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

2020

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

GEM has been positioned as a market designed to accommodate small and mid-sized companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration.

Given that the companies listed on GEM are generally small and mid-sized companies, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board and no assurance is given that there will be a liquid market in the securities traded on GEM.

Hong Kong Exchanges and Clearing Limited and the Stock Exchange take no responsibility for the contents of this report, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this report.

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

Contents

Corporate Information

BOARD OF DIRECTORS

Executive Directors

Ms. Lee Ching Nung Angel *(Chairman)*
Mr. Wong Wing Chee *(Chief Executive Officer)*
Mr. Wong Wing Hong
Mr. Chan Ko Cheung *(appointed on 10 February 2021)*

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

Asian Alliance (HK) CPA Limited
8th Floor, Catic Plaza
8 Causeway Road
Causeway Bay
Hong Kong

LEGAL ADVISER AS TO HONG KONG LAWS

CFN Lawyers in association with Broad and Bright
Units 4101-4104, 41st Floor
Sun Hung Kai Centre
30 Harbour Road
Wan Chai, Hong Kong

REGISTERED OFFICE IN THE CAYMAN ISLANDS

Windward 3, Regatta Office Park
PO Box 1350
Grand Cayman KY1-1108
Cayman Islands

HEADQUARTERS AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Office A
20th Floor, TG Place
10 Shing Yip Street
Kwun Tong
Kowloon, Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE IN THE CAYMAN ISLANDS

Ocorian Trust (Cayman) Limited
Windward 3, Regatta Office Park
PO Box 1350
Grand Cayman KY1-1108
Cayman Islands

BRANCH SHARE REGISTRAR AND TRANSFER OFFICE IN HONG KONG

Tricor Investor Services Limited
Level 54, Hopewell Centre
183 Queen's Road East
Hong Kong

PRINCIPAL BANKS

DBS Bank (Hong Kong) Limited
Hang Seng Bank 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 present the annual report of the Group for the year ended 31 December 2020.

OVERVIEW

For the year ended 31 December 2020, 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 are operated 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）". In January 2020, the restaurant under the brand name of "Dragon Feast（龍宴）" located in Sheung Shui (the "**Sheung Shui Restaurant**") was disposed of to an independent third party due to the worsening financial performance in recent years.

The Group's revenue significantly decreased by approximately 51.3% from HK$402.3 million for the year ended 31 December 2019 to approximately HK$196.0 million for the year ended 31 December 2020. Such significant decrease was principally attributed to the outbreak of novel coronavirus (the "**COVID-19**") in Hong Kong since January 2020 and the recurrence in July and November 2020 and the resulting anti-epidemic precautionary measures including restrictions on catering business premises imposed in Hong Kong which had an adverse impact on the revenue generated for the year ended 31 December 2020. The Group recorded a loss attributable to the owners of the Company of approximately HK$74.8 million for the year ended 31 December 2020. The loss was mainly attributable to the outbreak of COVID-19 and the anti-epidemic precautionary measures imposed by the HKSAR Government which led to a significant decrease in revenue during the year ended 31 December 2020 and offset with the subsidies received from the the HKSAR Government to support the Group's operation under the outbreak of COVID-19.

PROSPECTS

In view of the recent economic downturn accompanied by the outbreak of COVID-19 in Hong Kong, the Group will adopt a conservative and cautious approach to operate its business. The food and beverage industry is facing a very challenging business environment including a slowdown in economic growth in Hong Kong, weaken consumption sentiments due to the outbreak of COVID-19, reduction in number of visitors that affected the total consumptions in the Group's restaurants and the anti-epidemic precautionary measures including restrictions on catering business premises imposed by the HKSAR Government. The total effects of the above pose a challenge to the Group's business.

On the other hand, the staff costs and food costs remained relatively high despite the current economic downturn, therefore the Group is facing pressure on striking the balance between cost control and the qualities of the food and services. Another major cost component for the Group is the rental expenses. The Group has been negotiating with the landlords for rent concessions as some of the Group's restaurants could not open due to the restrictions on catering business premises and the reduced number of visitors as overshadowed by the outbreak of COVID-19.

Chairman's Statement

In response to the adverse business environment brought by the outbreak of COVID-19, the Group has adopted a series of cost saving measures and set out contingency plans to overcome the difficulties in the current business and market environment. The Group will continue to evaluate the overall market conditions and strike a balance between expanding the Group's restaurants and closing down underperforming restaurants in the future.

Moreover, the Group has set up an online sales platform to promote the Group's packaged foods and several packaged sauces in late 2020 and will further expand the online sales business in the future. The development of online sales business is to diversify the operational and financial risks facing in operating the restaurants under the COVID-19 and lower the reliance on the revenue generated from the restaurant operations.

The Group will also strengthen the management team by providing more training to all staff, particularly on the sense of environmental protection, emphasising 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 especially in this tough year under the COVID-19.

Lee Ching Nung Angel
Chairman and Executive Director

Hong Kong, 30 March 2021

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 2020, the Group operated ten Cantonese full-service restaurants in Hong Kong, Macau and Shanghai, the PRC. The Group's restaurants are operated 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）". All of the Group's restaurants are strategically located in prominent commercial areas, residential areas or shopping complexes. The Group is committed to provide high quality food and services as well as comfortable dining environment to the customers.

Vast majority of the Group's restaurants are located in Hong Kong. As at 31 December 2020, the Group had seven restaurants in Hong Kong, two of which are located on Hong Kong Island (respectively known as the "**Causeway Bay Restaurant**" and the "**Wan Chai Restaurant**"), four of which are located in Kowloon (respectively known as the "**ICC Restaurant**", the "**Kwun Tong Restaurant**", the "**San Po Kong Restaurant**" and the "**Whampoa Restaurant**"), and one of which is located in New Territories (known as the "**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**").

In January 2020, the Sheung Shui Restaurant was disposed of to an independent third party due to the worsening financial performance in recent years.

For the year ended 31 December 2020, the food and beverage industry has been hit by the outbreak of COVID-19. The Group is facing a challenging business environment due to the outbreak of COVID-19. In the first half of the year, the outbreak of COVID-19 spread in the PRC, the operation of the Shanghai Restaurant was suspended from late January 2020 to early March 2020 and the Shanghai Restaurant performance was improved in the second half of the year due to the persistently low number of new confirmed cases of COVID-19 reported in the PRC.

However, the Group's restaurants is facing a challenging business environment in Hong Kong. In late March 2020, the HKSAR Government announced the restrictions on the maximum number of persons for each table and in mid-July 2020, the HKSAR Government further announced the restrictions on the dine-in hours of restaurants, such series of anti-epidemic precautionary imposed by the HKSAR Government which causing adverse impact on the number of customers and their frequency of visit. The result of the continuous outbreak of the novel coronavirus throughout the year and series of anti-epidemic measures implemented causing adverse impacts on the Group's financial performance, the Group's revenue has suffered a significant decrease of approximately HK$206.3 million or approximately 51.3% and recorded a significant loss during the year ended 31 December 2020.

FINANCIAL REVIEW

Revenue

For the year ended 31 December 2020, the Group recorded a total revenue of approximately HK$196.0 million, representing a significant decrease of approximately HK$206.3 million or approximately 51.3% as compared to approximately HK$402.3 million for the year ended 31 December 2019.

Management Discussion and Analysis

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			
	2020		2019	
		% of total		% of total
	Revenue	**revenue**	Revenue	revenue
	HK$'000	**%**	HK$'000	%
Dragon King（龍皇）	**122,234**	**62.4%**	229,627	57.1%
Dragon Seal（龍璽）	**24,099**	**12.3%**	57,883	14.4%
Dragon Gown（龍袍）	**17,788**	**9.1%**	28,401	7.1%
Imperial Seal（皇璽）	**29,359**	**15.0%**	36,205	9.0%
Dragon Feast（龍宴）*	**2,558**	**1.2%**	50,204	12.4%
Total revenue	**196,038**	**100.0%**	402,320	100.0%

* *Disposed of on 17 January 2020*

Dragon King（龍皇）

The revenue generated from Dragon King significantly decreased by approximately HK$107.4 million, or approximately 46.8%, from approximately HK$229.6 million for the year ended 31 December 2019 to approximately HK$122.2 million for the year ended 31 December 2020.

The overall decrease in revenue was mainly due to the outbreak of COVID-19 in Hong Kong since January 2020 and the recurrence in July and November 2020 and the resulting anti-epidemic precautionary measures including restrictions on catering business premises imposed in Hong Kong which had an adverse impact on the revenue generated for the year ended 31 December 2020.

Dragon Seal（龍璽）

The revenue generated from Dragon Seal significantly decreased by approximately HK$33.8 million, or approximately 58.4%, from approximately HK$57.9 million for the year ended 31 December 2019 to approximately HK$24.1 million for the year ended 31 December 2020. Such decrease was mainly due to the outbreak of COVID-19 and the anti-epidemic precautionary measures discussed above.

Dragon Gown（龍袍）

The revenue generated from Dragon Gown significantly decreased by approximately HK$10.6 million or approximately 37.3%, from approximately HK$28.4 million for the year ended 31 December 2019 to approximately HK$17.8 million for the year ended 31 December 2020. Such decrease was mainly due to the outbreak of COVID-19 and the anti-epidemic precautionary measures discussed above.

Management Discussion and Analysis

Imperial Seal（皇璽）

The revenue generated from Imperial Seal significantly decreased by approximately HK$6.8 million, or approximately 18.8%, from approximately HK$36.2 million for the year ended 31 December 2019 to approximately HK$29.4 million for the year ended 31 December 2020. Such decrease was mainly due to the outbreak of COVID-19 spread in the PRC in the first half of 2020 and the operation of restaurant was suspended from late January 2020 to early March 2020. The revenue generated by Imperial Seal gradually increased during the second half of 2020 driven by the persistently low number of new confirmed cases of COVID-19 reported in the PRC.

Dragon Feast（龍宴）

The revenue generated from Dragon Feast significantly decreased by approximately HK$47.6 million, or approximately 94.8%, from approximately HK$50.2 million for the year ended 31 December 2019 to approximately HK$2.6 million for the year ended 31 December 2020. Such decrease was mainly due to the disposal of the Sheung Shui Restaurant to an independent third party in mid-January 2020.

Gross profit and gross profit margin

The Group's gross profit (i.e. revenue minus cost of inventories consumed) amounted to approximately HK$135.0 million for the year ended 31 December 2020, representing a significant decrease of approximately HK$142.7 million or approximately 51.4% from approximately HK$277.7 million for the year ended 31 December 2019 driven by the significant decrease in revenue.

The Group's overall gross profit margin remained consistent for both year end 31 December 2020 and 2019.

Other income and gains, net

Other income and gains, net significantly increased by approximately HK$30.5 million from approximately HK$3.0 million for the year ended 31 December 2019 to approximately HK$33.5 million for the year ended 31 December 2020. Such increase were mainly due to the rent concession amounted to approximately HK$14.4 million, one-off subsidies amounted to approximately HK$13.2 million and approximately HK$4.4 million received from the The Food and Environmental Hygiene Department and the Employment Support Scheme from the HKSAR Government under the Anti-epidemic Fund, respectively.

Staff costs

Staff costs was approximately HK$87.5 million for the year ended 31 December 2020, representing a significant decrease of approximately HK$62.5 million or approximately 41.7% as compared to HK$150.0 million for the year ended 31 December 2019. Such decrease was mainly due to all Directors, senior management members and employees of the Group agreed and have unpaid leaves starting from February 2020 to December 2020 as one of the cost saving measures in response to the outbreak of COVID-19.

Depreciation of right-of-use assets

Depreciation of right-of-use assets was charged on a straight-line basis over the lease term. The lease terms of the leased premises are generally between three to ten years, with some lease agreements provide an option for the Group to renew.

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

In view of the deteriorating economy and significant disruption in the operations of the Group arising from the COVID-19 and the related anti-epidemic precautionary measures in Hong Kong, Macau and the PRC throughout the year ended 31 December 2020, the Group assessed if any impairment loss should be recognised for the non-current assets of the Group including property, plant and equipment and right-of-use assets.

Impairment loss of approximately HK$9.9 million (2019: Nil) and HK$12.5 million (2019: Nil) were recognised for property, plant and equipment and right-of-use assets during the year ended 31 December 2020 respectively.

Impairment loss under expected credit losses model, net

The Group assessed the measurement of expected credit losses for other receivables using 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 the year ended 31 December 2020, impairment losses on other receivables of approximately HK$6.5 million (2019: Nil) was recognised. Due to the ongoing impact of the COVID-19, most business activities and the payment chain in Hong Kong, Macau and the PRC were significantly affected which caused the extension of debt collection periods and increase in loss allowance on other receivables.

Rental and related expenses

The Group's rental and related expenses significantly decreased by approximately HK$7.0 million or approximately 22.0% from approximately HK$31.9 million for the year ended 31 December 2019 to approximately HK$24.9 million for the year ended 31 December 2020. Such decrease was mainly due to certain short-term lease payment, management fees and promotion levy were waived by landlord due to the outbreak of COVID-19.

Other operating expenses

The Group's other operating expenses significantly decreased by approximately HK$18.8 million or approximately 29.3% from approximately HK$64.2 million for the year ended 31 December 2019 to approximately HK$45.4 million for the year ended 31 December 2020. Such decrease was mainly due to the improvement of operational efficiency as a result of the Group's further control over its operational costs.

Finance costs

Finance costs of the Group decreased by approximately HK$2.1 million or approximately 27.6% from approximately HK$7.6 million for the year ended 31 December 2019 to approximately HK$5.5 million for the year ended 31 December 2020. The decrease in finance costs was mainly attributable to the decrease in interest on lease liabilities attributable to the right-of-use assets under HKFRS 16.

Management Discussion and Analysis

Loss attributable to owners of the Company

For the year ended 31 December 2020, the Group recorded a loss attributable to owners of the Company of approximately HK$74.8 million, as compared with loss of approximately HK$35.5 million for the year ended 31 December 2019. It was mainly due to the outbreak of COVID-19 and the anti-epidemic precautionary measures imposed by the HKSAR Government which led to a significant decrease in revenue during the year ended 31 December 2020, the impairment loss on property, plant and equipment and right-of-use assets of the Group's restaurant and the impairment loss under the expected credit loss model and offset with the subsidies received from the HKSAR Government to support the Group's operation under the outbreak of COVID-19.

PROSPECTS

In view of the recent economic downturn accompanied by the outbreak of COVID-19 in Hong Kong, the Group will adopt a conservative and cautious approach to operate its business. The food and beverage industry is facing a very challenging business environment including a slowdown in economic growth in Hong Kong, weaken consumption sentiments due to the outbreak of COVID-19, reduction in number of visitors that affected the total consumptions in the Group's restaurants and the anti-epidemic precautionary measures including restrictions on catering business premises imposed by the HKSAR Government. The total effects of the above pose a challenge to the Group's business.

On the other hand, the staff costs and food costs remained relatively high despite the current economic downturn, therefore the Group is facing pressure on striking the balance between cost control and the qualities of the food and services. Another major cost component for the Group is the rental expenses. The Group has been negotiating with the landlords for rent concessions as some of the Group's restaurants could not be opened due to the restrictions on catering business premises and the reduced number of visitors as overshadowed by the outbreak of COVID-19.

In response to the adverse business environment brought by the outbreak of COVID-19, the Group has adopted a series of cost saving measures and set out contingency plans to overcome the difficulties in the current business and market environment. The Group will continue to evaluate the overall market conditions and strike a balance between expanding the Group's restaurants and closing down underperforming restaurants in the future.

Moreover, the Group has set up an online sales platform to promote the Group's packaged foods and several packaged sauces in late 2020 and will further expand the online sales business in the future. The development of online sales business is to diversify the operational and financial risks facing in operating the restaurants under the COVID-19 and lower the reliance on the revenue generated from the restaurant operations.

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 of the Company dated 29 December 2017 (the "Prospectus")	Implementation activities up to 31 December 2020 as stated in the Prospectus	Actual business progress up to the date of this annual 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 Wan Chai Restaurant commenced its operation as "Dragon Gown" on 15 August 2018 • The Group carefully evaluated the market and delayed the expansion plan
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
Enhancement of existing restaurant facilities	• To refurbish the Group's existing restaurants' fitting out and utensils	• The refurbishment work in the Group's restaurants continues
	• 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

Management Discussion and Analysis

USE OF NET PROCEEDS FROM LISTING

The net proceeds from the listing on GEM (the "**Listing**") on 16 January 2018 (the "**Listing Date**") through the share offer of 360,000,000 shares of HK$0.01 each in the share capital of the Company 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 2020, the net proceeds from share offer were applied as follows:

	Planned use of net proceeds as stated in the Prospectus up to 31 December 2020	Actual use of net proceeds up to 31 December 2020	Unutilised net proceeds up to 31 December 2020
	HK$ million	HK$ million	HK$ million
Expansion in Hong Kong with multi-brand strategy			
– Capital expenditure, working capital and rental deposit of opening of "Dragon King" Restaurant in Kwai Chung	9.6	9.6	–
– Capital expenditure, working capital and rental deposit of opening of "Dragon Gown" Restaurant in Wan Chai	11.0	11.0	–
– Capital expenditure, working capital and rental deposit of opening of "Dragon King" Restaurant in Eastern District	6.8	–	6.8
Sub-total	**27.4**	**20.6**	**6.8**
Enhancement of existing restaurant facilities			
– Renovation costs for the Group's Restaurant	4.1	4.1	–
Sub-total	**4.1**	**4.1**	**–**
Enhancement of marketing and promotions			
– Advertise and promote more in conventional media channels and online platforms	0.8	0.8	–
– Engage in more marketing campaigns and appointment of spokesperson	0.4	0.4	–
Sub-total	**1.2**	**1.2**	**–**
Repayment of bank and other borrowings	3.0	3.0	–
Working capital	1.6	1.6	–
	37.3	**30.5**	**6.8**

Management Discussion and Analysis

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 2020, approximately HK$30.5 million out of the net proceeds from the Listing had been used. The remaining unutilised net proceeds of approximately HK$6.8 million were deposited in licensed banks in Hong Kong. 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. Nevertheless, given the current economic condition together with the continuous outbreak of COVID-19 in Hong Kong subsequent to the reporting period, the Group has decided to delay the plan of opening new restaurant until the Directors consider the condition of COVID-19 will be further controlled and the overall economical atmosphere resume and is suitable for the expansion which is expected in late 2021.

CAPITAL STRUCTURE

There has been no change in the capital structure of the Group since the Listing Date. 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 2020, the Group had borrowings of approximately HK$76.4 million which was denominated in Hong Kong Dollars (2019: approximately HK$43.4 million). The Group's bank borrowings were primarily used in financing the working capital requirement of its operations.

As at 31 December 2020, the Group's cash and cash equivalents were approximately HK$11.7 million (2019: approximately HK$14.2 million). The Directors believe that the Group is in a healthy financial position to achieve its business objectives.

GEARING RATIO

As at 31 December 2020, the gearing ratio of the Group was approximately 145.0% (2019: approximately 92.4%). 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 2020, the borrowings were secured by a building owned by the Group and life insurance policies amounted to approximately HK$28.7 million (2019: approximately HK$29.5 million) and approximately HK$4.9 million (2019: approximately HK$4.9 million), respectively, for certain banking facilities granted to the Group.

SEGMENT INFORMATION

Segmental information of the Group is disclosed in note 8 to the financial statements.

Management Discussion and Analysis

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

As disclosed in the Company's announcement dated 17 January 2020, Dragon King Holdings Limited, the direct wholly-owned subsidiary of the Company, entered into a sale and purchase agreement with an independent third party to dispose of the entire issued share capital of Prominent Voice Limited ("**Prominent Voice**"), an indirect wholly-owned subsidiary of the Company, at a consideration of approximately HK$2.7 million. Prominent Voice is principally engaged in operating the Sheung Shui Restaurant.

Except for the above, there was no significant investment held, material acquisition and disposal of subsidiaries and affiliated companies by the Company during the year ended 31 December 2020. There is no other plan for material investments or capital assets as at 31 December 2020.

FOREIGN EXCHANGE EXPOSURE

Most of the income and expenditures of the Group are denominated in Hong Kong Dollars ("**HKD**") and Renminbi ("**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 2020, 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 2020 (2019: Nil).

COMMITMENTS

The Group does not have any commitments as at 31 December 2020 (2019: Nil).

FINAL DIVIDEND

The Board does not recommend the payment of final dividend for the year ended 31 December 2020 (2019: Nil).

Management Discussion and Analysis

INFORMATION ON EMPLOYEES

As at 31 December 2020, the Group had 390 employees (2019: 590 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 2020 amounted to approximately HK$87.5 million (2019: approximately HK$150.0 million).

SHARE OPTIONS

Details of the Company's share option scheme (the "**Share Option Scheme**") are set out on page 38 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, it does 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 and amounts due from 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 2020.

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.

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

EVENTS AFTER THE REPORTING PERIOD

On 10 February 2021, Mr. Chan Ko Cheung has been appointed as an executive Director.

Biographical Details of Directors and Senior Management

EXECUTIVE DIRECTORS

Ms. Lee Ching Nung Angel (李靜濃) ("Ms. Lee"), aged 38, is the chairman of the Board (the "**Chairman**") 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 17 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 and Premier Oriental Limited.

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

Mr. Wong Wing Chee (黃永幟) ("Mr. Wong WC"), aged 61, 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. He is also the chairman of the nomination committee of the Company (the "**Nomination Committee**") and a member of the remuneration committee of the Company (the "**Remuneration Committee**").

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 40 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 56, 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 34 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.

Mr. Chan Ko Cheung（陳高璋）("Mr. Chan"), aged 47, was appointed as an executive Director on 10 February 2021. Mr. Chan is responsible for the overall corporate strategic development of the Group's business operations.

Mr. Chan obtained his Bachelor of Accounting degree from The Hong Kong Polytechnic University in 2005. Mr. Chan worked as an account manager in Solar Tune Electronics Limited from 2002 to 2007. He then worked for Accellent Insurance Brokers Limited as a consultant from 2008 to 2012. Mr. Chan was the general manager and business director of Richfull Holdings (International) Limited from 2012 to 2015. From 2015 to 2018, he was engaged as a project consultant by an agricultural and agribusiness group in the PRC and was appointed as the chief financial consultant of Guangdong Beidahuang New Energy Technology Development Company Limited*（廣東北大荒新能源科技發展有限公司）. Since 2019, he has been the director and general manager of Shenzhen Gaoxian Network Technology Company Limited*（深圳搞鮮網絡科技有限公司）.

* *for identification purposes only*

Biographical Details of Directors and Senior Management

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Kwong Ping Man（鄺炳文）("Mr. Kwong"), aged 56, was appointed as the independent non-executive Director on 15 December 2017. He is also the chairman of the audit committee of the Company (the "**Audit Committee**") and a member of the Nomination Committee and Remuneration Committee.

Mr. Kwong possesses over 27 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 Chartered Secretaries and the Chartered Governance Institute (formerly known as 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 (stock code: 601), Tang Palace (China) Holdings Limited (stock code: 1181) and Landrich Holding Limited (stock code: 2132).

Mr. Lin Zhisheng（林智生）("Mr. Lin"), aged 58, was appointed as the independent non-executive Director on 15 December 2017. He is also the chairman of the Remuneration Committee and a member of the Audit Committee and Nomination Committee.

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.

Biographical Details of Directors and Senior Management

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 73, was appointed as the independent non-executive Director on 15 December 2017. He is also a member of the Audit Committee, Remuneration Committee and Nomination Committee.

Mr. Chang has over 30 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 52, 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 32 years of experience in working as a chef in Chinese restaurants. He entered the Chinese restaurant industry as a chef in a vegetarian restaurant in 1987. He joined the Lei Garden Restaurant Group in March 1988 and later was invited to Taiwan to promote the Cantonese seafood cuisine in 1991. In October 1993, Mr. Leung re-joined the Lei Garden Restaurant Group and advanced his knowledge in Cantonese cuisine. With his previous experience, Mr. Leung has extensive knowledge in kitchen operations, and food quality control.

Biographical Details of Directors and Senior Management

Mr. Ng Yick Kit (吳翼傑) ("Mr. Ng"), aged 68, 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 59, 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.

Biographical Details of Directors and Senior Management

Ms. Wong Sau Yee (黃秀儀) ("Ms. Wong"), aged 50, 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. Nicky Chan"), aged 37, is the financial controller and company secretary of the Group. Mr. Nicky Chan joined the Group in July 2016 as the financial controller and was appointed as company secretary on 14 March 2017. Mr. Nicky Chan is primarily responsible for overseeing financial reporting, financial planning, financial control and company secretarial matters of the Group.

Mr. Nicky Chan has over 12 years of experience in accounting and financial reporting. Prior to joining the Group, Mr. Nicky Chan worked for Grant Thornton (later known as JBPB & Company) from September 2007 to December 2010 and his last position was senior accountant. Mr. Nicky Chan then worked for BDO Limited from January 2011 to April 2016 with his last position as manager. Mr. Nicky Chan obtained a Bachelor of Commerce degree in Accountancy from the Hong Kong Baptist University in November 2007. Mr. Nicky Chan has been a member of the Hong Kong Institute of Certified Public Accountants since May 2013 and been a fellow member since November 2020.

Corporate Governance Report

INTRODUCTION

The Company is committed to achieving and maintaining high standard of corporate governance, as the Board believes that good and effective corporate governance practices are key to obtaining and maintaining the trust of the shareholders of the Company and other stakeholders, and are essential for encouraging accountability and transparency so as to sustain the success of the Group and to 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 GEM Listing Rules. During the year ended 31 December 2020, to the best knowledge of the Board, the Company had complied with all the applicable code provisions set out in the CG code.

DIRECTORS' SECURITIES TRANSACTIONS

The Company adopted the required standard of dealings set out in Rules 5.48 to 5.68 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 year.

DIRECTORS' RESPONSIBILITIES

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

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

Corporate Governance Report

DELEGATION BY THE BOARD

Daily operation and managing of the business of the Group, inter alia, the implementation of strategies are delegated to the executive Directors along with other senior executives. They report periodically to the Board their work and business decisions.

Board Composition

The composition of the Board as at the date of 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
Mr. Chan Ko Cheung *(appointed on 10 February 2021)*

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 Directors and Senior Management" on page 17 to 22 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.

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 ensuring 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 renewed service contract with the Company and each independent non-executive Director has signed a renewed letter of appointment on 15 January 2021. 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. Article 112 of the Company's articles of association provides that any Directors who are appointed to fill casual vacancies shall hold office only until the next following annual general meeting of the Company after their appointment, and are subject to re-election by shareholders of the Company.

Each of Mr. Wong WC, Mr. Chan and Mr. Kwong will retire from office as Directors at the forthcoming annual general meeting of the Company to be held on 7 May 2021. Mr. Wong WC, Mr. Chan and Mr. Kwong, 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 WC, Mr. Chan and Mr. Kwong.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

In compliance with the code provision A.2.1 of the CG Code, 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 and Mr. Wong WC was the Chief Executive Officer throughout the year.

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.

In compliance with the code provision A.6.5 of the CG Code, during the year ended 31 December 2020, 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 three Board committees, namely, the Remuneration Committee, the Nomination Committee, and the Audit Committee, for overseeing particular aspects of the Company's affairs. All Board committees have been established with defined written terms of reference, which are posted on the Stock Exchange's website www.hkexnews.hk and the Company's website at www.dragonkinggroup.com. All the Board committees should report to the Board on their decisions or recommendations made.

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

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

The Board is responsible for performing the corporate governance duties set out in the CG Code which 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 CG Code and disclosures in this annual report.

REMUNERATION COMMITTEE

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 2020. No Director or any of his or her associates is involved in deciding his or her own remuneration.

NOMINATION COMMITTEE

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 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 auditor 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 five meetings to review and comment on the Company's 2019 annual results, 2020 interim results, quarterly results, audit plans for annual audit 2020 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 2020 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 2020 comply with applicable accounting standards, GEM Listing Rules and that adequate disclosures have been made.

ATTENDANCE RECORDS OF MEETINGS

The Board meets 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. During the year, the Chairman held a meeting with the independent non-executive Directors without the presence of other Directors.

The information below are details of all Directors' attendance at the Board meeting, Board committees' meeting and general meeting held for the year ended 31 December 2020:

	Board Meeting	Audit Committee Meeting	Remuneration Committee Meeting	Nomination Committee Meeting	2020 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	–	2/2	1/1	1/1
Mr. Wong Wing Hong	5/5	–	–	–	1/1
Mr. Chan Ko Cheung *(appointed on 10 February 2021)*	–/–	–	–	–	–/–
Independent non-executive Directors					
Mr. Kwong Ping Man	5/5	5/5	2/2	1/1	1/1
Mr. Lin Zhisheng	4/5	5/5	1/2	1/1	1/1
Mr. Chang Cheuk Cheung Terence	5/5	5/5	2/2	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. Nicky Chan as the Company Secretary.

For the year ended 31 December 2020, Mr. Nicky Chan undertook no less than 15 hours of relevant professional training to develop his skills and knowledge. The biographical details of Mr. Nicky 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 the Board Diversity Policy.

The Nomination Committee will review the Board Diversity Policy, as appropriate, to ensure the effectiveness of the Board Diversity 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. 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 maximise 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 the Nomination 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 the Nomination 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.

INDEPENDENT AUDITOR'S REMUNERATION

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

	HK$'000
Audit services	920
Tax services	–
Total	920

DIRECTORS' RESPONSIBILITY FOR FINANCIAL STATEMENTS

All Directors acknowledge their responsibilities to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Group and in presenting the quarterly, interim and annual financial statements, and announcements to the shareholders of the Company. The Directors aim to present a balanced and understandable assessment of the Group's position and prospects with timely publication of the financial statements of the Group. Except from the issues discussed under paragraph "Multiple fundamental uncertainties relating to going concern" in the Independent Auditor's Report, as at 31 December 2020, the Directors were not aware of any material uncertainties relating to events or conditions which may cast significant doubt upon the Group's ability to continue as a going concern.

The statements of the external auditor of the Company, Asian Alliance (HK) CPA Limited, about their reporting responsibilities on the financial statements of the Group are set out in the Independent Auditor's Report on pages 48 to 50 of this annual report.

SHAREHOLDERS' RIGHT

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

Extraordinary general meeting may be convened by the Board on requisition of shareholders holding not less than one-tenth of the paid up capital of the Company or by such shareholders who made the requisition (the "**Requisitionists**") pursuant to Article 64 of the articles of association of the Company. Such requisition must 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 organisational 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 2020 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 2020 as required under CG Code C.2.5. The Audit Committee and the Board, have 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.

DISCLOSURE OF INSIDE INFORMATION

The Group has in place a policy on disclosure of inside information which sets out the procedures and internal controls for handling and dissemination of inside information.

The policy provides guidelines to the Directors, officers and all relevant employees of the Group to ensure proper safeguards exist to prevent the Company from breaching the statutory disclosure requirements. It also includes appropriate internal control and reporting systems to identify and assess potential inside information.

Key procedures in place include:

- define the requirements of periodic financial and operational reporting to the Board and Company Secretary to enable them to assess inside information and make timely disclosures, if necessary;

- controls the access to inside information by employees on a need-to-know basis, and safeguarding the confidentiality of the inside information before it is properly disclosed to public;

- procedures of communicating with the Group's stakeholders, including shareholders, investors, analysts, etc. in ways which are in compliance with the GEM Listing Rules.

The Group has also established and implemented procedures to handle enquiries from external parties related to the market rumours and other Group's affairs.

To avoid uneven dissemination of inside information, the dissemination of inside information of the Company shall be conducted by publishing the relevant information on the Hong Kong Exchanges and Clearing Limited's website and the Company's website.

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 of 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 ended 31 December 2020, there was no change to the Company's articles of association.

Directors' Report

The Directors present their report and the audited consolidated financial statements for the year ended 31 December 2020.

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 41 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 five financial years is set out on page 134 of this annual report.

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 Group's 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 Dividend Policy and reserves the right in its sole and absolute discretion to update, amend and/or modify the Dividend Policy at any time, and the Dividend 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.

RESULTS AND DIVIDENDS

The results of the Group for the year ended 31 December 2020 and the financial position of the Company and of the Group at that date are set out in the consolidated financial statements on pages 51 to 133 of this annual report. The Board does not recommend the payment of a final dividend for the year ended 31 December 2020.

CLOSURE OF THE REGISTER OF MEMBERS

The forthcoming annual general meeting is scheduled to be held on 7 May 2021 (the "**2021 AGM**"). For determining the entitlement to attend and vote at the 2021 AGM, the register of members of the Company will be closed from 4 May 2021 to 7 May 2021, both days inclusive, during which period no transfer of shares of the Company will be registered. In order to attend and vote at the 2021 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 54, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on 3 May 2021.

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 6 to the financial statements. Details of the significant events after the financial year ended 31 December 2020 and up to the date of this annual report are set out in note 42 to the consolidated financial statements.

Directors' Report

PROPERTY, PLANT AND EQUIPMENT

Details of movement in the property, plant and equipment of the Group during the year ended 31 December 2020 are set out in note 18 to the financial statements.

DONATION

No charitable donations made by the Group during the year ended 31 December 2020 (2019: approximately HK$371,000).

SHARE CAPITAL

Details of the Company's share capital is set out in note 33 to the financial statements.

SHARE OPTION SCHEME

The Company has conditionally adopted the Share Option Scheme by the resolutions in writing of all the shareholders passed on 15 December 2017. The Share Option Scheme enables the Company to grant share options to any director, employee or other stakeholders to the Company or any of its subsidiaries, as incentives or rewards for their contributions to the Group for the purpose of attract and retain the best available personnel, to provide additional incentive to employees (full-time and part-time), directors, consultants, advisers, distributors, contractors, suppliers, agents, customers, business partners or service providers of the Group and to promote the success of the business of the Group.

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

The maximum number of shares issuable upon exercise of all options to be granted under the Share Option Scheme and any other share option schemes of the Company as from the adoption date (excluding, for this purpose, shares issuable upon exercise of options which have been granted but which have lapsed in accordance with the terms of the Share Option Scheme or any other share option schemes of the Company) must not in aggregate exceed 10% of all the shares in issue. Therefore, it is expected that the Company may grant options in respect of up to 144,000,000 shares (or such numbers of shares as shall result from a sub-division or a consolidation of such 144,000,000 shares from time to time) to the participants under the Share Option Scheme.

The 10% limit as mentioned above may be refreshed at any time by approval of the shareholders in general meeting provided that the total number of shares which may be issued upon exercise of all options to be granted under the Share Option Scheme and any other share option schemes of the Company must not exceed 10% of the shares in issue as at the date of approval of the refreshed limit. Options previously granted under the Share Option Scheme and any other share option schemes of the Company (including those outstanding, cancelled or lapsed in accordance with the terms of the Share Option Scheme and any other share option schemes of the Company) will not be counted for the purpose of calculating the refreshed 10% limit.

The total number of shares issued and to be issued upon exercise of options granted to any participant (including both exercised and outstanding options) under the Share Option Scheme or any other share option schemes of the Company in any 12-month period up to the date of grant shall not exceed 1% of the shares in issue. Any further grant of options in excess of such limit must be separately approved by shareholders in general meeting with such grantee and his close associates (or his associates if the grantee is a connected person) abstaining from voting. In such event, the Company must send a circular to the shareholders containing the identity of the grantee, the number and terms of the options to be granted (and options previously granted to such grantee), and all other information required under the GEM Listing Rules. The number and terms (including the subscription price) of the options to be granted must be fixed before the approval of the shareholders and the date of the Board meeting proposing such further grant should be taken as the date of grant for the purpose of calculating the subscription price.

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

The Share Option Scheme will remain in force for a period of 10 years commencing on the date on which the Share Option Scheme is adopted (i.e. 15 December 2017).

During the year ended 31 December 2020, the Group did not grant any share option under the Share Option Scheme of the Company.

RESERVES

Details of movements in the reserves of the Company and the Group are set out in note 40 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 2020 are set out in note 38 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 2020, the Company did not have any reserves available for distribution to owners (2019: Nil).

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% 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 five 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 *(Chief Executive Officer)*
Mr. Wong Wing Hong
Mr. Chan Ko Cheung *(appointed on 10 February 2021)*

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 14 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 and 112 of the articles of association of the Company, Mr. Wong WC, Mr. Chan and Mr. Kwong will retire at the 2021 AGM and, all being eligible, will offer themselves for re-election at the said meeting.

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 22 of this annual report.

PERMITTED INDEMNITY PROVISION

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

DIRECTORS' SERVICE CONTRACTS

None of the Directors proposed for re-election at the 2021 AGM 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 ended 31 December 2020.

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 14 and 15 to the financial statements.

The remuneration of the senior management of the Group for the year ended 31 December 2020 falls within the following band:

Remuneration Band	**Number of Senior Management**
Up to HK$1,000,000	2
HK$1,000,001 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 the 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 39 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 2020, 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 Board with reference to Directors' duties, responsibilities and performance and the results of the Group, and reviewed by the Remuneration Committee. 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 2020, 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 5.68 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	Approximate percentage of shareholding
Ms. Lee *Note 1*	Interest of spouse	578,880,000	40.20%
Mr. Wong WC *Note 2*	Interested in a controlled corporation	578,880,000	40.20%
Mr. Wong WH *Note 3*	Interested in a controlled corporation	10,800,000	0.75%

Notes:

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

2. Mr. Wong WC beneficially owns all the issued shares of Million Edge Developments 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.

3. Mr. Wong WH beneficially owns all the issued shares 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 2020, 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 5.68 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 2020, 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 5% 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	40.20%

Save as disclosed above, as at 31 December 2020, 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 5% 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 2020.

COMPETITION AND CONFLICT OF INTERESTS

Tang Palace Group (consist of Tang Palace (China) Holdings Limited ("**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 Limited ("**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. On 17 December 2020, Good Vision had sold all shares of the Company it held, being 237,600,000 shares and representing 16.5% of the issued share capital of the Company. 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 2020.

Non-Competition Undertaking

In order to avoid any possible future competition between the Group and the controlling shareholders of the Company, 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.

During the year ended 31 December 2020, the Company has received an annual written confirmation from each controlling shareholder of the Company in respect of him/it and his/its associates in compliance with the Deed of Non-competition. The independent non-executive Directors have also reviewed and were satisfied that each of the controlling shareholders of the Company had complied with the Deed of Non-competition.

CORPORATE GOVERNANCE

Details of the Company's corporate governance practices are set out in the Corporate Governance Report on page 23 to 35 of this annual report.

Directors' Report

EQUITY-LINKED AGREEMENTS

Save as contents relating to "Share Option Scheme" disclosed on page 38 of this annual report, there was no equity-linked agreement entered into by the Company during the year ended 31 December 2020.

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 2020 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 Audit Committee 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.

THE BOARD AND THE AUDIT COMMITTEE'S PLAN TO ADDRESS THE DISCLAIMER OF OPINION

To tackle the issues raised by the auditor of the Company in its disclaimer of opinion, the Board shall spare no effort in improving the Group's liquidity and financial position. The Board has adopted different measures and taken various actions with different dimensions to further improve its liquidity and financial position:

(i) The Directors will implement stronger measures aiming at improving the liquidity and financial position of the Group, including but not limited to closely monitoring the operating costs;

(ii) The Directors are in the process of further reviewing and shortening the reporting intervals and improving follow up measures on receivable collection;

(iii) the management will consider other financing arrangements with a view to increasing the Group's capitalisation/equity; and

(iv) the management will continue to refinance and/or roll-over the Group's existing loans with a view to improving the Group's liquidity.

INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received from each of the independent non-executive Directors an 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 AUDITOR

On 20 December 2019, Ernst & Young resigned and Asian Alliance (HK) CPA Limited was appointed as the auditor of the Group. Details of the change of auditor were set out in the announcement of the Company dated 20 December 2019.

Saved as disclosed above, there were no other changes in auditor of the Group in any of the preceding 3 years.

The consolidated financial statements of the Group for the year ended 31 December 2020 were audited by Asian Alliance (HK) CPA Limited, which will retire and, being eligible, will offer itself for reappointment. A resolution for their reappointment as auditor 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, 30 March 2021

Independent Auditor's Report

華融(香港)會計師事務所有限公司
Asian Alliance (HK) CPA Limited

TO THE SHAREHOLDERS OF DRAGON KING GROUP HOLDINGS LIMITED
(incorporated in the Cayman Islands with limited liability)

DISCLAIMER OF OPINION

We were engaged to audit the consolidated financial statements of Dragon King Group Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 51 to 133, which comprise the consolidated statement of financial position as at 31 December 2020, and the consolidated statement of profit or loss, the consolidated statement of profit or loss and other 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.

We do not express an opinion on the consolidated financial statements of the Group. Because of the significance of the matter described in the *Basis for Disclaimer of Opinion* section of our report, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these consolidated financial statements. In all other respects, in our opinion the consolidated financial statements have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR DISCLAIMER OF OPINION

Multiple fundamental uncertainties relating to going concern

As described in Note 3 to the consolidated financial statements, the Group reported loss attributable to owners of the Company of approximately HK$74,759,000 for the year ended 31 December 2020. In addition, the Group's current liabilities exceeded its current assets by approximately HK$124,328,000 and the Group had net liabilities of approximately HK$57,003,000 as at 31 December 2020. As at the same date, the Group's total current borrowings amounted to approximately HK$76,448,000, while its cash and cash equivalents amounted to approximately HK$11,692,000 only.

These conditions, together with other matters described in Note 3 to the consolidated financial statements, indicate the existence of material uncertainties which may cast significant doubt about the Group's ability to continue as a going concern and therefore it may be unable to realise its assets and discharge its liabilities in the normal course of business.

BASIS FOR DISCLAIMER OF OPINION *(continued)*

Multiple fundamental uncertainties relating to going concern (continued)

The directors of the Company (the "Directors") have been undertaking a number of measures to improve the Group's liquidity and financial position as described in Note 3 to the consolidated financial statements. The consolidated financial statements have been prepared by the Directors on a going concern basis, the validity of which depends on the outcome of these measures, which are subject to multiple uncertainties, we were unable to ascertain whether the assumptions made by the Directors in preparing the consolidated financial statements on a going concern basis are proper and appropriate.

Should the going concern assumption be inappropriate, adjustments would be necessary to reclassify all non-current assets and liabilities as current assets and liabilities respectively, write-down the value of assets to their recoverable amounts and to provide for further liabilities which may arise. The consolidated financial statements have not incorporated any of these adjustments. However, the uncertainty surrounding the Group's future cash flows raises significant doubt about the Group's ability to continue as a going concern. We consider that appropriate disclosures have been made in the consolidated financial statements concerning this situation, but we are unable to obtain adequate evidence concerning the Group's ability to meet any financial obligations as and when they fall due and we consider that this material uncertainty relating to going concern basis and their cumulative effect on the consolidated financial statements is so extreme that we have disclaimed our opinion.

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

The Directors are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants ("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 are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

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

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

Our responsibility is to conduct an audit of the Group's consolidated financial statements in accordance with Hong Kong Standards on Auditing issued by the HKICPA and to issue an auditor's report that includes our opinion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. However, because of the matter described in the *Basis for Disclaimer of Opinion* section of our report, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these consolidated financial statements.

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.

Asian Alliance (HK) CPA Limited
Certified Public Accountants (Practising)
Lam Chik Tong
Practising Certificate Number: P05612

8/F., Catic Plaza
8 Causeway Road
Causeway Bay
Hong Kong
30 March 2021

Consolidated Statement of Profit or Loss

For the year ended 31 December 2020

	Notes	2020 HK$'000	2019 HK$'000
Revenue	7	**196,038**	402,320
Cost of inventories consumed		**(61,060)**	(124,625)
Gross profit		**134,978**	277,695
Other income and gains, net	9	**33,538**	3,025
Staff costs		**(87,538)**	(150,009)
Depreciation of property, plant and equipment	18	**(12,789)**	(17,366)
Depreciation of right-of-use assets	19	**(35,024)**	(42,279)
Loss on disposal of a subsidiary	35	**(644)**	–
Loss on written-off of other receivables		**(2,373)**	–
Impairment losses of property, plant and equipment	20	**(9,891)**	–
Impairment losses of right-of-use assets	20	**(12,549)**	–
Impairment losses under expected credit loss model	11	**(6,500)**	–
Rental and related expenses		**(24,865)**	(31,881)
Other operating expenses		**(45,428)**	(64,246)
Finance costs	10	**(5,533)**	(7,593)
Loss before tax		**(74,618)**	(32,654)
Income tax expense	12	**(141)**	(2,819)
Loss for the year attributable to owners of the Company	13	**(74,759)**	(35,473)
Loss per share		**HK cents**	HK cents
– Basic and diluted	17	**(5.2)**	(2.5)

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2020

	2020 HK$'000	2019 HK$'000
Loss for the year	**(74,759)**	(35,473)
Other comprehensive expense:		
Item that may be reclassified subsequently to profit or loss:		
Exchange differences arising on translation of foreign operations	**(441)**	447
Total comprehensive expense for the year	**(75,200)**	(35,026)

Consolidated Statement of Financial Position

As at 31 December 2020

	Notes	2020 HK$'000	2019 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment	18	**37,558**	63,336
Right-of-use assets	19	**36,040**	97,234
Deposits and other receivables	23	**9,587**	10,413
Deferred tax assets	31	**3,417**	3,454
		86,602	174,437
CURRENT ASSETS			
Inventories	21	**7,957**	10,263
Trade receivables	22	**2,368**	2,624
Prepayments, deposits and other receivables	23	**24,219**	48,556
Financial assets at fair value through profit or loss	24	**4,928**	4,864
Amounts due from related companies	25	**1,543**	1,671
Tax recoverable		**215**	270
Bank balances and cash	26	**11,692**	14,227
		52,922	82,475
CURRENT LIABILITIES			
Trade payables	27	**34,599**	46,962
Other payables and accruals	28	**25,960**	28,338
Lease liabilities	30	**39,190**	38,058
Bank borrowings	29	**76,448**	43,423
Tax payable		**1,053**	2,714
		177,250	159,495
NET CURRENT LIABILITIES		**(124,328)**	(77,020)
TOTAL ASSETS LESS CURRENT LIABILITIES		**(37,726)**	97,417
NON-CURRENT LIABILITIES			
Other payables and accruals	28	**2,408**	2,468
Lease liabilities	30	**16,869**	62,475
Loan from a shareholder	32	**–**	14,277
		19,277	79,220
NET (LIABILITIES) ASSETS		**(57,003)**	18,197

Consolidated Statement of Financial Position

As at 31 December 2020

	Notes	2020 HK$'000	2019 HK$'000
CAPITAL AND RESERVES			
Share capital	33	**14,400**	14,400
Reserves		**(71,403)**	3,797
TOTAL (DEFICIT) EQUITY		**(57,003)**	18,197

The consolidated financial statements on pages 51 to 133 were approved and authorised for issue by the Board of Directors on 30 March 2021 and are signed on its behalf by:

Wong Wing Chee	**Wong Wing Hong**
Director	*Director*

Consolidated Statement of Changes in Equity

For the year ended 31 December 2020

	Attributable to owners of the Company						
	Share capital HK$'000 (Note 33)	Share premium HK$'000 (Note a)	Other reserve HK$'000 (Note b)	Capital reserve HK$'000 (Note c)	Exchange fluctuation reserve HK$'000	Accumulated losses HK$'000	Total equity/ (deficit) HK$'000
At 1 January 2019	14,400	88,057	(43,224)	42,703	(316)	(48,397)	53,223
Loss for the year	–	–	–	–	–	(35,473)	(35,473)
Other comprehensive expense for the year, net of income tax							
Item that may be reclassified subsequently to profit or loss:							
Exchange differences arising on translation of foreign operations	–	–	–	–	447	–	447
Total comprehensive expense for the year	–	–	–	–	447	(35,473)	(35,026)
At 31 December 2019	14,400	88,057	(43,224)	42,703	131	(83,870)	18,197
Loss for the year	**–**	**–**	**–**	**–**	**–**	**(74,759)**	**(74,759)**
Other comprehensive expense for the year, net of income tax							
Item that may be reclassified subsequently to profit or loss:							
Exchange differences arising on translation of foreign operations	**–**	**–**	**–**	**–**	**(441)**	**–**	**(441)**
Total comprehensive expense for the year	**–**	**–**	**–**	**–**	**(441)**	**(74,759)**	**(75,200)**
At 31 December 2020	**14,400**	**88,057**	**(43,224)**	**42,703**	**(310)**	**(158,629)**	**(57,003)**

Consolidated Statement of Changes in Equity

For the year ended 31 December 2020

Notes:

(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

On 15 December 2017, pursuant to the reorganisation to rationalise the structure of the Group in the preparation of the listing of the Company's shares on GEM of The Stock Exchange of Hong Kong Limited (the "Reorganisation"), the Company 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.

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

(c) Capital reserve

Capital reserve represents (i) the proceed of shares issued by a subsidiary of the Company upon its share issue and allotment to certain pre-listing investors; and (ii) the transfer from non-controlling interests upon the Group's acquisition of non-controlling interests on 28 February 2017.

Consolidated Statement of Cash Flows

For the year ended 31 December 2020

	2020 HK$'000	2019 HK$'000
OPERATING ACTIVITIES		
Loss before tax	**(74,618)**	(32,654)
Adjustments for:		
Finance costs	**5,533**	7,593
Bank interest income	**(4)**	(88)
Imputed interest of loan from a shareholder	**–**	(723)
Subsidies received from a utility company for purchase of property, plant and equipment	**(353)**	(537)
Loss on disposal of a subsidiary	**644**	–
Fair value gains on financial assets at fair value through profit or loss	**(64)**	(198)
Loss on written-off of property, plant and equipment	**–**	52
Loss on written-off of other receivables	**2,373**	–
Depreciation of property, plant and equipment	**12,789**	17,366
Depreciation of right-of-use asset	**35,024**	42,279
Provision for annual leave	**1,346**	256
Provision (reversal of) for long service payment	**269**	(1,031)
Rental concession	**(14,382)**	–
Impairment losses of property, plant and equipment	**9,891**	–
Impairment losses of right-of-use assets	**12,549**	–
Impairment losses under expected credit loss model	**6,500**	–
Operating cash flows before movements in working capital	**(2,503)**	32,315
Decrease in inventories	**2,124**	1,040
Decrease in trade receivables	**200**	4,876
Decrease (increase) in prepayments, deposits and other receivables	**12,955**	(1,164)
Increase in amounts due from related companies	**–**	(11)
Decrease in trade payables	**(9,959)**	(6)
Increase (decrease) in other payables and accruals	**197**	(13,012)
Cash generated from operations	**3,014**	24,038
Interest paid on bank loans	**(1,828)**	(1,902)
Hong Kong profits tax paid	**(1,710)**	(162)
Overseas taxes paid	**–**	(58)
NET CASH (USED IN) FROM OPERATING ACTIVITIES	**(524)**	21,916
INVESTING ACTIVITIES		
Interest received	**4**	88
Purchase of property, plant and equipment	**(2,329)**	(4,108)
Proceeds from withdrawal of life insurance policies	**–**	3,679
Net cash inflows arising from disposal of a subsidiary	**1,349**	–
NET CASH USED IN INVESTING ACTIVITIES	**(976)**	(341)

Consolidated Statement of Cash Flows

For the year ended 31 December 2020

	2020 HK$'000	2019 HK$'000
FINANCING ACTIVITIES		
New bank borrowings	**64,838**	41,481
Repayment of bank borrowings	**(31,083)**	(41,050)
Payment of lease liabilities	**(19,006)**	(41,502)
(Decrease) increase in loan from a shareholder	**(15,000)**	15,000
NET CASH USED IN FINANCING ACTIVITIES	**(251)**	(26,071)
NET DECREASE IN CASH AND CASH EQUIVALENTS	**(1,751)**	(4,496)
Cash and cash equivalents at the beginning of the year	**14,227**	17,989
Effect of foreign exchange rate changes	**(784)**	734
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR, represented by bank balances and cash	**11,692**	14,227

1. GENERAL INFORMATION

Dragon King Group Holdings Limited (the "**Company**") is a limited liability company incorporated in the Cayman Islands on 8 August 2016. The registered address of the Company is Windward 3, Regatta Office Park, PO Box 1350, 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 of Hong Kong Limited (the "**Stock Exchange**") since 16 January 2018.

The principal activity of the Company is investment holding and the principal activities of its subsidiaries (together with the Company collectively referred to as the "Group") are set out in Note 41 to the consolidated financial statements.

The consolidated financial statements are presented in Hong Kong dollars ("**HK$**"), which is also the functional currency of the Company.

2. APPLICATION OF AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

Amendments to HKFRSs that are mandatorily effective for the current year

In the current year, the Group has applied the *Amendments to References to the Conceptual Framework in HKFRS Standards* and the following amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**") for the first time, which are mandatorily effective for the annual period beginning on or after 1 January 2020 for the preparation of the consolidated financial statements:

Amendments to Hong Kong Accounting Standards ("**HKAS**") 1 and HKAS 8	Definition of Material
Amendments to HKFRS 3	Definition of a Business
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform

In addition, the Group has early applied the Amendment to HKFRS16 *COVID-19-Related Rent Concessions*.

Except as described below, the application of the *Amendments to References to the Conceptual Framework in HKFRS Standards* and the amendments to HKFRSs in the current year had no material impact on the Group's financial positions and performance for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

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

2.1 Impacts on application of Amendments to HKAS 1 and HKAS 8 *Definition of Material*

The Group has applied the Amendments to HKAS 1 and HKAS 8 for the first time in the current year. The amendments provide a new definition of material that states "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, which provide financial information about a specific reporting entity." The amendments also clarify that materiality depends on the nature or magnitude of information, either individually or in combination with other information, in the context of the financial statements taken as a whole.

The application of the amendments in the current year had no impact on the consolidated financial statements.

2.2 Impacts on early application of Amendment to HKFRS 16 *COVID-19-Related Rent Concessions*

The Group has applied the amendment for the first time in the current year. The amendment introduces a new practical expedient for lessees to elect not to assess whether a COVID-19-related rent concession is a lease modification. The practical expedient only applies to rent concessions occurring as a direct consequence of the COVID-19 that meets all of the following conditions:

- the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;
- any reduction in lease payments affects only payments originally due on or before 30 June 2021; and
- there is no substantive change to other terms and conditions of the lease.

A lessee applying the practical expedient accounts for changes in lease payments resulting from rent concessions the same way it would account for the changes applying HKFRS 16 *Leases* if the changes were not a lease modification. Forgiveness or waiver of lease payments are accounted for as variable lease payments. The related lease liabilities are adjusted to reflect the amounts forgiven or waived with a corresponding adjustment recognised in the profit or loss in the period in which the event occurs.

The application of the amendment had no impact to the opening accumulated losses at 1 January 2020.

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

2.2 Impacts on early application of Amendment to HKFRS 16 *COVID-19-Related Rent Concessions* *(continued)*

The Group has benefited from 2 to 11 months waiver of lease payments on several leases in Shanghai and Macau. The Group has derecognised the part of lease liability that has been extinguished by the forgiveness of lease payments, resulting in a decrease in the lease liabilities of HK$4,530,000, which has been recognised as variable lease payments in profit or loss for the current year.

New and amendments to HKFRSs in issue but not yet effective

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

HKFRS 17	Insurance Contracts and the related Amendments[1]
Hong Kong Accounting Guildline 5 (Revised)	Merger Accounting for Common Control Combinations[2]
Amendments to HKFRS 3	Reference to the Conceptual Framework[2]
Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	Interest Rate Benchmark Reform – Phase 2[4]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020)[1]
Amendments to HKAS 16	Property, Plant and Equipment – Proceeds before Intended Use[2]
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract[2]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018-2020[2]

[1] Effective for annual periods beginning on or after 1 January 2023.

[2] Effective for annual periods beginning on or after 1 January 2022.

[3] Effective for annual periods beginning on or after a date to be determined.

[4] Effective for annual periods beginning on or after 1 January 2021.

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

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

New and amendments to HKFRSs in issue but not yet effective *(continued)*

Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16 Interest Rate Benchmark Reform – Phase 2

Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16 *Interest Rate Benchmark Reform – Phase 2* relate to the modification of financial assets, financial liabilities and lease liabilities, specific hedge accounting requirements and disclosure requirements applying HKFRS 7 *Financial Instruments: Disclosures* to accompany the amendments regarding modifications and hedge accounting.

- **Modification of financial assets, financial liabilities and lease liabilities.** A practical expedient is introduced for modifications required by the reform (modifications required as a direct consequence of the interest rate benchmark reform and made on an economically equivalent basis). These modifications are accounted for by updating the effective interest rate. All other modifications are accounted for using the current HKFRSs requirements. A similar practical expedient is proposed for lessee accounting applying HKFRS 16;

- **Hedge accounting requirements.** Under the amendments, hedge accounting is not discontinued solely because of the interest rate benchmark reform. Hedging relationships (and related documentation) are required to be amended to reflect modifications to the hedged item, hedging instrument and hedged risk. Amended hedging relationships should meet all qualifying criteria to apply hedge accounting, including effectiveness requirements; and

- **Disclosures.** The amendments require disclosures in order to allow users to understand the nature and extent of risks arising from the interest rate benchmark reform to which the Group is exposed to and how the entity manages those risks as well as the entity's progress in transitioning from interbank offered rates to alternative benchmark rates, and how the entity is managing this transition.

As at 31 December 2020, the Group has several Hong Kong Interbank Offered Rate ("HIBOR") bank loans which will or may be subject to interest rate benchmark reform. The Group expects no significant modification gains or losses should the interest rate benchmark for these loans change resulting from the reform on application of the amendments.

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

New and amendments to HKFRSs in issue but not yet effective *(continued)*

Amendments to HKAS 1 Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020)

The amendments provide clarification and additional guidance on the assessment of right to defer settlement for at least twelve months from reporting date for classification of liabilities as current or non-current, which:

- specify that the classification of liabilities as current or non-current should be based on rights that are in existence at the end of the reporting period. Specifically, the amendments clarify that:

  (i) the classification should not be affected by management intentions or expectations to settle the liability within 12 months; and

  (ii) if the right is conditional on the compliance with covenants, the right exists if the conditions are met at the end of the reporting period, even if the lender does not test compliance until a later date; and

- clarify that if a liability has terms that could, at the option of the counterparty, result in its settlement by the transfer of the entity's own equity instruments, these terms do not affect its classification as current or non-current only if the entity recognises the option separately as an equity instrument applying HKAS 32 *Financial Instruments: Presentation*.

In addition, Hong Kong Interpretation 5 was revised as a consequence of the Amendments to HKAS 1 to align the corresponding wordings with no change in conclusion.

Based on the Group's outstanding liabilities as at 31 December 2020, the application of the amendments will not result in reclassification of the Group's liabilities.

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

New and amendments to HKFRSs in issue but not yet effective *(continued)*

Amendments to HKFRSs Annual Improvements to HKFRSs 2018-2020

The annual improvements make amendments to the following standards.

HKFRS 9 Financial Instruments

The amendment clarifies that for the purpose of assessing whether modification of terms of original financial liability constitutes substantial modification under the "10 per cent" test, a borrower includes only fees paid or received between the borrower and the lender, including fees paid or received by either the borrower or the lender on the other's behalf.

HKFRS 16 Leases

The amendment to Illustrative Example 13 accompanying HKFRS 16 removes from the example the illustration of reimbursement relating to leasehold improvements by the lessor in order to remove any potential confusion.

HKAS 41 Agriculture

The amendment ensures consistency with the requirements in HKFRS 13 *Fair Value Measurement* by removing the requirement in paragraph 22 of HKAS 41 to exclude taxation cash flows when measuring the fair value of a biological asset using a present value technique.

The application of the amendments is not expected to have significant impact on the financial position and performance of the Group.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES

3.1 Basis of preparation of consolidated financial statements

The consolidated financial statements have been prepared in accordance with HKFRSs issued by the HKICPA. For the purpose of preparation of the consolidated financial statements, information is considered material if such information is reasonably expected to influence decisions made by primary users. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on GEM of the Stock Exchange (the "**GEM Listing Rules**") and by the Hong Kong Companies Ordinance ("**CO**").

During the year ended 31 December 2020, the Group reported loss for the year attributable to owner of the Company of approximately HK$74,759,000. In addition, as of that date, the Group's current liabilities exceeded its current assets by approximately HK$124,328,000 and the Group had net liabilities by approximately HK$57,003,000. As at the same date, the Group's total current borrowings amounted to approximately HK$76,448,000, while its cash and cash equivalents amounted to approximately HK$11,692,000 only.

The Directors considered 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 consolidated financial statements on a going concern basis after taking into consideration the followings:

(i) the Group had interest-bearing bank borrowings of HK$76,448,000 as at 31 December 2020, of which approximately HK$18,584,000 is repayable within one year. The remaining interest-bearing bank borrowings, amounting to approximately HK$57,864,000 were classified as current liabilities due to the existence of a repayment on demand clause in the loan agreements. 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 endeavoring to improve the Group's operating results and cash flows through various cost control measures and will slow down the opening of new restaurants or will close underperforming restaurants in the future;

(iii) negotiating with banks for new banking facilities; and

(iv) negotiating with the landlords for rent concessions due to the reduced number of customers as overshadowed by the outbreak of novel coronavirus disease.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(continued)*

3.1 Basis of preparation of consolidated financial statements *(continued)*

Going concern assessment *(continued)*

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, to provide for any further liabilities which might arise and to reclassify non-current assets and liabilities as current assets and liabilities respectively. The effect to these adjustments has not been reflected in the consolidated financial statements.

The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments that are measured at fair values at the end of each reporting period, as explained in the accounting policies set out below.

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

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of HKFRS 2 *Share-based Payment*, leasing transactions that are accounted for in accordance with HKFRS 16 *Leases*, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 *Inventories* or value in use in HKAS 36 *Impairment of Assets*.

For financial instruments which are transacted at fair value and a valuation technique that unobservable inputs is to be used to measure fair value in subsequent periods, the valuation technique is calibrated so that at initial recognition the results of the valuation technique equals the transaction price.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(continued)*

3.1 Basis of preparation of consolidated financial statements *(continued)*

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

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

3.2 Significant accounting policies

Basis of consolidation

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

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

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

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

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

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

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(continued)*

3.2 Significant accounting policies *(continued)*

Basis of consolidation *(continued)*

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

Non-controlling interests in subsidiaries are presented separately from the Group's equity therein, which represent present ownership interests entitling their holders to a proportionate share of net assets of the relevant subsidiaries upon liquidation.

Changes in the Group's interests in existing subsidiaries

Changes in the Group's interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's relevant components of equity and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries, including re-attribution of relevant reserves between the Group and the non-controlling interests according to the Group's and the non-controlling interests' proportionate interests.

Any difference between the amount by which the non-controlling interests are adjusted, and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary, the assets and liabilities of that subsidiary and non-controlling interests (if any) are derecognised. A gain or loss is recognised in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the carrying amount of the assets (including goodwill), and liabilities of the subsidiary attributable to the owners of the Company. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable HKFRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under HKFRS 9 *Financial Instruments* ("**HKFRS 9**") or, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

Revenue from contracts with customers

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

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

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(continued)*

3.2 Significant accounting policies *(continued)*

Revenue from contracts with customers *(continued)*

Control is transferred over time and revenue is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met:

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

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

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

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

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

Leases

Definition of a lease

A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

For contracts entered into or modified on or after the date of initial application or arising from business combinations, the Group assesses whether a contract is or contains a lease based on the definition under HKFRS 16 at inception, modification date or acquisition date, as appropriate. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(continued)*

3.2 Significant accounting policies *(continued)*

Leases *(continued)*

The Group as a lessee

Allocation of consideration to components of a contract

For a contract that contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the contract to each lease component on the basis of the relative standalone price of the lease component and the aggregate stand-alone price of the non-lease components.

Non-lease components are separated from lease component and are accounted for by applying other applicable standards.

Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to leases of restaurants, office equipment and advertising billboards that have a lease term of 12 months or less from the commencement date and do not contain a purchase option. It also applies the recognition exemption for lease of low-value assets. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis or another systematic basis over the lease term.

Right-of-use assets

The cost of right-of-use asset includes:

- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date, less any lease incentives received;
- any initial direct costs incurred by the Group; and
- an estimate of costs to be incurred by the Group in dismantling and removing the underlying assets, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities other than adjustments to lease liabilities resulting from COVID-19-related rent concessions in which the Group applied the practical expedient.

Right-of-use assets in which the Group is reasonably certain to obtain ownership of the underlying leased assets at the end of the lease term are depreciated from commencement date to the end of the useful life. Otherwise, right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

The Group presents right-of-use assets as a separate line item on the consolidated statement of financial position.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(continued)*

3.2 Significant accounting policies *(continued)*

***Leases** (continued)*

The Group as a lessee (continued)

Refundable rental deposits

Refundable rental deposits paid are accounted under HKFRS 9 and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments and included in the cost of right-of-use assets.

Lease liabilities

At the commencement date of a lease, the Group recognises and measures the lease liability at the present value of lease payments that are unpaid at that date. In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable.

The lease payments include:

- fixed payments (including in-substance fixed payments) less any lease incentives receivable;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable by the Group under residual value guarantees;
- the exercise price of a purchase option if the Group is reasonably certain to exercise the option; and
- payments of penalties for terminating a lease, if the lease term reflects the Group exercising an option to terminate the lease.

Variable lease payments that reflect changes in market rental rates are initially measured using the market rental rates as at the commencement date. Variable lease payments that do not depend on an index or a rate are not included in the measurement of lease liabilities and right-of-use assets, and are recognised as expense in the period in which the event or condition that triggers the payment occurs.

After the commencement date, lease liabilities are adjusted by interest accretion and lease payments.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(continued)*

3.2 Significant accounting policies *(continued)*

***Leases** (continued)*

The Group as a lessee (continued)

Lease liabilities (continued)

The Group remeasures lease liabilities (and makes a corresponding adjustment to the related right-of-use assets) whenever:

- the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the related lease liability is remeasured by discounting the revised lease payments using a revised discount rate at the date of reassessment.

- the lease payments change due to changes in market rental rates following a market rent review, in which cases the related lease liability is remeasured by discounting the revised lease payments using the initial discount rate.

The Group presents lease liabilities as a separate line item on the consolidated statement of financial position.

Lease modifications

Except for COVID-19-related rent concessions in which the Group applied the practical expedient, the Group accounts for a lease modification as a separate lease if:

- the modification increases the scope of the lease by adding the right to use one or more underlying assets; and

- the consideration for the leases increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

For a lease modification that is not accounted for as a separate lease, the Group remeasures the lease liability, less any lease incentives receivable, based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(continued)*

3.2 Significant accounting policies *(continued)*

***Leases** (continued)*

The Group as a lessee (continued)

Lease modifications (continued)

The Group accounts for the remeasurement of lease liabilities by making corresponding adjustments to the relevant right-of-use asset. When the modified contract contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the modified contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

COVID-19-related rent concessions

In relation to rent concessions that occurred as a direct consequence of the COVID-19 pandemic, the Group has elected to apply the practical expedient not to assess whether the change is a lease modification if all of the following conditions are met:

- the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;

- any reduction in lease payments affects only payments originally due on or before 30 June 2021; and

- there is no substantive change to other terms and conditions of the lease.

A lessee applying the practical expedient accounts for changes in lease payments resulting from rent concessions the same way it would account for the changes applying HKFRS 16 if the changes are not a lease modification. Forgiveness or waiver of lease payments are accounted for as variable lease payments. The related lease liabilities are adjusted to reflect the amounts forgiven or waived with a corresponding adjustment recognised in the profit or loss in the period in which the event occurs.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(continued)*

3.2 Significant accounting policies *(continued)*

Foreign currencies

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

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

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's operations are translated into the presentation currency of the Group (i.e. HK$) using exchange rates prevailing at the end of each reporting period. Income and expenses items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during the period, in which case, the exchange rates at the dates of transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of exchange fluctuation reserve.

Borrowing costs

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

Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate.

Government grants related to income that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable. Such grants are presented under "other income and gains, net".

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(continued)*

3.2 Significant accounting policies *(continued)*

Employee benefits

Retirement benefit costs

Payments to the Mandatory Provident Fund Scheme (the "MPF Scheme"), government-mandated defined contribution plan and state-managed retirement benefit scheme are recognised as an expense when employees have rendered service entitling them to the contributions.

Termination benefits

A liability for a termination benefit is recognised at the earlier of when the group entity can no longer withdraw the offer of the termination benefit and when it recognises any related restructuring costs.

Short-term and other long-term employee benefits

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

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

Liabilities recognised in respect of other long-term employee benefits are measured at the present value of the estimated future cash outflows expected to be made by the Group in respect of services provided by employees up to the reporting date. Any changes in the liabilities' carrying amounts resulting from service cost, interest and remeasurements are recognised in profit or loss except to the extent that another HKFRS requires or permits their inclusion in the cost of an asset.

Taxation

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

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

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(continued)*

3.2 Significant accounting policies *(continued)*

***Taxation** (continued)*

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

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

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

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

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

For the purposes of measuring deferred tax for leasing transactions in which the Group recognises the right of-use assets and the related lease liabilities, the Group first determines whether the tax deductions are attributable to the right-of-use assets or the lease liabilities.

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies HKAS 12 *Income Taxes* requirements to right-of-use assets and lease liabilities separately. Temporary differences on initial recognition of the relevant right-of-use assets and lease liabilities are not recognised due to application of the initial recognition exemption. Temporary differences arising from subsequent revision to the carrying amounts of right-of-use assets and lease liabilities, resulting from remeasurement of lease liabilities and lease modifications, that are not subject to initial recognition exemption are recognised on the date of remeasurement or modification.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(continued)*

3.2 Significant accounting policies *(continued)*

Taxation *(continued)*

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied to the same taxable entity by the same taxation authority.

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively.

In assessing any uncertainty over income tax treatments, the Group considers whether it is probable that the relevant tax authority will accept the uncertain tax treatment used, or proposed to be use by individual group entities in their income tax filings. If it is probable, the current and deferred taxes are determined consistently with the tax treatment in the income tax filings. If it is not probable that the relevant taxation authority will accept an uncertain tax treatment, the effect of each uncertainty is reflected by using either the most likely amount or the expected value.

Property, Plant and equipment

Property, plant and equipment are tangible assets that are held for use in the production or supply of goods or services, or for administrative purposes. Property, plant and equipment are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

Buildings in the course of construction for production, supply or administrative purposes are carried at cost, less any recognised impairment loss. Costs include any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management and, for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

When the Group makes payments for ownership interests of properties which includes both leasehold land and building elements, the entire consideration is allocated between the leasehold land and the building elements in proportion to the relative fair values at initial recognition. To the extent the allocation of the relevant payments can be made reliably, interest in leasehold land is presented as "right-of-use assets" in the consolidated statement of financial position. When the consideration cannot be allocated reliably between non-lease building element and undivided interest in the underlying leasehold land, the entire properties are classified as property, plant and equipment.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(continued)*

3.2 Significant accounting policies *(continued)*

Property, Plant and equipment *(continued)*

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

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

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

At the end of the reporting period, the Group reviews the carrying amounts of its property, plant and equipment and right-of-use assets to determine whether there is any indication that these assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the relevant asset is estimated in order to determine the extent of the impairment loss, if any.

The recoverable amount of property, plant and equipment and right-of-use assets are estimated individually. When it is not possible to estimate the recoverable amount individually, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

In testing a cash-generating unit for impairment, corporate assets are allocated to the relevant cash-generating unit when a reasonable and consistent basis of allocation can be established, or otherwise they are allocated to the smallest group of cash generating units for which a reasonable and consistent allocation basis can be established. The recoverable amount is determined for the cash-generating unit or group of cash-generating units to which the corporate asset belongs, and is compared with the carrying amount of the relevant cash-generating unit or group of cash-generating units.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(continued)*

3.2 Significant accounting policies *(continued)*

Impairment on property, plant and equipment and right-of-use assets other than goodwill

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

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

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

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(continued)*

3.2 Significant accounting policies *(continued)*

Inventories

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

Provisions

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

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

Financial instruments

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

Financial assets and financial liabilities are initially measured at fair value except for trade receivables arising from contracts with customers which are initially measured in accordance with HKFRS 15. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets or financial liabilities at fair value through profit or loss ("**FVTPL**")) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at FVTPL are recognised immediately in profit or loss.

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

Interest/dividend income which are derived from the Group's ordinary course of business are presented as revenue.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(continued)*

3.2 Significant accounting policies *(continued)*

Financial instruments *(continued)*

Financial assets

Classification and subsequent measurement of financial assets

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

- the financial asset is held within a business model whose objective is to collect contractual cash flows; and

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

Financial assets that meet the following conditions are subsequently measured at fair value through other comprehensive income ("**FVTOCI**"):

- the financial asset is held within a business model whose objective is achieved by both selling and collecting contractual cash flows; and

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

All other financial assets are subsequently measured at FVTPL, except that at initial recognition of a financial asset the Group may irrevocably elect to present subsequent changes in fair value of an equity investment in other comprehensive income ("**OCI**") if that equity investment is neither held for trading nor contingent consideration recognised by an acquirer in a business combination to which HKFRS 3 *Business Combinations* applies.

A financial asset is held for trading if:

- it has been acquired principally for the purpose of selling in the near term; or

- on initial recognition it is a part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or

- it is a derivative that is not designated and effective as a hedging instrument.

In addition, the Group may irrevocably designate a financial asset that are required to be measured at the amortised cost or FVTOCI as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(continued)*

3.2 Significant accounting policies *(continued)*

Financial instruments *(continued)*

Financial assets (continued)

(i) Amortised cost and interest income

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

(ii) Financial assets at FVTPL

Financial assets that do not meet the criteria for being measured at amortised cost or FVTOCI or designated as FVTOCI are measured at FVTPL.

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognised in profit or loss. The net gain or loss recognised in profit or loss excludes any dividend or interest earned on the financial asset and is included in the "other income and gains, net" line item.

Impairment of financial assets

The Group performs impairment assessment under expected credit loss ("**ECL**") model on financial assets (including trade receivables, deposits and other receivables, amount due from related companies and bank balances) which are subject to impairment assessment under HKFRS 9. The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

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

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(continued)*

3.2 Significant accounting policies *(continued)*

Financial instruments *(continued)*

Financial assets (continued)

Impairment of financial assets (continued)

The Group always recognises lifetime ECL for trade receivables without significant financing component. The ECL on these assets are assessed collectively using a provision matrix with appropriate groupings.

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

(i) Significant increase in credit risk

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

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

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;

- significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor;

- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;

- an actual or expected significant deterioration in the operating results of the debtor;

- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(continued)*

3.2 Significant accounting policies *(continued)*

Financial instruments *(continued)*

Financial assets (continued)

Impairment of financial assets (continued)

(i) Significant increase in credit risk (continued)

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

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

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

(ii) Definition of default

For internal credit risk management, the Group considers an event of default occurs when information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collaterals held by the Group).

Irrespective of the above, the Group considers that default has occurred when a financial asset is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(continued)*

3.2 Significant accounting policies *(continued)*

Financial instruments *(continued)*

Financial assets (continued)

Impairment of financial assets (continued)

(iii) Credit-impaired financial assets

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

(a) significant financial difficulty of the issuer or the borrower;

(b) a breach of contract, such as a default or past due event;

(c) the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;

(d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation;

(e) the disappearance of an active market for that financial asset because of financial difficulties; or

(f) the purchase or origination of a financial asset at a deep discount that reflects the incurred credit losses.

(iv) Write-off policy

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

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(continued)*

3.2 Significant accounting policies *(continued)*

Financial instruments *(continued)*

Financial assets (continued)

Impairment of financial assets (continued)

(v) Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data and forward-looking information. Estimation of ECL reflects an unbiased and probability-weighted amount that is determined with the respective risks of default occurring as the weights. The Group uses a practical expedient in estimating ECL on trade receivables using a provision matrix taking into consideration historical credit loss experience, adjusted for forward looking information that is available without undue cost or effort.

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

Lifetime ECL for trade receivables are considered on a collective basis taking into consideration past due information and relevant credit information such as forward looking macroeconomic information.

For collective assessment, the Group takes into consideration the following characteristics when formulating the grouping:

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

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

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

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(continued)*

3.2 Significant accounting policies *(continued)*

Financial instruments *(continued)*

Financial assets (continued)

Derecognition/modification of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

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

A modification of a financial asset occurs if the contractual cash flows are renegotiated or otherwise modified. When the contractual terms of a financial asset are modified, the Group assesses whether the revised terms result in a substantial modification from original terms taking into account all relevant facts and circumstances including qualitative factors. If qualitative assessment is not conclusive, the Group considers the terms are substantially different if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received, and discounted using the original effective interest rate, is at least 10 per cent different from the discounted present value of the remaining cash flows of the original financial asset.

For non-substantial modifications of financial assets that do not result in derecognition, the carrying amount of the relevant financial assets will be calculated at the present value of the modified contractual cash flows discounted at the financial assets' original effective interest rate. Transaction costs or fees incurred are adjusted to the carrying amount of the modified financial assets and are amortised over the remaining term. Any adjustment to the carrying amount of the financial asset is recognised in profit or loss at the date of modification.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(continued)*

3.2 Significant accounting policies *(continued)*

Financial instruments *(continued)*

Financial liabilities and equity

Classification as debt or equity

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

Equity instruments

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

Perpetual instruments, which include no contractual obligation for the Group to deliver cash or other financial assets or the Group has the sole discretion to defer payment of distribution and redemption of principal amount indefinitely are classified as equity instruments.

Repurchase of the Company's own equity instruments is recognised and deducted directly in equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

Financial liabilities

All financial liabilities are subsequently measured at amortised cost using the effective interest method.

Financial liabilities at amortised cost

Financial liabilities including trade payables, other payables and accruals, lease liabilities, bank borrowings and loan from a shareholder are subsequently measured at amortised cost, using the effective interest method.

Derecognition/modification of financial liabilities

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

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(continued)*

3.2 Significant accounting policies *(continued)*

Financial instruments *(continued)*

Financial liabilities and equity (continued)

Derecognition/modification of financial liabilities *(continued)*

When the contractual terms of a financial liability are modified, the Group assess whether the revised terms result in a substantial modification from original terms taking into account all relevant facts and circumstances including qualitative factors. If qualitative assessment is not conclusive, the Group considers that the terms are substantially different if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received, and discounted using the original effective interest rate, is at least 10 per cent different from the discounted present value of the remaining cash flows of the original financial liability. Accordingly, such modification of terms is accounted for as an extinguishment, any costs or fees incurred are recognised as part of the gain or loss on the extinguishment. The exchange or modification is considered as non-substantial modification when such difference is less than 10 per cent.

For non-substantial modifications of financial liabilities that do not result in derecognition, the carrying amount of the relevant financial liabilities will be calculated at the present value of the modified contractual cash flows discounted at the financial liabilities' original effective interest rate. Transaction costs or fees incurred are adjusted to the carrying amount of the modified financial liabilities and are amortised over the remaining term. Any adjustment to the carrying amount of the financial liability is recognised in profit or loss at the date of modification.

Offsetting a financial asset and a financial liability

A financial asset and a financial liability are offset and the net amount presented in the consolidated statement of financial position when, and only when, the Group currently has a legally enforceable right to set off the recognised amounts; and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

Critical judgements in applying accounting policies

The following are the critical judgements, apart from those involving estimations (see below), that the Directors have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the consolidated financial statements.

Going concern and liquidity

As explained in Note 3 to the consolidated financial statements, the financial position of the Group indicates the existence of a material uncertainty which may cast significant doubt on the Group's ability to continue as a going concern. The assessment of the going concern assumptions involves making judgement by the management, at a particular point of time, about the future outcome of events or conditions which are inherently uncertain. The management considers that the Group has ability to continue as a going concern and the major conditions that may cast significant doubt about the going concern assumptions are set out in Note 3 to the consolidated financial statements.

Determination on lease term of contracts with renewal options

The Group applies judgement to determine the lease term for lease contracts in which it is a lessee that include renewal option, specifically, the leases relating to restaurants. The assessment of whether the Group is reasonably certain to exercise renewal options impacts the lease term, which significantly affects the amount of lease liabilities and right-of-use assets recognised. Re-assessment is performed upon the occurrence of either a significant event or a significant change in circumstances that is within the control of lessee and that affects the assessment.

When assessing reasonable certainty, the Group considers all relevant facts and circumstances including economic incentives/penalties for exercising or not exercising the options. Factors considered include:

- contractual terms and conditions for the optional periods compared with market rates (e.g. whether the amount of payments in the optional periods is below the market rates);
- the extent of leasehold improvements undertaken by Group;
- costs relating to termination of the lease (e.g. relocation costs, costs of identifying another underlying asset suitable for the Group's needs).

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY *(continued)*

Key sources of estimation uncertainty

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

Provision of ECL for trade receivables and other receivables

The Group uses provision matrix to calculate ECL for the trade receivables. The provision rates are based on days past due as groupings of various debtors that have similar loss patterns. The provision matrix is based on the Group's historical default rates taking into consideration forward-looking information that is reasonable and supportable available without undue costs or effort. At every reporting date, the historical observed default rates are reassessed and changes in the forward-looking information are considered.

The ECL in relation of other receivables is assessed individually for the debtors with significant balances and collectively for the remaining other receivables by grouping the counterparties with similar nature under general approach. The provision rate are based on internal credit ratings and taking into consideration forward-looking information that is reasonable and supportable available without undue costs or effort. At every reporting date, changes in the forward-looking information are considered.

The provision of ECL is sensitive to changes in estimates. Due to greater financial uncertainty triggered by the COVID-19 pandemic, the Group has increased the expected loss rates in the current year as there is higher risk that a prolonged pandemic could led to increased credit default rates. The information about the ECL and the Group's trade receivables and other receivables are disclosed in Notes 6(b), 22 and 23.

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

Property, plant and equipment and right-of-use assets are stated at costs less accumulated depreciation and impairment, if any. In determining whether an asset is impaired, the Group has to exercise judgement and make estimation, particularly in assessing: (1) whether an event has occurred or any indicators that may affect the asset value; (2) whether the carrying value of an asset can be supported by the recoverable amount, in the case of value in use, the net present value of future cash flows which are estimated based upon the continued use of the asset; and (3) the appropriate key assumptions to be applied in estimating the recoverable amounts including cash flow projections and an appropriate discount rate. When it is not possible to estimate the recoverable amount of an individual asset (including right-of-use assets), the Group estimates the recoverable amount of the cash generating unit to which the assets belongs, including allocation of corporate assets when a reasonable and consistent basis of allocation can be established, otherwise recoverable amount is determined at the smallest group of cash generating units, for which the relevant corporate assets have been allocated. Changing the assumptions and estimates, including the discount rates or the growth rate in the cash flow projections, could materially affect the recoverable amounts. Furthermore, the cash flows projections, growth rate and discount rate are subject to greater uncertainties in the current year due to uncertainty on how the COVID-19 pandemic may progress and evolve and volatility in financial markets, including potential disruptions in the Group's restaurant operations.

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY *(continued)*

Key sources of estimation uncertainty *(continued)*

Impairment of property, plant and equipment and right-of-use assets *(continued)*

As at 31 December 2020, the carrying amounts of property, plant and equipment and right-of-use assets, subject to impairment assessment were approximately HK$37,558,000 and approximately HK$36,040,000 (2019: HK$63,336,000 and HK$97,234,000) respectively, after taking into account the impairment losses of approximately HK$9,891,000 and approximately HK$12,549,000 (2019: Nil and Nil), in respect of property, plant and equipment and right-of-use assets that have been recognised respectively. Details of the impairment of property, plant and equipment and right of-use assets are disclosed in Notes 18, 19 and 20 respectively.

Deferred tax asset

No deferred tax asset has been recognised on the tax losses of approximately HK$120,151,000 due to the unpredictability of future profit streams. The realisability of the deferred tax asset mainly depends on whether sufficient future profits or taxable temporary differences will be available in the future, which is a key source of estimation uncertainty especially in the current year given the significant uncertainty on the potential disruption of Group's restaurant operations due to the COVID-19 pandemic. In cases where the actual future taxable profits generated are less or more than expected, or change in facts and circumstances which result in revision of future taxable profits estimation, a material reversal or further recognition of deferred tax assets may arise, which would be recognised in profit or loss for the period in which such a reversal or further recognition takes place.

Fair value measurement of financial instruments

The Group's financial assets, unlisted equity instruments, amounting to approximately HK$4,928,000 as at 31 December 2020 (2019: HK$4,864,000) are measured at fair values with fair values being determined based on inputs, other than quoted prices, that are observable for the asset or liability, either directly or indirectly. Judgement and estimation are required in establishing the relevant valuation techniques and the relevant inputs thereof. Changes in assumptions relating to these factors could result in material adjustments to the fair values of these instruments. See Note 6(c) for further disclosures.

5. CAPITAL RISK 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 2020 and 2019.

The Group monitors capital using a gearing ratio which is net debt divided by the capital plus net debt. Net debt includes trade payables, other payables and accruals, lease liabilities, bank borrowings and loan from a shareholder, less bank balances and cash. Capital represents the (deficit) equity attributable to owners of the Company. The gearing ratios as at the end of each of the reporting period were as follows:

	2020 **HK$'000**	2019 HK$'000
Trade payables	**34,599**	46,962
Other payables and accruals	**28,368**	30,806
Lease liabilities	**56,059**	100,533
Bank borrowings	**76,448**	43,423
Loan from a shareholder	**–**	14,277
Less: Bank balances and cash	**(11,692)**	(14,227)
Net debt	**183,782**	221,774
Total (deficit) equity attributable to owners	**(57,003)**	18,197
Capital and net debt	**126,779**	239,971
Gearing ratio	**145%**	92%

6. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	2020 HK$'000	2019 HK$'000
Financial assets		
FVTPL:		
Mandatorily measured at FVTPL		
– Other unlisted investments	**4,928**	4,864
Financial assets at amortised cost:		
– Trade receivables	**2,368**	2,624
– Deposits and other receivables	**32,703**	57,293
– Amounts due from related companies	**1,543**	1,671
– Bank balances and cash	**11,692**	14,227
	48,306	75,815
	53,234	80,679
Financial liabilities		
At amortised cost:		
– Trade payables	**34,599**	46,962
– Other payables and accruals	**24,347**	26,479
– Lease liabilities	**56,059**	100,533
– Bank borrowings	**76,448**	43,423
– Loan from a shareholder	**–**	14,277
	191,453	231,674

(b) Financial risk management objectives and policies

The Group's major financial instruments include other unlisted investments, trade receivables, deposits and other receivables, amounts due from related companies, bank balances and cash, trade payables, other payables and accruals, lease liabilities, bank borrowings and loan from a shareholder. Details of the financial instruments are disclosed in respective notes. The risks associated with these financial instruments include market risk (interest rate risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management of the Group manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

6. FINANCIAL INSTRUMENTS *(continued)*

(b) Financial risk management objectives and policies *(continued)*

Market risk

Interest rate risk

The Group is exposed to fair value interest rate risk in relation to lease liabilities (see Note 30 to the consolidated financial statements for details).

The Group is also exposed to cash flow interest rate risk in relation to variable-rate bank balances and variable-rate bank borrowings (see Notes 26 and 29 to the consolidated financial statements for details). The Group's cash flow interest rate risk is mainly concentrated on the fluctuation of interest rates on bank balances and HIBOR arising from the Group's Hong Kong dollar denominated borrowings. The Group aims at keeping borrowings at variable rates. The Group manages its interest rate exposures by assessing the potential impact arising from any interest rate movements based on interest rate level and outlook. The management will review the proportion of borrowings in fixed and floating rates and ensure they are within reasonable range.

A fundamental reform of major interest rate benchmarks is being undertaken globally, including the replacement of some interbank offered rates ("**IBORs**") for Hong Kong with alternative nearly risk-free rates. As listed in Note 29, several of the Group's HIBOR bank loans may be subject to the interest rate benchmark reform. The Group is closely monitoring the transition to new benchmark interest rates.

Interest income from financial assets that are measured at amortised cost:

	2020	2019
	HK$'000	HK$'000
Bank interest income	**4**	88
Interest income on rental deposit at amortised cost	**428**	607
	432	695

Interest expense on financial liabilities not measured at FVTPL:

	2020	2019
	HK$'000	HK$'000
Financial liabilities at amortised cost	**4,810**	7,593
Effective interest expenses of loan from a shareholder	**723**	–
	5,533	7,593

6. FINANCIAL INSTRUMENTS *(continued)*

(b) Financial risk management objectives and policies *(continued)*

Market risk *(continued)*

Interest rate risk (continued)

Sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to interest rates at the end of the reporting period. The analysis is prepared assuming the financial instruments outstanding at the end of the reporting period were outstanding for the whole year. A 50 basis point (2019: 50 basis points) increase or decrease in variable-rate bank borrowings is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates. Bank balances are excluded from sensitivity analysis as the Directors consider that the exposure of cash flow interest rate risk arising from variable-rate bank balances is insignificant.

If interest rates had been 50 basis points (2019: 50 basis points) higher/lower and all other variables were held constant, the post-tax loss for the year ended 31 December 2020 would increase/decrease by approximately HK$356,000 (2019: increase/decrease by HK$167,000).

Credit risk and impairment assessment

Credit risk refers to the risk that the Group's counterparties default on their contractual obligations resulting in financial losses to the Group. The Group's credit risk exposure are primarily attributable to trade receivables, deposits and other receivables, amounts due from related companies and bank balances. The Group does not hold any collateral or other credit enhancements to cover its credit risk associated with its financial assets.

The Group performed impairment assessment for financial assets and other items under ECL model. Information about the Group's credit risk management, maximum credit risk exposures and the related impairment assessment are summarised as below:

Trade receivables

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 and the approval of credit terms is subject to stringent credit check procedures. In addition, receivable balances are monitored on an on-going basis. The Group's trading terms with its customers are mainly cash and credit card settlement. The credit period is generally from few days to 60 days. 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. In this regard, the Directors consider that the Group's credit risk is significantly reduced.

The Group's concentration of credit risk by geographical locations is mainly in Macau, which accounted for 61% (2019: 48%) of the total trade receivables as at 31 December 2020.

In addition, the Group performs impairment assessment under ECL model on trade balances based on provision matrix. The trade receivables are grouped under a provision matrix based on shared credit risk characteristics by reference to repayment histories for recurring customers and current past due exposure for the new customers. The Directors have assessed the additional ECL allowance on trade receivables and considered is insignificant based on the provision matrix and therefore it did not result in any impairment during the year (2019: Nil). Details of the quantitative disclosures are set out below in this note.

6. FINANCIAL INSTRUMENTS *(continued)*

(b) Financial risk management objectives and policies *(continued)*

***Credit risk and impairment assessment** (continued)*

Bank balances

Credit risk on bank balances is limited because the counterparties are reputable banks with high credit ratings assigned by international credit agencies. The Group assessed 12m ECL for bank balances by reference to information relating to probability of default and loss given default of the respective credit rating grades published by external credit rating agencies. Based on the average loss rates, the 12m ECL on bank balances is considered to be insignificant.

Deposits and other receivables and amounts due from related companies

For deposits and other receivables and amounts due from related companies, the Directors make periodic individual assessment on the recoverability of deposits and other receivable and amounts due from related companies based on historical settlement records, past experience, financial health of the counter parties and also quantitative and qualitative information that is reasonable and supportive forward-looking information. The Group measures the loss allowance equal to 12m ECL unless when there has been a significant increase in credit risk since initial recognition, the Group recognised lifetime ECL.

For the year ended 31 December 2019, the Directors believe that there are no significant increase in credit risk of these amounts since initial recognition. The Group assessed the ECL for deposits and other receivables and amounts due from related companies were insignificant and thus no loss allowance provided.

For the year ended 31 December 2020, the Directors believe that there are significant increase in credit risk since initial recognition for certain deposits and other receivables due to COVID-19 pandemic. The Group assessed the ECL for deposits and other receivables and amounts due from related companies were significant and thus approximately HK$6,500,000 loss allowance provided.

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

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

6. FINANCIAL INSTRUMENTS *(continued)*

(b) Financial risk management objectives and policies *(continued)*

Credit risk and impairment assessment *(continued)*

The table below details the credit risk exposures of the Group's financial assets, which are subject to ECL assessment:

	Note	External credit rating	Internal credit rating	12m or lifetime ECL	2020 Gross carrying amount HK$'000	2019 Gross carrying amount HK$'000
Financial assets at amortised costs						
Bank balances	26	AA+	N/A	12m ECL	11,516	13,813
Amounts due from related companies	25	N/A	(Note 1)	12m ECL	1,671	1,671
Deposits and other receivables	23	N/A	(Note 1)	12m ECL	19,337	57,293
				Lifetime ECL (not credit-impaired)	13,981	–
				Lifetime ECL (credit-impaired)	5,757	–
					39,075	57,293
Trade receivables	22	N/A	(Note 2)	Lifetime ECL (Provision matrix)	2,368	2,624

Notes

1) For deposits and other receivables, and amounts due from related companies, the Group has applied the general approach in HKFRS 9 to measure the loss allowance.

2) For trade receivables, the Group has applied the simplified approach in HKFRS 9 to measure the loss allowance at lifetime ECL. The Group determines the ECL on trade receivables by using a provision matrix.

6. FINANCIAL INSTRUMENTS *(continued)*

(b) Financial risk management objectives and policies *(continued)*

Credit risk and impairment assessment *(continued)*

As part of the Group's credit risk management, the Group uses debtors' aging to assess the impairment for its customers in relation to its operation and management of restaurants because it consist of a large number of small customers with common risk characteristics that are representative of the customers' abilities to pay all amounts due in accordance with the contractual terms. The following table provides information about the exposure to credit risk for trade receivables which are assessed based on provision matrix.

As at 31 December 2020

		Past due					
	Current	**Less than 30 days**	**31 to 60 days**	**61 to 90 days**	**91 to 365 days**	**Over 365 days**	**Total**
Average loss rate	**0.00%**	**0.00%**	**0.00%**	**0.00%**	**0.00%**	**0.00%**	**0.00%**
Gross carrying amount (HK$'000)	**1,447**	**676**	**47**	**35**	**118**	**45**	**2,368**
Expected credit losses (HK$'000)	**–**	**–**	**–**	**–**	**–**	**–**	**–**

As at 31 December 2019

		Past due					
	Current	Less than 30 days	31 to 60 days	61 to 90 days	91 to 365 days	Over 365 days	Total
Average loss rate	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Gross carrying amount (HK$'000)	2,566	14	–	–	8	36	2,624
Expected credit losses (HK$'000)	–	–	–	–	–	–	–

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

6. FINANCIAL INSTRUMENTS *(continued)*

(b) Financial risk management objectives and policies *(continued)*

Credit risk and impairment assessment *(continued)*

No impairment allowance for trade receivables, based on the provision matrix is provided for the year ended 31 December 2020 (2019: Nil).

The following tables shows the movement in lifetime ECL that has been recognised for trade receivables under simplified approach:

	Lifetime ECL (credit-impaired) HK$'000
As at 1 January 2019	**1,989**
Changes due to financial instruments recognised as at 1 January 2019:	
– Written-off	**(1,920)**
– Exchange adjustments	**(69)**
As at 31 December 2019 and 2020	**–**

Changes in the loss allowance for trade receivables are mainly due to:

	2019 Decrease in lifetime ECL (credit impaired) HK$'000
No realistic prospect of recovery	(1,920)

6. FINANCIAL INSTRUMENTS *(continued)*

(b) Financial risk management objectives and policies *(continued)*

Credit risk and impairment assessment *(continued)*

The following tables show movement of loss allowances that has been recognised for other receivables.

	12m ECL HK$'000	Lifetime ECL (not credit-impaired) HK$'000	Lifetime ECL (credit-impaired) HK$'000	Total HK$'000
As at 1 January 2019 and 31 December 2019	–	–	–	–
Changes due to financial instruments recognised as at 1 January 2020:				
– Impairment losses recognised	138	477	5,757	6,372
As at 31 December 2020	138	477	5,757	6,372

Change in the loss allowance for other receivables are mainly due to:

	2020 Increase in Lifetime ECL (credit-impaired) HK$'000
No realistic prospect of recovery	5,757

The following tables show movement of loss allowances that has been recognised for amounts due from related companies.

	12m ECL HK$'000
As at 1 January 2019 and 31 December 2019	–
Changes due to financial instruments recognised as at 1 January 2020:	
– Impairment losses recognised	128
As at 31 December 2020	128

6. FINANCIAL INSTRUMENTS *(continued)*

(b) 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 Group is exposed to liquidity risk as the Group had net current liabilities and net liabilities of approximately HK$124,328,000 and HK$57,003,000 respectively (2019: HK$77,020,000 and Nil). The liquidity of the Group primarily depends on the future funding being available and the ability of the Group to meet its financial obligations as they fall due. Details of which are set out in Note 3 to the consolidated financial statements.

The following table details the Group's remaining contractual maturity for its financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. Specifically, bank borrowings with a repayment on demand clause are included in the earliest time band regardless of probability of the banks choosing to exercise their rights. The maturity dates for other non-derivative financial liabilities are based on the agreed repayment dates.

The table includes both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from interest rate at the end of the reporting period.

6. FINANCIAL INSTRUMENTS *(continued)*

(b) Financial risk management objectives and policies *(continued)*

Liquidity risk *(continued)*

Liquidity tables

	Weighted average interest rate	On demand or less than 1 year	1-2 years	2-5 years	Total undiscounted cash flow	Carrying amounts
	%	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
2020						
Trade payables	**–**	**34,599**	**–**	**–**	**34,599**	**34,599**
Other payables and accruals	**–**	**21,939**	**1,288**	**1,120**	**24,347**	**24,347**
Bank borrowings						
– variable rate	**2.75%-8%**	**76,448**	**–**	**–**	**76,448**	**76,448**
Leases liabilities	**3.94%-5.56%**	**40,507**	**16,418**	**691**	**57,616**	**56,059**
		173,493	**17,706**	**1,811**	**193,010**	**191,453**
2019						
Trade payables	–	46,962	–	–	46,962	46,962
Other payables and accruals	–	24,011	488	1,980	26,479	26,479
Bank borrowings						
– variable rate	3%-7%	43,423	–	–	43,423	43,423
Leases liabilities	4.82%	42,700	33,836	33,576	110,112	100,533
Loan from a shareholder	4.82%	–	15,000	–	15,000	14,277
		157,096	49,324	35,556	241,976	231,674

Bank borrowings with a repayment on demand clause are included in the "on demand or less than 1 year" time band in the above maturity analysis. As at 31 December 2020, the aggregate carrying amounts of these bank borrowings amounted to HK$76,448,000 (2019: HK$43,423,000). Taking into account the Group's financial position, the Directors do not believe that it is probable that the banks will exercise their discretionary rights to demand immediate repayment. The Directors believe that such bank borrowings will be repaid in accordance with the scheduled repayment dates set out in the loan agreements, details of which are set out in the table below:

6. FINANCIAL INSTRUMENTS *(continued)*

(b) Financial risk management objectives and policies *(continued)*

Liquidity risk *(continued)*

Maturity Analysis – Bank borrowings with a repayment on demand clause based on scheduled repayments

	Less than 1 year	1-2 years	2-5 years	More than 5 years	Total undiscounted cash flow	Carrying amounts
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
31 December 2020	**19,983**	**13,950**	**33,156**	**18,904**	**85,993**	**76,448**
31 December 2019	19,601	5,837	5,997	19,560	50,995	43,423

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

(c) Fair value measurements of financial instruments

Some of the Group's financial instruments are measured at fair value for financial reporting purposes.

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.

(i) Fair value of the Group's financial assets that are measured at fair value on a recurring basis

Some of the Group's financial assets are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial assets are determined (in particular, the valuation technique(s) and inputs used).

	Fair value as at		Fair value hierarchy	Valuation technique(s) and key inputs
	31 December 2020 HK$'000	31 December 2019 HK$'000		
Financial assets				
Other unlisted investments	**Approximately 4,928**	Approximately 4,864	Level 2	Contract account value less surrender charges

There were no transfers between Level 1, 2 and 3 during the year.

7. REVENUE

(i) Disaggregation of revenue information from contracts with customers

For the year ended 31 December 2020

	Operation and management of restaurants HK$'000
Type of goods or services	
Revenue from Chinese restaurant operations	196,038
Geographical markets	
Hong Kong and Macau	166,679
People's Republic of China (the "**PRC**")	29,359
Total	196,038
Timing of revenue recognition	
At a point in time	196,038

7. REVENUE *(continued)*

(i) Disaggregation of revenue information from contracts with customers *(continued)*

For the year ended 31 December 2019

	Operation and management of restaurants HK$'000
Type of goods or services	
Revenue from Chinese restaurant operations	402,320
Geographical markets	
Hong Kong and Macau	366,115
The PRC	36,205
Total	402,320
Timing of revenue recognition	
At a point in time	402,320

(ii) Performance obligations for contracts with customers

Operation and management of restaurants

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 few days to 60 days.

(iii) Transaction price allocated to the remaining performance obligation for contracts with customers

All revenue contracts are for a period of one year or less. As permitted by HKFRS 15, the transaction price allocated to these unsatisfied contracts is not disclosed.

8. OPERATING SEGMENT

Information reported to the Board of Directors of the Group, being the chief operating decision maker ("**CODM**"), for the purposes of resource allocation and assessment of segment performance focuses on types of goods or services delivered or provided. No operating segments have been aggregated in arriving at the reportable segments of the Group.

Specifically, the Group's reportable and operating segment under HKFRS 8 *Operating Segments* is operation and management of restaurants.

Since this is the only reportable and operating segment of the Group, no further analysis thereof is presented. All the revenue of the Group are generated from operation and management of restaurants for the years ended 31 December 2020 and 2019.

Geographical information

The Group's operations are located in Hong Kong, Macau and the PRC.

Information about the Group's revenue from external customers is presented based on the location of the operations. Information about the Group's non-current assets is presented based on geographical location of the assets.

	Revenue from external customers		Non-current assets	
	2020	2019	**2020**	2019
	HK$'000	HK$'000	**HK$'000**	HK$'000
Hong Kong and Macau	**166,679**	366,115	**51,858**	127,638
The PRC	**29,359**	36,205	**21,740**	32,932
	196,038	402,320	**73,598**	160,570

Note: Non-current assets excluded financial instruments and deferred tax assets.

Information about major customers

There was no revenue from customers individually contributing over 10% to the total revenue of the Group for the years ended 31 December 2020 and 2019.

9. OTHER INCOME AND GAINS, NET

	2020 HK$'000	2019 HK$'000
Bank interest income	**4**	88
Fair value gains on financial assets at fair value through profit or loss	**64**	198
Financial subsidy received from PRC tax authority (Note a)	**31**	75
Interest income on rental deposit at amortised cost	**428**	607
Imputed interest of loan from a shareholder	**–**	723
Subsidies received from a utility company for purchases of property, plant and equipment (Note a)	**353**	537
Exchange gain	**148**	97
Sale of food and beverages	**352**	433
Government grants (Note b)	**17,641**	–
Rental concession (Note c)	**14,382**	–
Others	**135**	267
	33,538	3,025

Notes

a) As at 31 December 2020 and 2019, there were no unfulfilled conditions or other contingencies attaching to the subsidies that had been recognised by the Group.

b) During the year ended 31 December 2020, the Group recognised government grants of approximately HK$17,641,000 in respect of COVID-19-related subsidies, of which approximately HK$4,222,000 relates to the Employment Support Scheme, HK$13,210,000 related to the Anti-epidemic fund of the Hong Kong Government and approximately HK$209,000 related to Planos do Fundo de Apoio ao Combate à Epidemia no Valor de 10 Mil Milhões de Patacas 百億抗疫援助基金計劃 of the Macau Government, which were included in other income and gains, net. The Group has complied all attached conditions for the year ended 31 Decmber 2020.

c) During the year ended 31 December 2020, the Group reorganised rental concession of approximately HK$14,382,000, of which approximately HK$4,530,000 related to COVID-19 Related Rent Concessions.

10. FINANCE COSTS

	2020 HK$'000	2019 HK$'000
Interest on:		
Lease liabilities	**2,982**	5,691
Bank borrowings	**1,828**	1,902
Effective interest expense of loan from a shareholder	**723**	–
	5,533	7,593

11. IMPAIRMENT LOSSES UNDER EXPECTED CREDIT LOSS MODEL

	2020 HK$'000	2019 HK$'000
Impairment losses recognised on:		
– Deposits and other receivables	6,372	–
– Amount due from related companies	128	–
	6,500	–

Details of impairment assessment are set out in Note 6(b).

12. INCOME TAX EXPENSE

	2020 HK$'000	2019 HK$'000
Current tax		
Hong Kong	178	2,497
Macau	–	58
	178	2,555
Under provision in prior years		
Hong Kong	–	155
Deferred tax (Note 31)		
Current year	(37)	109
	141	2,819

On 21 March 2018, the Hong Kong Legislative Council passed The Inland Revenue (Amendment) (No. 7) Bill 2017 (the "**Bill**") which introduces the two-tiered profits tax rates regime. The Bill was signed into law on 28 March 2018 and was gazetted on the following day. Under the two-tiered profits tax rates regime, the first HK$2,000,000 of profits of the qualifying group entity will be taxed at 8.25%, and profits above HK$2,000,000 will be taxed at 16.5%. The profits of group entities not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%.

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

Under the Law of the PRC on Enterprise Income Tax (the "**EIT Law**") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% for the both years.

12. INCOME TAX EXPENSE *(continued)*

Macau Complementary Income Tax is calculated at the progressive rate on the estimated assessable profits for the year. The maximum tax rate is 12% for the year ended 31 December 2020 (2019: 12%).

The income tax expense for the year can be reconciled to the loss before tax per the consolidated statement of profit or loss as follows:

	2020	2019
	HK$'000	HK$'000
Loss before tax	**(74,618)**	(32,654)
Tax at the statutory rates of different jurisdictions	**(12,157)**	(5,736)
Tax effect of income not taxable for tax purposes	**(2,923)**	(362)
Tax effect to expenses not deductible for tax purposes	**8,121**	3,414
Tax effect of unused tax losses not recognised	**7,100**	5,428
Under provision in prior years	**–**	155
Tax reduction	**–**	(80)
Income tax expense for the year	**141**	2,819

13. LOSS FOR THE YEAR

Loss for the year has been arrived at after charging:

	2020	2019
	HK$'000	HK$'000
Employee benefit expense (excluding directors' and chief executive's remuneration (Note 14))		
– salaries, bonuses and allowances	**78,082**	135,402
– retirement benefit scheme contributions	**3,407**	6,536
	81,489	141,938
Auditor's remuneration		
– audit services	**920**	1,075
– non audit services	**–**	173
Legal and professional fee	**5,768**	2,284
Loss on written-off of property, plant and equipment	**–**	52

14. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS

Directors' and chief executive's remuneration for the years, disclosed pursuant to the applicable GEM Listing Rules and CO, is as follows:

	Fees HK$'000	Salaries, allowances and benefits-in-kind HK$'000	Performance related bonuses HK$'000	Retirement benefits scheme contributions HK$'000	Total HK$'000
For the year ended 31 December 2020					
Executive directors:					
Mr. Wong Wing Chee *(Chief Executive Officer)*	–	3,336^	–	18	3,354
Ms. Lee Ching Nung Angel *(Chairman)*	–	2,336^	–	18	2,354
Mr. Wong Wing Hong	–	638	–	18	656
Independent non-executive directors:					
Mr. Kwong Ping Man	119	–	–	–	119
Mr. Lin Zhisheng	119	–	–	–	119
Mr. Chang Cheuk Cheung Terence	119	–	–	–	119
Total	357	6,310	–	54	6,721
For the year ended 31 December 2019					
Executive directors:					
Mr. Wong Wing Chee *(Chief Executive Officer)*	–	3,778^	550	18	4,346
Ms. Lee Ching Nung Angel *(Chairman)*	–	2,631^	350	18	2,999
Mr. Wong Wing Hong	–	803	130	18	951
Independent non-executive directors:					
Mr. Kwong Ping Man	149	–	–	–	149
Mr. Lin Zhisheng	149	–	–	–	149
Mr. Chang Cheuk Cheung Terence	149	–	–	–	149
Total	447	7,212	1,030	54	8,743

^ Included in the above salaries, allowances and benefits-in-kind are estimated rentals of approximately HK$336,000 (2019: HK$336,000) for each of Mr. Wong Wing Chee and Ms. Lee Ching Nung Angel, for a building owned by the Group as directors' quarter at no charge.

Certain executive directors of the Company are entitled to bonus payments which are determined based on the performance of previous period by the Board and reviewed by the remuneration committee.

14. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS *(continued)*

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

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

There was no arrangement under which a director or the chief executive waived or agreed to waive any emoluments during the years ended 31 December 2020 and 2019.

15. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees of the Group during the year included three (2019: three) directors, details of whose remuneration are set out in Note 14 above. Details of the remuneration for the year of the remaining two (2019: two) highest paid employees who are neither a director nor chief executive of the Company are as follows:

	2020	2019
	HK$'000	HK$'000
Salaries, allowances and benefits-in-kind	**1,130**	1,422
Performance related bonuses	**–**	224
Retirement benefits scheme contributions	**36**	36
	1,166	1,682

The number of the highest paid employees who are not the Directors whose remuneration fell within the following band is as follows:

	Number of employees	
	2020	2019
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.

16. DIVIDENDS

No dividend was paid or proposed for ordinary shareholders of the Company during the year ended 31 December 2020, nor has any dividend been proposed since the end of the reporting period (2019: Nil).

17. LOSS PER SHARE

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

	2020	2019
	HK$'000	HK$'000
Loss for the year attributable to owners of the Company for the purpose of basic and diluted loss per share	**(74,759)**	(35,473)

	Number of shares	
	2020	2019
	'000	'000
Weighted average number of ordinary shares for the purpose of basic and diluted loss per share	**1,440,000**	1,440,000

No diluted earnings per share for the years ended 31 December 2020 and 2019 were presented as there were no potential ordinary shares in issue for the years ended 31 December 2020 and 2019.

18. PROPERTY, PLANT AND EQUIPMENT

	Building	Leasehold improvements	Tableware and utensils	Furniture, fixtures and office equipment	Motor vehicles	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
At 31 December 2019 and 1 January 2020						
Cost	35,864	171,526	5,674	63,550	2,151	278,765
Accumulated depreciation and impairment	(6,376)	(147,121)	(5,281)	(54,500)	(2,151)	(215,429)
Carrying values	29,488	24,405	393	9,050	–	63,336
Additions	–	1,620	–	709	–	2,329
Disposal of a subsidiary (Note 35)	–	(5,450)	–	(340)	–	(5,790)
Impairment loss recognised	–	(8,106)	–	(1,785)	–	(9,891)
Depreciation provided during the year	(797)	(7,909)	(393)	(3,690)	–	(12,789)
Exchange realignment	–	300	–	63	–	363
At 31 December 2020, net of accumulated depreciation and impairment	28,691	4,860	–	4,007	–	37,558
At 31 December 2020						
Cost	35,864	158,785	4,427	57,887	2,151	259,114
Accumulated depreciation and impairment	(7,173)	(153,925)	(4,427)	(53,880)	(2,151)	(221,556)
Carrying values	28,691	4,860	–	4,007	–	37,558

18. PROPERTY, PLANT AND EQUIPMENT *(continued)*

	Building	Leasehold improvements	Tableware and utensils	Furniture, fixtures and office equipment	Motor vehicles	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
At 1 January 2019:						
Cost	35,864	166,563	5,674	63,225	2,151	273,477
Accumulated depreciation and impairment	(5,579)	(135,503)	(4,493)	(48,724)	(2,151)	(196,450)
Carrying values	30,285	31,060	1,181	14,501	–	77,027
Additions	–	3,594	–	514	–	4,108
Written off	–	–	–	(52)	–	(52)
Depreciation provided during the year	(797)	(9,915)	(788)	(5,866)	–	(17,366)
Exchange realignment	–	(334)	–	(47)	–	(381)
At 31 December 2019, net of accumulated depreciation and impairment	29,488	24,405	393	9,050	–	63,336
At 31 December 2019:						
Cost	35,864	171,526	5,674	63,550	2,151	278,765
Accumulated depreciation and impairment	(6,376)	(147,121)	(5,281)	(54,500)	(2,151)	(215,429)
Carrying values	29,488	24,405	393	9,050	–	63,336

At 31 December 2020, the Group's building with carrying amount of approximately HK$28,691,000 (2019: HK$29,488,000) was pledged to secure general banking facilities granted to the Group (Note 29).

The above items of property, plant and equipment, after taking into account of the residual values, at the following rates per annum:

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%

Details of impairment assessment of property, plant and equipment are set out in Note 20.

19. RIGHT-OF-USE ASSETS

	Leased properties HK$'000
At 1 January 2019	140,702
Depreciation charge	(42,279)
Exchange realignment	(1,189)
At 31 December 2019 and 1 January 2020	97,234
Additions	18,701
Depreciation charge	(35,024)
Disposal of a subsidiary (Note 35)	(33,686)
Exchange realignment	1,364
Impairment loss recognised	(12,549)
At 31 December 2020	36,040
For the year ended 31 December 2020	
Expense relating to short-term leases	6,935
Expense relating to leases of low value assets, excluding short term leases of low-value assets	81
Variable lease payments not included in the measurement of lease liabilities	383
Total cash outflow for leases	33,388
For the year ended 31 December 2019	
Expense relating to short-term leases and other leases with lease terms and within 12 months of the date of initial application of HKFRS 16	13,553
Variable lease payments not included in the measurement of lease liabilities	730
Total cash outflow for leases	41,502

19. RIGHT-OF-USE ASSETS *(continued)*

For both years, the Group leases various restaurants and office for its operations. Lease contracts are entered into for fixed term of 3 to 10 years (2019: 3 to 10 years), but may have extension options as described below. Lease terms are negotiated on an individual basis and contain different terms and conditions. In determining the lease term and assessing the length of the non-cancellable period, the Group applies the definition of a contract and determines the period for which the contract is enforceable.

The Group regularly entered into short-term leases for office equipment and advertising billboards. As at 31 December 2020 and 2019, the portfolio of short-term leases is similar to the portfolio of short-term leases to which the short-term lease expense disclosed above. As at 31 December 2020, the outstanding lease commitments relating to these short term lease is HK$10,296,000.

Variable lease payments

Leases of restaurants are either with only fixed lease payments or contain variable lease payment that are based on 9% to 12% (2019: 11% to 12%) of sales and minimum annual lease payment that are fixed over the lease term. Some variable payment terms include cap clauses. The payment terms are common in restaurant operation in Hong Kong where the Group operates. The amount of fixed and variable lease payments paid/payable to relevant lessors for the years ended 31 December 2020 and 2019 are as follow:

For the year ended 31 December 2020

	Number of restaurants	**Fixed payments** HK$'000	**Variable payments** HK$'000	**Total Payment** HK$'000
Restaurants without variable lease payments	1	3,360	–	3,360
Restaurants with variable lease payments	7	31,153	383	31,536
	8	34,513	383	34,896

For the year ended 31 December 2019

	Number of restaurants	Fixed payments HK$'000	Variable payments HK$'000	Total Payment HK$'000
Restaurants without variable lease payments	1	3,840	–	3,840
Restaurants with variable lease payments	7	39,416	730	40,146
	8	43,256	730	43,986

19. RIGHT-OF-USE ASSETS *(continued)*

Variable lease payments *(continued)*

The overall financial effect of using variable payment terms is that higher rental costs are incurred by restaurants with higher sales. Variable rent expenses are expected to continue to represent a similar proportion of restaurants sales in future years.

Extension and termination options

As at 31 December 2020, the Group has neither extension nor termination options in the leases. As at 31 December 2019, the Group has extension options in a lease for a restaurant. These are used to maximise operational flexibility in terms of managing the assets used in the Group's operations. The majority of extension and termination options held are exercisable only by the Group and not by the respective lessors.

The Group assesses at lease commencement date whether it is reasonably certain to exercise the extension options. The potential exposures to these future lease payments for extension options in which the Group is not reasonably certain to exercise is summarised below:

	Lease liabilities recognised as at 31 December 2019 HK$'000	Potential future lease payments not included in lease liabilities (undiscounted) HK$'000
Restaurants – Hong Kong	–	13,344

Leases committed

As at 31 December 2020, the Group has not entered into new leases that have not yet commenced.

Details of the lease maturity analysis of lease liabilities are set out in Note 30.

Rent concessions

During the year ended 31 December 2020, lessors of various offices and restaurants provided rent concessions to the Group through rent reductions ranging from 10% to 100% over 2 to 11 months.

The rent concessions occurred as a direct consequence of COVID-19 pandemic and met of all of the conditions in HKFRS 16.46B, and the Group applied the practical expedient not to assess whether the changes constitute lease modifications.

The effects on changes in lease payments due to forgiveness or waiver by the lessors for the relevant leases of HK$14,382,000 were recognised as negative variable lease payments.

Details of impairment assessment of right-of-use assets are set out in Note 20.

20. IMPAIRMENT ASSESSMENT OF PROPERTY, PLANT AND EQUIPMENT AND RIGHT-OF-USE ASSETS

At 31 December 2020, certain restaurants which continued to underperform, the management of the Group concluded there was indication for impairment and conducted impairment assessment by determining the recoverable amounts of certain property, plant and equipment and right-of-use assets with carrying amounts of approximately HK$37,558,000 and HK$36,040,000 (2019: HK$63,336,000 and HK$97,234,000) respectively.

The Group estimates the recoverable amount of several CGU of operation and management of restaurants to which the asset belongs when it is not possible to estimate the recoverable amount individually. The recoverable amounts of CGUs have been arrived at based on valuation carried out by Valtech Valuation Advisory Limited, independent valuer not connected with the Group.

The recoverable amounts of CGUs has been determined based on a value in use calculation. That calculation uses cash flow projections based on financial budgets approved by the management of the Group covering the remaining lease term of those operating restaurants with a pre-tax discount rate range from 10.59% to 11.90% as at 31 December 2020 (2019: 13%). The annual growth rate used is based on the industry growth forecasts. Another key assumption for the value in use calculation is the budgeted gross margin, which is determined based on the CGUs' past performance and management expectations for the market development. The growth rates and discount rate have been reassessed as at 31 December 2020 taking into consideration higher degree of estimation uncertainties in the current year due to uncertainty on how the COVID-19 pandemic may progress and evolve and volatility in financial markets, including potential disruptions of the Group's restaurant operations.

As at 31 December 2020, based on the result of the assessment, management of the Group determined that the recoverable amount of the CGU is lower than the carrying amount. The impairment amount has been allocated to each category of property, plant and equipment and right-of-use assets such that the carrying amount of each category of asset is not reduced below the highest of its fair value less cost of disposal, its value in use and zero. Based on the value in use calculation and the allocation, impairment loss of approximately HK$9,891,000 and HK$12,549,000 have been recognised against the carrying amount of property, plant and equipment and right-of-use assets respectively.

As at 31 December 2019, based on the result of the assessment, management of the Group determined that the recoverable amount of the CGU is higher than the carrying amount. Accordingly, no impairment loss has been recognised against the carrying amount of property, plant and equipment and right-of-use assets.

21. INVENTORIES

	2020 HK$'000	2019 HK$'000
Food and beverages, and other operating items for restaurant operations	**7,957**	10,263

22. TRADE RECEIVABLES

	2020 HK$'000	2019 HK$'000
Contracts with customers	**2,368**	2,624
Less: Allowance for credit losses	**–**	–
	2,368	2,624

As at 1 January 2019, trade receivables from contracts with customers amounted to approximately HK$7,539,000, net of allowance for credit losses of approximately HK$1,989,000.

The following is an aged analysis of trade receivables, net of allowance for credit losses, presented based on the invoice date, which approximates the respective revenue recognition dates:

	2020 HK$'000	2019 HK$'000
Within 1 month	**1,447**	2,566
1 to 2 months	**676**	14
2 to 3 months	**47**	–
Over 3 months	**198**	44
	2,368	2,624

At 31 December 2020, included in the Group's trade receivables balance are debtors with aggregate carrying amount of approximately HK$921,000 (2019: HK$58,000) which are past due as at the reporting date. Out of the past due balances, approximately HK$163,000 (2019: HK$44,000) have been past due 90 days or more are still considered as recoverable based on historical experience and forward-looking estimates. The Group does not hold any collateral over these balances.

Detail of impairment assessment of trade receivables are set out in Note 6(b).

23. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2020 HK$'000	2019 HK$'000
Prepayments	1,103	1,676
Deposits and other receivables	32,703	57,293
	33,806	58,969
Less: Deposits and other receivables classified as non-current assets	(9,587)	(10,413)
	24,219	48,556

Included in the Group's deposits and other receivable balance are rental deposits and utility deposits with aggregate carrying amount of approximately HK$14,947,000 (2019: HK$17,373,000).

Detail of impairment assessment of deposits and other receivables are set out in Note 6(b).

24. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2020 HK$'000	2019 HK$'000
Other unlisted investments, at fair value	4,928	4,864

The above unlisted investments at 31 December 2020 were two (2019: two) life insurance policies 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 2020 were approximately HK$13,400,000 (2019: approximately HK$13,400,000). 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 FVTPL as their contractual cash flows are not solely for payments of principal and interest on the principal outstanding.

The life insurance policies were pledged to secure general banking facilities granted to the Group (Note 29).

25. AMOUNTS DUE FROM 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:

Name	**Maximum amount outstanding during the year HK$'000**	**2020 HK$'000**	Maximum amount outstanding during the year HK$'000	2019 HK$'000
Wide Fortune Limited	**146**	**146**	146	146
Hong Kong Co-Founder Technology Limited	**1,348**	**1,348**	1,348	1,348
Best Focus Creation Limited	**177**	**177**	177	177
		1,671		1,671
Less: Allowance for credit losses		**(128)**		–
		1,543		1,671

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 Company during the years ended 31 December 2020 and 2019.

The amounts due from related companies are unsecured, interest-free and repayable on demand.

Details of impairment assessment are set out in Note 6(b).

26. BANK BALANCES AND CASH

The bank balances and cash of the Group denominated in Renminbi ("**RMB**") as at 31 December 2020 amounted to approximately HK$1,616,000 (2019: HK$1,142,000). 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 ranged from 0.01% to 0.35% (2019: ranged from 0.01% to 0.35%) per annum.

Details of impairment assessment of bank balances are set out in Note 6(b).

27. TRADE PAYABLES

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

	2020	2019
	HK$'000	HK$'000
Within 1 month	**3,018**	9,112
1 to 2 months	**3,670**	5,930
2 to 3 months	**3,732**	3,792
Over 3 months	**24,179**	28,128
	34,599	46,962

The average credit period on purchases of goods is 30 to 120 days.

28. OTHER PAYABLES AND ACCRUALS

	Notes	**2020**	2019
		HK$'000	HK$'000
Accruals		**15,974**	18,835
Contract liabilities	(a)	**3,502**	3,564
Deferred revenue	(c)	**519**	763
Other payables	(b)	**8,373**	7,644
		28,368	30,806
Less: Other payables and accruals classified as non-current liabilities		**(2,408)**	(2,468)
		25,960	28,338

28. OTHER PAYABLES AND ACCRUALS *(continued)*

Notes:

(a) Details of contract liabilities as at 31 December 2020 and 2019 are as follows:

	2020 HK$'000	2019 HK$'000
Current		
Deposits received from customers for restaurants operation	2,769	2,884
Cash coupons for restaurants operation	733	680
	3,502	3,564

As at 1 January 2019, contract liabilities amounted to approximately HK$3,837,000.

Contract liabilities, that are not expected to be settled within the Group's normal operating cycle, are classified as current and non-current liabilities based on the Group's earliest obligation to transfer goods or services to the customers.

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

	Deposits received from customers for restaurants operation HK$'000	Cash coupons for restaurants operation HK$'000
For the year ended 31 December 2020		
Revenue recognised that was included in the contract liability balance at the beginning of the year	1,152	680

	Deposits received from customers for restaurants operation HK$'000	Cash coupons for restaurants operation HK$'000
For the year ended 31 December 2019		
Revenue recognised that was included in the contract liability balance at the beginning of the year	3,225	566

28. OTHER PAYABLES AND ACCRUALS *(continued)*

Notes: *(continued)*

(a) Details of contract liabilities as at 31 December 2020 and 2019 are as follows: *(continued)*

Typical payment terms which impact on the amount of contract liabilities recognised are as follows:

Deposits received from customers for restaurants operation

When the Group receives a deposit before the catering services provided, this will give rise to contract liabilities at the start of a contract. The Group typically receives a deposit ranged from 5% to 10% (2019: 5% to 10%) of the sales amount on acceptance of the engagements.

Cash coupons for restaurants operation

The Group receives 100% of the face value of cash coupon and these cash coupon are non-refundable and will expire within one year.

(b) Included in the Group's other payables and accruals balance are provision of reinstatement cost with aggregate carrying amount of approximately HK$3,859,000 (2019: HK$4,539,000).

(c) Deferred revenue represents the amortisation of subsidy for buying qualifying assets.

29. BANK BORROWINGS

	2020			2019		
	Effective interest rate per annum	**Maturity**	**HK$'000**	Effective interest rate per annum	Maturity	HK$'000
Current						
Variable bank borrowings – secured	**2.75%-8%**	**Within 12 months or on demand**	**76,448**	3%-7%	Within 12 months or on demand	43,423
			76,448			43,423

The Group's variable-rate bank borrowings carry interest at 1% (2019: 1%) below prime rate to 1.5% (2019: 1.5%) over prime rate per annum, 1.75% to 2.5% (2019: 1.75% to 2.5%) over Hong Kong Interbank Offered Rate ("HIBOR") per annum and 1.5% to 1.85% (2019: 1.5% to 1.85%) below Best Lending Rate per annum.

29. BANK BORROWINGS *(continued)*

The carrying amounts of bank borrowings that contain a repayment on demand clause (shown under current liabilities) but repayable:

	2020 **HK$'000**	2019 HK$'000
Within one year	**18,584**	18,804
Within a period of more than one year but not exceeding two years	**12,451**	5,059
Within a period of more than two years but not exceeding five years	**30,587**	4,343
Within a period of more than five years	**14,826**	15,217
	76,448	43,423

Notes:

(a) At 31 December 2020, of the Group's bank borrowings are secured by:

(i) Mortgage over a building owned by the Group, which had carrying value of approximately HK$28,691,000 (2019: HK$29,488,000) (Note 18); and

(ii) Life insurance policies recognised as financial assets at fair value through profit or loss of which certain of the Group's subsidiaries were the policy holders and beneficiaries, with an aggregate carrying amount of approximately HK$4,928,000 (2019: HK$4,864,000 (Note 24)).

(b) All borrowings are denominated in Hong Kong Dollars.

(c) Bank overdrafts carry interest at market rate of 7.5%

30. LEASE LIABILITIES

Lease liabilities payable:

	2020 **HK$'000**	2019 HK$'000
Within one year	**39,190**	38,058
Within a period of more than one year but not exceeding two years	**16,181**	30,968
Within a period of more than two years but not exceeding five years	**688**	31,507
	56,059	100,533
Less: Amount due for settlement with 12 months shown under current liabilities	**(39,190)**	(38,058)
Amount due for settlement after 12 months shown under non-current liabilities	**16,869**	62,475

The weighted average incremental borrowing rates applied to lease liabilities range from 3.94% to 5.56% (2019: 4.82%).

31. DEFERRED TAXATION

The following is the analysis of the deferred tax balances for financial reporting purposes:

	2020 HK$'000	2019 HK$'000
Deferred tax assets	**3,417**	3,454

The followings are the major deferred tax assets recognised and movement thereon during the current and prior years:

	Decelerated tax depreciation HK$'000	Others HK$'000	Total HK$'000
At 1 January 2019	3,530	33	3,563
Charged to profit or loss (Note 12)	(109)	–	(109)
At 31 December 2019	3,421	33	3,454
Credited to profit or loss (Note 12)	(37)	–	(37)
At 31 December 2020	3,384	33	3,417

The Group has unrecognised tax losses arising in Hong Kong of approximately HK$120,151,000 (2019: HK$78,447,000), 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 the PRC of approximately HK$21,069,000 (2019: HK$20,350,000) 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.

32. LOAN FROM A SHAREHOLDER

The loan from a shareholder is unsecured, interest-free and repayable on demand on or before 31 December 2020. It has been fully settled during the year ended 31 December 2020.

33. SHARE CAPITAL

	Number of shares	Share capital HK$'000
Ordinary shares of HK$0.01 each		
Authorised:		
As at 1 January 2019, 31 December 2019 and 2020	2,000,000,000	20,000
Issued and fully paid:		
As at 1 January 2019, 31 December 2019 and 2020	1,440,000,000	14,400

34. RETIREMENT BENEFITS PLANS

Defined contribution plans

The Group operates a MPF Scheme for all qualifying employees in Hong Kong. The assets of the schemes are held separately from those of the Group, in funds under the control of trustees. The Group contributes 5% of relevant payroll costs capped at HK$1,500 (2019: HK$1,500) per month to the MPF Scheme, which contribution is matched by employees.

The employees of the Group's subsidiaries in the PRC are members of a state-managed retirement benefits scheme operated by the government of the PRC. The subsidiaries in the PRC are required to contribute a certain percentage of the payroll cost to the state-manged retirement benefits scheme to fund the benefits. The only obligation of the Group with respect to the retirement benefits scheme is to make the required contributions under the said 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.

The total expense recognised in profit or loss of approximately HK$3,461,000 (2019: approximately HK$6,590,000) represents contributions payable to these plans by the Group at rates specified in the rules of the schemes. As at 31 December 2020, contributions of approximately HK$418,000 (2019: approximately HK$723,000) due in respect of the year ended 31 December 2020 had not been paid over to the schemes. The amounts were paid subsequent to the end of the reporting period.

35. DISPOSAL OF A SUBSIDIARY

Disposal of Prominent Voice Limited ("Prominent Voice")

On 17 January 2020, the Group disposed of its 100% equity interests of Prominent Voice, at a consideration of approximately HK$2,782,000 to an independent third party. The net assets of Prominent Voice at the date of disposal were as follows:

	HK$'000
Consideration transferred	
Cash	1,500
Other receivables	1,282
	2,782

	Assets HK$'000
Analysis of assets and liabilities over which control was lost	
– Property, plant and equipment	5,790
– Right-of-use assets	33,686
– Rental deposit	2,621
– Cash and cash equivalents	151
– Inventories	182
– Trade receivables	56
– Prepayments, deposit and other receivables	165
– Trade payables	(602)
– Lease liabilities	(33,996)
– Accruals and other payables	(3,897)
– Interest-bearing bank borrowings	(730)
	3,426
Loss on disposal of Prominent Voice	
– Consideration	2,782
– Net assets disposed of	(3,426)
	(644)
Net cash inflows arising on disposal of Prominent Voice	
Cash consideration	1,500
Less: bank balances and cash disposed of	(151)
	1,349

36. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

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

	Bank borrowings (Note 29) HK$'000	**Leases liabilities** (Note 30) HK$'000	**Loan from a shareholder** (Note 32) HK$'000	**Total** HK$'000
At 1 January 2019	50,500	137,524	–	188,024
Changes from cash flows:				
New borrowings	41,481	–	15,000	56,481
Repayment	(41,050)	(41,502)	–	(82,552)
Interest paid	(1,902)	–	–	(1,902)
Non-cash changes:				
Interest expense (Note 10)	1,902	5,691	–	7,593
Proceed from withdrawal of life insurance policies	(7,508)	–	–	(7,508)
Imputed interest of loan from a shareholder	–	–	(723)	(723)
Exchange adjustment	–	(1,180)	–	(1,180)
At 31 December 2019	43,423	100,533	14,277	158,233
Changes from cash flows:				
New borrowings	64,838	–	–	64,838
Repayment	(31,083)	(19,006)	(15,000)	(65,089)
Interest paid	(1,828)	–	–	(1,828)
Non-cash changes:				
New lease	–	15,479	–	15,479
Lease modification	–	3,065	–	3,065
Disposal of a subsidiary	(730)	(33,996)	–	(34,726)
Interest expense (Note 10)	1,828	2,982	–	4,810
Effective interest expenses of loan from a shareholder (Note 10)	–	–	723	723
Rental concession	–	(14,382)	–	(14,382)
Exchange adjustment	–	1,384	–	1,384
At 31 December 2020	76,448	56,059	–	132,507

37. MAJOR NON-CASH TRANSACTIONS

During the year ended 31 December 2019, bank borrowings of approximately HK$7,508,000 have been settled through withdrawal of life insurance policies to the relevant financial institutions.

During the year ended 31 December 2020, the Group entered into new lease agreements for the use of leased properties for 1 to 3 years ended 31 December 2020. On the lease commencement, the Group recognised approximately HK$15,636,000 right-of-use assets and approximately HK$15,479,000 lease liabilities (2019: HK$140,702,000 right-of-use assets and HK$137,524,000 lease liabilities).

38. RELATED PARTY TRANSACTIONS

(a) Other than as disclosed elsewhere in these consolidated financial statements, the Group had the following transactions with related parties during the years.

	2020 HK$'000	2019 HK$'000
Purchases from a company controlled by directors	**3,423**	4,057

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

(b) Compensation of key management personnel

The key management of the Group comprises all the Directors, details of their remuneration are disclosed in Note 14 to the consolidated financial statements. The remuneration of the Directors is determined by the remuneration committee having regard to the performance of individuals and market trends.

39. PLEDGE OF RESTRICTIONS ON ASSETS

Pledge of assets

The Group's banking facilities and borrowings had been secured by the pledged of the Group's asset and the respective assets are as follows:

	Notes	**2020 HK$'000**	2019 HK$'000
Property, plant and equipment	18	**28,691**	29,488
Financial assets at fair value through profit or loss	24	**4,928**	4,864
		33,619	34,352

Restriction on assets

In addition, lease liabilities of approximately HK$56,059,000 (2019: HK$100,533,000) are recognised with related right-of-use assets of approximately HK$36,040,000 (2019: HK$97,234,000) as at 31 December 2020. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor and the relevant leased assets may not be used as security for borrowing purposes.

40. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY

	2020 HK$'000	2019 HK$'000
NON-CURRENT ASSET		
Investment in a subsidiary	–	–
CURRENT ASSETS		
Amounts due from subsidiaries	–	16,270
Bank balances and cash	7,150	2,006
	7,150	18,276
CURRENT LIABILITIES		
Other payables and accruals	1,607	743
Amount due to subsidiaries	10,261	–
	11,868	743
NET CURRENT (LIABILITIES) ASSETS	(4,718)	17,533
TOTAL ASSETS LESS CURRENT LIABILITIES	(4,718)	17,533
NON-CURRENT LIABILITIES		
Loan from a shareholder	–	14,277
NET (LIABILITIES) ASSETS	(4,718)	3,256
Capital and reserves		
Share capital	14,400	14,400
Reserves	(19,118)	(11,144)
TOTAL (DEFICIT) EQUITY	(4,718)	3,256

The financial statements were approved and authorised for issue by the Board of Directors on 30 March 2021 and are signed on its behalf by:

Wong Wing Chee
Director

Wong Wing Hong
Director

40. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY *(continued)*

Notes:

The movements in the reserves of the Company during the years are:

	Share premium HK$'000	**Accumulated losses** HK$'000	**Total** HK$'000
At 1 January 2019	88,057	(49,467)	38,590
Loss for the year	–	(49,734)	(49,734)
At 31 December 2019	88,057	(99,201)	(11,144)
Loss for the year	–	(7,974)	(7,974)
At 31 December 2020	88,057	(107,175)	(19,118)

41. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY

A. General information of subsidiaries

Details of the subsidiaries directly and indirectly held by the Company at the end of the reporting periods are set out below:

Name of subsidiaries	Place of incorporation/ registration/ operations	Class of shares held	Paid up issued/ registered capital	Proportion of ownership interest held by the Company				Proportion of voting power held by the Company				Principal activities
				Directly		Indirectly		Directly		Indirectly		
				2020	2019	2020	2019	2020	2019	2020	2019	
Able Ascent Limited	Hong Kong	Ordinary	HK$1	–	–	100%	100%	–	–	100%	100%	Restaurant operation
All Best Harvest Limited	Hong Kong	Ordinary	HK$2	–	–	100%	100%	–	–	100%	100%	Property holding
Dragon Lake Limited	Hong Kong	Ordinary	HK$10,000	–	–	100%	100%	–	–	100%	100%	Dormant
Dragon King Holdings Limited	BVI	Ordinary	US$10,000	100%	100%	–	–	100%	100%	–	–	Investment holding
Dragon King Restaurant Group Limited	Hong Kong	Ordinary	HK$10	–	–	100%	100%	–	–	100%	100%	Restaurant operation
Dragon Seal Food & Beverage Management (Shanghai) Limited* (龍璽餐飲管理(上海)有限公司)*	The PRC	Ordinary	HK$22,500,000	–	–	100%	100%	–	–	100%	100%	Restaurant operation
Dragon Seal Restaurant Limited	Hong Kong	Ordinary	HK$10	–	–	100%	100%	–	–	100%	100%	Restaurant operation
Gold Profit Trading Limited Hong Kong	Hong Kong	Ordinary	HK$10	–	–	100%	100%	–	–	100%	100%	Trading of food products
Greater Year Investments Limited	BVI	Ordinary	US$1	–	–	100%	100%	–	–	100%	100%	Investment holding
King Harbour Limited	Hong Kong	Ordinary	HK$10	–	–	100%	100%	–	–	100%	100%	Restaurant operation
Mass Effort Limited	Hong Kong	Ordinary	HK$10	–	–	100%	100%	–	–	100%	100%	Restaurant operation
Premier Oriental Limited	Hong Kong	Ordinary	HK$10	–	–	100%	100%	–	–	100%	100%	Restaurant operation
Prominent Voice Limited**	Hong Kong	Ordinary	HK$10	–	–	–	100%	–	–	–	100%	Restaurant operation
Silver Everford Limited	Hong Kong	Ordinary	HK$1	–	–	100%	100%	–	–	100%	100%	Investment holding
Dragon King Restaurant (Macau) Limited	Macau	Ordinary	MOP6,000,000	–	–	100%	100%	–	–	100%	100%	Restaurant operation
Wealth Club Limited	Hong Kong	Ordinary	HK$10,000	–	–	100%	100%	–	–	100%	100%	Restaurant operation
Best Merit Holdings Limited	BVI	Ordinary	HK$8	–	–	100%	100%	–	–	100%	100%	Inactive

* This entity is registered as a wholly-foreign-owned enterprise under the laws of the PRC.

** Disposed on 17 January 2020.

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

Financial Summary

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

RESULT

	Year ended 31 December				
	2020	2019	2018	2017	2016
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
REVENUE	**196,038**	402,320	415,033	418,513	393,705
(LOSS)/PROFIT BEFORE TAX	**(74,618)**	(32,654)	(56,336)	(6,584)	3,689
Income tax expense	**(141)**	(2,819)	(1,731)	(3,649)	(2,475)
(LOSS)/PROFIT FOR THE YEAR	**(74,759)**	(35,473)	(58,067)	(10,233)	1,214
(Loss)/profit attributable to:					
Owners of the Company	**(74,759)**	(35,473)	(58,067)	(10,161)	1,128
Non-controlling interests	**–**	–	–	(72)	86
	(74,759)	(35,473)	(58,067)	(10,233)	1,214

ASSETS, LIABILITIES AND NON-CONTROLLING INTERESTS

	As at 31 December				
	2020	2019	2018	2017	2016
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
TOTAL ASSETS	**139,524**	256,912	197,660	178,499	203,281
TOTAL LIABILITIES	**196,527**	(238,715)	(144,437)	(123,458)	(138,525)
	(57,003)	18,197	53,223	55,041	64,756
EQUITY					
Equity attributable to owners of the Company	**(57,003)**	18,197	53,223	55,041	64,981
Non-controlling interests	**–**	–	–	–	(225)
	(57,003)	18,197	53,223	55,041	64,756