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 2021

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Contents

Corporate Information

BOARD OF DIRECTORS

Executive Directors

Mr. Chan Ko Cheung
(Chairman and Chief Executive Officer)
Ms. Shen Taiju

Independent non-executive Directors

Mr. Lee Yiu Keung
Mr. Wang Jingan
Mr. Wong Luen Tung

AUDIT COMMITTEE

Mr. Wong Luen Tung *(Chairman)*
Mr. Lee Yiu Keung
Mr. Wang Jingan

REMUNERATION COMMITTEE

Mr. Lee Yiu Keung *(Chairman)*
Mr. Chan Ko Cheung
Mr. Wang Jingan
Mr. Wong Luen Tung

NOMINATION COMMITTEE

Mr. Chan Ko Cheung *(Chairman)*
Mr. Lee Yiu Keung
Mr. Wang Jingan
Mr. Wong Luen Tung

COMPLIANCE OFFICER

Mr. Chan Ko Cheung

AUTHORISED REPRESENTATIVES

Mr. Chan Ko Cheung
Mr. Ngai Tsz Hin Michael

COMPANY SECRETARY

Mr. Ngai Tsz Hin Michael

AUDITOR

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LEGAL ADVISER AS TO HONG KONG LAWS

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Cayman Islands

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PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE IN THE CAYMAN ISLANDS

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Cayman Islands

BRANCH SHARE REGISTRAR AND TRANSFER OFFICE IN HONG KONG

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17th Floor, Far East Finance Centre
16 Harcourt Road
Hong Kong

PRINCIPAL BANKS

DBS Bank (Hong Kong) Limited
Hang Seng Bank Limited

COMPANY'S WEBSITE

www.dragonkinggroup.com

STOCK CODE

8493

Message from the Board

Dear Shareholders,

On behalf of the board (the "**Board**") of directors (the "**Directors**") of Dragon King Group Holdings Limited (the "**Company**", together with its subsidiaries, the "**Dragon King Group**" or the "**Group**"), we are pleased to present the annual report of the Company for the year ended 31 December 2021.

OVERVIEW

Looking back on the financial year, the novel coronavirus (COVID-19) epidemic continued to spread, severely affecting many local economic activities, among which the catering industry was the first. Then in early 2022, the novel coronavirus variant Omicron broke out in Hong Kong. In order to control the epidemic, the government re-implemented stringent measures, including the implementation of Vaccine Pass, tightening social distancing and shortening restaurant business hours, etc. significantly stressed consumption sentiments and customer flow. At the same time, other factors such as the continuation of the epidemic and the tight supply of ingredients have also caused the catering industry to face the pressure of high cost of ingredients, and the local catering industry has been significantly affected. The Group adjusts its business measures in a timely manner in response to market changes in order to minimize the adverse impact on the Group's business operations.

As at 31 December 2021, the Group operated six full-service restaurants in Hong Kong. Due to continued unsatisfactory customer visit, and the unfavourable market conditions, the restaurant closures in Hong Kong and Macau were necessary to avoid further loss and make available the occupied working capital for other operation needs of the Group. As a result of the relaxation of COVID-19 pandemic and the corresponding control measures implemented in Hong Kong and the PRC, the Group's revenue recorded an increase of approximately HK$28.2 million or approximately 14.3% and a significant loss diminished during the year ended 31 December 2021.

PROSPECTS

In view of the recent economic downturn accompanied by long-standing COVID-19 in Hong Kong, the Group adopted 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 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 certain of the Group's restaurants could not be operated normally due to the restrictions on catering business premises but the landlord were reluctant to grant a large amount of rental concession as the year in 2021.

Message from the Board

In response to the adverse business environment brought by 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.

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

The Board 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 under the COVID-19.

On behalf of the Board
Shen Taiju
Executive Director

Hong Kong, 14 September 2022

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 2021, the Group operated nine full-service restaurants in Hong Kong, Macau and Shanghai, the PRC to provide Cantonese cuisine under the brand name of "Dragon King（龍皇）", "Dragon Seal（龍璽）", "Dragon Gown（龍袍）" and "Imperial Seal （皇璽）".

In Hong Kong

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**").

In late September 2021, the Group closed down its Kwai Chung restaurant. The operation of the Causeway Bay Restaurant, has been suspended since 15 December 2021 when a blaze broke out at the building and the shop equipment was damaged in the firefighting operations that followed. Please refer to the Company's announcement dated 7 March 2022 for further details.

Outside Hong Kong

The Group's restaurant in Macau was located in the Venetian Macao (known as the "**Macau Restaurant**") and the restaurant in Shanghai was located in Pudong New District (known as the "**Shanghai Restaurant**").

In early October 2021, the Group closed down the Macau Restaurant. In late September 2021, the Group closed down the Shanghai Restaurant.

On 20 December 2021, the Group entered into a sale and purchase agreement to dispose of 上海浦江名薈餐飲管理有限公司, formerly known as Dragon Seal Food & Beverage Management (Shanghai) Limited*（龍璽餐飲管理（上海）有限公司）, an indirect wholly-owned subsidiary of the Company ("**Shanghai Subsidiary**") which was principally engaged in the operation of the Shanghai Restaurant and provision of catering services in the PRC. Completion of the change of industrial and commercial registration procedures took place on 4 January 2022. Please refer to the Company's announcement dated 26 August 2022 for further details.

All of the Group's restaurants are strategically located in prominent commercial areas, residential areas or shopping complexes. The Group is committed to providing quality food and services as well as comfortable dining environment to the customers.

As at 31 December 2021, the Group operated six full-service restaurants in Hong Kong.

Management Discussion and Analysis

The COVID-19 pandemic has continued to ravage the world. Although the pandemic situation in Hong Kong had briefly stabilised, the outbreak of various variants in Hong Kong coupled with drastic changes in the global political and economic situation, and geopolitical tensions, have had an impact on the deployment of the global economy, trade and industrial chain. In particular, tense supply chains in the global industry, city lockdown and shutdown in some regions and other factors have led to shortages of raw materials, increasing the cost of ingredients and putting pressure on the operation of the catering industry. In the face of the severe pandemic, the Hong Kong Government renewed a series of stringent measures to prevent and combat the pandemic, including vaccine pass, restriction-testing declaration operation and compulsory testing operation, shortening business hours of restaurants, limiting the number of customers at the same table and the ratio of the number of customers to the seating capacity, etc. These measures caused a detrimental effect on consumer sentiment, which posed a huge challenge to the catering market.

Due to continued unsatisfactory customer visit, and the unfavourable market conditions, the restaurant closures in Hong Kong and Macau were necessary to avoid further loss and make available the occupied working capital for other operation needs of the Group. In respect of the rationale for the closure of the Shanghai Restaurant and its subsequent disposal, please refer to the Company's announcement dated 26 August 2022.

As a result of the relaxation of COVID-19 pandemic and the corresponding control measures implemented in Hong Kong and the PRC, the Group's revenue recorded an increase of approximately HK$28.2 million or approximately 14.3% and a significant loss diminished during the year ended 31 December 2021.

FINANCIAL REVIEW

Revenue

For the year ended 31 December 2021, the Group recorded a total revenue of approximately HK$224.2 million, representing an increase of approximately HK$28.2 million or approximately 14.3% as compared to approximately HK$196.0 million for the year ended 31 December 2020.

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			
	2021		2020	
	Revenue HK$'000	**% of total revenue %**	Revenue HK$'000	% of total revenue %
Dragon King (龍皇)	**139,017**	**62.0%**	122,234	62.4%
Dragon Seal (龍璽)	**37,434**	**16.7%**	24,099	12.3%
Dragon Gown (龍袍)	**25,697**	**11.5%**	17,788	9.1%
Imperial Seal (皇璽) *	**22,045**	**9.8%**	29,359	15.0%
Dragon Feast (龍宴) **	**–**	**–**	2,558	1.2%
Total revenue	**224,193**	**100.0%**	196,038	100.0%

* *Disposed on 4 January 2022*
** *Disposed of on 17 January 2020*

Management Discussion and Analysis

Dragon King (龍皇)

The revenue generated from Dragon King increased by approximately HK$16.8 million, or approximately 13.7%, from approximately HK$122.2 million for the year ended 31 December 2020 to approximately HK$139.0 million for the year ended 31 December 2021.

The overall increase in revenue was mainly due to the effective control of the spread of COVID-19 and the relaxation of anti-epidemic precautionary measures in Hong Kong which had a positive influence on the revenue generated for the year ended 31 December 2021.

Dragon Seal (龍璽)

The revenue generated from Dragon Seal significantly increased by approximately HK$13.3 million, or approximately 55.3%, from approximately HK$24.1 million for the year ended 31 December 2020 to approximately HK$37.4 million for the year ended 31 December 2021. Such increase was mainly due to the relaxation of anti-epidemic precautionary measures discussed above.

Dragon Gown (龍袍)

The revenue generated from Dragon Gown significantly increased by approximately HK$7.9 million, or approximately 44.5%, from approximately HK$17.8 million for the year ended 31 December 2020 to approximately HK$25.7 million for the year ended 31 December 2021. Such increase was mainly due to the relaxation of anti-epidemic precautionary measures discussed above.

Imperial Seal (皇璽)

The revenue generated from Imperial Seal decreased by approximately HK$7.3 million, or approximately 24.9%, from approximately HK$29.4 million for the year ended 31 December 2020 to approximately HK$22.0 million for the year ended 31 December 2021. Such decrease was mainly due to closure of the restaurant in September 2021.

Dragon Feast (龍宴)

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 restaurant under the brand name "Dragon Feast 龍宴" located in Sheung Shui.

Accordingly, no revenue was generated from Dragon Feast for the year ended 31 December 2021.

Management Discussion and Analysis

Gross profit and gross profit margin

The Group's gross profit (i.e. revenue minus cost of inventories consumed) amounted to approximately HK$152.0 million for the year ended 31 December 2021, representing an increase of approximately HK$17.0 million or approximately 12.6% from approximately HK$135.0 million for the year ended 31 December 2020 driven by the increase in revenue.

The Group's overall gross profit margin remained consistent for both year end 31 December 2021 and 2020.

Other income and gains, net

Other income and gains, net significantly decreased by approximately HK$21.4 million from approximately HK$33.5 million for the year ended 31 December 2020 to approximately HK$12.1 million for the year ended 31 December 2021. Such decrease were mainly due to non-recurrence of approximately HK$13.2 million received from the Food and Environmental Hygiene Department and the Employment Support Scheme from the HKSAR Government under the Anti-epidemic Fund and reduction of rental concession for the year ended 31 December 2021.

Staff costs

Staff costs was approximately HK$91.2 million for the year ended 31 December 2021, representing a slightly increase of approximately HK$3.7 million or approximately 4.2% as compared to HK$87.5 million for the year ended 31 December 2020. Such increase 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 which did not recur in the current period in 2021 due to gradual recovery from 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 2021, 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$2.7 million (2020: HK$9.9 million) and HK$15.3 million (2020: HK$12.5 million) were recognised for property, plant and equipment and right-of-use assets during the year ended 31 December 2021 respectively.

Impairment loss under expected credit losses model

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 2021, impairment losses on other receivables of approximately HK$7.3 million (2020: HK$6.5 million) 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$10.4 million or approximately 41.8% from approximately HK$24.9 million for the year ended 31 December 2020 to approximately HK$14.5 million for the year ended 31 December 2021. 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 and reduction in the number of restaurants.

Other operating expenses

The Group's other operating expenses slightly increased by approximately HK$5 million or approximately 11% from approximately HK$45.4 million for the year ended 31 December 2020 to approximately HK$50.4 million for the year ended 31 December 2021. Such increase was mainly due to the effect of increase in revenue.

Finance costs

Finance costs of the Group decreased by approximately HK$1.7 million or approximately 31.4% from approximately HK$5.5 million for the year ended 31 December 2020 to approximately HK$3.8 million for the year ended 31 December 2021. 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.

Loss attributable to owners of the Company

For the year ended 31 December 2021, the Group recorded a loss attributable to owners of the Company of approximately HK$50.8 million, as compared with loss of approximately HK$74.8 million for the year ended 31 December 2020. It was mainly due to effective control of COVID-19 and the relaxation of anti-epidemic precautionary measures imposed by the HKSAR Government which led to an increase in revenue during the year ended 31 December 2021.

Management Discussion and Analysis

PROSPECTS

In view of the recent economic downturn accompanied by long-standing COVID-19 in Hong Kong, the Group adopted 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 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 certain of the Group's restaurants could not be operated normally due to the restrictions on catering business premises but the landlords were reluctant to grant a large amount of rental concession as the year in 2021.

In response to the adverse business environment brought by 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.

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 disclosed in the interim report of the Company for the six months ended 30 June 2021, the remaining unutilised net proceeds allocated to the opening of "Dragon King" Restaurant in the Eastern District were approximately HK$6.8 million ("**Unutilised Proceeds**"). It was disclosed therein that the Directors would 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. It was also disclosed that given the economic condition, social instability and the COVID-19 pandemic in Hong Kong, the Group decided to delay the plan of opening new restaurants. As the market conditions continued to be sluggish in the latter half of 2021 such that the Group had to cease operations of several restaurants (please refer to the "BUSINESS AND OPERATIONAL REVIEW" section above), the Group decided that the Unutilised Proceeds would best be repurposed for use as general working capital of the Group.

The entire amount of the Unutilised Proceeds was fully utilised as at 31 December 2021. Despite such change in use of the proceeds, the Board believes that the Group's development direction is still in line with that disclosed in the Prospectus. The Board is of the view that such reallocation is fair, reasonable and more favourable to the Group's long term business development, which is in the best interest of the Company and the Shareholders as a whole.

The use of proceeds after change is as follows:

	Planned use of net proceeds as stated in the Prospectus before revised allocation HK$ million	Amount remaining and brought forward from the year ended 31 December 2020 HK$ million	Unutilised net proceeds before revised allocation HK$ million	Revised allocation of the unutilised net proceeds HK$ million	Amount utilised in the year ended 31 December 2021 HK$ million	Actual use of net proceeds up to 31 December 2021 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	6.8	–	–	–
Sub-total	**27.4**	**6.8**	**6.8**	**–**	**–**	**20.6**
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	–	–	6.8	6.8	8.4
	37.3	**6.8**	**6.8**	**6.8**	**6.8**	**37.3**

Management Discussion and Analysis

USE OF PROCEEDS FROM PLACING

On 28 July 2021, an aggregate of 28,800,000 ordinary share(s) of a par value of HK$0.1 each in the share capital of the Company ("**Placing Share(s)**") were placed at the placing price of HK$0.208 per Placing Share, representing 16.67% of the issued share capital of the Company as enlarged by the allotment and issue of the Placing Shares immediately upon completion of the placing. The placing price represented a premium of approximately 3.48% over the closing price of HK$0.201 per share of the Company on 8 July 2021, being the date of the placing agreement.

The net proceeds from the placing, after deduction of the placing commission and other related expenses, amounted to approximately HK$5,788,400. As at 31 December 2021, the net proceeds from the placing have been fully utilised in accordance with the purposes as set out in the announcements of the Company dated 8 and 12 July 2021 respectively ("**Announcements**"). The net price of each Placing Share was approximately HK$0.201 per Placing Share. The Placing Shares were placed to not less than six placees (who and whose ultimate beneficial owners shall be third parties independent of the Company and its connected persons). Please refer to the Announcements for the reasons of the placing.

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 2021, the Group had borrowings of approximately HK$60.6 million which was denominated in Hong Kong Dollars (2020: approximately HK$76.4 million). The Group's bank borrowings were primarily used in financing the working capital requirement of its operations.

As at 31 December 2021, the Group's cash and cash equivalents were approximately HK$6.3 million (2020: approximately HK$11.7 million). The Directors believe that the liquidity of the Group will be improved after the economy recovered from the negative effect due to the COVID-19.

GEARING RATIO

As at 31 December 2021, the gearing ratio of the Group was approximately 274.8% (2020: approximately 145.0%). Gearing ratio is calculated as net debt divided by capital and net debt. Net debt represented total liabilities (excluding tax payable) of the Group less cash and cash equivalents. Capital represented the equity attributable to owners of the Company.

CHARGE ON GROUP ASSETS

As at 31 December 2021, the borrowings were secured by a building owned by the Group and life insurance policies amounted to approximately HK$27.9 million (2020: approximately HK$28.7 million) and Nil (2020: 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

There was no significant investment held, material acquisition and disposal of subsidiaries and affiliated companies by the Company during the year ended 31 December 2021. There was no other plan for material investments or capital assets as at 31 December 2021.

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 2021, 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 2021 (2020: Nil).

COMMITMENTS

The Group does not have any commitments as at 31 December 2021 (2020: Nil).

FINAL DIVIDEND

The Board does not recommend the payment of final dividend for the year ended 31 December 2021 (2020: Nil).

INFORMATION ON EMPLOYEES

As at 31 December 2021, the Group had 240 employees (2020: 390 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 2021 amounted to approximately HK$91.2 million (2020: approximately HK$87.5 million).

SHARE OPTIONS

Details of the Company's share option scheme (the "**Share Option Scheme**") are set out on page 61 of this annual report.

Management Discussion and Analysis

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 2021.

ENVIRONMENTAL POLICIES AND PERFORMANCE

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

For further information in relation to the environmental policies and performance of the Group, please refer to the Group's Environmental, Social and Governance Report on pages 40 to 58.

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 2021.

OTHER MATTERS

Reference is made to the Company's announcement dated 22 December 2021. On 15 December 2021, officers of law enforcement bodies including Hong Kong Police Force (the "**Police**") visited the Group's offices to execute search warrants for certain investigation of suspected offences relating to alleged money laundering and other allegations (the "**Investigation**"), during which certain documents, electronic devices and computer records were seized. Further, the Company was informed that Mr. Chan Ko Cheung, the chairman, chief executive officer and executive Director of the Company, was arrested by the Police for Investigation on 15 December 2021, and was subsequently released on bail without any charge laid against him.

Up to now, the Company only possesses limited information in relation to the Investigation. Based on the limited information available, the Board is not currently aware of any matters which suggest that the Investigation may be directly related to the principal business activities, operations and assets of the Group, or that the business operations and the financial position of the Group may be materially and adversely impacted by the Investigation.

It has come to the Company's knowledge that some bank accounts of the Group were frozen. Following clarifications and explanations, some bank accounts of the Group's operating subsidiaries were subsequently restored for bank acceptance and payment by customers for the conducting of the Group's ordinary restaurant business.

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

Disposal of a subsidiary

On 20 December 2021, Silver Everford Limited, an indirect wholly-owned subsidiary of the Company, entered into a sale and purchase agreement with independent third parties to dispose of the entire issued share capital of the Shanghai Subsidiary, an indirect wholly-owned subsidiary of the Company, at nil consideration. Please refer to the Company's announcement dated 26 August 2022 for further details.

Restaurant Operations

In early January 2022, the Group closed down the ICC Restaurant due to the end of rental agreement.

The tenancy for the Causeway Bay Restaurant ended on 28 February 2022 and the Board, having taken into account the repair costs, the ongoing COVID-19 situation in Hong Kong and the emergence of a new consumer trend of ordering takeaways, has determined not to renew the tenancy in order to focus the Group's resources on its remaining restaurants.

In view of the development of the COVID-19 pandemic and the latest public health situation in Hong Kong at the time, the Board temporarily suspended the operation of its restaurants in February and March 2022 and operation was later resumed. Please refer to the Company's announcements dated 7 March 2022 and 18 May 2022 respectively for further details.

The Group further closed down the San Po Kong Restaurant in July 2022 due to unsatisfactory performance and currently only operates the Wan Chai Restaurant, Kwun Tong Restaurant and Whampoa Restaurant.

Litigation

Small Claims Tribunal of the Hong Kong Special Administrative Region

SCTC024108/22 and SCTC024109/22

Mass Effort Limited ("**Mass Effort**"), as defendant an indirect wholly-owned subsidiary of the Company engaged in restaurant operations, received small claim tribunal notices both dated 17 August 2022 in respect of outstanding rates and promotion levy from Evermax Development Limited ("**Evermax**"). Evermax is seeking an aggregate of around HK$111,000 from Mass Effort.

District Court of the Hong Kong Special Administrative Region

DCCJ4551/2021

The Company, as defendant, received a writ of summons dated 24 September 2021 and issued by Blooming (HK) Business Limited ("**Blooming**") as plaintiff ("**DCCJ4551 Writ**"). The DCCJ4551 Writ relates to a claim by Blooming in respect of an outstanding contractual sum payable by the Company. The orders sought by Blooming against the Company under the DCCJ4551 Writ are (i) the sum of HK$453,200; (ii) interest thereon; and (iii) costs.

On 19 January 2022, a final judgment was made against the Company, whereby the Company shall repay Blooming HK$453,200 and interest thereon as well as costs.

DCCJ4705/2021

The Company, as defendant, received a writ of summons dated 8 October 2021 and issued by Frontpage Capital Limited ("**Frontpage**") as plaintiff ("**DCCJ4705 Writ**"). The DCCJ4705 Writ relates to a claim by Frontpage in respect of an outstanding contractual sum payable by the Company. The orders sought by Frontpage against the Company under the DCCJ4705 Writ are (i) the sum of HK$1,500,000; (ii) interest thereon; and (iii) costs.

On 19 January 2022, a final judgment was made against the Company, whereby the Company shall repay Frontpage HK$1,500,000 and interest thereon as well as costs.

DCCJ5268/2021

The Company, as defendant, received a writ of summons dated 16 November 2021 and issued by CFN Lawyers ("**CFN**") as plaintiff ("**DCCJ5268 Writ**"). The DCCJ5268 Writ relates to a claim by CFN in respect of an outstanding contractual sum payable by the Company. The orders sought by CFN against the Company under the DCCJ5268 Writ are (i) the sum of HK$366,000; (ii) interest thereon; and (iii) costs.

On 8 February 2022, a final judgment was made against the Company, whereby the Company shall repay CFN HK$366,000 and interest thereon as well as costs.

In respect of DCCJ4551/2021, DCCJ4705/2021 and DCCJ5268/2021, HK$400,000 has been repaid for the 3 cases so far.

DCCJ460/2022

On 11 May 2022, a final judgment was made against Dragon King Restaurant Group Limited ("**DKRGL**"), as defendant and an indirect wholly-owned subsidiary of the Company, whereby DKRGL shall repay Wan Kin Engineering Limited HK$334,000 and interest thereon as well as costs.

DCCJ838/2022

On 22 March 2022, Oriental Etrade Limited ("**Oriental**"), as defendant and a wholly-owned subsidiary of the Company, received a writ of summons issued by Lawrence Chan & Co. ("**LCC**") as plaintiff ("**DCCJ838 Writ**"). The DCCJ838 Writ relates to a claim by LCC in respect of a dishonoured cheque drawn by Oriental in favour of LCC. The orders sought by LCC against Oriental under the DCCJ838 Writ are (i) the sum of HK$2,000,000; (ii) interest thereon; and (iii) costs.

On 11 May 2022, a final judgment was made against Oriental, whereby Oriental shall repay LCC HK$2,000,000 and interest thereon as well as costs.

DCCJ1225/2022

As disclosed in the 2021 third quarterly report of the Company published on 28 January 2022, on 6 September 2021, the Company's indirect wholly-owned subsidiary, King Harbour Limited ("**King Harbour**"), received a demand letter from the legal representative of the Bank of Communications (Hong Kong) Limited ("**BOCOM**") regarding outstanding principal and accrued interests of a loan.

On 11 May 2022, King Harbour and the Company, as the two defendants, each received a writ of summons issued by BOCOM as plaintiff ("**DCCJ1225 Writ**"). The orders sought by BOCOM against King Harbour and the Company under the DCCJ1225 Writ are (i) outstanding principal and default interest of the loan in the aggregate amount of HK$2,117,469.59; (ii) interest on the amount; (iii) further and/or other relief; and (iv) costs.

The Company has filed an acknowledgment of service indicating that the Company intends to contest the proceedings.

DCCJ2845/2022

King Harbour, as defendant, received a writ of summons dated 26 July 2022 and issued by Sinogain Food And Oil Limited ("**Sinogain**") as plaintiff ("**DCCJ2845 Writ**"). The DCCJ2845 Writ relates to a claim by the plaintiff in respect of payment of delivered goods. The orders sought by Sinogain against King Harbour under the DCCJ2845 Writ are (i) the sum of HK$177,996; (ii) interest thereon; and (iii) costs.

The Company has filed an acknowledgment of service indicating that the Company intends to contest the proceedings.

High Court of the Hong Kong Special Administrative Region

HCA457/2022

On 4 May 2022, Premier Oriental Limited ("**Premier**"), as defendant and a wholly-owned subsidiary of the Company, received an amended writ of summons issued by WKE as plaintiff ("**HCA457 Writ**"). The HCA457 Writ relates to a claim by WKE in respect of a contract sum for certain decoration and renovation work undertaken at Dragon Gown（龍袍）, the Group's restaurant in Wanchai, Hong Kong.

The Company has filed a defence to contest the proceedings.

Please refer to the announcements of the Company dated 17 February 2022 and 26 May 2022 respectively for further details on DCCJ1225/2022, DCCJ838/2022 and HCA457/2022.

The Company will make further disclosure wherever appropriate or necessary.

EXECUTIVE DIRECTORS

Mr. Chan Ko Cheung (陳高璋) ("Mr. Chan"), aged 49, is the chairman of the Board and the chief executive officer (the "**Chief Executive Officer**") and an executive Director of the Company. Mr. Chan 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. Chan was appointed as an executive Director on 10 February 2021 and was appointed as the Chairman and Chief Executive Officer on 13 July 2021.

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）.

Ms. Shen Taiju (申太菊) ("Ms. Shen"), aged 40, is an executive Director of the Company. Ms. Shen is responsible for the overall corporate strategic development of the Group's business operations.

Ms. Shen has experience in business management, operation and food and beverages industry. From August 2018 to September 2020, Ms. Shen was a business director of Hongganguo Information Tech Co., Limited（紅甘果信息科技有限公司）.

* *for identification purposes only*

Biographical Details of Directors and Senior Management

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Lee Yiu Keung (李耀強) ("Mr. Lee"), aged 47, was appointed as the independent non-executive Director on 9 April 2021. He is also the chairman of the Remuneration Committee, a member of the audit committee of the Company (the "**Audit Committee**") and Nomination Committee.

Mr. Lee obtained his diploma in electrical engineering from Kwai Chung Technical Institute in August 1998. He served as an assistant engineer in Grandeur Electrical Company Limited from August 1998 to December 2001. He then worked as works supervisor/building services inspector in Twin Way Consulting Engineers Limited from February 2002 to August 2002. Mr. Lee jointed Meinhardt (M&E) Limited as building services inspector from October 2002 to March 2003. He was an electrician of Po Wah Electric Engineering Company from October 2003 to October 2007. Mr. Lee re-joined in Grandeur Electrical Company Limited as a site supervisor from October 2007 to May 2009 and worked for Kwong Wah Electrical Engineering Company Limited as a project supervisor from April 2010 to January 2011. Mr. Lee was the work supervisor (building services) of Pacific Extend Limited from January 2011 to January 2012. He served as the vice president of Richfull Holdings International Limited from January 2013 to April 2020. He has been the director of Oriental Skyway Limited since July 2020.

Mr. Wang Jingan (王靜安) ("Mr. Wang"), aged 34, was appointed as the independent non-executive Director on 12 October 2021. He is also a member of Audit Committee, Remuneration Committee and Nomination Committee.

Mr. Wang pursued his studies at Shaoyang University in Hunan Province, China. He has working and management experience in interior design, information technology and online marketing.

Mr. Wong Luen Tung (黃聯東) ("Mr. Wong"), aged 42, was appointed as the independent non-executive Director on 28 January 2022. He is also the chairman of the Audit Committee, a member of Remuneration Committee and Nomination Committee.

Mr. Wong holds a postgraduate certificate in corporate compliance from University of Hong Kong School of Professional and Continuing Education, master of accountancy from Lingnan University and bachelor of business (accountancy) from RMIT University in the Australia. He is a fellow member of the Institute of Public Accountants and the Taxation Institute of Hong Kong. He is also a Chartered Tax Adviser (Non-practising). He has over 18 years of experience in accounting and auditing in his various roles as senior positions for private companies and a listed company on the GEM of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**").

COMPANY SECRETARY

Mr. Ngai Tsz Hin Michael ("Mr. Ngai"), aged 34, has been appointed as a joint company secretary of the Company (the "**Joint Company Secretary**") with effect from 13 December 2021. Simultaneously with the resignation of Chan Chun Kau, the other joint company secretary of the Company, Mr. Ngai will be re-designated as the company secretary of the Company with effect from 31 January 2022.

Mr. Ngai obtained his Bachelor of Laws and postgraduate certificate in laws from City University of Hong Kong in 2011 and 2012, respectively. He is a practicing solicitor in Hong Kong, and currently a partner of Khoo & Co. and a consultant of O Tse & Co.. He currently serves as the company secretary of four companies listed on the Stock Exchange.

SENIOR MANAGEMENT

Mr. Leung Woon Hing (梁煥興) (“Mr. Leung”), aged 53, 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.

Ms. Wan Pik Yuk Janet (溫碧玉) (“Ms. Wan”), aged 60, 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 51, 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.

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 2021, to the best knowledge of the Board, the Company had complied with all the applicable code provisions set out in the CG code.

During the year under review, the Company complied with the Code except for the following deviations:

Code	Provision Considered	Deviation	Reason for Deviation
A.2.1	the roles of chairman and chief executive should be separate and should not be performed by the same individual.	The roles of chairman and CEO of the Company were performed by the executive Director, Mr. Chan Ko Cheung with effect on 13 July 2021.	The Company considered that the combination of the roles of chairman and CEO could effectively facilitate the formulation and implementation of the strategies of the Company. The Company considered that under the supervision of its Board and especially its independent non-executive Directors, a balancing mechanism existed so that the interests of the Shareholders were adequately and fairly represented. The Company considered that there was no imminent need to change the arrangement.
C.1.2	Management should provide all members of the Board with monthly updates giving a balanced and understandable assessment of the Company's performance, position and prospects in sufficient detail to enable the Board as a whole and each Director to discharge their duties under Rule 5.01 and Chapter 17 of the GEM Listing Rules.	The management could not provide the Directors with updated financial information of the Company every month.	The Board members of the Company were still informed by the management of the Company by email, by Whatsapp or by phone on the updated information of the Company's performance and future business plan from time to time.

Code	Provision Considered	Deviation	Reason for Deviation
C.1.3	Where the directors are aware of material uncertainties relating to events or conditions that may cast significant doubt on the issuer's ability to continue as a going concern they should be clearly and prominently disclosed and discussed at length in the Corporate Governance Report.	The Corporate Governance Report contained in the Annual Report 2020 did not disclose the discussion details required under Code Provision C.1.3.	The Board noted the deviation and will ensure the Company will include the necessary details in the future.

NON-COMPLIANCE WITH THE GEM LISTING RULES

Following the resignation of Mr. Lin Zhisheng on 13 July 2021, the Board only had two independent non-executive Directors and the Company was therefore in breach of rule 5.05(1). Following the appointment of Mr. Wang Jingan on 12 October 2021, the Company re-complied with Rule 5.05(1). Following the resignation of Ms. Leung Hoi Ki on 9 November 2021, the Company was in breach of Rule 5.05(1). Further, the Company has failed to comply with the requirement of having at least one independent non-executive Director in the Board and Audit Committee with appropriate professional qualifications or accounting or related financial management expertise under Rules 5.05(2) and 5.28 of the GEM Listing Rules.

Following the appointment of Mr. Wong Luen Tung on 28 January 2022, the Company re-complied with Rules 5.05(1), 5.05(2) and 5.28.

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.

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.

Corporate Governance Report

Board Composition

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

Executive Directors

Mr. Chan Ko Cheung (Chairman and Chief Executive Officer) *(appointed on 10 February 2021)*
Ms. Shen Taiju *(appointed on 6 January 2022)*

Independent non-executive Directors

Mr. Lee Yiu Keung *(appointed on 9 April 2021)*
Mr. Wang Jingan *(appointed on 12 October 2021)*
Mr. Wong Luen Tung *(appointed on 28 January 2022)*

Biographical details of the Directors are set out in "Biographical Details of Directors and Senior Management" on page 21 to 24 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 Ms. Shen, Mr. Lee, Mr. Wang and Mr. Wong will retire from office as Directors at the forthcoming annual general meeting of the Company to be held on 31 October 2022. Ms. Shen, Mr. Lee, Mr. Wang and Mr. Wong, 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 Ms. Shen, Mr. Lee, Mr. Wang and Mr. Wong.

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.

During the year ended 31 December 2021, the Company has not separated the roles of the chairman of the Board and the chief executive officer of the Company. Mr. Chan was the chairman of the Board and also the chief executive officer of the Company responsible for overseeing the operations of the Group during the year. The Board believes that vesting the roles of both the chairman of the Board and the chief executive officer of the Company in the same person provides the Company with strong and consistent leadership, and allows for effective and efficient planning and implementation of business decisions and strategies. The Board considers that the structure currently operated by the Company does not undermine the balance of power and authority between the Board and the management as the decisions of the Board are made collectively by way of voting and therefore the chairman of the Board should not be able to monopolize the voting result. The Board shall nevertheless review the structure from time to time to ensure appropriate move is being taken should suitable circumstances arise.

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 2021, 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.

Under the terms of reference, the duties of the Board in respect of corporate governance are as follows:

1. to develop and review the policies and practices on corporate governance of the Group and make recommendations;

2. to review and monitor the training and continuous professional development of Directors and senior management;

3. to review and monitor the Group's policies and practices on compliance with legal and regulatory requirements;

4. to develop, review and monitor the code of conduct and compliance manual (if any) applicable to Directors and employees; and

5. to review the Company's compliance with the CG Code and disclosure in the corporate governance report of the Company.

REMUNERATION COMMITTEE

The chairman of the Remuneration Committee is Mr. Lee, the independent non-executive Director, and other members included Mr. Chan, the executive Director, Mr. Wang and Mr. Wong, 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 2021. 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. Chan, the executive Director, and other members included Mr. Lee, Mr. Wang and Mr. Wong, the independent non-executive Directors. The written terms of reference of the Nomination Committee are posted on the Stock Exchange's website and on the Company's website.

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

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

AUDIT COMMITTEE

The audit committee of the Company (the "**Audit Committee**") was established on 15 December 2017. The chairman of the Audit Committee is Mr. Wong Luen Tong (appointed on 28 January 2022), the independent non-executive Director, and other members included Mr. Lee Yiu Keung (appointed on 9 April 2021), Ms. Leung Hoi Ki (appointed on 9 April 2021 and resigned on 9 November 2021), Mr. Wang Jingan (appointed on 12 October 2021), Mr. Lin Zhisheng (resigned on 13 July 2021) and Mr. Chang Cheuk Cheung Terence (resigned on 9 April 2021), the independent non-executive Directors.

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 2020 annual results, 2021 interim results, quarterly results, audit plans for annual audit 2021 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 2021 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 2021 comply with applicable accounting standards, GEM Listing Rules and that adequate disclosures have been made.

Corporate Governance Report

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 2021:

	Board Meeting	Audit Committee Meeting	Remuneration Committee Meeting	Nomination Committee Meeting	2021 Annual General Meeting
	Number of Meetings Attended/Held				
Executive Directors					
Ms. Lee Ching Nung Angel *(resigned on 13 July 2021)*	7/9	N/A	N/A	N/A	0/1
Mr. Wong Wing Chee *(resigned on 14 September 2021)*	10/13	N/A	4/4	4/4	1/1
Mr. Wong Wing Hong *(resigned on 7 May 2021)*	5/5	N/A	N/A	N/A	0/1
Mr. Chan Ko Cheung *(appointed on 10 February 2021)*	16/16	N/A	1/1	1/1	1/1
Mr. Zhu Min *(appointed on 7 May 2021 and resigned on 19 December 2021)*	11/11	N/A	N/A	N/A	N/A
Ms. Shen Taiju *(appointed on 6 January 2022)*	N/A	–	–	–	N/A
Independent non-executive Directors					
Mr. Kwong Ping Man *(resigned on 9 April 2021)*	3/3	1/1	2/2	2/2	N/A
Mr. Lin Zhisheng *(resigned on 13 July 2021)*	6/9	1/2	2/4	2/4	0/1
Mr. Chang Cheuk Cheung Terence *(resigned on 9 April 2021)*	3/3	1/1	2/2	2/2	N/A
Mr. Lee Yiu Keung *(appointed on 9 April 2021)*	13/13	2/2	2/2	2/2	1/1
Ms. Leung Hoi Ki *(appointed on 9 April 2021 and resigned on 9 November 2021)*	11/11	2/2	2/2	2/2	1/1
Mr. Wang Jingan *(appointed on 12 October 2021)*	2/2	N/A	N/A	N/A	N/A
Mr. Wong Luen Tung *(appointed on 28 January 2022)*	N/A	N/A	N/A	N/A	N/A

Note:

The attendance figure represents actual attendance/the number of meetings a Director is entitled to attend.

Corporate Governance Report

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. Ngai as the Company Secretary.

For the year ended 31 December 2021, Mr. Ngai undertook no less than 15 hours of relevant professional training to develop his skills and knowledge. The biographical details of Mr. Ngai 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	1,200
Tax services	–
Total	1,200

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 2021, 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.

MANAGEMENT'S POSITION AND ASSESSMENT ON THE DISCLAIMER OPINION

During the course of audit of the consolidated financial statement of the Group for the year ended 31 December 2021, the Group's auditors (the "**Auditors**") had raised concern on the Group's ability to operate as a going concern (the "**Disclaimer Opinion**").

The Directors' view is different from that of Auditors as the Directors considered that the COVID-19 pandemic will gradually improve. With the distribution of consumption vouchers by the Government and the gradual relaxation of the social distancing measures, the revenue generated by the Group's restaurants will increase and thus the operating cash flows will also increase to support the daily operation and also other financing activities including but not limited to repay the trade payables and also repay the instalment of bank borrowings. Nonetheless, in order to address this concern, the Company has taken the measures to continue in operational existence for the foreseeable future including but not limited to:

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

(ii) reviewing and shortening the reporting intervals and improving follow up measures on receivable collection;

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

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

In particular, the Company is considering to take/has taken the following actions:

(1) as disclosed in the annual results announcement of the Company for the year ended 31 December 2021, the Group closed down the Kwai Chung Restaurant in late September 2021, did not renew the tenancy of the Causeway Bay Restaurant on 28 February 2022, closed down the San Po Kong Restaurant in July 2022, closed down the Macau Restaurant in early October 2021, closed down the Shanghai Restaurant in late September 2021 and subsequently disposed of the Shanghai Restaurant in early January 2022. Such closures and disposals of loss-making restaurants have benefited and strengthened the financial position of the Group;

(2) as disclosed in the Company's business update announcement dated 22 September 2022, the Company has entered into two memoranda of understanding in relation to potential acquisitions of companies. Each of the target companies operates one restaurant in Hong Kong;

(3) the Company will consider to conduct rights issue (the "**Rights Issue**") in early 2023. It is expected that part of the net proceeds from the Rights Issue will be used to reimburse the debts from current liabilities and non-current liabilities, including but not limited to (i) reimbursement for trade and other payables accounts; and (ii) repayment for bank and other borrowings; and also, part of the proceeds will be applied as general working capital of the Group;

(4) Ms. Shen Taiju, being a director of the Company, will provide financial support to the Company to meet its financial obligations including payment of interests on bank borrowings, professional fees and other operating expenses. The director has undertaken not to require the Company to repay the loans until such time when repayment will not affect the ability of the Group to repay other creditors in the normal course of business.

Based on the above, and in preparing the consolidated financial statements, the Directors have reviewed the Group's financial and liquidity position, and planned to improve the liquidity by the above measures. As such, the Board considered the Group will have sufficient liquidity to finance its operations for the next twelve months and therefore is of the view that the Group would be able to continue as a going concern. Despite the effort made by the Company to address the concern, the Auditors issued the Disclaimer Opinion as they cast doubt on the certainty of the debt restructuring plan and financial support by certain existing creditors. The management of the Company (the "**Management**") has considered the Auditors' rationale and understood their consideration in arriving their opinion.

AUDIT COMMITTEE'S VIEW ON THE DISCLAIMER OPINION

The Audit Committee had critically reviewed the Disclaimer Opinion, the Management's position concerning the Disclaimer Opinion and measures taken by the Company for addressing the Disclaimer Opinion. The Audit Committee agreed with the Management's position based on the reasons above. Moreover, the Audit Committee requested the Management to take all necessary actions to address the effect on the Disclaimer Opinion. The Audit Committee had also discussed with the Group's auditors regarding the financial position of the Group, measures taken and to be taken by the Company, and considered the Auditors' rationale and understood their consideration in arriving their opinion.

The statements of the external auditor of the Company, UniTax Prism (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 71 to 73 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 2021 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 2021 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 2021, there was no change to the Company's articles of association.

Environmental, Social and Governance Report

INTRODUCTION

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

REPORTING STANDARDS

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

REPORTING YEAR

All the information in the ESG Report reflects the performance of the Group in environmental management and social responsibility from 1 January 2021 to 31 December 2021 (the "**Reporting Period**"). This ESG Report is released annually by the Group for public review so as to improve the transparency and responsibility of information disclosure.

REPORTING SCOPE

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

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

After the comprehensive completion of data collection procedures and system and the Group's materiality assessment, certain ESG issues have been identified by considering their materiality and importance to the Group's principal activities, stakeholders as well as the Group. Those identified ESG issues and key performance indicators ("**KPIs**") have been disclosed in the ESG Report.

Environmental, Social and Governance Report

ESG GOVERNANCE

The Group has developed its internal strategies and policies with aims to create sustainable values to its stakeholders, thereby to large extent minimising the Group's undue impact on the environment. In order to carry out the Group's sustainability strategy from top to bottom, the Board has ultimate responsibilities for ensuring the effectiveness of the Group's ESG policies.

The Group has established dedicated teams to manage ESG issues within each business division of the Group and kept monitoring and overseeing the progress against corporate goals and targets for addressing climate change. Dedicated teams with designated staff for management of ESG issues has been assigned to enforce and supervise the implementation of the relevant ESG policies cascading through the Group.

With the forward-looking guidance and well-designed plans of action to address underlying ESG matters, the management and responsible teams keep reviewing and adjusting the Group's sustainability policies to satisfy the ever-changing needs of its stakeholders on a regular basis. For instance, through the assignment of the responsibility of progress tracking to different management-level positions, the Group is committed to achieving an excellent performance in ESG management while also remaining competitive compared with its peers. Details of the Group's management approaches in both the environmental and social aspects are elaborated in different sections of this ESG report.

STAKEHOLDER ENGAGEMENT

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

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

Stakeholders and Engagement Methods

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

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

CLIMATE CHANGE

Climate Change is one of the most complicated challenges faced by mankind's in the new century. Global warming gives rise to more frequent extreme weather conditions including changes in precipitation mode, droughts, floods and bushfires. Rise in sea level will make tens of thousands of people in densely populated coastal areas and island countries homeless. Faced with all sorts of problems, individuals, corporations and governments must take immediate actions to tackle climate change.

Over-emission of greenhouse gases is the main factor in causing global climate change. To achieving a low carbon economy, the Group is committed to reducing its greenhouse gas emissions through the approaches of mitigation and adaptation. For example, the Group has strived to mitigate the risks brought by climate change through the adoption of various environmental policies and measures; and promoting energy saving measures and habits in office. The Group has also considered potential physical risks of climate change to its daily operation such as storms, fires or heatwaves and through implementation of the relevant protection measures to minimise the risks.

The Group are focused on reducing emissions in its operations, engaging suppliers to reduce emissions in supply chains, strengthening the resilience of its business and using its voice to advocate for collective action.

ENVIRONMENT PROTECTION

Emissions

Emissions from vehicle usage and business operation

During the Group's operation, the usage of private cars and other types of cars generate the emissions of nitrogen oxides ("**NO_x**"), sulphur oxides ("**SO_x**") and Particulate Matters ("**PM**"). Also, the use of electricity in headquarter office and restaurants generate carbon dioxides ("**CO_2**"). The approximate amount of CO_2, NO_x, SO_x and PM produced from the Group's operation in Hong Kong, where the vast majority of Group's restaurants are located, are shown in the following table:

Air pollutants from vehicle usage in the Reporting Period

Region	**Types of key air emissions**	**2021**	2020
Hong Kong	NO_x emissions (tonnes)	**0.045**	0.085
	SO_x emissions (tonnes)	**0.0003**	0.0003
	PM emissions (tonnes)	**0.01**	0.0043

Compared to the last financial year, the total amount of NO_x and SO_x emissions decreased while PM emissions increased due to the significant reduction of private car usage while increased the usage of medium and heavy goods vehicles in the reporting period.

Meanwhile, the Group continues committing to reduce and ensure the efficient usage of private cars continuously. The Group has implemented the following measures so as to achieve the environmental friendly approach: i) avoid peak hour traffic; ii) encourage the use of public transport; and iii) utilise the vehicle by carpooling with different staff.

Greenhouse Gas ('GHG') Emissions

During the course of operations, there are GHG emissions principally resulting from vehicle usage, electricity consumed, gas consumption, the use of electricity for processing fresh water and sewage water at headquarter office and restaurants and the business air travel by employees.

Scope 1 – Combustion of fuels in mobile sources controlled by the Group

During the operations of the Group, due to the intense usage of private cars and medium and heavy goods vehicles, certain amount of GHG is produced.

The Group strictly controls the emissions of GHG through the establishment of a comprehensive data collection system. This system helps the Group to monitor the monthly usage of all vehicles to maintain the efficiency at a prominent level.

Scope 2 – Energy indirect emissions

During the food preparation process and operations of the restaurants, the Group has incurred indirect GHG emissions (Scope 2), principally resulting from electricity and gas consumed at the restaurants and headquarter office in Hong Kong, where the vast majority of Group's operations are located.

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

Except the electricity consumed, the Group has incurred other indirect GHG emissions (Scope 3) contributed by, principally resulting from the electricity for processing fresh water and sewage water consumed at the restaurants and headquarter office in Hong Kong, where the vast majority of Group's operations are located.

Scope 3 – Other indirect emissions – business air travel by employees

In addition, the Group has also incurred other indirect GHG emissions (Scope 3), contributed by the business air travel of the employees.

Summary of GHG emissions

Types of GHG	**2021 CO_2 equivalent emission**	2020 CO_2 equivalent emission
Scope 1 – Direct emissions (tonnes)	**24.72**	24.90
Scope 2 – Energy indirect emissions (tonnes)	**2,472.69**	2,872.97
Scope 3 – Other indirect emissions (tonnes)		
– Electricity for processing fresh water and sewage water (tonnes)	**52.53**	46.29
– Business air travel by employee (tonnes)	**0**	0.93
Total	**2,549.94**	2,945.09

Compare with the last financial year, the energy indirect emissions for the restaurant and the headquarter office in Hong Kong has decreased by approximately 0.007%. Although anti-epidemic measures have been continually undertaken by the government in Hong Kong, such measures have been relaxed, including the dine-in service hours allowed for catering premises extended, for a period of time in the middle of 2021. There is an increase in usage of medium and heavy goods vehicles which offset by the significant decrease in usage of private car, that results in the slightly decrease in the consumption of electricity.

Besides, the electricity for processing fresh water and sewage water for the restaurant has slightly increased by approximately 12.4% compared to 2020. Such increase is due to the anti-epidemic measures have been relaxed, including the dine-in service hours allowed for catering premises extended, for a period of time in the middle of 2021.

Lastly, the business air travel by employees in Hong Kong has decreased by 100% compared to 2020. Such decrease was due to the Group had developed a greater reliance on remote control at Shanghai branch operations which cause no air travel to be taken.

Greenhouse Gas Emissions and Energy Conservation

The Group is committed to minimizing the adverse impact that its operations may have on the environment. Using energy efficiently will help us to conserve resources and tackle climate change.

Energy consumption accounts for a major part of our GHG emissions. We target to reduce the GHG emissions by 10% by 2026/27; and to reduce the electricity consumption by 10% by 2026/27, using 2021/22 as baseline. To reduce our carbon footprint, we have implemented the following measures:

- Regular maintenance and cleaning of cooking and electronic equipment
- Insulation of refrigerators have been well maintained
- Unwanted materials and thick ice have been regularly cleared and defrosted from refrigerator

Hazardous and Non-Hazardous Waste

Due to the business nature, the Group's operations do not directly generate any hazardous waste.

On the other hand, the Group generates the non-hazardous waste from its operation, which are mainly the kitchen waste. The Group is committed to manage and dispose the non-hazardous waste properly. During the Reporting Period, the Group has yet to implemented the reporting mechanism to gather the information of non-hazardous waste generated. In the future, the Group would plan to implement comprehensive data collection mechanism in respect of the non-hazardous waste disposed in order to enhance the waste management.

We are of the opinion that our activities have meet our objectives during the Reporting Period.

Waste cooking oil

The Group is committed to handle waste cooking oil to minimise the hazardous impact to the environment, All waste cooking oil is collected by waste cooking oil collection service provider for recycle purpose.

Use of Resources

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

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

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

Water Consumption by Region

Region		2021	2020
Hong Kong	Total water consumption (cubic metres)	**120,939**	82,068
Macau	Total water consumption (cubic metres)	**1,681**	–
	Total	**122,620**	82,068
	Intensity of water consumption per restaurant property floor area (cubic metres)	**21.47**	14.16

The Group faces no issues in sourcing water that is fit for purpose. Compare to the last financial year, the intensity of water consumption per restaurant property floor area has increased from approximately 14.2 cubic metres to approximately 21.5 cubic metres. The increase in water consumed was due to the anti-epidemic measures have been relaxed, including the dine-in service hours allowed for catering premises extended, for a period of time in the middle of 2021. The Group believes that the regular water consumption analysis and the internal training could create a sense of urgency to all staff about the monitoring of water usage. The Group will keep on performing current works and strive to remain the intensity at a low level.

Water Usage Conservation

We target to reduce the water consumption by 5% by 2031/32, using 2021/22 as baseline. To reduce our water consumption, we have implemented the following measures:

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

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

During the food preparation process and operations of the restaurants, the Group has consumed electricity and non-renewable fuel ("**NRF**") including gas at the restaurants and headquarter office in Hong Kong, where the vast majority of Group's restaurants are located. In respect to the Group's electrical and gaseous usage, the figures are shown in the table below:

Energy Consumption by Region

Region		**2021**	2020
Hong Kong	Purchase of energy	**4,861,977**	4,862,156
	NRF consumed	**2,092,006**	1,887,745
Macau	Purchase of energy	**215,185**	–
	Total	**7,169,168**	6,749,901
	Intensity of total energy per restaurant property floor area (kWh)	**1,255.19**	1,164.90

The Energy consumption has increased by approximately 6.2%. It is mainly due to the anti-epidemic measures have been relaxed, including the dine-in service hours allowed for catering premises extended, for a period of time in the middle of 2021. The Group believes the electricity conservation norm has been developed among all staff through the internal training. The Group continues to expect more progress would be made after the energy conservation norm has evolved further among the staff. The Group expects this can be reflected in the key performance result next year.

The Group believes that the regular gas consumption analysis and the internal training could create a sense of urgency to all staff about the monitoring of gas usage. The Group will keep on performing current works and strive to remain the gas usage at a low level.

The Board of the Company has set out emission target of the Reporting Period in an attempt to minimise emission and waste produced by the Group in the course of our business activity. By optimising the production process for the Reporting Period, we aim to enhance energy utilisation efficiency by reducing 10% GHG emission compared to that of the Previous Period.

Packaging materials

The Group procures packaging materials include dinning serveware and utensils for takeaway order and festive product. Since the takeaway order and festive product are relatively immaterial in terms of revenue during the operations, the Group has established the data collection mechanism in order to monitor the usage of packaging materials. To strengthen the green approach launched by the Group, the Group is committed to the following initiatives:

i. Reduce excessive packaging and use of disposable tableware;

ii. Improve the reusability of existing packaging materials; and

iii. Promote the use of alternative materials in overall takeaway packaging solutions.

Packaging material consumption

Packaging Material	Unit	2021	2020
Plastic	tonne	1.52	N/A[1]
Paper	tonne	2.46	N/A[1]
Total	tonne	3.98	N/A[1]
Intensity	tonne per HKD million revenue	0.02	N/A[1]

Note 1: The Group had not developed any mechanism for collecting packaging materials data in 2020.

The Environmental and Natural Resources

In the meantime, the Group has continued to give careful consideration to minimise all significant impact on the environmental resources. To develop a green approach at the restaurants and headquarter office, the Group has developed the following measures for daily operation so as to minimise the impact brought to the environmental and natural resources consumption:

Implemented practice

Restaurants and office equipment

- Switch off computers, printers, machines and other electronic devices after office hours or when leaving the workplace to reduce power consumption
- Used toner cartridges return to respective suppliers for recycling
- All windows and doors must be closed when the air-conditioners turn on
- Affix save energy posters near the main switches in order to remind the Group's employees of energy saving
- The last-man-out is dedicated to check and turn off all machines and equipment
- Maximise the use of nature light and energy-saving lighting systems
- Apply optima temperature setting of air-conditioning
- Encourage duplex printing
- Reuse of single-side used paper
- Upgrade the electrical equipment with high efficient energy label continuously
- Refill instead of new pen when used-up

Water

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

Lighting

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

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

In recent decades, climate changes raise more concerns around the world. Risk from extreme weather caused by climate change may pose risk to the Group's stakeholders such as the Group's employees, suppliers and customers. To address this, the Group continued to reduce GHG emissions and energy consumption from our operations through various environmental protection measures as mentioned above during the Reporting Period.

For acute physical risks such as storms, floods, heatwaves may cause disruption to the supply chain network. We continue to maintain a large supplier base to ensure that there was alternative choice for goods in the event of our suppliers being affected by extreme weather conditions.

For transition risks such as change in laws and regulations and change in customers preference, as the Group is not producing significant amount of GHG emission and maintaining the minimum level of energy consumption, we believe that the risk is relatively low. Dedicated teams of the Group would continue to identify the risks and opportunities faced by the Group regarding climate change, monitor the updates in new laws and regulations and regularly report to the Board to ensure the Group meet the regulatory requirement and reduce the impacts towards the business operation.

PEOPLE

Employment

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

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

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

Employment Key Performance Indicators (Employee)

Total workforce structure as at 31 December 2021

Employment key performance indicators

	Unit	Hong Kong	Macau	Total
Total Workforce	Person	240	0	240
By Gender				
Male	Person	107	0	107
Female	Person	133	0	133
By Employment Type				
Full-time	Person	240	0	240
Part-time	Person	0	0	0
By Age Group				
<30	Person	12	0	12
30-50	Person	108	0	108
>50	Person	120	0	120
By Geographical Region				
	Person	240	0	240

Employee turnover in the Reporting Period

	Unit	Hong Kong	Macau	Total
Total Turnover Rate	%	59.80	100	63.02
By Gender				
Male	%	66.98	100	69.86
Female	%	51.28	100	54.76
By Employment Type				
Full-time	%	59.80	100	63.02
Part-time	%	–	–	–
By Age Group				
<30	%	78.57	100	81.54
30-50	%	60.52	100	64.69
>50	%	55.19	100	56.94
By Geographical Region				
	%	59.80	100	63.02

Health and Safety

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

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

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

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

Every case of injury (if any) is required to be reported to the Group and be assessed individually under the internal guideline procedures. The Group is pleased to report that the rate of accidents and injuries during the Reporting Period was extremely low with zero fatal accident. No work-related fatalities occurred in each of the past three years including the Reporting Period.

Health and safety key performance indicators (Employee)

	2021	2020
Number of work injuries	**12**	11
Rate of work injury in Hong Kong (per hundred employees)	**5**	3.85
Number of loss days due to work injuries	**672**	403

Trainings and Development

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

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

Training and Development Key Performance Indicators in Hong Kong (Employee)

Trained staff	Senior managerial level[2]	Managerial staff[2]	General staff[2]	Percentage of employees receiving training by gender[2]	2021 Overall percentage of employees receiving training[3]	2020 Overall percentage of employees receiving training
Male	–	–	0%	0%	0.42%	2%
Female	–	–	100%	100%		
Total	–	–	100%			

Note 2: Percentage of employees trained in relevant categories = Employees in the category who took park in training/Employees who took part in training x 100

Note 3: Overall percentage of employees trained = Employees who took part in training/Total number of employees x 100

Average training hours	Senior managerial level (hours)[4]	Managerial staff (hours)[4]	General staff (hours)[4]	Average training hours by gender (hours)[4]	2021 Overall average training hour (hours)[5]	2020 Overall average training hour (hours)
Male	–	–	–	0	0.0125	0.32
Female	–	–	3	3		
Total	–	–	3			

Note 4: Average training hour per categories = Total number of training hours of the category/Number of employees in the category

Note 5: Overall training hours per employee = Total number of training hours/Total number of employees

Due to the continual impact of COVID-19, many enrolled training courses had been suspended or cancelled to reduce in social distance. This leads to the significant drop of average training hours.

Labour Standards

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

The Group's employment relationship with the concerned employee will be immediately terminated in case there is any irregularities noted in ages or identities. In case any child or forced labour noted, the Group would immediately prohibit the arrangement and perform investigation for the cause and rectify the job arrangement.

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

Supply Chain Management

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

The Group has established and maintained long-term relationships with a number of suppliers. To ensure stable supply of food ingredients and minimise the risk of non-delivery, sub-standard products and supplier's default, the Group generally sources major raw materials from more than one approved supplier. Currently the Group sources the foods from 13 suppliers, of which 12 suppliers are Hong Kong based and 1 supplier is Malaysia based. The Group places great emphasis on the quality of its raw materials, and closely monitors whether the suppliers can achieve the aforesaid criteria.

The Group's purchasing department regularly conducts supplier reviews to ensure product quality and safety. All suppliers are required to hold valid licenses required by the government, and all imported goods shall obtain proper clearance from the respective authorities. Goods received from suppliers have to be in compliance with the food labelling requirements and relevant hygiene and sanitary regulations. The Group will also consider suppliers' environmental and social risks during the supplier selection process. Priority will be given to supplier which holds certificates or accreditations related to environmental or social issues as part of our selection criteria. The procedure is applicable to all suppliers for the Group.

Number of critical suppliers cooperated with the Group during the Reporting Period

Region	**2021**	2020
Hong Kong	**12**	35
Australia	**0**	1
Malaysia	**1**	1
PRC	**0**	1
Total	**13**	38

Food Safety and Quality Assurance

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

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

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

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

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

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

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

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

During the Reporting Period, the number of complaint in relation to food or quality of services were minimal and insignificant. No products sold was needed to be recalled for safety and health reasons.

Protection of intellectual property right and consumer privacy

The Group recognise the importance of the protection over intellectual property right and consumer privacy. Proper licences for software and information are obtained by the Group to use in its business operation.

Meanwhile, the Group handles all information provided by clients, employees and business partner in accordance with Personal Data (Privacy) Ordinance and related laws and regulations to ensure those information is under proper protection.

Anti-corruption

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

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

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

During the Reporting Period, the Group has complied with the relevant laws and regulations regarding anticorruption and money-laundering and had no concluded legal case regarding corrupt practices brought against the issuer or its employees. During the Reporting Period, anti-corruption training was delivered by mean of providing related materials to all employees, including Directors to raise their awareness towards anti-corruption and keep updates on the latest requirement.

Community Investment

The Group is committed to creating sustainable prosperity that brings long-term social and economic benefits for all stakeholders, particularly to maintain the relationship with interest groups which are relevant to business operation. The Group has been actively involved in charitable activities in the communities and cities where our restaurants are operating, and encourages the employees to participate in in-house or external community activities and donations. During the reporting period, our employees have made donations to charities in Hong Kong, such as charity which provide equal opportunity for the physically impaired individuals in Hong Kong to enjoy sports activities along side with normal individuals.

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

Environmental performance indicators

Aspect A1: Emissions

Performance Indicator		2021 Data	2020 Data	Exchange ESG Reporting Guide KPI
Emission	Total nitrogen oxides (NO_x) emissions (tonnes)	**0.045**	0.085	KPI A1.1
	Total particulate matters (PM) emission (tonnes)	**0.01**	0.0043	KPI A1.1
	Total sulphur oxides (SO_x) emissions (tonnes)	**0.0003**	0.0003	KPI A1.1
	Total GHGs emissions – scope 1 (tonnes)	**24.72**	24.90	KPI A1.2
	Total GHGs emissions – scope 2 (tonnes)	**2,472.69**	2,872.97	KPI A1.2
	Total GHGs emissions – scope 3 – fresh water and sewage water processing (tonnes)	**52.53**	46.29	KPI A1.2
	Total GHGs emissions – scope 3 – business travel by employees (tonnes)	**0**	0.93	KPI A1.2

Aspect A2: Use of resources

Performance Indicator		2021 Data	2020 Data	Exchange ESG Reporting Guide KPI
Energy	Total energy consumption (kWh)	**7,169,168**	6,749,901	KPI A2.1
Water	Total water consumption & sewage discharge (cubic metres)	**122,620**	82,068	KPI A2.2
Packaging material consumption	Total Packaging material consumption (tonnes)	**3.98**	N/A	KPI A2.5
	Intensity of Packaging material consumption (tonne per HKD million revenue)	**0.02**	N/A	KPI A2.5

Social Performance Indicators

Aspect B1: Employees

Performance Indicator		2021 Data	2020 Data	Exchange ESG Reporting Guide KPI
Total workforce structure	By region			KPI B1.1
	Hong Kong	**240**	286	
	Macau	**0**	24	
	PRC	**0**	51	
	By gender			KPI B1.1
	Male	**107**	188	
	Female	**133**	173	
	By employment type			
	Full-time	**240**	341	
	Part-time	**0**	0	
	By age group			
	<30	**12**	40	
	30-50	**108**	161	
	>50	**120**	140	
Employee turnover	By region			KPI B1.2
	Hong Kong (%)	**66.98**	86.71	
	Macau (%)	**100**	133.33	
	PRC (%)	**–**	80.39	
	By gender			KPI B1.2
	Male (%)	**69.86**	109.57	
	Female (%)	**54.76**	66.47	
	By employment type			KPI B1.2
	Full-time (%)	**63.02**	88.92	
	Part-time (%)	**–**	–	
	By age group			KPI B1.2
	<30 (%)	**81.54**	134.92	
	30-50 (%)	**64.69**	73.91	
	>50 (%)	**56.94**	85.40	

Aspect B2: Health and safety

Performance Indicator	2021 Data	2020 Data	2019 Data	Exchange ESG Reporting Guide KPI
Number of work injuries	12	11	N/A[6]	KPI B2.1
Rate of work injury (per hundred employees)	5	3.85	N/A[6]	KPI B2.1
Number of loss days due to work injuries	672	403	N/A[6]	KPI B2.1

Note 6: The Group had not developed any mechanism for collecting such information in 2019.

Aspect B3: Development and training

Performance Indicator		2021 Data	2020 Data	Exchange ESG Reporting Guide KPI
The percentage of employees receiving training	By gender			KPI B3.1
	Male	–	86%	
	Female	100%	14%	
	By category			
	Senior managerial level	–	100%	
	Managerial level	–	–	
	General staff	100%	–	
Average training hours completed	By gender			
	Male (hour)	–	0.59	
	Female (hour)	3	0.02	
	By category			
	Senior managerial level (hours)	–	8.77	
	Managerial level (hours)	–	–	
	General staff (hours)	3	–	

Aspect B5: Supply Chain Management

Performance Indicator		2021 Data	2020 Data	Exchange ESG Reporting Guide KPI
Number of Supplier by geographical region	By region			KPI B5.1
	Hong Kong	12	35	
	Australia	–	1	
	Malaysia	1	1	
	PRC	–	1	
	Total	13	38	

Directors' Report

The Directors present their report and the audited consolidated financial statements for the year ended 31 December 2021.

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 40 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 152 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.

Directors' Report

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 2021 and the financial position of the Company and of the Group at that date are set out in the consolidated financial statements on pages 74 to 151 of this annual report. The Board does not recommend the payment of a final dividend for the year ended 31 December 2021.

CLOSURE OF THE REGISTER OF MEMBERS

The forthcoming annual general meeting is scheduled to be held on 31 October 2022 (the "**2022 AGM**"). For determining the entitlement to attend and vote at the 2022 AGM, the register of members of the Company will be closed from 26 October 2022 to 31 October 2022, both days inclusive, during which period no transfer of shares of the Company will be registered. In order to attend and vote at the 2022 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, 17th Floor, Far East Finance Centre, 16 Harcourt Road, Hong Kong for registration not later than Tuesday on 25 October 2022.

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 2021 and up to the date of this annual report are set out in note 42 to the consolidated financial statements.

PROPERTY, PLANT AND EQUIPMENT

Details of movement in the property, plant and equipment of the Group during the year ended 31 December 2021 are set out in note 18 to the financial statements.

DONATION

No charitable donations made by the Group during the year ended 31 December 2021 (2020: Nil).

SHARE CAPITAL

Details of the Company's share capital is set out in note 32 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 2021, no share options were granted, exercised, cancelled or lapsed.

CONTINUING CONNECTED TRANSACTIONS

During the year ended 31 December 2021, the Group had the following continuing connected transactions, details of which were disclosed in compliance with the requirements of Chapter 20 of the GEM Listing Rules.

On 30 November 2018, Gold Profit, an indirect wholly-owned subsidiary of the Company, entered into the Dragon King Pty Framework Agreement (the "**Previous Framework Agreement**") with Dragon King Pty, pursuant to which Dragon King Pty agreed to provide food ingredients to the Group from time to time upon request from 1 January 2019 to 31 December 2021. Prior to the expiry of the Previous Framework Agreement, the Company decided to renew the agreement by entering into the Dragon King Pty Framework Agreement. Nevertheless, the Company was not aware that the new proposed annual caps for the Dragon King Pty Framework Agreement have exceeded the exemption limit under the GEM Listing Rules.

In 2018, the Group procured food ingredients from Previous Framework Agreement with a period covered from the date of agreement to 31 December 2018 and an annual cap of HK$2.4 million. As the relevant applicable percentage ratios with respect to the transactions contemplated under the framework agreement on an annual basis is less than 5% and the aggregated annual consideration is less than HK$3.0 million, the transaction between the Company and Dragon King Pty for the period from 1 January to 31 December 2018 falls within the threshold of a fully exempt de minimis transaction under Rule 20.74(1)(c) of the GEM Listing Rules.

The historical figure and the annual caps under the Previous Framework Agreement and the final annual caps under the Dragon King Pty Framework Agreement for the year ended 31 December 2021 are about HK$2.4 million and HK$4.8 million respectively.

As at the date of Previous Framework Agreement, Dragon King Pty is a company owned as to former directors. Dragon King Pty is therefore a connected person of the Company and the transactions contemplated under the Dragon King Pty Framework Agreement constitutes continuing connected transactions of the Company under Chapter 20 of the GEM Listing Rules.

Given that: (i) Dragon King Pty is a connected person of the Group; (ii) the Board has approved the Continuing Connected Transactions; and (iii) having considered the terms of the Dragon King Pty Framework Agreement and the transactions contemplated thereunder (including the Annual Cap), all the independent non-executive Directors have confirmed that the terms of the Continuing Connected Transactions are fair and reasonable, the Continuing Connected Transactions are on normal commercial terms or better and in the interest of the Company and the shareholders of the Company as a whole, the Continuing Connected Transactions (including the Annual Cap) are exempted from the circular, independent financial advice and Shareholders' approval requirements under Rule 20.99 of the GEM Listing Rules. The continuing connected transactions are subject to the reporting, announcement and annual review requirements under Chapter 20 of the GEM Listing Rules.

The management has monitored and ensured that (a) the continuing connected transactions have been conducted in accordance with the pricing policies or mechanisms (if applicable) under the Dragon King Pty Framework Agreement, as appropriate; and (b) the Company's internal control procedures are adequate and effective to ensure that continuing connected transactions are so conducted.

The independent non-executive Directors have reviewed the continuing connected transactions under Dragon King Pty Framework Agreement and have confirmed that such continuing connected transactions were entered into (i) in the ordinary and usual course of business of the Group; (ii) on normal commercial terms and (iii) in accordance with the relevant agreement governing them on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

UniTax Prism (HK) CPA Limited, the Company's auditors, were engaged to report on the Group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 Assurance Engagements Other Than Audits or Reviews of Historical Financial Information and with reference to Practice Note 740 Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules issued by the Hong Kong Institute of Certified Public Accountants. UniTax Prism (HK) CPA Limited have issued their unqualified letter containing their findings and conclusions in respect of the continuing connected transactions disclosed above by the Group in accordance with Rule 20.54 of the GEM Listing Rules. A copy of the auditors' letter has been provided by the Company to the Hong Kong Stock Exchange.

Directors' Report

The Company confirms that it has complied with the disclosures requirements in accordance with Chapter 20 of the GEM Listing Rules.

RESERVES

Details of movements in the reserves of the Company and the Group are set out in note 39 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 2021 are set out in note 37 to the financial statements.

DISTRIBUTABLE RESERVES

As at 31 December 2021, the Company did not have any reserves available for distribution to owners (2020: 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

Mr. Chan Ko Cheung *(Chairman and Chief Executive Officer) (appointed on 10 February 2021)*
Ms. Shen Taiju *(appointed on 6 January 2022)*
Mr. Zhu Min *(appointed on 7 May 2021 and resigned on 19 December 2021)*
Ms. Lee Ching Nung Angel *(resigned on 13 July 2021)*
Mr. Wong Wing Chee *(resigned on 13 July 2021)*
Mr. Wong Wing Hong *(resigned on 7 May 2021)*

Independent Non-executive Directors

Mr. Lee Yiu Keung *(appointed on 9 April 2021)*
Mr. Wang Jingan *(appointed on 12 October 2021)*
Mr. Wong Luen Tung *(appointed on 28 January 2022)*
Ms. Leung Hoi Ki *(appointed on 9 April 2021 and resigned on 9 November 2021)*
Mr. Lin Zhisheng *(resigned on 13 July 2021)*
Mr. Kwong Ping Man *(resigned on 9 April 2021)*
Mr. Chang Cheuk Cheung Terence *(resigned on 9 April 2021)*

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, Ms. Shen Taiju, Mr. Lee Yiu Keung, Mr. Wang Jingan and Mr. Wong Luen Tung will retire at the 2022 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 21 to 24 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 2022 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 2021.

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 2021 falls within the following band:

Remuneration Band	Number of Senior Management
Up to HK$1,000,000	9
HK$1,000,001 to up to HK$2,000,000	2
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 Company adopted the Share Option Scheme to recognise and reward the contribution of certain Directors and employees of the Group to the growth and development of the Group. Please see below for further details of the Share Option Scheme.

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 2021, 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.

Directors' Report

DIRECTORS' RIGHT TO ACQUIRE SHARES OR DEBENTURES

Apart from as disclosed under the paragraph headed "Directors' and chief executives' interests and short positions in shares, underlying shares 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 2021, 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 Securities and Future Ordinance (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

As at 31 December 2021, according to the register kept by the Company pursuant to section 336 of SFO, and so far as is known to the Directors or chief executive of the Company, no person (other than a Director or a chief executive of the Company) had, or was deemed or taken to have, an interest or short position in the Shares or underlying Shares which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO.

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 2021.

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 2021.

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 2021, 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 pages 25 to 39 of this annual report.

EQUITY-LINKED AGREEMENTS

Save as contents relating to "Share Option Scheme" disclosed on page 61 of this annual report, there was no equity-linked agreement entered into by the Company during the year ended 31 December 2021.

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 2021 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

Ernst & Young, who was the auditor of the Group from 2017 to 2018, has resigned as the auditor of the Group with effect from 20 December 2019. Ernst & Young, in their letter of resignation, confirmed that there were no matters in connection with their resignation that needed to be brought to the attention of holders of securities or creditors of the Company. The Board also confirmed that there was no disagreement or unresolved matter between the Company and Ernst & Young, and that they were not aware of any matters in relation to the resignation of Ernst & Young as auditor of the Group that needed to be brought to the attention of holders of securities of the Company.

Asian Alliance (HK) CPA Limited ("**Asian Alliance**"), who was the auditor of the Group from 2019 to 2020, has resigned as the auditor of the Group with effect from 3 March 2022. Asian Alliance, in their letter of resignation, confirmed that there were no matters in connection with their resignation that needed to be brought to the attention of holders of securities or creditors of the Company. The Board also confirmed that there was no disagreement or unresolved matter between the Company and Asian Alliance, and that they were not aware of any matters in relation to the resignation of Asian Alliance as auditor of the Group that needed to be brought to the attention of holders of securities of the Company.

Directors' Report

The Company has appointed UniTax Prism (HK) CPA Limited ("**UniTax Prism**") as the auditors of the Company for the Year with effect from 11 March 2022. UniTax Prism will retire and, being eligible, offer itself for reappointment at the forthcoming annual general meeting. A resolution to reappoint UniTax Prism and to authorize the Directors to fix its remuneration will be proposed at the forthcoming annual general meeting.

ON BEHALF OF THE BOARD
Dragon King Group Holdings Limited
Shen Taiju
Executive Director

Hong Kong, 14 September 2022

Independent Auditor's Report

UniTax Prism (HK) CPA Limited 尤尼泰・柏淳(香港)會計師事務所有限公司
Units 1903A -1905, 19/F, No. 8 Observatory Road, Tsim Sha Tsui, Hong Kong
香港九龍尖沙咀天文臺道8號19樓1903A-1905室

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 74 to 151, which comprise the consolidated statement of financial position as at 31 December 2021, 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 HK$50,766,000 for the year ended 31 December 2021. In addition, the Group's current liabilities exceeded its current assets by HK$130,227,000 and the Group had net liabilities of HK$102,148,000 as at 31 December 2021. As at the same date, the Group's total current borrowings amounted to HK$60,644,000, while its cash and cash equivalents amounted to HK$6,332,000 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 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.

OTHER MATTER

The consolidated financial statements of the Group for the year ended 31 December 2020 were audited by another auditor who expressed a disclaimer opinion on those statements on 31 March 2021.

RESPONSIBILITIES OF THE DIRECTORS 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.

The directors of the Company are assisted by the Audit Committee in discharging their responsibilities for overseeing the Group's financial reporting process.

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

Our 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.

UniTax Prism (HK) CPA Limited
Certified Public Accounts
Dai Tin Yau
Practising Certificate Number: P06318

Hong Kong
14 September 2022

Consolidated Statement of Profit or Loss

For the year ended 31 December 2021

	Notes	**2021** **HK$'000**	2020 HK$'000
Revenue	7	**224,193**	196,038
Cost of inventories consumed		**(72,167)**	(61,060)
Gross profit		**152,026**	134,978
Other income and gains, net	9	**12,124**	33,538
Staff costs		**(91,208)**	(87,538)
Depreciation of property, plant and equipment	18	**(6,963)**	(12,789)
Depreciation of right-of-use assets	19	**(22,750)**	(35,024)
Loss on disposal of a subsidiary	34	**–**	(644)
Loss on written-off of other receivables		**–**	(2,373)
Impairment losses of property, plant and equipment	20	**(2,660)**	(9,891)
Impairment losses of right-of-use assets	20	**(15,293)**	(12,549)
Impairment losses under expected credit loss model	11	**(7,286)**	(6,500)
Rental and related expenses		**(14,473)**	(24,865)
Other operating expenses		**(50,432)**	(45,428)
Finance costs	10	**(3,798)**	(5,533)
Loss before tax		**(50,713)**	(74,618)
Income tax expense	12	**(53)**	(141)
Loss for the year attributable to owners of the Company	13	**(50,766)**	(74,759)
Loss per share		**HK cents**	HK cents (restated)
– Basic and diluted	17	**(32.4)**	(51.9)

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2021

	2021 HK$'000	2020 HK$'000
Loss for the year	**(50,766)**	(74,759)
Other comprehensive expense:		
Item that may be reclassified subsequently to profit or loss:		
Exchange differences arising on translation of foreign operations	**(114)**	(441)
Total comprehensive expense for the year	**(50,880)**	(75,200)

Consolidated Statement of Financial Position

As at 31 December 2021

	Notes	2021 HK$'000	2020 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment	18	**27,894**	37,558
Right-of-use assets	19	**–**	36,040
Deposits and other receivables	23	**2,969**	9,587
Deferred tax assets	31	**3,364**	3,417
		34,227	86,602
CURRENT ASSETS			
Inventories	21	**5,779**	7,957
Trade receivables	22	**3,739**	2,368
Prepayments, deposits and other receivables	23	**12,401**	24,219
Financial assets at fair value through profit or loss	24	**2,056**	4,928
Amounts due from related companies	25	**–**	1,543
Tax recoverable		**554**	215
Bank balances and cash	26	**6,332**	11,692
		30,861	52,922
CURRENT LIABILITIES			
Trade payables	27	**40,534**	34,599
Other payables and accruals	28	**38,496**	25,960
Bank borrowings	29	**60,644**	76,448
Lease liabilities	30	**21,102**	39,190
Tax payable		**312**	1,053
		161,088	177,250
NET CURRENT LIABILITIES		**(130,227)**	(124,328)
TOTAL ASSETS LESS CURRENT LIABILITIES		**(96,000)**	(37,726)
NON-CURRENT LIABILITIES			
Other payables and accruals	28	**620**	2,408
Lease liabilities	30	**5,528**	16,869
		6,148	19,277
NET LIABILITIES		**(102,148)**	(57,003)

Consolidated Statement of Financial Position

As at 31 December 2021

	Note	2021 HK$'000	2020 HK$'000
CAPITAL AND RESERVES			
Share capital	32	**17,280**	14,400
Reserves		**(119,428)**	(71,403)
TOTAL DEFICIENCY IN EQUITY		**(102,148)**	(57,003)

The consolidated financial statements on pages 74 to 151 were approved and authorised for issue by the Board of Directors on 14 September 2022 and are signed on its behalf by:

Chan Ko Cheung
Director

Shen Taiju
Director

Consolidated Statement of Changes in Equity

For the year ended 31 December 2021

	Attributable to owners of the Company						
	Share capital HK$'000 (Note 32)	Share premium HK$'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 deficiency in equity HK$'000
At 1 January 2020	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: *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 and 1 January 2021	14,400	88,057	(43,224)	42,703	(310)	(158,629)	(57,003)
Loss for the year	**–**	**–**	**–**	**–**	**–**	**(50,766)**	**(50,766)**
Other comprehensive expense for the year: *Item that may be reclassified subsequently to profit or loss:* Exchange differences arising on translation of foreign operations	**–**	**–**	**–**	**–**	**(114)**	**–**	**(114)**
Total comprehensive expense for the year	**–**	**–**	**–**	**–**	**(114)**	**(50,766)**	**(50,880)**
Placing of new shares (Note 32)	**2,880**	**3,057**	**–**	**–**	**–**	**–**	**5,937**
Share issue expenses (Note 32)	**–**	**(202)**	**–**	**–**	**–**	**–**	**(202)**
At 31 December 2021	**17,280**	**90,912**	**(43,224)**	**42,703**	**(424)**	**(209,395)**	**(102,148)**

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 2021

	2021 HK$'000	2020 HK$'000
OPERATING ACTIVITIES		
Loss before tax	**(50,713)**	(74,618)
Adjustments for:		
Finance costs	**3,798**	5,533
Bank interest income	**(5)**	(4)
Subsidies received from a utility company for purchase of property, plant and equipment	**(246)**	(353)
Loss on disposal of a subsidiary	**–**	644
Fair value gains on financial assets at fair value through profit or loss	**(66)**	(64)
Loss on disposal of property, plant and equipment	**1,179**	–
Loss on written-off of other receivables	**–**	2,373
Depreciation of property, plant and equipment	**6,963**	12,789
Depreciation of right-of-use assets	**22,750**	35,024
Gain on early termination of leases	**(1,689)**	–
(Reversal of) provision for annual leave, net	**(1,972)**	1,346
Provision for long service payment, net	**306**	269
Rental concession	**(4,959)**	(14,382)
Impairment losses of property, plant and equipment	**2,660**	9,891
Impairment losses of right-of-use assets	**15,293**	12,549
Impairment losses under expected credit loss model	**7,286**	6,500
Operating cash flows before movements in working capital	**585**	(2,503)
Decrease in inventories	**2,195**	2,124
(Increase) decrease in trade receivables	**(1,365)**	200
Decrease in prepayments, deposits and other receivables	**12,701**	12,955
Increase (decrease) in trade payables	**5,754**	(9,959)
Increase in other payables and accruals	**12,341**	197
Cash generated from operations	**32,211**	3,014
Interest paid on bank borrowings	**(2,068)**	(1,828)
Income tax paid	**(1,080)**	(1,710)
NET CASH FROM (USED IN) OPERATING ACTIVITIES	**29,063**	(524)
INVESTING ACTIVITIES		
Interest received	**5**	4
Purchase of property, plant and equipment	**(974)**	(2,329)
Proceeds from withdrawal of a life insurance policy	**2,938**	–
Net cash inflows arising from disposal of a subsidiary	**–**	1,349
NET CASH FROM (USED IN) INVESTING ACTIVITIES	**1,969**	(976)

Consolidated Statement of Cash Flows

For the year ended 31 December 2021

	2021 HK$'000	2020 HK$'000
FINANCING ACTIVITIES		
Net proceeds from placing of shares	**5,735**	–
New bank borrowings	**3,000**	64,838
Repayment of bank borrowings	**(18,804)**	(31,083)
Payment of lease liabilities	**(26,302)**	(19,006)
Repayment of loan from a shareholder	**–**	(15,000)
NET CASH USED IN FINANCING ACTIVITIES	**(36,371)**	(251)
NET DECREASE IN CASH AND CASH EQUIVALENTS	**(5,339)**	(1,751)
Cash and cash equivalents at the beginning of the year	**11,692**	14,227
Effect of foreign exchange rate changes	**(21)**	(784)
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR, represented by bank balances and cash	**6,332**	11,692

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

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 was located at Office A, 20/F, TG Place, 10 Shing Yip Street, Kwun Tong, Kowloon, Hong Kong and changed to 16/F., Tern Centre Two, 251 Queen's Road Central, Hong Kong on 31 January 2022. 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 40 to the consolidated financial statements.

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

In the current year, the Group has applied, for its first time, the following amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**") which are effective for the Group's financial year beginning 1 January 2021.

Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	Interest Rate Benchmark Reform – Phase 2
Amendment to HKFRS 16	Covid-19 – Related Rent Concessions

The application of the amendments to HKFRSs in the current year has had no material impact on the Group's financial performance and position for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

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

New and amendments to HKFRSs issued but not yet effective

The Group has not early in those consolidated financial statements applied the following new and amendments to HKFRSs, that have been issued but are not yet effective in these consolidated financial statements:

HKFRS 17	Insurance Contracts[3]
Amendments to HKFRS 17	Insurance Contracts[3, 5]
Amendments to HKFRS 3	Reference to the Conceptual Framework[2]
Amendments to HKFRS 10 and HKAS 28 (2011)	Sale or Contribution of Assets between an Investor and Its Associate or Joint Venture[4]
Amendments to HKAS 1	Classification of liabilities as Current or Non-current[3]
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies[3]
Amendments to HKAS 8	Definition of Accounting Estimates[3]
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction[3]
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 HKFRS 16	COVID-19 – Related Rent Concessions beyond 30 June 2021[1]
Amendments to HKFRS 1, HKFRS 9, Illustrative Examples accompanying HKFRS 16 and HKAS 41[2]	Annual Improvements to HKFRSs 2018 – 2020[2]

1 Effective for annual periods beginning on or after 1 April 2021
2 Effective for annual periods beginning on or after 1 January 2022
3 Effective for annual periods beginning on or after 1 January 2023
4 No mandatory effective date yet determined but available for adoption
5 As a consequence of the amendments to HKFRS 17 issued in October 2020, HKFRS 4 was amended to extend the temporary exemption that permits insurers to apply HKAS 39 rather than HKFRS 9 for annual periods beginning before 1 January 2023

The directors of the Company anticipate that the application of the new and amendments to HKFRSs will have no material impact on the results and the financial position 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 (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("**HKASs**") and Interpretations) issued by the HKICPA, accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. 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**").

The consolidated financial statements have been prepared under the historical cost convention, except for financial assets at fair value through profit or loss and they are presented in Hong Kong dollars and all values are rounded to the nearest thousand except when otherwise indicated.

Going concern assessment

During the year ended 31 December 2021, due to the material adverse impact of COVID-19 pandemic, the Group reported loss for the year attributable to owners of the Company of HK$50,766,000. In addition, as of that date, the Group's current liabilities exceeded its current assets by approximately HK$130,227,000 and the Group had net liabilities by HK$102,148,000. As at the same date, the Group's total current borrowings amounted to HK$60,644,000, while its cash and cash equivalents amounted to HK$6,332,000 only.

The directors of the Company 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$60,644,000 as at 31 December 2021, of which HK$15,231,000 is repayable within one year. The remaining interest-bearing bank borrowings, amounting to HK$45,413,000 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.

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 where the Company:

- has power over the investee;
- has exposure, 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. Income and expenses of subsidiaries 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 component of other comprehensive income of subsidiaries are attributed to the owners of the Company. Total comprehensive income of subsidiaries is attributed to the owners of the Company.

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

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 or, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

Fair value measurement

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*.

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

3.2 Significant accounting policies *(continued)*

Fair value measurement *(continued)*

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.

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.

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. 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.

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.

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)*

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.

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required, the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value-in-use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs. In testing a cash-generating unit for impairment, a portion of the carrying amount of a corporate asset (e.g., a headquarters building) is allocated to an individual cash-generating unit if it can be allocated on a reasonable and consistent basis or, otherwise, to the smallest group of cash-generating units.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value-in-use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to the statement of profit or loss in the period in which it arises in those expense categories consistent with the function of the impaired asset.

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

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 of the Company are required to make judgements, estimates and assumptions about the amounts associated of assets, liabilities, revenue and expenses reported and disclosures made on the consolidated financial statements. The estimates and associated 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 of the Company have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised and disclosures made 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 significant judgements 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 resulting in 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 2021, the carrying amounts of property, plant and equipment and right-of-use assets, subject to impairment assessment were approximately HK$27,894,000 and Nil (2020: HK$37,558,000 and HK$36,040,000) respectively, after taking into account the impairment losses of HK$2,660,000 and HK$15,293,000 (2020: HK$9,891,000 and HK$12,549,000), 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 HK$158,217,000 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 HK$2,056,000 as at 31 December 2021 (2020: HK$4,928,000) 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 2021.

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 and bank borrowings, less bank balances and cash. Capital represents the deficit attributable to owners of the Company. The gearing ratios as at the end of each of the reporting period were as follows:

	2021 HK$'000	2020 HK$'000
Trade payables	40,534	34,599
Other payables and accruals	39,116	28,368
Lease liabilities	26,630	56,059
Bank borrowings	60,644	76,448
Less: Bank balances and cash	(6,332)	(11,692)
Net debt	160,592	183,782
Total deficit attributable to owners of the Company	(102,148)	(57,003)
Capital and net debt	58,444	126,779
Gearing ratio	275%	145%

6. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	2021 HK$'000	2020 HK$'000
Financial assets		
Financial assets at FVTPL:		
– Other unlisted investments	**2,056**	4,928
Financial assets at amortised cost:		
– Trade receivables	**3,739**	2,368
– Deposits and other receivables	**14,799**	32,703
– Amounts due from related companies	**–**	1,543
– Bank balances and cash	**6,332**	11,692
	24,870	48,306
	26,926	53,234
Financial liabilities		
At amortised cost:		
– Trade payables	**40,534**	34,599
– Other payables and accruals	**37,441**	24,347
– Bank borrowings	**60,644**	76,448
	138,619	135,394

(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 and bank borrowings. 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 to the consolidated financial statements, 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 expense on financial liabilities not measured at FVTPL:

	2021 **HK$'000**	2020 HK$'000
Financial liabilities at amortised cost	**3,798**	4,810
Effective interest expenses of loan from a shareholder	**–**	723
	3,798	5,533

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 (2020: 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 of the Company 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 (2020: 50 basis points) higher/lower and all other variables were held constant, the post-tax loss for the year ended 31 December 2021 would increase/decrease by approximately HK$303,000 (2020: increase/decrease by HK$356,000).

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.

In addition, the Group performs impairment assessment under ECL model on trade receivables 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 (2020: 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 of the Company make periodic individual assessment on the recoverability of deposits and other receivables 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 2021, the directors of the Company 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 were significant and thus approximately HK$7,286,000 (2020: HK$6,372,000) loss allowance provided during the year.

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:

	Notes	External credit rating	Internal credit rating	12m or lifetime ECL	2021 Gross carrying amount HK$'000	2020 Gross carrying amount HK$'000
Financial assets at amortised costs						
Bank balances	26	AA+	N/A	12m ECL	6,332	11,516
Amounts due from related companies	25	N/A	(Note 1)	12m ECL	–	1,671
Deposits and other receivables	23	N/A	(Note 1)	12m ECL	28,585	39,075
Trade receivables	22	N/A	(Note 2)	Lifetime ECL (Provision matrix)	3,739	2,368

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' ageing 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 2021

	Current	Total
Average loss rate	0.00%	0.00%
Gross carrying amount (HK$'000)	3,739	3,739
Expected credit losses (HK$'000)	–	–

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)	–	–	–	–	–	–	–

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 2021 (2020: Nil).

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

	12m ECL HK$'000
As at 1 January 2020	–
Impairment losses recognised	6,372
As at 31 December 2020 and 1 January 2021	6,372
Reclassified from amounts due from related companies	128
Impairment losses recognised	7,286
As at 31 December 2021	13,786

The credit quality of other receivables and deposits is considered to be normal and subject to 12m ECL assessment when they are not past due and there is no information indicating that the other receivables and deposits had a significant increase in credit risk since initial recognition. Otherwise, the credit quality of the other receivables and deposits is considered to be "doubtful".

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 2020, 31 December 2020 and 1 January 2021	128
Reclassified to other receivables	(128)
As at 31 December 2021	–

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$130,227,000 and HK$102,148,000 respectively (2020: HK$124,328,000 and HK$57,003,000). 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
2021						
Trade payables	**–**	**40,534**	**–**	**–**	**40,534**	**40,534**
Other payables and accruals	**–**	**37,707**	**–**	**620**	**38,327**	**38,327**
Bank borrowings						
– variable rate	**2.75%-7.5%**	**60,644**	**–**	**–**	**60,644**	**60,644**
Leases liabilities	**3.94%-8.49%**	**22,208**	**4,158**	**1,728**	**28,094**	**26,630**
		161,093	**4,158**	**2,348**	**167,599**	**166,135**
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

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 2021, the aggregate carrying amounts of these bank borrowings amounted to HK$60,644,000 (2020: HK$76,448,000). Taking into account the Group's financial position, the directors of the Company do not believe that it is probable that the banks will exercise their discretionary rights to demand immediate repayment. The directors of the Company 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 2021	**16,722**	**12,813**	**21,544**	**17,703**	**68,782**	**60,644**
31 December 2020	19,983	13,950	33,156	18,904	85,993	76,448

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 of the Company. 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 of the Company.

(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 2021 HK$'000	31 December 2020 HK$'000		
Financial assets				
Other unlisted investments	**2,056**	4,928	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 2021

	Operation and management of restaurants HK$'000
Type of goods or services	
Revenue from Chinese restaurant operations	224,193
Geographical markets	
Hong Kong and Macau	202,148
The People's Republic of China (the "**PRC**")	22,045
Total	224,193
Timing of revenue recognition	
At a point in time	224,193

7. REVENUE *(continued)*

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

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
The PRC	29,359
Total	196,038
Timing of revenue recognition	
At a point in time	196,038

(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 2021 and 2020.

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	
	2021	2020	**2021**	2020
	HK$'000	HK$'000	**HK$'000**	HK$'000
Hong Kong and Macau	**202,148**	166,679	**27,894**	51,858
The PRC	**22,045**	29,359	**–**	21,740
	224,193	196,038	**27,894**	73,598

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 2021 and 2020.

9. OTHER INCOME AND GAINS, NET

	2021 HK$'000	2020 HK$'000
Bank interest income	**5**	4
Fair value gains on financial assets at FVTPL	**66**	64
Financial subsidy received from PRC tax authority (Note a)	**–**	31
Gain on early termination of leases	**1,689**	–
Interest income on rental deposit at amortised cost	**362**	428
Subsidies received from a utility company for purchases of property, plant and equipment (Note a)	**246**	353
Exchange gain	**21**	148
Sale of food and beverages	**–**	352
Government grants (Note b)	**4,594**	17,641
Rental concession (Note c)	**4,959**	14,382
Others	**182**	135
	12,124	33,538

Notes:

a) As at 31 December 2021 and 2020, 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 2021, the Group recognised government grants of HK$4,594,000 (2020: HK$17,641,000) in respect of COVID-19-related subsidies, of which Nil (2020: HK$4,222,000) relates to the Employment Support Scheme, HK$4,400,000 (2020: HK$13,210,000) related to the Anti-epidemic fund of the Hong Kong Government, Ni (2020: 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 and HK$194,000 (2020: Nil) related to Plano de apoio pecuniário aos trabalhadores, aos profissionais liberais e aos operadores de estabelecimentos comerciais para o ano de 2021 2021年度僱員、自由職業者及商號經營者援助款項計劃 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 December 2021.

c) During the year ended 31 December 2021, the Group recognised rental concession of approximately HK$4,959,000 (2020: HK$14,382,000), of which approximately HK$Nil (2020: HK$4,530,000) related to COVID-19 related rent concessions.

10. FINANCE COSTS

	2021 HK$'000	2020 HK$'000
Interest on:		
Lease liabilities	**1,730**	2,982
Bank borrowings	**2,068**	1,828
Effective interest expense of loan from a shareholder	**–**	723
	3,798	5,533

11. IMPAIRMENT LOSSES UNDER EXPECTED CREDIT LOSS MODEL

	2021 HK$'000	2020 HK$'000
Impairment losses recognised on:		
– Deposits and other receivables	7,286	6,372
– Amount due from related companies	–	128
	7,286	6,500

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

12. INCOME TAX EXPENSE

	2021 HK$'000	2020 HK$'000
Current tax		
Hong Kong	–	178
Deferred tax (Note 31)		
Current year	53	(37)
	53	141

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

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 2021 (2020: 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:

	2021 **HK$'000**	2020 HK$'000
Loss before tax	**(50,713)**	(74,618)
Tax at the statutory rates of different jurisdictions	**(8,252)**	(12,157)
Tax effect of income not taxable for tax purposes	**(970)**	(2,923)
Tax effect to expenses not deductible for tax purposes	**6,020**	8,121
Tax effect of unused tax losses not recognised	**3,255**	7,100
Income tax expense for the year	**53**	141

13. LOSS FOR THE YEAR

Loss for the year has been arrived at after charging:

	2021 **HK$'000**	2020 HK$'000
Employee benefit expense (excluding directors' and chief executive's remuneration (Note 14))		
– salaries, bonuses and allowances	**81,707**	78,082
– retirement benefit scheme contributions	**5,137**	3,407
	86,844	81,489
Auditor's remuneration		
– audit services	**1,200**	920

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 section 383(1)(a), (b), (c) and (f) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation, is as follows:

	Fees	Salaries, allowances and benefits-in-kind	Performance related bonuses	Retirement benefits scheme contributions	Total
	HK'000	HK'000	HK'000	HK'000	HK'000
For the year ended 31 December 2021					
Executive Directors					
Mr. Wong Wing Chee (resigned on 15 September 2021)	–	1,790	–	14	1,804
Ms. Lee Ching Nung Angel (resigned on 13 July 2021)	–	1,030	–	9	1,039
Mr. Wong Wing Hong (resigned on 7 May 2021)	–	477	–	9	486
Mr. Chan Ko Cheung *(Chairman and Chief Executive Office)* (appointed on 10 February 2021)	–	534	–	17	551
Mr. Zhu Min (appointed on 7 May 2021 and resigned on 19 December 2021)	–	148	–	7	155
Independent Non-executive Directors					
Mr. Kwong Ping Man (resigned on 9 April 2021)	33	–	–	–	33
Mr. Lin Zhisheng (resigned on 13 July 2021)	71	–	–	–	71
Mr. Chang Cheuk Cheung Terence (resigned on 4 September 2021)	33	–	–	–	33
Mr. Lee Yiu Keung (appointed on 9 April 2021)	87	–	–	–	87
Ms. Leung Hoi Ki (appointed on 9 April 2021 and resigned on 9 November 2021)	77	–	–	–	77
Mr. Wang Jingan (appointed on 12 October 2021)	28	–	–	–	28
Toal	329	3,979	–	56	4,364
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

^ Included in the above salaries, allowances and benefits-in-kind were estimated rentals of approximately 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 in 2020.

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

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.

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 2021.

15. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees of the Group during the year included two (2020: three) directors, details of whose remuneration are set out in Note 14 above. Details of the remuneration for the year of the remaining three (2020: two) highest paid employees who are neither a director nor chief executive of the Company are as follows:

	2021	2020
	HK$'000	HK$'000
Salaries, allowances and benefits-in-kind	**1,978**	1,130
Retirement benefits scheme contributions	**54**	36
	2,032	1,166

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	
	2021	2020
Nil to HK$1,000,000	**3**	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 2021, nor has any dividend been proposed since the end of the reporting period (2020: 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:

	2021	2020
	HK$'000	HK$'000
Loss for the year attributable to owners of the Company for the purpose of basic and diluted loss per share	**(50,766)**	(74,759)

	Number of shares	
	2021	2020
	'000	'000
		(restated)
Weighted average number of ordinary shares for the purpose of basic and diluted loss per share	**156,388**	144,000

No diluted earnings per share for the years ended 31 December 2021 and 2020 were presented as there were no potential ordinary shares in issue for the years ended 31 December 2021 and 2020.

18. PROPERTY, PLANT AND EQUIPMENT

	Building HK$'000	Leasehold improvements HK$'000	Tableware and utensils HK$'000	Furniture, fixtures and office equipment HK$'000	Motor vehicles HK$'000	Total HK$'000
At 31 December 2020 and 1 January 2021						
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
Additions	–	598	–	376	–	974
Disposal	–	(296)	–	(883)	–	(1,179)
Impairment loss recognised	–	(1,214)	–	(1,446)	–	(2,660)
Depreciation provided during the year	(797)	(4,088)	–	(2,078)	–	(6,963)
Exchange realignment	–	140	–	24	–	164
At 31 December 2021, net of accumulated depreciation and impairment	27,894	–	–	–	–	27,894
At 31 December 2021						
Cost	35,864	159,227	4,427	57,404	2,151	259,073
Accumulated depreciation and impairment	(7,970)	(159,227)	(4,427)	(57,404)	(2,151)	(231,179)
Carrying values	27,894	–	–	–	–	27,894

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

	Building HK$'000	Leasehold improvements HK$'000	Tableware and utensils HK$'000	Furniture, fixtures and office equipment HK$'000	Motor vehicles HK$'000	Total HK$'000
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 34)	–	(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

At 31 December 2021, the Group's building with carrying amount of approximately HK$27,894,000 (2020: HK$28,691,000) 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 2020	97,234
Additions	18,701
Depreciation charge	(35,024)
Disposal of a subsidiary (Note 34)	(33,686)
Exchange realignment	1,364
Impairment loss recognised	(12,549)
At 31 December 2020 and 1 January 2021	36,040
Additions	3,248
Depreciation charge	(22,750)
Termination of leases	(1,457)
Exchange realignment	212
Impairment loss recognised	(15,293)
At 31 December 2021	–
For the year ended 31 December 2021	
Expense relating to short-term leases	1,760
Expense relating to leases of low value assets, excluding short term leases of low-value assets	34
Total cash outflow for leases	33,054
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

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 (2020: 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 2021, 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 2021, the outstanding lease commitments relating to these short term leases is HK$1,685,000 (2020: 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% (2020: 9% 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 2021 are as follow:

For the year ended 31 December 2021

	Number of restaurants	Fixed payments HK$'000	Variable payments HK$'000	Total Payment HK$'000
Restaurants without variable lease payments	1	3,612	–	3,612
Restaurants with variable lease payments	5	19,225	–	19,225
	6	22,837	–	22,837

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

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

Leases committed

As at 31 December 2021, 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 2021, lessors of various offices and restaurants provided rent concessions to the Group through rent reductions ranging from 20% to 50% over 2 to 19 months (2020: 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

As at 31 December 2021, 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 at the end of reporting period.

The Group estimates the recoverable amount of several cash generating units ("**CGUs**") 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 the management of 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 of 13.78% as at 31 December 2021 (2020: range of 10.59% to 11.90%). 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 2021 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 2021, 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 HK$2,660,000 (2020: HK$9,891,000) and HK$15,293,000 (2020: HK$12,599,500) have been recognised against the carrying amount of property, plant and equipment and right-of-use assets respectively.

21. INVENTORIES

	2021 HK$'000	2020 HK$'000
Food and beverages, and other operating items for restaurant operations	**5,779**	7,957

22. TRADE RECEIVABLES

	2021 HK$'000	2020 HK$'000
Contracts with customers	**3,739**	2,368
Less: Allowance for credit losses	**–**	–
	3,739	2,368

As at 31 December 2021, trade receivables from contracts with customers amounted to HK$3,739,000 (2020: HK$2,368,000).

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

	2021 HK$'000	2020 HK$'000
Within 1 month	**3,739**	1,447
1 to 2 months	**–**	676
2 to 3 months	**–**	47
Over 3 months	**–**	198
	3,739	2,368

As at 31 December 2021, none of the Group's trade receivables are past due (2020: HK$921,000, and out of HK$163,000 had 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

	2021 HK$'000	2020 HK$'000
Prepayments	571	1,103
Deposits and other receivables	14,799	32,703
	15,370	33,806
Less: Deposits and other receivables classified as non-current assets	(2,969)	(9,587)
	12,401	24,219

Included in the Group's deposits and other receivable balance are rental deposits and utility deposits with aggregate carrying amount of HK$11,914,000 (2020: HK$14,947,000).

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

	2021 HK$'000	2020 HK$'000
Other unlisted investments, at fair value	2,056	4,928

The above unlisted investments at 31 December 2021 were one (2020: two) life insurance policy relating to an ex-director of the Company (2020: a director of the Company). The total insured sum as at 31 December 2021 were HK$6,700,000 (2020: 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$'000	2021 HK$'000	Maximum amount outstanding during the year HK$'000	2020 HK$'000
Wide Fortune Limited	146	–	146	146
Hong Kong Co-Founder Technology Limited	1,348	–	1,348	1,348
Best Focus Creation Limited	177	–	177	177
		–		1,671
Less: Allowance for credit losses		–		(128)
		–		1,543

Wide Fortune Limited, Hong Kong Co-Founder Technology Limited and Best Focus Creation Limited were beneficially owned by Mr. Wong Wing Chee, an ex-director (2020: an director) of the Company during the years ended 31 December 2020 and 2021.

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

During the year, the amounts due from related companies have been reclassified as other receivables as the common director of the related companies resigned in the year.

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 2021 amounted to HK$17,000 (2020: HK$1,616,000). 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% (2020: 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 ageing analysis of the trade payables as at the end of reporting period, based on the invoice date, is as follow:

	2021	2020
	HK$'000	HK$'000
Within 1 month	**4,652**	3,018
1 to 2 months	**3,090**	3,670
2 to 3 months	**2,258**	3,732
Over 3 months	**30,534**	24,179
	40,534	34,599

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

28. OTHER PAYABLES AND ACCRUALS

	Notes	**2021**	2020
		HK$'000	HK$'000
Accruals		**15,354**	15,974
Contract liabilities	(a)	**1,058**	3,502
Other payables	(b)	**22,087**	8,373
Deferred revenue	(c)	**617**	519
		39,116	28,368
Less: Other payables and accruals classified as non-current liabilities		**(620)**	(2,408)
		38,496	25,960

28. OTHER PAYABLES AND ACCRUALS *(continued)*

Notes:

(a) Details of contract liabilities as at 31 December 2020 and 2021 are as follows:

	2021 HK$'000	2020 HK$'000
Current		
Deposits received from customers for restaurants operation	554	2,769
Cash coupons for restaurants operation	504	733
	1,058	3,502

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 2021		
Revenue recognised that was included in the contract liabilities at the beginning of the year	1,852	733

	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 liabilities at the beginning of the year	1,152	680

28. OTHER PAYABLES AND ACCRUALS *(continued)*

Notes: *(continued)*

(a) Details of contract liabilities as at 31 December 2020 and 2021 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% (2020: 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 HK$659,000 (2020: HK$3,859,000).

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

29. BANK BORROWINGS

	2021			2020		
	Effective interest rate per annum	**Maturity**	**HK$'000**	Effective interest rate per annum	Maturity	HK$'000
Current						
Variable bank borrowings – secured	**2.75%-6.75%**	**Within 12 months or on demand**	**60,644**	2.75%-8%	Within 12 months or on demand	76,448
			60,644			76,448

The Group's variable-rate bank borrowings carry interest at 1% (2020: 1%) below prime rate to 1.5% (2020: 1.5%) over prime rate per annum, 1.75% to 2.5% (2020: 1.75% to 2.5%) over Hong Kong Interbank Offered Rate ("**HIBOR**") per annum and 1.5% to 1.85% (2020: 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:

	2021 HK$'000	2020 HK$'000
Within one year	15,231	18,584
Within a period of more than one year but not exceeding two years	11,658	12,451
Within a period of more than two years but not exceeding five years	19,678	30,587
Within a period of more than five years	14,077	14,826
	60,644	76,448

Notes:

(a) At 31 December 2021, of the Group's bank borrowings are secured by:

(i) Mortgage over a building owned by the Group, which had carrying value of HK$27,894,000 (2020: HK$28,691,000) (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 HK$2,056,000 (2020: HK$4,928,000) (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:

	2021 HK$'000	2020 HK$'000
Within one year	21,102	39,190
Within a period of more than one year but not exceeding two years	5,528	16,181
Within a period of more than two years but not exceeding five years	–	688
	26,630	56,059
Less: Amount due for settlement with 12 months shown under current liabilities	(21,102)	(39,190)
Amount due for settlement after 12 months shown under non-current liabilities	5,528	16,869

The weighted average incremental borrowing rates applied to lease liabilities range from 3.94% to 8.49% (2020: 3.94% to 5.56%).

31. DEFERRED TAXATION

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

	2021 HK$'000	2020 HK$'000
Deferred tax assets	**3,364**	3,417

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 2020	3,421	33	3,454
Credited to profit or loss (Note 12)	(37)	–	(37)
At 31 December 2020 and 1 January 2021	3,384	33	3,417
Credited to profit or loss (Note 12)	(53)	–	(53)
At 31 December 2021	3,331	33	3,364

The Group has unrecognised tax losses arising in Hong Kong of HK$158,217,000 (2020: HK$120,151,000), 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 HK$25,550,000 (2020: HK$21,069,000) 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. SHARE CAPITAL

	Nominal value HK$	Number of shares	HK$'000
Authorised			
At 1 January 2020, 31 December 2020 and 1 January 2021	0.01	2,000,000,000	20,000
Increase in authorised shares (Note i)	0.01	3,000,000,000	30,000
Share consolidation (Note ii)	–	(4,500,000,000)	–
At 31 December 2021	0.1	500,000,000	50,000
Issued and fully paid			
At 1 January 2020, 31 December 2020 and 1 January 2021		1,440,000,000	14,400
Share consolidation (Note ii)		(1,296,000,000)	–
Placing of new shares on 28 July 2021 (Note iii)		28,800,000	2,880
At 31 December 2021		172,800,000	17,280

32. SHARE CAPITAL *(continued)*

Note i: Pursuant to an ordinary resolution passed by shareholders at the extraordinary general meeting held on 28 May 2021, the authorised share capital of the Company be increased from HK$20,000,000 divided into 2,000,000,000 shares of HK$0.01 each to HK$50,000,000 divided into 5,000,000,000 shares by the creation of an additional 3,000,000,000 shares.

Note ii: Pursuant to an ordinary resolution passed by shareholders at the extraordinary general meeting held on 28 May 2021, the share consolidation of every 10 issued and unissued shares of HK$0.01 each into 1 consolidated share of HK$0.10 each became effective on 1 June 2021.

Note iii: On 8 July 2021, the Company and a placing agent entered into a placing agreement pursuant to which the Company has conditionally agreed to place a maximum of 28,800,000 placing shares to independent investors at a price of HK$0.208 per share. The placing was completed on 28 July 2021 pursuant to which the Company has allotted and issued 28,800,000 placing shares. The net proceeds derived from the placing amounted to HK$5,735,000 and resulted in the increase in share capital of HK$2,880,000 and share premium of HK$2,855,000, net of transaction costs of HK$202,000.

33. 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 (2020: 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 HK$5,193,000 (2020: approximately HK$3,461,000) represents contributions payable to these plans by the Group at rates specified in the rules of the schemes. As at 31 December 2021, contributions of HK$481,000 (2020: approximately HK$418,000) due in respect of the year ended 31 December 2021 had not been paid over to the schemes. The amounts were paid subsequent to the end of the reporting period.

34. 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

35. 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 HK$'000	Total HK$'000
At 1 January 2020	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
Changes from cash flows:				
New borrowings	3,000	–	–	3,000
Repayment	(18,804)	(26,302)	–	(45,106)
Interest paid	(2,068)	–	–	(2,068)
Non-cash changes:				
New lease	–	3,248	–	3,248
Early termination of leases	–	(1,457)	–	(1,457)
Interest expense (Note 10)	2,068	1,730	–	3,798
Rental concession	–	(4,959)	–	(4,959)
At 31 December 2021	60,644	28,319	–	88,963

36. MAJOR NON-CASH TRANSACTIONS

During the year ended 31 December 2021, the Group entered into new lease agreements for the use of leased properties for 2 to 3 years ended 31 December 2021. On the lease commencement, the Group recognised HK$3,248,000 right-of-use assets and HK$3,248,000 lease liabilities (2020: HK$15,636,000 right-of-use assets and HK$15,479,000 lease liabilities).

37. 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.

	2021 HK$'000	2020 HK$'000
Purchases from a company controlled by former-directors (2020: directors)	**4,741**	3,423

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.

The related party transactions constitute continuing connected transactions as defined in Chapter 14A of the Listing Rules. The disclosures required by Chapter 14A of the Listing Rules are provided in the "Report of the Directors" section to the annual report.

(b) Compensation of key management personnel

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

38. 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	**2021 HK$'000**	2020 HK$'000
Property, plant and equipment	18	**27,894**	28,691
Financial assets at fair value through profit or loss	24	**2,056**	4,928
		29,950	33,619

Restriction on assets

In addition, lease liabilities of HK$26,630,000 (2020: HK$56,059,000) are recognised with related right-of-use assets of Nil (2020: HK$36,040,000) as at 31 December 2021. 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.

39. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY

	2021	2020
	HK$'000	HK$'000
NON-CURRENT ASSET		
Investment in a subsidiary	**–**	–
CURRENT ASSET		
Bank balances and cash	**49**	7,150
CURRENT LIABILITIES		
Other payables and accruals	**3,882**	1,607
Amount due to subsidiaries	**11,940**	10,261
	15,822	11,868
NET CURRENT LIABILITIES	**(15,773)**	(4,718)
NET LIABILITIES	**(15,773)**	(4,718)
Capital and reserves		
Share capital	**17,280**	14,400
Reserves	**(33,053)**	(19,118)
TOTAL DEFICIENCY IN EQUITY	**(15,773)**	(4,718)

The financial statements were approved and authorised for issue by the Board of Directors on 14 September 2022 and are signed on its behalf by:

Chan Ko Cheung
Director

Shen Taiju
Director

39. 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 2020	88,057	(99,201)	(11,144)
Loss for the year	–	(7,974)	(7,974)
At 31 December 2020 and 1 January 2021	88,057	(107,175)	(19,118)
Loss for the year	–	(16,790)	(16,790)
Placing of new shares	3,057	–	3,057
Share issue expenses	(202)	–	(202)
At 31 December 2021	90,912	(123,965)	(33,053)

40. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY

Details of the Company's principal subsidiaries at the end of the reporting periods are set out below:

Name of subsidiaries	Principal place of operation and place of incorporation or establishment	Class of shares held	Paid up issued/ registered capital	Percentage of ownership interest held by the Company				Percentage of voting power held by the Company				Principal activities
				Direct		Indirect		Direct		Indirect		
				2021	2020	**2021**	2020	**2021**	2020	**2021**	2020	
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
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.

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				
	2021	2020	2019	2018	2017
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
REVENUE	**224,193**	196,038	402,320	415,033	418,513
LOSS BEFORE TAX	**(50,713)**	(74,618)	(32,654)	(56,336)	(6,584)
Income tax expense	**(53)**	(141)	(2,819)	(1,731)	(3,649)
LOSS FOR THE YEAR	**(50,766)**	(74,759)	(35,473)	(58,067)	(10,233)
Loss attributable to:					
Owners of the Company	**(50,766)**	(74,759)	(35,473)	(58,067)	(10,161)
Non-controlling interests	**–**	–	–	–	(72)
	(50,766)	(74,759)	(35,473)	(58,067)	(10,233)

ASSETS, LIABILITIES AND NON-CONTROLLING INTERESTS

	As at 31 December				
	2021	2020	2019	2018	2017
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
TOTAL ASSETS	**65,088**	139,524	256,912	197,660	178,499
TOTAL LIABILITIES	**(167,236)**	196,527	(238,715)	(144,437)	(123,458)
	(102,148)	(57,003)	18,197	53,223	55,041
EQUITY					
Equity attributable to owners of the Company	**(102,148)**	(57,003)	18,197	53,223	55,041
Non-controlling interests	**–**	–	–	–	–
	(102,148)	(57,003)	18,197	53,223	55,041