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 2018

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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

COMPANY SECRETARY

Mr. Chan Ka Nam

COMPLIANCE ADVISER

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 ADVISER AS TO HONG KONG LAWS

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

REGISTERED OFFICE IN THE CAYMAN ISLANDS

PO Box 1350
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75 Fort Street
Grand Cayman KY1-1108
Cayman Islands

HEADQUARTERS AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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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

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Level 22, Hopewell Centre
183 Queen's Road East
Hong Kong

PRINCIPAL BANKS

Hang Seng Bank Limited
DBS Bank (Hong Kong) Limited

COMPANY'S WEBSITE

www.dragonkinggroup.com

STOCK CODE

8493

Chairman's Statement

Dear Shareholders,

On behalf of the board (the "**Board**") of directors of the Group, I am pleased to present the annual report of the Group for the year ended 31 December 2018.

OVERVIEW

For the year ended 31 December 2018, the Group operated ten Cantonese full-service restaurants in Hong Kong, Macau and Shanghai, the People's Republic of China (the "**PRC**"). The Group's restaurants operate under five self-owned brands, namely "Dragon King（龍皇）", "Dragon Seal（龍璽）", "Dragon Gown（龍袍）", "Imperial Seal（皇璽）" and "Dragon Feast（龍宴）". During the year, the Group opened one new restaurant under the brand "Dragon King（龍皇）" in Kwai Chung (the "**Kwai Chung Restaurant**") and relocated the restaurant in Wan Chai (the "**Wan Chai Restaurant**") under the brand "Dragon King（龍皇）" to a new location in the same district and operated under a new brand "Dragon Gown（龍袍）" (the "**New Wan Chai Restaurant**"). 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 slightly decreased by 0.8% from HK$418.5 million for the year ended 31 December 2017 to approximately HK$415.0 million for the year ended 31 December 2018. Such decrease was principally attributed to the decrease in revenue of the Sheung Shui Restaurant and the Shanghai Restaurant and partially offset by the increase in revenue of the ICC Restaurant. The Group recorded a loss attributable to the owners of the Company of approximately HK$58.1 million for the year ended 31 December 2018. The significant loss were mainly attributable to (i) the decrease in revenue of the Group's restaurants operating in Hong Kong and Shanghai as a result of the downturn of the domestic property and stock markets and the Sino-US trade war in the second half of 2018 which affected the consumption sentiment of customers and resulting in the increase in the operating loss; (ii) the operating loss incurred by the two newly operated restaurants in Kwai Chung and Wan Chai, which were opened in May and August 2018 respectively, during their initial stage of operation; (iii) the one-off loss of the Group from disposing the items of property, plant and equipment due to the closure of the restaurant in Wan Chai; (iv) the one-off discretionary bonus paid to the Group's employees; and (v) the impairment loss of property, plant and equipment and trade receivables of the Group.

PROSPECTS

Consumption sentiment is likely to continue to be impacted by the Sino-US trade war and fluctuations of both property and stock markets. To address the current weakness in customer sentiment and unpredictable market conditions, the Group will strengthen its promotional efforts to maintain the Group's competitive advantage, including the launching of promotional menus regularly and seasonal food.

In addition, the Group will constantly adjust the business strategies in order to respond to the changes in the respective markets. The Group will continue to evaluate the overall market conditions and strike a balance between expanding the Group's restaurants and closing underperforming restaurants in the future.

Chairman's Statement

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 environmental 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.

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, 22 March 2019

Management Discussion and Analysis

BUSINESS AND OPERATIONAL REVIEW

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

Restaurant Operations

For the year ended 31 December 2018, the Group operated ten Cantonese full-service restaurants in Hong Kong, Macau and Shanghai, the People's Republic of China (the "**PRC**"). The Group's restaurants operate under five self-owned brands, namely "Dragon King（龍皇）", "Dragon Seal（龍璽）", "Dragon Gown（龍袍）", "Imperial Seal（皇璽）" and "Dragon Feast（龍宴）". During the year, the Group opened the Kwai Chung Restaurant and relocated the Wan Chai Restaurant to the New Wan Chai Restaurant in the same district. 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 dining environment to the customers.

As disclosed in the Company's announcement dated 27 July 2018, the lease of the Wan Chai Restaurant has expired on 30 June 2018 and was not renewed upon its expiry because the Group considered that the Wan Chai Restaurant would not be able to generate positive operating profit if the lease was renewed based on the proposed considerable increment in rental.

Following the non-renewal of the lease of the Wan Chai Restaurant, the Group identified a new location in the same district for relocation and the Group considers the location of the New Wan Chai Restaurant to be more desirable in terms of the rental cost, customer flow and quality of surroundings by Grade A commercial buildings and exhibition centers. The New Wan Chai Restaurant commenced its operation in August 2018.

Vast majority of the Group's restaurants are located in Hong Kong. As at 31 December 2018, the Group had eight restaurants in Hong Kong, two of which are located on Hong Kong Island (respectively known as the "**Causeway Bay Restaurant**" and the New 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 two of which are located in New Territories (respectively known as the "**Sheung Shui Restaurant**" and the Kwai Chung Restaurant). The Group's restaurant in Macau is located in the Venetian Macao (known as the "**Macau Restaurant**") and the restaurant in Shanghai is located in Pudong New District (known as the "**Shanghai Restaurant**").

Management Discussion and Analysis

FINANCIAL REVIEW

Revenue

For the year ended 31 December 2018, the Group recorded a total revenue of approximately HK$415.0 million, representing a slight decrease of approximately HK$3.5 million or approximately 0.8% as compared to approximately HK$418.5 million for the year ended 31 December 2017.

The table below sets forth a breakdown of the Group's revenue generated by each of the Group's self-owned brands:

	For the year ended 31 December			
	2018		2017	
	Revenue HK$'000	**% of total revenue %**	Revenue HK$'000	% of total revenue %
Dragon King（龍皇）	**251,725**	**60.7%**	256,383	61.3%
Dragon Seal（龍璽）	**60,382**	**14.5%**	55,164	13.2%
Dragon Gown（龍袍）	**7,412**	**1.8%**	–	–
Imperial Seal（皇璽）	**39,170**	**9.4%**	45,449	10.9%
Dragon Feast（龍宴）	**56,344**	**13.6%**	61,517	14.6%
Total revenue	**415,033**	**100.0%**	418,513	100.0%

Dragon King（龍皇）

The revenue generated from Dragon King decreased by approximately HK$4.7 million, or approximately 1.9%, from approximately HK$256.4 million for the year ended 31 December 2017 to approximately HK$251.7 million for the year ended 31 December 2018.

The overall decrease in revenue was mainly due to the decrease of revenue generated by the Wan Chai Restaurant in which the lease has expired on 30 June 2018 and relocated to the New Wan Chai Restaurant which operated under the brand name of "Dragon Gown" in August 2018. The decrease in revenue was partially offset by the revenue generated from the Kwai Chung Restaurant which started its operation in May 2018. The revenue generated from other restaurants operated under "Dragon King" remained generally stable during the years ended 31 December 2017 and 2018.

Dragon Seal（龍璽）

The revenue generated from Dragon Seal increased by approximately HK$5.2 million, or approximately 9.4%, from approximately HK$55.2 million for the year ended 31 December 2017 to approximately HK$60.4 million for the year ended 31 December 2018. Such increase was mainly due to the increase in the number of banquet which generally had a higher spending compared to the casual dining.

Management Discussion and Analysis

Dragon Gown（龍袍）

The revenue generated from Dragon Gown was approximately HK$7.4 million for the year ended 31 December 2018 as it started operation in August 2018.

Imperial Seal（皇璽）

The revenue generated from Imperial Seal decreased by approximately HK$6.2 million, or approximately 13.7%, from approximately HK$45.4 million for the year ended 31 December 2017 to approximately HK$39.2 million for the year ended 31 December 2018. Such decrease was mainly due to the Sino-US trade war in the second half of 2018 which affected the consumption sentiment of customers in mainland China.

Dragon Feast（龍宴）

The revenue generated from Dragon Feast decreased by approximately HK$5.2 million, or approximately 8.5%, from approximately HK$61.5 million for the year ended 31 December 2017 to approximately HK$56.3 million for the year ended 31 December 2018. Such decrease was mainly due to the increase in the competition of Cantonese cuisine nearby.

Gross profit and gross profit margin

The Group's gross profit (i.e. revenue minus cost of inventories consumed) amounted to approximately HK$280.4 million for the year ended 31 December 2018, representing a decrease of approximately HK$6.6 million or approximately 2.3% from approximately HK$287.0 million for the year ended 31 December 2017 driven by the decrease in revenue and the increase of the costs of inventories consumed.

Moreover, the Group's overall gross profit margin slightly decreased from approximately 68.6% for the year ended 31 December 2017 to approximately 67.6% for the year ended 31 December 2018, the decrease in gross profit margin was mainly due to the increase in the cost of food ingredients which included in the costs of inventories consumed.

Other income and gains, net

Other income and gains, net increased by approximately HK$0.8 million or approximately 32.0% from approximately HK$2.5 million for the year ended 31 December 2017 to approximately HK$3.3 million for the year ended 31 December 2018. Such increase was mainly due to the fair value gains on financial assets at fair value through profit or loss.

Staff Costs

Staff costs was approximately HK$150.1 million for the year ended 31 December 2018, representing an increase of approximately HK$18.7 million or approximately 14.2% as compared to HK$131.4 million for the year ended 31 December 2017. Such increase was mainly due to the one-off discretionary bonus paid to the Group's employees and the salary for the Kwai Chung Restaurant and New Wan Chai Restaurant during the year ended 31 December 2018.

Loss on disposal of items of property, plant and equipment

It was mainly attributable to the loss on disposal of items of the property, plant and equipment was approximately HK$7.4 million for the year ended 31 December 2018. It was mainly attributable to the closure of the Wan Chai Restaurant which the lease has expired on 30 June 2018.

Impairment losses on items of property, plant and equipment

Impairment losses of items of the property, plant and equipment was approximately HK$5.8 million and it was mainly attributed to the Whampoa, Shanghai and Sheung Shui Restaurant which recorded operating losses for the year ended 31 December 2018.

Rental and related expenses

The Group's rental and related expenses increased by approximately HK$3.3 million or approximately 4.5% from approximately HK$73.1 million for the year ended 31 December 2017 to approximately HK$76.4 million for the year ended 31 December 2018. Such increase was mainly due to the opening of the Kwai Chung Restaurant in May 2018.

Other operating expenses

The Group's other operating expenses increased by approximately HK$15.3 million or approximately 26.3% from approximately HK$58.1 million for the year ended 31 December 2017 to approximately HK$73.4 million for the year ended 31 December 2018. Such increase was mainly due to the increase in marketing and promotional expenses to further enhance the Group's brand recognition, the increase in legal and professional fees incurred after the Company's shares were listed on GEM of the Stock Exchange (the "**Listing**") on 16 January 2018 (the "**Listing Date**") for the services of compliance adviser, legal adviser and share registrars and the increase in administrative and operating expenses for the opening of the Kwai Chung Restaurant and the New Wan Chai Restaurant during the period.

Finance costs

Finance costs of the Group decreased by approximately HK$0.4 million or approximately 15.5% from approximately HK$2.4 million for the year ended 31 December 2017 to approximately HK$2.0 million for the year ended 31 December 2018. The decrease in finance costs was mainly attributable to the early repayment and fully repayment of certain bank borrowings during the year ended 31 December 2018.

Listing expenses

Listing expenses was approximately HK$4.4 million for the year ended 31 December 2018, representing a decrease of approximately HK$9.0 million or approximately 66.7% as compared to approximately HK$13.4 million for the year ended 31 December 2017 as the Group has been successfully listed on 16 January 2018. Listing expenses incurred for the year ended 31 December 2018 is one-off in nature and mainly attributable to the professional fees in relation to the Listing.

Loss attributable to owners of the Company

For the year ended 31 December 2018, the Group recorded a loss attributable to owners of the Company of approximately HK$58.1 million, as compared with loss of approximately HK$10.2 million for the year ended 31 December 2017.

The significant increase in loss attributable to owners of the Company were mainly attributed to (i) the decrease in revenue of the Group's restaurants operating in Hong Kong and Shanghai resulted from the downturn of the domestic property and stock markets and the Sino-US trade war in the second half of 2018 which affected the consumption sentiment of customers and resulting in the increase in the operating loss; (ii) the operating loss incurred by the two newly operated restaurants in Kwai Chung and Wan Chai, which were opened in May and August 2018 respectively, during their initial stage of operation; (iii) the one-off loss of the Group from disposing the items of property, plant and equipment due to the closure of the restaurant in Wan Chai; (iv) the one-off discretionary bonus paid to the Group's employees; and (v) the impairment loss of property, plant and equipment and trade receivables of the Group.

PROSPECTS

The shares of the Company were listed on GEM on 16 January 2018 by way of share offer. The Directors believe that Listing on GEM could enhance the Group's profile and recognition which will enhance the customers' confidence to the Group. In addition, the net proceeds from the share offer will provide additional resources to the Group to expand its business and improve its capital base.

Consumption sentiment is likely to continue to be impacted by the Sino-US trade war and fluctuations of both property and stock markets. To address the current weakness in customer sentiment and unpredictable market conditions, the Group will strengthen its promotional efforts to maintain the Group's competitive advantage, including the launching of promotional menus regularly and seasonal food.

In addition, the Group will constantly adjust the business strategies in order to respond to the changes in the respective markets. The Group will continue to evaluate the overall market conditions and strike a balance between expanding the Group's restaurants and closing underperforming restaurants in the future.

Looking forward, the Group will continue to strengthen the Group's position in the Cantonese full-service restaurant industry and further expand the business operations with a view to creating long term Shareholders' value. The Group will focus on the following business strategies: (i) expansion in Hong Kong with multi-brand strategy; (ii) further enhances the Group's brand recognition; and (iii) enhancement of the Group's existing restaurant facilities. Details of the business strategies have been disclosed in the prospectus of the Company dated 29 December 2017 (the "**Prospectus**").

Management Discussion and Analysis

COMPARISON OF BUSINESS OBJECTIVES AND STRATEGIES WITH ACTUAL BUSINESS PROGRESS

The Group will endeavour to achieve the following business objectives:

Business Strategy as stated in the Prospectus	Implementation activities up to 31 December 2018 as stated in the Prospectus	Actual business progress up to the date of this report
Expansion in Hong Kong with multi-brand strategy	• To open restaurant in Hong Kong under the brand name of "Dragon King" and "Dragon Feast"	• The Kwai Chung Restaurant commenced its operation as "Dragon King" on 2 May 2018 • The New Wan Chai Restaurant commenced its operation as "Dragon Gown" on 15 August 2018
Further enhance the Group's brand recognition	• To advertise and promote more in conventional media channels and online platforms	• Continue to enhance the Group's brand recognition through various media channels
	• To engage in more marketing campaigns and other marketing activities	• Ms. Alice Chan (陳煒) was appointed as the Group's spokesperson
	• To participate in more different cooking competitions	
Enhancement of existing restaurant facilities	• To refurbish the Group's existing restaurants' fitting out and utensils	• Started the refurbishment work in the Group's restaurants in June 2018
	• To attract new and returning customer traffic	
Repayment of bank and other borrowings	• To repay part of our outstanding bank borrowings	• Early repayment of four outstanding bank borrowings amounted to HK$3.0 million

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$37.3 million.

As at 31 December 2018, the net proceeds from share offer were applied as follows:

	Planned use of proceeds as stated in the Prospectus up to 31 December 2018	Actual use of proceeds up to 31 December 2018
	HK$ million	HK$ million
Expansion in Hong Kong with multi-brand strategy	20.6	20.6
Enhancement of existing restaurant facilities	4.1	4.1
Enhancement of marketing and promotions	0.7	0.7
Repayment of bank and other borrowings	3.0	3.0
Working capital	1.6	1.6
	30.0	30.0

The business objectives as stated in the Prospectus were based on the best estimation of the future market conditions made by the Group at the time of preparing the Prospectus. The use of proceeds was applied in accordance with the actual development of the market.

As at 31 December 2018, approximately HK$30.0 million out of the net proceeds from the Listing had been used. The unused net proceeds were deposited in interest-bearing licensed banks in Hong Kong.

Save as disclosed in the Company's announcement dated 27 July 2018, it was expected that the Group would use approximately HK$12.0 million of the net proceeds for the capital expenditure for opening a new restaurant under the brand name of "Dragon Feast（龍宴）"in the Kwai Tsing District during the first half of 2018. Although the Group had made attempts to identify suitable locations in the Kwai Tsing District, it could not find any appropriate locations. Furthermore, in view of the relocation of the Wan Chai Restaurant to the New Wan Chai Restaurant mentioned in the paragraph headed "Business and Operational Review" above, the Group proposes that such portion of the net proceeds should be better utilised for the opening of the New Wan Chai Restaurant.

The Company intends to apply the net proceeds in the manner as stated in the Prospectus. However, the Directors will constantly evaluate the Group's business objectives and may change or modify the Group's plans against the changing market condition to attain sustainable business growth of the Group.

Management Discussion and Analysis

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 2018, the Group had borrowings of approximately HK$50.5 million which was denominated in Hong Kong Dollars (2017: approximately HK$48.5 million). The Group's bank borrowings were primarily used in financing the working capital requirement of its operations.

As at 31 December 2018, the Group's cash and cash equivalents were approximately HK$18.0 million (2017: approximately HK$15.9 million). The Directors believe that the Group is in a healthy financial position to achieve its business objectives.

GEARING RATIO

As at 31 December 2018, the gearing ratio of the Group was approximately 70.0% (2017: 66.0%). 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 2018, the borrowings were secured by a building owned by the Group and life insurance policies amounted to approximately HK$30.3 million (2017: approximately HK$31.1 million) and approximately HK$15.9 million (2017: HK$19.9 million), respectively, for certain banking facilities granted to the Group.

SEGMENT INFORMATION

Segmental information of the Group is disclosed in note 5 to the financial statements.

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 2018. There is no other plan for material investments or capital assets as at 31 December 2018.

Management Discussion and Analysis

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 2018, 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 2018 (2017: 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 2018, the Group's operating lease commitments were approximately HK$157.7 million (2017: HK$175.4 million).

FINAL DIVIDEND

The Board does not recommend the payment of final dividend for the year ended 31 December 2018 (2017: Nil).

INFORMATION ON EMPLOYEES

As at 31 December 2018, the Group had 650 employees (2017: 600 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 2018 and 2017 amounted to approximately HK$150.1 million and HK$131.4 million respectively.

Management Discussion and Analysis

SHARE OPTIONS

Details of the Company's share option schemes (the "**Share Option Schemes**") are set out on page 52 of this annual report.

PRINCIPAL RISKS AND UNCERTAINTIES

Foreign currency risk

The Group currently does not expose to material foreign exchange risk as most of the monetary assets and liabilities are denominated in Hong Kong Dollars.

Credit risk

The Group trades with a large number of individual customers and trading terms are mainly on cash and credit card settlement. In view of the Group's operation, we do not have significant credit risk exposure to any single individual customer. The credit risk of the other financial assets comprises carrying amounts of cash and bank balances, deposits and other receivables, amounts due from directors and related companies. These credit risks are monitored on an ongoing basis.

Liquidity risk

The Group has policy in place to regularly monitor the Group's liquidity requirements, both existing and expected, in order to maintain sufficient reserves of cash from short term to long term. The Directors are of the view that the liquidity risk management policy enables the Group to have sufficient resources to meet the debt obligations and working capital needs.

Capital risk

The Group's objectives for managing capital are to ensure the ability to continue as a going concern in order to provide returns for the Shareholders and to maintain an optimal capital structure to minimise the cost of capital. To maintain or adjust capital structure, the Group may adjust dividend payout ratio, make return of capital to Shareholders in the form of dividend or share buyback, issue new Shares or sell assets to reduce debt. No changes in the objectives, policies or processes were made during the year ended 31 December 2018.

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 operation has complied in all material respects with currently applicable local environmental protection laws and regulations in Hong Kong during the year.

For details of environmental, social and governance performance of the Group, please refer to the Environmental, Social and Governance report.

COMPLIANCE WITH THE RELEVANT LAWS AND REGULATIONS

As far as the Board is aware of, 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.

Biographical Details of Directors and Senior Management

EXECUTIVE DIRECTORS

Ms. Lee Ching Nung Angel（李靜濃）(“Ms. Lee”), aged 36, is the chairman of the Board and an 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 15 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 59, is the Chief Executive Officer (the “**Chief Executive Officer**”) and an 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 as the executive Director and the Chief Executive Officer on 14 March 2017, respectively. Mr. Wong WC has over 39 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.

Mr. Wong WC was 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）of 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）and Maitre Rotisseur of Chaines Des Rotisseurs（法國國際美食協會）in 2003, Honourable Adivsor of The World Royal Chef Yeung Koon Yat Master Fund（世界御廚楊貫–大師基金）and Committee Member of International Cate Appraising 2005 (2005國際美食評委）of International Hotel & Restaurant Association and China Hospitality Association（國際飯店與餐館協會及中國飯店協會）in 2005 and 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）of China Cuisine Association Professional Committee of Chefs（中國烹飪協會名廚專業委員會）in 2006. He then became the Director of Association of Industries and Commerce of Yaumatei Tsimshatsui Mongkok（油尖旺工商聯會）in 2008 and 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）of Government of South Australia（南澳洲政府）in 2013. He was admitted to the membership of Association of Restaurant Managers（現代管理（飲食）專業協會）as Vice Chairman in 2007 and Chairman in 2013. He was the Honourable Chairman of Les Amis d'Escoffier Society, Inc.（法國國際廚皇美食會）in 2005, Chinese Transworld Gourmet Association（中華國際美饌交流協會）in 2006 and The World Master Chefs Association for Cantonese Cuisine（世界粵菜廚皇協會）in 2015. Furthermore, Mr. Wong WC has received various awards since 2003.

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 54, is an 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 32 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.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Kwong Ping Man（鄺炳文）("Mr. Kwong"), aged 54, was appointed as the independent non-executive Director on 15 December 2017.

Mr. Kwong possesses over 25 years of experience in accounting and administration. Prior to joining the Group, Mr. Kwong worked in Polyard Petroleum International Group (stock code: 8011) with his last position as qualified accountant and company secretary from 2006 to 2007. He then served in Starlight Culture Entertainment Group Limited (stock code: 1159) with his last position as financial controller and company secretary from 2008 to 2009. From 2009 to 2013, he worked in China Agroforestry Low-Carbon Holdings Limited (stock code: 1069) and his last position was company secretary. 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 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), Rare Earth Magnesium Technology Group Holdings Limited (Formerly known as "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 56, 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.

Mr. Chang Cheuk Cheung Terence（張灼祥）("Mr. Chang"), aged 71, was appointed as the independent non-executive Director on 15 December 2017.

Mr. Chang has over 28 years of experience in education. Prior to joining the Group, Mr. Chang worked in Jockey Club Ti-I College with his last position as principal I from 1989 to 2000. He then served in Diocesan Boys' School with his last position as headmaster from 2000 to 2012. From 2012 to 2014, he worked in SIU Group Limited and his last position was director. He is currently the supervisor and St. Hilary's Kindergarten and the director of Glory Wisdom International Limited, a company provide marketing consultant services and the preparation of articles for newspaper agencies.

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 50, 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 30 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.

Mr. Ng Yick Kit（吳翼傑）("Mr. Ng"), aged 66, 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 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 57, 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, purchasing, marketing and promotion, opening for new restaurants and administration of the Group.

Prior to joining the Group, Ms. Wan served in GTM-Wan-Hin-CFE Joint Venture in 1995 with last position as Secretary. She then worked in Hagemeyer (Hong Kong) Limited from 1995 to 1996 and her last position was Secretary. From 1996 to 2009, she worked in Great Time Hotel Supplies Ltd with her last position as Deputy General Manager.

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 Charted 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.

Ms. Wong Sau Yee (黃秀儀) ("Ms. Wong"), aged 48, 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 administration 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 35, 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 10 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 Company is committed to achieving and maintain 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 promote the interests of its 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 to the Rules Governing the Listing of Securities on GEM of the Stock Exchange (the "**GEM Listing Rules**"). In the opinion of the Board, the Company has complied with the CG Code throughout the period.

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 throughout the period.

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.

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. They report periodically to the Board their work and business decisions.

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)
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

Biographical details of the Directors are set out in "Biographical Details of the Directors and Senior Management" on page 17 to 21 of this annual report.

The proportion of independent non-executive Directors 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.

Corporate Governance Report

INDEPENDENT NON-EXECUTIVE DIRECTORS

The independent non-executive Directors play a significant role in 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 suitable and 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 signed letter of appointment on 15 December 2017. The service contracts with the executive Directors and the letter 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.

Each of Mr. Wong WH and Mr. Chang will retire from office as Directors at the forthcoming annual general meeting of the Company to be held on 10 May 2019. Mr. Wong WH and Mr. Chang, 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 the proposed re-election of Mr. Wong WH and Mr. Chang.

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 2018, 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 Board committees, namely, the remuneration committee (the "**Remuneration Committee**"), the nomination committee (the "**Nomination Committee**"), and the audit committee of the Company (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 included 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 Code and disclosures in the annual report.

REMUNERATION COMMITTEE

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 2018. No Director or any of his or her associates is involved in deciding his or her own remuneration.

NOMINATION COMMITTEE

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 included 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 makes recommendations to the Board on the appointment of new Directors. In recommending candidates for appointment to the Board, the Nomination Committee considers candidates on merit against objective criteria and with due regards to the benefits of diversity to 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 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's 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, the majority of the members of the Audit Committee must be independent non-executive Directors 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.

During the year, the Audit Committee held four meetings to review and comment on the Company's 2017 annual results, 2018 interim results and quarterly results as well as the Company's internal control procedures and risk management system.

The Group's consolidated financial statements for the year ended 31 December 2018 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 2018 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.

The information below are details of all Directors' attendance at the Board meeting, Board committees' meeting and general meeting held from the Listing Date to 31 December 2018:

	Board Meeting	Audit Committee Meeting	Remuneration Committee Meeting	Nomination Committee Meeting	2018 Annual General Meeting
	Number of Meetings Attended/Held				
Executive Directors					
Ms. Lee Ching Nung Angel	5/5	–	–	–	1/1
Mr. Wong Wing Chee	5/5	–	1/1	1/1	1/1
Mr. Wong Wing Hong	5/5	–	–	–	1/1
Independent non-executive Directors					
Mr. Kwong Ping Man	5/5	4/4	1/1	1/1	1/1
Mr. Lin Zhisheng	5/5	4/4	1/1	1/1	1/1
Mr. Chang Cheuk Cheung Terence	5/5	4/4	1/1	1/1	1/1

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 ("**Mr. Chan**") as the Company Secretary.

For the year ended 31 December 2018, Mr. Chan undertook no less than 15 hours of relevant professional training to develop his skills and knowledge. The biographical details of Mr. Chan are set out in the section headed "Biographical Details of the Directors and Senior Management" of this annual report.

BOARD DIVERSITY POLICY

The Board adopted a board diversity policy (the "**Board Diversity Policy**") on 28 December 2018. The Company embraced the benefits of having a diverse Board, as such, the Board Diversity Policy aimed to set out the approach to maintain diversity of the Board. A summary of the Board Diversity Policy, together with the measurable objectives set for implementing the Board Diversity Policy, and the progress made towards achieving those objectives are disclosed as below.

Summary of the Board Diversity Policy

When determining the composition of the Board, the Company will consider board diversity in terms of, among other things, gender, age, experience, cultural and educational background, expertise, skills and know-how. All Board appointments will be based on merits, and candidates will be considered against objective criteria, having due regard for the benefits of diversity on the Board.

Measurable Objectives

Selection of candidates for Board membership will be based on a range of diversity perspectives, including but not limited to gender, age, experience, cultural and educational background, expertise, skills and know-how.

Monitoring and Reporting

The Nomination Committee will disclose the composition of the Board annually in the corporate governance report and monitor the implementation of this Policy.

The Nomination Committee will review this Policy, as appropriate, to ensure the effectiveness of this Policy. The Nomination Committee will discuss any revisions that may be required, and recommend any such revisions to the Board for consideration and approval.

NOMINATION POLICY

The Board adopted a nomination policy (the "**Nomination Policy**") on 28 December 2018. A summary of the Nomination Policy, together with the measurable objectives set for implementing the Nomination Policy, and the progress made towards achieving those objectives are disclosed as below.

Summary of the Nomination Policy

The Nomination Policy aims to set out the approach to guide the Nomination Committee in relation to the selection, appointment and re-appointment of the directors of the Company. This also ensure that the Board has a balance of skills, experience, knowledge and diversity of perspectives appropriate to the requirements of the Company's business.

Measurable Objectives

The Nomination Committee will evaluate, select and recommend candidate(s) for directorships to the Board by giving due consideration to criteria including but not limited to (collectively, the "**Criteria**"):

(a) Diversity in aspects including but not limited to gender, age, experience, cultural and educational background, expertise, skills and know-how;

(b) Sufficient time to effectively carry out their duties; their services on other listed and non-listed companies should be limited to reasonable numbers;

(c) Qualifications, including accomplishment and experience in the relevant industries the Company's business is involved in;

(d) Independence;

(e) Reputation for integrity;

(f) Potential contributions that the individual(s) can bring to the Board; and

(g) Commitment to enhance and maximize shareholders' value.

Re-election of Director at General Meeting

The Nomination Committee will evaluate and recommend retiring Director(s) to the Board for re-appointment by giving due consideration to the Criteria including but not limited to:

(a) the overall contribution and service to the Company of the retiring Director including his attendance of Board meetings and, where applicable, general meetings, and the level of participation and performance on the Board; and

(b) whether the retiring Director(s) continue(s) to satisfy the Criteria.

The Nomination Committee and/or the Board shall then make recommendation to shareholders in respect of the proposed re-election of director at the general meeting.

Nomination Process

The Nomination Committee will recommend to the Board for the appointment of a Director in accordance with the following procedures and process:

(a) The Nomination Committee will, giving due consideration to the current composition and size of the Board, develop a list of desirable skills, perspectives and experience at the outset to focus the search effort;

(b) The Nomination Committee may consult any source it deems appropriate in identifying or selecting suitable candidates, such as referrals from existing Directors, advertising, recommendations from an independent agency firm and proposals from shareholders of the Company with due consideration given to the Criteria;

(c) The Nomination Committee may adopt any process it deems appropriate in evaluating the suitability of the candidates, such as interviews, background checks, presentations and third-party reference checks;

(d) Upon considering a candidate suitable for the directorship, the Nomination Committee will hold a meeting and/or by way of written resolutions to, if thought fit, approve the recommendation to the Board for appointment;

(e) The Nomination Committee will thereafter make the recommendation to the Board in relation to the proposed appointment and the proposed remuneration package; and

(f) The Board will have the final authority on determining the selection of nominees and all appointment of Directors will be confirmed by the filing of the consent to act as Director of the relevant Director (or any other similar filings requiring the relevant Director to acknowledge or accept the appointment as Director, as the case may be) to be filed with the Companies Registry of Hong Kong.

Monitoring and Reporting

The Nomination Committee will assess and report annually, in the Corporate Governance Report, on the composition of the Board, and launch a formal process to monitor the implementation of the Nomination Policy as appropriate.

Review of Nomination Policy

The Nomination Committee will launch a formal process to review this Policy periodically to ensure that it is transparent and fair, remains relevant to the Company's needs and reflects the current regulatory requirements and good corporate governance practice. The Nomination Committee will discuss any revisions that may be required and recommend any such revisions to the Board for consideration and approval.

Disclosure of Nomination Policy

A summary of this Policy including the nomination procedures and the process and Criteria adopted by the Nomination Committee to select and recommend candidates for directorship during the year will be disclosed in the annual corporate governance report.

In the circular to shareholders for proposing a candidate as an independent non-executive director, it should also set out:

- the process used for identifying the candidate and why the Board believes the candidate should be elected and the reason why it considers the candidate to be independent;
- if the proposed independent non-executive director will be holding their seventh (or more) listed company directorship, the reason the board believes the candidate would still be able to devote sufficient time to the Board;
- the perspectives, skills and experience that the candidate can bring to the Board; and
- how the candidate can contribute to the diversity of the Board.

DIVIDEND POLICY

The Board adopted a dividend policy (the "**Dividend Policy**") on 28 December 2018. According to the Dividend Policy, in deciding whether to propose any dividend payout, the Board shall also take into account, inter alia: –

- the Company and its subsidiaries' (collectively, the "**Group**") actual and expected financial performance;
- shareholders' interests;
- retained earnings and distributable reserves of the Company and each of the other members of the Group;
- the level of the Group's debts to equity ratio, return on equity and financial covenants to which the Group is subject;
- possible effects on the Group's creditworthiness;
- any restrictions on payment of dividends that may be imposed by the Group's lenders;
- the Group's expected working capital requirements and future expansion plans;

- liquidity position and future commitments at the time of declaration of dividend;
- taxation considerations;
- statutory and regulatory restrictions;
- general business conditions and strategies;
- general economic conditions, business cycle of the Group's business and other internal or external factors that may have an impact on the business or financial performance and position of the Company; and
- other factors that the Board deems appropriate.

Pursuant to the Dividend Policy, the declaration and payment of dividends shall remain to be determined at the discretion of the Board and subject to all applicable requirements (including without limitation restrictions on dividend declaration and payment) under the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) and the articles of association of the Company. Except for interim dividend, any dividends declared by the Company must be approved by an ordinary resolution of shareholders at the general meeting and must not exceed the amount recommended by the Board. The Board may from time to time pay to the shareholders such interim dividends as appear to the directors to be justified by the profits of the Company available for distribution.

The Company will continually review the Policy and reserves the right in its sole and absolute discretion to update, amend and/or modify the Policy at any time, and this Policy shall in no way constitute a legally binding commitment by the Company that dividends will be paid in any particular amount and/or in no way obligate the Company to declare a dividend at any time or from time to time.

INDEPENDENT AUDITORS' 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	1,450
Non-audit services	39
Tax services	266
Total	1,755

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. Such requisition must be 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 2018 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 2018 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.

COMMUNICATION WITH SHAREHOLDERS AND INVESTOR RELATIONS

The Company has adopted a 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;

(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.

During the year, there was no change to the Company's articles of association.

Environmental, Social and Governance Report

INTRODUCTION

The Group is committed to maintaining high standards of business practices in relation to environmental protection, social responsibility and related governance. With a view to uphold shareholders' confidence and understanding in the Group's efforts in achieving an environmentally and socially well governed and sustainable business, the Group's measures and performance on sustainable development topics are disclosed in a transparent and open manner below.

REPORTING STANDARDS

The "Environmental, Social and Governance Report" (collectively the "**Report**") is prepared in accordance with the "Environmental, Social and Governance Reporting Guide" ("**ESG Guide**") of the Stock Exchange set out in Appendix 20 of the GEM Listing Rules. The Report provides a simplified overview on the environmental, social and governance performance of the Group. The information in the Report is derived from the Group's official documents and statistics, as well as the integration and summary of monitoring, management and operational information provided by the Group.

REPORTING YEAR

All the information in the Report reflects the performance of the Group in environmental management and social responsibility from 1 January 2018 to 31 December 2018 (the "**Reporting Period**"). In the future, the Group will release an Environment, Social and Governance Report annually for public review, in order to improve the transparency and responsibility of information disclosure.

REPORTING SCOPE

The Group is a Cantonese full-service restaurant group operating Cantonese cuisine restaurants under five self-owned brands in Hong Kong, Macau and Shanghai. The Group's restaurants focus on providing quality food and services and comfortable dining environment to the customers. Over the years, the Group has diversified its business and revenue sources and obtained various awards and recognition, including the "Michelin Guide Hong Kong Macau" and the "Best of the Best Culinary Awards".

The scope of content focuses mainly on the Group's restaurants and headquarters office in Hong Kong, which are the areas that represent the majority of the Group's social, environmental and economic impacts.

After the comprehensive completion of data collection procedure and system and the Group's deeper understanding in its environmental, social and governance work, we have identified ESG issues relevant to the Group, that have been assessed by considering their materiality and importance to our principle activities, stakeholders as well as the Group. Those identified ESG issues and key performance indicators ("**KPIs**") have been disclosed in the Report.

STAKEHOLDER ENGAGEMENT

The Stock Exchange has set forth four principles for reporting in the ESG Guide: materiality, quantitative, balance and consistency, which should form the basis for preparing the Report. As the Stock Exchange emphasizes, stakeholder engagement is the method by which materiality is assessed. Through stakeholder engagement, companies can understand wide-ranging views and identify material environmental and social issues.

The Group believes that effective feedback from stakeholders not only contributes to comprehensive and impartial evaluation of its ESG performance, but also enables the Group to improve its performance based on their feedback. Therefore, the Group has engaged in open and regular communication with its stakeholder groups including shareholders, employees, customers, suppliers, sub-contractors, government and the media. Over the years, the Group has continued to fine-tune our sustainability focus, addressing pressing issues. The table below shows how we communicate with key stakeholder groups and their respective concerns.

Table 1: Stakeholders and Engagement Methods

Stakeholder	Interests and concerns	Engagement channels
Shareholders and investors	• Return on investment • Corporate strategy and governance • Risk mitigation and management	• Annual general meeting • Interim and annual reports, corporate websites • Announcements, notices of meetings, circulars
Customers	• Robust operation management • Full compliance with regulations • Sustainability performance of operations • Food choice and quality • Food safety and hygiene • Service quality • Opinions and complaints handling • Good dining environment	• Interim and annual reports, corporate websites • Regular meetings and communication • Adopt appropriate control management measures at different stages of food production process • Maintaining channels of customer communication and feedback at restaurant, social media and complaint hotline, mailbox • Conducting customer surveys regularly and improving performance
Employees	• Compensation and benefits • Occupational health and safety • Career development opportunities • Corporate culture and wellbeing	• Provide leisure activities and increase cohesion • In-house training programmes • Performance reviews and appraisals • Promote career development and enhance competence at all levels
Suppliers	• Long-term partnership • Ethical business practices • Supplier assessment criteria	• Procurement processes • Audits and assessments

The business of the Group affects different stakeholders, and each category of stakeholders have different expectations on the Group. The Group will maintain communication with stakeholders continuously, collect opinions of stakeholders through different platforms and more extensively, and make substantive analysis more comprehensively. At the same time, the Group will enhance the reporting principles of quantification, balance and consistency, in order to define content of the Report and presentation of the information that is more in line with the expectations of stakeholders.

ENVIRONMENT PROTECTION

Emissions

Emissions from vehicle usage and business operation

During our operation, the usage of private cars and other types of cars generates the emission of nitrogen oxides ("**NOx**"), sulphur oxides ("**SOx**") and particulate matters ("**PM**"). Also, the use of electricity in office and restaurants generate carbon dioxides ("**CO_2**"). The approximate amount of CO_2, NOx, SOx and PM produced from our operation in Hong Kong, where the vast majority of Group's restaurants are located, are shown in the following table:

Table 2: Number of Cars

Region	Types of Cars	2018 Number of Cars	2017 Number of Cars
Hong Kong	Private Cars	**2**	2*
	Light Good Vehicles	**1**	1*
	Medium & Heavy goods vehicles	**1**	1*

* Certain comparative figures have been adjusted to conform with the current year's presentation.

Table 3: Emission from vehicle usage and town gas

Region	Types of air emission	2018 Volume (Tonnes)	2017 Volume (Tonnes)
Hong Kong	NOx emission	**0.080**	0.090*
	SOx emission	**0.0002**	0.0002*
	PM emission	**0.0060**	0.0070*

* Certain comparative figures have been adjusted to conform with the current year's presentation.

NOx emission and PM emission are remained generally stable during the comparable period. Meanwhile, the Group is committed to reduce and ensure the efficient usage of private cars. The Group has implemented the following measures so as to achieve the environmental friendly approach; i) avoid peak hour traffic; ii) encourage the use of public transport; and iii) utilize the vehicle by carpooling with different staff.

Emissions from operational activities

Greenhouse gas emission – Scope 2 – energy indirect emission

During the food preparation process and operations of the restaurants, the Group has incurred indirect greenhouse gases emissions (Scope 2), principally resulting from electricity and gas consumed at the restaurants and back offices in Hong Kong, where the vast majority of Group's restaurants are located. In respect to the approximate indirect amount of CO_2 generated from the Group's electrical and gaseous usage, the figures are shown in the table below:

Table 4: Greenhouse gas emission – Scope 2 – energy indirect emission

Region	**2018 Volume (Tonnes)**	2017 Volume (Tonnes)
Hong Kong*	4,271	4,438

* included head office located in Hong Kong

In 2018, the energy indirect emission for the restaurant and the headquarter in Hong Kong decreased by approximately 4% compared to 2017.

Greenhouse gas emission – Scope 3 – Other indirect emissions – electricity for processing fresh water and sewage water

Except the electricity and gas consumed, the Group has incurred other indirect greenhouse gases emissions (Scope 3) contributed by, principally resulting from electricity and gas consumed at the restaurants and back office in Hong Kong, where the vast majority of Group's restaurants are located. In respect to the approximate indirect amount of CO_2 generated from the electrical and gaseous usage, the figures are shown in the table below:

Table 5: Greenhouse gas emission – Scope 3 – Other indirect emission – electricity for processing fresh water and sewage water

Region	**2018 Volume (Tonnes)**	2017 Volume (Tonnes)
Hong Kong	112.30	122.05*

* Certain comparative figures have been adjusted to conform with the current year's presentation.

In 2018, the electricity for processing fresh water and sewage water for the restaurant decreased by approximately by 8% compared to 2017. Such decrease is due to the water conservation norm has been developed among all staff through the internal training by the Group.

Greenhouse gas emission – Scope 3 – Other indirect emissions – business air travel by employees

In addition, the Group has also incurred other indirect greenhouse gases emissions (Scope 3), contributed by the business travel of the employees. In respect to the approximate amount of CO_2 generated, the figures are shown in the table below:

Table 6: Greenhouse gas emission – Scope 3 – Other indirect emissions – business air travel by employees

Region	**Total Air mileages travelled (km)**	**2018 Volume (Tonnes)**	2017 Volume (Tonnes)
Hong Kong	248,466	27.57	25.46

In 2018, business air travel by employees in Hong Kong increased by approximately by 8% compared to 2017. Such increase was due to the staff visiting more often to other branch which located outside to HK to monitor the branch's operation.

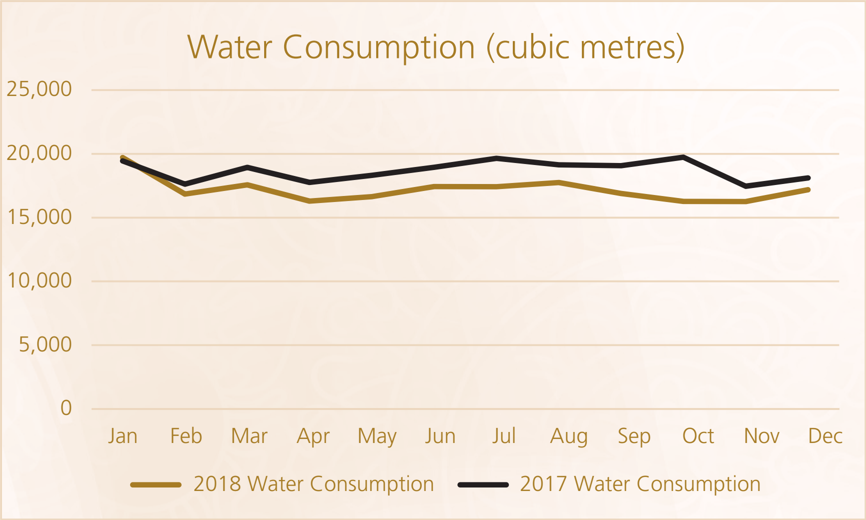
During the Reporting Period, the Group was not aware of any material non-compliance with the environmental laws and regulations in respect of both emissions from the course of production and vehicle usage.

Use of Resources

The Group adheres to the concept of energy conservation and emission reduction for green business. The major resources used by the Group are principally electricity and water consumed in the office and restaurants. The Group aims to improve its energy utilization efficiency to achieve low-carbon practices and emission reduction throughout the operation and strive to save the resources.

Water is essential to all communities. The Group promotes water conservation to its customers and employees. Reminders of water-saving responsibilities, in the form of notices and signs, are posted near to water outlets in the kitchens, washrooms, and office. The Group records and analyzes the monthly consumption rate of water regularly. After identifying the causes of high rates of water consumption, the Group will take remedial action to minimize water use. The following table showed the monthly water consumption in cubic meters of the Group:

Table 7: Water Consumption by Months



The total water consumption in cubic meters by region during the Reporting Period is shown in the following table:

Table 8: Water Consumption by Region

Region	**2018 Water consumption (cubic metres)**	**2018 Intensity of water consumption per restaurant property floor area (cubic metres)**	2017 Intensity of water consumption per restaurant property floor area (cubic metres)
Hong Kong	206,270	28.75	34.85*

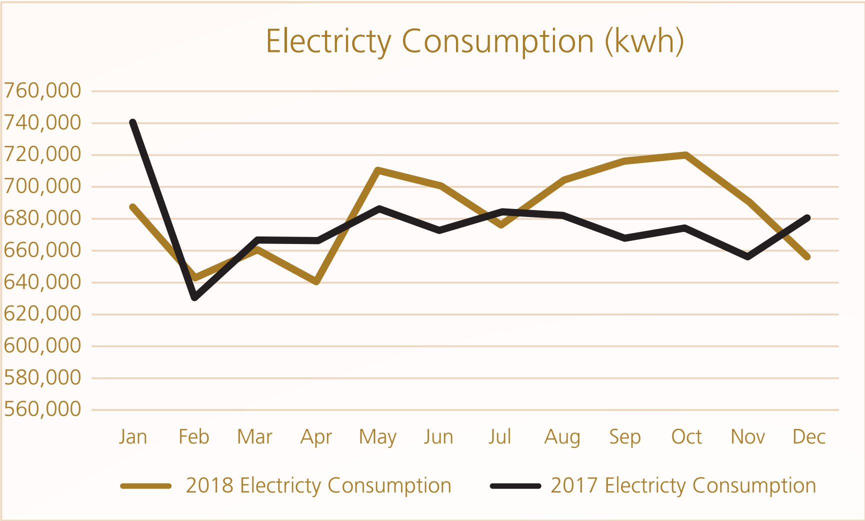
* Certain comparative figures have been adjusted to conform with the current year's presentation.

Compare to the last financial year, the intensity of water consumption per restaurant property floor area has dropped from approximately 35 cubic metres to approximately 29 cubic metres. The Group believes this is the contribution from the regular water consumption analysis and the internal training that create a sense of urgency to all staff about the monitoring of water usage. The Group will keep on performing current works and strive to remain the intensity at a low level.

The Group determines to maximize energy conservation in its office by promoting efficient use of power and adopting green technologies. For instance, the Group continues to upgrade equipment such as purchasing electrical appliances with high efficient energy label, lighting and air-conditioning systems in order to increase energy efficiency. Air-conditioning systems can be adjusted to a specific temperature, which allows the users to set at a comfortable temperature and avoid power waste. Switch off idle lightings, electrical appliances, as well as electric and electronic devices. Moreover, the Group uses LED lighting in various areas of the Group's office and restaurants.

During the food preparation process and operations of the restaurants, the Group has incurred indirect greenhouse gases emissions, principally resulting from electricity and gas consumed at the restaurants and back office in Hong Kong, where the vast majority of Group's restaurants are located. In respect to the approximate indirect amount of CO_2 generated from our electrical and gaseous usage, the figures are shown in the table below:

Table 9: Electricity Consumption by Months



The total electricity consumption in kilo watt hour is shown in the following table:

Table 10: Electricity Consumption

Region	**2018 Electricity consumption (kwh)**	**2018 Intensity of electricity consumption per restaurant property floor area (kwh)**	2017 Intensity of electricity consumption per restaurant property floor area (kwh)
Hong Kong	8,210,053	1,144.36	1,260.60

The intensity of electricity consumption has decreased from approximately 1,260 kwh to approximately 1,140 Kwh. The Group believes the electricity conservation norm has been developed among all staff through the internal training. The Group expects more progress would be made after the energy conservation norm has evolved further among the staff. The Group expects this can be reflected in the key performance result next year.

Table 11: Gas Consumption by Months

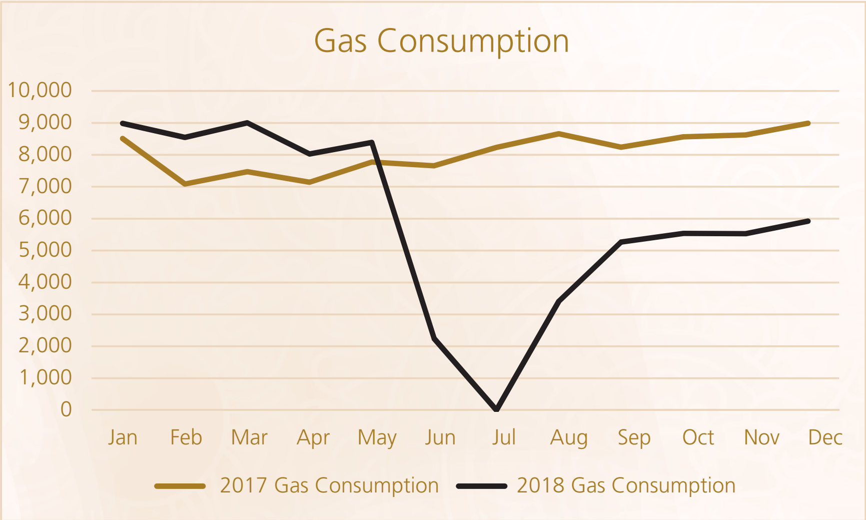


Table 12: Gas Consumption

Region	Gas Consumption (mj)	2018 Intensity of electricity consumption per restaurant property floor area (mj)	2018 Intensity of electricity consumption per restaurant property floor area (mj)
Hong Kong	70,856	64.82	107.94

The intensity of gas consumption was decreased by 43.12 mj from 107.94 mj for the 2017 to 64.82 mj for 2018. Such decrease was generally due to the Wan Chai restaurant is closed at July 2018. Also, the Group believes this is the contribution from the regular gas consumption analysis and the internal training that create a sense of urgency to all staff about the monitoring of gas usage. The Group will keep on performing current works and strive to remain the gas usage at a low level.

In the meantime, the Group has continued to give careful consideration to minimize all significant impact on the environmental resources. Various practices have been implemented which can be concluded as follows:

Implemented practice

- Switch off computers, printers, machines and other electronic devices after office hours or when leaving the workplace to reduce power consumption
- Maximize the use of nature light and energy-saving lighting systems
- Apply optima temperature setting of air-conditioning
- Encourage duplex printing
- Reuse of single-side used paper
- Upgrade the electrical equipment with high efficient energy label continuously

The Environment and Natural Resources

To develop a green approach at the restaurants and offices, the Group has developed the following measures for daily operation so as to minimize the impact brought to the environmental and natural resources consumption.

Restaurants and office equipment

- Switch off computers, printers, machines and other electronic devices after office hours or when leaving the workplace to reduce power consumption
- Used toner cartridges return to respective suppliers for recycling
- All windows and doors must be closed when the air-conditioners turn on
- Affix save energy posters near the main switches in order to remind the Group's employees of energy saving
- The last-man-out is dedicated to check and turn off all machines and equipment

Water

- All staff should fully utilize the water generated from air-conditioners (e.g. cleaning the floor when it is necessary)
- Using the tap water for cleaning the private cars or other vehicles are prohibited

Lighting

- Switch off non-essential lighting if there are only few people working in the office or restaurants
- The last-man-out is dedicated to check and turn off all lighting of the restaurants and office

Other practice

- Encourage duplex printing, reuse of single-side used paper
- Refill instead of new pen when used up

As a socially responsible enterprise, protecting nature and the environment has become an integral part of our corporate culture/our important value, the Group constantly looks for ways to maximize benefits with minimal resource consumption and environmental impact, and continue to strive for sustainable development.

PEOPLE

Employment

The Group reckons that employees are the most valuable assets of an enterprise and also the cornerstone for sustaining corporate development. It is always the Group's initiative to provide a fair and competitive compensation package to attract and retain quality talents, in the form of a basic salary, incentives bonus, mandatory provident fund, and other fringe benefits. Remuneration packages are reviewed periodically. The Group also has a set of comprehensive human resources management policy to support human resources function. The policies include compensation and benefits, working hours and holidays, recruitment and selection, performance management, promotion, employment termination, training and development.

The Group aims to refrain from any form of harassment and discrimination with respect to age, gender, race, nationality, religion, marital status or disability in the workplace. Hence, the ratio of number of male to female employees show that the problem of gender inequality is not existed.

Although part of the Group's business is located in China, which is a patriarchal society, the Group aims to refrain from any form of harassment and discrimination with respect to age, gender, race, nationality, religion, marital status or disability in the workplace. Besides, the Group has always strictly observed the relevant legislations in the PRC, Macau and Hong Kong regarding the equal employment opportunities, child labour and forced labour. The Group abides by the employment regulations, relevant policies and guidance of the relevant jurisdictions where it operates, including the "Employment Ordinance", the "Employees' Compensation Ordinance" in Hong Kong; the "Framework Law on Employment Policy and Worker's Rights", "Law on Employment of Non-Resident Workers" in Macau and the "Labour Law of the People's Republic of China" and the "Labour Contract Law of the People's Republic of China" in the PRC.

Environmental, Social and Governance Report

The Group has its internal procedure to report employees' information regularly in order to review employment practices so as to avoid any non-compliance. Furthermore, the Group strictly complies with the internal recruitment process during recruitment to ensure no employment of child labour and forced labour in any form. The Group also strives to establish harmonious labour relationships so as to increase the working efficiency and remains the staff turnover rate at a reasonably low level.

Health and Safety

The Company is an investment holding company incorporated in the Cayman Islands with its headquarter located in Hong Kong and the nature of the daily operation is mainly office-based where the safety risk is limited. The Group has equipped its office with suitable fire-fighting facilities like fire extinguishers.

The Group's subsidiaries in PRC, Macau and Hong Kong engage in catering industry to operate Cantonese cuisine restaurants. The Group strongly believes that ensuring to provide a safe working environment for the employees is the most important social responsibility to its shareholders, employees and the community where it situates. Therefore, the Group has always regarded that as one of the priorities in corporate management. Sound management systems have been established in occupational health and safety in strict compliance with the Director of Food and Environmental Hygiene Department ("**FEHD**") under the Public Health and Municipal Services Ordinance. All equipment including sanitary fitments, ventilation and facilities for cleaning equipment and utensils are monitored by the Group periodically to remain at a high safety standard.

Daily operations are inspected by relevant department assigned by the Group, against the established risk assessment program that consists of a number of sequential steps such as risk identification, analysis, evaluation, treatment, monitoring and reviewing based on the existing controls and recommendations to reduce those risks which are not deemed to be under acceptable limits. Any non-compliance will also be identified and rectified on a timely basis.

Thus, it is a proof of guaranteeing the establishment of a healthy, safe and stable working environment effectively.

Every case of injury (if any) is required to be reported to the Group and be assessed individually under the internal guideline procedures. The Group is pleased to report that the rate of accidents and injuries during the reporting period was extremely low with zero fatal accident.

During the Reporting Period, the Group was not aware of any material non-compliance with the health and safety laws and regulations.

Trainings and Development

The Group recognizes the importance of skilled and professionally trained employees to its business growth and future success. Therefore, the Group encourages them to participate in personal development and job-related training courses. In daily operation, the Group provides comprehensive on-the-job training and clear career paths to the employees. For instance, based on the job duties of individual employees, the Group offers vocational training on food ingredients, food preparation and preservation, flow of food production, hygiene conditions of the kitchen and quality control in different aspects of the restaurant operation. In addition, the Group trains all front-line service staff on customer services. Restaurant managers also hold daily briefing sessions with front-line service staff to review service performance of the day. Induction coaching is provided to all the new staff members and experienced employees act as mentors to guide new comers. The Group believes such arrangement can be the best practice to facilitate communication and team spirit, also improve technical skills and managerial capability and encourage the learning and further development of employees at all levels.

The Group will continue to intensify its efforts to promote staff training programs which we believe that by means of offering comprehensive training opportunities, it could help providing the necessary protection for talent reserves for corporate development. The Group annually evaluates the training needs of its employees to ensure that employees are offered with suitable and appropriate training according to their job nature and position.

Labour Standards

The Group always respects and strictly complies with all applicable national laws and local regulations as well as relevant labour laws and regulations in the place where it operates, including the Employment of Children Regulations under the Employment Ordinance in Hong Kong. The Group has also developed rigorous and systematic measures for approval and selection, to prevent ourselves from illegally hiring child labour and ensure that the employment is in compliance with relevant laws and regulations.

The Group arranges the employees' working hours based on the statutory working hour standards and allows them to entitle paid leaves and sick leaves in accordance with labour laws.

During the Reporting Period, the Group was not aware of any material non-compliance with the labour requirements set out in relevant laws and regulations.

Supply Chain Management

Sourcing capability plays an important role in the management of restaurant business, and effective supplier selection is an essential element in this aspect. Leveraging the senior management's experience in the restaurant industry, the Group has developed a supplier selection system based on a set of selection criteria including, but not limited to, the pricing and quality of ingredients, and the reputation, service, agility, delivery efficiency and past performance of the suppliers.

The Group has established and maintained long-term relationships with a number of suppliers. To ensure stable supply of food ingredients and minimize the risk of non-delivery, sub-standard products and supplier's default, the Group generally sources major raw materials from more than one approved supplier. Currently the Group sources our foods from over 80 suppliers, of which over 50 suppliers are Hong Kong based and approximately 30 of them are PRC based. The Group places great emphasis on the quality of its raw materials, and closely monitors whether the suppliers can achieve the aforesaid criteria.

The Group's purchasing department regularly conducts supplier reviews to ensure product quality and safety. All suppliers are required to hold valid licences required by the government, and all imported goods shall obtain proper clearance from the respective authorities. Goods received from suppliers have to be in compliance with the food labelling requirements and relevant hygiene and sanitary regulations.

Food Safety and Quality Assurance

The Group is committed to achieve high product and service quality by implementing stringent and comprehensive quality control procedures. The Group observed all the applicable laws and regulations, including the Food Safety Ordinance of Hong Kong and the Food Safety Law of the PRC that applies to food production and processing, food circulation and dining service in the PRC.

The Group places great emphasis on identifying and securing a reliable supply of fresh and quality food ingredients for our restaurant operations. The Group selects food ingredients carefully, often based on origin, nutritional value, freshness and consumption safety. Raw materials and food ingredients are sourced primarily from the list of suppliers approved by the Group's senior management. Freshness and quality of the raw materials and food ingredients are examined on a regular basis. The Group would cease sourcing from those suppliers who fail to provide quality food ingredients as specified.

In addition, all restaurants of the Group follow the standardized preservation methods and recommended storage periods for different categories of foods. The Directors believe such practice promotes food quality, ensures food safety and preserves the freshness of food ingredients.

The Group implements a quality control system that emphasizes food hygiene and safety as well as the sanitation and cleanliness of restaurant premises. It covers quality control from food processing and cooking, food and services provided to customers, to the dining environments of restaurants.

Food safety policies and procedures have been developed in accordance with the standards required by the relevant government authorities. Restaurant managers are responsible for reviewing the operations and performance of their respective restaurants to ensure that they are in compliance with the Group's operating guidelines and policies.

All the chefs and staff working in the kitchens are required to strictly adhere to the procedures and measures adopted by the senior management of the Group. They receive on-the-job training related to food preparation and preservation, flow of food production, hygiene conditions of the kitchen and quality control in different aspects of the restaurant operation.

In total, there are about ten staff members from different restaurants involved in implementing various quality control measures on food production, including, among others, checking the quality upon purchase of raw materials, receipt of food ingredients, cooking and serving of foods.

The Directors believe that maintaining good customer satisfaction will help strengthen the Group's price-value proposition, branding and reputation. We make every effort to understand our customers' needs and enhance their experience with our services. The Group welcomes comments and feedback from the customers. All frontline service staff are required to handle every request, enquiry or complaint of customers promptly and seriously.

During the year, the number of complaint in relation to food or quality of services were minimal and insignificant.

Anti-corruption

The Group is committed to maintaining the integrity of its corporate culture. Staff members are not allowed to solicit or accept any advantages. The Group sets out the relevant policies in the employee handbook and guides the employees to abide by the code of conduct. The code of conduct provides a clear definition of the provision and acceptance of interests, such as gifts and souvenirs, and ways to deal with conflicts of interest.

Directors and employees are required to make a declaration to the management through the reporting channels when actual or potential conflict of interest arises. Employees cannot receive any gifts from any external parties (i.e. customers, suppliers, contractors, etc.) unless approval is obtained from the management.

The Group has whistle-blowing procedures in effect, encouraging the employees to report directly to the Company's senior management any misconduct and dishonest behaviour, such as bribery, fraud and other offences. Furthermore, the Group has specified in the employees' handbook that the Group is entitled to terminate the employment contract with any employee who is bribed with money, gifts or commission, etc., and reserve the right to take further legal actions against such person.

During the Reporting Period, the Group has complied with the relevant laws and regulations regarding anti-corruption and money-laundering and had no concluded legal case regarding corrupt practices brought against the issuer or its employees.

Community Investment

The Group is committed to creating sustainable prosperity that brings long-term social and economic benefits for all stakeholders, particularly to maintain the relationship with interest groups which are relevant to business operation. The Group has been actively involved in charitable activities in the communities and cities where our restaurants are operating, and encourages the employees to participate in in-house or external community activities.

The Group will continue to explore other means to enhance contribution to the environment and strive to facilitate the building of a healthy and sustainable society in the future.

Environmental performance indicators

Aspect A1: Emissions

Performance indicator		2018 Data	2017 Data	Stock Exchange ESG Reporting Guide KPI
Emission	Total nitrogen oxides (NOx) emission (g)	76,414.52	90,340.99*	KPI A1.1
	Total particulate matters (PM) emission (g)	5,655.25	6,481.46*	KPI A1.1
	Total sulphur oxides (SOx) emission (g)	190.70	200.70*	KPI A1.1
	Total CO_2 generated equivalent emission (tonnes) – scope 2 – energy indirect emission	4,271.14	4,437.39	KPI A1.2
	Total CO_2 generated equivalent emission (tonnes) – scope 3 – other indirect emission – business travel by employees	27.57	25.46	KPI A1.2
	Total CO_2 generated equivalent emission (tonnes) – scope 3 –other indirect emission – fresh water and sewage water processing	112.30	122.05*	KPI A1.2
	Total travelled distance by employees (km)	248,466	199,948	KPI A1.2

Aspect A2: Use of resources

Performance indicator		2018 Data	2017 Data	Stock Exchange ESG Reporting Guide KPI
Electricity	Total electricity consumption (kWh)	8,210,053	8,108,784	KPI A2.1
Gas	Total gas consumption (shown on bill)	70,856	96,940	KPI A2.1
Water	Total water consumption & sewage discharge (cubic meter)	206,270	224,197*	KPI A2.2

* Certain comparative figures have been adjusted to conform with the current year's presentation.

Directors' Report

The Directors present their report and the audited consolidated financial statements for the year ended 31 December 2018.

PRINCIPAL ACTIVITIES

The Company is an investment holding company, and its subsidiaries are principally engaged in the operation and management of restaurants. The Group is a Cantonese full-service restaurant group operating Cantonese cuisines restaurants under five brands. Details of the principal activities of the subsidiaries of the Company are set out in note 1 to the 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 four financial years is set out on page 142 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 2018 and the financial position of the Company and of the Group at that date are set out in the consolidated financial statements on pages 67 to 141 of this annual report. The Board does not recommend the payment of a final dividend for the year ended 31 December 2018.

CLOSURE OF THE REGISTER OF MEMBERS

The forthcoming annual general meeting is scheduled to be held on 10 May 2019 (the "**2019 AGM**"). For determining the entitlement to attend and vote at the 2019 AGM, the register of members of the Company will be closed from 7 May 2019 to 10 May 2019, both days inclusive, during which period no transfer of shares of the Company will be registered. In order to attend and vote at the 2019 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 6 May 2019.

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 financial statements. No important event affecting the Group that has occurred since the end of the financial year ended 31 December 2018 and up to the date of this annual report.

PROPERTY, PLANT AND EQUIPMENT

Details of movement in the property, plant and equipment of the Group during the year ended 31 December 2018 are set out in note 14 to the financial statements.

DONATION

Charitable donations made by the Group during the year ended 31 December 2018 amounted to HK$461,000 (2017: HK$Nil).

SHARE CAPITAL

Details of the Company's share capital is set out in note 26 to the 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 2018, 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 27 to the financial statements and in the consolidated statement of changes in equity respectively.

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 2018 are set out in note 30 to the 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 2018, the Company's reserves available for distribution to owners comprising share premium account less accumulated losses, amounted to approximately HK$38.6 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

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)
Mr. Wong Wing Chee *Note 1* (Chief Executive Officer)
Mr. Wong Wing Hong

Independent Non-executive Directors

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

Information regarding Directors' emoluments are set out in note 9 to the financial statements.

The Directors' biographical details are set out in the section headed "Biographical Details of Directors and Senior Management" in this annual report.

By virtue of Article 108 of the articles of association of the Company, Mr. Wong WH and Mr. Chang will retire at the forthcoming AGM and, all being eligible, will offer themselves for re-election at the said meeting.

Note 1: Mr. Wong WC was appointed as the Director on 8 August 2016 and was re-designated as 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 17 to 21 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.

CONTROLLING SHAREHOLDERS' INTERESTS IN CONTRACTS

Neither the Company nor any of its subsidiaries had entered into any contract of significance with the Company's controlling shareholders or their subsidiaries or any contract of significance for the provision of services to the Company or any of its subsidiaries by the Company's controlling shareholders or their subsidiaries during the year.

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 financial statements.

The remuneration of the senior management of the Group for the year ended 31 December 2018 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$2,000,000	–
Above HK$2,000,000	–

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

Save as the related party transactions disclosed in note 30 to the financial statements, 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 2018, the Company did not enter into or have any management and administration contracts in respect of the whole or any principal business of the Company.

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.

INTERESTS OF THE COMPLIANCE ADVISER

As confirmed by the Group's compliance adviser, Frontpage Capital Limited (the "**Compliance Adviser**"), save as the compliance adviser agreement entered into between the Company and the Compliance Adviser, none of the Compliance Adviser or its directors, employees or close associates (as defined under the GEM Listing Rules) had any interest in the Group or in the share capital of any member of the Group which is required to be notified to the Company pursuant to Rule 6A.32 of the GEM Listing Rules.

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 or 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

As at 31 December 2018, 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 Securities and Future Ordinance (the "**SFO**")) which are required to be notified to the Company and the Stock Exchange pursuant to Division 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), or which were recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or which are 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 follow:

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 *note 1*	Approximate percentage of shareholding
Ms. Lee *Note 2*	Interest of spouse	578,880,000	40.2%
Mr. Wong WC *Note 3*	Interested in a controlled corporation	578,880,000	40.2%
Mr. Wong WH *Note 4*	Interested in a controlled corporation	10,800,000	0.75%

Notes:

1. All interests stated are long positions.

2. 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.

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

4. 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 31 December 2018, none of the Directors and chief executives 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

So far as known to the Directors or chief executive of the Company, as at 31 December 2018, the following person/entities (other than the Directors and chief executive of the Company) had or were deemed to have an interest or a short position in the shares or the underlying shares of the Company 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 recorded in the register of the Company remained to be kept under Section 336 of the SFO, or who were directly or indirectly, 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%
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%

Name of Shareholder	Capacity/Nature of interest	Number of Shares held/interested	Approximate percentage of shareholding
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 ("**Mr. Chan**") either directly or through Best Active Investments Limited ("**Best Active**", a company wholly-owned by him) holds a total of 33.84% of the total issued share capital of Tang Palace (China). As such, Mr. Chan 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 is the sole director of Best Active.

4. Ms. Au Yim Bing ("**Ms. Au**") is the spouse of Mr. Chan. Under the SFO, Ms. Au is deemed to be interested in the same number of Shares in which Mr. Chan 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 31 December 2018, there was no person or corporation, other than the Directors and chief executive of the Company 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 or were deemed to have an interest or a short position in the shares or the underlying shares of the Company 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 recorded in the register of the Company remained to be kept under Section 336 of the SFO, or who were directly or indirectly, 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 members of the Group.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

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 2018.

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, 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 2018.

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 (the "**Deed of Non-competition**") with the Company (for itself and as trustee for its subsidiaries) 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 22 to 35 of this annual report.

EQUITY-LINKED AGREEMENTS

Save as contents relating to "Share Option Scheme" disclosed on page 52 of this annual report, there was no equity-linked agreement entered into by the Company during the year ended 31 December 2018.

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 2018 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.

INDEPENDENT AUDITORS

The consolidated financial statements of the Group for the year ended 31 December 2018 were audited by Ernst & Young. A resolution for their reappointment as auditors of the Company will be proposed at the forthcoming annual general meeting.

ON BEHALF OF THE BOARD
Dragon King Group Holdings Limited
Lee Ching Nung Angel
Chairman and Executive Director

Hong Kong, 22 March 2019

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 67 to 141, which comprise the consolidated statement of financial position as at 31 December 2018, 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 2018, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("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.

MATERIAL UNCERTAINTY RELATED TO GOING CONCERN

We draw attention to note 2.1 to the consolidated financial statements which indicates that the Group incurred a consolidated net loss of HK$58,067,000 and net operating cash outflows of HK$40,605,000 during the year ended 31 December 2018, and had net current liabilities of HK$40,384,000 as at 31 December 2018. These conditions, along with other matters as set forth in note 2.1 to the consolidated financial statements, indicate the existence of a material uncertainty which may cast significant doubt about the Group's ability to continue as a going concern. As explained in note 2.1, these consolidated financial statements have been prepared on a going concern basis, the validity of which is dependent on the Group's ability to extend its short-term borrowings upon maturity, to source additional financing and to improve its operation to generate adequate cash flows to meet the Group's financial obligations as and when they fall due in the foreseeable future. Our opinion is not modified in respect to this matter.

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.

In addition to the matter described in the *Material uncertainty related to going concern* section, we have determined the matters described below to be the key audit matters to be communicated in our report.

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 2018, the Group had property, plant and equipment of HK$78,840,000. 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. An impairment of approximately HK$5,846,000 has been recorded to reduce the carrying amount of certain property, plant and equipment to their estimated recoverable amount. 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; (ii) comparing the discount rates 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.

KEY AUDIT MATTERS *(continued)*

Key audit matter	How our audit addressed the key audit matter
Recoverability of trade receivables	
As at 31 December 2018, the Group had gross trade receivables of HK$9,528,000, after netting off the impairment provision of HK$1,989,000, resulted in a net trade receivables of HK$7,539,000. Significant judgement and estimation by management are involved in the assessment of impairment, based on the lifetime expected credit loss to be incurred, by taking into account the ageing of trade receivable balances, the credit quality and credit loss history of debtors. Both current and future general economic conditions are also taken into consideration by management in the estimation. Where the expectation is different from the original estimate, such difference will impact the carrying value of the trade receivables and the loss allowance for trade receivables in the year in which such estimate has been changed. The significant judgement and estimates and disclosures for the recognition of impairment of trade receivables are included in notes 4 and 16 to the consolidated financial statements.	Our procedures included, among others, reviewing management's assessment on the recoverability of the trade receivable balances with reference to various factors such as historical settlement trend and settlement received from customers subsequent to the end of the reporting period. We test checked the accuracy of the ageing classification of these balances. We also evaluated management's assessment of the credit quality of individual customers based on the historical sales trend and repayment patterns of customers. In addition, we examined the information used by management to estimate the loss allowance for trade receivables, including testing of the historical default data, evaluating adjustment made to the historical loss rates based on current economic conditions and forward-looking information by checking to the published macroeconomics factors, and examining the actual losses recorded during the current financial year.

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 Group 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.

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.

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

- 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.

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
22 March 2019

Consolidated Statement of Profit or Loss

Year ended 31 December 2018

	Notes	2018 HK$'000	2017 HK$'000
REVENUE	6	**415,033**	418,513
Cost of inventories consumed		**(134,679)**	(131,515)
GROSS PROFIT		**280,354**	286,998
Other income and gains, net	6	**3,332**	2,524
Staff costs		**(150,055)**	(131,449)
Depreciation of items of property, plant and equipment	14	**(18,499)**	(17,783)
Loss on disposal of items of property, plant and equipment		**(7,410)**	(10)
Impairment losses on items of property, plant and equipment		**(5,846)**	–
Impairment of trade receivables		**(1,989)**	–
Rental and related expenses		**(76,414)**	(73,063)
Other operating expenses		**(73,365)**	(58,081)
Finance costs	8	**(1,995)**	(2,360)
Listing expenses		**(4,449)**	(13,360)
LOSS BEFORE TAX	7	**(56,336)**	(6,584)
Income tax expense	11	**(1,731)**	(3,649)
LOSS FOR THE YEAR		**(58,067)**	(10,233)
Attributable to:			
Owners of the Company		**(58,067)**	(10,161)
Non-controlling interests		**–**	(72)
		(58,067)	(10,233)
LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY		**HK cents**	HK cents
– Basic and diluted	13	**(4.1)**	(0.9)

Consolidated Statement of Comprehensive Income

Year ended 31 December 2018

	2018 HK$'000	2017 HK$'000
LOSS FOR THE YEAR	**(58,067)**	(10,233)
OTHER COMPREHENSIVE INCOME/(LOSS)		
Other comprehensive income/(loss) that may be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	**(509)**	518
TOTAL COMPREHENSIVE LOSS FOR THE YEAR	**(58,576)**	(9,715)
Attributable to:		
Owners of the Company	**(58,576)**	(9,643)
Non-controlling interests	**–**	(72)
	(58,576)	(9,715)

Consolidated Statement of Financial Position

31 December 2018

	Notes	2018 HK$'000	2017 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment	14	**78,840**	76,420
Deposits and other receivables	17	**14,720**	24,798
Deferred tax assets	25	**3,563**	3,756
Total non-current assets		**97,123**	104,974
CURRENT ASSETS			
Inventories	15	**11,398**	10,376
Trade receivables	16	**7,539**	8,880
Prepayments, deposits and other receivables	17	**45,187**	22,575
Financial assets at fair value through profit or loss	18	**15,853**	–
Amounts due from related companies	19	**1,660**	402
Amount due from a director	20	**–**	15,375
Tax recoverable		**911**	–
Cash and cash equivalents	21	**17,989**	15,917
Total current assets		**100,537**	73,525
CURRENT LIABILITIES			
Trade payables	22	**47,101**	40,683
Other payables and accruals	23	**42,455**	27,192
Amount due to a director	20	**–**	1,797
Interest-bearing bank borrowings	24	**50,500**	48,522
Tax payable		**865**	2,213
Total current liabilities		**140,921**	120,407
NET CURRENT LIABILITIES		**(40,384)**	(46,882)
TOTAL ASSETS LESS CURRENT LIABILITIES		**56,739**	58,092
NON-CURRENT LIABILITY			
Other payables and accruals	23	**3,516**	3,051
Net assets		**53,223**	55,041

Consolidated Statement of Financial Position

31 December 2018

	Notes	2018 HK$'000	2017 HK$'000
EQUITY			
Equity attributable to owners of the Company			
Issued capital	26	**14,400**	–
Reserves	27	**38,823**	55,041
		53,223	55,041
Non-controlling interests		**–**	–
Total equity		**53,223**	55,041

The consolidated financial statements on pages 67 to 141 were approved and authorised for issue by the Board of Directors on 22 March 2019 and are signed on its behalf by:

Wong Wing Chee	**Lee Ching Nung Angel**
Director	*Director*

Consolidated Statement of Changes in Equity

Year ended 31 December 2018

	Note	Attributable to owners of the Company								
		Issued capital HK$'000 (note 26)	**Share premium** HK$'000 (note 27(a))	**Other reserve** HK$'000 (note 27(b))	**Capital reserve** HK$'000 (note 27(c))	**Exchange fluctuation reserve** HK$'000 (note 27(d))	**Retained profits/ (accumulated losses)** HK$'000	**Total** HK$'000	**Non-controlling interests** HK$'000	**Total equity** HK$'000
At 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 26(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
At 31 December 2017		**–**	**43,224**	**(43,224)**	**42,703**	**193**	**12,145**	**55,041**	**–**	**55,041**
Effect of adoption of HKFRS 9	2.3	**–**	**–**	**–**	**–**	**–**	**(2,475)**	**(2,475)**	**–**	**(2,475)**
At 1 January 2018 (restated)		**–**	**43,224**	**(43,224)**	**42,703**	**193**	**9,670**	**52,566**	**–**	**52,566**
Loss for the year		**–**	**–**	**–**	**–**	**–**	**(58,067)**	**(58,067)**	**–**	**(58,067)**
Other comprehensive loss for the year:										
Exchange differences on translation of foreign operations		**–**	**–**	**–**	**–**	**(509)**	**–**	**(509)**	**–**	**(509)**
Total comprehensive loss for the year		**–**	**–**	**–**	**–**	**(509)**	**(58,067)**	**(58,576)**	**–**	**(58,576)**
Issue of new shares pursuant to the Capitalisation (note 26(c))		**10,800**	**(10,800)**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Share issued pursuant to the share offer		**3,600**	**72,000**	**–**	**–**	**–**	**–**	**75,600**	**–**	**75,600**
Share issuance costs		**–**	**(16,367)**	**–**	**–**	**–**	**–**	**(16,367)**	**–**	**(16,367)**
At 31 December 2018		**14,400**	**88,057***	**(43,224)***	**42,703***	**(316)***	**(48,397)***	**53,223**	**–**	**53,223**

* These reserve accounts comprise the consolidated reserves of HK$38,823,000 (2017: HK$55,041,000) in the consolidated statement of financial position.

Consolidated Statement of Cash Flows

Year ended 31 December 2018

	Notes	2018 HK$'000	2017 HK$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss before tax		**(56,336)**	(6,584)
Adjustments for:			
Finance costs	8	**1,995**	2,360
Bank interest income	6	**(52)**	(2)
Interest income from life insurance policies	6	**–**	(724)
Premium charges of life insurance policies	7	**–**	438
Loss on disposal of items of property, plant and equipment	7	**7,410**	10
Fair value gains on financial assets at fair value through profit or loss	6	**(950)**	–
Depreciation		**18,499**	17,783
Impairment losses on items of property, plant and equipment		**5,846**	–
Impairment of trade receivables		**1,989**	–
		(21,599)	13,281
Decrease/(increase) in inventories		**(1,022)**	1,026
Increase in trade receivables		**(648)**	(3,804)
Decrease/(increase) in prepayments, deposits and other receivables		**(32,432)**	916
Movement in balances with related companies		**(1,258)**	(353)
Increase/(decrease) in trade payables		**6,418**	(135)
Increase/(decrease) in other payables and accruals		**15,728**	(3,437)
Cash generated from/(used in) operations		**(34,813)**	7,494
Interest paid on bank loans		**(1,995)**	(2,360)
Hong Kong profits tax paid		**(3,570)**	(3,106)
Overseas taxes paid		**(227)**	–
Net cash flows from/(used in) operating activities		**(40,605)**	2,028
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received		**52**	2
Purchases of items of property, plant and equipment	14	**(34,375)**	(5,201)
Proceeds from withdrawal of life insurance policies		**2,520**	1,894
Net cash flows used in investing activities		**(31,803)**	(3,305)

Consolidated Statement of Cash Flows *(Continued)*

Year ended 31 December 2018

	Notes	2018 HK$'000	2017 HK$'000
CASH FLOWS FROM FINANCING ACTIVITIES			
Net proceeds from share offer		**59,233**	–
New bank borrowings		**40,040**	20,176
Repayment of bank borrowings		**(38,062)**	(27,154)
Movement in balances with directors	28	**13,578**	9,218
Net cash flows from financing activities		**74,789**	2,240
NET INCREASE IN CASH AND CASH EQUIVALENTS		**2,381**	963
Cash and cash equivalents at beginning of year		**15,917**	15,490
Effect of foreign exchange rate changes, net		**(309)**	(536)
CASH AND CASH EQUIVALENTS AT END OF YEAR		**17,989**	15,917
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and cash equivalents as stated in the consolidated statement of financial position		**17,989**	15,917
CASH AND CASH EQUIVALENTS AS STATED IN THE CONSOLIDATED STATEMENT OF CASH FLOWS		**17,989**	15,917

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 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:

Name	Place of incorporation/ registration and business	Issued ordinary/ registered share capital	Percentage of equity attributable to the Company Direct	Percentage of equity attributable to the Company 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	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	Restaurant operation
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)*

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	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	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

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.

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 (the "**Prospectus**").

2.1 BASIS OF PRESENTATION *(continued)*

Going concern basis

The Group recorded a consolidated net loss of HK$58,067,000 (2017: HK$10,233,000) and net cash outflows from operating activities of HK$40,605,000 (2017: cash inflows of HK$2,028,000) for the year, and had net current liabilities of HK$40,384,000 (2017: HK$46,882,000) as at 31 December 2018.

As at 31 December 2018, the Group had cash and cash equivalents of HK$17,989,000 (2017: HK$15,917,000), and outstanding interest-bearing bank borrowings of HK$50,500,000 (2017: HK$48,522,000), of which HK$23,365,000 (2017: HK$21,969,000) were due for repayment or renewal within the next twelve months after 31 December 2018.

The directors consider the Group will have sufficient working capital to finance its operations and financial obligations as and when they fall due, and accordingly, are satisfied that it is appropriate to prepare the financial statements on a going concern basis after taking into consideration the following:

(i) the Group had interest-bearing bank borrowings of HK$50,500,000 as at 31 December 2018, of which HK$23,365,000 is repayable within one year. The remaining interest-bearing bank borrowings, amounting to HK$27,135,000 were classified as current liabilities due to the existence of a repayment on demand clause in the loan agreement (note 24). Although utilised banking facilities of approximately HK$21,759,000 shall expire within one year, the Group will actively negotiate with the bank for the renewal of the Group's bank borrowings when they fall due in order to secure necessary funds to meet the Group's working capital and financial requirements in the foreseeable future. In the opinion of the directors, the Group will be able to roll over or refinance the bank borrowings upon their maturity;

(ii) management has been endeavouring to improve the Group's operating results and cash flows through various cost control measures and will slow down the opening of new restaurants; and

(iii) subsequent to the end of the reporting period, Mr. Wong Wing Chee, a director and the controlling shareholder of the Group, has provided a shareholder's loan of HK$20,000,000 to the Group which is repayable in December 2020; and

2.1 BASIS OF PRESENTATION *(continued)*

Going concern basis *(continued)*

(iv) the Group had four insurance policies recognised as financial assets at fair value through profit or loss with a carrying amount of HK$15,853,000 as at 31 December 2018. The insurance policies are pledged with certain interest-bearing borrowings of HK$10,444,000. Assuming the withdrawal of the insurance policies, there would be a cash inflow available of approximately HK$5,409,000. Subsequent to the end of the reporting period, the Group withdrew two of the insurance policies, and a net cash inflow of HK$3,558,000 was received in January 2019.

Should the Group be unable to continue as a going concern, adjustments would have to be made to write down the value of assets to their recoverable amounts and to provide for any further liabilities which might arise. The effect to these adjustments has not been reflected in the consolidated financial statements.

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, except for financial assets at fair value through profit or loss which have been measured at fair value. 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 2018. 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 new and revised HKFRSs for the first time for the current year's financial statements.

Amendments to HKFRS 2	*Classification and Measurement of Share-based Payment Transactions*
Amendments to HKFRS 4	*Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts*
HKFRS 9	*Financial Instruments*
HKFRS 15	*Revenue from Contracts with Customers*
Amendments to HKFRS 15	*Clarifications to HKFRS 15 Revenue from Contracts with Customers*
Amendments to HKAS 40	*Transfers of Investment Property*
HK(IFRIC)-Int 22	*Foreign Currency Transactions and Advance Consideration*
Annual Improvements 2014-2016 Cycle	Amendments to HKFRS 1 and HKAS 28

Other than as explained below regarding the impact of HKFRS 9 and HKFRS 15, the adoption of the above new and revised standards has had no significant financial effect on these financial statements.

(a) HKFRS 9 *Financial Instruments* replaces HKAS 39 *Financial Instruments: Recognition and Measurement* for annual periods beginning on or after 1 January 2018, bringing together all three aspects of the accounting for financial instruments: classification and measurement, impairment and hedge accounting.

The Group has recognised the transition adjustments against the applicable opening balances in equity at 1 January 2018. Therefore, the comparative information was not restated and continues to be reported under HKAS 39.

Classification and measurement

The following information sets out the impacts of adopting HKFRS 9 on the statement of financial position, including the effect of replacing HKAS 39's incurred credit loss calculations with HKFRS 9's expected credit losses ("ECLs").

2.3 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES *(continued)*

(a) *(Continued)*

***Classification and measurement** (continued)*

A reconciliation between the carrying amounts under HKAS 39 and the balances reported under HKFRS 9 as at 1 January 2018 is as follows:

		HKAS 39 measurement				HKFRS 9 measurement	
	Notes	**Category**	**Amount**	**Re-classification**	**Other**	**Amount**	**Category**
			HK$'000	HK$'000	HK$'000	HK$'000	
Financial assets							
Trade receivables		L&R[1]	8,880	–	–	8,880	AC[2]
Financial assets included in prepayments, deposits and other receivables		L&R	46,056	(19,898)	–	26,158	AC
To: Financial assets at fair value through profit or loss	(i)			(19,898)	–		
Financial assets at fair value through profit or loss		FVPL[3]	–	19,898	(2,475)	17,423	FVPL (mandatory)
From: Financial assets included in prepayments, deposits and other receivables	(i)			19,898	(2,475)	17,423	
Amounts due from related companies		L&R	402	–	–	402	AC
Amount due from a director		L&R	15,375	–	–	15,375	AC
Cash and cash equivalents		L&R	15,917	–	–	15,917	AC
			86,630	–	(2,475)	84,155	
Financial liabilities							
Trade payables		AC	40,683	–	–	40,683	AC
Financial liabilities included in other payables and accruals		AC	13,211	–	–	13,211	AC
Amount due to a director		AC	1,797	–	–	1,797	AC
Interest-bearing bank borrowings		AC	48,522	–	–	48,522	AC
			104,213	–	–	104,213	

1 L&R: Loans and receivables

2 AC: Financial assets or financial liabilities at amortised cost

3 FVPL: Financial assets at fair value through profit or loss

Note:

(i) The Group has classified its life insurance policies' assets previously classified as deposits and other receivables as financial assets measured at fair value through profit or loss as these non-equity investments did not pass the contractual cash flow characteristics test in HKFRS 9.

2.3 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES *(continued)*

(a) *(Continued)*

Impairment

At 1 January 2018, the Group assessed the impact of ECL allowance under the adoption of the HKFRS 9 to be insignificant.

Impact on retained profits

The impact of transition to HKFRS 9 on retained profits is as follows:

	Retained profits HK$'000
Retained profits	
Balance as at 31 December 2017 under HKAS 39	12,145
Remeasurement of the life insurance policies' assets under HKFRS 9	(2,475)
Balance as at 1 January 2018 under HKFRS 9	9,670

(b) HKFRS 15 and its amendments replace HKAS 11 *Construction Contracts*, HKAS 18 *Revenue* and related interpretations and it applies, with limited exceptions, to all revenue arising from contracts with customers. HKFRS 15 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 disclosures are included in note 6 to the financial statements. As a result of the application of HKFRS 15, the Group has changed the accounting policy with respect to revenue recognition in note 3 to the financial statements.

The Group has reviewed the impact of HKFRS 15 on its revenue stream and the application of HKFRS 15 has had no significant impact on the financial position and/or financial performance of the Group apart from providing more extensive disclosures on the Group's revenue transactions.

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 3	*Definition of a Business*[2]
Amendments to HKFRS 9	*Prepayment Features with Negative Compensation*[1]
Amendments to HKFRS 10 and HKAS 28 (2011)	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[4]
HKFRS 16	*Leases*[1]
HKFRS 17	*Insurance Contracts*[3]
Amendments to HKAS 1 and HKAS 8	*Definition of Material*[2]
Amendments to HKAS 19	*Plan Amendment, Curtailment or Settlement*[1]
Amendments to HKAS 28	*Long-term Interests in Associates and Joint Ventures*[1]
HK(IFRIC)-Int 23	*Uncertainty over Income Tax Treatments*[1]
Annual Improvements 2015-2017 Cycle	Amendments to HKFRS 3, HKFRS 11, HKAS 12 and HKAS 23[1]

1 Effective for annual periods beginning on or after 1 January 2019
2 Effective for annual periods beginning on or after 1 January 2020
3 Effective for annual periods beginning on or after 1 January 2021
4 No mandatory effective date yet determined but available for adoption

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 described below.

HKFRS 16 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 elective 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 will adopt HKFRS 16 from 1 January 2019. The Group plans to adopt the transitional provisions in HKFRS 16 to recognise the cumulative effect of initial adoption as an adjustment to the opening balance of retained earnings at 1 January 2019 and will not restate the comparatives. In addition, the Group plans to apply the new requirements to contracts that were previously identified as leases applying HKAS 17 and measure the lease liability at the present value of the remaining lease payments, discounted using the Group's incremental borrowing rate at the date of initial application. The right-of-use asset will be measured at the amount of the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to the lease recognised in the statement of financial position immediately before the date of initial application. The Group plans to use the exemptions allowed by the standard on lease contracts whose lease terms end within 12 months as of the date of initial application. During 2018, the Group has performed an assessment on the impact of adoption of HKFRS 16. The Group has estimated that right-of-use assets of HK$126.0 million and lease liabilities of HK$126.0 million will be recognised at 1 January 2019.

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

Amendments to HKAS 1 and HKAS 8 provide a new definition of material. The new definition states that information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. The amendments clarify that materiality will depend on the nature or magnitude of information. A misstatement of information is material if it could reasonably be expected to influence decisions made by the primary users. The Group expects to adopt the amendments prospectively from 1 January 2020. The amendments are not expected to have any significant impact on the Group's financial statements.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Business combinations 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.

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

Business combinations and goodwill *(continued)*

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.

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.

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

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 each 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 any 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 (policies under HKFRS 9 applicable from 1 January 2018)

Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income, and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient of not adjusting the effect of a significant financing component, the Group initially measures a financial asset at its fair value, plus in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under HKFRS 15 in accordance with the policies set out for "Revenue recognition (applicable from 1 January 2018)" below.

In order for a financial asset to be classified and measured at amortised cost or fair value through other comprehensive income, it needs to give rise to cash flows that are solely payments of principal and interest ("SPPI") on the principal amount outstanding.

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

Investments and other financial assets (policies under HKFRS 9 applicable from 1 January 2018) *(continued)*

Initial recognition and measurement *(continued)*

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

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.

Subsequent measurement

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

Financial assets at amortised cost (debt instruments)

The Group measures financial assets at amortised cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows.

- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely the payments of principal and interest on the principal amount outstanding.

Financial assets at amortised cost are subsequently measured using the effective interest method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

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

Investments and other financial assets (policies under HKFRS 9 applicable from 1 January 2018) *(continued)*

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading, financial assets designated upon initial recognition at fair value through profit or loss, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at fair value through profit or loss, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortised cost or at fair value through other comprehensive income, as described above, debt instruments may be designated at fair value through profit or loss on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in profit or loss.

This category includes derivative instruments and equity investments which the Group had not irrevocably elected to classify at fair value through other comprehensive income. Dividends on equity investments classified as financial assets at fair value through profit or loss are also recognised as other income in profit or loss when the right of payment has been established, it is probable that the economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably.

A derivative embedded in a hybrid contract, with a financial liability or non-financial host, is separated from the host and accounted for as a separate derivative if the economic characteristics and risks are not closely related to the host; a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and the hybrid contract is not measured at fair value through profit or loss. Embedded derivatives are measured at fair value with changes in fair value recognised in profit or loss. Reassessment only occurs if there is either a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required or a reclassification of a financial asset out of the fair value through profit or loss category.

A derivative embedded within a hybrid contract containing a financial asset host is not accounted for separately. The financial asset host together with the embedded derivative is required to be classified in its entirety as a financial asset at fair value through profit or loss.

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

Investments and other financial assets (policies under HKAS 39 applicable before 1 January 2018)

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.

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.

Derecognition of financial assets (policies under HKFRS 9 applicable from 1 January 2018 and policies under HKAS 39 applicable before 1 January 2018)

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.

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

Derecognition of financial assets (policies under HKFRS 9 applicable from 1 January 2018 and policies under HKAS 39 applicable before 1 January 2018) *(continued)*

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 (policies under HKFRS 9 applicable from 1 January 2018)

The Group recognises an allowance for ECLs for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

General approach

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12 months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

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

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

Impairment of financial assets (policies under HKFRS 9 applicable from 1 January 2018) *(continued)*

General approach *(continued)*

The Group considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Debt investments at fair value through other comprehensive income and financial assets at amortised cost are subject to impairment under the general approach and they are classified within the following stages for measurement of ECLs except for trade receivables and contract assets which apply the simplified approach as detailed below.

Stage 1	–	Financial instruments for which credit risk has not increased significantly since initial recognition and for which the loss allowance is measured at an amount equal to 12-month ECLs
Stage 2	–	Financial instruments for which credit risk has increased significantly since initial recognition but that are not credit-impaired financial assets and for which the loss allowance is measured at an amount equal to lifetime ECLs
Stage 3	–	Financial assets that are credit-impaired at the reporting date (but that are not purchased or originated credit-impaired) and for which the loss allowance is measured at an amount equal to lifetime ECLs

Simplified approach

For trade receivables and contract assets that do not contain a significant financing component or when the Group applies the practical expedient of not adjusting the effect of a significant financing component, the Group applies the simplified approach in calculating ECLs. Under the simplified approach, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

For trade receivables and contract assets that contain a significant financing component and lease receivables, the Group chooses as its accounting policy to adopt the simplified approach in calculating ECLs with policies as described above.

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

Impairment of financial assets (policies under HKAS 39 applicable before 1 January 2018)

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 if 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.

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 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.

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

Financial liabilities (policies under HKFRS 9 applicable from 1 January 2018 and HKAS 39 applicable before 1 January 2018)

Initial recognition and measurement

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

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

The Group's financial liabilities include trade payables, financial liabilities included in other payables and accruals and interest-bearing bank borrowings.

Subsequent measurement

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

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 (policies under HKFRS 9 applicable from 1 January 2018 and HKAS 39 applicable before 1 January 2018)

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 (policies under HKFRS 9 applicable from 1 January 2018 and HKAS 39 applicable before 1 January 2018)

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 the assets and settle the liabilities simultaneously.

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.

Cash and cash equivalents

For the purpose of the consolidated statement 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 statement 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.

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

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.

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.

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

Income tax *(continued)*

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 and only if a Group has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxable authority on either the same taxable entity or different taxable entities which intend to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

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 complied 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 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 profit or loss by way of a reduced depreciation charge.

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

Revenue recognition (applicable from 1 January 2018)

Revenue from contracts with customers

Revenue from contracts with customers is recognised when control of goods or services is transferred to the customers at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services.

When the consideration in a contract includes a variable amount, the amount of consideration is estimated to which the Group will be entitled in exchange for transferring the goods or services to the customer. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognised will not occur when the associated uncertainty with the variable consideration is subsequently resolved.

Sale of goods

Revenue from the sale of goods is recognised at the point in time when control of the asset is transferred to the customer, generally on delivery of the goods.

Other income

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

Revenue recognition (applicable before 1 January 2018)

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.

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

Contract liabilities (applicable from 1 January 2018)

A contract liability is the obligation to transfer goods or services to a customer for which the Group has received a consideration (or an amount of consideration that is due) from the customer. If a customer pays the consideration before the Group transfers goods or services to the customer, a contract liability is recognised when the payment is made or the payment is due (whichever is earlier). Contract liabilities are recognised as revenue when the Group performs under the contract.

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.

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.

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

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).

In determining the exchange rate on initial recognition of the related asset, expense or income on the derecognition of a non-monetary asset or non-monetary liability relating to an advance consideration, the date of initial transaction is the date on which the Group initially recognises the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, the Group determines the transaction date for each payment or receipt of the advance consideration.

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.

Provision for expected credit losses on trade receivables

The Group uses a provision matrix to calculate ECLs for trade receivables. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns (i.e., by geography, customer type and rating).

The provision matrix is initially based on the Group's historical observed default rates. The Group will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. For instance, if forecast economic conditions (i.e., gross domestic products) are expected to deteriorate over the next year which can lead to an increased number of defaults, the historical default rates are adjusted. At each reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

The assessment of the correlation among historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future. The information about the ECLs on the Group's trade receivables is disclosed in note 16 to the financial statements.

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$78,840,000 as at 31 December 2018 (2017: HK$76,420,000) (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

	2018	2017
	HK$'000	HK$'000
Hong Kong and Macau	**375,863**	373,064
Mainland China	**39,170**	45,449
	415,033	418,513

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

(b) Non-current assets

	2018	2017
	HK$'000	HK$'000
Hong Kong and Macau	**80,720**	74,771
Mainland China	**12,840**	18,001
	93,560	92,772

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

An analysis of revenue is as follows:

	2018 HK$'000	2017 HK$'000
Revenue from contracts with customers		
Restaurant operations	415,033	418,513

Revenue from contracts with customers

(i) Disaggregated revenue information

For the year ended 31 December 2018

	HK$'000
Type of goods or services	
Revenue from Chinese restaurant operations and total revenue from contracts with customers	415,033
Geographical markets	
Hong Kong and Macau	375,863
Mainland China	39,170
Total revenue from contracts with customers	415,033
Timing of revenue recognition	
At a point in time	415,033

6. REVENUE, OTHER INCOME AND GAINS, NET *(continued)*

Revenue from contracts with customers *(continued)*

(i) Disaggregated revenue information *(continued)*

The following table shows the amounts of revenue recognised in the current reporting period that were included in the contract liabilities at the beginning of the reporting period:

	2018
	HK$'000
Revenue recognised that was included in contract liabilities at the beginning of the reporting period:	
– Restaurant operations	**1,342**

(ii) Performance obligations

Information about the Group's performance obligations is summarised below:

Restaurant operations

The performance obligation is satisfied when the catering services have been provided to customers. The Group's trading terms with its customers are mainly on cash and credit card settlement. The credit period is generally less than one month.

	2018	2017
	HK$'000	HK$'000
Other income and gains, net		
Bank interest income	**52**	2
Interest income from life insurance policies	**–**	724
Fair value gains on financial assets at fair value through profit or loss	**950**	–
Financial subsidy received from PRC tax authority*	**176**	435
Subsidies received from a utility company for purchases of items of property, plant and equipment*	**794**	571
Others	**1,360**	792
	3,332	2,524

* As at 31 December 2018 and 2017, there were no unfulfilled conditions or other contingencies attaching to the subsidies that had been recognised by the Group.

7. LOSS BEFORE TAX

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

	Note	2018 HK$'000	2017 HK$'000
Minimum lease payments under operating leases		**56,786**	56,098
Contingent rents under operating leases*		**1,096**	1,006
Auditor's remuneration		**1,450**	1,150
Employee benefit expense (excluding directors' and chief executive's remuneration (note 9)):			
Wages and salaries		**135,614**	121,033
Pension scheme contributions		**6,599**	6,240
		142,213	127,273
Foreign exchange differences, net		**(6)**	(34)
Premium charges of life insurance policies		**–**	438
Loss on disposal of items of property, plant and equipment		**7,410**	10
Impairment of financial assets:			
Impairment of trade receivables		**1,989**	–

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

8. FINANCE COSTS

An analysis of finance costs is as follows:

	2018 HK$'000	2017 HK$'000
Interest on bank borrowings	**1,995**	2,360

9. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION

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:

	2018 HK$'000	2017 HK$'000
Fees	468	–
Other emoluments:		
Salaries, allowances and benefits in kind	7,514	4,760
Performance-related bonuses	490	42
Pension scheme contributions	54	54
	8,058	4,856
	8,526	4,856

(a) Independent non-executive directors

The fees paid to independent non-executive directors during the year were as follows:

	2018 HK$'000	2017 HK$'000
Mr. Kwong Ping Man	156	–
Mr. Lin Zhisheng	156	–
Mr. Chang Cheuk Cheung Terence	156	–
	468	–

There were no other emoluments payable to the independent non-executive directors during the year (2017: Nil).

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 2018					
Executive directors:					
Mr. Wong Wing Chee	–	3,942^	230	18	4,190
Ms. Lee Ching Nung Angel	–	2,742^	150	18	2,910
Mr. Wong Wing Hong	–	830	110	18	958
Independent non-executive directors:					
Mr. Kwong Ping Man	156	–	–	–	156
Mr. Lin Zhisheng	156	–	–	–	156
Mr. Chang Cheuk Cheung Terence	156	–	–	–	156
	468	7,514	490	54	8,526
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

^ Included in the above salaries, allowances and benefits in kind are estimated rentals of approximately HK$342,000 (2017: HK$340,000) 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 (2017: three) directors, details of whose remuneration are set out in note 9 above. Details of the remuneration of the remaining two (2017: two) non-director, highest paid employees who are neither a director nor chief executive of the Company are follows:

	2018	2017
	HK$'000	HK$'000
Salaries, allowances and benefits in kind	**1,488**	1,321
Performance related bonuses	**184**	79
Pension scheme contributions	**36**	36
	1,708	1,436

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

	Number of employees	
	2018	2017
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% (2017: 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% (2017: 25%) and 12% (2017: 12%) on the estimated profits arising in the PRC and Macau for each of the reporting period, respectively.

	2018 **HK$'000**	2017 HK$'000
Current – Hong Kong		
Charge for the year	**1,879**	3,852
Overprovision in prior years	**(341)**	(54)
Current – elsewhere	**–**	347
Deferred (note 25)	**193**	(496)
Total tax charge for the year	**1,731**	3,649

A reconciliation of the tax expense applicable to loss before tax at the statutory rates for the countries in which the Company and the majority of its subsidiaries are domiciled to the tax expense at the effective tax rates, are as follows:

	2018 **HK$'000**	2017 HK$'000
Loss before tax	**(56,336)**	(6,584)
Tax at the statutory rates of different jurisdictions	**(9,967)**	(1,383)
Adjustments in respect of current tax of previous years	**(341)**	(54)
Income not subject to tax	**–**	(26)
Expenses not deductible for tax	**3,219**	2,844
Tax losses utilised from previous years	**–**	(133)
Tax losses not recognised	**8,194**	1,862
Others	**626**	539
Tax charge at the Group's effective tax rate	**1,731**	3,649

12. DIVIDENDS

The board of Directors (the "Board") does not recommend any payment of dividend in respect of the year (2017: Nil).

13. LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY

For the year ended 31 December 2018, the calculation of the basic loss per share amounts is based on the loss for the year attributable to ordinary equity holders of the Company, and the weighted average number of ordinary shares in issue during the year. The weighted average number of ordinary shares for the year ended 31 December 2018 is calculated 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, and the 360,000,000 shares issued pursuant to the share offer of the Company for its listing on GEM on The Stock Exchange of Hong Kong Limited on 16 January 2018.

For the year ended 31 December 2017, the calculation of the basic loss per share amounts is based on the loss for the year attributable to ordinary equity holders of the Company, 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 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 2017.

The Group had no potentially dilutive ordinary shares in issue during the year ended 31 December 2018 and 2017.

The calculations of basic and diluted loss per share are based on:

	2018	2017
	HK$'000	HK$'000
Loss		
Loss attributable to ordinary equity holders of the Company, used in the basic and diluted loss per share calculation	**(58,067)**	(10,161)

	Number of shares	
	2018	2017
	'000	'000
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic and diluted loss per share calculation	**1,425,205**	1,080,000

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 2018						
At 31 December 2017 and at 1 January 2018:						
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
At 1 January 2018, net of accumulated depreciation	31,082	35,898	12	9,428	–	76,420
Additions	–	21,380	1,575	11,420	–	34,375
Disposals	–	(7,392)	–	(18)	–	(7,410)
Depreciation provided during the year	(797)	(11,289)	(406)	(6,007)	–	(18,499)
Impairment	–	(5,536)	–	(310)	–	(5,846)
Exchange realignment	–	(188)	–	(12)	–	(200)
At 31 December 2018, net of accumulated depreciation and impairment	30,285	32,873	1,181	14,501	–	78,840
At 31 December 2018:						
Cost	35,864	170,079	5,674	63,225	2,151	276,993
Accumulated depreciation and impairment	(5,579)	(137,206)	(4,493)	(48,724)	(2,151)	(198,153)
Net carrying amount	30,285	32,873	1,181	14,501	–	78,840

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 2017						
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

At 31 December 2018, the Group's building with carrying amount of HK$30,285,000 (2017: HK$31,082,000) was pledged to secure general banking facilities granted to the Group (note 24).

As at 31 December 2018, the Group's management identified certain restaurants which continued to underperform and the estimated corresponding recoverable amounts of their property, plant and equipment. Based on these estimates, an impairment loss of HK$5,846,000 was recognised to write down the carrying amounts of these items of property, plant and equipment to their recoverable amount, being their value in use, of HK$13,481,000 as at 31 December 2018.

15. INVENTORIES

	2018 HK$'000	2017 HK$'000
Food and beverages, and other operating items for restaurant operations	**11,398**	10,376

16. TRADE RECEIVABLES

	2018 HK$'000	2017 HK$'000
Trade receivables	**9,528**	8,880
Impairment	**(1,989)**	–
	7,539	8,880

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 and net of loss allowance, is as follows:

	2018 HK$'000	2017 HK$'000
Within 1 month	**4,367**	7,153
1 to 2 months	**3,122**	179
2 to 3 months	**–**	114
Over 3 months	**50**	1,434
	7,539	8,880

16. TRADE RECEIVABLES *(continued)*

The movements in the loss allowance for impairment of trade receivables are as follows:

	2018 HK$'000	2017 HK$'000
At beginning of year	**–**	–
Impairment losses (note 7)	**1,989**	–
At end of year	**1,989**	–

Impairment under HKFRS 9 for the year ended 31 December 2018

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based on days past due for groupings of various customer segments with similar loss patterns (i.e., by geographical region, and customer type). The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions. Generally, trade receivables are written off if past due for more than one year and are not subject to enforcement activity.

Set out below is the information about the credit risk exposure on the Group's trade receivables using a provision matrix:

As at 31 December 2018

		Past due				
	Current	**Less than 1 month**	**1 to 3 months**	**3 to 12 months**	**Over 12 months**	**Total**
Expected credit loss rate	**1.00%**	**1.00%**	**1.00%**	**1.00%**	**96.20%**	**20.90%**
Gross carrying amount (HK$'000)	**4,367**	**3,122**	**–**	**50**	**1,989**	**9,528**
Expected credit losses (HK$'000)	**41**	**31**	**–**	**–**	**1,914**	**1,989**

16. TRADE RECEIVABLES *(continued)*

Impairment under HKAS 39 for the year ended 31 December 2017

The ageing analysis of the trade receivables as at 31 December 2017 that were not individually nor collectively considered to be impaired under HKAS 39 is as follows:

	2017 HK$'000
Neither past due nor impaired	7,192
Less than 1 month past due	140
1 to 2 months past due	114
Over 2 months	1,434
	8,880

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 related to a number of independent customers that had a good track record with the Group. As at 31 December 2017, based on past experience, the directors of the Company were of the opinion that no provision for impairment under HKAS 39 was necessary in respect of these balances as there had not been a significant change in credit quality and the balances were still considered fully recoverable.

17. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2018 HK$'000	2017 HK$'000
Prepayments	**2,867**	1,317
Deposits and other receivables	**57,040**	26,158
Deposits and other receivables for life insurance policies	**–**	19,898
	59,907	47,373
Less: Deposits and other receivables classified as non-current assets	**(14,720)**	(24,798)
	45,187	22,575

17. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES *(continued)*

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 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. If the Group withdrew from the insurance 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 of insurance deposits and HK$1,272,000 of other receivables.

Deposits and other receivables mainly represent rental deposits and deposits with suppliers. Where applicable, an impairment analysis is performed at each reporting date by considering the probability of default of comparable companies with published credit ratings. In the situation where no comparable companies with credit ratings can be identified, expected credit losses are estimated by applying a loss rate approach with reference to the historical loss record of the Group. The loss rate is adjusted to reflect the current conditions and forecasts of future economic conditions, as appropriate. As at 31 December 2018, the Group assessed the loss allowance under the application of HKFRS 9 was insignificant.

As at 31 December 2017, 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 24).

18. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2018	2017
	HK$'000	HK$'000
Other unlisted investments, at fair value	**15,853**	–

The above unlisted investments at 31 December 2018 were four 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 2018 were HK$47,330,000. If the Group withdrew from the insurance policies, the account value, net of surrender charges, would be refunded to the Group. They were mandatorily classified as financial assets at fair value through profit or loss as their contractual cash flows are not solely for payments of principal and interest.

The life insurance plans were pledged as securities for certain of the Group's interest-bearing bank borrowings (note 24).

19. 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:

Amounts due from related companies

Name	At 31 December 2018	Maximum amount outstanding during the year	At 1 January 2018	Maximum amount outstanding during the year	At 1 January 2017
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Wide Fortune Limited	146	146	143	143	81
Dragon King Pty. Ltd.	–	15	–	15	15
Hong Kong Co-Founder Technology Limited	1,337	1,664	80	80	59
Best Focus Creation Limited	177	179	179	179	177
	1,660		402		332

Wide Fortune Limited, Hong Kong Co-Founder Technology Limited and Best Focus Creation Limited were beneficially owned by Mr. Wong Wing Chee, a director of the Group.

Dragon King Pty. Ltd. was beneficially owned by Mr. Wong Wing Chee and Ms. Lee Ching Nung Angel, both were directors of the Group.

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

20. 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 a director

Name	At 31 December 2018	Maximum amount outstanding during the year	At 1 January 2018	Maximum amount outstanding during the year	At 1 January 2017
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Mr. Wong Wing Chee	–	15,375	15,375	29,501	29,393

In the prior year, the amount due from a director represented an amount due from Mr. Wong Wing Chee and 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.

21. CASH AND CASH EQUIVALENTS

	2018	2017
	HK$'000	HK$'000
Cash and bank balances	17,989	15,497

The cash and bank balances of the Group denominated in Renminbi ("RMB") as at 31 December 2018 amounted to approximately HK$431,000 (2017: HK$572,000). 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.

22. 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:

	2018 HK$'000	2017 HK$'000
Within 1 month	**12,511**	13,328
1 to 2 months	**9,292**	10,171
2 to 3 months	**7,094**	7,506
Over 3 months	**18,204**	9,678
	47,101	40,683

23. OTHER PAYABLES AND ACCRUALS

	Notes	2018 HK$'000	2017 HK$'000
Deferred revenue		**1,212**	1,570
Other payables	(b)	**19,204**	9,542
Accruals		**21,718**	17,789
Receipt in advance		**–**	1,342
Contract liabilities	(a)	**3,837**	–
		45,971	30,243
Less: Other payables and accruals classified as non-current liabilities		**(3,516)**	(3,051)
		42,455	27,192

23. OTHER PAYABLES AND ACCRUALS *(continued)*

Notes:

(a) Details of contract liabilities as at 31 December 2018 and 1 January 2018 are as follows:

	31 December 2018 HK$'000	1 January 2018 HK$'000
Short-term advances received from customers		
Contract liabilities in relation to cash coupons and customers, advance payments	**3,837**	1,342

Contract liabilities include short-term advances received to deliver goods. The increase in contract liabilities in 2018 was mainly due to the increase in short-term advances received from customers in relation to the restaurant operations at the end of the year.

The following table shows unsatisfied performance obligations as at end of reporting period resulting from restaurant operation.

	31 December 2018 HK$'000	1 January 2018 HK$'000
Expected to be recognised within one year	**3,837**	1,342

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

24. INTEREST-BEARING BANK BORROWINGS

	2018			2017		
	Effective interest rate per annum	Maturity	HK$'000	Effective interest rate per annum	Maturity	HK$'000
Current						
Bank loans – secured	3%-7%	Within 12 months or on demand	50,500	2%-7%	Within 12 months or on demand	48,522
			50,500			48,522

	2018 HK$'000	2017 HK$'000
Analysed into:		
Bank loans repayable:		
Within one year or on demand	50,500	48,522

Notes:

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

(i) mortgage over a building owned by the Group, which had carrying value of approximately HK$30,285,000 (2017: HK$31,082,000) (note 14);

(ii) Life insurance policies recognised as financial assets at fair value through profit or loss (2017: deposits and other receivables) of which certain of the Group's subsidiaries were the policy holders and beneficiaries, with an aggregate carrying amount of approximately HK$15,853,000 (note 18) (2017: HK$19,898,000 (note 17));

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

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

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

(b) All borrowings are in Hong Kong dollars.

24. INTEREST-BEARING BANK BORROWINGS *(continued)*

Notes: *(continued)*

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

	2018	2017
	HK$'000	HK$'000
Analysed into:		
Bank loans repayable:		
Within one year	**23,365**	21,969
In the second year	**6,671**	5,888
In the third to fifth years, inclusive	**4,506**	4,111
Beyond five years	**15,958**	16,554
	50,500	48,522

25. DEFERRED TAX

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

Deferred tax assets

	Decelerated tax depreciation	**Others**	**Total**
	HK$'000	HK$'000	HK$'000
At 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 and 1 January 2018	3,723	33	3,756
Deferred tax charged to profit or loss during the year	(193)	–	(193)
At 31 December 2018	3,530	33	3,563

25. DEFERRED TAX *(continued)*

Deferred tax liabilities

	Accelerated tax depreciation HK$'000
At 1 January 2017	332
Deferred tax credited to profit or loss during the year	(332)
At 31 December 2017, 1 January 2018 and 31 December 2018	–

The Group has unrecognised tax losses arising in Hong Kong of approximately HK$53,320,000 (2017: HK$16,343,000), 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$17,154,000 (2017: HK$22,530,000) 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.

26. ISSUED 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
As at 31 December 2017 and 2018	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	–*
As at 31 December 2017	10,000	–*
Capitalisation of shares (note d)	1,079,990,000	10,800
Share issued pursuant to the share offer (note e)	360,000,000	3,600
As at 31 December 2018	1,440,000,000	14,400

* Amount less than HK$1,000

26. ISSUED CAPITAL *(continued)*

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) 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 GEM on 16 January 2018.

(e) The Company's shares were listed on 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 GEM.

27. RESERVES

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity on page 71 of the financial statements.

(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 they 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.

27. RESERVES *(continued)*

(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; 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.

28. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

Major non-cash transactions

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. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS *(continued)*

Reconciliation of movement of financing activities

31 December 2018

	At 31 December 2018 HK$'000	Cash inflow HK$'000	At 1 January 2018 HK$'000
Interest-bearing bank borrowings	50,500	1,978	48,522
Balances due from directors, net	–	13,578	(13,578)

31 December 2017

			Non-cash changes	
	At 31 December 2017 HK$'000	Cash inflow/ (outflow) HK$'000	Transfer of balances with related companies HK$'000	At 1 January 2017 HK$'000
Interest-bearing bank 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.

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 two to eleven years, while leases for staff quarters and office premises are negotiated for terms ranging from one to three years.

At 31 December 2018, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	2018	2017
	HK$'000	HK$'000
Within one year	**58,110**	53,006
In the second to fifth years, inclusive	**93,283**	107,047
After five years	**6,316**	15,345
	157,709	175,398

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. The directors are 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 these financial statements, the Group had the following transactions with related parties during the year:

		2018	2017
	Note	**HK$'000**	HK$'000
Interest expenses paid to a senior management	(i)	**–**	28

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.

Note:

(i) In the prior year, 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.

30. RELATED PARTY TRANSACTIONS *(continued)*

(b) Outstanding balances with related companies and directors

Details of the Group's balances with related companies and directors are disclosed in notes 19 and 20 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:

2018

Financial assets

	Financial assets at fair value through profit or loss HK$'000	Financial assets at amortised cost HK$'000	Total HK$'000
Trade receivables	–	7,539	7,539
Financial assets included in prepayments, deposits and other receivables	–	57,040	57,040
Financial assets at fair value through profit or loss	15,853	–	15,853
Amounts due from related companies	–	1,660	1,660
Cash and cash equivalents	–	17,989	17,989
	15,853	84,228	100,081

31. FINANCIAL INSTRUMENTS BY CATEGORY *(continued)*

Financial liabilities

	Financial liabilities at amortised cost HK$'000
Trade payables	47,101
Financial liabilities included in other payables and accruals	25,472
Interest-bearing bank borrowings	50,500
	123,073

2017

Financial assets

	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
Amount due from a director	15,375
Cash and cash equivalents	15,917
	86,630

31. FINANCIAL INSTRUMENTS BY CATEGORY *(continued)*

Financial liabilities

	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 borrowings	48,522
	104,213

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 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 portion of deposits 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 unlisted investments designated at fair value through profit or loss, which were previously classified as deposits and other receivables, have been estimated based on the surrender value of the investment.

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.

32. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS *(continued)*

Fair value hierarchy

The following table illustrates the fair value measurement hierarchy of the Group's financial instruments:

Assets measured at fair value:

As at 31 December 2018

	Fair value measurement using			
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
	HK$'000	HK$'000	HK$'000	HK$'000
Financial assets at fair value through profit or loss	–	15,853	–	15,853

During the year, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 for both financial assets and financial liabilities (2017: Nil).

The Group did not have any financial liabilities measured at fair value as at 31 December 2018 and any financial assets and financial liabilities measured at fair value as at 31 December 2017.

33. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise cash and cash equivalents and interest-bearing bank 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.

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

Foreign currency risk *(continued)*

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 loss 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) in loss before tax HK$'000	Increase/ (decrease) in equity* HK$'000
As at 31 December 2018			
If Renminbi weakens against HK$	**5**	**22**	**–**
If Renminbi strengthens against HK$	**(5)**	**(22)**	**–**
As at 31 December 2017			
If Renminbi weakens against HK$	5	523	–
If Renminbi strengthens against HK$	(5)	(523)	–

* Excluding retained profits

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 2018, 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 for the year would have been approximately HK$253,000 higher (2017: HK$243,000 higher) 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.

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

Credit risk *(continued)*

Maximum exposure and year-end staging as at 31 December 2018

The table below shows the credit quality and the maximum exposure to credit risk based on the Group's credit policy, which is mainly based on past due information unless other information is available without undue cost or effort, and year-end staging classification as at 31 December 2018. The amounts presented are gross carrying amounts for financial assets.

	12-month ECLs	Lifetime ECLs			
	Stage 1	Stage 2	Stage 3	Simplified approach	
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Financial assets at fair value through profit or loss	15,853	–	–	–	15,853
Trade receivables*	–	–	–	7,539	7,539
Financial assets included in prepayments, deposits and other receivables					
– Normal**	57,040	–	–	–	57,040
Cash and cash equivalents					
– Not yet past due	17,989	–	–	–	17,989
Amounts due from related companies	1,660	–	–	–	1,660
	92,542	–	–	7,539	100,081

* For trade receivables to which the Group applies the simplified approach for impairment, information based on the provision matrix is disclosed in note 16 to the financial statements.

** The credit quality of the financial assets included in prepayments, deposits and other receivables is considered to be "normal" when they are not past due and there is no information indicating that the financial assets had a significant increase in credit risk since initial recognition. Otherwise, the credit quality of the financial assets is considered to be "doubtful".

Maximum exposure as at 31 December 2017

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 2018				
Trade payables	**47,101**	**–**	**–**	**47,101**
Financial liabilities included in other payables and accruals	**21,956**	**1,048**	**2,468**	**25,472**
Interest-bearing bank borrowings	**50,500**	**–**	**–**	**50,500**
	119,557	**1,048**	**2,468**	**123,073**
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 borrowings	48,522	–	–	48,522
	101,162	1,023	2,028	104,213

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

Liquidity risk *(continued)*

As at 31 December 2018, the Group's interest-bearing bank borrowings with a repayment on demand clause in the amount of HK$27,135,000 (2017: HK$26,553,000) 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 lack of events of default; and (iii) the fact that the Group has made previously scheduled repayments on time.

As at 31 December 2018, in accordance with the terms of the loans, the contractual undiscounted payments were HK$23,753,000 (2017: HK$23,350,000) within one year, HK$7,504,000 (2017: HK$6,624,000) in the second year and HK$27,249,000 (2017: HK$27,217,000) 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 years ended 31 December 2018 and 31 December 2017.

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 borrowings, an amount due to a director, 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:

	2018	2017
	HK$'000	HK$'000
Trade payables	**47,101**	40,683
Other payables and accruals	**45,971**	30,243
Amount due to a director	**–**	1,797
Interest-bearing bank borrowings	**50,500**	48,522
Less: Cash and cash equivalents	**(17,989)**	(15,917)
Net debt	**125,583**	105,328
Equity attributable to owners	**53,223**	55,041
Capital and net debt	**178,806**	160,369
Gearing ratio	**70%**	66%

34. EVENTS AFTER THE REPORTING PERIOD

Subsequent to the end of the reporting period, Mr. Wong Wing Chee, a director and the controlling shareholder of the Group, has provided a unsecured, interest-free shareholder's loan of HK$20,000,000 to the Group which is repayable in December 2020.

35. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	2018 HK$'000	2017 HK$'000
NON-CURRENT ASSET		
Investment in a subsidiary	**38,724**	43,224
Total non-current asset	**38,724**	43,224
CURRENT ASSETS		
Amounts due from subsidiaries	**15,006**	–
Cash and cash equivalents	**645**	43
Total current assets	**15,651**	43
CURRENT LIABILITIES		
Other payables and accruals	**1,385**	–
Amounts due to subsidiaries	**–**	16,838
Total current liabilities	**1,385**	16,838
NET CURRENT ASSETS/(LIABILITIES)	**14,266**	(16,795)
NET ASSETS	**52,990**	26,429
EQUITY		
Issued capital	**14,400**	–
Reserves	**38,590**	26,429
	52,990	26,429

35. STATEMENT OF FINANCIAL POSITION OF THE COMPANY *(continued)*

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

	Share premium HK$'000	Accumulated losses HK$'000	Total HK$'000
At 1 January 2017	–	(4,170)	(4,170)
Issue of new shares pursuant to the Reorganisation (note 26)	43,224	–	43,224
Total comprehensive loss for the year	–	(12,625)	(12,625)
At 31 December 2017 and 1 January 2018	43,224	(16,795)	26,429
Issue of new shares pursuant to the capitalisation (note 26)	(10,800)	–	(10,800)
Share issued pursuant to the share offer	72,000	–	72,000
Share issuance costs	(16,367)	–	(16,367)
Total comprehensive loss for the year	–	(32,672)	(32,672)
At 31 December 2018	88,057	(49,467)	38,590

36. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 22 March 2019.

Financial Summary

A summary of the results and of the assets, liabilities and non-controlling interests of the Group for the last four financial years, as extracted from the published audited financial statements/information, is set out below.

RESULT

	Year ended 31 December			
	2018	2017	2016	2015
	HK$'000	HK$'000	HK$'000	HK$'000
REVENUE	**415,033**	418,513	393,705	294,429
PROFIT/(LOSS) BEFORE TAX	**(56,336)**	(6,584)	3,689	2,134
Income tax expense	**(1,731)**	(3,649)	(2,475)	(939)
PROFIT/(LOSS) FOR THE YEAR	**(58,067)**	(10,233)	1,214	1,195
Profit/(loss) attributable to:				
Owners of the Company	**(58,067)**	(10,161)	1,128	1,880
Non-controlling interests	**–**	(72)	86	(685)
	(58,067)	(10,233)	1,214	1,195

ASSETS, LIABILITIES AND NON-CONTROLLING INTERESTS

	As at 31 December			
	2018	2017	2016	2015
	HK$'000	HK$'000	HK$'000	HK$'000
TOTAL ASSETS	**197,660**	178,499	203,281	204,394
TOTAL LIABILITIES	**(144,437)**	(123,458)	(138,525)	(155,696)
	53,223	55,041	64,756	48,698
EQUITY				
Equity attributable to owners of the Company	**53,223**	55,041	64,981	49,009
Non-controlling interests	**–**	–	(225)	(311)
	53,223	55,041	64,756	48,698