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
2022

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

Contents

Corporate Information

BOARD OF DIRECTORS

Executive Directors

Ms. Shen Taiju *(Chairman)*
(appointed on 6 January 2022 and
re-designated to Chairman on 6 October 2022)
Mr. Chan Ko Cheung *(Chairman and
chief executive officer)*
(resigned on 6 October 2022)
Ms. Au Yeung Lok Yee
(appointed on 4 January 2023)
Mr. Jia Yongqiang (appointed on 17 April 2023)

Independent Non-Executive Directors

Mr. Lee Yiu Keung (retired on 31 October 2022)
Dr. Chung Ling Cheong Dicky
(appointed on 14 November 2022 and
resigned on 28 February 2023)
Mr. Wang Jingan (retired on 31 October 2022)
Mr. Wong Luen Tung
(appointed on 28 January 2022 and
resigned on 27 January 2023)
Mr. Mtafi Rachid Rene
(appointed on 1 December 2022)
Mr. Buer Gude (appointed on 5 May 2023)
Mr. Chui Chi Yun Robert
(appointed on 5 May 2023)

Audit Committee

Mr. Chui Chi Yun Robert
(Chairman of the Committee)
(appointed on 5 May 2023)
Mr. Wong Luen Tung
(Chairman of the Committee)
(appointed on 28 January 2022 and
resigned on 27 January 2023)
Dr. Chung Ling Cheong Dicky
(appointed on 14 November 2022 and
resigned on 28 February 2023)
Mr. Lee Yiu Keung
(retired on 31 October 2022)
Mr. Wang Jingan
(retired on 31 October 2022)
Mr. Buer Gude
(appointed on 5 May 2023)
Mr. Mtafi Rachid Rene
(appointed on 1 December 2022)

Remuneration Committee

Mr. Buer Gude
(Chairman of the Committee)
(appointed on 5 May 2023)
Dr. Chung Ling Cheong Dicky
(Chairman of the Committee)
(appointed on 14 November 2022 and
resigned on 28 February 2023)
Mr. Lee Yiu Keung
(Chairman of the Committee)
(retired on 31 October 2022)
Mr. Chan Ko Cheung
(resigned on 6 October 2022)
Mr. Wang Jingan
(retired on 31 October 2022)
Mr. Wong Luen Tung
(appointed on 28 January 2022 and
resigned on 27 January 2023)
Mr. Chui Chi Yun Robert
(appointed on 5 May 2023)
Mr. Mtafi Rachid Rene
(appointed on 1 December 2022)

Nomination Committee

Ms. Shen Taiju
(Chairman of the Committee)
(appointed on 6 October 2022)
Mr. Chan Ko Cheung
(Chairman of the Committee)
(resigned on 6 October 2022)
Mr. Lee Yiu Keung
(retired on 31 October 2022)
Mr. Wang Jingan
(retired on 31 October 2022)
Mr. Wong Luen Tung
(appointed on 28 January 2022 and
resigned on 27 January 2023)
Dr. Chung Ling Cheong Dicky
(appointed on 14 November 2022 and
resigned on 28 February 2023)
Mr. Chui Chi Yun Robert
(appointed on 5 May 2023)
Mr. Mtafi Rachid Rene
(appointed on 1 December 2022)

Corporate Information

COMPLIANCE OFFICER

Ms. Shen Taiju
(appointed on 6 October 2022)
Mr. Chan Ko Cheung
(resigned on 6 October 2022)

AUTHORIZED REPRESENTATIVES

Mr. Chan Ko Cheung
(resigned on 6 October 2022)
Ms. Shen Taiju
(appointed on 6 October 2022)
Mr. Ngai Tsz Hin Michael
(resigned on 28 February 2023)
Mr. Lau Wai Piu Patrick
(appointed on 13 March 2023)

COMPANY SECRETARY

Mr. Ngai Tsz Hin Michael
(resigned on 28 February 2023)
Mr. Lau Wai Piu Patrick
(appointed on 13 March 2023)

AUDITOR

Prism Hong Kong and Shanghai Limited
Certified Public Accountants, Hong Kong
Unit 1903A–1905, 19th Floor,
No.8 Observatory Road,
Tsim Sha Tsui,
Hong Kong

REGISTERED OFFICE

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

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Unit C, 11/F., King Yip Factory Building,
59 King Yip Street,
Kwun Tong,
Kowloon,
Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

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

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Investor Services Limited
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 of directors (the "**Board**") of Dragon King Group Holdings Limited (the "**Company**", together with its subsidiaries, the "**Group**"), I am pleased to present the annual report of the Company for the year ended 31 December 2022 (the "**Year**" of "**FY2022**").

OVERVIEW

For FY2022, the food and beverage industry was facing a very challenging business environment, including economic downturn, weaken consumption sentiments due to the outbreak of the fifth wave of the COVID-19 pandemic and the stringent anti-epidemic precautionary measures as well as social distancing policies imposed by the Hong Kong government. The prolong epidemic and travel restrictions had adversely affected the operations of the Group's restaurants, which led to unsatisfactory customer visits, shortened restaurant business hours and higher food ingredient costs and staff costs.

During FY2022, the Group operated six full-service restaurants in Hong Kong. However, in view of the unfavorable market conditions, the Group had adjusted its business strategy promptly to close down its underperforming restaurants in Hong Kong in order to diminish the loss and enable the Group to deploy its financial resources to operate its remaining restaurants under a viable business model. After the consolidation of the existing restaurants operations of the Group and implementation of cost control measures to reducing the operating costs and overheads, as at 31 December 2022, the Group operated three full-service restaurants in Hong Kong. As a result, the Group recorded a total revenue of approximately HK$79.5 million, representing a significant decrease of approximately 64.6 % due to the closing down of the underperforming restaurants operated by the Group. Whilst, the Group was able to diminish its loss for FY2022 significantly to approximately HK$5.3 million versus a loss of approximately HK$50.8 million for year ended 31 December 2021 ("**FY2021**").

PROSPECTS

In view of the current relaxation of stringent COVID-19 pandemic policies and the opening of boarders during the 1st quarter of 2023, undoubtedly, the overall marcoeconomics and consumption sentiments have been greatly improved. With the giving out of consumption vouchers by the Hong Kong government and the launch of the global promotion campaign by the Hong Kong Tourist Board in the 2nd quarter of 2023, it is anticipated that the overall business environment for catering and beverage industry will resume back to normal and pick up the rebound momentum. The Group will closely monitor the market conditions and adjust its business strategy to strike the balance between cost control and the qualities of food and service being delivered to its customers. To capture the business opportunities arising from this rebound, the Group has carried out proactive promotions packages by rolling out a series of dining offers and discounts to attract diners and considered that the prospects of its existing restaurants will become more optimistic in the second half of 2023.

Although the Group had closed down a number of restaurants during FY2022 due to unfavorable market conditions, we are committed to our business of restaurant operations and will actively look for alternative investment opportunities for smaller scale of operations across multiple cuisine to diversify its existing restaurant portfolio.

Message from the Board

APPRECIATION

I, on behalf of the Board, would like express our gratitude to the shareholders, investors and business partners for their ongoing trust and support to the Group. I would also like to express our heartfelt appreciation to my fellow Directors, management team and employees for their hard work and dedication in pursuing our strategic moves and imperatives throughout the challenging FY2022.

Shen Taiju
Chairman

Hong Kong, 22 May 2023

Management Discussion and Analysis

BUSINESS AND OPERATIONAL REVIEW

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

Restaurant Operations

For FY2022, the Group operated six full-service restaurants in Hong Kong, two of which located on Hong Kong Island (known as the "**Causeway Bay Restaurant**" and the "**Wan Chai Restaurant**" respectively) and four of which located in Kowloon (known as the "**ICC Restaurant**"; the "**Kwun Tong Restaurant**"; the "**San Po Kong Restaurant**"; and the "**Whampoa Restaurant**" respectively).

In early January 2022, the Group closed down the ICC Restaurant due to the expiration of its rental agreement. In addition, the Board, after taking into account the repair costs, the outbreak of the fifth wave of the COVID-19 pandemic in Hong Kong as well as the change in dining habits of the consumers switching from dining in to ordering takeaways, had determined to close down the Causeway Bay Restaurant upon the expiry of its tenancy agreement on 28 February 2022.

In July 2022, the Group had further closed down the San Po Kong Restaurant due to unsatisfactory performance resulted from the sluggish economy and weak market sentiments in Hong Kong.

As at 31 December 2022, the Group operated three full-service restaurants in Hong Kong, namely, Wan Chai Restaurant, Kwun Tong Restaurant and Whampoa Restaurant.

FINANCIAL REVIEW

Revenue

For FY2022, the Group recorded a total revenue of approximately HK$79.5 million, against approximately HK$224.2 million for FY2021, representing a substantial decrease of approximately 64.6 %. This was mainly due to the closure and disposal of the Group's restaurants during FY2022.

The table below sets forth a breakdown of the Group's revenue generated by each of the Group's self-owned brands during FY2021 and FY2022:

	For the year ended 31 December			
	2022		2021	
	Revenue HK$'000	**% of total revenue %**	Revenue HK$'000	% of total revenue %
Dragon King（龍皇）	**56,389**	**71.0**	139,017	62.0
Dragon Seal（龍璽）	**1,105**	**1.4**	37,434	16.7
Dragon Gown（龍袍）	**21,975**	**27.6**	25,697	11.5
Imperial Seal（皇璽）*	**–**	**–**	22,045	9.8
Total revenue	**79,469**	**100.0**	224,193	100.0

* *Disposed on 4 January 2022*

Management Discussion and Analysis

Dragon King（龍皇）

The revenue generated by Dragon King recorded a significant decrease by approximately HK$82.6 million, or approximately 59.4 % from HK$139.0 million for FY2021 to HK$56.4 million for FY2022, which was mainly attributable to the stringent pandemic measures, in particularly, the dine-in restrictions in catering business premises, imposed by the Hong Kong government, during the Year under review.

Dragon Seal（龍璽）

The revenue generated by Dragon Seal recorded a drastic decrease by approximately HK$36.3 million, or approximately 97.1 % from HK$37.4 million for FY2021 to HK$1.1 million for FY2022. This was mainly due to the closure of the ICC Restaurant (operated under the brand of Dragon Seal) in early January 2022 upon the expiry of its rental agreement.

Dragon Gown（龍袍）

The revenue generated by Dragon Gown recorded a decrease by approximately HK$3.7 million, or approximately 14.4 % from HK$25.7 million for FY2021 to HK$22.0 million for FY2022, which was mainly attributable to the stringent pandemic measures, in particularly, the dine-in restrictions in catering business premises, imposed by the Hong Kong government, during the Year under review.

Imperial Seal（皇璽）

As disclosed in the Company's announcement dated 26 August 2022, the Group entered into a sale and purchase agreement with independent third parties 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）at nil consideration, an indirect wholly-owned subsidiary of the Company, which was principally engaged in the operation of the restaurant in Shanghai located in Pudong New District under the brand of Imperial Seal and provision of catering services in the PRC. Completion of the change of industrial and commercial registration procedures took place on 4 January 2022. Accordingly, no revenue was generated from Imperial Seal for FY2022.

Management Discussion and Analysis

Gross profit and gross profit margin

The gross profit of the Group (i.e., revenue minus cost of inventories consumed) amounted to approximately HK$54.1 million for FY2022, versus approximately HK$152.0 million for FY2021, representing a substantial decrease of approximately HK$97.9 million or approximately 64.4%.

The Group's overall gross profit margin for the Year under review remained relatively consistent and stood at approximately 68.0% when compared with that of approximately 67.8% for the last year.

Other income and gains, net

The Group's other income and gain, net increased slightly by approximately HK$1.0 million or approximately 8.3% from approximately HK$12.1 million for FY2021 to approximately HK$13.1 million for FY2022.

Staff costs

During the Year, staff costs amounted to approximately HK$37.0 million, representing a substantial decrease of approximately HK$54.2 million or approximately 59.4% when compared to approximately HK$91.2 million recorded for FY2021. Such decrease was attributable to the reduction in number of restaurants operated by the Group and the anti-epidemic precaution measures imposed by the Hong Kong government during the Year under review.

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 two to three years, with certain 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 to the operations of the Group resulted from the COVID-19 pandemic and the anti-epidemic precautionary measures in Hong Kong throughout FY2022, the Group assessed if any impairment loss should be recognized for the non-current assets of the Group including property, plant and equipment and right-to-use assets.

Impairment loss of approximately HK$15,000 (FY2021: HK$2.7 million) and HK$6.4 million (FY2021: HK$15.3 million) were recognized for property, plant and equipment and right-of-use assets during FY2022.

Management Discussion and Analysis

Impairment loss under expected credit losses model

For deposits and other receivables, the Group measures the loss allowance equal to 12-month ECL, unless when there has a significant increase in credit risk since initial recognition, the Group recognises lifetime ECL likelihood or risk of a default occurring since initial recognition.

For FY2022, an impairment loss on other receivables of approximately HK$0.3 million (FY2021: HK$7.3 million) was recognized. Due to the ongoing impact of the COVID-19 pandemic, most business activities and the payment chains in Hong Kong and the PRC were significantly affected which led to extension of debt collection periods and increase in loan allowances for other receivables.

Rental and related expenses

The Group's rental and related expenses decreased notably by approximately HK$2.4 million or approximately 16.6% from approximately HK$14.5 million for FY2021 to approximately HK$12.1 million for FY2022, which was attributable to the reduction in the number of restaurants operated by the Group in FY2022 as compared to those in the last year.

Other operating expenses

The other operating expenses of the Group decreased significantly by approximately HK$28.2 million or approximately 56.0% from approximately HK$50.4 million for FY2021 to approximately HK$22.2 million for the Year under review, which was mainly attributable to the reduction in the number of restaurants operated by the Group in FY2022 as compared to those in FY2021.

Finance Costs

Finance costs of the Group decreased considerably by approximately HK$0.6 million or approximately 15.8% from approximately HK$3.8 million for FY2021 to approximately HK$3.2 million for FY2022. Such decrease was mainly due to the decrease in interest on lease liabilities attributable to the right-to-use assets under HKFRS 16.

Loss attributable to owners of the Company

For FY2022, the loss attributable to owners of the Company was approximately HK$5.3 million, as compared to a loss of approximately HK$50.8 million for the last year. This notable improvement was mainly due to the gain on disposal of a subsidiary as well as the cost control measures undertook by the Group in reducing the operating expenses during the Year under review.

Management Discussion and Analysis

PROSPECTS

During FY2022, the Group has struggled to turnaround its business under the prolong and profound impact of the COVID-19 pandemic and the stringent precautionary measures imposed by the Hong Kong government. We have adopted a more agile and cautious approach in managing our operations viably by adjusting our business model strategically to operate smaller scale restaurants across multiple cuisines so as to minimize fixed costs and overheads with higher flexibility to cope with the market situation.

The catering and beverage business is very susceptible to the marcoeconomics and consumption sentiments as well as the dining habits/preferences of their consumers. The operating cost components of our business comprise mainly rental expenses, staff costs and food costs. Despite the slowdown of the economy and sluggish market sentiment brought by the pandemic in FY2022, the staff costs and food costs remained relatively high when compared with those in the last year, the Group has been facing pressure on striking the balance between cost control and the qualities of food and services being delivered. In order to sustain the business of the Group during these difficult times, the management actively sought negotiations with the landlords for rental concessions due to stringent anti-epidemic precautionary measures but most of the landlords were reluctant to grant considerable rental concessions.

Following the relaxation of stringent COVID-19 pandemic policies and the opening of boarders during the 1st quarter of 2023, the overall economy and market sentiments have been improved. Coupled with the further phase of consumption vouchers distributed by the Hong Kong government and the global promotion campaign being launched by the Hong Kong Tourist Board in the 2nd quarter of 2023, the Group believed that the catering and beverage business market will pick up the rebound momentum. The Group has also given out proactive promotions packages by rolling out a series of dining offers and discounts to attract diners and expected that the prospects of its existing restaurants will improve.

Nevertheless, the Group will continuously upkeep its cautious cost control measures and contingency plans in operating its business and closely monitor the market situation to strike the balance between costs and qualities of food and services being delivered. Despite the closure and disposal of restaurants during FY2022, the Group is committed to its business of restaurant operations and will actively look for alternative investment opportunities for smaller scale of operations across multiple cuisine to diversify its existing restaurant portfolio.

Management Discussion and Analysis

MANAGEMENT'S POSITION AND ASSESSMENT ON THE DISCLAIMER OPINION

During the course of audit of the consolidated financial statements for FY2022 (the "**Consolidated Financial Statements**"), the Group's external auditor, Prism Hong Kong and Shanghai Limited (the "**Auditor**") had raised concern on the Group's ability to operate as a going concern (the "**Disclaimer Opinion**").

In the course of preparing the Consolidated Financial Statements, the Directors had assessed the current market conditions and the measures taken/to be taken by the management in improving the liquidity and financial position of the Group, including but not limited to implementing cost control measures and cautious operational plans to improve the operating results and cash flows of the Group; negotiating with banks to roll over or refinance the bank borrowings upon their maturity to secure necessary funding to meet the Group's working capital requirements; and exploring possibilities in fund raising activities such as placing of shares, right issue, etc. in the upcoming future with a view to increasing the Group's capitalization/ equity and applying the proceeds raised therefrom for repayment of bank borrowings and the Group's general working capital purpose. Further, Ms. Shen Taiju, the Chairman of the Board, 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. In addition, the Directors had thoroughly considered and discussed the going concern basis and assumptions adopted in a cash flow forecast for the next eighteen months and addressed the issues raised by the Auditor in respect of the multiple fundamental uncertainties relating to going concern. Based on the above, the Directors considered that the Group will have sufficient liquidity to finance its operations for the foreseeable future and therefore of a view that the Group would be able to continue as a going concern.

As disclosed in the Note 3 to the Consolidated Financial Statements, the Group reported loss attributable to owners of the Company of approximately HK$5.3 million for FY2022. In addition, the Group's current liabilities exceeded its current assets by approximately HK$136.0 million and the Group had net liabilities of approximately HK$107.2 million as at 31 December 2022. As at the same date, the Group's total current borrowings amounted to approximately HK$60.8 million, while its cash and cash equivalents amounted to approximately HK$4.9 million. These conditions, indicated the existence of material uncertainties on the Group's ability to continue as a going concern. Despite the effort made by the Directors in addressing the concern for multiple fundamental uncertainties relating to going concern, the Auditor has expressed Disclaimer Opinion on the Company's going concern in the Consolidated Financial Statements.

Having taken into account the measures taken/to be taken by the Group in improving its liquidity and financial position as well as the cash flow forecast which has been prepared the basis that the Group will successfully implement the plans and measures as set out in Note 3 to the Consolidated Financial Statements, the Directors are satisfied that the Group will have sufficient working capital to meet with its financial obligations when they fall due.

Management Discussion and Analysis

AUDIT COMMITTEE'S VIEW ON THE DISCLAIMER OPINION

The Audit Committee had critically reviewed the Disclaimer Opinion, the management's assessment on the Disclaimer Opinion and the measures taken/to be taken by the Company in addressing the concern of the Auditor relating to going concern. After discussion with the Directors, the Audit Committee concurred with the going concern basis and assumptions adopted in preparing the Consolidated Financial Statements.

The statements of the Auditor about their reporting responsibilities on the financial statements of the Group are set out in the Independent Auditor's Report on pages 69 to 71 of this annual report. Details of the going concern assessment have been set out in the Note 3 to the Consolidated Financial Statements in this annual report.

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 2022, the Group had borrowings of approximately 60.8 million which was denominated in Hong Kong Dollars (2021: approximately HK$60.6 million). The Group's bank borrowings were primarily used in financing the working capital requirement of its operations.

As at 31 December 2022, the Group's cash and cash equivalents were approximately HK$4.9 million (2021: approximately HK$6.3 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 2022, the gearing ratio of the Group was approximately 314.1% (2021: approximately 274.8%). 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 2022, the borrowings were secured by a building owned by the Group which is amounted to approximately HK$27.1 million (2021: approximately HK$27.9 million), respectively, for certain banking facilities granted to the Group.

Management Discussion and Analysis

SEGMENT INFORMATION

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

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

As disclosed in the Company's announcement dated 22 September 2022, the Company entered into two non-legally binding memorandum of understanding (the "**MOU**") with Mr. Lee Chi Lung, Mr. Ku Ka Man, Ms. Tsui Yue Ka, Mr. Chuk Wing Hung Keswick, Mr. Liu Kai Fung and Mr. Wong Chun Lam (collectively the "**Vendors**", and together with the Company, the "**Parties**").

As at the date of this annual report, no formal agreement for possible acquisitions has been entered into among the Parties. Further announcement(s) will be made by the Company in respect of the MOU when appropriate.

Save as disclosed, there were no significant investment held, material acquisition and disposal of subsidiaries and affiliated companies by the Company during the year ended 31 December 2022. There were no other plan for material investments or capital assets as at 31 December 2022.

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 2022, 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 2022 (2021: Nil).

COMMITMENTS

The Group does not have any commitment as at 31 December 2022 (2021: Nil).

Management Discussion and Analysis

FINAL DIVIDEND

The Board does not recommend the payment of final dividend for the year ended 31 December 2022 (2021: Nil).

INFORMATION ON EMPLOYEES

As at 31 December 2022, the Group had about 121 employees (2021: 240 employees) working in Hong Kong. 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 fund contributions) for the year ended 31 December 2022 amounted to approximately HK$37.0 million (2021: approximately HK$91.2 million).

SHARE OPTIONS

Details of the Company's share option scheme (the "**Share Option Scheme**") are set out on pages 62 to 63 of this annual report.

PRINCIPAL RISKS AND UNCERTAINTIES

Foreign currency risk

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

Credit risk

The Group trades with a large number of individual customers and trading terms are mainly on cash and credit card settlement. In view of the Group's operation, it does not have significant credit risk exposure to any single individual customer. The credit risk of the other financial assets comprises carrying amounts of cash and bank balances and deposits and other receivables. These credit risks are monitored on a 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 minimize 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 2022.

Management Discussion and Analysis

ENVIRONMENTAL POLICIES AND PERFORMANCE

The Group has implemented a wide variety of green measures, including the responsible use of resources, an energy saving program, waste management and reduction in carbon emissions to alleviate the intensity of environmental impact to the community. Environmental considerations are always an integral part of the Group's decision-making process and it believes that by focusing on reducing resource consumption during its operations and engaging the community in its work, it can act as one of the catalysts for a sustainable future. To help conserve the environment, the Group implements green practices such as reusing and recycling papers, separating paper waste from other waste for easier collection, recycling paper waste instead of disposing them directly, reducing energy consumption by replacing the majority of the lighting system with LED lights and switching off air conditioning and electrical appliances upon used. The Group's 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 38 to 59.

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 2022.

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.

EVENT AFTER THE REPORTING PERIOD

Save as disclosed elsewhere in this annual report, there are no significant events affecting the Group which have occurred after the year ended 31 December 2022 and up to the date of this annual report.

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 for an aggregate amount of approximately HK$111,000 from Mass Effort.

Evermax has withdrawn the claims in respect of SCTC024108/22 and SCTC024109/22.

SCTC033210/22

The Company, as defendant, received small claim tribunal notice on 13 March 2023 in respect of PR and marketing project from Corplink Consulatant Company Limited ("**Corplink**"). Corplink is seeking for an aggregate amount of HK$12,000, being the balance of the project payment, from the Company.

Hearing in respect of the said claim has been scheduled in June 2023, further disclosure will be made by the Company as and when appropriate.

Labour Tribunal

LBTC91/2023, LBTC94/2023, LBTC184/2023 and LBTC217/2023

On 9 February 2023, 14 February 2023 and 20 February 2023, Mass Effort were ordered by the Labour Tribunal to pay the claimants in the amounts of approximately HK$125,000, HK$107,000, HK$31,000 and HK$182,000 in respect of LBTC91/2023, LBTC94/2023, LBTC184/2023 and LBTC217/2023 respectively.

Mass Effort has arranged for such payments with a view in closing the aforesaid cases.

District Court of the Hong Kong Special Administrative Region

DCCJ4551/2021

The Company, as defendant, received a writ of summons dated 24 September 2021 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 pay Blooming the sum of 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 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 pay Frontpage the sum of HK$1,500,000 and interest thereon as well as costs.

Management Discussion and Analysis

DCCJ5268/2021

The Company, as defendant, received a writ of summons dated 16 November 2021 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 pay CFN the sum of HK$366,000 and interest thereon as well as costs.

In respect of DCCJ4551/2021, DCCJ4705/2021 and DCCJ5268/2021, a total of HK$400,000 was paid 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, an indirect wholly-owned subsidiary of the Company, whereby DKRGL shall pay Wan Kin Engineering Limited the sum of HK$334,000 and interest thereon as well as costs. This case has been closed by end of April 2023.

DCCJ838/2022

On 22 March 2022, Oriental Etrade Limited ("**Oriental**"), as defendant, 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 pay LCC the sum of 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 filed an acknowledgment of service indicating that the Company intended to contest the proceedings. This case, after the Company's further negotiation with BOCOM, has been closed.

Management Discussion and Analysis

DCCJ2845/2022

King Harbour, as defendant, received a writ of summons dated 26 July 2022 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.

King Harbour filed an acknowledgment of service indicating that it intended to contest the proceedings. After further negotiation with payments by King Harbour with Sinogain, this case has been closed.

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 Wan Kin Engineering Limited ("**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.

Premier filed a defence to contest the proceedings and reached a settlement with WKE subsequently by end of April 2023.

HCA1557/2022

On 25 November 2022, King Harbour received an amended writ of summons issued by Unigrade International Limited ("**Unigrade**") as plaintiff ("**HCA1557/2022 Writ**"). The HCA1557/2022 Writ relates to a claim by Unigrade in respect of rent and rates and management fees for the Group's restaurant in Kwun Tong, Hong Kong.

In March 2023, the representing solicitors for King Harbour has put forward the settlement proposal to Unigrade for consideration. Ongoing negotiation has been taken place between the parties with a view in reaching an amicable and speedy settlement.

The Company will make further disclosure as and when appropriate.

Biographical Details of Directors and Senior Management

BOARD OF DIRECTORS

Executive Directors

Ms. Shen Taiju (申太菊) ("Ms. Shen"), aged 40, was appointed as an executive Director of the Company on 6 January 2022. She was also appointed as chairman of the Board and the nomination committee of the Company on 6 October 2022. 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).

Ms. Au Yeung Lok Yee (歐陽樂儀) ("Ms. Au Yeung"), aged 24, was appointed as an executive Director of the Company on 4 January 2023. She possess 5 years of experience in business operation on food and beverage, and hospitality industry. Prior to joining the Company, she was one the partner of a Chinese cuisine restaurant. From March 2019 to March 2022, Ms. Au Yeung served as an operation director of the restaurant and she has been responsible for the daily operation and supply chain management.

Mr. Jia Yongqiang (賈永強) ("Mr. Jia"), aged 31, was appointed as an executive Director of the Company on 17 April 2023. He has around ten years of management and investment experience. He worked as a chief investment manager of Beijing Miao Sen Investment Limited* (北京淼森投資有限公司) from 2013 to 2017. Thereafter, he has been the supervisor and shareholder of Beijing Miao Sen Investment Limited. He has also been appointed as a financial controller of Grand Power Logistics Development Limited* (裕程物流發展有限公司).

Independent Non-Executive Directors

Mr. Buer Gude (布爾固德) ("Mr. Buer"), aged 66, was appointed as an independent non-executive Director, chairman of the remuneration committee and member of the nomination committee of the Company on 5 May 2023. He has over 20 years of extensive experience in the corporate strategic development of business and management in the PRC. Over these past 20 years, he has served in various roles across multiple companies including acting as the assistant general manager for the sales department of a hotel in the PRC and acting as the assistant to the chairman for various companies.

In 1981, he completed his tertiary education in 中國人民解放軍藝術學院 (Chinese People's Liberation Army Art Academy*).

* *for identification purposes only*

Mr. Chui Chi Yun Robert（崔志仁）("Mr. Chui"), aged 66, was appointed as an independent non-executive Director, chairman of the audit committee, member of each of the remuneration committee and the nomination committee of the Company on 5 May 2023. He obtained a Bachelor's degree in commerce from the Concordia University in June 1978 and was awarded the Medal of Honour by the Government of Hong Kong Special Administrative Region in 2014. Mr. Chui is currently a practicing certified public accountant in Hong Kong and is a fellow member of the Hong Kong Institute of Certified Public Accountants (Formerly known as Hong Kong Society of Accountants) since June 1991 and the Chartered Association of Certified Accountants since May 1989. Mr. Chui has over 40 years of experience in the accounting field and is the founder of a Hong Kong accounting firm, Robert Chui CPA Limited since August 1991. Mr. Chui has been appointed as an independent non-executive director of Tse Sui Luen Jewellery (International) Limited (Stock code: 417), Wing Lee Property Investments Limited (Stock code: 864), Asia Cassava Resources Holdings Limited (Stock code: 841) (whose shares are listed on the Mainboard of the Stock Exchange of Hong Kong Limited (the "**Stock Exchange**")) since April 1999, February 2013 and August 2018 respectively and F8 Enterprises (Holdings) Group Limited (Stock code: 8347) (whose share are listed on the GEM of the Stock Exchange) since March 2017. He was also an independent non-executive director of Huiyin Holdings (HK) Limited (Stock code: 1178) (whose shares are listed on the Mainboard of the Stock Exchange) during the period from October 2020 to December 2021and National Arts Group Holdings Limited (Stock code: 8228) (whose shares are listed on the GEM of the Stock Exchange) during the period from May 2009 to November 2022.

Mr. Mtafi Rachid Rene ("Mr. Mtafi"), aged 53, was appointed as independent non-executive Director and member of each of the audit committee, remuneration committee and nomination committee of the Company on 1 December 2022. He possess over 20 years of experience in management and business operation. He has worked in various industrial printing and packaging companies from 1993 to 2007. He is also a founder of a dried seafood manufacturing and trading company and serve as a director since 2007. Mr. Mtafi was an executive director of Kiu Hung International Holdings Limited (Stock code: 381), a company listed on the Main Board of the Stock Exchange during June 2015 to February 2016.

Senior Management

Mr. Leung Woon Hing（梁煥興）("Mr. Leung"), aged 54, is the executive chef of the Group. Mr. Leung joined the Group as the chief chef in September 2005 and was promoted to executive chef in November 2008. Mr. Leung is primarily responsible for overseeing the kitchen operations, food quality control and developing new dishes.

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

Biographical Details of Directors and Senior Management

Ms. Wan Pik Yuk Janet (溫碧玉) ("Ms. Wan"), aged 61, is the chief administrative officer of the Group. Ms. Wan joined the Group as general manager in October 2009 and was promoted to chief administrative officer of the Group in January 2014. Ms. Wan is primarily responsible for overseeing the human resources, purchasing, marketing and promotion, opening for new restaurants and administration of the Group.

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

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

Ms. Wong Sau Yee (黃秀儀) ("Ms. Wong"), aged 52, 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. 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 Part 2 of Appendix 15 to the GEM Listing Rules. During the year ended 31 December 2022, 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
C.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 ("**Mr. Chan**"), 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.

Following the resignation of Mr. Chan as an executive director, chairman and chief executive officer of the Company with effect on 6 October 2022, the Board considers that the Company has complied with all the provisions of the CG code as set out in Part 2 of Appendix 15 to the GEM Listing Rules as at the date of this annual report.

NON-COMPLIANCE WITH THE GEM LISTING RULES

Following the retirement of Mr. Lee Yiu Keung and Mr. Wang Jingan as the independent non-executive Directors at the annual general meeting of the Company held on 31 October 2022, the Company is not able to comply with (i) Rules 5.05(1) of the GEM Listing Rules, the board of directors of a listed issuer must include at least three independent non-executive directors; (ii) Rule 5.28 of the GEM Listing Rules, the audit committee should comprise of a minimum of three members of non-executive directors only; and (iii) Rule 5.34 of the GEM Listing Rules requires the remuneration committee chaired by an independent non-executive director and comprising a majority of independent non-executive directors.

Rule 5.34 of the GEM Listing Rules has been complied following the appointment of Dr. Chung Ling Cheong Dicky ("**Dr. Chung**") on 14 November 2022. Besides, Rules 5.05(1) and 5.28 of the GEM Listing Rules has been complied following the appointment of Mr. Mtafi Rachid Rene on 1 December 2022.

Following Mr. Wong Luen Tung resigned as an independent non-executive Director on 27 January 2023, the Company only has two independent non-executive Directors and two members of the Audit Committee which falls below the minimum as required under Rules 5.05(1) and 5.28 of the GEM Listing Rules. 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 Dr. Chung resigned as an independent non-executive Director on 28 February 2023, the Company only has one independent non-executive Director and one member at the Audit Committee which falls below the minimum as required under Rules 5.05(1) and 5.28 of the GEM Listing Rules. 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. Also, pursuant to Rule 5.34 of the GEM Listing Rules, the remuneration committee must be chaired by an independent non-executive director and comprise a majority of independent non-executive directors and Rule 5.36A of the GEM Listing Rules, the nomination committee must comprise a majority of independent non-executive directors. In addition, a listed issuer is required to have independent non-executive directors representing at least one-third of the board of directors pursuant to Rule 5.05A of the GEM Listing Rules. Upon the resignation of Dr. Chung, the number of independent non-executive directors fell below one-third of the Board members as required under Rule 5.05A of the GEM Listing Rules.

Following the appointment of Mr. Chui Chi Yun Robert and Mr. Buer Gude on 5 May 2023, the Company had complied with the requirements under Rules 5.05(1), 5.05(2), 5.05A, 5.28, 5.34 and 5.36A of the GEM Listing Rules.

CORPORATE CULTURE

A positive and progressive corporate culture across the Group is vital for the Company to achieve its purpose towards the sustainable growth. It is the role of the Board to foster the Group's corporate culture with the core principles of integrity and accountability to guide the behaviours of its employees and ensure that the Company's purpose, values and business strategies are aligned to it.

Corporate Governance Report

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.

Board Composition

The Directors who hold office during the year ended 31 December 2022 and as at the date of this annual report are as follows:–

Executive Directors

Ms. Shen Taiju *(Chairman)* (appointed on 6 January 2022 and re-designated to Chairman on 6 October 2022)
Mr. Chan Ko Cheung *(Chairman and Chief Executive Officer)* (resigned on 6 October 2022)
Ms. Au Yeung Lok Yee (appointed on 4 January 2023)
Mr. Jia Yongqiang (appointed on 17 April 2023)

Independent Non-Executive Directors

Dr. Chung Ling Cheong Dicky (appointed on 14 November 2022 and resigned on 28 February 2023)
Mr. Lee Yiu Keung (retired on 31 October 2022)
Mr. Wang Jingan (retired on 31 October 2022)
Mr. Wong Luen Tung (appointed on 28 January 2022 and resigned on 27 January 2023)
Mr. Buer Gude (appointed on 5 May 2023)
Mr. Chui Chi Yun Robert (appointed on 5 May 2023)
Mr. Mtafi Rachid Rene (appointed on 1 December 2022)

Biographical details of the Directors are set out in "Biographical Details of Directors and Senior Management" on pages 20 to 22 of this annual report.

Save as disclosed under the heading of "Non-compliance with the GEM Listing Rules", the Company has complied with the requirements under Rule 5.05(1) and (2), and 5.05A of the GEM Listing Rules during the year ended 31 December 2022.

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 a 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 as at the date of this annual report.

APPOINTMENT AND RE-ELECTION OF DIRECTORS

Each of the Directors (including independent non-executive Directors) has entered into a service agreement or letter of appointment with the Company for a term of one to three year(s). The service agreements and letters of appointment are subject to termination in accordance with their respective terms. The service agreements 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.

Ms. Shen will retire from office as Director at the forthcoming annual general meeting of the Company. Ms. Au Yeung, Mr. Mtafi, Mr. Jia, Mr. Chui and Mr. Buer will hold office as Directors only until the forthcoming annual general meeting of the Company. All of them will offer themselves for re-election. At the forthcoming annual general meeting of the Company, separate ordinary resolutions will be put forward to the shareholders of the Company in relation to the proposed re-election of Ms. Shen, Ms. Au Yeung, Mr. Mtafi, Mr. Jia, Mr. Chui and Mr. Buer as Directors.

Corporate Governance Report

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

In compliance with the code provision C.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 period from 1 January 2022 to 5 October 2022, the Company has not separated the roles of the chairman of the Board and the chief executive officer ("**CEO**") of the Company. Mr. Chan Ko Cheung ("**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. 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.

Following the resignation of Mr. Chan on 6 October 2022, the Company has not any officer with the CEO title. The role of the CEO has been performed collectively by all the executive Directors. The Board considers that this arrangement allows contributions from all executive Directors with different expertise and is beneficial to the continuity of the Company's policies and strategies and in the interest of the shareholders of the Company as a whole. The Board shall nevertheless review the structure from time to time and shall consider appropriate adjustment should suitable circumstance 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.

During the year ended 31 December 2022, all existing Directors were provided with updates on the latest developments and changes in the GEM Listing Rules and other relevant legal and regulatory requirements from time to time to develop and refresh the Directors' duties and responsibilities. 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. Buer Gude (appointed on 5 May 2023), Mr. Lee Yiu Keung (retired on 31 October 2022) and Dr. Chung Ling Cheong Dicky (appointed on 14 November 2022 and resigned on 28 February 2023), the independent non-executive Director, and other members included Mr. Wong Luen Tung (appointed on 28 January 2022 and resigned on 27 January 2023), Mr. Chui Chi Yun Robert (appointed on 5 May 2023) and Mr. Mtafi Rachid Rene (appointed on 1 December 2022). 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 2022. 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 Chan Ko Cheung (resigned on 6 October 2022) and Ms. Shen Taiju (appointed on 6 October 2022), the executive Director, and other members included Mr. Lee Yiu Keung (retired on 31 October 2022), Ms. Wang Jingan (retired on 31 October 2022), Mr. Wong Luen Tung (appointed on 28 January 2022 and resigned on 27 January 2023), Dr. Chung Ling Cheong Dicky (appointed on 14 November 2022 and resigned on 28 February 2023), Mr. Mtafi Rachid Rene (appointed on 1 December 2022) and Mr. Chui Chi Yun Robert (appointed on 5 May 2023), 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. Chui Chi Yun Robert (appointed on 5 May 2023) and Mr. Wong Luen Tung (appointed on 28 January 2022 and resigned on 27 January 2023), the independent non-executive Director, and other members included Mr. Lee Yiu Keung (retired on 31 October 2022), Ms. Wang Jingan (retired on 31 October 2022), Dr. Chung Ling Cheong Dicky (appointed on 14 November 2022 and resigned on 28 February 2022), Mr. Buer Gude (appointed on 5 May 2023) and Mr. Mtafi Rachid Rene (appointed on 1 December 2022), 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.

Save as disclosed under the heading of "Non-compliance with the GEM Listing Rules", 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 4 meetings to review and comment on the Company's 2021 annual results, 2022 interim results, quarterly results, as well as the Company's internal control procedures and risk management system.

The Group's consolidated financial statements for the year ended 31 December 2022 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 2022 comply with applicable accounting standards, GEM Listing Rules and that adequate disclosures have been made.

ATTENDANCE RECORDS OF MEETINGS

The Board meets regularly for considering, reviewing and/or approving matters relating to, among others, the financial and operating performance, as well as, the overall strategies and policies of the Company. Additional meetings are held when significant events or important issues are required to be discussed and resolved. During the year, the Chairman held a meeting with the independent non-executive Directors without the presence of other Directors.

The information below are details of all Directors' attendance at the Board meeting, Board committees' meeting and general meeting held for the year ended 31 December 2022:

	Attendance/Number of Meetings				
Name of Directors	**Board**	**Audit Committee**	**Remuneration Committee**	**Nomination Committee**	**Annual general meeting**
Ms. Chan Ko Cheung[1]	2/7	n/a	n/a	n/a	n/a
Ms. Shen Taiju[2]	7/7	n/a	n/a	2/2	1/1
Ms. Au Yeung Lok Yee[3]	n/a	n/a	n/a	n/a	n/a
Mr. Jia Yongqiang[4]	n/a	n/a	n/a	n/a	n/a
Mr. Buer Gude[5]	n/a	n/a	n/a	n/a	n/a
Mr. Chui Chi Yun Robert[5]	n/a	n/a	n/a	n/a	n/a
Dr. Chung Ling Cheong Dicky[6]	1/7	1/4	1/1	1/2	n/a
Mr. Lee Yiu Keung[7]	5/7	3/4	n/a	n/a	1/1
Ms. Wang Jingan[7]	4/7	3/4	n/a	n/a	0/1
Mr. Wong Luen Tung	7/7	4/4	1/1	2/2	1/1
Mr. Mtafi Rachid Rene[8]	n/a	n/a	n/a	n/a	n/a

Notes:

1. resigned on 6 October 2022
2. appointed on 6 January 2022
3. appointed on 4 January 2023
4. appointed on 17 April 2023
5. appointed on 5 May 2023
6. appointed on 14 November 2022 and resigned on 28 February 2023
7. retired on 31 October 2022
8. appointed on 1 December 2022

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 Tsz Hin Michael (resigned on 28 February 2023) as the Company Secretary during the year ended 31 December 2022.

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	1,500
Non-audit services	340
Total	1,840

DIRECTORS' RESPONSIBILITIES FOR FINANCIAL STATEMENTS

The Directors have acknowledged their responsibilities for preparing the financial statements which give true and fair view of the state of affairs of the Group and in presenting the quarterly, interim and annual financial statements, and announcements 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.

The Directors are aware of the loss attributable to owners of the Company of approximately HK$5.3 million for the year ended 31 December 2022. In addition, the Group's current liabilities exceeded its current assets by approximately HK$136.0 million and the Group had net liabilities of approximately HK$107.2 million as at 31 December 2022. As at the same date, the Group's total current interest-bearing borrowings amounted to approximately HK$60.8 million, while its cash and cash equivalents amounted to approximately HK$4.9 million. These conditions indicated the existence of material uncertainties which may cast significant doubt on the Group's ability to continue as a going concern. Further discussion of this issue has been set out in the section headed "Management Discussion and Analysis" and the Note 3 to the Consolidated Financial Statements in this annual report.

Having made appropriate enquiries and examined the major areas which will give rise to the aforesaid significant exposure, the Directors, based on the cash flow forecast which has been prepared on the basis that the Group will successfully implement the plans and measures as set out in the Note 3 to the Consolidated Financial Statements, are satisfied that the Group will have sufficient working capital to meet with its financial obligations when they fall due. In this connection, the Directors have continued to prepare the financial statements on a going concern basis for the year ended 31 December 2022 and considered that the Group has applied consistent accounting policies and made judgements and estimates that are appropriate and reasonable in accordance with the applicable accounting standards.

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 2022 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 2022 as required under CG Code D.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 2022, there was no change to the Company's articles of association.

DISCLOSURE OF DIRECTORS' INFORMATION PURSUANT TO RULE 17.50A(1) OF THE GEM LISTING RULES

Save as disclosed elsewhere in this annual report, there were no other changes to the Director's information that are required to be disclosed pursuant to Rule 17.50A(1) of the GEM Listing Rules.

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 2022 to 31 December 2022 (the "**Reporting Period**" or the "**Year 2022**"). 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. 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 four restaurants and one 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.

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 have 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, regulators, communities, non-governmental organizations and media. Over the years, the Group has continued to fine-tune its sustainability focus to address pressing issues. The table below shows how the Group communicates with key stakeholder groups regarding 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 • Maintain channels of customer communication and feedback at restaurant, social media and complaint hotline, mailbox • Conduct customer surveys regularly and improve 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
Associations, non-government institutions and media	• Voluntary activities • Group activities • ESG reports	• Environmental protection • Investment in social welfare

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.

Environmental, Social and Governance Report

Materiality Assessment

The management and employees who perform major functions in the Group have all participated in preparing the ESG Report to assist the Group in reviewing its operation, identifying relevant ESG matters, and assessing the importance of such relevant matters to our business and stakeholders. Information was collected from relevant departments and business units of the Group based on the major ESG matters that had been assessed.

The materiality assessment process of ESG aspects includes: (1) identification of ESG reporting issues; (2) determining the importance to the corporation under industry standard; (3) priorities listed for stakeholder communication; and (4) evaluation and endorsement by the management. Based on the results thereof, the following issues are most concerned by the stakeholders of the Group:

Environmental protection

The Group is committed to the long term sustainability of the environment and communities in which it operates. The Group is also dedicated to meeting the needs of the present without compromising those of the future. We comply with all relevant laws and regulations regarding environmental issues in the regions where we have business operations every year.

Climate change

The Group has adopted various environmental policies and measures, and promoted energy-saving measures and practices in restaurants and headquarter office to mitigate the risks generated from climate change. The Group's business and brand value will be more widely recognised and enhanced, which may attract more attention from investors.

Health and safety

The health and safety of our employees has always been one of our most important issues. The Group endeavours to provide a safe and healthy work environment for employees to protect them from work-related accidents or injuries. We also share safety-related information through drills and notices to enhance their safety awareness.

Supply chain management

The Group focuses 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.

Feedback from Stakeholders

The Group sincerely invites and welcomes all stakeholders to share their opinions and provide suggestions on its sustainable development. Our contact email address is office@dragonkinggroup.com.

ENVIRONMENT PROTECTION

During the Reporting Period, the Group's major types of emission were mainly relating to petrol, diesel, electricity, gaseous, water, paper and business air travel, which inevitably release nitrogen oxides (NO_x), sulphur oxides (SO_x), particulate matter (PM) and carbon dioxide (CO_2) into the air. The Group is committed to continuously improving the environmental sustainability of its businesses and ensuring that environmental consideration remains one of the keys focuses in fulfilling its obligations to both the environment and community. Recognising the potential impacts of its businesses on the environment, the Group has established relevant emission reduction and energy saving initiatives to manage the emissions and minimise environmental impacts of its operations.

During the Reporting Period, the Group complied with relevant laws and regulations relating to air and GHG emissions, discharge into water and land, and generation of hazardous and non-hazardous waste. The Group did not violate any environmental protection laws or regulations of the region where we operate, nor was it subject to significant fines, non-monetary penalties and litigation relating to environmental 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 NO_x, SO_x and PM. Also, the use of electricity in headquarter office and restaurants generate CO_2. The approximate amount of CO_2, NO_x, SO_x and PM produced from the Group's operation are shown in the following table:

Air pollutants from vehicle usage in the Reporting Period

Types of key air emissions	2022	2021
NO_x emissions (tonnes)	**0.07**	0.45
SO_x emissions (tonnes)	**0.0001**	0.0003
PM emissions (tonnes)	**0.003**	0.01

Compare with the last financial year, the NO_x, SO_x and PM emissions decreased by approximately 84%, 67% and 70% respectively due to the substantial reduction in vehicle usage in 2022.

Meanwhile, the Group is committed to reducing and ensuring 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), 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.

The GHG emissions of the Group during the Reporting Period are summarised as follows:

Summary of GHG emissions

Types of GHG	**2022 CO_2 equivalent emission**	2021 CO_2 equivalent emission
Scope 1 – Direct emissions (tonnes)	**14.47**	24.72
Scope 2 – Energy indirect emissions (tonnes)	**1,802.52**	2,472.69
Scope 3 – Other indirect emissions (tonnes)		
– Wastes including paper and sewage water (tonnes)	**38.77**	52.53
– Business air travel by employee (tonnes)	**–**	–
Total GHG emissions (tonnes)	**1,855**	2,549.94
GHG emission intensity per restaurant property floor area (tonnes)	**0.51**	0.45

Note:

During the Reporting Period, the floor area of the Group's restaurant and office properties was approximately 3,605.79 sq.m. (2021: 5,711.62 sq.m.). This information was also used in the calculation of other intensity information in the Environmental, Social and Governance Report.

Compare with the last financial year, the energy indirect emissions for the restaurant and the headquarter office in 2022 decreased by approximately 27%. As the government promptly taken a series of anti-epidemic precautionary measures including the most stringent social distance policies to tackle the outbreak of the fifth wave of the COVID-19 pandemic in Hong Kong in late December 2021, infections dropped by approximately 30% to 50% from the lowest level of infections caused by the past few waves of the pandemic. As a result, the reduced energy emissions were offset by the substantial reduction in vehicle usage during the operations.

Besides, paper, fresh water and sewage water processed by restaurants decreased by approximately 26% as compared with that in 2021. Such decrease was due to the reintroduction by the Hong Kong government of a series of stringent anti-epidemic precautionary measures, 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 had a less-than-satisfactory impact on visitor arrivals, thus we saved energy to reduce unnecessary consumption.

Lastly, the business air travel by employees in Hong Kong and our operations in 2022 had developed a greater reliance on remote control and reduced energy consumption, which caused less air travel.

Greenhouse Gas Emissions and Energy Conservation

The Group is committed to minimising 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 2022/23 as baseline. To reduce our carbon footprint, we have implemented the following measures:

- Regular maintenance and cleaning of cooking and electronic equipment;
- Insulation system of refrigerators has been well maintained;
- Unwanted materials and thick ice have been regularly cleared and defrosted from refrigerator;
- Prioritisation to equipment and machinery with "energy efficiency" label during the process of procurement; and
- Regularly cleaning and maintenance of electronic equipment in restaurants and offices to maintain high operational efficiency.

Hazardous and Non-Hazardous Waste

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

The Group generates the non-hazardous waste from its operation, which are mainly the kitchen waste and paper. The Group is committed to manage and dispose the non-hazardous waste properly. The Group is committed to establish an electronic office mode where all departments can fully utilize an online system. General business notifications and information transmission are carried out through the online system, thereby minimising printing and copying documents and use of paper. Office paper is encouraged to be used on both sides. Employees are encouraged by the Group to classify the recyclables and non-recyclables. For example, wastepaper and packaging boxes are classified as "recyclable" waste and then regularly collected by waste collectors. For non-hazardous wastes such as paper and general garbage, they will be classified appropriately into recyclable or non-recyclable waste and stored in given collection areas on a centralized basis. Designated personnel will duly dispose of wastes and maintain environmental hygiene of the surrounding area.

On the other hand, during the Reporting Period, the Group has yet to implement the reporting mechanism to gather the information of kitchen waste generated. In the future, the Group would plan to implement comprehensive data collection mechanism in respect of the kitchen waste disposed in order to enhance the management thereof.

Waste cooking oil

The Group is committed to handle waste cooking oil to minimise the hazardous impact to the environment. During the Reporting Period, there were 468 barrels of waste cooking oil according to the "collection record of waste cooking oil" provided by the Company. Waste cooking oil is collected by waste cooking oil collection service provider engaged by the Group for recycle purpose.

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

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 during the Reporting Period is shown in the following table:

Water Consumption

	2022	2021
Total water consumption (cubic metres)	**74,237**	120,939
Intensity of water consumption per restaurant property floor area (cubic metres)	**20.59**	21.17

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 decreased from approximately 21.47 cubic metres to approximately 20.59 cubic metres. The decrease in water consumed was due to a series of strict anti-epidemic measures re-implemented by the Hong Kong government leading to a significant decrease in customers and the revenue of the Group, though the Company minimized its water consumption. 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 2022/23 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 water tap shall be turned off timely after the use of water avoiding wasting water;
- Regular inspection and maintenance on equipment shall be conducted; and
- If abnormal situations are found, timely inform relevant departments to handle, so as to avoid wasting water resources.

During the Reporting Period, the Group did not have any problems in sourcing the applicable water sources.

Energy Consumption

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 including gas at the restaurants and headquarter office. In respect to the total energy consumption during the Reporting Period, the figures is shown in the table below:

Energy Consumption

	2022	2021
Purchase of energy (kWh)	**2,578,428**	4,861,977
Non-renewable fuel consumed (kWh)	**777,552**	2,092,006
Total energy consumption (kWh)	**3,315,597**	6,953,983
Intensity of total energy consumption per restaurant property floor area (kWh)	**919.52**	1,217.51

Compare to the last financial year, the electricity consumption and non-renewable fuel consumed in 2022 have decreased by approximately 52%, which was due to a series of strict anti-epidemic measures re-implemented by the Hong Kong government leading to a significant decrease in customers and the Company minimized its energy consumption. 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 minimize emission and waste produced by the Group in the course of our business activity. By optimising the production process for the Reporting Period, we have achieved the aim of reducing 10% GHG emission compared to that of the Previous Period while maximising energy utilisation efficiency.

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:

- Reduce excessive packaging and use of disposable tableware;
- Improve the reusability of existing packaging materials; and
- Promote the use of alternative materials in overall takeaway packaging solutions.

During the Reporting Period, the total packaging material consumption (tonne) is set out in the table below:

Packaging material consumption

	2022	2021
Plastic (tonne)	**0.18**	1.52
Paper (tonne)	**1.82**	2.46
Total packaging material consumption (tonne)	**2.00**	3.98
Intensity per HKD million revenue (tonne)	**0.03**	0.02

Note:

During the Reporting Period, the total revenue of the Group was HK$79,469,000 (2021: HK$224,193,000).

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 saving 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 optimal temperature setting of air-conditioning;
- Encourage duplex printing;
- Reuse of single-side used paper;
- Upgrade the electrical equipment with high efficient energy label continuously; and
- 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

Management of Noise

The Group strictly adheres to the Noise Control Ordinance of Hong Kong. It has reduced the noise of air-conditioning and ventilation systems, refrigerating system and water pump system or replaced the equipment that produces noise in daily operation, and has managed and monitored the noise during business operation.

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.

During the Reporting Period, the Group has no incidents which have significant impacts on the environment and natural resources.

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.

Relevant impact and management measures

1. Over-emission of greenhouse gases is the main factor causing global climate change. To achieve 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 to minimise the risks through implementation of the relevant protection measures.

2. 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.

3. 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 such risk is relatively low. Dedicated teams of the Group will 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.

SOCIETY

The Group strives to provide a safe working environment for the employees and cares for the overall wellbeing of the employees. In relation to employment and labour practices, the human resources department focuses on employment, health, safety, development and training. The Group complies with laws and regulations on remuneration and dismissal, recruitment and promotion, working hours, rest period, equal opportunity and other benefits as well as anti-discrimination.

Employment

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

The Group will not discriminate against employees on the grounds of race, skin colour, social status, place of birth, nationality, religion, disability, gender, sexual orientation, trade union membership, political position or age. Besides, the Group has always strictly observed the relevant legislations in 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" and the "Employees' Compensation Ordinance" in Hong Kong.

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.

During the Reporting Period, the Group had 121 full-time employees from Hong Kong, and 94 employees left subsidiaries due to corporate restructuring and personal reasons, with a staff turnover rate approaching 26% The total number of employees and the overall turnover rate of the Group are as follows:

	Number (person)	Turnover rate (%)
Total Workforce	121	26
By Gender		
Male	55	31
Female	66	22
By Category		
Board Member	1	66
Senior Management	6	14
Middle Management	12	20
General staff	102	46
By Age Group		
<30	8	35
30-50	54	25
>50	59	26

During the Reporting Period, the Group did not identify any major non-compliance with laws and regulations in relation to the employment practices.

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 review 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. The Group adopts the following general safety policies for restaurant:

- All floor surfaces in restaurants and kitchens should be kept flat and free from slippery, and effective drainage and immediate cleaning should be maintained to prevent water accumulation;
- Knives and other sharp instruments should be stored in a safe place with blades being protected, and should be used only for their intended purpose;
- All workplaces should have first aid kits in place for easy access by employees;
- Employees operating an oven or steamer should wear appropriate working clothes, protective gloves and aprons; and
- All workplaces and escape exits should be well ventilated and adequately lit.

Prevention and control measures for the epidemic

In compliance with the Prevention and Control of Disease (Requirements and Directions) (Business and Premises) Regulation (The Regulation) (Cap. 599F), the Group specifies that it will continue to maintain the other existing requirements and restrictions on the catering business, including the requirement to use the "Leave Home Safe" mobile app, the operation mode for all restaurants registered as a Type D, the continued prohibition on group gathering, as well as the vaccination and mask wearing requirements for employees.

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. The summary of work-related fatalities and injuries of the Group for each of the past three years is as follows:

Health and safety key performance indicators (Employee)

	2022	2021	2020
Number of work injuries	**8**	12	11
Rate of work injury in Hong Kong (per hundred employees)	**6.6**	5	3.9
Number of loss days due to work injuries	**103**	672	403

During the past three years, the Group did not record any accidents that resulted in death or serious bodily injury, did not pay any reimbursements or compensations to the Group's employees due to such accidents, and was not aware of any major non-compliance with laws and regulations in relation to employees' health and safety.

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, and can also improve the technical skills and managerial capability and encourage the learning and further development of employees at all levels.

The Group will continue to intensify its efforts to promote staff training programs. The Group believes that by means of offering comprehensive training opportunities, it could help provide 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.

During the Reporting Period, a number of enrolled training courses were suspended or cancelled to reduce social distances resulting in the unavailability of data due to the ongoing impact of COVID-19.

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 12 suppliers, all of which are Hong Kong 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.

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 has 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 complaints in relation to food or quality of services was 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 recognises the importance of the protection over intellectual property right and consumer privacy. Proper licences for software and information are obtained by the Group for 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 employee handbook that the Group is entitled to terminate the employment contract with any employee who is bribed with money, gifts or commission, etc., and reserve the right to take further legal actions against such person.

During the Reporting Period, the Group has complied with the relevant laws and regulations regarding anti-corruption and money-laundering and had no concluded legal case regarding corrupt practices brought against the issuer or its employees. 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 will actively involve in charitable activities in the communities and cities where our restaurants are operating, and encourage the employees to participate in in-house or external community activities and donations.

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.

HKEx ESG Reporting Guide Index

Aspect, General Disclosures and KPIs	Description	Section and Statement in ESG Report
A	Environmental	Environment Protection
Aspect A.1	Emissions	Environment Protection/Emissions
KPI A.1.1	The types of emissions and respective emissions data	Environment Protection/Emissions
KPI A.1.2	Greenhouse gas emissions in total and intensity	Environment Protection/Emissions
KPI A.1.3	Total hazardous waste produced and intensity	Not applicable to the Group's core operation.
KPI A.1.4	Total non-hazardous waste produced and intensity	Environment Protection/Hazardous and Non-Hazardous Waste
KPI A.1.5	Description of measures to mitigate emissions and results achieved	Environment Protection/Greenhouse Gas Emissions and Energy Conservation
KPI A.1.6	Description of how hazardous and non-hazardous wastes are handled, reduction initiatives and results achieved	Environment Protection/Greenhouse Gas Emissions and Energy Conservation
Aspect A.2	Use of Resources	Environment Protection/Use of Resources
KPI A.2.1	Direct and/or indirect energy consumption by type and intensity	Environment Protection/Use of Resources/Energy Consumption
KPI A.2.2	Water consumption in total and intensity	Environment Protection/Use of Resources
KPI A.2.3	Description of energy use efficiency initiatives and results achieved	Environment Protection/Use of Resources
KPI A.2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency initiatives and results achieved	Environment Protection/Use of Resources/Water Usage Conservation
KPI A.2.5	Total packaging material used for finished products and, with reference to per unit produced	Environment Protection/Use of Resources/Packaging Materials
Aspect A.3	Environment and Natural resources	Environment protection/The Environmental and Natural Resources
KPI A.3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them	Environment Protection/The Environmental and Natural Resources
Aspect A.4	Climate Change	Environment Protection/Climate Change
KPI A.4.1	Description of the significant climate-related issues which have impacted, and those which may impact, the issuer	Environment Protection/Climate Change/ Relevant impact and management measures

Aspect, General Disclosures and KPIs	Description	Section and Statement in ESG Report
B	Social	Social
Aspect B.1	Employment	Society/Employment
KPI B.1.1	Total workforce by gender, employment type, age group and geographical region	Society/Employment
KPI B.1.2	Employee turnover rate by gender, age group and geographical region	Society/Employment
Aspect B.2	Health and Safety	Society/Health and Safety
KPI B.2.1	Number and rate of work-related fatalities occurred in each of the past three years including the reporting year	Society/Health and Safety
KPI B.2.2	Lost days due to work injury	Society/Health and Safety
KPI B.2.3	Description of occupational health and safety measures adopted, and how they are implemented and monitored	Society/Health and Safety
Aspect B.3	Development and Training	Society/Training and Development
KPI B.3.1	The percentage of employees trained by gender and employee category	Society/Training and Development
KPI B.3.2	The average training hours completed per employee by gender and employee category	Society/Training and Development
Aspect B.4	Labour Standards	Society/Labour Standards
KPI B.4.1	Description of measures to review employment practices to avoid child and forced labour	Society/Labour Standards
KPI B.4.2	Description of steps taken to eliminate such practices when discovered	Society/Labour Standards
Aspect B.5	Supply Chain Management	Society/Supply Chain Management
KPI B.5.1	Number of suppliers by geographical region	Society/Supply Chain Management
KPI B.5.2	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, and how they are implemented and monitored	Society/Supply Chain Management
KPI B.5.3	Description of practices used to identify environmental and social risks along the supply chain, and how they are implemented and monitored	Society/Supply Chain Management
KPI B.5.4	Description of practices used to promote environmentally preferable products and services when selecting suppliers, and how they are implemented and monitored	Society/Supply Chain Management
Aspect B.6	Product Responsibility	Society/Food Safety and Quality Assurance

Aspect, General Disclosures and KPIs	Description	Section and Statement in ESG Report
KPI B.6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons	Society/Food Safety and Quality Assurance
KPI B.6.2	Number of products and service related complaints received and how they are dealt with	Society/Food Safety and Quality Assurance
KPI B.6.3	Description of practices relating to observing and protecting intellectual property rights	Society/Food Safety and Quality Assurance
KPI B.6.4	Description of quality assurance process and recall procedures	Society/Food Safety and Quality Assurance
KPI B.6.5	Description of consumer data protection and privacy policies, and how they are implemented and monitored	Society/Food Safety and Quality Assurance
Aspect B.7	Anti-corruption	Society/Anti-corruption
KPI B.7.1	Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the reporting period and the outcomes of the cases	There were no concluded legal cases regarding corrupt practices during the reporting period.
KPI B.7.2	Description of preventive measures and whistle-blowing procedures, and how they are implemented and monitored	Society/Anti-corruption
KPI B.7.3	Description of anti-corruption training provided to directors and staff	Society/Anti-corruption
Aspect B.8	Investment in Social Welfare	Society/Community Investment
KPI B.8.1	Focus areas of contribution	Society/Community Investment
KPI B.8.2	Resources contributed to the focus area	Society/Community Investment

Directors' Report

The Directors present their report and the audited consolidated financial statements for the year ended 31 December 2022 (the "**Reporting Period**").

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 two brands. Details of the principal activities of the subsidiaries of the Company are set out in note 41 to the financial statements.

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

FINANCIAL SUMMARY

A summary of the results and assets and liabilities of the Group for the five financial years is set out on page 146 of this annual report.

DIVIDEND POLICY

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

– the Group's actual and expected financial performance;

– shareholders' interests;

– retained earnings and distributable reserves of the Company and each of the other members of the Group;

– the level of the Group's debts to equity ratio, return on equity and financial covenants to which the Group is subject;

– possible effects on the Group's creditworthiness;

– any restrictions on payment of dividends that may be imposed by the Group's lenders;

– the Group's expected working capital requirements and future expansion plans;

– liquidity position and future commitments at the time of declaration of dividend;

– taxation considerations;

– statutory and regulatory restrictions;

– general business conditions and strategies;

– general economic conditions, business cycle of the Group's business and other internal or external factors that may have an impact on the business or financial performance and position of the Company; and

– other factors that the Board deems appropriate.

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

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

RESULTS AND DIVIDENDS

The results of the Group for the year ended 31 December 2022 and the financial position of the Company and of the Group at that date are set out in the consolidated financial statements on pages 72 to 145 of this annual report. The Board does not recommend the payment of a final dividend for the year ended 31 December 2022.

CLOSURE OF THE REGISTER OF MEMBERS

The forthcoming annual general meeting is scheduled to be held on 30 June 2023 (the "**2023 AGM**"). For determining the entitlement to attend and vote at the 2023 AGM, the register of members of the Company will be closed from 27 June 2023 to 30 June 2023, both days inclusive, during which period no transfer of shares of the Company will be registered. In order to attend and vote at the 2023 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 Monday on 26 June 2023.

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 "Message from the Board" 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 2022 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 2022 are set out in note 18 to the financial statements.

DONATION

No charitable donations made by the Group during the year ended 31 December 2022 (2021: 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 2022, no share options were granted, exercised, cancelled or lapsed.

RESERVES

Details of movements in the reserves of the Company and the Group are set out in note 32 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 2022 are set out in note 38 to the financial statements.

DISTRIBUTABLE RESERVES

As at 31 December 2022, the Company did not have any reserves available for distribution to owners (2021: Nil).

Directors' Report

MAJOR CUSTOMERS AND SUPPLIERS

Due to the nature of the Group's business, its customers are mainly walk-in customers from the general public. As such, the Directors consider that it is not practicable to identify the five largest customers of the Group, and the Group did not rely on any single customers. The aggregate amount of purchases attributable to the Group's five largest suppliers accounted for less than 30% of the Group's total purchases. None of the Directors or any of their close associates or shareholders (which, to the best knowledge of the Directors, own more than 5% of the Company's issued share capital) has any beneficial interest in the Group's five largest customers or suppliers.

DIRECTORS

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

Executive Directors

Ms. Shen Taiju (appointed on 6 January 2022 and re-designated to Chairman on 6 October 2022)
Mr. Chan Ko Cheung *(Chairman and Chief Executive Officer)* (resigned on 6 October 2022)
Ms. Au Yeung Lok Yee (appointed on 4 January 2023)
Mr. Jia Yongqiang (appointed on 17 April 2023)

Independent Non-executive Directors

Dr. Chung Ling Cheong Dicky (appointed on 14 November 2022 and resigned on 28 February 2023)
Mr. Lee Yiu Keung (retired on 31 October 2022)
Mr. Wang Jingan (retired on 31 October 2022)
Mr. Wong Luen Tung (appointed on 28 January 2022 and resigned on 27 January 2023)
Mr. Buer Gude (appointed on 5 May 2023)
Mr. Chui Chi Yun Robert (appointed on 5 May 2023)
Mr. Mtafi Rachid Rene (appointed on 1 December 2022)

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 of the articles of association of the Company, Ms. Shen Taiju will retire at the 2023 AGM. By virtue of Articles 112 of the articles of association of the Company, Ms. Au Yeung Lok Yee, Mr. Mtafi Rachid Rene, Mr. Jia Yongqiang, Mr. Buer Gude and Mr. Chui Chi Yun Robert will hold office till the 2023 AGM and, all being eligible, will offer themselves for re-election at the said meeting.

DIRECTORS' AND SENIOR MANAGEMENT BIOGRAPHIES

Biographical details of the Directors and the senior management of the Group are set out on pages 20 to 22 of this annual report.

PERMITTED INDEMNITY PROVISION

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

DIRECTORS' SERVICE CONTRACTS

None of the Directors proposed for re-election at the 2023 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' INTEREST 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 2022.

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 2022 falls within the following band:

Remuneration Band	**Number of Senior Management**
Up to HK$1,000,000	3
HK$1,000,001 to up to HK$2,000,000	–
Above HK$2,000,000	–

EMOLUMENT POLICY

The Company's remuneration policy comprises primarily a fixed component (in the form of a base salary) and a variable component (which include discretionary bonus and other merit payments), taking into account other factors such as their experience, level of responsibility, individual performance, the profit performance of the Group and general market conditions. The 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 38 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 2022, 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' 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 2022, 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 2022, 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 2022.

COMPETITION INTERESTS

None of the Directors, the controlling shareholders of the Company or their respective close associates (as defined in the GEM Listing Rules) had any business or interest which competed or might compete with the business of the Group nor had any other conflict of interests with the Group for the year ended 31 December 2022.

CORPORATE GOVERNANCE

Details of the Company's corporate governance practices are set out in the Corporate Governance Report on pages 23 to 37 of this annual report.

EQUITY-LINKED AGREEMENTS

Save as contents relating to "Share Option Scheme" disclosed on pages 62 to 63 of this annual report, there was no equity-linked agreement entered into by the Company during the year ended 31 December 2022.

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 2022 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

Save as disclosed under the heading of "Non-compliance with the GEM Listing Rules", 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 a written confirmation of his independence pursuant to Rule 5.09 of the GEM Listing Rules prior his appointment and the Company considers all the independent non-executive Directors to be independent.

INDEPENDENT AUDITOR

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.

The Company has appointed Prism Hong Kong and Shanghai Limited ("**Prism**") as the auditors of the Company for the Year with effect from 11 March 2022. Prism will retire and, being eligible, offer itself for reappointment at the forthcoming annual general meeting. A resolution to reappoint 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
Chairman

Hong Kong, 22 May 2023

Independent Auditor's Report

Prism Hong Kong and Shanghai Limited
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Tsim Sha Tsui, Hong Kong
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www.prism.com.hk

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 (hereinafter collectively referred to as the "**Group**") set out on pages 72 to 145, which comprise the consolidated statement of financial position as at 31 December 2022, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

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

BASIS FOR DISCLAIMER OF OPINION

Multiple fundamental uncertainties relating to going concern

As described in Note 3 to the consolidated financial statements, the Group reported loss attributable to owners of the Company of approximately HK$5,295,000 for the year ended 31 December 2022. In addition, the Group's current liabilities exceeded its current assets by approximately HK$135,994,000 and the Group had net liabilities of approximately HK$107,152,000 as at 31 December 2022. As at the same date, the Group's total current interest-bearing borrowings amounted to approximately HK$60,771,000, while its cash and cash equivalents amounted to approximately HK$4,881,000 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 of the Company 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 of the Company in preparing the consolidated financial statements on a going concern basis are proper and appropriate.

However, we have not been able to obtain sufficient appropriate audit evidence to satisfy ourselves that the events or conditions underpinning the cash flow forecast of the Group for going concern assessment are reasonable and supportable because of (i) the lack of sufficient supporting basis from the management including the consent from lenders to refinance and/or rollover the Group's existing loans; (ii) the lack of sufficient basis that the improvement of future operating results and cash flows would be realised. Hence, we were unable to satisfy ourselves about the appropriateness of the use of the going concern basis of accounting in the preparation of the consolidated financial statements by the management of the Group.

In view of the extent of the material uncertainties relating to the results of those measures to be taken by the Group which might cast significant doubt on the Group's ability to continue as a going concern, we have disclaimed our opinion on the consolidated financial statements.

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.

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

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**") 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 of the Company determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors of the Company are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors of the Company either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

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

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

Our responsibility is to conduct an audit of the Group's consolidated financial statements in accordance with Hong Kong Standards on Auditing ("**HKSAs**") issued by the HKICPA and to issue an auditor's report, solely to you, as a body, in accordance with section 405 of the Hong Kong Companies Ordinance and 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.

The engagement partner on the audit resulting in this independent auditor's report is Mr. Dai Tin Yau.

Prism Hong Kong and Shanghai Limited
Certified Public Accountants
Dai Tin Yau
Practising Certificate Number: P06318

Hong Kong
22 May 2023

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the Year Ended 31 December 2022

	Notes	**2022** **HK$'000**	2021 HK$'000
Revenue	7	**79,469**	224,193
Cost of inventories consumed		**(25,402)**	(72,167)
Gross profit		**54,067**	152,026
Other income and gains, net	9	**13,113**	12,124
Staff costs		**(36,968)**	(91,208)
Depreciation of property, plant and equipment	18	**(798)**	(6,963)
Depreciation of right-of-use assets	19	**(2,938)**	(22,750)
Gain on disposal of a subsidiary	35	**12,628**	–
Impairment losses of property, plant and equipment	20	**(15)**	(2,660)
Impairment losses of right-of-use assets	20	**(6,412)**	(15,293)
Impairment losses under expected credit loss model	11	**(285)**	(7,286)
Rental and related expenses		**(12,100)**	(14,473)
Other operating expenses		**(22,208)**	(50,432)
Finance costs	10	**(3,244)**	(3,798)
Loss before tax		**(5,160)**	(50,713)
Income tax expense	12	**(135)**	(53)
Loss for the year attributable to owners of the Company	13	**(5,295)**	(50,766)
		HK cents	HK cents
Loss per share			
– Basic and diluted	17	**(3.06)**	(32.4)
Loss for the year		**(5,295)**	(50,766)
Other comprehensive expense:			
Items that may be reclassified subsequently to profit or loss:			
Release of exchange fluctuation reserve upon disposal of a subsidiary		**273**	–
Exchange differences arising on translation of foreign operations		**18**	(114)
Total comprehensive expense for the year		**(5,004)**	(50,880)

Consolidated Statement of Financial Position

As at 31 December 2022

	Notes	2022 HK$'000	2021 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment	18	**27,097**	27,894
Right-of-use assets	19	**–**	–
Prepayments, deposits and other receivables	23	**3,403**	2,969
Deferred tax assets	31	**3,229**	3,364
		33,729	34,227
CURRENT ASSETS			
Inventories	21	**3,572**	5,779
Trade receivables	22	**596**	3,739
Prepayments, deposits and other receivables	23	**12,255**	12,401
Financial assets at fair value through profit or loss	24	**–**	2,056
Amount due from related companies	25	**–**	–
Tax recoverable		**344**	554
Cash and cash equivalents	26	**4,881**	6,332
		21,648	30,861
CURRENT LIABILITIES			
Trade payables	27	**36,820**	40,534
Other payables and accruals	28	**43,787**	38,496
Bank and other borrowings	29	**60,771**	60,644
Lease liabilities	30	**8,231**	21,102
Amount due to a director	38	**7,589**	–
Tax payable		**444**	312
		157,642	161,088
NET CURRENT LIABILITIES		**(135,994)**	(130,227)
TOTAL ASSETS LESS CURRENT LIABILITIES		**(102,265)**	(96,000)
NON-CURRENT LIABILITIES			
Other payables and accruals	28	**1,048**	620
Lease liabilities	30	**3,839**	5,528
		4,887	6,148
NET LIABILITIES		**(107,152)**	(102,148)

Consolidated Statement of Financial Position

As at 31 December 2022

	Note	2022 HK$'000	2021 HK$'000
CAPITAL AND RESERVES			
Share capital	32	**17,280**	17,280
Reserves		**(124,432)**	(119,428)
TOTAL DEFICIENCY IN EQUITY		**(107,152)**	(102,148)

The consolidated financial statements on pages 72 to 145 were approved and authorised for issue by the Board of Directors on 22 May 2023 and are signed on its behalf by:

Shen Taiju
Director

Au Yeung Lok Yee
Director

Consolidated Statement of Changes in Equity

For the Year Ended 31 December 2022

	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 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 and I January 2022	17,280	90,912	(43,224)	42,703	(424)	(209,395)	(102,148)
Loss for the year	**–**	**–**	**–**	**–**	**–**	**(5,295)**	**(5,295)**
Other comprehensive expense for the year *Item that may be reclassified subsequently to profit or loss:* Release of exchange fluctuation reserve upon disposal of a subsidiary	**–**	**–**	**–**	**–**	**273**	**–**	**273**
Exchange differences arising on translation of foreign operations	**–**	**–**	**–**	**–**	**18**	**–**	**18**
Total comprehensive expense for the year	**–**	**–**	**–**	**–**	**291**	**(5,295)**	**(5,004)**
At 31 December 2022	**17,280**	**90,912**	**(43,224)**	**42,703**	**(133)**	**(214,690)**	**(107,152)**

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 2022

	2022 HK$'000	2021 HK$'000
OPERATING ACTIVITIES		
Loss before tax	**(5,160)**	(50,713)
Adjustments for:		
Finance costs	**3,244**	3,798
Bank interest income	**–**	(5)
Interest income on rental deposit at amortised cost	**(36)**	(362)
Subsidies received from a utility company for purchases of property, plant and equipment	**(52)**	(246)
Fair value gains on financial assets at fair value through profit or loss	**(276)**	(66)
Loss on disposal of property, plant and equipment	**–**	1,179
Gain on disposal of a subsidiary	**(12,628)**	–
Depreciation of property, plant and equipment	**798**	6,963
Depreciation of right-of-use assets	**2,938**	22,750
Gain on early termination of leases	**–**	(1,689)
Compensation on termination of a contract	**(4,987)**	–
Reversal of annual leave, net	**(1,668)**	(1,972)
Provision for long service payment, net	**270**	306
Rental concession	**–**	(4,959)
Impairment losses of property, plant and equipment	**15**	2,660
Impairment losses of right-of-use assets	**6,412**	15,293
Impairment losses under expected credit loss model	**285**	7,286
Operating cash flows before movements in working capital	**(10,845)**	223
Decrease in inventories	**2,207**	2,195
Decrease/(increase) in trade receivables	**3,143**	(1,365)
(Increase)/decrease in prepayments, deposits and other receivables	**(2,677)**	13,063
(Decrease)/increase in trade payables	**(1,142)**	5,754
Increase in other payables and accruals	**6,214**	12,341
Cash (used in)/generated from operations	**(3,100)**	32,211
Interest paid on bank borrowings	**(1,525)**	(2,068)
Income tax refund/(paid)	**342**	(1,080)
NET CASH (USED IN)/GENERATED FROM OPERATING ACTIVITIES	**(4,283)**	29,063
INVESTING ACTIVITIES		
Interest received	**–**	5
Purchase of property, plant and equipment	**(16)**	(974)
Proceeds from withdrawal of a life insurance policy	**2,332**	2,938
NET CASH GENERATED FROM INVESTING ACTIVITIES	**2,316**	1,969

Consolidated Statement of Cash Flows

For the Year Ended 31 December 2022

	2022 HK$'000	2021 HK$'000
FINANCING ACTIVITIES		
Advances from a director	**7,589**	–
Net proceeds from placing of shares	**–**	5,735
New bank and other borrowings	**3,500**	3,000
Repayment of bank borrowings	**(3,373)**	(18,804)
Payment of lease liabilities	**(7,200)**	(26,302)
NET CASH GENERATED FROM/(USED IN) FINANCING ACTIVITIES	**516**	(36,371)
NET DECREASE IN CASH AND CASH EQUIVALENTS	**(1,451)**	(5,339)
Cash and cash equivalents at the beginning of the year	**6,332**	11,692
Effect of foreign exchange rate changes	**–**	(21)
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR, represented by bank balances and cash	**4,881**	6,332

1. GENERAL

Dragon King Group Holdings Limited (the "**Company**") is a public limited company incorporated in the Cayman Islands and its shares are listed on the GEM of The Stock Exchange of Hong Kong Limited since 16 January 2018. 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 16/F., Tern Centre Two, 251 Queen's Road Central, Hong Kong and changed to Unit C, 11/F., King Yip Factory Building, 59 King Yip Street, Kwun Tong, Kowloon, Hong Kong on 1 March 2023.

The principal activity of the Group is principally engaged in operation and management of restaurants. Details of principal subsidiaries please refer to note 41.

The consolidated financial statements are presented in Hong Kong dollars, which is also the functional currency of the Company.

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

In the current year, the Group has applied, for the first time, the following amendments to HKFRSs issued by the HKICPA which are effective for the Group's financial year beginning 1 January 2022:

Amendment to HKFRS 16	Covid-19-Related Rent Concessions beyond 30 June 2021
Amendments to HKFRS 3	Reference to the Conceptual Framework
Amendments to HKAS 16	Property, plant and Equipment: Proceeds before Intended Use
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018 – 2020 cycle

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

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

New and amendments to HKFRSs issued but not yet effective

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

HKFRS 17 (including the October 2020 and February 2022 amendments to HKFRS 17)	Insurance Contracts[1]
Amendments to HKFRS 16	Lease Liability in a Sale and Leaseback[2]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and the related amendments to Hong Kong Interpretation 5 (2020) Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause[2]
Amendments to HKAS 1	Non-current Liabilities with Covenants[2]
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies[1]
Amendments to HKAS 8	Definition of Accounting Estimates[1]
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction[1]

1 Effective for annual periods beginning on or after 1 January 2023.
2 Effective for annual periods beginning on or after 1 January 2024.
3 Effective for annual periods beginning on or after a date to be determined.

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. SIGNIFICANT ACCOUNTING POLICIES

3.1 Basis of preparation of consolidated financial statements

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

The consolidated financial statements have been prepared on the historical cost basis except for certain properties and financial instruments that are measured at fair values, at the end of each reporting period.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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

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

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. Details of fair value measurement are explained in the accounting policies set out below.

Going-concern assessment

During the year ended 31 December 2022, the Group reported loss for the year attributable to owner of the Company of approximately HK$5,295,000. In addition, as of that date, the Group's current liabilities exceeded its current assets by approximately HK$135,994,000 and the Group had net liabilities by approximately HK$107,152,000. As at the same date, the Group's total current interest-bearing borrowings amounted to approximately HK$60,771,000, while its cash and cash equivalents amounted to approximately HK$4,881,000 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 and other borrowings of HK$60,771,000 as at 31 December 2022, of which approximately HK$28,400,000 is repayable within one year. The remaining interest-bearing bank borrowings, amounting to approximately HK$32,371,000 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 of the Company, the Group will be able to roll over or refinance the bank borrowings upon their maturity;

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

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

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

(v) the director, Ms. Shen, has agreed not to call for principal amounted to approximately HK$7,589,000, until the Group is in a financial position to do so.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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

Going-concern assessment *(continued)*

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

The significant accounting policies are set out below.

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. If a subsidiary prepares its financial statements using accounting policies other than those adopted in the consolidated financial statements for like transactions and events in similar circumstances, appropriate adjustments are made to that subsidiary's financial statements in preparing the consolidated financial statements to ensure conformity with the Group's accounting policies.

Control is achieved where the Group has: (i) the power over the investee; (ii) exposure, or rights, to variable returns from its involvement with the investee; and (iii) the ability to use its power over the investee to affect the amount of the Group's returns.

The Group reassesses whether it controls an investee if facts and circumstances indicate that there are changes to one or more of these elements of control listed above.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and cease when the Group loses control of the subsidiary.

Income and expenses of subsidiaries are included in the consolidated statement of profit or loss and other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

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

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.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

3.2 Significant accounting policies *(continued)*

Changes in the Group's ownership interests in existing subsidiaries

Changes in the Group's ownership interests in existing subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. 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, it (i) derecognises the assets (including any goodwill) and liabilities of the subsidiary at their carrying amounts at the date when control is lost, (ii) derecognises the carrying amount of any non-controlling interests in the former subsidiary at the date when control is lost (including any components of other comprehensive income attributable to them), and (iii) recognises the aggregate of the fair value of the consideration received and the fair value of any retained interest, with any resulting difference being recognised as a gain or loss in profit or loss attributable to the Group. When assets and liabilities of the subsidiary are carried at revalued amounts or fair values and the related cumulative gain or loss has been recognised in other comprehensive income and accumulated in equity, the amounts previously recognised in other comprehensive income and accumulated in equity are accounted for as if the Group had directly disposed of the related assets and liabilities (i.e. reclassified to profit or loss or transferred directly to retained earnings as specified by applicable HKFRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under HKFRS 9 *Financial Instruments* ("**HKFRS 9**") or, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

Revenue from contracts with customers

Revenue is recognised to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the Group uses a 5-step approach to revenue recognition:

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

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

3.2 Significant accounting policies *(continued)*

Revenue from contracts with customers *(continued)*

The Group recognised 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 customers.

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 same.

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 asset is created or enhanced; or

- The Group' 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 goods or service.

Revenue is measured based on the consideration specified in a contract with a customer, excludes amounts collected on behalf of third parties, discounts and sales related taxes.

Contract assets and contract liabilities

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 from the customer.

For a single contract with the customer, either a net contract asset or a net contract liability is presented. For multiple contracts, contract assets and contract liabilities of unrelated contracts are not presented on a net basis.

The Group recognised revenue major from the sales of food products and services.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

3.2 Significant accounting policies *(continued)*

Leases

Definition of a lease

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

The Group as lessee

The Group recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less from the commencement date and do not contain a purchase option) and leases of low value assets. For these leases, the Group recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

Lease liabilities

At the commencement date, the Group measures lease liability at the present value of the lease payments that are not paid at that date. The lease payments are discounted by using the interest rate implicit in the lease. If this rate cannot be readily determined, the Group uses its incremental borrowing rate.

Lease payments included in the measurement of the lease liability comprise:

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

The lease liability is presented as a separate line in the consolidated statement of financial position.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

3.2 Significant accounting policies *(continued)*

***Leases** (continued)*

The Group as lessee (continued)

Lease liabilities *(continued)*

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

Lease liability is remeasured (and with a corresponding adjustment to the related right-of-use asset) whenever:

- the lease term has changed or there is a significant event or change in circumstances resulting in a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using revised discount rate.

- the lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using the initial discount rate.

- A lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured 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.

Right-of-use assets

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement date and any initial direct costs, less lease incentives received. Whenever the Group incurs an obligation for costs to dismantle and remove a leased asset, restore the site on which it is located or restore the underlying asset to the condition required by the terms and conditions of the lease, a provision is recognised and measured under HKAS 37 *Provision, Contingent Liabilities and Contingent Assets*. The costs are included in the related right-of-use asset.

Right-of-use assets are subsequently measured at cost less accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. They are depreciated over the shorter period of lease term and useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

3.2 Significant accounting policies *(continued)*

Leases *(continued)*

The Group as lessee (continued)

Right-of-use assets *(continued)*

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

The Group applies HKAS 36 *Impairment of Asset* to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss.

Variable rents that do not depend on an index or rate are not included in the measurement of the lease liability and the right-of-use asset. The related payments are recognised as an expense in the period in which the event or condition that triggers those payments occurs and are included in "Depreciation of right-of-use assets" in the consolidated statement of profit or loss and other comprehensive income.

When the Group obtains ownership of the underlying leased assets at the end of the lease term upon exercising purchase options, the carrying amount of the relevant right-of-use asset is transferred to property, plant and equipment.

Lease modifications

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 lease 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 a separate lease, the Group remeasures the lease liability 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. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

3.2 Significant accounting policies *(continued)*

***Leases** (continued)*

The Group as lessee (continued)

COVID-19-related rent concessions

For rental concessions relating to lease contracts that occurred as a direct consequence of the COVID-19 pandemic, the Group has elected to apply the practical expedient not to assess whether a COVID-19-Related Rent Concession for lease contracts is a lease modification. The practical expedient only applies to rent concessions occurring as a direct consequence of the COVID-19 that meets all of the following conditions:

- the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;
- any reduction in lease payments affects only payments originally due on or before 30 June 2022; and
- there is no substantive change to other terms and conditions of the lease.

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

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 recorded in the respective functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchanges prevailing at 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 at 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.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

3.2 Significant accounting policies *(continued)*

Foreign currencies *(continued)*

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. Hong Kong dollars) using exchange rates prevailing at the end of each reporting period. Income and expenses items are translated at the average exchange rates for the year, unless exchange rates fluctuate significantly during the period, in which case, the exchange rates prevailing 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

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

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

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. Specifically, government grants whose primary condition is that the Group should purchase, construct or otherwise acquire non-current assets are recognised as deferred income in the consolidated statement of financial position and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

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".

The benefit of a government loan at a below-market rate of interest is treated as a government grant, measured as the difference between proceeds received and the fair value of the loan based on prevailing market interest rates.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

3.2 Significant accounting policies *(continued)*

Retirement benefits costs and termination benefits

Payments to the Mandatory Provident Fund Scheme are recognised as an expense when employees have rendered service entitling them to the contributions.

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

Short-term and other long-term employee benefits

A liability is recognised for benefits accruing to employees in respect of wages and salaries, annual leave and sick leave in the period the related service is rendered at the undiscounted amount of the benefits expected to be paid in exchange for that service.

Liabilities recognised in respect of short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in exchange for the related service.

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.

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" as reported in the consolidated statement of profit or loss and other comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary difference 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 goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

3.2 Significant accounting policies *(continued)*

Taxation *(continued)*

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.

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 by the same taxation authority and the Group intends to settle current tax liabilities and assets on a net basis.

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 relating to right-of-use assets and lease liabilities are not recognised at initial recognition 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.

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. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

3.2 Significant accounting policies *(continued)*

Property, plant and equipment

Property, plant and equipment are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

Depreciation is recognised so as to write off the cost of items of property, plant and equipment 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 losses 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 those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating unit, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

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

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

3.2 Significant accounting policies *(continued)*

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

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

Inventories

Inventories are stated at the lower of cost and net realisable value. Costs of inventories are calculated using the first-in, first-out method. Net realisable value of inventories represents the estimated selling price in the ordinary course of business less the estimated costs of completion and costs necessary to make the sale.

Cash and cash equivalents

In the consolidated statement of financial position, cash and bank balances comprise cash (i.e. cash on hand and demand deposits) and cash equivalents. Cash equivalents are short-term (generally with original maturity of three months or less), highly liquid investments that are readily convertible to a known amount of cash and which are subject to an insignificant risk of changes in value. Cash equivalents are held for the purpose of meeting short-term cash commitments rather for investment or other purposes.

For the purpose of the consolidated statement of cash flows, cash and cash equivalents consist of cash and cash equivalents, as defined above, net of outstanding bank overdrafts which are repayable on demand and form an integral part of the Group's cash management. Such overdrafts are presented as short-term borrowings in the consolidated statement of financial position.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

3.2 Significant accounting policies *(continued)*

Financial instruments

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

Financial assets and financial liabilities are initially measured at fair value, except for trade receivables arising from contracts with customers which are initially measured in accordance with HKFRS 15 *Revenue from Contracts with Customers* ("**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) 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 fair value through profit or loss are recognised immediately in profit or loss.

Financial assets

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 marketplace.

All recognised financial assets are subsequently measured in their entirety at either amortised cost or fair value, depending on the classification of the financial assets. Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income ("**FVTOCI**"), and fair value through profit or loss ("**FVTPL**").

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them.

Financial assets at amortised cost (debt instruments)

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

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortised cost are subsequently measured using the effective interest method and are subject to impairment.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

3.2 Significant accounting policies *(continued)*

Financial instruments *(continued)*

Financial assets (continued)

Financial assets at amortised cost (debt instruments) *(continued)*

(i) Amortised cost and effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period.

For financial assets, the effective interest rate is the rate that exactly discounts estimated future cash receipts (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) excluding expected credit losses ("**ECL**"), through the expected life of the debt instrument, or, where appropriate, a shorter period, to the gross carrying amount of the debt instrument on initial recognition.

The amortised cost of a financial asset is the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, adjusted for any loss allowance. The gross carrying amount of a financial asset is the amortised cost of a financial asset before adjusting for any loss allowance.

Interest income is recognised using the effective interest method for debt instruments measured subsequently at amortised cost. For financial assets other than purchased or originated credit-impaired financial assets, 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. If, in subsequent reporting periods, 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.

Interest income is recognised in profit or loss and is included in the other income and gains, net line item (note 9).

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

3.2 Significant accounting policies *(continued)*

Financial instruments *(continued)*

Financial assets (continued)

Financial assets at FVTPL

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

- Investments in equity instruments are classified as at FVTPL, unless the Group designates an equity investment that is neither held for trading nor a contingent consideration arising from a business combination as at FVTOCI on initial recognition.

- Debt instruments that do not meet the amortised cost criteria or the FVTOCI criteria are classified as at FVTPL. In addition, debt instruments that meet either the amortised cost criteria or the FVTOCI criteria may be designated as at FVTPL upon initial recognition if such designation eliminates or significantly reduces a measurement or recognition inconsistency that would arise from measuring assets or liabilities or recognising the gains and losses on them on different bases.

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 to the extent they are not part of a designated hedging relationship. 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 gains and losses, net" line item. Fair value is determined in the manner described in Note 6.

A financial asset is held for trading if:

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

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

- it is a derivative (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument).

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

3.2 Significant accounting policies *(continued)*

Financial instruments *(continued)*

Financial assets (continued)

Impairment of financial assets

The Group recognises a loss allowance for ECL on investments in debt instruments that are measured at amortised cost or at FVTPL. The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

The Group always recognises lifetime ECL for trade receivables, deposits and other receivables, and bank balances and cash. The ECL on trade receivables are estimated using a provision matrix 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 as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

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

(i) Significant increase in credit risk

In assessing whether the credit risk on a financial instrument 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. Forward-looking information considered includes the future prospects of the industries in which the Group's debtors operate, obtained from economic expert reports, financial analysts, governmental bodies, relevant think-tanks and other similar organisations, as well as consideration of various external sources of actual and forecast economic information that relate to the Group's operations.

3. 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)*

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

- 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 for a particular debtor, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor, or the length of time or the extent to which the fair value of a financial asset has been less than its amortised cost;
- 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;
- significant increases in credit risk on other financial instruments of the same 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.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk on a financial asset 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 foregoing, 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 financial instrument is determined to have low credit risk if i) the financial instrument 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.

3. 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)*

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

The Group considers the following as constituting an event of default for internal credit risk management purposes as historical experience indicates that receivables that meet either of the following criteria are generally not recoverable:

- when there is a breach of financial covenants by the debtor; or
- 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 analysis, 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.

(iii) Credit-impaired financial assets

A financial asset is credit-impaired when one or more events 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; or

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

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

3.2 Significant accounting policies *(continued)*

Financial instruments *(continued)*

Financial assets (continued)

Impairment of financial assets *(continued)*

(iv) Write-off policy

The Group writes off a financial asset when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. 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. Any recoveries made are recognised in profit or loss.

(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 adjusted by forward-looking information. As for the exposure at default, for financial assets, this is represented by the assets' gross carrying amount at the reporting date; for financial guarantee contracts, the exposure includes the amount drawn down as at the reporting date, together with any additional amounts expected to be drawn down in the future by default date determined based on historical trend, the Group's understanding of the specific future financing needs of the debtors, and other relevant forward-looking information.

For financial assets, the ECL is estimated as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the original effective interest rate. For a lease receivable, the cash flows used for determining the ECL is consistent with the cash flows used in measuring the lease receivable in accordance with HKFRS 16.

If the Group has measured the loss allowance for a financial instrument at an amount equal to lifetime ECL in the previous reporting period, but determines at the current reporting date that the conditions for lifetime ECL are no longer met, the Group measures the loss allowance at an amount equal to 12-month ECL at the current reporting date, except for assets for which simplified approach was used.

The Group recognises an impairment gain or loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account, for which the loss allowance is recognised in other comprehensive income and accumulated in the reserve, and does not reduce the carrying amount of the financial asset in the consolidated statement of financial position.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

3.2 Significant accounting policies *(continued)*

Financial instruments *(continued)*

Financial assets (continued)

Derecognition 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 party.

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.

Financial liabilities and equity instruments

Classification as debt or equity

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

Equity instruments

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

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 or at FVTPL.

Financial liabilities that arise when a transfer of a financial asset does not qualify for derecognition or when the continuing involvement approach applies, and financial guarantee contracts issued by the Group, are measured in accordance with the specific accounting policies set out below.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

3.2 Significant accounting policies *(continued)*

Financial instruments *(continued)*

Financial liabilities and equity instruments (continued)

Financial liabilities subsequently measured at amortised cost

Financial liabilities that are not 1) contingent consideration of an acquirer in a business combination, 2) held-for-trading, or 3) designated as at FVTPL, are subsequently measured at amortised cost using the effective interest method.

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

Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

Offsetting a financial asset and a financial liability

Financial assets and liabilities of the Group are offset and the net amount presented in the consolidated statement of financial position when, and only when, there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

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.

Provisions are measured at 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).

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

3.2 Significant accounting policies *(continued)*

Fair value measurement

When measuring fair value, 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.

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

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs. Specifically, the Group categorised the fair value measurements into three levels, based on the characteristics of inputs, as follow:

Level 1	–	Quoted (unadjusted) market prices in active markets for identical assets or liabilities.
Level 2	–	Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.
Level 3	–	Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

At the end of the reporting period, the Group determines whether transfer occur between levels of the fair value hierarchy for assets and liabilities which are measured at fair value on recurring basis by reviewing their respective fair value measurement.

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 of assets, liabilities, revenue and expenses reported and disclosures made in 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 judgement by the management, at a particular point of time, about the future outcome of events or conditions which are inherently uncertain. The management considers that the Group has ability to continue as a going concern and the major conditions that may cast significant doubt about the going concern assumptions are set out in Note 3 to the consolidated financial statements.

Determination on lease term of contracts with renewal options

Lease liability is initially recognised at the present value of the lease payments payable over the lease term. In determining the lease term at the commencement date for leases that include renewal options exercisable by the Group, the Group evaluates the likelihood of exercising the renewal options taking into account all relevant facts and circumstances that create an economic incentive for the Group to exercise the option. The lease term is reassessed when there is a significant event or significant change in circumstance that is within the Group's control. Any increase or decrease in the lease term would affect the amount of lease liabilities and right-of-use assets recognised in future years.

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

Critical judgements in applying accounting policies *(continued)*

Determination on lease term of contracts with renewal options (continued)

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).

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 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 rates 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.

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

Key sources of estimation uncertainty *(continued)*

Provision of ECL for trade receivables and other receivables *(continued)*

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.

Estimated 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 units ("**CGUs**") to which the assets belongs.

Changing the assumptions and estimates, including the discount rates or the growth rate in the cash flow projections, could materially affect the recoverable amounts.

As at 31 December 2022, the carrying amounts of property, plant and equipment and right-of-use assets, subject to impairment assessment were approximately HK$27,097,000 and nil (2021: HK$27,894,000 and nil) respectively, after taking into account the impairment losses of approximately HK$15,000 and approximately HK$6,412,000 (2021: HK$2,660,000 and HK$15,293,000), 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 approximately HK$160,011,000 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.

5. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from prior year.

The capital structure of the Group consists of net debt, which includes the trade payables, other payables and accruals, lease liabilities, bank and other borrowings and amount due to a director, net of cash and cash equivalents and equity attributable to owners of the Company, comprising issued share capital, reserves and retained earnings.

The net debt at the end of the reporting period was as follows:

	2022 **HK$'000**	2021 HK$'000
Trade payables	**36,820**	40,534
Other payables and accruals	**44,835**	39,116
Lease liabilities	**12,070**	26,630
Bank and other borrowings	**60,771**	60,644
Amount due to a director	**7,589**	–
Less: Bank balances and cash	**(4,881)**	(6,332)
Net debt	**157,204**	160,592

6. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	2022 HK$'000	2021 HK$'000
Financial assets		
Financial assets at FVTPL		
– Other unlisted investments	**–**	2,056
Financial assets at amortised cost:		
– Trade receivables	**596**	3,739
– Deposits and other receivables	**15,355**	14,799
– Bank balances and cash	**4,881**	6,332
	20,832	24,870
	20,832	26,926
Financial liabilities		
At amortised cost:		
– Trade payables	**36,820**	40,534
– Other payables and accruals	**42,547**	37,441
– Bank and other borrowings	**60,771**	60,644
– Amounts due to a director	**7,589**	–
– Lease liabilities	**12,070**	26,630
	159,797	165,249

(b) Financial risk management objectives and policies

The Group's major financial instruments include other unlisted investments, trade receivables, deposits and other receivables, bank balances and cash, trade payables, other payables and accruals, lease liabilities, and bank and other borrowings and amount due to a director. 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 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 cash flow interest rate risk in relation to variable-rate bank borrowings (see note 29 for details). It is the Group's policy to keep its borrowings at floating rate of interests so as to minimise the fair value interest rate risk.

The Group's exposures to interest rates financial liabilities are detailed in the liquidity risk management section of this note. The Group cash flow interest rate risk is mainly concentrated on the fluctuation of Hong Kong Interbank Offered Rate ("**HIBOR**") and Prime rate arising from the Group's Hong Kong dollar denominated borrowings.

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

Interest expense on financial liabilities not measured at FVTPL:

	2022 **HK$'000**	2021 HK$'000
Financial liabilities at amortised cost	**3,244**	3,798

Sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to interest rates for non-derivative instruments 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 (2021: 50 basis points) increase or decrease 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 management considers 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 (2021: 50 basis points) higher/lower and all other variables were held constant, the Group's the post-tax loss for the year ended 31 December 2022 would increase/decrease by approximately HK$286,000 (2021: increase/decrease by HK$303,000).

6. FINANCIAL INSTRUMENTS *(continued)*

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

Credit risk

Credit risk refers to the risk that the Group's counterparties default on their contractual obligations resulting in financial losses to the Group. As at 31 December 2022, the Group's maximum exposure to credit risk without taking into account any collateral held or other credit enhancements, which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties is arising from the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position.

The credit risk of the Group mainly arises from cash and cash equivalents, and trade and other receivables. The Group does not hold any collateral or other credit enhancements to cover its credit risks associated with its financial assets.

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 which are minimal are reviewed regularly by senior management. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

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.

For deposits and other receivables, the directors of the Company make periodic individual assessment on the recoverability of deposits and other receivables based on historical settlement records, past experience, financial health of the counterparties 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.

6. FINANCIAL INSTRUMENTS *(continued)*

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

Credit risk *(continued)*

For the year ended 31 December 2022, 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 and thus approximately HK$285,000 (2021: HK$7,286,000) loss allowance provided during the year.

The carrying amount of the Group's financial assets at FVTPL as disclosed in Note 6 best represents their respective maximum exposure to credit risk. The Group holds no collateral over any of these balances.

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

Category	**Description**	**Basis for recognising ECL**
Performing	For financial assets where there has low risk of default or has not been a significant increase in credit risk since initial recognition and that are not credit impaired (refer to as Stage 1)	12-month ECL
Doubtful	For financial assets where there has been a significant increase in credit risk since initial recognition but that are not credit impaired (refer to as Stage 2)	Lifetime ECL – not credit impaired
Default	Financial assets are assessed as credit impaired when one or more events that have a detrimental impact on the estimated future cash flows of that asset have occurred (refer to as Stage 3)	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

6. FINANCIAL INSTRUMENTS *(continued)*

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

Credit risk *(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	2022 Gross carrying amount HK$'000	2021 Gross carrying amount HK$'000
Financial assets at amortised costs						
Bank balances	26	AA+	Performing	12m ECL	4,881	6,332
Deposits and other receivables	23	N/A	(note 1)	12m ECL	29,426	28,585
Trade receivables	22	N/A	(note 2)	Lifetime ECL (Provision matrix)	596	3,739

Notes:

1) For deposits and other receivables, 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 and considered to be insignificant.

6. FINANCIAL INSTRUMENTS *(continued)*

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

Credit risk *(continued)*

As part of the Group's credit risk management, the Group uses debtors' aging to assess the impairment for its customers in relation to its operation and management of restaurants because it consists 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 2022

	Weighted average expected loss rate %	Gross carrying amount HK$'000	Loss allowance HK$'000
Current (not past due)	**0.00%**	**428**	**–**
More than 3 months past due	**0.00%**	**168**	**–**
		596	**–**

As at 31 December 2021

	Weighted average expected loss rate %	Gross carrying amount HK$'000	Loss allowance HK$'000
Current (not past due)	0.00%	3,739	–
		3,739	–

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 *(continued)*

No impairment allowance for trade receivables, based on the provision matrix is provided for the year ended 31 December 2022 and 2021.

The following tables shows the movement of loss allowances that has been recognised for other receivables under general approach:

	12m ECL HK$'000
As at 1 January 2021	6,372
Reclassified from amounts due from related companies	128
Impairment losses recognised	7,286
As at 31 December 2021 and 1 January 2022	13,786
Impairment losses recognised	285
As at 31 December 2022	14,071

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 amount due from related company.

	12m ECL HK$'000
As at 1 January 2021	128
Reclassified to other receivables	(128)
As at 31 December 2021 and 2022	–

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 liabilities 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$135,994,000 and HK$107,152,000 respectively (2021: HK$130,227,000 and HK$102,148,000). 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 non-derivative 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 loans with a repayment on demand clause are included in the earliest time band regardless of the probability of the banks choosing to exercise their rights. The 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 curve 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
2022						
Trade payables	**–**	**36,820**	**–**	**–**	**36,820**	**36,820**
Other payables and accruals	**–**	**42,547**	**–**	**–**	**42,547**	**42,547**
Amount due to a director	**–**	**7,589**	**–**	**–**	**7,589**	**7,589**
Bank and other borrowings						
– variable rate	**2.85%**	**57,365**	**–**	**–**	**57,365**	**57,271**
– fixed rate	**12%**	**3,903**	**–**	**–**	**3,903**	**3,500**
Leases liabilities	**7.93%**	**8,892**	**3,648**	**300**	**12,840**	**12,070**
		157,116	**3,648**	**300**	**161,064**	**159,797**
2021						
Trade payables	–	40,534	–	–	40,534	40,534
Other payables and accruals	–	37,441	–	–	37,441	37,441
Bank borrowings						
– variable rate	3.07%	60,644	–	–	60,644	60,644
Leases liabilities	6.01%	22,208	4,158	1,728	28,094	26,630
		160,827	4,158	1,728	166,713	165,249

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 2022, the aggregate carrying amounts of these bank borrowings amounted to HK$50,807,000 (2021: HK$60,644,000). 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 HK$'000	1-2 years HK$'000	2-5 years HK$'000	More than 5 years HK$'000	Total undiscounted cash flow HK$'000	Carrying amounts HK$'000
31 December 2022	**19,555**	**11,468**	**10,765**	**15,443**	**57,231**	**50,807**
31 December 2021	16,722	12,813	21,544	17,703	68,782	60,644

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			
	31 December 2022 HK$'000	31 December 2021 HK$'000	**Fair value hierarchy**	**Valuation technique(s) and key inputs**
Financial assets				
Other unlisted investments	**-**	2,056	Level 2	Contract account value less surrender charges

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

7. REVENUE

Revenue represents revenue arising on Chinese Restaurant operations for the year. An analysis of the Group's revenue for the year from continuing operations is as follows:

	2022 HK$'000	2021 HK$'000
Revenue from contracts with customers within the scope of HKFRS 15		
Disaggregated by geographical markets		
– Hong Kong and Macau	79,469	202,148
– People's Republic of China (the "**PRC**")	–	22,045
	79,469	224,193

Disaggregation of revenue from contracts with customers by timing of recognition

	2022 HK$'000	2021 HK$'000
Timing of revenue recognition		
At a point in time	79,469	224,193

(i) Performance obligations for contracts with customers

Operation and management of restaurant

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.

(ii) 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. SEGMENT INFORMATION

Information reported to the Board of Directors of the Group, being the chief operating decision maker, for the purposes of resource allocation and assessment of segment performance focuses on types of goods or services delivered or provided. No operating segments identified by the chief operating decision maker 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 2022 and 2021.

Geographical information

The Group's operations are located in Hong Kong, Macau and the PRC. On 4 January 2022, the Group has disposed of its 100% of equity interests of a PRC subsidiary and no operation in the PRC. Details please refer to note 35.

Information about the Group's revenue from continuing operations 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	
	2022	2021	**2022**	2021
	HK$'000	HK$'000	**HK$'000**	HK$'000
Hong Kong and Macau	**79,469**	202,148	**27,097**	27,894
The PRC	**–**	22,045	**–**	–
	79,469	224,193	**27,097**	27,894

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 2022 and 2021.

9. OTHER INCOME AND GAINS, NET

	2022 HK$'000	2021 HK$'000
Bank interest income	–	5
Fair value gains on financial assets at FVTPL	276	66
Interest income on rental deposit at amortised cost	36	362
Gain on early termination of leases	–	1,689
Subsidies received from a utility company for purchases of property, plant and equipment (note a)	52	246
Exchange gain	–	21
Compensation on termination of a contract	4,987	–
Government grants (note b)	6,830	4,594
Rental concession (note c)	–	4,959
Others	932	182
	13,113	12,124

Notes:

a) As at 31 December 2022 and 2021, 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 2022, the Group recognised government grants of HK$6,830,000 (2021: HK$4,594,000) in respect of COVID-19-related subsidies, of which HK$3,630,000 (2021: Nil) relates to the Employment Support Scheme, HK$3,200,000 (2021: HK$4,400,000) related to the Anti-epidemic fund of the Hong Kong Government and Nil (2021: HK$194,000) related to Plano de apoio pecuniário aos trabalhadores, aos profissionais liberais e aos operadores de estabelecimentos comerciais para o anode 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 2022.

c) During the year ended 31 December 2022, the Group recognised rental concession of Nil (2021: HK$4,959,000).

10. FINANCE COSTS

	2022 HK$'000	2021 HK$'000
Interest expenses on:		
Lease liabilities	1,042	1,730
Bank borrowings	2,184	2,068
Other borrowing	18	–
	3,244	3,798

11. IMPAIRMENT LOSSES UNDER EXPECTED CREDIT LOSS MODEL

	2022 **HK$'000**	2021 HK$'000
Impairment losses recognised on:		
– Deposits and other receivables	**285**	7,286

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

12. INCOME TAX EXPENSE

	2022 **HK$'000**	2021 HK$'000
Current tax		
Hong Kong	**–**	–
Deferred tax (note 31)		
Current year	**135**	53
	135	53

Under the two-tiered profits tax rates regime of Hong Kong Profits Tax, the first HK$2 million of profits of qualifying corporation will be taxed at 8.25%, and profits above HK$2 million will be taxed at 16.5%. Hong Kong profits tax was calculated at a flat rate of 16.5% of the estimated assessable profits.

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

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 2022 (2021: 12%).

12. INCOME TAX EXPENSE *(continued)*

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

	2022	2021
	HK$'000	HK$'000
Loss before tax	**(5,160)**	(50,713)
Tax at the statutory rates of different jurisdictions	**(851)**	(8,252)
Tax effect of income not taxable for tax purposes	**(1,212)**	(970)
Tax effect to expenses not deductible for tax purposes	**1,902**	6,020
Tax effect of unused tax losses not recognised	**1,065**	3,255
Utilisation of tax losses previously not recognised	**(769)**	–
Income tax expense for the year	**135**	53

13. LOSS FOR THE YEAR

	2022	2021
	HK$'000	HK$'000
Employee benefit expense (excluding directors' and chief executive's remuneration (note 14))		
– salaries, bonuses and allowances	**33,725**	81,707
– retirement benefit scheme contributions	**1,633**	5,137
	35,358	86,844
Auditor's remuneration		
– audit services	**1,500**	1,200

14. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS

The emoluments paid or payable to each of the 7 (2021: 11) directors and the chief executive were as follows:

	Fees HK'000	Salaries, allowances and benefits-in-kind HK'000	Performance related bonuses HK'000	Retirement benefits scheme contributions HK'000	Total HK'000
Year ended 31 December 2022					
Executive directors:					
Mr. Chan Ko Cheung (Chairman and Chief Executive Officer) (resigned on 6 October 2022)	–	460	–	14	474
Ms. Shen Taiju (Chairman (appointed on 6 October 2022) and Chief Executive Officer (appointed on 6 January 2022))	–	600	–	18	618
Mr. Jia Yongqiang (appointed on 17 April 2023)	–	–	–	–	–
Independent non-executive directors:					
Mr. Lee Yiu Keung (retired on 31 October 2022)	100	–	–	–	100
Mr. Wang Jingan (retired on 31 October 2022)	100	–	–	–	100
Mr. Wong Luen Tung (appointed on 28 January 2022 and resigned on 27 January 2023)	120	–	–	–	120
Dr. Chung Ling Cheong Dicky (appointed on 14 November 2022 and resigned on 28 February 2023)	15	–	–	–	15
Mr. Mtafi Rachid Rene (appointed on 1 December 2022)	10	–	–	–	10
Mr. Buer Gude (appointed on 5 May 2023)	–	–	–	–	–
Mr. Chui Chi Yun Robert (appointed on 5 May 2023)	–	–	–	–	–
Total	345	1,060	–	32	1,437
Year ended 31 December 2021					
Executive directors:					
Mr. Wong Wing Chee	–	1,790	–	14	1,804
Ms. Lee Ching Nung Angel	–	1,030	–	9	1,039
Mr. Wong Wing Hong	–	477	–	9	486
Mr. Chan Ko Cheung (Chairman and Chief Executive Office)	–	534	–	17	551
Mr. Zhu Min	–	148	–	7	155
Independent non-executive directors:					
Mr. Kwong Ping Man	33	–	–	–	33
Mr. Lin Zhisheng	71	–	–	–	71
Mr. Chang Cheuk Cheung Terence	33	–	–	–	33
Mr. Lee Yiu Keung	87	–	–	–	87
Ms. Leung Hoi Ki	77	–	–	–	77
Mr. Wang Jingan	28	–	–	–	28
Total	329	3,979	–	56	4,364

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 2022 and 2021.

15. EMPLOYEES' EMOLUMENTS

The five highest paid employees of the Group during the year included two (2021: two) directors of the Company, details of whose emoluments are set out in Note 14 above. The emoluments for the year of the remaining three (2021: three) highest paid employees who are neither a director nor chief executive of the Company are as follows:

	2022 **HK$'000**	2021 HK$'000
Salaries, allowances and benefits-in-kind	**2,021**	1,978
Retirement benefits scheme contributions	**54**	54
	2,075	2,032

The number of the highest paid employees who are not the directors of the Company whose emoluments fell within the following band is as follows:

	Number of employees	
	2022	2021
Nil to HK$1,000,000	**3**	3

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 during the year ended 31 December 2022, nor has any dividend been proposed since the end of the reporting period (2021: 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:

	2022	2021
	HK$'000	HK$'000
Loss for the year attributable to owners of the Company for the purpose of basic and diluted loss per share	**(5,295)**	(50,766)

	Number of shares	
	2022	2021
	'000	'000
Weighted average number of ordinary shares for the purpose of basic and diluted loss per share	**172,800**	156,388

No diluted earnings per share for the years ended 31 December 2022 and 2021 were presented as there were no potential ordinary shares in issue for the years ended 31 December 2022 and 2021.

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
COST OR VALUATION						
At 1 January 2021	35,864	158,785	4,427	57,887	2,151	259,114
Exchange adjustments	–	140	–	24	–	164
Additions	–	598	–	376	–	974
Disposals	–	(296)	–	(883)	–	(1,179)
At 1 December 2021	35,864	159,227	4,427	57,404	2,151	259,073
Additions	–	–	–	16	–	16
At 31 December 2022	35,864	159,227	4,427	57,420	2,151	259,089
DEPRECIATION AND IMPAIRMENT						
At 1 January 2021	(7,173)	(153,925)	(4,427)	(53,880)	(2,151)	(221,556)
Provided during the year	(797)	(4,088)	–	(2,078)	–	(6,963)
Impairment loss recognised	–	(1,214)	–	(1,446)	–	(2,660)
At 1 December 2021	(7,970)	(159,227)	(4,427)	(57,404)	(2,151)	(231,179)
Provided during the year	(797)	–	–	(1)	–	(798)
Impairment loss recognised	–	–	–	(15)	–	(15)
At 31 December 2022	(8,767)	(159,227)	(4,427)	(57,420)	(2,151)	(231,992)
CARRYING VALUES						
At 31 December 2022	27,097	–	–	–	–	27,097
At 31 December 2021	27,894	–	–	–	–	27,894

At as 31 December 2022, the Group's building with carrying amount of approximately HK$27,097,000 (2021: HK$27,894,000) 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
1 January 2021	36,040
Additions	3,248
Depreciation charge	(22,750)
Termination of lease	(1,457)
Exchange realignment	212
Impairment loss recognised	(15,293)
At 31 December 2021 and 1 January 2022	–
Additions	9,350
Depreciation charge	(2,938)
Impairment loss recognised	(6,412)
At 31 December 2022	–

	2022 HK$'000	2021 HK$'000
Expense relating to short-term leases	**6,583**	1,760
Expense relating to leases of low value assets, excluding short term leases of low-value assets	**–**	34
Total cash outflow for leases	**13,226**	33,054

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

For both years, the Group leases various restaurants and office for its operations. The lease terms are generally ranged from 2 to 3 years (2021: 3 to 10 years). Extension options are included in the lease of restaurants. Certain periods covered by extension options were included in these lease terms as the Group was reasonably certain to exercise the option.

The Group regularly entered into short-term leases for office equipment and advertising billboards. As at 31 December 2022 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 2022, the outstanding lease commitments relating to these short-term lease is Nil (2021: HK$1,685,000).

Variable lease payments

Leases of restaurants are either with only fixed lease payments or contain variable lease payment that are based on 9% to 10% (2021: 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 2022 and 2021 are as follow:

For the year ended 31 December 2022

	Number of restaurants	Fixed payments HK$'000	Variable payments HK$'000	Total Payment HK$'000
Restaurants without variable lease payments	1	3,110	–	3,110
Restaurants with variable lease payments	3	4,758	–	4,758
	4	7,868	–	7,868

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

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

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

Leases committed

As at 31 December 2022, 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 9 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 in 2021. Details of impairment assessment of right-of-use assets are set out in Note 20.

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

At 31 December 2022 and 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 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 range from 9.49% as at 31 December 2022 (2021: 13.78%). 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 2022 taking into consideration higher degree of estimation uncertainties in financial markets, including potential disruptions of the Group's restaurant operations.

As at 31 December 2022, based on the result of the assessment, management of the Group determined that the recoverable amount of the CGUs 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$15,000 (2021: HK$2,660,000) and HK$6,412,000 (2021: HK$15,293,000) have been recognised against the carrying amount of property, plant and equipment and right-of-use assets respectively.

21. INVENTORIES

	2022 HK$'000	2021 HK$'000
Food and beverages, and other operating items for restaurant operations	**3,572**	5,779

22. TRADE RECEIVABLES

	2022 HK$'000	2021 HK$'000
Receivables at amortised cost comprises:		
Trade receivables	**596**	3,739
Less: Allowance for impairment of trade receivables	**–**	–
	596	3,739

As at 1 January 2021, the gross amount of trade receivables arising from contracts with customers amounted to approximately HK$2,368,000.

The Group allows an average credit period of few days to 60 days to its trade customers. The following is an aged analysis of trade receivables net of allowance for impairment of trade receivables presented based on the invoice date, at the end of the reporting period.

	2022 HK$'000	2021 HK$'000
0–30 days	**428**	3,739
Over 180 days	**168**	–
	596	3,739

At 31 December 2022, included in the Group's trade receivables balance are debtors with aggregate carrying amount of approximately HK$168,000 (2021: Nil) which are past due as at the reporting date. Out of the past due balances, approximately HK$168,000 (2021: Nil) have been past due 90 days or more are still considered as recoverable based on historical experience and forward-looking estimates. The Group does not hold any collateral over these balances.

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

23. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2022 HK$'000	2021 HK$'000
Prepayments	303	571
Deposits and other receivables	15,355	14,799
	15,658	15,370
Less: Deposits and other receivables classified as non-current assets	(3,403)	(2,969)
	12,255	12,401

Included in the Group's deposits and other receivable balance are rental deposits and utility deposits with aggregate carrying amount of approximately HK$9,521,000 (2021: HK$11,914,000).

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

	2022 HK$'000	2021 HK$'000
Other unlisted investments, at fair value	–	2,056

The above unlisted investments at 31 December 2021 was one life insurance policy relating to an ex-director of the Company. The total insured sum as at 31 December 2021 were approximately HK$6,700,000. 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.

In 2021, the life insurance policies were pledged to secure general banking facilities granted to the Group (note 39).

During the year ended 31 December 2022, the Group has withdrawn the insurance policy at a consideration of HK$2,332,000 which was the fair value as at the date of withdrawn.

25. AMOUNT 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 the directors of the Company) Regulation, are as follows:

Name	Maximum amount outstanding during the year HK$'000	2022 HK$'000	Maximum amount outstanding during the year HK$'000	2021 HK$'000
Wide Fortune Limited	–	–	146	–
Hong Kong Co-Founder Technology Limited	–	–	1,348	–
Best Focus Creation Limited	–	–	177	–
		–		–
Less: Allowance for credit losses		–		–
		–		–

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 (2021: an ex-director/2020: a director) of the Company during the years ended 31 December 2022 and 2021.

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

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

26. CASH AND CASH EQUIVALENTS

Cash and cash equivalents of the Group denominated in Renminbi ("**RMB**") as at 31 December 2022 amounted to approximately HK$2,000 (2021: HK$17,000). 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 0.625% (2021: 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

The following is an aged analysis of trade payables presented based on the invoice date at the end of the reporting period.

	2022 HK$'000	2021 HK$'000
0-30 days	**1,077**	4,652
31–60 days	**281**	3,090
61–90 days	**425**	2,258
Over 90 days	**35,037**	30,534
	36,820	40,534

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

28. OTHER PAYABLES AND ACCRUALS

	Notes	2022 HK$'000	2021 HK$'000
Accruals		**7,941**	15,354
Contract liabilities	(a)	**519**	1,058
Deferred revenue	(b)	**221**	274
Other payables	(c)	**36,154**	22,430
		44,835	39,116
Less: Other payables and accruals classified as non-current liabilities		**(1,048)**	(620)
		43,787	38,496

Notes:

(a) Details of contract liabilities as at 31 December 2022 and 2021 are as follows:

	2022 HK$'000	2021 HK$'000
Current		
Deposits received from customers for restaurants operation	**503**	554
Cash coupons for restaurants operation	**16**	504
	519	1,058

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.

28. OTHER PAYABLES AND ACCRUALS *(continued)*

Notes: *(continued)*

(a) Details of contract liabilities as at 31 December 2022 and 2021 are as follows: *(continued)*

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 2022		
Revenue recognised that was included in the contract liability balance at the beginning of the year	**180**	**389**

	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 liability balance at the beginning of the year	1,852	733

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% (2021: 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 coupons are non-refundable and will expire within one year.

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

(c) Included in the Group's other payables and accruals balance are provision of reinstatement cost and rental payable with aggregate carrying amount of approximately HK$1,548,000 (2021: HK$2,878,000) and HK$10,636,000 (2021: HK$6,210,000), respectively.

29. BANK AND OTHER BORROWINGS

	2022 HK$'000	2021 HK$'000
Current		
Bank borrowings – secured	57,271	60,644
Other borrowings – secured	3,500	–
Total	60,771	60,644

	2022 Effective interest rate per annum	2022 HK$'000	2021 Effective interest rate per annum	2021 HK$'000
Fixed rate borrowing	12%	3,500	–	–
Variables rate borrowings	2.31% – 3.76%	57,271	2.75% – 6.75%	60,644
		60,771		60,644

The Group's variable-rate bank borrowings carry interest at 1.85% to 2.25% below prime rate per annum and 1.8% to 2.5% over HIBOR per annum (2021: 1% to 1.85% below prime rate per annum, 1.5% over prime rate per annum and 1.75% to 2.5% over HIBOR per annum).

The remaining secured other borrowings of approximately HK$3,500,000 are guaranteed by the Group and carry fixed interest at 12%.

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

	2022 HK$'000	2021 HK$'000
Within one year	28,400	15,231
Within a period of more than one year but not exceeding two years	10,640	11,658
Within a period of more than two years but not exceeding five years	9,395	19,678
Within a period of more than five years	12,336	14,077
	60,771	60,644

29. BANK AND OTHER BORROWINGS *(continued)*

Notes:

(a) At 31 December 2022, of the Group's bank borrowings are secured by:

(i) Mortgage over a building owned by the Group, which had carrying value of approximately HK$27,097,000 (2021: HK$27,894,000) (note 18); and

(ii) Former-directors, Mr. Wong Wing Chee and Ms. Lee Ching Nung Angel and three independent people.

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

(c) As at 31 December 2022, the Group has failed to pay interest and principal of certain bank loans with an aggregate carrying amount of HKD11,026,000 as at 31 December 2022. None of the payment was made by the Group subsequent to the end of the reporting period.

30. LEASE LIABILITIES

	2022	2021
	HK$'000	HK$'000
Non-current	**3,839**	5,528
Current	**8,231**	21,102
	12,070	26,630

Amounts payable under lease liabilities:

	2022	2021
	HK$'000	HK$'000
Within one year	**8,231**	21,102
Within a period of more than one year but not exceeding two years	**3,545**	3,836
Within a period of more than two years but not exceeding five years	**294**	1,692
	12,070	26,630
Less: Amount due for settlement with 12 months shown under current liabilities	**(8,231)**	(21,102)
Amount due for settlement after 12 months shown under non-current liabilities	**3,839**	5,528

The weighted average incremental borrowing rates applied to lease liabilities range from 7.45% to 8.49% (2021: 3.94% to 8.49%).

31. DEFERRED TAXATION

The following is the analysis of the deferred tax asset (liabilities), after setting off certain deferred tax assets against deferred tax liabilities of the same taxable entity, for financial reporting purposes:

	2022 **HK$'000**	2021 HK$'000
Deferred tax assets	**3,229**	3,364

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 2021	3,384	33	3,417
Credited to profit or loss (note 12)	(53)	–	(53)
At 31 December 2021 and 1 January 2022	3,331	33	3,364
Credited to profit or loss (note 12)	(135)	–	(135)
At 31 December 2022	3,196	33	3,229

The Group has unrecognised tax losses arising in Hong Kong of approximately HK$160,011,000 (2021: HK$158,217,000), 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 Nil (2021: HK$25,550,000) 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 of the Company, 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 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 and 1 January 2022 and 31 December 2022	0.1	500,000,000	50,000
Issued and fully paid:			
At 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 and 1 January 2022 and 31 December 2022		172,800,000	17,280

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 approximately HK$5,788,400 and resulted in the increase in share capital of HK$2,880,000 and share premium of approximately HK$2,885,000, net of transaction costs of approximately 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 (2021: HK$1,500) per month to the MPF Scheme, which contribution is matched by employees.

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

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

The total expense recognised in profit or loss of approximately HK$1,665,000 (2021: HK$5,193,000) represents contributions payable to these plans by the Group at rates specified in the rules of the schemes. As at 31 December 2022, contributions of approximately HK$204,000 (2021: HK$481,000) due in respect of the year ended 31 December 2022 had not been paid over to the schemes. The amounts were paid subsequent to the end of the reporting period.

34. LITIGATIONS

The Group is involved in various claims including claims and actions arising in the course of operations and is subject to various legal actions, pending claims and exposures. Litigation is subject to risks and uncertainties, and the outcome of individual matters is not predictable with assurance. Accruals and other payables for litigation, claims and assessments are recognised if the Group determines that the loss is probable and the amount can be reasonably estimated. The Group believes it has made adequate provisions for such claims. While fully supportable in the Group's view, some of these positions, if challenged may not be fully sustained on review. From time to time, the Group receives liens or claims on accounts payable balances, and the Group continues to work toward resolution of any liens or claims.

35. DISPOSAL OF A SUBSIDIARY

Disposal of Dragon Seal Food & Beverage Management (Shanghai) Limited ("Dragon Seal Shanghai")

On 4 January 2022, the Group disposed of its 100% equity interests of Dragon Seal Shanghai at nil consideration to two independent third parties. The net liabilities of Dragon Seal Shanghai at the date of disposal were as follows:

	HK$'000
Consideration transferred	
Cash	–
Net liabilities disposed of	12,901
Total consideration received	12,901

	Assets HK$'000
Analysis of assets and liabilities over which control was lost	
– Prepayment, deposits and other receivables	150
– Bank balances and cash	18
– Trade payables	(2,572)
– Other payables and accruals	(3,730)
– Lease liabilities	(6,767)
Net assets disposed of	(12,901)

	HK$'000
Gain on disposal of Dragon Seal Shanghai	
– Consideration	–
– Net liabilities disposed of	12,901
– Release of exchange fluctuation reserve upon disposal of subsidiaries	(273)
	12,628
Net cash outflows arising on disposal of Dragon Seal Shanghai	
Cash consideration	–
Less: bank balances and cash disposed of	(18)
	(18)

36. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

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

	Interest payable	Bank and other borrowings (note 29)	Leases liabilities (note 30)	Amounts due to a director (note 38)	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
At 1 January 2021	–	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)
Exchange adjustment	–	–	(1,689)	–	(1,689)
At 31 December 2021	–	60,644	26,630	–	87,274
Changes from cash flows:					
New borrowings	–	3,500	–	7,589	11,089
Repayment	–	(3,373)	(7,200)	–	(10,573)
Interest paid	(1,525)	–	–	–	(1,525)
Non-cash changes:					
New lease	–	–	9,350	–	9,350
Disposal of a subsidiary	–	–	(6,767)	–	(6,767)
Interest expense (note 10)	2,202	–	1,042	–	3,244
Reclassify to other payable due to expiry of contracts	–	–	(10,985)	–	(10,985)
At 31 December 2022	677	60,771	12,070	7,589	81,107

37. MAJOR NON-CASH TRANSACTIONS

During the year ended 31 December 2022, the Group entered into new lease agreements for the use of leased properties for 2 to 3 years ended 31 December 2022. On the lease commencement, the Group recognised approximately HK$9,350,000 right-of-use assets and approximately HK$9,350,000 lease liabilities (2021: HK$3,248,000 right-of-use assets and HK$3,248,000 lease liabilities).

38. RELATED PARTY TRANSACTIONS

(a) Other than as disclosed elsewhere in these consolidated statements, the Group has following transactions and balances with related parties.

	2022 HK$'000	2021 HK$'000
Amount due to a director	**7,589**	–

The amount is unsecured, interest free and repayment in demand.

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.

39. PLEDGE OF RESTRICTIONS ON ASSETS

Pledge of assets

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

	Notes	**2022 HK$'000**	2021 HK$'000
Property, plant and equipment	18	**27,097**	27,894
Financial assets at fair value through profit or loss	24	**–**	2,056
		27,097	29,950

Restriction on assets

In addition, lease liabilities of approximately HK$12,070,000 (2021: HK$26,630,000) are recognised with related right-of-use assets of Nil (2021: Nil) as at 31 December 2022. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor and the relevant leased assets may not be used as security for borrowing purposes.

40. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY

	2022 HK$'000	2021 HK$'000
NON-CURRENT ASSET		
Investment in subsidiaries	–	–
CURRENT ASSET		
Other receivables and prepayment	3,083	–
Bank balances and cash	2	49
	3,085	49
CURRENT LIABILITIES		
Other payables and accruals	2,816	3,882
Amount due to subsidiaries	11,940	11,940
Amount due to director	4,929	–
Bank and other borrowing	3,500	–
	23,185	15,822
NET CURRENT LIABILITIES	(20,100)	(15,773)
NET LIABILITIES	(20,100)	(15,773)
CAPITAL AND RESERVES		
Share capital	17,280	17,280
Reserves	(37,380)	(33,053)
TOTAL DEFICIENCY IN EQUITY	(20,100)	(15,773)

The financial statements were approved and authorised for issue by the Board of Directors on 22 May 2023 and are signed on its behalf by:

Shen Taiju
Director

Au Yeung Lok Yee
Director

40. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY

(continued)

Notes:

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

	Share premium HK$'000	Accumulated losses HK$'000	Total HK$'000
At 1 January 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 and 1 January 2022	90,912	(123,965)	(33,053)
Loss for the year	–	(4,327)	(4,327)
At 31 December 2022	90,912	(128,292)	(37,380)

41. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY

A. General information of principal subsidiaries

Details of the principal subsidiaries directly and indirectly held by the Company 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 Direct		Indirect		Percentage of voting power held by the Company Direct		Indirect		Principal activities
			2022	2021	2022	2021	2022	2021	2022	2021	2022	2021	
Able Ascent Limited	Hong Kong	Ordinary	**HK$100**	HK$1	**-**	–	**100%**	100%	**-**	–	**100%**	100%	Restaurant operation
All Best Harvest Limited	Hong Kong	Ordinary	**HK$200**	HK$2	**-**	–	**100%**	100%	**-**	–	**100%**	100%	Property holding
Dragon Lake Limited	Hong Kong	Ordinary	**HK$10,990**	HK$10,000	**-**	–	**100%**	100%	**-**	–	**100%**	100%	Dormant
Dragon King Holdings Limited	BVI	Ordinary	**US$10,000**	US$10,000	**100%**	100%	**-**	–	**100%**	100%	**-**	–	Investment holding
Dragon King Restaurant Group Limited	Hong Kong	Ordinary	**HK$1,000**	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%	Restaurant operation
Dragon Seal Restaurant Limited	Hong Kong	Ordinary	**HK$1,000**	HK$10	**-**	–	**100%**	100%	**-**	–	**100%**	100%	Restaurant operation
Gold Profit Trading Limited	Hong Kong	Ordinary	**HK$1,000**	HK$10	**-**	–	**100%**	100%	**-**	–	**100%**	100%	Trading of food products
Greater Year Investments Limited	BVI	Ordinary	**US$1**	US$1	**-**	–	**100%**	100%	**-**	–	**100%**	100%	Investment holding
King Harbour Limited	Hong Kong	Ordinary	**HK$1,000**	HK$10	**-**	–	**100%**	100%	**-**	–	**100%**	100%	Restaurant operation
Mass Effort Limited	Hong Kong	Ordinary	**HK$1,000**	HK$10	**-**	–	**100%**	100%	**-**	–	**100%**	100%	Restaurant operation
Premier Oriental Limited	Hong Kong	Ordinary	**HK$1,000**	HK$10	**-**	–	**100%**	100%	**-**	–	**100%**	100%	Restaurant operation
Silver Everford Limited	Hong Kong	Ordinary	**HK$100**	HK$1	**-**	–	**100%**	100%	**-**	–	**100%**	100%	Investment holding
Dragon King Restaurant (Macau) Limited	Macau	Ordinary	**MOP6,000,000**	MOP6,000,000	**-**	–	**100%**	100%	**-**	–	**100%**	100%	Restaurant operation
Wealth Club Limited	Hong Kong	Ordinary	**HK$10,990**	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.

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

42. EVENTS AFTER THE REPORTING PERIOD

There are no significant events affecting the Group which have occurred after the year ended 31 December 2022 and up to the date of this annual report.

Financial Summary

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

RESULTS

	For the year ended 31 December				
	2022	2021	2020	2019	2018
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
REVENUE	**79,469**	224,193	196,038	402,320	415,033
LOSS BEFORE TAX	**(5,160)**	(50,713)	(74,618)	(32,654)	(56,336)
Income tax expense	**(135)**	(53)	(141)	(2,819)	(1,731)
LOSS FOR THE YEAR	**(5,295)**	(50,766)	(74,759)	(35,473)	(58,067)
Loss attributable to:					
Owners of the Company	**(5,295)**	(50,766)	(74,759)	(35,473)	(58,067)
	(5,295)	(50,766)	(74,759)	(35,473)	(58,067)

ASSETS, LIABILITIES AND NON-CONTROLLING INTERESTS

	As at 31 December				
	2022	2021	2020	2019	2018
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
TOTAL ASSETS	**55,377**	65,088	139,524	256,912	197,660
TOTAL LIABILITIES	**(162,529)**	(167,236)	(196,527)	(238,715)	(144,437)
	(107,152)	(102,148)	(57,003)	18,197	53,223
EQUITY					
Equity attributable to owners of the Company	**(107,152)**	(102,148)	(57,003)	18,197	53,223
	(107,152)	(102,148)	(57,003)	18,197	53,223