Group.

(c) Amendments to HKFRS 12 clarify that the disclosure requirements in HKFRS 12, other than those disclosure requirements in paragraphs B10 to B16 of HKFRS 12, apply to an entity's interest in a subsidiary, a joint venture or an associate, or a portion of its interest in a joint venture or an associate that is classified as held for sale or included in a disposal group classified as held for sale. The amendments have had no impact on the Group's financial statements.

2.4 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

The Group has not applied the following new and revised HKFRSs, that have been issued but are not yet effective, in these financial statements.

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]
HKFRS 9	*Financial Instruments*[1]
Amendments to HKFRS 9	*Prepayment Features with Negative Compensation*[2]
Amendments to HKFRS 10 and HKAS 28 (2011)	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[3]
HKFRS 15	*Revenue from Contracts with Customers*[1]
Amendments to HKFRS 15	*Clarifications to HKFRS 15 Revenue from Contracts with Customers*[1]
HKFRS 16	*Leases*[2]
HKFRS 17	*Insurance Contracts*[4]
Amendments to HKAS 28	*Long-term Interests in Associates and Joint Ventures*[2]
Amendments to HKAS 40	*Transfers of Investment Property*[1]
HK(IFRIC)-Int 22	*Foreign Currency Transactions and Advance Consideration*[1]
HK(IFRIC)-Int 23	*Uncertainty over Income Tax Treatments*[2]
Annual Improvements to HKFRSs *2014-2016 Cycle*	*Amendments to the following two HKFRSs:* *– HKFRS 1 First-time Adoption of Hong Kong Financial Reporting Standards*[1] *– HKAS 28 Investments in Associates and Joint Ventures*[1]
Annual Improvements to 2015-2017 Cycle	*Amendments to HKFRS 3, HKFRS 11, HKAS 12 and HKAS 23*[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] No mandatory effective date yet determined but available for adoption
[4] Effective for annual periods beginning on or after 1 January 2021

2.4 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS *(Continued)*

Further information about those HKFRSs that are expected to be applicable to the Group is as follows:

In September 2014, the HKICPA issued the final version of HKFRS 9, bringing together all phases of the financial instruments project to replace HKAS 39 and all previous versions of HKFRS 9. The standard introduces new requirements for classification and measurement, impairment and hedge accounting. The Group will adopt HKFRS 9 from 1 January 2018. The Group will not restate comparative information and will recognise any transition adjustments against the opening balance of equity at 1 January 2018. During 2017, the Group has performed an assessment of the impact of the adoption of HKFRS 9. The expected impacts relate to the classification and measurement and the impairment requirements and are summarised as follows:

(a) Classification and measurement

The Group expects that the Group's life insurance policies' assets will be measured at fair value through profit or loss upon the adoption of HKFRS 9. Other than these financial assets, the Group does not expect the adoption of HKFRS 9 will have a significant impact on the classification of its financial assets.

(b) Impairment

HKFRS 9 requires an impairment on debt instruments recorded at amortised cost or at fair value through other comprehensive income, lease receivables, loan commitments and financial guarantee contracts that are not accounted for at fair value through profit or loss under HKFRS 9, to be recorded based on an expected credit loss model either on a twelve-month basis or a lifetime basis. The Group will apply the simplified approach and record lifetime expected losses that are estimated based on the present values of all cash shortfalls over the remaining life of all of its trade receivables. Furthermore, the Group will apply the general approach and record twelve-month expected credit losses that are estimated based on the possible default events on its other receivables within the next twelve months.

2.4 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS *(Continued)*

(b) Impairment *(Continued)*

In general, the directors of the Company anticipate the application of the expected 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.

HKFRS 15, issued in July 2014, establishes a new five-step model to account for revenue arising from contracts with customers. Under HKFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in HKFRS 15 provide a more structured approach for measuring and recognising revenue. The standard also introduces extensive qualitative and quantitative disclosure requirements, including disaggregation of total revenue, information about performance obligations, changes in contract asset and liability account balances between periods and key judgements and estimates. The standard will supersede all current revenue recognition requirements under HKFRSs. Either a full retrospective application or a modified retrospective adoption is required on the initial application of the standard. In June 2016, the HKICPA issued amendments to HKFRS 15 to address the implementation issues on identifying performance obligations, application guidance on principal versus agent and licences of intellectual property, and transition. The amendments are also intended to help ensure a more consistent application when entities adopt HKFRS 15 and decrease the cost and complexity of applying the standard. The Group plans to adopt the transitional provisions in HKFRS 15 to recognise the cumulative effect of initial adoption as an adjustment to the opening balance of retained earnings at 1 January 2018. In addition, the Group plans to apply the new requirements only to contracts that are not completed before 1 January 2018. The Group expects that the transitional adjustment to be made on 1 January 2018 upon initial adoption of HKFRS 15 will not be material. The Group also expects the expected changes in accounting policies will not have a material impact on the Group's financial statements from 2018 onwards.

2.4 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS *(Continued)*

HKFRS 16, issued in May 2016, replaces HKAS 17 Leases, HK(IFRIC)-Int 4 *Determining whether an Arrangement contains a Lease*, HK(SIC)-Int 15 *Operating Leases – Incentives* and HK(SIC)-Int 27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to recognise assets and liabilities for most leases. The standard includes two recognition exemptions for lessees – leases of low-value assets and short-term leases. At the commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). The right-of-use asset is subsequently measured at cost less accumulated depreciation and any impairment losses unless the right-of-use asset meets the definition of investment property in HKAS 40, or relates to a class of property, plant and equipment to which the revaluation model is applied. The lease liability is subsequently increased to reflect the interest on the lease liability and reduced for the lease payments. Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset. Lessees will also be required to remeasure the lease liability upon the occurrence of certain events, such as change in the lease term and change in future lease payments resulting from a change in an index or rate used to determine those payments. Lessees will generally recognise the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset. Lessor accounting under HKFRS 16 is substantially unchanged from the accounting under HKAS 17. Lessors will continue to classify all leases using the same classification principle as in HKAS 17 and distinguish between operating leases and finance leases. HKFRS 16 requires lessees and lessors to make more extensive disclosures than under HKAS 17. Lessees can choose to apply the standard using either a full retrospective or a modified retrospective approach. The Group expects to adopt HKFRS 16 from 1 January 2019. The Group is currently assessing the impact of HKFRS 16 upon adoption and is considering whether it will choose to take advantage of the practical expedients available and which transition approach and reliefs will be adopted. As disclosed in note 29 to the financial statements, at 31 December 2017, the Group had future minimum lease payments under non-cancellable operating leases in aggregate of approximately HK$175,398,000 (2016: HK$191,690,000). Upon adoption of HKFRS 16, certain amounts included therein may need to be recognised as new right-of-use assets and lease liabilities. Further analysis, however, will be needed to determine the amount of new rights of use assets and lease liabilities to be recognised, including, but not limited to, any amounts relating to leases of low-value assets and short term leases, other practical expedients and reliefs chosen, and new leases entered into before the date of adoption.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Business combinations (other than those under common control) and goodwill

Business combinations are accounted for using the acquisition method. The consideration transferred is measured at the acquisition date fair value which is the sum of the acquisition date fair values of assets transferred by the Group, liabilities assumed by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of net assets in the event of liquidation at fair value or at the proportionate share of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at fair value. Acquisition-related costs are expensed as incurred.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts of the acquiree.

If the business combination is achieved in stages, the previously held equity interest is remeasured at its acquisition date fair value and any resulting gain or loss is recognised in profit or loss.

Any contingent consideration to be transferred by the acquirer is recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability is measured at fair value with changes in fair value recognised in profit or loss. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred, the amount recognised for non-controlling interests and any fair value of the Group's previously held equity interests in the acquiree over the identifiable net assets acquired and liabilities assumed. If the sum of this consideration and other items is lower than the fair value of the net assets acquired, the difference is, after reassessment, recognised in profit or loss as a gain on bargain purchase.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. The Group performs its annual impairment test of goodwill as at 31 December. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Business combinations (other than those under common control) and goodwill *(Continued)*

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognised. An impairment loss recognised for goodwill is not reversed in a subsequent period.

Where goodwill has been allocated to a cash-generating unit (or group of cash-generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on the disposal. Goodwill disposed of in these circumstances is measured based on the relative value of the operation disposed of and the portion of the cash-generating unit retained.

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories and financial assets), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. 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. An impairment loss is charged to profit or loss in the period in which it arises in those expense categories consistent with the function of the impaired asset.

An assessment is made at the end of each reporting period as to whether there is an indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to profit or loss in the period in which it arises.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Fair value measurement

The Group measures its derivative financial instruments at fair value at the end of the reporting period. 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. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 – based on quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly

Level 3 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Related parties

A party is considered to be related to the Group if:

(a) the party is a person or a close member of that person's family and that person

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group or of a parent of the Group;

or

(b) the party is an entity where any of the following conditions applies:

(i) the entity and the Group are members of the same group;

(ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);

(iii) the entity and the Group are joint ventures of the same third party;

(iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;

(v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;

(vi) the entity is controlled or jointly controlled by a person identified in (a);

(vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); and

(viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the parent of the Group.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Property, plant and equipment and depreciation

Property, plant and equipment are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

Building	2.22%
Leasehold improvements	16.67% or over the lease term
Tableware and utensils	50%
Furniture, fixtures and office equipment	25%
Motor vehicles	33.33%

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

An item of property, plant and equipment including significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in profit or loss in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Leases

Leases that transfer substantially all the rewards and risks of ownership of assets to the Group, other than legal title, are accounted for as finance leases. At the inception of a finance lease, the cost of the leased asset is capitalised at the present value of the minimum lease payments and recorded together with the obligation, excluding the interest element, to reflect the purchase and financing. Assets held under capitalised finance leases, including prepaid land lease payments under finance leases, are included in property, plant and equipment, and depreciated over the shorter of the lease terms and the estimated useful lives of the assets. The finance costs of such leases are charged to profit or loss so as to provide a constant periodic rate of charge over the lease terms.

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Where the Group is the lessor, assets leased by the Group under operating leases are included in non-current assets, and rentals receivable under the operating leases are credited to profit or loss on the straight-line basis over the lease terms. Where the Group is the lessee, rentals payable under operating leases net of any incentives received from the lessor are charged to profit or loss on the straight-line basis over the lease terms.

Investments and other financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as loans and receivables, as appropriate. When financial assets are recognised initially, they are measured at fair value plus transaction costs that are attributable to the acquisition of the financial assets.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

The Group's financial assets include cash and cash equivalents, trade receivables, loan to a related company, amounts due from related companies and directors and deposits and other receivables.

Subsequent measurement of loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such assets are subsequently measured at amortised cost using the effective interest rate method less any allowance for impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and includes fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in other income and gains in profit or loss. The loss arising from impairment is recognised in profit or loss in finance costs for loans and in other operating expenses for receivables.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primary derecognised (i.e., removed from the Group's consolidated statement of financial position) when:

- the rights to receive cash flows from the asset have expired; or

- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risk and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of the Group's continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Impairment of financial assets

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. An impairment exists of one or more events that occurred after the initial recognition of the asset have an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that a debtor or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Impairment of financial assets *(Continued)*

Financial assets carried at amortised cost

For financial assets carried at amortised cost, the Group first assesses whether impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

The amount of any impairment loss identified is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition).

The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in profit or loss. Interest income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. Loans and receivables together with any associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Group.

If, in a subsequent period, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a write-off is later recovered, the recovery is credited to other operating expenses in profit or loss.

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, and loans and borrowings, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings, net of directly attributable transaction costs.

The Group's financial liabilities include trade payables, financial liabilities included in other payables and accruals, amounts due to related companies and a director, derivative financial liability and interest-bearing bank and other borrowings.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial liabilities *(Continued)*

Subsequent measurement

The subsequent measurement of financial liabilities depends on their classification as follows:

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are acquired for the purpose of repurchasing in the near term. This category includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by HKAS 39. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on liabilities held for trading are recognised in profit or loss. The net fair value gain or loss recognised in profit or loss does not include any interest charged on these financial liabilities.

Financial liabilities designated upon initial recognition as at fair value through profit or loss are designated at the date of initial recognition and only if the criteria in HKAS 39 are satisfied.

Loans and borrowings

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the effective interest rate amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance costs in profit or loss.

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in profit or loss.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise and settle the liabilities simultaneously.

Derivative financial instruments

Initial recognition and subsequent measurement

The Group uses derivative financial instruments, such as forward currency contracts, to hedge its foreign currency risk. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

Any gains or losses arising from changes in fair value of derivatives are taken directly to profit or loss.

Current versus non-current classification

Derivative instruments that are not designated as effective hedging instruments are classified as current or non-current or separated into current and non-current portions based on an assessment of the facts and circumstances (i.e., the underlying contracted cash flows).

- Where the Group expects to hold a derivative as an economic hedge (and does not apply hedge accounting) for a period beyond 12 months after the end of the reporting period, the derivative is classified as non-current (or separated into current and non-current portions) consistently with the classification of the underlying item.

- Embedded derivatives that are not closely related to the host contract are classified consistently with the cash flows of the host contract.

- Derivative instruments that are designated as, and are effective hedging instruments, are classified consistently with the classification of the underlying hedged item. The derivative instruments are separated into current portions and non-current portions only if a reliable allocation can be made.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the first-in, first-out basis and, in the case of finished goods, comprises direct materials. Net realisable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Cash and cash equivalents

For the purpose of the consolidated statements of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

For the purpose of the consolidated statements of financial position, cash and cash equivalents comprise cash on hand and at banks, including term deposits, and assets similar in nature to cash, which are not restricted as to use.

Provisions

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the end of the reporting period of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in profit or loss.

Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in the countries in which the Group operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with investments in subsidiaries, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Income tax *(Continued)*

Deferred tax assets are recognised for all deductible temporary differences, the carryforward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, the carryforward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of deductible temporary differences associated with investments in subsidiaries, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

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 profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

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

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be compiled with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the costs, which it is intended to compensate, are expensed.

Where the grant relates to an asset, the fair value is credited to a deferred income account and is released to the statement of profit or loss over the expected useful life of the relevant asset by equal annual instalments or deducted from the carrying amount of the asset and released to the statement of profit or loss by way of a reduced depreciation charge.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Revenue recognition

Revenue is recognised when it is probable that the economic benefits will flow to the Group and when the revenue can be measured reliably, on the following bases:

(a) from the sale of goods, when the significant risks and rewards of ownership have been transferred to the buyer, provided that the Group maintains neither managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold; and

(b) interest income, on an accrual basis using the effective interest rate method by applying the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or shorter period, when appropriate, to the net carrying amount of the financial asset.

Employee benefits

Pension scheme

The Group operates a defined contribution Mandatory Provident Fund retirement benefit scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance for those employees who are eligible to participate in the MPF Scheme. Contributions are made based on a percentage of the employees' basic salaries and are charged to profit or loss as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme.

The employees of a subsidiary of the Group which operates in Mainland China are required to participate in a central pension scheme operated by the local municipal government. This subsidiary is required to contribute a certain percentage of its payroll costs to the central pension scheme. The contributions are charged to profit or loss as they become payable in accordance with the rules of the central pension scheme.

Full-time employees of the Group in Macau are covered by a government-mandated defined contribution plan pursuant to which a fixed amount of retirement benefit would be determined and paid by the Macau Government. Contributions are generally made by both employees and employers by paying a fixed amount on a monthly basis to the Social Security Fund Contribution managed by the Macau Government. The Group funds the entire contribution and has no further commitments beyond its monthly contributions.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, i.e., assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. The capitalisation of such borrowing costs ceases when 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 capitalised. All other borrowing costs are expensed in the period in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Foreign currencies

These financial statements are presented in Hong Kong dollars, which is the Company's functional currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange ruling at the end of the reporting period. Differences arising on settlement or translation of monetary items are recognised in profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured. The gain or loss arising on translation of a non-monetary item measured at fair value is treated in line with the recognition of the gain or loss on change in fair value of the item (i.e., translation difference on the item whose fair value gain or loss is recognised in other comprehensive income or profit or loss is also recognised in other comprehensive income or profit or loss, respectively).

The functional currencies of certain overseas subsidiaries are currencies other than the Hong Kong dollar. As at the end of the reporting period, the assets and liabilities of these entities are translated into Hong Kong dollars at the exchange rates prevailing at the end of the reporting period and their statements of profit or loss are translated into Hong Kong dollars at the weighted average exchange rates for the year.

The resulting exchange differences are recognised in other comprehensive income and accumulated in the exchange fluctuation reserve. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in profit or loss.

For the purpose of the consolidated statement of cash flows, the cash flows of overseas subsidiaries are translated into Hong Kong dollars at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of overseas subsidiaries which arise throughout the year are translated into Hong Kong dollars at the weighted average exchange rates for the year.

4. SIGNIFICANT ACCOUNTING ESTIMATES

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

Estimation uncertainty

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 and liabilities within the next financial year, are described below.

Impairment of trade receivables

The Group conducts impairment reviews of financial assets whenever events or changes in circumstances indicate that their carrying amounts may not be recoverable in accordance with the relevant accounting standards. The Group makes its estimates based on the ageing of its trade receivable balances, customers' creditworthiness, subsequent settlement and other relevant information. If the financial condition of its customers was to deteriorate so that the actual impairment loss might be higher than expected, the Group would be required to revise the basis of making the allowance and its future results would be affected. At 31 December 2017, there was no provision for impairment of trade receivables (2016: Nil) and the carrying amount of trade receivables was HK$8,880,000 (2016: HK$5,076,000).

Impairment of property, plant and equipment

The Group determines whether property, plant and equipment are impaired when there are indicators that the carrying amounts may not be recoverable. An impairment exists when the carrying value of the property, plant and equipment exceeds it recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The calculation of the fair values less costs of disposal is based on available date from binding sales transactions in an arm's length transaction of similar assets or observable market price less incremental costs for disposing of the asset. When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amount of property, plant and equipment was HK$76,420,000 as at 31 December 2017 (2016: HK$87,958,000) (note 14).

5. OPERATING SEGMENT INFORMATION

For management purposes, the Group has only one reportable operating segment which is the operation and management of restaurants.

Geographical information

(a) Revenue from external customers

	2017 HK$'000	2016 HK$'000
Hong Kong and Macau	**373,064**	338,919
Mainland China	**45,449**	54,786
	418,513	393,705

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

(b) Non-current assets

	2017 HK$'000	2016 HK$'000
Hong Kong and Macau	**74,771**	83,657
Mainland China	**18,001**	20,984
	92,772	104,641

The non-current asset information of above is based on the locations of the assets and excludes deferred tax assets and rights arising under insurance contracts.

Information about major customers

There was no revenue from customers individually contributing over 10% to the total revenue of the Group.

6. REVENUE, OTHER INCOME AND GAINS, NET

Revenue represents the amounts received and receivable for operation and management of restaurants, net of discounts. An analysis of the Group's revenue, other income and gains, net is as follows:

	2017 HK$'000	2016 HK$'000
Revenue		
Revenue from Chinese restaurant operations	418,513	393,705
Other income and gains, net		
Bank interest income	2	3
Other interest income	–	205
Interest income from life insurance policies	724	905
Financial subsidy received from PRC tax authority*	435	985
Subsidies received from a utility company for purchases of items of property, plant and equipment*	571	471
Gain on bargain purchase (note 27)	–	985
Others	792	729
	2,524	4,283

* As at 31 December 2017 and 2016, there were no unfulfilled conditions or other contingencies attaching to the subsidies that had been recognised by the Group.

7. PROFIT/(LOSS) BEFORE TAX

The Group's profit/(loss) before tax is arrived at after charging/(crediting):

		2017	2016
		HK$'000	HK$'000
Minimum lease payments under operating leases		**56,098**	47,167
Contingent rents under operating leases*		**1,006**	1,323
Auditor's remuneration		**1,150**	260
Employee benefit expense (excluding directors' and chief executive's remuneration (note 9)):			
Wages and salaries		**121,033**	113,971
Pension scheme contributions		**6,240**	5,667
		127,273	119,638
Foreign exchange differences, net		**(34)**	(28)
Premium charges of life insurance policies		**438**	789
Adjustments of expected cash flows from insurance policies		**–**	400
Fair value loss of a derivative financial instrument		**–**	105
Loss on disposal of items of property, plant and equipment		**10**	3
Gain on bargain purchase#	27	**–**	(985)

* Contingent rents under operating leases are included in "Rental and related expenses" in the consolidated statements of profit or loss.

\# Gain on bargain purchase is included in "Other income and gains, net" in the consolidated statements of profit or loss.

8. FINANCE COSTS

An analysis of finance costs is as follows:

	2017	2016
	HK$'000	HK$'000
Interest on bank and other borrowings	**2,360**	4,228
Interest on finance leases	**–**	4
	2,360	4,232

9. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION

On 8 August 2016, Mr. Wong Wing Chee was appointed as a director of the Company.

Mr. Wong Wing Chee was re-designated as an executive director and was appointed as the chief executive officer of the Company on 14 March 2017, Ms. Lee Ching Nung Angel was appointed as the chairman and an executive director of the Company on 14 March 2017, and Mr. Wong Wing Hong was appointed as an executive director of the Company on 14 March 2017. Mr. Kwong Ping Man, Mr. Lin Zhisheng and Mr. Chang Cheuk Cheung Terence were appointed as independent non-executive directors of the Company on 15 December 2017.

Directors' and chief executive's remuneration for the year, disclosed pursuant to the Listing Rules, section 383(1)(a), (b), (c) and (f) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation, is as follows:

	2017 HK$'000	2016 HK$'000
Fees	–	–
Other emoluments:		
Salaries, allowances and benefits in kind	4,760	3,897
Performance-related bonuses	42	48
Pension scheme contributions	54	42
	4,856	3,987

(a) Independent non-executive directors

Since their appointments on 15 December 2017 to 31 December 2017, there was no fees or other emoluments payable to the independent non-executive directors.

9. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION *(Continued)*

(b) Executive directors and the chief executive

	Fees	Salaries, allowances and benefits in kind	Performance related bonuses	Pension scheme contributions	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Year ended 31 December 2017					
Executive directors					
Mr. Wong Wing Chee	–	2,500^	–	18	2,518
Ms. Lee Ching Nung Angel	–	1,540^	–	18	1,558
Mr. Wong Wing Hong	–	720	42	18	780
Independent non-executive directors					
Mr. Kwong Ping Man	–	–	–	–	–
Mr. Lin Zhisheng	–	–	–	–	–
Mr. Chang Cheuk Cheung Terence	–	–	–	–	–
	–	4,760	42	54	4,856
Year ended 31 December 2016					
Executive directors					
Mr. Wong Wing Chee	–	1,946^	–	12	1,958
Ms. Lee Ching Nung Angel	–	1,231^	–	12	1,243
Mr. Wong Wing Hong	–	720	48	18	786
	–	3,897	48	42	3,987

^ Included in the above salaries, allowances and benefits in kind are estimated rentals of approximately HK$340,000 (2016: HK$331,000) for each of Mr. Wong Wing Chee and Ms. Lee Ching Nung Angel, for a building owned by the Group as directors' quarter.

There was no arrangement under which a director waived or agreed to waive any remuneration during the year.

During the year, no remuneration was paid by the Group to the directors as an inducement to join or upon joining the Group or as compensation for loss of office.

10. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included three (2016: three) directors, details of whose remuneration are set out in note 9 above. Details of the remuneration of the remaining two (2016: two) non-director, highest paid employees are as follows:

	2017 HK$'000	2016 HK$'000
Salaries, allowances and benefits in kind	1,321	1,266
Performance related bonuses	79	100
Pension scheme contributions	36	36
	1,436	1,402

The number of the non-director, highest paid employees whose remuneration fell within the following band is as follows:

	Number of employees	
	2017	2016
Nil to HK$1,000,000	2	2

During the year, no emoluments were paid by the Group to any of the non-directors, highest paid employees as an inducement to join or upon joining the Group or as compensation for loss of office.

11. INCOME TAX

Pursuant to the rules and regulations of the Cayman Islands and the BVI, the Group is not subject to any income tax in the Cayman Islands and the BVI. Hong Kong profits tax has been provided at the rate of 16.5% on the estimated assessable profits arising in Hong Kong during the year. PRC tax and Macau tax have been provided at the rate of 25% and 12% on the estimated profits arising in the PRC and Macau for each of the reporting period, respectively.

	2017	2016
	HK$'000	HK$'000
Current – Hong Kong		
Charge for the year	**3,852**	2,378
Underprovision in prior years	**(54)**	205
Current – elsewhere	**347**	–
Deferred (note 24)	**(496)**	(108)
Total tax charge for the year	**3,649**	2,475

A reconciliation of the tax expense applicable to profit/(loss) before tax at the statutory rate for the tax expense at the effective tax rate is as follows:

	2017	2016
	HK$'000	HK$'000
Profit/(loss) before tax	**(6,584)**	3,689
Tax at the statutory rate of different jurisdictions	**(1,383)**	609
Adjustments in respect of current tax of previous years	**(54)**	205
Income not subject to tax	**(26)**	(206)
Expenses not deductible for tax	**2,844**	1,296
Tax losses utilised from previous years	**(133)**	(449)
Tax losses not recognised	**1,862**	1,011
Others	**539**	9
Tax charge at the Group's effective tax rate	**3,649**	2,475

12. DIVIDENDS

No dividend has been paid or declared by the Company since its date of incorporation.

The dividends declared/paid by a Company's subsidiary to the then shareholder during the prior year were as follows:

	2017	2016
	HK$'000	HK$'000
Interim dividends	**–**	27,293

13. EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY

The calculation of the basic earnings/(loss) per share attributable to the ordinary equity holders of the Company is based on the loss for the year ended 31 December 2017 attributable to ordinary equity holders of the Company of HK$10,161,000 (2016: profit of HK$1,128,000), and on the basis of 1,080,000,000 shares of the Company in issue, which represents the number of shares of the Company immediately after the Reorganisation and capitalisation issue, but excluding the 360,000,000 shares issued pursuant to the share offer of the Company for its listing on the GEM on The Stock Exchange of Hong Kong Limited on 16 January 2018, as if these shares issued under the Reorganisation and the capitalisation issue had been issued on 1 January 2016.

No adjustment has been made to the basic earnings/(loss) per share amounts presented for the years ended 31 December 2017 and 2016 in respect of a dilution as the Group had no potentially dilutive ordinary shares in issue during the years ended 31 December 2017 and 2016.

14. PROPERTY, PLANT AND EQUIPMENT

	Building HK$'000	Leasehold improvements HK$'000	Tableware and utensils HK$'000	Furniture, fixtures and office equipment HK$'000	Motor vehicles HK$'000	Total HK$'000
31 December 2017						
At 31 December 2016 and at 1 January 2017:						
Cost	35,864	156,372	4,099	50,778	2,377	249,490
Accumulated depreciation	(3,985)	(114,705)	(3,504)	(36,961)	(2,377)	(161,532)
Net carrying amount	31,879	41,667	595	13,817	–	87,958
At 1 January 2017, net of accumulated depreciation	31,879	41,667	595	13,817	–	87,958
Additions	–	3,762	–	1,439	–	5,201
Disposals	–	–	–	(10)	–	(10)
Depreciation provided during the year	(797)	(10,456)	(583)	(5,947)	–	(17,783)
Exchange realignment	–	925	–	129	–	1,054
At 31 December 2017, net of accumulated depreciation	31,082	35,898	12	9,428	–	76,420
At 31 December 2017:						
Cost	35,864	161,059	4,099	52,071	2,377	255,470
Accumulated depreciation	(4,782)	(125,161)	(4,087)	(42,643)	(2,377)	(179,050)
Net carrying amount	31,082	35,898	12	9,428	–	76,420

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

	Building HK$'000	Leasehold improvements HK$'000	Tableware and utensils HK$'000	Furniture, fixtures and office equipment HK$'000	Motor vehicles HK$'000	Total HK$'000
31 December 2016						
At 1 January 2016:						
Cost	35,864	147,235	3,823	45,692	2,786	235,400
Accumulated depreciation	(3,188)	(103,256)	(2,716)	(31,713)	(2,786)	(143,659)
Net carrying amount	32,676	43,979	1,107	13,979	–	91,741
At 1 January 2016, net of accumulated depreciation	32,676	43,979	1,107	13,979	–	91,741
Additions	–	867	276	1,962	–	3,105
Acquisition of businesses (note 27)	–	9,486	–	3,308	–	12,794
Disposals	–	(2)	–	(1)	–	(3)
Depreciation provided during the year	(797)	(11,487)	(788)	(5,255)	–	(18,327)
Exchange realignment	–	(1,176)	–	(176)	–	(1,352)
At 31 December 2016, net of accumulated depreciation	31,879	41,667	595	13,817	–	87,958
At 31 December 2016:						
Cost	35,864	156,372	4,099	50,778	2,377	249,490
Accumulated depreciation	(3,985)	(114,705)	(3,504)	(36,961)	(2,377)	(161,532)
Net carrying amount	31,879	41,667	595	13,817	–	87,958

At 31 December 2017, the Group's building with carrying amount of HK$31,082,000 (2016: HK$31,879,000) was pledged to secure general banking facilities granted to the Group (note 23).

15. INVENTORIES

	2017 **HK$'000**	2016 HK$'000
Food and beverages, and other operating items for restaurant operations	**10,376**	11,402

16. TRADE RECEIVABLES

	2017 **HK$'000**	2016 HK$'000
Trade receivables	**8,880**	5,076

The Group's trading terms with its customers are mainly on cash and credit card settlement. The credit period is generally a few days to two months. Each customer has a maximum credit limit. The Group seeks to maintain strict control over its outstanding receivables. Overdue balances are reviewed regularly by senior management. The Group does not hold any collateral or other credit enhancements over its trade receivable balances. Trade receivables are non-interest-bearing.

An ageing analysis of the trade receivables as at the end of the reporting period, based on the invoice date, is as follows:

	2017 **HK$'000**	2016 HK$'000
Within 1 month	**7,153**	4,248
1 to 2 months	**179**	321
2 to 3 months	**114**	260
Over 3 months	**1,434**	247
	8,880	5,076

The ageing analysis of the trade receivables that are not individually nor collectively considered to be impaired is as follows:

	2017 **HK$'000**	2016 HK$'000
Neither past due nor impaired	**7,192**	4,320
Less than 1 month past due	**140**	258
1 to 2 months past due	**114**	251
Over 2 months	**1,434**	247
	8,880	5,076

16. TRADE RECEIVABLES *(Continued)*

Receivables that were neither past due nor impaired mainly relate to credit card receivables from banks for whom there was no recent history of default.

Receivables that were past due but not impaired relate to a number of independent customers that have a good track record with the Group. Based on past experience, the directors of the Company are of the opinion that no provision for impairment is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable.

17. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2017	2016
	HK$'000	HK$'000
Prepayments	**1,317**	3,731
Deposits	**21,402**	20,655
Other receivables	**4,756**	4,005
Deposits and other receivables for life insurance policies	**19,898**	21,506
	47,373	49,897
Less: Deposits classified as non-current assets	**(24,798)**	(24,859)
	22,575	25,038

None of the above assets is either past due or impaired. The financial assets included in the above balances relate to receivables for which there was no recent history of default.

As at 31 December 2017, the life insurance policies represented six (2016: seven) life insurance plans relating to a key management personnel of the Group who is also a director of the Company. The total insured sum as at 31 December 2017 were HK$52,669,000 (2016: HK$58,519,000). If the Group withdrew from the insurances policies, the account value, net of surrender charges, would be refunded to the Group.

As at 31 December 2017, included in the deposits and other receivables for life insurance policies were HK$18,626,000 (2016: HK$20,693,000) of insurance deposits and HK$1,272,000 (2016: HK$813,000) of other receivables.

The deposits and other receivables for the life insurance policies were pledged as securities for certain of the Group's interest-bearing bank borrowings (note 23).

18. BALANCES WITH RELATED COMPANIES

The Group's balances due from related companies, disclosed pursuant to section 383(1)(d) of the Hong Kong Companies Ordinance and Part 3 of the Companies (Disclosure of Information about Benefits of Directors) Regulation, are as follows:

Loan to a related company

Name	At 31 December 2017	Maximum amount outstanding during the year	At 31 December 2016 and 1 January 2017	Maximum amount outstanding during the year	At 1 January 2016
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
龍皇餐飲管理(上海)有限公司	–	–	–	3,420	3,420

Amounts due from related companies

Name	At 31 December 2017	Maximum amount outstanding during the year	At 31 December 2016 and 1 January 2017	Maximum amount outstanding during the year	At 1 January 2016
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Wide Fortune Limited	143	143	81	81	75
Dragon King Pty. Ltd.	–	15	15	15	–
Flyway Limited	–	–	–	14,334	14,334
龍皇餐飲管理(上海)有限公司	–	–	–	4,425	4,425
Hong Kong Co-Founder Technology Limited	80	80	59	59	57
Best Focus Creation Limited	179	179	177	177	166
	402		332		19,057

18. BALANCES WITH RELATED COMPANIES *(Continued)*

Amount due to a related company

	2017 HK$'000	2016 HK$'000
Gain World Limited	–	283

Wide Fortune Limited, Flyway Limited, 龍皇餐飲管理(上海)有限公司, Hong Kong Co-Founder Technology Limited and Best Focus Creation Limited were beneficially owned by Mr. Wong Wing Chee. Starting from 19 December 2016, Flyway Limited and 龍皇餐飲管理(上海)有限公司 were no longer related companies of the Group after Mr. Wong Wing Chee disposed of his 100% equity interests and ceased to be a director of these companies.

Dragon King Pty. Ltd. was beneficially owned by Mr. Wong Wing Chee and Ms. Lee Ching Nung Angel.

Gain World Limited was beneficially owned by Mr. Wong Wing Chee and Mr. Ng Yick Kit, who is the Chief operating officer and a senior management of the Group.

The balances with related parties are unsecured, interest-free and repayable on demand.

On 16 December 2016, the loan to a related company was transferred as an amount due from a director, Mr. Wong Wing Chee, to the Group. During the period from 1 January 2016 to 15 December 2016, the loan to a related company was interest-bearing at 5.76% per annum.

19. BALANCES WITH DIRECTORS

The Group's balances with directors, disclosed pursuant to section 383(1)(d) of the Hong Kong Companies Ordinance and Part 3 of the Companies (Disclosure of Information about Benefits of Directors) Regulation, are as follows:

Amount due from directors

Name	At 31 December 2017	Maximum amount outstanding during the year	At 31 December 2016 and 1 January 2017	Maximum amount outstanding during the year	At 1 January 2016
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Mr. Wong Wing Chee	15,375	29,501	29,393	29,393	20,794
Ms. Lee Ching Nung Angel	–	–	–	5,466	4,330
	15,375		29,393		25,124

The amount due to a director represented an amount due to Mr. Wong Wing Hong.

The balances with the directors are unsecured, interest-free and repayable on demand.

20. CASH AND CASH EQUIVALENTS

	2017	2016
	HK$'000	HK$'000
Cash and bank balances	**15,917**	15,497

The cash and bank balances of the Group denominated in Renminbi ("**RMB**") as at 31 December 2017 amounted to approximately HK$572,000 (2016: HK$144,000). The RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

Cash at banks earns interest at floating rates based on daily bank deposit rates. The bank balances are deposited with creditworthy banks with no recent history of default. The carrying amounts of the cash and cash equivalents approximate to their fair values.

21. TRADE PAYABLES

An ageing analysis of the trade payables as at the end of the reporting period, based on the invoice date, is as follows:

	2017 HK$'000	2016 HK$'000
Within 1 month	13,328	12,503
1 to 2 months	10,171	9,081
2 to 3 months	7,506	6,924
Over 3 months	9,678	12,310
	40,683	40,818

22. OTHER PAYABLES AND ACCRUALS

	2017 HK$'000	2016 HK$'000
Deferred income	1,570	3,289
Other payables	9,542	8,584
Accruals	17,789	20,887
Receipts in advance	1,342	920
	30,243	33,680
Less: Other payables and accruals classified as non-current liabilities	(3,051)	(3,514)
	27,192	30,166

Other payables are non-interest-bearing and have an average term of 30 days to 90 days.

23. INTEREST-BEARING BANK AND OTHER BORROWINGS

	2017			2016		
	Effective interest rate per annum	Maturity	HK$'000	Effective interest rate per annum	Maturity	HK$'000
Current						
Bank overdrafts – secured	–	–	–	5%	On demand	7
Bank loans – secured	2%-7%	Within 12 months or on demand	48,522	2%-7%	Within 12 months or on demand	54,384
Other loans – unsecured	–	–	–	24%	2017	5,358
			48,522			59,749
Non-current						
Other loans – unsecured	–	–	–	6%	2018	558
			48,522			60,307

	2017 HK$'000	2016 HK$'000
Analysed into:		
Bank loans and overdrafts repayable:		
Within one year or on demand	48,522	54,391
Other borrowings repayable:		
Within one year or on demand	48,522	5,358
In the second year	–	558
	48,522	5,916
Total	48,522	60,307

23. INTEREST-BEARING BANK AND OTHER BORROWINGS *(Continued)*

Notes:

(a) Certain of the Group's bank loans were secured by:

(i) mortgage over a building owned by the Group, which had carrying value of approximately HK$31,082,000 (2016: HK$31,879,000) (note 14);

(ii) deposits and other receivables for life insurance policies of which certain of the Group's subsidiaries were the policy holders and beneficiaries, with an aggregate carrying amount of approximately HK$19,898,000 (2016: HK$21,506,000) (note 17);

(iii) personal guarantees given by Mr. Wong Wing Chee, the Group's chief executive officer and executive director, Ms. Lee Ching Nung Angel, the Group's chairman and executive director, and Mr. Wong Wing Hong, the Group's executive director;

(iv) corporate guarantees given by certain companies controlled by Mr. Wong Wing Chee, the Group's chief executive officer and executive director; and

(v) guarantees given by the Hong Kong Mortgage Corporation Limited pursuant to the SME Financing Guarantee Scheme.

(b) Except for other borrowings of RMB5,300,000 (equivalent to approximately HK$5,916,000) as at 31 December 2016, which were denominated in Renminbi, all borrowings were in Hong Kong dollars.

(c) The Group's other borrowings included loans from a related party as at 31 December 2017 and 2016 as follows:

	2017 **HK$'000**	2016 HK$'000
Loan 1 – RMB500,000	–	558
Loan 2 – RMB500,000	–	558
	–	1,116
Less: Other borrowings classified as non-current liabilities	–	(558)
	–	558

The lender of Loan 1 and Loan 2 is a senior management of the Group, who is also a sister of Mr. Wong Wing Chee, the Group's chief executive officer and executive director. Full settlement for the principal amounts of Loan 1 and Loan 2 were made during the year.

23. INTEREST-BEARING BANK AND OTHER BORROWINGS *(Continued)*

Notes: (Continued)

(c) (Continued)

Ignoring the effect of any repayment on demand clause and based on the maturity terms of the bank and other loans, the amounts repayable in respect of the Group's interest-bearing bank and other borrowings were analysed as follows:

	2017	2016
	HK$'000	HK$'000
Analysed into:		
Bank loans and overdrafts repayable:		
Within one year	**21,969**	21,065
In the second year	**5,888**	6,783
In the third to fifth years, inclusive	**4,111**	9,121
Beyond five years	**16,554**	17,422
	48,522	54,391
Other borrowings repayable:		
Within one year	**–**	5,358
In the second year	**–**	558
	–	5,916
	48,522	60,307

24. DEFERRED TAX

The movements in deferred tax assets and liabilities during the reporting period are as follows:

Deferred tax assets

	Decelerated tax depreciation HK$'000	Others HK$'000	Total HK$'000
At 1 January 2016	3,180	180	3,360
Deferred tax credited/(charged) to profit or loss during the year	366	(134)	232
At 31 December 2016 and 1 January 2017	3,546	46	3,592
Deferred tax credited/(charged) to profit or loss during the year	177	(13)	164
At 31 December 2017	3,723	33	3,756

Deferred tax liabilities

	Accelerated tax depreciation HK$'000
At 1 January 2016	208
Deferred tax charged to profit or loss during the year	124
At 31 December 2016 and 1 January 2017	332
Deferred tax credited to profit or loss during the year	(332)
At 31 December 2017	–

The Group has unrecognised tax losses arising in Hong Kong of approximately HK$16,343,000 (2016: HK$7,753,000), that are available indefinitely for offsetting against future taxable profits of the companies in which the losses arose. The Group also has unrecognised tax losses arising in Mainland China of approximately HK$22,530,000 (2016: HK$19,402,000) that will expire in five years for offsetting against future taxable profit. Deferred tax assets have not been recognised in respect of these losses as, in the opinion of the directors, they have arisen in subsidiaries that have been loss-making for some time and it is not certain that taxable profits will be available against which the tax losses can be utilised.

25. SHARE CAPITAL

	Number of shares	Share capital HK$'000
Authorised:		
At 8 August 2016 (date of incorporation) with par value of HK$0.01 each (note a)	38,000,000	380
Increase of authorised share capital with par value of HK$0.01 each on 15 December 2017 (note b)	1,962,000,000	19,620
	2,000,000,000	20,000
Issued and fully paid:		
At 8 August 2016 (date of incorporation) with par value of HK$0.01 each (note a)	1	–*
Issue of shares with par value of HK$0.01 each (note c)	9,999	–*
	10,000	–*

* Amount less than HK$1,000

Notes

(a) The Company was incorporated on 8 August 2016 with an initial authorised share capital of HK$380,000 divided into 38,000,000 shares of a par value of HK$0.01 each. On the date of incorporation, 1 ordinary share of HK$0.01 was allotted and issued by the Company.

(b) On 15 December 2017, the shareholders of the Company resolved to increase the authorised share capital of the Company from HK$380,000 to HK$20,000,000 by the creation of 1,962,000,000 additional shares, each ranking pari passu with the Company's shares then in issue in all respects.

(c) On 15 December 2017, pursuant to the Reorganisation, the Company further allocated and issued 9,999 shares at HK$0.01 each to shareholders of Dragon King Holdings Limited ("**Dragon King BVI**") in consideration for the acquisition of the entire share capital of Dragon King BVI.

(d) Subsequent to the end of the reporting period, the Company's shares were listed on the GEM of the Stock Exchange on 16 January 2018 and 360,000,000 ordinary shares were issued at HK$0.21 per share on 16 January 2018 in connection with the listing of the Company on the GEM.

(e) Pursuant to the written resolutions passed on 15 December 2017, the directors authorised to capitalise a sum of approximately HK$10,799,900 from the amount standing to the credit of the share premium account of the Company and applied such amount to pay up in full at par of 1,079,990,000 ordinary shares of the Company upon the listing of the Company on the GEM on 16 January 2018.

26. RESERVES

The amounts of the Group's reserves and the movements therein during the reporting period are presented in the consolidated statement of changes in equity.

(a) Share premium

Under the Companies Law (as revised) of the Cayman Islands, the share premium account of the Company is distributable to its shareholders, provided that immediately following the date on which the dividend is proposed to be paid, the Company shall be able to pay its debts as the fall due in the ordinary course of business.

(b) Other reserve

The other reserve of the Group represents the difference between the total equity of Dragon King BVI and the aggregated share capital of Dragon King BVI pursuant to the Reorganisation where the transfer of Dragon King BVI to the Company are satisfied by issue of new shares from the Company.

(c) Capital reserve

Capital reserve represents (i) the proceed of shares issued by a subsidiary of the Company upon its share issue and allotment to certain pre-listing investors which included the consideration for the injection of businesses by a pre-listing investor as mentioned in note 28(c) during the year ended 31 December 2016; and (ii) the transfer from non-controlling interests upon the Group's acquisition of non-controlling interests on 28 February 2017.

(d) Exchange fluctuation reserve

The exchange fluctuation reserve comprises all relevant exchange differences arising from the translation of the financial statements of foreign operations.

27. BUSINESS COMBINATIONS

On 30 June 2016, the Group entered into a sale and purchase agreement with 2 subsidiaries of Tang Palace (China) Holdings Limited (the "**Seller**") to acquire (i) certain equipment, furniture and utensils and rental deposits of a Chinese restaurant located in Wanchai, Hong Kong (the "**Hong Kong Restaurant**") and (ii) 100% equity interest of 唐宮壹號餐飲(澳門)一人有限公司, a former subsidiary of the Seller which operates a Chinese restaurant in Macau (the "**Macau Restaurant**"). The consideration of the transaction was HK$15,000,000, which was settled by the issue and allotment of shares, representing 15% of the enlarged issued share capital of Dragon King Holdings Limited, a subsidiary of the Company. The fair value of the 15% of the enlarged issued share capital of Dragon King Holdings Limited was determined with reference to the recent share allotment transactions of Dragon King Holdings Limited near the transaction date.

27. BUSINESS COMBINATIONS *(Continued)*

The fair values of the identifiable assets and liabilities as at the date of acquisition were as follows:

	Notes	**Fair value recognised on acquisition** HK$'000
Property, plant and equipment	14	12,794
Inventories		1,381
Rental deposits		3,174
Other payables and accruals		(1,364)
Total identifiable net assets acquired at fair value		15,985
Gain on bargain purchase	7	(985)
Satisfied by issue and allotment of shares		15,000

The Group incurred transaction costs of HK$93,000 for the acquisition. These transaction costs have been expensed and are included in other operating expense in profit or loss for the year ended 31 December 2016.

Since the acquisitions, the Hong Kong Restaurant and the Macau Restaurant contributed HK$40,759,000 in aggregate to the Group's revenue and loss of HK$1,515,000 in aggregate for the year ended 31 December 2016.

Had the combinations taken place at the beginning of the year ended 31 December 2016, the revenue and the loss of the Group for that year would have been HK$433,483,000 and HK$2,756,000, respectively.

A gain on bargain purchase was resulted as the consideration reflected a discount to the fair values of the identifiable assets and liabilities acquired by the Group. The Seller, which was one of the Group's pre-listing investors, decided to enter into the sale and purchase agreement with the Group at a discount as a means to support the business development of the Group.

28. NOTE TO CASH FLOW STATEMENT

Major non-cash transactions

(a) During the year ended 31 December 2016, one of the subsidiaries now comprising the Group distributed interim dividends of HK$27,293,000 to Mr. Wong Wing Chee, a director and the then shareholder of the subsidiary (note 12). The interim dividends were settled through an amount due from a director with the Group.

(b) During the year ended 31 December 2016, HK$13,495,000 due from Flyway Limited and HK$4,139,000 due from 龍皇餐飲管理(上海)有限公司 which were previously included in amounts due from related companies, and a loan of HK$3,420,000 to 龍皇餐飲管理(上海)有限公司 which was previously included in a loan to a related company, were transferred to the Group's amount due from Mr. Wong Wing Chee, a director.

(c) On 30 June 2016, the Group entered into a sale and purchase agreement with 2 subsidiaries of Tang Palace (China) Holdings Limited (the "Seller") to acquire (i) certain equipment, furniture and utensils and rental deposits of the Hong Kong Restaurant and (ii) 100% equity interest of 唐宮壹號餐飲(澳門)一人有限公司, a former subsidiary of the Seller which operates the Macau Restaurant. The consideration of the transaction was HK$15,000,000, which was settled by the issue and allotment of shares, representing 15% of the enlarged issued share capital of Dragon King BVI, a subsidiary of the Company.

(d) During the year ended 31 December 2017, other borrowings with third parties of HK$4,800,000 which were previously included in interest-bearing other borrowings were transferred to and net off with the Group's amount due from Mr. Wong Wing Chee, a director.

28. NOTE TO CASH FLOW STATEMENT *(Continued)*

Reconciliation of movement of financing activities

31 December 2017

	At 31 December 2017 HK$'000	Cash outflow HK$'000	Non-cash changes: Dividends to a director HK$'000	Non-cash changes: Transfer of balances with related companies HK$'000	At 1 January 2017 HK$'000
Interest-bearing bank and other borrowings	**48,522**	**(6,985)***	**–**	**(4,800)**	**60,307**
Balances due from directors, net	**(13,578)**	**9,218**	**–**	**4,800**	**(27,596)**

* Including decrease in bank overdrafts of HK$7,000 during the year.

31 December 2016

	At 31 December 2016 HK$'000	Cash outflow HK$'000	Non-cash changes: Dividends to a director HK$'000	Non-cash changes: Transfer of balances with related companies HK$'000	At 1 January 2016 HK$'000
Interest-bearing bank and other borrowings	60,307	(21,330)^	–	–	81,637
Obligations under finance leases	–	(227)	–	–	227
Balances due from directors, net	(27,596)	(10,900)	27,293	(21,054)	(22,935)

^ Including decrease in bank overdrafts of HK$623,000 during the year.

29. OPERATING LEASE ARRANGEMENT

As lessee

The Group leases certain of its restaurants, staff quarters and office premises under operating lease arrangements. Leases for restaurants are negotiated for terms ranging from three to eleven years, while leases for staff quarters and office premises are negotiated for terms ranging from one to three years.

As at 31 December 2017, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	2017 **HK$'000**	2016 HK$'000
Within one year	**53,006**	48,048
In the second to fifth years, inclusive	**107,047**	113,721
After five years	**15,345**	29,921
	175,398	191,690

The operating lease rentals of certain restaurants are based on the higher of a fixed rental and contingent rent based on the sales of those restaurants. Our directors of the view that, as the future sales of those restaurants could not be accurately estimated, the relevant rental commitments have not been included in operating lease arrangement.

30. RELATED PARTY TRANSACTIONS

(a) In addition to the transactions detailed elsewhere in the Historical Financial Information, the Group had the following transactions with related parties during the year:

	Notes	2017 HK$'000	2016 HK$'000
Purchases from related companies	(i)	–	1,389
Sales to a related company	(ii)	–	2
Interest income received from a related company	(iii)	–	205
Interest expenses paid to a senior management	(iv)	28	175

The transactions were conducted at terms and conditions mutually agreed between the relevant parties. The Directors are of the opinion that those related party transactions were conducted in the ordinary course of business of the Group.

Notes:

(i) Purchases from related companies were made at prices mutually agreed between the parties. Mr. Wong Wing Chee, Ms. Lee Ching Nung Angel and Mr. Ng Yick Kit, directors of the Company or senior management of the Group, are beneficial owners of the related companies.

(ii) Sales to a related company were made at prices mutually agreed between the parties. Mr. Wong Wing Chee and Mr. Ng Yick Kit, who is an executive director and chief executive officer of the Company and a senior management of the Group, respectively, are beneficial owners of the related company.

(iii) Interest income received from a related company (龍皇餐飲管理(上海)有限公司) was charged at 5.76% per annum on the loan to the related company. Details of the loan to the related company are disclosed in note 18 to the financial statements.

(iv) Interest expenses paid to a senior management, who is also a sister of Mr. Wong Wing Chee, the Group's chief executive officer and executive director, were charged at 6% and 24% per annum on the loans from the senior management. Details of the loans from the senior management are disclosed in note 23 to the financial statements.

30. RELATED PARTY TRANSACTIONS *(Continued)*

(b) Outstanding balances with related companies and directors

Details of the Group's balances with related companies, directors and loans from a related party are disclosed in notes 18 and 19 to the financial statements.

(c) Compensation of key management personnel of the Group

The compensation of key management personnel of the Group for each reporting period represented the directors' emoluments as disclosed in note 9 to the financial statements.

31. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of the Group's financial instruments as at the end of the reporting period are as follows:

Financial assets

As at 31 December 2017

	Loans and receivables HK$'000
Trade receivables	8,880
Financial assets included in prepayments, deposits and other receivables	46,056
Amounts due from related companies	402
Amounts due from directors	15,375
Cash and cash equivalents	15,917
	86,630

31. FINANCIAL INSTRUMENTS BY CATEGORY *(Continued)*

Financial assets *(Continued)*

As at 31 December 2016

	Loans and receivables
	HK$'000
Trade receivables	5,076
Financial assets included in prepayments, deposits and other receivables	46,166
Amounts due from related companies	332
Amounts due from directors	29,393
Cash and cash equivalents	15,497
	96,464

Financial liabilities

As at 31 December 2017

	Financial liabilities at amortised cost
	HK$'000
Trade payables	40,683
Financial liabilities included in other payables and accruals	13,211
Amount due to a director	1,797
Interest-bearing bank and other borrowings	48,522
	104,213

31. FINANCIAL INSTRUMENTS BY CATEGORY *(Continued)*

Financial liabilities *(Continued)*

As at 31 December 2016

	Financial liabilities at amortised cost HK$'000
Trade payables	40,818
Financial liabilities included in other payables and accruals	16,828
Amount due to a related company	283
Amount due to a director	1,797
Interest-bearing bank and other borrowings	60,307
	120,033

32. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

Management has assessed that the fair values of cash and cash equivalents, trade receivables, trade payables, interest-bearing bank and other borrowings, deposits and other receivables, financial liabilities included in other payables and accruals, balances with related companies and directors approximate to their carrying amounts largely due to the short term maturities of these instruments.

The fair values of non-current deposits and interest-bearing other borrowings have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities, and were assessed to approximate their carrying amounts.

The Group's finance department is responsible for determining the policies and procedures for the fair value measurement of financial instruments. The finance department reports directly to the directors. At each reporting date, the finance department analyses the movements in the values of financial instruments and determines the major inputs applied in the valuation. The valuation is reviewed and approved by the directors.

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

33. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise cash and cash equivalents and interest-bearing bank and other borrowings. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial assets and liabilities such as trade receivables, deposits and other receivables, balances with related companies and directors, trade payables and other payables, which arise directly from the Group's operations.

The main risks arising from the Group's financial instruments are foreign currency risk, interest rate risk, credit risk and liquidity risk. The board of directors reviews and agrees policies for managing each of these risks and they are summarised below.

Foreign currency risk

The Group has transactional currency exposures. Such exposures arise from sales or purchases by operating units in currencies other than the units' functional currencies.

The following table demonstrates the sensitivity at the end of the reporting period to a reasonably possible change in the Hong Kong Dollar exchange rate, with all other variables held constant, of the Group's profit before tax (due to changes in the fair value of monetary assets and liabilities) and the Group's equity.

	Increase/ (decrease) in exchange rate	Increase/ (decrease) profit before tax	Increase/ (decrease) in equity*
As at 31 December 2017			
If Renminbi weakens against HK$	**5**	**523**	**–**
If Renminbi strengthens against HK$	**(5)**	**(523)**	**–**
As at 31 December 2016			
If Renminbi weakens against HK$	5	402	–
If Renminbi strengthens against HK$	(5)	(402)	–

* Excluding retained profits

33. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

Interest rate risk

The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's short term and long term debt obligations with floating interest rates. The Group's policy is to manage its interest cost using variable rate debts, which is regularly reviewed by senior management.

As at 31 December 2017, if the interest rates on borrowings had been 50 basis points higher, which was considered reasonably possible by management, with all other variables held constant, the loss before tax (2016: profit before tax) for the year would have been approximately HK$243,000 higher (2016: HK$272,000 lower) as a result of higher interest expenses on interest-bearing bank borrowings.

Credit risk

The Group trades only with recognised and creditworthy third parties. It is the Group's policy that only well-established customers will be considered for open account terms and the approval of credit terms is subject to stringent credit check procedures. In addition, receivable balances are monitored on an ongoing basis and the Group's exposure to bad debts is not significant.

The credit risk of the Group's other financial assets, which comprise cash and cash equivalents, trade receivables, deposits and other receivables and balances with related companies and directors, arises from default of the counterparties, with a maximum exposure equal to the carrying amounts of these instruments.

Since the Group trades only with recognised and creditworthy third parties, there is no requirement for collateral. There are no significant concentrations of credit risk within the Group. Further quantitative data in respect of the Group's exposure to credit risk arising from trade receivables are disclosed in note 16 to the financial statements.

33. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

Liquidity risk

The Group monitors its risk to a shortage of funds using a recurring liquidity planning tool. This tool considers the maturity of both its financial instruments and financial assets and projected cash flows from operations. The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank loans and funds generated from operations.

The maturity profile of the Group's financial liabilities as at the end of each of the reporting period, based on the contractual and undiscounted payments, is as follows:

	On demand or within 1 year	1 to 2 years	Beyond 2 years	Total
	HK$'000	HK$'000	HK$'000	HK$'000
As at 31 December 2017				
Trade payables	**40,683**	**–**	**–**	**40,683**
Financial liabilities included in other payables and accruals	**10,160**	**1,023**	**2,028**	**13,211**
Amount due to a director	**1,797**	**–**	**–**	**1,797**
Interest-bearing bank and other borrowings	**48,522**	**–**	**–**	**48,522**
	101,162	**1,023**	**2,028**	**104,213**
As at 31 December 2016				
Trade payables	40,818	–	–	40,818
Financial liabilities included in other payables and accruals	13,314	988	2,526	16,828
Amount due to a related company	283	–	–	283
Amount due to a director	1,797	–	–	1,797
Interest-bearing bank and other borrowings	60,320	587	–	60,907
	116,532	1,575	2,526	120,633

33. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

Liquidity risk *(Continued)*

As at 31 December 2017, the Group's term loans with a repayment on demand clause in the amount of HK$26,553,000 (2016: HK$33,326,000) were repayable over one year in accordance with the terms of the loans. The loan agreement contained a repayment on demand clause giving the bank the unconditional right to call in the loan at any time and therefore, for the purpose of the above maturity profile, the total amount was classified as "on demand".

Notwithstanding the above clause, the directors do not believe that these bank loans will be called in its entirety within 12 months, and they consider that these borrowings will be repaid in accordance with the maturity dates as set out in the loan agreements. This evaluation was made considering: (i) the financial position of the Group at the date of approval of the financial statements; (ii) the Group's compliance with the loan covenants; (iii) the lack of events of default; and (iv) the fact that the Group has made previously scheduled repayments on time.

As at 31 December 2017, in accordance with the terms of the loans, the contractual undiscounted payments were HK$23,350,000 (2016: HK$28,679,000) within one year, HK$6,624,000 (2016: HK$8,500,000) in the second year and HK$27,217,000 (2016: HK$34,450,000) beyond 2 years.

Capital management

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

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders and return capital to shareholders. No changes were made in the objectives, policies or processes for managing capital during the reporting period.

33. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

Capital management *(Continued)*

The Group monitors capital using a gearing ratio which is net debt divided by the capital plus net debt. Net debt includes interest-bearing bank and other borrowings, an amount due to a director, amount due to a related company, trade payables and other payables and accruals, less cash and cash equivalents. Capital represents the equity attributable to owners of the Company. The gearing ratios as at the end of each of the reporting period were as follows:

	2017	2016
	HK$'000	HK$'000
Trade payables	**40,683**	40,818
Other payables and accruals	**30,243**	33,680
Amount due to a related company	**–**	283
Amount due to a director	**1,797**	1,797
Interest-bearing bank and other borrowings	**48,522**	60,307
Less: Cash and cash equivalents	**(15,917)**	(15,497)
Net debt	**105,328**	121,388
Equity attributable to owners	**55,041**	64,981
Capital and net debt	**160,369**	186,369
Gearing ratio	**66%**	65%

34. EVENTS AFTER THE REPORTING PERIOD

The following significant events took place subsequent to 31 December 2017:

(a) The Company's shares were listed on the GEM of the Stock Exchange on 16 January 2018 and 360,000,000 ordinary shares were issued at HK$0.21 per share on 16 January 2018 in connection with the listing of the Company on the GEM as detailed in the Prospectus and the announcement of the Company dated 15 January 2018, among others, in relation to the allotment results of the share offer.

(b) Pursuant to the written resolutions passed on 15 December 2017, the directors authorised to capitalise a sum of approximately HK$10,799,900 from the amount standing to the credit of the share premium account of the Company and applied such amount to pay up in full at par of 1,079,990,000 ordinary shares of the Company upon the listing of the Company on the GEM on 16 January 2018.

35. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	Note	2017 HK$'000	2016 HK$'000
NON-CURRENT ASSET			
Investment in a subsidiary		**43,224**	–
Total non-current asset		**43,224**	–
CURRENT ASSETS			
Prepayments		**–**	2,972
Cash and cash equivalents		**43**	–
Total current assets		**43**	2,972
CURRENT LIABILITIES			
Amounts due to subsidiaries		**16,838**	7,142
Total current liabilities		**16,838**	7,142
NET CURRENT LIABILITIES		**(16,795)**	(4,170)
NET ASSETS/(NET LIABILITIES)		**26,429**	(4,170)
EQUITY/(DEFICIENCY IN ASSETS)			
Issued capital		**–**	–
Reserves	25	**26,429**	(4,170)
		26,429	(4,170)

A summary of the Company's reserves is as follows:

	Share premium HK$'000	Accumulated losses HK$'000	Total HK$'000
At 1 January 2016	–	–	–
Total comprehensive loss for the year	–	(4,170)	(4,170)
At 31 December 2016 and 1 January 2017	–	(4,170)	(4,170)
Issue of new shares pursuant to the Reorganisation (note 25)	43,224	–	43,224
Total comprehensive loss for the year	–	(12,625)	(12,625)
At 31 December 2017	43,224	(16,795)	26,429

36. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 23 March 2018.

FINANCIAL SUMMARY

A summary of the consolidated results of the Group for the years ended 31 December 2017, 2016 and 2015 and the consolidated assets, liabilities and non-controlling interests of the Group as at 31 December 2017, 2016 and 2015 as extracted from the published audited financial statements/information, is set out below.

RESULTS

	Year ended 31 December		
	2017	2016	2015
	HK$'000	HK$'000	HK$'000
REVENUE	**418,513**	393,705	294,429
PROFIT/(LOSS) BEFORE TAX	**(6,584)**	3,689	2,134
Income tax expense	**(3,649)**	(2,475)	(939)
PROFIT/(LOSS) FOR THE YEAR	**(10,233)**	1,214	1,195
Profit/(loss) attributable to:			
Owners of the Company	**(10,161)**	1,128	1,880
Non-controlling interests	**(72)**	86	(685)
	(10,233)	1,214	1,195

ASSETS, LIABILITIES AND NON-CONTROLLING INTERESTS

	As at 31 December		
	2017	2016	2015
	HK$'000	HK$'000	HK$'000
TOTAL ASSETS	**178,499**	203,281	204,394
TOTAL LIABILITIES	**(123,458)**	(138,525)	(155,696)
	55,041	64,756	48,698
EQUITY			
Equity attributable to owners of the Company	**55,041**	64,981	49,009
Non-controlling interests	**–**	(225)	(311)
	55,041	64,756	48,698