



# 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  
**2023**

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

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

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



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# Corporate Information

## BOARD OF DIRECTORS

### Executive Directors

- Mr. Tang Hong Jiang (*Chairman*)  
(appointed on 28 July 2023, and re-designated as an executive Director and appointed as the Chairman on 12 October 2023)
- Ms. Liang Li (appointed on 17 November 2023)
- Mr. Huang Ai Chun (appointed on 30 October 2023)
- Ms. Au Yeung Lok Yee (appointed on 4 January 2023 and resigned on 16 October 2023)
- Mr. Jia Yongqiang (appointed on 17 April 2023 and resigned on 17 November 2023)

### Non-executive Director

- Ms. Shen Taiju (re-designated as a non-executive Director and ceased to be the Chairman on 12 October 2023)

### Independent non-executive Directors

- Mr. Lo Shing Shan  
(appointed on 17 November 2023)
- Mr. Chow Yik (appointed on 30 October 2023)
- Mr. Tsung Ching Fung  
(appointed on 30 October 2023)
- Mr. Wong Luen Tung (resigned on 27 January 2023)
- Dr. Chung Ling Cheong Dicky  
(resigned on 28 February 2023)
- Mr. Mtafi Rachid Rene  
(resigned on 30 October 2023)
- Mr. Chui Chi Yun Robert (appointed on 5 May 2023 and resigned on 30 October 2023)
- Mr. Buer Gude (appointed on 5 May 2023 and resigned on 17 November 2023)

### Audit Committee

- Mr. Tsung Ching Fung (*Chairman*)  
(appointed on 30 October 2023)
- Mr. Lo Shing Shan  
(appointed on 17 November 2023)
- Mr. Chow Yik (appointed on 30 October 2023)
- Mr. Wong Luen Tung (*Chairman*)  
(resigned on 27 January 2023)
- Dr. Chung Ling Cheong Dicky  
(resigned on 28 February 2023)
- Mr. Mtafi Rachid Rene (appointed on 5 May 2023 and resigned on 30 October 2023)
- Mr. Chui Chi Yun Robert (*Chairman*)  
(resigned on 30 October 2023)
- Mr. Buer Gude (appointed on 5 May 2023 and resigned on 17 November 2023)

## Remuneration Committee

- Mr. Chow Yik (*Chairman*)  
(appointed on 30 October 2023 and appointed as the chairman on 17 November 2023)
- Mr. Lo Shing Shan  
(appointed on 17 November 2023)
- Mr. Tsung Ching Fung  
(appointed on 30 October 2023)
- Mr. Wong Luen Tung (resigned on 27 January 2023)
- Dr. Chung Ling Cheong Dicky (*Chairman*)  
(resigned on 28 February 2023)
- Mr. Mtafi Rachid Rene  
(resigned on 30 October 2023)
- Mr. Chui Chi Yun Robert (appointed on 5 May 2023 and resigned on 30 October 2023)
- Mr. Buer Gude (*Chairman*)  
(appointed on 5 May 2023 and resigned on 17 November 2023)

## Nomination Committee

- Mr. Tang Hong Jiang (*Chairman*)  
(appointed on 12 October 2023)
- Mr. Chow Yik (appointed on 30 October 2023)
- Mr. Tsung Ching Fung  
(appointed on 30 October 2023)
- Ms. Shen Taiju (*Chairman*)  
(ceased on 12 October 2023)
- Mr. Wong Luen Tung (resigned on 27 January 2023)
- Dr. Chung Ling Cheong Dicky  
(resigned on 28 February 2023)
- Mr. Mtafi Rachid Rene  
(resigned on 30 October 2023)
- Mr. Chui Chi Yun Robert (appointed on 5 May 2023 and resigned on 30 October 2023)
- Mr. Buer Gude (appointed on 5 May 2023 and resigned on 17 November 2023)

# Corporate Information

## COMPLIANCE OFFICER

Mr. Tang Hong Jiang (appointed on 12 October 2023)  
Ms. Shen Taiju (ceased on 12 October 2023)

## AUTHORIZED REPRESENTATIVES

Mr. Tang Hong Jiang (appointed on 12 October 2023)  
Mr. Kwan Kar Man (appointed on 1 October 2023)  
Mr. Ngai Tsz Hin Michael  
(resigned on 28 February 2023)  
Mr. Lau Wai Piu Patrick  
(appointed on 13 March 2023 and  
resigned on 30 September 2023)

## COMPANY SECRETARY

Mr. Kwan Kar Man (appointed on 1 October 2023)  
Mr. Ngai Tsz Hin Michael  
(resigned on 28 February 2023)  
Mr. Lau Wai Piu Patrick  
(appointed on 13 March 2023 and  
resigned on 30 September 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

Suite No. A1, 7th Floor, One Capital Place  
18 Luard Road  
Wanchai  
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](http://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 2023 (the “**Year**” or “**FY2023**”).

## OVERVIEW

Following the relaxation of stringent COVID-19 pandemic policies and the full opening of borders in the beginning of 2023, the overall business environment and consumer sentiments in Hong Kong have improved and thus, the catering and beverage industry has gradually picked up the rebound momentum. Driven by the resumption of normal services of the Group’s restaurants, revenue for FY2023 improved subsequently. The Group had responded swiftly to relocating resources to its remaining restaurants to capture the growth momentum whilst implementing various measures to streamline its operations with a view to improving the operating efficiency and reducing the costs.

As at 31 December 2023, the Group had three restaurants in Hong Kong, the Wan Chai Restaurant, the Kwun Tong Restaurant and the Whampoa Restaurant. The Group recorded a total revenue of approximately HK\$104.5 million, representing a significant increase of approximately 31.4%. The Group was able to record a gain for FY2023 to approximately HK\$1.3 million versus a loss of approximately HK\$5.3 million for the year ended 31 December 2022 (“**FY2022**”).

## PROSPECTS

The Company plans to launch a new light catering brand in China which mainly serves customers with catering robots, and considers increasing market share by way of franchises, thereby enhancing its management efficiency and reducing reliance on manpower, and to expanding its business development.

The Company will also keep on monitoring and adjusting nimbly the Group’s operating strategies to address the consumer needs. The Company will continue to stay agile through evolving market conditions and strengthen its competitive edges to drive for long term growth and enhance Shareholder value of the Group.

## APPRECIATION

I, on behalf of the Board, would like to express our gratitude to the shareholders of the Company (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 FY2023.

**Tang Hong Jiang**

*Chairman*

Hong Kong, 26 March 2024

# 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 FY2023, the Group operated three full-service restaurants in Hong Kong provide Cantonese cuisine under the brand names “**Dragon King (龍皇)**” and “**Dragon Gown (龍袍)**”. All of the Group’s restaurants are strategically located in prominent commercial areas, residential areas or shopping complexes. The Group is committed to providing high quality food and services as well as a comfortable dining environment to its customers.

As at 31 December 2023, the Group had three restaurants in Hong Kong, one of which is located on Hong Kong Island (known as the “**Wan Chai Restaurant**”, two of which are located in Kowloon (respectively known as the “**Kwun Tong Restaurant**” and the “**Whampoa Restaurant**”).

Following the relaxation of the COVID policies and lifting of anti-epidemic measures imposed by the Hong Kong government, including removing of mass testing and central quarantine requirements, as well as the full opening of borders in the beginning of FY2023, the overall business environment and consumer sentiments in Hong Kong have improved and thus, the catering and beverage industry has gradually picked up the rebound momentum. Driven by the resumption of normal services of the Group’s restaurants, revenue for FY2023 improved subsequently. The Group was able to deliver operating profit by taking proactive cost structure measures which helped to improve operating leverage and profit margins.

## FINANCIAL REVIEW

### Revenue

For FY2023, the Group recorded a total revenue of approximately HK\$104.5 million, against approximately HK\$79.5 million for FY2022, representing a significant increase of approximately 31.4%. This was mainly resulted from improved customer spending and relief of austerity measures as well as full resumption of the Group’s restaurant operations.

The table below sets forth a breakdown of the Group’s revenue generated by each of the Group’s self-owned brands during FY2022 and FY2023:

	For the year ended 31 December			
	2023		2022	
	Revenue HK\$'000	% of total revenue	Revenue HK\$'000	% of total revenue
Dragon King (龍皇)	68,834	65.9	56,389	71.0
Dragon Seal (龍璽)*	–	–	1,105	1.4
Dragon Gown (龍袍)	35,619	34.1	21,975	27.6
Total revenue	104,453	100.0	79,469	100.0

\* Closed in January 2022



# Management Discussion and Analysis

## **Dragon King (龍皇)**

The revenue generated by Dragon King recorded a significant increase by approximately HK\$12.4 million, or approximately 22% from HK\$56.4 million for FY2022 to HK\$68.8 million for FY2023. The significant increase in revenue for FY2023 was mainly resulted from the improved consumer spending and relief of austerity measures as well as full resumption of the Group's restaurant operations as compared with the fragile operating environment and weakened market sentiments during FY2022.

## **Dragon Seal (龍璽)**

No revenue was generated from Dragon Seal for FY2023 as compared to approximately HK\$1.1 million for FY2022, which was due to the closure of the ICC Restaurant (operated under the brand name 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 significant increase by approximately HK\$13.6 million, or approximately 61.8% from HK\$22.0 million for FY2022 to HK\$35.6 million for FY2023. Such significant increase was mainly due to the improvement of consumer sentiments and uplift of austerity measures as well as full resumption of the Group's restaurant operations during FY2023.

## **Gross profit and gross profit margin**

The gross profit of the Group (i.e., revenue minus cost of inventories consumed) amounted to approximately HK\$74.7 million for FY2023, versus approximately HK\$54.1 million for FY2022, representing a substantial increase of approximately HK\$20.6 million or approximately 38.1%.

The Group's overall gross profit margin for the Year slightly increased by 3.5% when compared with FY2022 which was mainly due to the operation efficiency improvement and implementation of cost control measures.

## **Other income and gains, net**

The Group's other income and gains, net decreased by approximately HK\$12.3 million or approximately 93.9% from approximately HK\$13.1 million for FY2022 to approximately HK\$0.8 million for FY2023. Such decrease was primarily due to the non-recurrence of the government grants and compensation on termination of contract for FY2023.

## **Staff costs**

During the Year, staff costs of the Group amounted to approximately HK\$38.8 million, representing an increase of approximately HK\$1.8 million or approximately 4.9% when compared to approximately HK\$37.0 million recorded for FY2022. Such increase was attributable to the full operations of all three restaurants operated by the Group for FY2023, whilst FY2022, certain of the Group's restaurants were temporarily closed down due to the anti-epidemic precautionary measures and restrictions for dine-in as imposed by the Hong Kong government.

## **Depreciation of right-of-use assets**

Depreciation of right-of-use assets of the Group 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.



# Management Discussion and Analysis

## **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 recognised for the non-current assets of the Group including property, plant and equipment and right-to-use assets.

Impairment loss of Nil (FY2022: HK\$15,000) and HK\$0.4 million (FY2022: HK\$6.4 million) were recognised for property, plant and equipment and right-of-use assets during FY2023 respectively.

## **Impairment loss on financial assets**

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

For FY2023, an impairment loss on deposits and other receivables of approximately HK\$2.1 million (FY2022: HK\$0.3 million) was recognised. Most business activities and the payment chains in Hong Kong and the PRC were significantly affected during COVID-19 pandemic and periods after, 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 by approximately HK\$2.5 million or approximately 20.7% from approximately HK\$12.1 million for FY2022 to approximately HK\$9.6 million for FY2023, which was mainly due to the reduction in the number of restaurants operated by the Group in 2023 as compared to those operated in 2022.

## **Other operating expenses**

The other operating expenses of the Group decreased by approximately HK\$3.3 million or approximately 14.9% from approximately HK\$22.2 million for FY2022 to approximately HK\$18.9 million for FY2023 under review. Such decrease was mainly attributable to the reduction in the number of restaurants operated by the Group in FY2023 as compared to those in FY2022.

## **Finance costs**

Finance costs of the Group increased slightly by approximately HK\$0.1 million or approximately 3.1% from approximately HK\$3.2 million for FY2022 to approximately HK\$3.3 million for FY2023. Such increase was mainly due to the increase in interest on other borrowings.

## **Profit/(loss) attributable to owners of the Company**

For FY2023, the profit attributable to owners of the Company was approximately HK\$1.3 million, as compared to a loss of approximately HK\$5.3 million for the last year. Such improvement was mainly due to the increase in revenue achieved by the Group for FY2023.

# Management Discussion and Analysis

## PROSPECTS

Following the relaxation of stringent COVID-19 pandemic policies and the full opening of borders in the beginning of 2023, the overall business environment and consumer sentiments in Hong Kong have improved and thus, the catering and beverage industry has gradually picked up the rebound momentum. Driven by the resumption of normal services of the Group's restaurants, revenue for FY2023 improved subsequently. The Group had responded swiftly to relocating resources to its remaining restaurants to capture the growth momentum whilst implementing various measures to streamline its operations with a view to improving the operating efficiency and reducing the costs.

In order to enhance management efficiency and reduce reliance on manpower, and to expand business development, the Company plans to launch a new light catering brand in China which mainly serves customers with catering robots, and considers increasing market share by way of franchises. To align with the business development of the Group, the Company has recruited multiple distinguish talents to expand franchisees of the new catering brand and develop the robot business.

The Company will also keep on monitoring and adjusting nimbly the Group's operating strategies to address the consumer needs. The Company will continue to stay agile through evolving market conditions and strengthen its competitive edges to drive for long term growth and enhance Shareholder value of the Group.

## CAPITAL STRUCTURE

Reference is made to the announcements of the Company dated 27 June 2023 and 3 July 2023 in respect of the issue of new Shares by the Company under general mandate for debt capitalisation.

On 27 June 2023, the Company and the creditor have agreed to settle the partial indebted sum of approximately HK\$3,456,000 by way of allotment and issue of a total of 34,560,000 capitalisation Shares at the price of HK\$0.1 per Share to the creditor. On 3 July 2023, the Company issued and allotted an aggregate of 34,560,000 Shares to the creditor.

## 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 2023, the Group had borrowings of approximately HK\$61.4 million which was denominated in Hong Kong Dollars (2022: approximately HK\$60.8 million). The Group's bank borrowings were primarily used in financing the working capital requirement of its operations.

As at 31 December 2023, the Group's cash and cash equivalents were approximately HK\$1.0 million (2022: approximately HK\$4.9 million). The liquidity of the Group will be improved after the economy recovered from the negative effect due to the COVID-19.

# Management Discussion and Analysis

## GEARING RATIO

As at 31 December 2023, the gearing ratio of the Group was approximately 336.5% (2022: approximately 314.1%). Gearing ratio is calculated as net debt divided by capital and net debt. Net debt represented total liabilities (excluding tax payable) of the Group less cash and cash equivalents. Capital represented the equity attributable to owners of the Company.

## CHARGE ON GROUP ASSETS

As at 31 December 2023, the borrowings were secured by a building owned by the Group which is amounted to approximately HK\$26.3 million (2022: approximately HK\$27.1 million), respectively, for certain banking facilities granted to the Group.

## SEGMENT INFORMATION

Segmental information of the Group is disclosed in Note 8 to the Consolidated Financial Statements.

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

There was no significant investment held, material acquisition and disposal of subsidiaries and affiliated companies by the Company during the Year. There were no other plan for material investments or capital assets as at 31 December 2023.

## 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, 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 2023 (as at 31 December 2022: Nil).

# Management Discussion and Analysis

## COMMITMENTS

The Group does not have any commitment as at 31 December 2023 (as at 31 December 2022: Nil).

## FINAL DIVIDEND

The Board does not recommend the payment of final dividend for FY2023 (FY2022: Nil).

## INFORMATION ON EMPLOYEES

As at 31 December 2023, the Group had about 122 employees (as at 31 December 2022: 121 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 amounted to approximately HK\$38.8 million (2022: approximately HK\$37.0 million).

## SHARE OPTIONS

Details of the Company's share option scheme (the "**Share Option Scheme**") are set out on pages 65 to 66 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 cash equivalents 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 minimise the cost of capital. To maintain or adjust capital structure, the Group may adjust dividend payout ratio, make return of capital to Shareholders in the form of dividend or Share buyback, issue new Shares or sell assets to reduce debt. No changes in the objectives, policies or processes were made during the Year.



# 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 39 to 60.

## 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.

## RELATIONSHIP WITH SUPPLIERS, CUSTOMERS AND OTHER STAKEHOLDERS

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

## EVENTS AFTER THE REPORTING PERIOD

### Entering into Strategic Cooperation Framework Agreement with Henan Sanhao Intelligent Robot Co., Ltd.\* and Henan Sanhao Legal Technology Co., Ltd.\*

On 5 January 2024, the Company entered into a strategic cooperation framework agreement (the "**Strategic Cooperation**") with Henan Sanhao Intelligent Robot Co., Ltd.\* (河南三好智能机器人有限公司) (the "**Henan Sanhao Intelligent Robot**") and Henan Sanhao Legal Technology Co., Ltd.\* (河南三好法務科技有限公司) (the "**Henan Sanhao Legal Technology**"). Pursuant to the Strategic Cooperation, the Company, Henan Sanhao Intelligent Robot, and Henan Sanhao Legal Technology will conduct a strategic cooperation on the robot marketing plan project. Henan Sanhao Intelligent Robot serves as the secondary development manufacturer designated by the Company, and the Company authorises Henan Sanhao Intelligent Robot to directly purchase designated products from Henan Sanhao Intelligent Robot's suppliers for targeted development; Henan Sanhao Legal Technology serves as Henan Sanhao Intelligent Robot's cooperative content provider in the robot development process. The developed product will be used for the Company's business or for sale by the Company.

Further details are set out in the announcements of the Company dated 5 January 2024 and 25 January 2024.

# Management Discussion and Analysis

## **Placing of 34,560,000 New Shares under 2023 General Mandate**

On 30 January 2024, the Group entered into placing agreement, pursuant to which the Group has conditionally agreed to place, on a best effort basis, maximum of 34,560,000 placing shares. On 22 February 2024, a total of 34,560,000 placing shares were successfully placed to not less than six placees at the placing price of HK\$0.257 per placing share and none of the placees has become a substantial shareholder of the Group forthwith upon the completion of the placing. The 34,560,000 placing shares represent (i) approximately 16.67% of the total number of issued share immediately before the completion of the placing; and (ii) approximately 14.29% of the total number of issued share as enlarged by the allotment and issue of the 34,560,000 placing shares immediately after the completion of the placing. The net proceeds from the placing are approximately HK\$8,520,000 and resulted in the increase in share capital of HK\$3,456,000 and share premium of approximately HK\$5,426,000, net of transaction cost of approximately HK\$362,000. The Company proposes to use the net proceeds of (i) 50% to the general working capital of the Group including but not limited to rental expenses, salary expenses and other office overhead of the business of the Group in Hong Kong and in the PRC of up to approximately HK\$4,260,000; and (ii) 50% to the repayment of outstanding liabilities of up to approximately HK\$4,260,000.

Further details are set out in the announcements of the Company dated 30 January 2024 and 22 February 2024.

## **MATERIAL LITIGATION**

### **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. Partial payment of approximately HK\$374,000 has been made by Group.

# Management Discussion and Analysis

## **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. Partial payment of approximately HK\$1,470,000 has been made by the Group.

## **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.

Partial payment of HK\$850,000 has been made by the Group during the Year.

## **DISCLAIMER OF OPINION**

Prism Hong Kong and Shanghai Limited (the "**Auditor**") expressed a disclaimer of opinion in the independent auditor's report (the "**Independent Auditor's Report**") on the consolidated financial statements of the Group for the year ended 31 December 2023 (the "**Consolidated Financial Statements**"). Because of the significance of the matter described in the "Basis for Disclaimer of Opinion" section in the Independent Auditor's Report, the Auditors have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on the Consolidated Financial Statements. Additional information in relation to the disclaimer of opinion regarding the material uncertainties relating to going concern is provided in the Corporate Governance Report in this annual report.

\* for identification purpose only

# Biographical Details of Directors and Senior Management

## BOARD OF DIRECTORS

### Executive Directors

**Mr. Tang Hong Jiang (唐鴻江) (“Mr. Tang”)**, aged 48, was appointed as a non-executive Director on 28 July 2023. He was re-designated from a non-executive Director to an executive Director and appointed as the chairman, the chairman of the nomination committee, the compliance officer and the authorised representative of the Company on 12 October 2023.

Mr. Tang has been studying in Henan Institute of Science and Technology\* (河南科技學院) since 2021. He has more than 20 years of working experience and has extensive experience in the field of fashion and internet. Mr. Tang has been acted as senior management for several sizeable companies in the People’s Republic of China (the “PRC”).

**Ms. Liang Li (梁莉) (“Ms. Liang”)**, aged 48, was appointed as an executive Director on 17 November 2023. She obtained a bachelor’s degree in Design and Law from Shenyang University in 2000. Ms. Liang has obtained the professional qualification of National Computer Rank Examination Certificate of Level 2 in the PRC. She has more than 20 years of experience and expertise in the field of marketing industry. Ms. Liang was the sales director of Taiping Life Insurance Company Limited from 2006 to 2020.

**Mr. Huang Ai Chun (黃愛春) (“Mr. Huang”)**, aged 48, was appointed as an executive Director on 30 October 2023. He graduated from Guangdong University of Finance & Economics (formerly known as Guangdong Commercial College). Mr. Huang has obtained the professional qualification as an intermediate accountant in the PRC. He has more than 20 years of professional experience and extensive experience in the field of finance. From 2012 to 2021, Mr. Huang has been acted as a senior financial officer at Fu Sheng Group Limited\* (福晟集團有限公司), a real estate development company in Guangdong.

### Non-executive Director

**Ms. Shen Taiju (申太菊) (“Ms. Shen”)**, aged 42, was appointed as an executive Director on 6 January 2022 and appointed as the chairman, the chairman of nomination committee, the compliance officer and the authorised representative of the Company on 6 October 2022. She was re-designated from an executive Director to a non-executive Director and ceased to be the chairman, the chairman of the nomination committee, the compliance officer and the authorised representative of the Company on 12 October 2023.

Ms. Shen has experience in business management, operation and food and beverages industry. She is currently an executive director and the chairman of Sheung Moon Holdings Limited (Stock code: 8523). From August 2018 to September 2020, Ms. Shen was a business director of Hongganguo Information Tech Co., Limited.

\* for identification purposes only



# Biographical Details of Directors and Senior Management

## Independent non-executive Directors

**Mr. Lo Shing Shan (勞承山) (“Mr. Lo”)**, aged 40, was appointed as an independent non-executive Director and a member of each of the audit committee and remuneration committee of the Company on 17 November 2023.

Mr. Lo obtained an honorable bachelor’s degree in Business Administrative, majoring in Finance and minoring in Personal Financial Planning from the City University of Hong Kong in 2007. He has more than 15 years of experience in financial services and with extensive experience in management position. Mr. Lo was the senior financial planner, relationship manager and principal relationship manager of AMTD Financial Planning Limited from 2007 to 2012. He was also the regional director of China Wealth Management division of AMTD China (Holdings) Limited from 2012 to 2014. Mr. Lo then acted as the general manager of Mainland China Area division of STI Financial Group from 2014 to 2016. From 2016 to 2023, he served as the fund manager of CR Wellington AI Fund SPC and the chief executive officer of CR Capital Holdings Limited responsible for managing the family’s wealth.

**Mr. Chow Yik (周翊) (“Mr. Chow”)**, aged 42, was appointed as an independent non-executive Director, a member of each of the audit committee, remuneration committee and nomination committee of the Company on 30 October 2023. He was appointed as the chairman of the remuneration committee of the Company on 17 November 2023.

Mr. Chow obtained a bachelor’s degree in Engineering, majoring in Electronic and Communication Engineering from the City University of Hong Kong and a master’s degree of Business Administration programme (“**EMBA**”) at the School of Economics and Management of Tsinghua University. He is a fellow member of the Hong Kong Institute of Directors. Mr. Chow is currently an executive director and the chairman of CBK Holdings Limited (Stock code: 8428). He was the executive director of Wuxi Life International Holdings Group Limited (formerly known as Aurum Pacific (China) Group Limited) (Stock code: 8148) from April 2020 to June 2021.

**Mr. Tsung Ching Fung (曾程楓) (“Mr. Tsung”)**, aged 41, was appointed as an independent non-executive Director, the chairman of the audit committee and a member of each of the remuneration committee and nomination committee of the Company on 30 October 2023.

Mr. Tsung holds a bachelor’s degree in business with a major in Accounting and Finance from Griffith University, Australia. He is a member of the Chartered Institute of Management Accountants, the Certified Practising Accountants in Australia and the Hong Kong Institute of Certified Public Accountants. Mr. Tsung has more than 17 years of experience in accounting, investment analysis, mergers and acquisitions exercises, and corporate banking. Throughout the years, he has held various senior positions in international accounting firms, international banks, and the business sector. Currently, Mr. Tsung is the founder and director of an accounting firm based in Hong Kong.

# Biographical Details of Directors and Senior Management

## Senior Management

**Mr. Leung Woon Hing (梁煥興) ("Mr. Leung")**, aged 55, is the executive chef of the Group. He 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. Mr. Leung 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, he re-joined the Lei Garden Restaurant Group and advanced his knowledge in Cantonese cuisine. With his previous experience, Mr. Leung has extensive knowledge in kitchen operations and food quality control.

**Ms. Wan Pik Yuk Janet (溫碧玉) ("Ms. Wan")**, aged 62, is the chief administrative officer of the Group. She 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, she served in GTM-Wan-Hin-CFE Joint Venture in 1995 with last position as Secretary. Ms. Wan 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. Ms. Wan then received a Food Safety Management Internal Auditor Certificate from Hong Kong 5-S Association in November 2009. In August 2013, she 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 Chartered Institute of Environment Health. In December 2013 and July 2015, she obtained a Certificate in Employment Ordinance and a Certificate in Human Resources Management from the Hong Kong Management Association, respectively.

**Ms. Wong Sau Yee (黃秀儀) ("Ms. Wong")**, aged 53, is the general manager of the Group. She joined the Group as office manager in August 2007. Ms. Wong is primarily responsible for the management and administration of the Shanghai Restaurant. She 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 positions 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. She 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, Ms. Wong is responsible for both business and internal operations of the Shanghai Restaurant. She completed a three-year computer course at Shenzhen City Electronic Technology School in June 1989 and obtained a Certificate in Labour Law in 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 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.

## CORPORATE GOVERNANCE PRACTICE

The Board considers good corporate governance a key element in managing the business and affairs of the Group. The management of the Group periodically reviews and proposes amendments to its corporate governance practices for compliance with the Corporate Governance Code (the “**CG Code**”) as set out in Part 2 of Appendix C1 of the GEM Listing Rules. The Board is of the opinion that the Company has complied with the CG Code during the Year, except the following:

Code provision C.1.8 of the CG Code requires that the company should arrange appropriate insurance cover in respect of legal action against its directors. The Company did not arrange such insurance cover during the Year as the Board considered that the risk of material legal claims against Directors is minimal. Nevertheless, the Board will review this arrangement from time to time light of the prevailing circumstances and arrange for appropriate insurance coverage when necessary.

Code provision D.2.5 of the CG Code requires the company should have an internal audit function. The Group has yet to establish its internal audit function during the Year. The Audit Committee and the Board, have considered the communications with the Company’s external auditor in respect of any material control deficiencies identified during the course of the financial statements 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.

Code provision C.2.7 of the CG Code provides that the chairman should at least annually hold meetings with the independent non-executive Directors without the executive Directors and non-executive Directors present. Although the chairman did not hold a meeting with the independent non-executive Directors, excluding the executive Directors and non-executive Directors during the Year, he delegated the company secretary to gather any concerns and/or questions that the independent non-executive Directors might have and report to him for setting up follow-up meetings, whenever necessary, in due course.

Code provision C.5.1 of the CG Code provides that the board should meet regularly and board meetings should be held at least four times a year at approximately quarterly intervals. Due to the delay in publication of the 2022 annual results of the Company and the suspension of trading in Shares, the Board has not held four regular Board meetings. The Board will endeavor to comply with the code provision C.5.1 of the CG Code going forward.

# Corporate Governance Report

## NON-COMPLIANCE WITH THE GEM LISTING RULES

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 Ling Cheong Dicky (“**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 re-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

## BOARD OF DIRECTORS

### Board Composition

The Directors who hold office during the Year and as at the date of this annual report are as follows:-

### Executive Directors

Mr. Tang Hong Jiang (*Chairman*) (appointed as a non-executive Director on 28 July 2023, and re-designated as an executive Director and appointed as the chairman of the Company on 12 October 2023)

Ms. Liang Li (appointed as an executive Director on 17 November 2023)

Mr. Huang Ai Chun (appointed as an executive Director on 30 October 2023)

Ms. Au Yeung Lok Yee (appointed on 4 January 2023 and resigned on 16 October 2023)

Mr. Jia Yongqiang (appointed as an executive Director on 17 April 2023 and resigned on 17 November 2023)

### Non-Executive Director

Ms. Shen Taiju (re-designated as a non-executive Director and ceased to be the chairman of the Company on 12 October 2023)

### Independent Non-Executive Directors

Mr. Lo Shing Shan (appointed as an independent non-executive Director on 17 November 2023)

Mr. Chow Yik (appointed as an independent non-executive Director on 30 October 2023)

Mr. Tsung Ching Fung (appointed as an independent non-executive Director on 30 October 2023)

Mr. Mtafi Rachid Rene (resigned on 30 October 2023)

Mr. Chui Chi Yun Robert (appointed on 5 May 2023 and resigned on 30 October 2023)

Mr. Buer Gude (appointed on 5 May 2023 and resigned on 17 November 2023)

Biographical details of the existing Directors are set out in "Biographical Details of Directors and Senior Management" on pages 15 to 17 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 of the GEM Listing Rules during the Year.

With the various experience of the executive Directors, the non-executive Director 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.

## BOARD MEETINGS

Code provision C.5.1 of the CG Code provides that the board should meet regularly and board meetings should be held at least four times a year at approximately quarterly intervals. During the Year, the Directors passed a number of resolutions in writing. However, due to the delay in publication of the 2022 annual results of the Company and the suspension of trading in Shares, the Board has not held four regular Board meetings. The Board has taken adequate measures throughout the Year to ensure that the Directors were sufficiently provided with relevant information of the Company regarding the operation and financial performance of the Group, and to ensure efficient communication among the Directors. The Board will endeavor to comply with the code provision C.5.1 of the CG Code going forward.

# Corporate Governance Report

## RESPONSIBILITIES OF THE BOARD

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 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 of the Company (the **"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.

Directors are fully committed to their roles and have acted in the best interests of the Group and its Shareholders at all times. There is no financial, business, family or other material/relevant relationship among the Directors.

## DELEGATION BY THE BOARD

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

## CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Pursuant to the code provision C.2.1 of the CG Code, the roles of chairman and chief executive officer (**"CEO"**) are separate and not performed by the same individual in order to balance the distribution of power. Since 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 as a whole. The Board shall nevertheless review the structure from time to time and shall consider appropriate adjustment should suitable circumstance arise.

# Corporate Governance Report

## INDEPENDENT NON-EXECUTIVE DIRECTORS

The independent non-executive Directors play a significant role in the Board as they bring an impartial view on the Company's strategies, performance and control, as well as 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.

During the Year, the Company appointed three independent non-executive Directors, namely Mr. Lo Shing Shan, Mr. Chow Yik and Mr. Tsung Ching Fung. 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. The Company considered that all the independent non-executive Directors continue to provide a balanced and independent view to the Board and play a leading role in the Board committees and bring independent and external dimension as well as constructive and informed comments on issues of the Group's strategy, policy, performance, accountability, resources, key appointments and standards of conduct.

## APPOINTMENT AND RE-ELECTION OF DIRECTORS

Each of the executive Directors, Mr. Tang Hong Jiang, Ms. Liang Li and Mr. Huang Ai Chun, has entered into a service agreement with the Company for a term of one to three year(s). The non-executive Director, Ms. Shen Taiju, has entered into a service contract with the Company for an initial fixed term of one year commencing from 12 October 2023. The service agreements 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 (the "**Articles of Association**") and the applicable GEM Listing Rules. The independent non-executive Directors, Mr. Lo Shing Shan, Mr. Chow Yik and Mr. Tsung Ching Fung, have not entered into any service contract with the Company. Each of their directorship in the Company shall be for an initial term of one year commencing from their effective dates of appointment.

Prior to the effective date of the appointment of each of the Directors, each of them has obtained the legal advice on Hong Kong law as regards the requirements under the GEM Listing Rules that are applicable to them as a Director and the possible consequences of making a false declaration or giving false information to Stock Exchange.

According to Article 108 of the Articles of Association, one-third of the Directors for the time being shall retire from office by rotation at each annual general meeting of the Company, provided that every Director shall retire from office by rotation and are subject to re-election at annual general meeting at least once every three years. Article 112 of the Articles of Association provides that any Directors who are appointed to fill casual vacancies shall hold office only until the first annual general meeting of the Company after their appointment, and then be eligible for re-election.

Mr. Tang Hong Jiang, Ms. Liang Li, Mr. Huang Ai Chun, Ms. Shen Taiju, Mr. Lo Shing Shan, Mr. Chow Yik and Mr. Tsung Ching Fung 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 in relation to the proposed re-election of Mr. Tang, Ms. Liang, Mr. Huang, Ms. Shen, Mr. Lo, Mr. Chow and Mr. Tsung as Directors.

# Corporate Governance Report

## DIRECTORS' TRAINING AND PROFESSIONAL DEVELOPMENT

The Group acknowledges the importance of adequate and ample continuing professional development ("CPD") 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.

Each of the Directors has received a formal and comprehensive induction on the first occasion of their appointments to ensure that they have a proper understanding of the operations and businesses of the Company and are fully aware of the Directors' responsibilities under the GEM Listing Rules, other legal and regulatory requirements and the Company's policies. During the Year, 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.

Directors are required to provide the Company with details of their CPD training record, and which are maintained by the Company Secretary and are made available for regular review by the Audit Committee.

All Directors have participated in CPD training and provided a record of their CPD training to the Company.

The CPD training record of each Director for the Year is set out below:

	<b>Types of CPD training</b>
<b>Executive Directors</b>	
Mr. Tang Hong Jiang ( <i>Chairman</i> )	B
Ms. Liang Li	B
Mr. Huang Ai Chun	B
<b>Non-executive Director</b>	
Ms. Shen Taiju	B
<b>Independent Non-executive Directors</b>	
Mr. Lo Shing Shan	B
Mr. Chow Yik	B
Mr. Tsung Ching Fung	B
A:	attending seminars and/or conferences and/or forums
B:	reading journals, newsletter, seminar materials and updates relating to the latest development of the Listing Rules, other applicable regulatory requirements and directors' duties and responsibilities



# Corporate Governance Report

## BOARD COMMITTEES

The Board has established three Board committees, namely, the Audit Committee, the remuneration committee of the Company (the “**Remuneration Committee**”) and the nomination committee of the Company (the “**Nomination 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](http://www.hkexnews.hk) and the Company’s website at [www.dragonkinggroup.com](http://www.dragonkinggroup.com). All 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.

## AUDIT COMMITTEE

The Audit Committee was established on 15 December 2017. The Audit Committee comprises three members including three independent non-executive Directors, namely Mr. Tsung Ching Fung as the chairman (appointed on 30 October 2023), Mr. Lo Shing Shan (appointed on 17 November 2023) and Mr. Chow Yik (appointed on 30 October 2023).

The Audit Committee reviews 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, other than resolutions passed in writing by all the members, the Audit Committee held 5 meetings to review and comment on the Company’s 2022 annual results, 2023 interim results, quarterly results, as well as the Company’s internal control procedures and risk management system.

The Group’s Consolidated Financial Statements have been reviewed by the Audit Committee. The Audit Committee is of the opinion that the Consolidated Financial Statements of the Group comply with applicable accounting standards, GEM Listing Rules and that adequate disclosures have been made.

# Corporate Governance Report

## REMUNERATION COMMITTEE

The Remuneration Committee was established on 15 December 2017. The Remuneration Committee comprises three members including three independent non-executive Directors, namely Mr. Chow Yik as the chairman (appointed on 30 October 2023 and appointed as the chairman on 17 November 2023), Mr. Lo Shing Shan (appointed on 17 November 2023) and Mr. Tsung Ching Fung (appointed on 30 October 2023).

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 Emolument 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.

During the Year, the Remuneration Committee held 5 meetings, it has reviewed the remuneration packages and emoluments of Directors and Senior Management and considered that they are fair and reasonable during the Year. No Director or any of his or her associates is involved in deciding his or her own remuneration.

## NOMINATION COMMITTEE

The Nomination Committee was established on 15 December 2017. The Nomination Committee comprises three members including an executive Directors, namely Mr. Tang Hong Jiang as the chairman (appointed on 12 October 2023), and two independent non-executive Directors, namely Mr. Chow Yik (appointed on 30 October 2023) and Mr. Tsung Ching Fung (appointed on 30 October 2023).

The Nomination Committee reviews 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 or re-appointment of Directors. In recommending candidates for appointment to the Board, the Nomination Committee considers candidates who are outside the Board's circle of contacts and in accordance with the Board Diversity Policy. 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.

During the Year, the Nomination Committee held 5 meetings, it has reviewed the structure, size, diversity profile and skills set of members of the Board against its needs and make recommendation on the composition of the Board to achieve the Group's corporate strategy as well as promote Shareholder value. The Nomination Committee identified suitable director candidates and selected or made recommendations to the Board on the appointment or re-election of Directors and succession planning of Directors.

## 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.

# Corporate Governance Report

The information below are details of all Directors' attendance at the Board meetings, Board committees' meetings and general meeting held during the Year:

Name of Directors	Attendance/Number of Meetings				Annual general meeting
	Board	Audit Committee	Remuneration Committee	Nomination Committee	
<b>Executive Directors</b>					
Mr. Tang Hong Jiang <sup>1</sup>	6/6	n/a	n/a	2/2	n/a
Ms. Liang Li <sup>2</sup>	n/a	n/a	n/a	n/a	n/a
Mr. Huang Ai Chun <sup>3</sup>	2/2	n/a	n/a	n/a	n/a
Ms. Au Yeung Lok Yee <sup>4</sup>	4/7	n/a	n/a	n/a	0/1
Mr. Jia Yongqiang <sup>5</sup>	3/9	n/a	n/a	n/a	0/1
<b>Non-executive Director</b>					
Ms. Shen Taiju <sup>6</sup>	12/12	n/a	n/a	3/3	1/1
<b>Independent non-executive Directors</b>					
Mr. Lo Shing Shan <sup>7</sup>	n/a	n/a	n/a	n/a	n/a
Mr. Chow Yik <sup>8</sup>	2/2	1/1	1/1	1/1	n/a
Mr. Tsung Ching Fung <sup>9</sup>	1/2	1/1	0/1	0/1	n/a
Mr. Wong Luen Tung <sup>10</sup>	2/2	n/a	1/1	1/1	n/a
Dr. Chung Ling Cheong Dicky <sup>11</sup>	2/2	n/a	1/1	1/1	n/a
Mr. Mtafi Rachid Rene <sup>12</sup>	10/10	4/4	4/4	4/4	1/1
Mr. Chui Chi Yun Robert <sup>13</sup>	7/7	4/4	3/3	3/3	1/1
Mr. Buer Gude <sup>14</sup>	8/9	4/5	3/4	n/a	1/1

*Notes:*

1. Appointed as a non-executive Director on 28 July 2023, and re-designated as an executive Director and appointed as the chairman of the Company and the chairman of the Nomination Committee on 12 October 2023.
2. Appointed as an executive Director on 17 November 2023.
3. Appointed as an executive Director on 30 October 2023.
4. Appointed as an executive Director on 4 January 2023, and resigned as an executive Director on 16 October 2023.
5. Appointed as an executive Director on 17 April 2023, and resigned as an executive Director on 17 November 2023.
6. Re-designated as a non-executive Director, and ceased to be the chairman of the Company and the chairman of the Nomination Committee on 12 October 2023.
7. Appointed as an independent non-executive Director, and a member of each of the Audit Committee and the Remuneration Committee on 17 November 2023.
8. Appointed as an independent non-executive Director, a member of each of the Audit Committee, the Remuneration Committee and the Nomination Committee on 30 October 2023, and appointed as the chairman of the Remuneration Committee on 17 November 2023.

# Corporate Governance Report

9. Appointed as an independent non-executive Director, the chairman of the Audit Committee, and a member of each of the Remuneration Committee and the Nomination Committee on 30 October 2023.
10. Resigned as an independent non-executive Director, and ceased to be the chairman of the Audit Committee, a member of each of the Remuneration Committee and the Nomination Committee on 27 January 2023.
11. Resigned as an independent non-executive Director, and ceased to be the chairman of the Remuneration Committee, a member of each of the Audit Committee and the Nomination Committee on 28 February 2023.
12. Resigned as an independent non-executive Director, a member of each of the Audit Committee, the Remuneration Committee and the Nomination Committee on 30 October 2023.
13. Appointed as an independent non-executive Director, and the chairman of the Audit Committee, a member of each of the Remuneration Committee and the Nomination Committee on 5 May 2023; and resigned as an independent non-executive Director, the chairman of the Audit Committee and a member of each of the Remuneration Committee and the Nomination Committee on 30 October 2023.
14. Appointed as an independent non-executive Director, the chairman of the Remuneration Committee and a member of the Audit Committee on 5 May 2023; and resigned as an independent non-executive Director, the chairman of the Remuneration Committee and a member of the Audit Committee on 17 November 2023.

## DIRECTORS' SECURITIES TRANSACTIONS

The Company adopted the required standard of dealings set out in Rules 5.48 to 5.67 of the GEM Listing Rules as the code of conduct regarding Directors' 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 FOR FINANCIAL STATEMENTS

The Directors have acknowledged their responsibilities for preparing the financial statements which give a true and fair view of the state of affairs of the Group and in presenting the quarterly, interim and annual financial statements, and announcements 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 Group's current liabilities exceeded its current assets by approximately HK\$129.9 million and the Group had net liabilities of approximately HK\$102.4 million as at 31 December 2023. As at the same date, the Group's total current interest-bearing borrowings amounted to approximately HK\$59.4 million, while its cash and cash equivalents amounted to approximately HK\$1.0 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.



# Corporate Governance 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 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.

## INDEPENDENT AUDITOR'S REMUNERATION

The remuneration in respect of audit service provided by the external auditor of the Company for the Year was approximately HK\$880,000.

## COMPANY SECRETARY

The company secretary of the Company (the "**Company Secretary**") assists the Board by ensuring the Board policies and procedures are followed. The Company Secretary is also responsible for advising the Board on corporate governance matters. Mr. Ngai Tsz Hin Michael was resigned as the Company Secretary on 28 February 2023. Mr. Lau Wai Piu Patrick was appointed as Company Secretary on 13 March 2023 and resigned on 30 September 2023. Mr. Kwan Kar Man was appointed as the Company Secretary on 1 October 2023.

Mr. Kwan Kar Man confirms that he has complied with all the required qualifications, experience and training requirements under the GEM Listing Rules.

## 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 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.

# Corporate Governance Report

Aimed at providing reasonable assurance against material errors, losses or fraud, the Company has established 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 function or operation are documented in the risk registry to communicate to the Board and the management of the Company 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.

The Audit Committee reviewed the Company's risk management and internal control systems in respect of the Year and considered that they are effective and adequate. The Board assessed the effectiveness of internal control systems by considering the reviews performed by the Audit Committee and concurred the same.

## BOARD DIVERSITY POLICY

The Board has adopted a board diversity policy (the "**Board Diversity Policy**"). The Company embraced the benefits of having a diverse Board, as such, the Board Diversity Policy aimed to set out the approach to maintaining 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.

During the Year and as at the date of this annual report, the Board comprises seven Directors, of whom five are male and two are female. The Company actively seeks to ensure it has an appropriate mix of diversity and has a number of initiatives in place to meet its strategic imperative of ensuring it has a diverse Board. It also conducts structured recruitment, selection and training programs at all levels within the Group to develop more skilled and experienced potential Board members and Senior Management.

The employee gender ratio of the Group including Senior Management as at 31 December 2023 is 66 male: 56 female.

The Board is of the view that it is not necessary to set numerical targets and timeline for Board gender diversity for the time being. The Board will continue to take opportunities to increase the proportion of female members when suitable candidates are identified. The Board has reviewed the implementation and effectiveness of the Board Diversity Policy for the Year and considered it to be effective.

# Corporate Governance Report

## 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

The Company commits to selecting the best and most appropriate person for the role. Selection of candidates will be based on the Company's nomination policy and a range of diversity perspectives, including but not limited to the Company's needs, gender, age, ethnicity, cultural and educational background, professional experience, qualification, skills, knowledge, length of service, and the amount of time and effort that the candidate will devote to discharge his/her duties and responsibilities.

## 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 annually, 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 has adopted a nomination policy (the "**Nomination Policy**"). 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.

# Corporate Governance Report

## 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, professional experience, 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 Shareholder 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 recommendations 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 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;



# Corporate Governance Report

- (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 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.

## ANTI-BRIBERY AND ANTI-CORRUPTION POLICY

In compliance with the code provision D.2.7 of the CG Code, the Board adopted an anti-bribery and anti-corruption policy (the "**Anti-Bribery and Anti-Corruption Policy**"). It outlines guidelines and the minimum standards of conducts, all applicable laws and regulations in relation to the anti-corruption and anti-bribery, the responsibilities of employees to resist fraud, to help the Group defend against corrupt practices and to report any reasonably suspected case of fraud and corruption or any attempts thereof, to the management or through an appropriate reporting channel. The Group would not tolerate all forms of bribery and corruption among all employees and those acting in an agency or fiduciary capacity on behalf of the Group, and in its business dealing with third parties.

The Board and the Audit Committee will review the Anti-Bribery and Anti-Corruption Policy and mechanism periodically to ensure its effectiveness and enforce the commitment of the Group to the prevention, deterrence, detection and investigation of all forms of Bribery and corruption.

# Corporate Governance Report

## WHISTLEBLOWING POLICY

In compliance with code provision D.2.6 of the CG Code, the Board adopted a Whistleblowing Policy. It provides employees and the relevant third parties who deal with the Group (e.g. customers and suppliers) with guidance and reporting channels to raise concerns, in confidence and anonymity, with the audit committee (or any designated committee comprising a majority of independent non-executive directors) about possible improprieties in any matter related to the Company. All reported matters will be investigated independently and, in the meantime, all information received from a whistleblower and its identity will be kept confidential. The Board and the Audit Committee will regularly review the Whistleblowing Policy and mechanism to improve its effectiveness.

## 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 Stock Exchange's website and the Company's website.

## 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.

# Corporate Governance Report

Extraordinary general meeting may be convened by the Board on requisition of Shareholders holding not less than one-tenth of the paid up capital of the Company or by such shareholders who made the requisition (the “**Requisitionists**”) pursuant to Article 64 of the Articles of Association. Such requisition shall be in writing to the Board or the Company Secretary, and such requisition must be state the object of business to be transacted at the meeting and must be signed by the Requisitionists and addressed to the Company’s registered office at Windward 3, Regatta Office Park, PO Box 1350, Grand Cayman KY1-1108, Cayman Islands or the Company’s head office and principal place of business in Hong Kong at Suite No. A1, 7th Floor, One Capital Place, 18 Luard Road, Wanchai, Hong Kong.

Shareholders should follow the requirements and procedures as set out in such Articles of Association for convening an extraordinary general meeting. Shareholders may put forward proposals at general meetings by sending the same to the Company’s head office and principal place of business of the Company in Hong Kong. Shareholders may send written enquiries or requests in respect of their rights to the Company’s head office and principal place of business in Hong Kong, Suite No. A1, 7th Floor, One Capital Place, 18 Luard Road, Wanchai, Hong Kong.

## **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](http://www.hkexnews.hk) and the Company’s website [www.dragonkinggroup.com](http://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 head office and principal place of business in Hong Kong at Suite No. A1, 7th Floor, One Capital Place, 18 Luard Road, Wanchai, Hong Kong.

# Corporate Governance Report

During the Year, the Board has reviewed the implementation and effectiveness of its Shareholder Communication Policy and the Board believes the Shareholder Communication Policy has been properly implemented and is effective.

## **CONSTITUTIONAL DOCUMENTS**

During the Year, the Company amended and restated the Articles of Association, among other things, to (i) comply with the requirements set out in Appendix A1 to the GEM Listing Rules for listed issuers to adopt a uniform set of 14 “Core Standards” for shareholder protections; (ii) bring the Articles of Association in line with certain corporate governance requirements of the GEM Listing Rules and the applicable law in the Cayman Islands; and (iii) incorporate various consequential and housekeeping changes. The amendments to the Article of Association were considered and approved by a special resolution passed at the annual general meeting on 30 June 2023. For details of the amendments, please refer to the circular of the Company dated 22 May 2023.

## **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.

## **GOING CONCERN UNCERTAINTIES**

The Directors acknowledge their responsibilities for preparing the financial statements which give a true and fair view of the state of affairs of the Group. The Directors are aware of the reported the Group’s current liabilities exceeded its current assets by approximately HK\$129,933,000 and the Group had net liabilities of approximately HK\$102,379,000 as at 31 December 2023. As at the same date, the Group’s total current interest-bearing borrowings amounted to approximately HK\$59,372,000, while its cash and cash equivalents amounted to approximately HK\$1,014,000 only. These conditions, together with other matters described in note 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.

## **Management’s and Audit Committee’s views on the Independent Auditor’s Opinion on Material Uncertainty Related to Going Concern**

As stated in the Independent Auditor’s Report, the Auditors have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on the Company’s Consolidated Financial Statements. The Auditors were of the view that, a number of measures have been undertaking to improve the Group’s liquidity and financial position as described in note to the Consolidated Financial Statements. The consolidated financial statements have been prepared by the Directors on a going concern basis, the validity of which depends on the outcome of these measures, which are subject to multiple uncertainties, the Auditors were unable to ascertain whether the assumptions made by the Directors in preparing the Consolidated Financial Statements on a going concern basis are proper and appropriate so in turn led to the disclaimer of opinion.



# Corporate Governance Report

The consolidated financial statements had been prepared on a going concern basis as the Directors considered the Group will have sufficient working capital to finance its operations and financial obligations as and when they fall due, and accordingly, are satisfied that it is appropriate to prepare the Consolidated Financial Statements on a going concern basis after taking into consideration the followings:

- (i) the Group had interest-bearing bank and other borrowings of HK\$61,732,000 as at 31 December 2023, of which approximately HK\$37,637,000 is repayable within one year. The remaining interest-bearing bank borrowings, amounting to approximately HK\$21,735,000 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; and
- (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.

A cashflow forecast has also been provided to the auditors to ascertain the situation of the Group. However, the auditors are of the view that the Group's current liabilities exceeded its current assets by approximately HK\$129,933,000 and the Group had net liabilities of approximately HK\$102,379,000 as at 31 December 2023. As at the same date, the Group's total current interest-bearing borrowings amounted to approximately HK\$59,372,000, while its cash and cash equivalents amounted to approximately HK\$1,014,000 only. These conditions, together with other matters described in note 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.

The Audit Committee had critically reviewed the disclaimer of opinion, the management's assessment on the disclaimer of 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 Auditors understand that the Directors have been undertaking a number of measures to improve the Group's liquidity and financial position as described in note to the Consolidated Financial Statements. The Consolidated Financial Statements have been prepared by the Directors on a going concern basis, the validity of which depends on the outcome of these measures, which are subject to multiple uncertainties, the Auditors were unable to ascertain whether the assumptions made by the Directors in preparing the Consolidated Financial Statements on a going concern basis are proper and appropriate so in turn led to the disclaimer of opinion.

# Corporate Governance Report

The Auditors were of the view that the validity of which depends on the outcome of these measures, which are subject to multiple uncertainties, the Auditors were unable to ascertain whether the assumptions made by Directors in preparing the Consolidated Financial Statements on going concern basis are proper and appropriate so in turn led to the disclaimer of opinion.

## **Measures Conducted to Address the Going Concern Issue**

The Company has conducted the following measures to address the going concern issue including but not limited to:

### **(i) *Actively seeking opportunities for debt or equity financing***

The Group has conducted fund raising exercises during the year. As disclosed in the announcement of the Company dated 27 June 2023 and the announcement of the Company dated 3 July 2023, in relation to the issue of new shares under general mandate for debt capitalisation. The Company completed the issue and settled a sum of HK\$3,456,000 to the creditor.

### **(ii) *Developing existing business and exploring business opportunities***

The Company is committed to enhancing the Group's operational performance and cash flows by concentrating on its existing business. For the year ended 31 December 2023, the revenue of the Group increased from HK\$79,469,000 in 2022 to HK\$104,453,000 in 2023, representing a significant increase of approximately 31.4%. Moreover, the Company has actively pursued various business opportunities related to its current operations. For details, please refer to the announcement of the Company dated 5 January 2024 and 15 March 2024 respectively.

### **(iii) *Enforcing cost-saving measures***

The Company implemented cost-saving measures such as but not limited to reduction of liabilities and reduction of administrative and operating expenses. For the year ended 31 December 2023, the other operating expenses of the Group reduced from HK\$22,208,000 in 2022 to HK\$18,865,000 in 2023.

## **Action Plan to be Taken by the Company to Address the Disclaimer of Opinion**

The Company has an action plan to address the disclaimer of opinion in the coming financial year, and the management will continue to execute the action plan to address the disclaimer of opinion. Some of the revised strategies are as follows:

### **(i) *Planning for equity fund-raising exercise***

The Company is in the process of contemplating equity fund raising exercises including but not limited to rights issue, issue of new shares and/or convertible bonds. The Company intends to apply the proceeds for the repayment of the liabilities and also for further expansion of the current business segments of the Group. As at the date hereof, the Company is in negotiation but has not finalised any plans (including the amount of fund-raising and the fund-raising method) with any financial institutions/investors. The success of the fund raising is subject to the market sentiment and appetite of financial investors.

# Corporate Governance Report

**(ii) Seeking for other debt financing alternatives**

The company intends to explore alternative debt financing options, such as obtaining loans from other financial institutions or banks, in order to reduce the overall finance costs incurred by the Group.

**(iii) Developing and exploring different business opportunities in relation to its operation**

The Company is committed to enhancing the Group's operational performance and cash flows by concentrating on its existing business. Additionally, the Company is actively exploring and will persist in exploring diverse business opportunities aligned with the Group's current operations.

**(iv) Enforcing cost-saving measures**

The Company has been and will implement cost-saving measures such as but not limited to reduction of liabilities and reduction of administrative and operating expenses.

The management of the Group will use its best endeavor to implement the above action plan to enhance the financial performance and improve the cashflow of the Group. In addition, the Group will seek potential opportunities to bring synergies to the Group and increase its revenue stream.

Despite the recovery from the COVID-19 pandemic in 2023, the market has remained sluggish. Under this challenging market sentiment, the Company has achieved a notable increase in revenue and a modest uptick in the gross profit margin. However, the current scale of operations has yet to generate sufficient funds to fully repay outstanding bank and other borrowings of approximately HK\$61.4 million, while also incurring finance costs of approximately HK\$2.6 million for the year ended 2023. The prevailing market sentiment, coupled with uncertain prospects and high rental situation, has led the Directors to hesitate in rapid expanding the business such as opening more restaurants so as to generate additional cash and alleviate the Group's liabilities. Instead, other related business and cooperations are in progress for exploring the opportunities to diversify the income. As a result, the going concern issue remains unresolved during the year. The management has used their best endeavor to deliver their commitments on resolving the going concern issue.

The management has communicated with the Auditors in regard to the above revised action plan. Considering the Company's ongoing endeavors to enhance its existing business operations and the substantial increase in revenue for the fiscal year ending in 2023, the Directors have demonstrated their capacity to execute the revised action plan effectively, anticipating positive outcomes as a result.

Based on the above action plan, the Company expects that the liabilities would be reduced and the financial position would improve in the future. The Directors have shown their capability to implement the above action plan and the positive results of such plan.

Upon discussion with the Auditors, subject to the market situation and the effectiveness of the implementation of the action plan above, the Company expects that the disclaimer of opinion would be removed in the next Auditor's report.

# 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 2023 to 31 December 2023 (the "**Reporting Period**" or the "**Year 2023**"). 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 two 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 three 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.

# Environmental, Social and Governance Report

## ESG GOVERNANCE

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

The Group has established dedicated teams to manage ESG issues within each business division of the Group and kept monitoring and overseeing the progress against corporate goals and targets for addressing climate change. Dedicated teams with designated staff for management of ESG issues 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.



# Environmental, Social and Governance Report

## Stakeholders and Engagement Methods

Stakeholder	Interests and concerns	Engagement channels
<b>Shareholders and investors</b>	<ul style="list-style-type: none"> <li>• Return on investment</li> <li>• Corporate strategy and governance</li> <li>• Risk mitigation and management</li> </ul>	<ul style="list-style-type: none"> <li>• Annual General Meeting</li> <li>• Interim and annual reports, corporate websites</li> <li>• Announcements, notices of meetings, circulars</li> </ul>
<b>Customers</b>	<ul style="list-style-type: none"> <li>• Robust operation management</li> <li>• Full compliance with regulations</li> <li>• Sustainability performance of operations</li> <li>• Food choice and quality</li> <li>• Food safety and hygiene</li> <li>• Service quality</li> <li>• Opinions and complaints handing</li> <li>• Good dining environment</li> </ul>	<ul style="list-style-type: none"> <li>• Interim and annual reports, corporate websites</li> <li>• Regular meetings and communication</li> <li>• Adopt appropriate control management measures at different stages of food production process</li> <li>• Maintain channels of customer communication and feedback at restaurant, social media and complaint hotline, mailbox</li> <li>• Conduct customer surveys regularly and improve performance</li> </ul>
<b>Employees</b>	<ul style="list-style-type: none"> <li>• Compensation and benefits</li> <li>• Occupational health and safety</li> <li>• Career development opportunities</li> <li>• Corporate culture and wellbeing</li> </ul>	<ul style="list-style-type: none"> <li>• Provide leisure activities and increase cohesion</li> <li>• In-house training programmes</li> <li>• Performance reviews and appraisals</li> <li>• Promote career development and enhance competence at all levels</li> </ul>
<b>Suppliers</b>	<ul style="list-style-type: none"> <li>• Long-term partnership</li> <li>• Ethical business practices</li> <li>• Supplier assessment criteria</li> </ul>	<ul style="list-style-type: none"> <li>• Procurement processes</li> <li>• Audits and assessments</li> </ul>
<b>Regulators</b>	<ul style="list-style-type: none"> <li>• Laws and regulations</li> </ul>	<ul style="list-style-type: none"> <li>• Review latest laws and regulations</li> <li>• Inspection</li> </ul>
<b>Associations, non-government institutions and media</b>	<ul style="list-style-type: none"> <li>• Voluntary activities</li> <li>• Group activities</li> <li>• ESG reports</li> </ul>	<ul style="list-style-type: none"> <li>• Environmental protection</li> <li>• Investment in social welfare</li> </ul>

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](mailto:office@dragonkinggroup.com).

# Environmental, Social and Governance Report

## 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<sub>x</sub>), sulphur oxides (SO<sub>x</sub>), particulate matter (PM) and carbon dioxide (CO<sub>2</sub>) 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<sub>x</sub>, SO<sub>x</sub> and PM. Also, the use of electricity in headquarter office and restaurants generate CO<sub>2</sub>. The approximate amount of CO<sub>2</sub>, NO<sub>x</sub>, SO<sub>x</sub> and PM produced from the Group's operation are shown in the following table:

#### **Air pollutants from vehicle usage in the Reporting Period**

<b>Types of key air emissions</b>	<b>2023</b>	2022
NO <sub>x</sub> emissions (tonnes)	<b>0.004</b>	0.07
SO <sub>x</sub> emissions (tonnes)	<b>0.00003</b>	0.0001
PM emissions (tonnes)	<b>0.001</b>	0.003

Compare with the last financial year, the NO<sub>x</sub>, SO<sub>x</sub> and PM emissions decreased by approximately 94.29%, 70% and 66.67% respectively due to the substantial reduction in vehicle usage in 2023.

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.

# Environmental, Social and Governance Report

## 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 light 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	2023 CO <sub>2</sub> equivalent emission	2022 CO <sub>2</sub> equivalent emission
Scope 1 – Direct emissions (tonnes)	4.85	14.47
Scope 2 – Energy indirect emissions (tonnes)	1,488.10	1,802.52
Scope 3 – Other indirect emissions (tonnes)		
– Wastes including paper and sewage water (tonnes)	56.95	38.77
– Business air travel by employee (tonnes)	–	–
Total GHG emissions (tonnes)	1,549.90	1,855
<b>GHG emission intensity per restaurant property floor area (tonnes)</b>	<b>0.65</b>	0.51

Note:

During the Reporting Period, the floor area of the Group’s restaurant and office properties was approximately 2,391.93 sq.m. (2022: 3,605.79 sq.m.). This information was also used in the calculation of other intensity information in the Environmental, Social and Governance Report.

# Environmental, Social and Governance Report

Compare with the last financial year, the energy indirect emissions for the restaurant and the headquarter office in 2023 decreased by approximately 17%. Such decrease of the energy indirect emissions was due to the closure of a restaurant in 2022.

Besides, paper, fresh water and sewage water processed by restaurants increased by approximately 47% as compared with that in 2022. Such increase with the GHG emission intensity per restaurant property floor area per ton increased from 0.51 to 0.65 were due to the resumption of normal services, which is driven by the relaxation of the COVID policies and uplifting of anti-epidemic measures.

Lastly, the business air travel by employees in Hong Kong and our operations in 2023 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.



# Environmental, Social and Governance Report

## ***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 578 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:

# Environmental, Social and Governance Report

## Water Consumption

	2023	2022
Total water consumption (cubic metres)	77,827	74,237
Intensity of water consumption per restaurant property floor area (cubic metres)	32.54	20.59

The Group faces no issues in sourcing water that is fit for purpose. Compare to the last financial year, the intensity of water consumption per restaurant property floor area has increased from approximately 20.59 cubic metres to approximately 32.54 cubic metres. The increase in water consumed was due to the resumption of normal services of the restaurants leading to a significant increase in customers and the revenue of the Group. The Group believes that the regular water consumption analysis and the communications to staffs 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 reasonable 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:

# Environmental, Social and Governance Report

## Energy Consumption

	2023	2022
Purchase of energy (kWh)	2,412,948	2,578,428
Non-renewable fuel consumed (kWh)	757,228	777,552
Total energy consumption (kWh)	3,170,176	3,315,597
Intensity of total energy consumption per restaurant property floor area (kWh)	1,325.36	919.52

Compare to the last financial year, the electricity consumption and non-renewable fuel consumed in 2023 have decreased by approximately 4.4%, which was due to the closure of ICC Restaurant. 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 communications to staffs 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 dining 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.

# Environmental, Social and Governance Report

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

## Packaging material consumption

	2023	2022
Plastic (tonne)	0.32	0.18
Paper (tonne)	1.40	1.82
Total packaging material consumption (tonne)	1.72	2.00
Intensity per HKD million revenue (tonne)	0.02	0.03

Note:

During the Reporting Period, the total revenue of the Group was HK\$104,453,000 (2022: HK\$79,469,000).

## 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.

# Environmental, Social and Governance Report

## **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.



# Environmental, Social and Governance Report

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.

# Environmental, Social and Governance Report

During the Reporting Period, the Group had 122 full-time employees from Hong Kong, and 77 employees left subsidiaries due to corporate restructuring and personal reasons, with a staff turnover rate approaching 63%. The total number of employees and the overall turnover rate of the Group are as follows:

	<b>Number (person)</b>	<b>Turnover rate (%)</b>
Total Workforce	122	63
By Gender		
Male	66	56
Female	56	71
By Category		
Board Member	7	100
Senior Management	4	0
Middle Management	9	11
General staff	102	76
By Age Group		
<30	8	38
30-50	55	53
>50	59	76

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 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.

# Environmental, Social and Governance Report

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 existing requirements and restrictions on the catering business.

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:

# Environmental, Social and Governance Report

## Health and safety key performance indicators (Employee)

	2023	2022	2021
Number of work injuries	4	8	12
Rate of work injury in Hong Kong (per hundred employees)	3.3	6.6	5
Number of loss days due to work injuries	174	103	672

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.

# Environmental, Social and Governance Report

## 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.



# Environmental, Social and Governance Report

## 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.

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.

Certain 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.

# Environmental, Social and Governance Report

## **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.

# Environmental, Social and Governance Report

## 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

# Environmental, Social and Governance Report

<b>Aspect, General Disclosures and KPIs</b>	<b>Description</b>	<b>Section and Statement in ESG Report</b>
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

# Environmental, Social and Governance Report

<b>Aspect, General Disclosures and KPIs</b>	<b>Description</b>	<b>Section and Statement in ESG Report</b>
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 (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 38 to the Consolidated Financial Statements.

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

## 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 Consolidated Financial Statements. Details of the significant events after the financial year ended 31 December 2023 and up to the date of this annual report are set out in Note 39 to the Consolidated Financial Statements.

## 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.

## RESULTS AND DIVIDENDS

The results of the Group for the Year and the financial position of the Company and of the Group at that date are set out in the Consolidated Financial Statements on pages 74 to 75 of this annual report. No interim dividend was declared for 2023 (2022: Nil). The Board does not recommend the payment of a final dividend for the Year (2022: Nil).

## CLOSURE OF THE REGISTER OF MEMBERS

The forthcoming annual general meeting is scheduled to be held on Friday, 14 June 2024 (the **"2024 AGM"**). For determining the entitlement to attend and vote at the 2024 AGM, the register of members of the Company will be closed from Tuesday, 11 June 2024 to Friday, 14 June 2024, both days inclusive, during which period no transfer of Shares will be registered. In order to attend and vote at the 2024 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 4:30 p.m. on Friday, 7 June 2024.

# Directors' Report

## DIVIDEND POLICY

The Board has adopted a dividend policy (the "**Dividend Policy**"). 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. 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 Board to be justified by the financial condition and 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.

# Directors' Report

## **PROPERTY, PLANT AND EQUIPMENT**

Details of movement in the property, plant and equipment of the Group during the Year are set out in Note 18 to the Consolidated Financial Statements.

## **SHARE CAPITAL**

Details of the Company's share capital is set out in Note 29 to the Consolidated Financial Statements.

## **DONATION**

No charitable donations made by the Group during the Year (2022: Nil).

## **RESERVES**

Details of movements in the reserves of the Company and the Group are set out in Note 29 to the Consolidated Financial Statements and in the consolidated statement of changes in equity respectively.

## **DISTRIBUTABLE RESERVES**

As at 31 December 2023, the Company did not have any reserves available for distribution to owners (as at 31 December 2022: Nil).

## **PRE-EMPTIVE RIGHTS**

There are no provisions for pre-emptive rights under the 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 are set out in Note 35 to the Consolidated Financial Statements.

## **DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS**

Save as the related party transactions disclosed in Note 35 to the Consolidated 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.

## **PERMITTED INDEMNITY PROVISION**

Pursuant to the Articles of Association, all the Directors, managing Directors, alternate Directors, auditors, Company Secretary and other officers for the time being of the Company acting in relation to any of the affairs of the Company shall be indemnified and secured harmless out of the assets of the Company from and against all actions, costs, charges, losses, damages and expenses which they or any of them shall or may incur or sustain by reason of any act done, concurred in or omitted in or about the execution of their duty or supposed duty in their respective offices.

The Company did not arrange any directors' liability insurance as the Board considered that the risk of material legal claims against Directors is minimal.

# Directors' Report

## 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.

## MANAGEMENT CONTRACTS

As at 31 December 2023, 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

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

### Executive Directors

Mr. Tang Hong Jiang (*Chairman*) (appointed on 28 July 2023, and re-designated as an executive Director and appointed as the chairman of the Company on 12 October 2023)

Ms. Liang Li (appointed on 17 November 2023)

Mr. Huang Ai Chun (appointed on 30 October 2023)

Ms. Au Yeung Lok Yee (appointed on 4 January 2023 and resigned on 16 October 2023)

Mr. Jia Yongqiang (appointed on 17 April 2023 and resigned on 17 November 2023)

### Non-executive Director

Ms. Shen Taiju (re-designated as a non-executive Director and ceased to be the chairman of the Company on 12 October 2023)

### Independent non-executive Directors

Mr. Lo Shing Shan (appointed on 17 November 2023)

Mr. Chow Yik (appointed on 30 October 2023)

Mr. Tsung Ching Fung (appointed on 30 October 2023)

Mr. Wong Luen Tung (resigned on 27 January 2023)

Dr. Chung Ling Cheong Dicky (resigned on 28 February 2023)

Mr. Mtafi Rachid Rene (resigned on 30 October 2023)

Mr. Chui Chi Yun Robert (appointed on 5 May 2023 and resigned on 30 October 2023)

Mr. Buer Gude (appointed on 5 May 2023 and resigned on 17 November 2023)

Information regarding Directors' emoluments are set out in Note 14 to the Consolidated Financial Statements. Biographical details of the existing Directors and Senior Management of the Group are set out in the section headed "Biographical Details of Directors and Senior Management" of this annual report.

In accordance with Article 112 of the Articles of Association, Mr. Tang Hong Jiang, Ms. Liang Li, Mr. Huang Ai Chun, Ms. Shen Taiju, Mr. Lo Shing Shan, Mr. Chow Yik and Mr. Tsung Ching Fung will retire by rotation at the 2024 AGM and, being eligible, offer themselves for re-election.

# Directors' Report

## DIRECTORS' SERVICE CONTRACTS

None of the Directors proposed for re-election at the 2024 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.

## EMOLUMENTS OF DIRECTORS AND FIVE HIGHEST PAID INDIVIDUALS

Directors' and Senior Management's remunerations are determined by the Board with reference to their respective experience, responsibilities, workload, performance and time devoted to the Company, and reviewed by the Remuneration Committee. Particulars of duties and responsibilities of the Remuneration Committee are set out in "Corporate Governance Report" of this annual report.

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 Consolidated Financial Statements.

The remuneration of the Senior Management of the Group for the Year falls within the following band:

<b>Remuneration Band</b>	<b>Number of Senior Management</b>
Up to HK\$1,000,000	1
HK\$1,000,001 to up to HK\$2,000,000	1
Above HK\$2,000,000	0

## EMOLUMENT POLICY

The Company's emolument policy (the "**Emolument 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. Details of the Share Option Scheme are set out on pages 65 to 66 of this annual report.

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 Emolument 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.

## 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.



# Directors' Report

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 14,400,000 Shares, as adjusted by the share consolidation effective on 28 May 2021, 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, no share options were granted, exercised, cancelled or lapsed.

# Directors' Report

## EQUITY-LINKED AGREEMENTS

Save as contents relating to "Share Option Scheme" disclosed on pages 65 to 66 of this annual report, there was no equity-linked agreement entered into by the Company during the Year.

## 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 2023, 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

So far as known to the Directors or chief executive of the Company, as at 31 December 2023, the following persons/entities (other than the Directors and chief executive of the Company) had or were deemed to have an interest or a short position in the shares or the underlying shares of the Company which would be required to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register of the Company remained to be kept under Section 336 of the SFO, or who were directly or indirectly, interested in 5% or more of the nominal value of any class of share capital rights to vote in all circumstances at general meetings of the Company or any other member of the Group:

### Long positions in ordinary shares and underlying shares of the Company as at 31 December 2023

Name of Shareholder	Capacity/ Nature of interest	Number of Shares held/interested	Approximate percentage of shareholding
CHAN Yuen Lung Alfred	Beneficial owner	34,560,000	16.67%

Note: The percentage of shareholding in this table was calculated based on the number of issued shares of the Company as at 31 December 2023, being 207,360,000 Shares.

# Directors' Report

Save as disclosed above, as at 31 December 2023, there was no person or corporation, other than the Directors and chief executive of the Company whose interests are set out in the section "Directors' and chief executives' interest and short positions in shares, underlying shares and debenture of the Company" above, had or were deemed to have an interest or short position in the shares or the underlying shares of the Company which would be required to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register of the Company remained to be kept under Section 336 of the SFO, or who were directly or indirectly, interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Company or any other member of the Group.

## **COMPETITION INTERESTS**

None of the Directors, the controlling Shareholders 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.

## **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.

## **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.

## **SUFFICIENCY OF PUBLIC FLOAT**

Based on the information publicly available to the Company and to the best knowledge of the Directors, throughout the Year 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.

## **CORPORATE GOVERNANCE**

Details of the Company's corporate governance practices are set out in the Corporate Governance Report on pages 18 to 38 of this annual report.

# Directors' Report

## INDEPENDENT AUDITOR

Asian Alliance (HK) CPA Limited ("**Asian Alliance**"), who was the auditor of the Group for the financial years 2019 and 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 the Shareholders. 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 the Shareholders.

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

**Tang Hong Jiang**

*Chairman*

Hong Kong, 26 March 2024

# Independent Auditor's Report



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## TO THE SHAREHOLDERS OF DRAGON KING GROUP HOLDINGS LIMITED

*(Incorporated in the Cayman Islands with limited liability)*

### 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 73 to 145, which comprise the consolidated statement of financial position as at 31 December 2023, 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 material accounting policy information.

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 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's current liabilities exceeded its current assets by approximately HK\$129,933,000 and the Group had net liabilities of approximately HK\$102,379,000 as at 31 December 2023. As at the same date, the Group's total current interest-bearing borrowings amounted to approximately HK\$59,372,000, while its cash and cash equivalents amounted to approximately HK\$1,014,000 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.



# Independent Auditor's Report

## **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 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.

# Independent Auditor's Report

## **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

26 March 2024

# Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the Year Ended 31 December 2023

	Notes	2023 HK\$'000	2022 HK\$'000
Revenue	7	<b>104,453</b>	79,469
Cost of inventories consumed		<b>(29,740)</b>	(25,402)
Gross profit		<b>74,713</b>	54,067
Other income and gains, net	9	<b>762</b>	13,113
Staff costs		<b>(38,840)</b>	(36,968)
Depreciation of property, plant and equipment	18	<b>(798)</b>	(798)
Depreciation of right-of-use assets	19	<b>(78)</b>	(2,938)
Gain on disposal of a subsidiary	32	–	12,628
Impairment losses of property, plant and equipment	20	–	(15)
Impairment losses of right-of-use assets	20	<b>(417)</b>	(6,412)
Impairment losses on financial assets	11	<b>(2,093)</b>	(285)
Rental and related expenses		<b>(9,623)</b>	(12,100)
Other operating expenses		<b>(18,865)</b>	(22,208)
Finance costs	10	<b>(3,282)</b>	(3,244)
Profit/(loss) before tax		<b>1,479</b>	(5,160)
Income tax expense	12	<b>(152)</b>	(135)
Profit/(loss) for the year attributable to owners of the Company	13	<b>1,327</b>	(5,295)
		<b>HK cents</b>	HK cents
Profit/(loss) per share			
– Basic and diluted	17	<b>0.71</b>	(3.06)
Profit/(loss) for the year		<b>1,327</b>	(5,295)
Other comprehensive (expense)/income:			
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Release of exchange fluctuation reserve upon disposal of a subsidiary		–	273
Exchange differences arising on translation of foreign operations		<b>(10)</b>	18
Total comprehensive income/(expense) for the year		<b>1,317</b>	(5,004)

# Consolidated Statement of Financial Position

As at 31 December 2023

	Notes	2023 HK\$'000	2022 HK\$'000
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	18	26,299	27,097
Right-of-use assets	19	–	–
Deposits	23	235	3,403
Deferred tax assets	28	3,497	3,229
		<b>30,031</b>	33,729
<b>CURRENT ASSETS</b>			
Inventories	21	3,660	3,572
Trade receivables	22	768	596
Prepayments, deposits and other receivables	23	9,307	12,255
Tax recoverable		5	344
Cash and cash equivalents	24	1,014	4,881
		<b>14,754</b>	21,648
<b>CURRENT LIABILITIES</b>			
Trade payables	25	36,322	36,820
Other payables and accruals	26	38,544	43,787
Bank and other borrowings	27	59,372	60,771
Lease liabilities	19	3,798	8,231
Amounts due to directors	35	6,166	7,589
Tax payable		485	444
		<b>144,687</b>	157,642
<b>NET CURRENT LIABILITIES</b>		<b>(129,933)</b>	(135,994)
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>(99,902)</b>	(102,265)
<b>NON-CURRENT LIABILITIES</b>			
Other payables and accruals	26	–	1,048
Other borrowing	27	2,000	–
Lease liabilities	19	477	3,839
		<b>2,477</b>	4,887
<b>NET LIABILITIES</b>		<b>(102,379)</b>	(107,152)

# Consolidated Statement of Financial Position

As at 31 December 2023

	Note	2023 HK\$'000	2022 HK\$'000
<b>CAPITAL AND RESERVES</b>			
Share capital	29	20,736	17,280
Reserves		(123,115)	(124,432)
<b>TOTAL DEFICIENCY IN EQUITY</b>		<b>(102,379)</b>	(107,152)

The consolidated financial statements on pages 73 to 145 were approved and authorised for issue by the Board of Directors on 26 March 2024 and are signed on its behalf by:

**HUANG Ai Chun**  
*Director*

**TANG Hong Jiang**  
*Director*



# Consolidated Statement of Changes in Equity

For the Year Ended 31 December 2023

	Attributable to owners of the Company						
	Share capital	Share premium	Other reserve	Capital reserve	Exchange fluctuation reserve	Accumulated losses	Total deficiency in equity
	HK\$'000 (Note 29)	HK\$'000 (Note a)	HK\$'000 (Note b)	HK\$'000 (Note c)	HK\$'000	HK\$'000	HK\$'000
At 1 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 income for the year <i>Item that may be reclassified subsequently to profit or loss:</i>							
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)
At 1 January 2023	<b>17,280</b>	<b>90,912</b>	<b>(43,224)</b>	<b>42,703</b>	<b>(133)</b>	<b>(214,690)</b>	<b>(107,152)</b>
Profit for the year	-	-	-	-	-	<b>1,327</b>	<b>1,327</b>
Other comprehensive expense for the year <i>Item that may be reclassified subsequently to profit or loss:</i>							
Exchange differences arising on translation of foreign operations	-	-	-	-	(10)	-	(10)
Total comprehensive income for the year	-	-	-	-	(10)	<b>1,327</b>	<b>1,317</b>
Placing of new shares (Note 29)	<b>3,456</b>	-	-	-	-	-	<b>3,456</b>
<b>At 31 December 2023</b>	<b>20,736</b>	<b>90,912</b>	<b>(43,224)</b>	<b>42,703</b>	<b>(143)</b>	<b>(213,363)</b>	<b>(102,379)</b>

# Consolidated Statement of Changes in Equity

For the Year Ended 31 December 2023

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 2023

	2023 HK\$'000	2022 HK\$'000
<b>OPERATING ACTIVITIES</b>		
Profit/(loss) before tax	1,479	(5,160)
Adjustments for:		
Finance costs	3,282	3,244
Interest income on rental deposit at amortised cost	–	(36)
Subsidies received from a utility company for purchases of property, plant and equipment	–	(52)
Fair value gains on financial assets at fair value through profit or loss	–	(276)
Gain on disposal of a subsidiary	–	(12,628)
Depreciation of property, plant and equipment	798	798
Depreciation of right-of-use assets	78	2,938
Compensation on termination of a contract	–	(4,987)
Provision for/(reversal of) annual leave, net	117	(1,668)
(Reversal of)/provision for long service payment, net	(671)	270
Impairment losses of property, plant and equipment	–	15
Impairment losses of right-of-use assets	417	6,412
Impairment losses on financial assets	2,093	285
<b>Operating cash flows before movements in working capital</b>	<b>7,593</b>	<b>(10,845)</b>
(Increase)/decrease in inventories	(88)	2,207
(Increase)/decrease in trade receivables	(172)	3,143
Decrease/(increase) in prepayments, deposits and other receivables	4,023	(2,677)
Decrease in trade payables	(498)	(1,142)
(Decrease)/increase in other payables and accruals	(4,072)	6,214
<b>Cash generated from/(used in) operations</b>	<b>6,786</b>	<b>(3,100)</b>
Interest paid on bank borrowings	(922)	(1,525)
Income tax (paid)/refund	(40)	342
<b>NET CASH GENERATED FROM/(USED IN) OPERATING ACTIVITIES</b>	<b>5,824</b>	<b>(4,283)</b>
<b>INVESTING ACTIVITIES</b>		
Purchase of property, plant and equipment	–	(16)
Proceeds from withdrawal of a life insurance policy	–	2,332
<b>NET CASH GENERATED FROM INVESTING ACTIVITIES</b>	<b>–</b>	<b>2,316</b>

# Consolidated Statement of Cash Flows

For the Year Ended 31 December 2023

	<b>2023</b>	2022
	<b>HK\$'000</b>	HK\$'000
<b>FINANCING ACTIVITIES</b>		
(Repayment to)/advances from a director	<b>(2,000)</b>	7,589
New other borrowing	<b>2,000</b>	3,500
Repayment of bank borrowings	<b>(1,399)</b>	(3,373)
Payment of lease liabilities	<b>(8,292)</b>	(7,200)
<b>NET CASH (USED IN)/GENERATED FROM FINANCING ACTIVITIES</b>	<b>(9,691)</b>	516
<b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>	<b>(3,867)</b>	(1,451)
<b>CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR</b>	<b>4,881</b>	6,332
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR</b>	<b>1,014</b>	4,881

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

## 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 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 is located at 16/F., Tern Centre Two, 251 Queen’s Road Central, Hong Kong.

The principal activity of the Group is principally engaged in operation and management of restaurants. Details of principal subsidiaries please refer to Note 38.

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

## 2. BASIS OF PREPARATION AND CHANGE IN ACCOUNTING POLICIES

### Application of new and amendments to Hong Kong Financial Reporting Standards (“**HKFRSs**”)

In the current year, the Group has applied, for its first time, the following new and amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”) which are effective for the Group’s financial year beginning on 1 January 2023.

Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies
Amendments to HKAS 8	Definition of Accounting Estimates
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction
Amendments to HKAS 12	International Tax Reform – Pillar Two Model Rules
HKFRS 17 (including the October 2020 and February 2022 Amendments to HKFRS 17)	Insurance Contracts

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



# Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

## 2. BASIS OF PREPARATION AND CHANGE IN ACCOUNTING POLICIES

(Continued)

### 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:

Amendments to HKAS 1	Classification of liabilities as Current or Non-current <sup>1</sup>
Amendments to HKAS 1	Non-current Liabilities with Covenants <sup>1</sup>
Amendments to HKFRS 16	Lease Liability in a Sale and Leaseback <sup>1</sup>
Amendments to HKAS 7 and HKFRS 7	Supplier Finance Arrangements <sup>1</sup>
Amendments to HKAS 21	Lack of exchangeability <sup>2</sup>
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and Its Associate or Joint Venture <sup>3</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2024

<sup>2</sup> Effective for annual periods beginning on or after 1 January 2025

<sup>3</sup> Effective for annual periods beginning on or after a date to be determined

The directors of the Company anticipate that, the application of all amendments to HKFRSs will have no material impact on the results and the financial position of the Group.

### Change in accounting policy

#### *New HKICPA guidance on the accounting implication of the abolition of the mandatory provident fund ("MPF") – long service payment ("LSP") offsetting mechanism*

In June 2022, the Hong Kong SAR Government (the "**Government**") gazetted the Hong Kong Employment and Retirement Schemes Legislation (Offsetting Arrangement) (Amendment) Ordinance 2022 (the "**Amendment Ordinance**"), which will come into effect from 1 May 2025 (the "**Transition Date**"). Once the Amendment Ordinance takes effect, an employer can no longer use any of the accrued benefits derived from its mandatory contributions to MPF scheme to reduce the LSP in respect of an employee's service from the Transition Date (the abolition of the "**offsetting mechanism**"). In addition, the LSP in respect of the service before the Transition Date will be calculated based on the employee's monthly salary immediately before the Transition Date and the years of service up to that date.

In July 2023, the HKICPA published "Accounting implication of the abolition of the MPF-LSP offsetting mechanism in Hong Kong" that provides accounting guidance relating to the offsetting mechanism and the abolition of the mechanism.

The Group has considered the accrued benefits derived from mandatory MPF contributions that are expected to be used to reduce the LSP payable to an employee as deemed contributions by that employee towards the LSP. Based on the HKICPA guidance, upon the enactment of the Amendment Ordinance in June 2022, these deemed contributions should be attributed to periods of service in the same manner as the gross LSP benefit applying HKAS19.93(a).

The Group has changed its accounting policy in connection with its LSP liability and has applied the above HKICPA guidance retrospectively. There is no material impact on the Group's results and financial position for the current or prior periods.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

## 3. MATERIAL ACCOUNTING POLICY INFORMATION

### 3.1 Basis of preparation of consolidated financial statements

The consolidated financial statements have been prepared in accordance with HKFRSs issued by the HKICPA. 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.

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.

The material accounting policies are set out below.

#### *Going-concern assessment*

During the year ended 31 December 2023, the Group’s current liabilities exceeded its current assets by approximately HK\$129,933,000 and the Group had net liabilities by approximately HK\$102,379,000. As at the same date, the Group’s total current interest-bearing borrowings amounted to approximately HK\$59,372,000 while its cash and cash equivalents amounted to approximately HK\$1,014,000 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 approximately HK\$61,732,000 as at 31 December 2023, of which approximately HK\$37,637,000 is repayable within one year. The remaining interest-bearing bank borrowings, amounting to approximately HK\$21,735,000 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;

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

## 3. MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

### 3.1 Basis of preparation of consolidated financial statements *(Continued)*

#### *Going-concern assessment (Continued)*

- (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; and
- (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.

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 material accounting policies are set out below.

### 3.2 Material accounting policy information

#### *Basis of consolidation*

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company and its subsidiaries (collectively referred to as the ("**Group**") for the year ended 31 December 2023. 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.

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Group. 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 ceases when the Group loses control of the subsidiary.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

## 3. MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

### 3.2 Material accounting policy information *(Continued)*

#### *Basis of consolidation (Continued)*

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.

#### *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.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

## 3. MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

### 3.2 Material accounting policy information *(Continued)*

#### *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.

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’s performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

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

Revenue is measured based on the consideration to which the Group expects to be entitled in a contract with a customer, excludes amounts collected on behalf of third parties, discounts and sales related taxes.



# Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

## 3. MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

### 3.2 Material accounting policy information *(Continued)*

#### *Revenue from contracts with customers (Continued)*

##### *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.

Revenue from the sales of food products and services is recognised at a point in time when the products and services are delivered to the customer.

#### *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.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

## 3. MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

### 3.2 Material accounting policy information *(Continued)*

#### *Leases (Continued)*

##### *The Group as lessee (Continued)*

##### 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.

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.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

## 3. MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

### 3.2 Material accounting policy information *(Continued)*

#### *Leases (Continued)*

##### *The Group as lessee (Continued)*

##### *Lease liabilities (Continued)*

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.

##### *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.

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.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

## 3. MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

### 3.2 Material accounting policy information *(Continued)*

#### *Leases (Continued)*

##### *The Group as lessee (Continued)*

##### *Right-of-use assets (Continued)*

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.

#### *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 consolidated statement of profit or loss and other comprehensive income in the period in which they arise.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

## 3. MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

### 3.2 Material accounting policy information *(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 consolidated statement of profit or loss and other comprehensive income 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 consolidated statement of profit or loss and other comprehensive income 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 consolidated statement of profit or loss and other comprehensive income 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 within "other income and gains, net" in consolidated statement of profit or loss and other comprehensive income in the period in which they become receivable.



# Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

## 3. MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

### 3.2 Material accounting policy information *(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 asset 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 asset and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit and at the time of the transaction does not give rise to equal taxable and deductible temporary differences.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

## 3. MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

### 3.2 Material accounting policy information *(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 are 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 and the related assets separately. The Group recognises a deferred tax assets related to lease liabilities to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised and a deferred tax liability for all taxable temporary differences.

Current and deferred tax are recognised in consolidated statement of profit or loss and other comprehensive income, 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.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

## 3. MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

### 3.2 Material accounting policy information *(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 consolidated statement of profit or loss and other comprehensive income.

#### *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.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

## 3. MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

### 3.2 Material accounting policy information *(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 consolidated statement of profit or loss and other comprehensive income.

#### *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.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

## 3. MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

### 3.2 Material accounting policy information *(Continued)*

#### *Financial instruments (Continued)*

##### *Financial assets (Continued)*

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

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 consolidated statement of profit or loss and other comprehensive income and is included in the other income and gains, net line item (Note 9).



# Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

## 3. MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

### 3.2 Material accounting policy information *(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 consolidated statement of profit or loss and other comprehensive income to the extent they are not part of a designated hedging relationship. The net gain or loss recognised in consolidated statement of profit or loss and other comprehensive income 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).

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

## 3. MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

### 3.2 Material accounting policy information *(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. 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. 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 there has been a significant increase in credit risk since initial recognition, in which case the Group recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant 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.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

## 3. MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

### 3.2 Material accounting policy information *(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; or
- 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 debtor 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.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

## 3. MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

### 3.2 Material accounting policy information *(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.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

## 3. MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

### 3.2 Material accounting policy information *(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 consolidated statement of profit or loss and other comprehensive income.

(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.

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 consolidated statement of profit or loss and other comprehensive income 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.



# Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

## 3. MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

### 3.2 Material accounting policy information *(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 consolidated statement of profit or loss and other comprehensive income.

##### *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 consolidated statement of profit or loss and other comprehensive income on the purchase, sale, issue or cancellation of the Company's own equity instruments.

##### Financial liabilities

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

Financial liabilities 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.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

## 3. MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

### 3.2 Material accounting policy information *(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 is recognised in consolidated statement of profit or loss and other comprehensive income.

##### Offsetting financial instrument

Financial assets and liabilities are offset and the net amount reported in the consolidated statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the company or the counterparty.

#### *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).

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

## 3. MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

### 3.2 Material accounting policy information *(Continued)*

#### *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. The recoverable amount of property, plant and equipment, right-of-use assets are estimated individually. 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.

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 consolidated statement of profit or loss and other comprehensive income.

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.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

## 3. MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

### 3.2 Material accounting policy information *(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.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

## 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.

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.



# Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

## 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)*

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).

No exercise of the renewal option recognised during the years ended 31 December 2023 and 2022.

### **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 deposits and other receivables are 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.

Changes in these assumptions and estimates could materially affect the result of the assessment and it may be necessary to make additional impairment change to the consolidated statement of profit or loss and other comprehensive income. As at 31 December 2023, the provision of ECL for trade receivables, deposits and other receivables amounting approximately Nil and HK\$2,093,000 (2022: Nil and HK\$285,000) respectively was recognised in the consolidated statement of profit or loss and other comprehensive income. The information about the ECL and the Group's trade receivables, deposits and other receivables are disclosed in Notes 6(b), 22 and 23.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

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

### **Key sources of estimation uncertainty** *(Continued)*

#### ***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 2023, the carrying amounts of property, plant and equipment and right-of-use assets, subject to impairment assessment were approximately HK\$26,299,000 and HK\$417,000 (2022: HK\$27,097,000 and HK\$6,412,000) respectively, after taking into account the impairment losses of Nil and approximately HK\$417,000 (2022: HK\$15,000 and HK\$6,412,000), 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 assets***

No deferred tax asset has been recognised on the tax losses of approximately HK\$159,133,000 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 asset may arise, which would be recognised in consolidated statement of profit or loss and other comprehensive income for the period in which such a reversal or further recognition takes place. Details of the information about deferred tax asset is disclosed in Note 28.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

## 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 amounts due to directors, 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:

	<b>2023</b> <b>HK\$'000</b>	2022 HK\$'000
Trade payables	<b>36,322</b>	36,820
Other payables and accruals	<b>38,544</b>	44,835
Lease liabilities	<b>4,275</b>	12,070
Bank and other borrowings	<b>61,372</b>	60,771
Amounts due to directors	<b>6,166</b>	7,589
Less: Cash and cash equivalents	<b>(1,014)</b>	(4,881)
Net debt	<b>145,665</b>	157,204

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

## 6. FINANCIAL INSTRUMENTS

### (a) Categories of financial instruments

	2023 HK\$'000	2022 HK\$'000
<b>Financial assets</b>		
At amortised cost:		
– Trade receivables	768	596
– Deposits and other receivables	9,267	15,355
– Cash and cash equivalents	1,014	4,881
	<b>11,049</b>	20,832
<b>Financial liabilities</b>		
At amortised cost:		
– Trade payables	36,322	36,820
– Other payables	29,705	42,547
– Bank and other borrowings	61,372	60,771
– Amounts due to directors	6,166	7,589
– Lease liabilities	4,275	12,070
	<b>137,840</b>	159,797

### (b) Financial risk management objectives and policies

The Group's major financial instruments include other unlisted investments, trade receivables, deposits and other receivables, cash and cash equivalents, trade payables, other payables, lease liabilities, bank and other borrowings and amounts due to directors. 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.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

## 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 27 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 27, 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:

	<b>2023</b> <b>HK\$'000</b>	2022 HK\$'000
Financial liabilities at amortised cost	<b>3,278</b>	3,244

#### 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 (2022: 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 (2022: 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 2023 would increase/decrease by approximately HK\$232,000 (2022: increase/decrease by HK\$286,000).



# Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

## 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 2023, 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 trade receivables, deposit and other receivables, cash and cash equivalents. 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.

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 counter parties and also quantitative and qualitative information that is reasonable and supportive forward-looking information. The Group measures the loss allowance equal to 12-month ECL unless when there has been a significant increase in credit risk since initial recognition, the Group recognised lifetime ECL.

Credit risk on cash and cash equivalents is limited because the counterparties are reputable financial institutions with sound credit rating. The Group assessed 12-month ECL for cash and cash equivalents 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 12-month ECL on cash and cash equivalents is considered to be insignificant.

For the year ended 31 December 2023, the Group assessed the ECL for deposits and other receivables and thus approximately HK\$2,093,000 (2022: HK\$285,000) loss allowance provided during the year.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

## 6. FINANCIAL INSTRUMENTS *(Continued)*

### (b) Financial risk management objectives and policies *(Continued)*

#### *Credit risk (Continued)*

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

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	12-month or lifetime ECL	2023 Gross carrying amount HK\$'000	2022 Gross carrying amount HK\$'000
<b>Financial assets at amortised costs</b>						
Cash and cash equivalents	24	AA+	Performing	12-month ECL	1,014	4,881
Deposits and other receivables	23	N/A	(Note 1)	12-month ECL	25,431	29,426
Trade receivables	22	N/A	(Note 2)	Lifetime ECL (Provision matrix)	768	596

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.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

## 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 2023**

	<b>Weighted average expected loss rate %</b>	<b>Gross carrying amount HK\$'000</b>	<b>Loss allowance HK\$'000</b>
Current (not past due)	0.00%	598	-
31-60 days past due	0.00%	18	-
61-90 days past due	0.00%	3	-
Over 90 days past due	0.00%	149	-
		<b>768</b>	<b>-</b>

#### *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	-
Over 90 days past due	0.00%	168	-
		<b>596</b>	<b>-</b>

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.

No impairment allowance for trade receivables, based on the provision matrix is provided for the years ended 31 December 2023 and 2022.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

## 6. FINANCIAL INSTRUMENTS *(Continued)*

### (b) Financial risk management objectives and policies *(Continued)*

#### *Credit risk (Continued)*

The following tables shows the movement of loss allowances that has been recognised for deposits and other receivables:

	<b>12-month ECL HK\$'000</b>
As at 1 January 2022	<b>13,786</b>
Impairment losses recognised	<b>285</b>
As at 31 December 2022 and 1 January 2023	<b>14,071</b>
Impairment losses recognised	<b>2,093</b>
As at 31 December 2023	<b>16,164</b>

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

#### *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\$129,933,000 and HK\$102,379,000 respectively (2022: HK\$135,994,000 and HK\$107,152,000). 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.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

## 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 HK\$'000	1-2 years HK\$'000	2-5 years HK\$'000	Total undiscounted cash flow HK\$'000	Carrying amounts HK\$'000
<b>As at 31 December 2023</b>						
Trade payables	-	36,322	-	-	36,322	36,322
Other payables	-	29,705	-	-	29,705	29,705
Amounts due to directors	-	6,166	-	-	6,166	6,166
Bank and other borrowings						
– variable rate	3.05%	60,804	-	-	60,804	55,487
– fixed rate	8.40%	4,379	2,075	-	6,454	5,885
Leases liabilities	7.65%	3,919	486	-	4,405	4,275
		<b>141,295</b>	<b>2,561</b>	<b>-</b>	<b>143,856</b>	<b>137,840</b>
<b>As at 31 December 2022</b>						
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
		<b>157,116</b>	<b>3,648</b>	<b>300</b>	<b>161,064</b>	<b>159,797</b>

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 2023, the aggregate carrying amounts of these bank borrowings amounted to approximately HK\$55,487,000 (2022: HK\$50,807,000). 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:



# Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

## 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 2023	34,588	8,641	3,197	14,378	60,804	55,487
31 December 2022	19,555	11,468	10,765	15,443	57,231	50,807

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.

## 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:

### Revenue from contracts with customers within the scope of HKFRS 15

Disaggregated by geographical market  
– Hong Kong

2023 HK\$'000	2022 HK\$'000
104,453	79,469

Disaggregation of revenue from contracts with customers by timing of recognition

### Timing of revenue recognition

At a point in time

2023 HK\$'000	2022 HK\$'000
104,453	79,469

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

## 7. REVENUE (Continued)

### (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 2023 and 2022.

### Geographical information

The Group's operations are located in Hong Kong (2022: Hong Kong 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 32.

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	
	2023 HK\$'000	2022 HK\$'000	2023 HK\$'000	2022 HK\$'000
Hong Kong	104,453	79,469	26,299	27,097

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

### 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 2023 and 2022.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

## 9. OTHER INCOME AND GAINS, NET

	<b>2023</b> <b>HK\$'000</b>	2022 HK\$'000
Fair value gains on financial assets at FVTPL	–	276
Interest income on rental deposit at amortised cost	–	36
Subsidies received from a utility company for purchases of property, plant and equipment (Note a)	–	52
Compensation on termination of a contract	–	4,987
Government grants (Note b)	–	6,830
Others	<b>762</b>	932
	<b>762</b>	13,113

Notes:

- a) As at 31 December 2023 and 2022, 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 recognized government grants of HK\$6,830,000 in relation to COVID-19-related subsidies. Out of this amount, HK\$3,630,000 pertains to the Employment Support Scheme, and HK\$3,200,000 pertains to the Anti-epidemic fund provided by the Hong Kong Government. The Group has fulfilled all the attached conditions for the year ended 31 December 2022.

## 10. FINANCE COSTS

	<b>2023</b> <b>HK\$'000</b>	2022 HK\$'000
Interest expenses on:		
Long service payment obligation	<b>4</b>	–
Lease liabilities	<b>669</b>	1,042
Bank borrowings	<b>1,967</b>	2,184
Other borrowings	<b>642</b>	18
	<b>3,282</b>	3,244

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

## 11. IMPAIRMENT LOSSES ON FINANCIAL ASSETS

	<b>2023</b> <b>HK\$'000</b>	2022 HK\$'000
Impairment losses recognised on:		
– Deposits and other receivables	<b>2,093</b>	285

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

## 12. INCOME TAX EXPENSE

	<b>2023</b> <b>HK\$'000</b>	2022 HK\$'000
Current income tax	<b>420</b>	–
Deferred tax (Note 28)	<b>(268)</b>	135
	<b>152</b>	135

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% (2022: 8.25%), and profits above HK\$2 million will be taxed at 16.5% (2022: 16.5%). Hong Kong profits tax was calculated at a flat rate of 16.5% (2022: 16.5%) of the estimated assessable profits.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

## 12. INCOME TAX EXPENSE *(Continued)*

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

	<b>2023</b> <b>HK\$'000</b>	2022 HK\$'000
Profit/(loss) before tax	<b>1,479</b>	(5,160)
Tax at domestic income tax rate of 16.5% (2022: 16.5%)	<b>244</b>	(851)
Tax effect of two-tiered profit tax rate regime	<b>(165)</b>	–
Tax effect of income not taxable for tax purposes	<b>(113)</b>	(1,212)
Tax effect to expenses not deductible for tax purposes	<b>331</b>	1,902
Tax effect of unused tax losses not recognised	<b>432</b>	1,065
Utilisation of tax losses previously not recognised	<b>(577)</b>	(769)
Income tax expense for the year	<b>152</b>	135

## 13. PROFIT/(LOSS) FOR THE YEAR

	<b>2023</b> <b>HK\$'000</b>	2022 HK\$'000
Employee benefit expense (excluding directors' and chief executive's remuneration)		
– salaries, bonuses and allowances	<b>35,578</b>	33,725
– retirement benefit scheme contributions	<b>1,600</b>	1,633
	<b>37,178</b>	35,358
Auditor's remuneration	<b>880</b>	1,500
Expense relating to short-term leases	<b>5,207</b>	6,583



# Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

## 14. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS

The emoluments paid or payable to each of the 14 (2022:7) directors and the chief executive were as follows:

### Year ended 31 December 2023

#### Executive directors:

Mr. Tang Hong Jiang (Chairman) (appointed as non-executive directors on 28 Jul 2023 and redesignated as ED and appointed as Chairman on 12 Oct 2023)

- 102 - - 102

Mr. Jia Yongqiang (appointed on 17 Apr 2023 and resigned on 17 November 2023)

- - - - -

Mr. Huang Ai Chun (appointed on 30 Oct 2023)

- 20 - - 20

Ms. Au Yeung Lok Yee (resigned on 16 Oct 2023)

- 475 - - 475

Ms. Liang Li (appointed on 17 Nov 2023)

- 15 - - 15

#### Non-executive director:

Ms. Shen Taiju (Redesignated as ED and resigned as chairman on 12 Oct 2023)

- 542 - 14 556

- 1,154 - 14 1,168

#### Independent non-executive directors:

Mr. Chui Chi Yun Robert (resigned on 30 Oct 2023)

60 - - - 60

Mr. Chow Yik (appointed on 30 Oct 2023)

30 - - - 30

Mr. Mtafi Rachid Rene (resigned on 30 Oct 2023)

100 - - - 100

Mr. Tsung Ching Fung (appointed on 30 Oct 2023)

20 - - - 20

Mr. Buer Gude (resigned on 17 Nov 2023)

66 - - - 66

Mr. Lo Shing Shan (appointed on 17 Nov 2023)

15 - - - 15

Mr. Wong Luen Tung (resigned on 27 Jan 2023)

9 - - - 9

Mr. Chung Ling Cheong Dicky (resigned on 28 Feb 2023)

20 - - - 20

320 - - - 320

Total

320 1,154 - 14 1,488

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

## 14. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS (Continued)

	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					
<i>Executive directors:</i>					
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)	-	-	-	-	-
<i>Independent non-executive directors:</i>					
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

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 2023 and 2022.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

## 15. EMPLOYEES' EMOLUMENTS

The five highest paid employees of the Group during the year included one director (2022: two directors) director of the Company, details of whose emoluments are set out in Note 14 above. The emoluments for the year of the remaining four (2022: three) highest paid employees who are neither a director nor chief executive of the Company are as follows:

	<b>2023</b> <b>HK\$'000</b>	2022 HK\$'000
Salaries, allowances and benefits-in-kind	<b>2,943</b>	2,021
Retirement benefits scheme contributions	<b>69</b>	54
	<b>3,012</b>	2,075

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:

	<b>Number of employees</b>	
	<b>2023</b>	2022
Nil to HK\$1,000,000	<b>3</b>	3
HK\$1,000,001 to HK\$2,000,000	<b>1</b>	–
	<b>4</b>	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 2023, nor has any dividend been proposed since the end of the reporting period (2022: Nil).

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

## 17. PROFIT/(LOSS) PER SHARE

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

	<b>2023</b> <b>HK\$'000</b>	2022 HK\$'000
Profit/(loss) for the year attributable to owners of the Company for the purpose of basic and diluted profit/(loss) per share	<b>1,327</b>	(5,295)
	<b>Number of shares</b>	
	<b>2023</b> <b>'000</b>	2022 '000
Weighted average number of ordinary shares for the purpose of basic and diluted profit/(loss) per share	<b>187,287</b>	172,800

No diluted earnings per share for the years ended 31 December 2023 and 2022 were presented as there were no potential ordinary shares in issue for the years ended 31 December 2023 and 2022.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

## 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
<b>COST</b>						
At 1 January 2022	35,864	159,227	4,427	57,404	2,151	259,073
Additions	-	-	-	16	-	16
At 31 December 2022, 1 January 2023 and 31 December 2023	35,864	159,227	4,427	57,420	2,151	259,089
<b>ACCUMULATED DEPRECIATION AND IMPAIRMENT</b>						
At 1 January 2022	(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 and 1 January 2023	(8,767)	(159,227)	(4,427)	(57,420)	(2,151)	(231,992)
Provided during the year	(798)	-	-	-	-	(798)
At 31 December 2023	(9,565)	(159,227)	(4,427)	(57,420)	(2,151)	(232,790)
<b>CARRYING VALUES</b>						
At 31 December 2023	26,299	-	-	-	-	26,299
At 31 December 2022	27,097	-	-	-	-	27,097

At as 31 December 2023, the Group's building with carrying amount of approximately HK\$26,299,000 (2022: HK\$27,097,000) was pledged to secure general banking facilities granted to the Group (Note 27).

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.



# Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

## 19. RIGHT-OF-USE ASSETS AND LEASE LIABILITIES

### (i) Right-of-use assets

	Leased properties HK\$'000
<b>At 1 January 2022</b>	–
Additions	9,350
Depreciation charge	(2,938)
Impairment loss recognised	(6,412)
	<hr/>
<b>At 31 December 2022 and 1 January 2023</b>	–
Additions	495
Depreciation charge	(78)
Impairment loss recognised	(417)
	<hr/>
<b>At 31 December 2023</b>	<hr/> –
	<hr/>
	2022 HK\$'000
	2023 HK\$'000
Expense relating to short-term leases	6,583
	<hr/>
Total cash outflow for leases	13,226
	<hr/>

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

## 19. RIGHT-OF-USE ASSETS AND LEASE LIABILITIES *(Continued)*

### (i) **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 (2022: 2 to 3 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 2023 and 2022, 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 2023 and 2022, no outstanding lease commitments relating to these short-term lease.

### **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% (2022: 9% to 10%) of gross turnover over the lease term. 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 2023 and 2022 are as follow:

#### **For the year ended 31 December 2023**

	Number of restaurants	Fixed payments HK\$'000	Variable payments HK\$'000	Total Payment HK\$'000
Restaurant without variable lease payments	1	4,147	–	4,147
Restaurants with variable lease payments	2	8,406	81	8,487
	3	12,553	81	12,634

#### **For the year ended 31 December 2022**

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

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

## 19. RIGHT-OF-USE ASSETS AND LEASE LIABILITIES *(Continued)*

### (i) Right-of-use assets *(Continued)*

#### *Variable lease payments (Continued)*

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

### (ii) Lease liabilities

	<b>2023</b> <b>HK\$'000</b>	2022 HK\$'000
Non-current	<b>477</b>	3,839
Current	<b>3,798</b>	8,231
	<b>4,275</b>	12,070

Amounts payable under lease liabilities:

	<b>2023</b> <b>HK\$'000</b>	2022 HK\$'000
Within one year	<b>3,798</b>	8,231
Within a period of more than one year but not exceeding two years	<b>477</b>	3,545
Within a period of more than two years but not exceeding five years	–	294
	<b>4,275</b>	12,070
Less: Amount due for settlement with 12 months shown under current liabilities	<b>(3,798)</b>	(8,231)
Amount due for settlement after 12 months shown under non-current liabilities	<b>477</b>	3,839

The weighted average incremental borrowing rates applied to lease liabilities range from 5% to 8.49% (2022: 7.45% to 8.49%).

During the year ended 31 December 2023, the Group entered into new lease agreements in respect of renting property and recognised lease liabilities of approximately HK\$495,000 (2022: HK\$9,350,000).

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

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

At 31 December 2023 and 31 December 2022, 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 at 10.50% as at 31 December 2023 (2022: 9.49%). 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 2023 taking into consideration higher degree of estimation uncertainties in financial markets, including potential disruptions of the Group's restaurant operations.

As at 31 December 2023, 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 Nil (2022: HK\$15,000) and approximately HK\$417,000 (2022: HK\$6,412,000) have been recognised against the carrying amount of property, plant and equipment and right-of-use assets respectively.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

## 21. INVENTORIES

	<b>2023</b> <b>HK\$'000</b>	2022 HK\$'000
Food and beverages, and other operating items for restaurant operations	<b>3,660</b>	3,572

## 22. TRADE RECEIVABLES

	<b>2023</b> <b>HK\$'000</b>	2022 HK\$'000
Receivables at amortised cost comprises:		
Trade receivables	<b>768</b>	596
Less: Allowance for impairment of trade receivables	–	–
	<b>768</b>	596

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.

	<b>2023</b> <b>HK\$'000</b>	2022 HK\$'000
0-30 days	<b>598</b>	428
Over 90 days	<b>170</b>	168
	<b>768</b>	596

At 31 December 2023, included in the Group's trade receivables balance are debtors with aggregate carrying amount of approximately HK\$170,000 (2022: HK\$168,000) which are past due as at the reporting date. The amounts 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.

The carrying amounts of trade receivables approximate their fair values and denominated in HK\$.

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



# Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

## 23. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	<b>2023</b> <b>HK\$'000</b>	2022 HK\$'000
Prepayments	<b>275</b>	303
Deposits and other receivables	<b>9,267</b>	15,355
	<b>9,542</b>	15,658
Less: Deposits and other receivables classified as non-current assets	<b>(235)</b>	(3,403)
Portion classified as current assets	<b>9,307</b>	12,255

Included in the deposits and other receivables balance are rental deposits and utility deposits with aggregate carrying amount of approximately HK\$5,563,000 (2022: HK\$9,521,000).

The carrying amounts of prepayments, deposits and other receivables approximate their fair values and denominated in HK\$.

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

## 24. CASH AND CASH EQUIVALENTS

Cash and cash equivalents of the Group denominated in Renminbi (“**RMB**”) as at 31 December 2023 amounted to Nil (2022: HK\$2,000). 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 0.875% (2022: ranged from 0.01% to 0.625%) per annum.

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

For the purpose of the consolidated statement of cash flow, cash and cash equivalents include the following:

	<b>2023</b> <b>HK\$'000</b>	2022 HK\$'000
Cash and bank balances on the consolidated statement of financial position	<b>1,014</b>	4,881
Maximum exposure to credit risk	<b>936</b>	4,777

The carrying amounts of cash and cash equivalents approximate their fair values and denominated in HK\$.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

## 25. TRADE PAYABLES

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

	<b>2023</b> <b>HK\$'000</b>	2022 HK\$'000
0-30 days	<b>1,094</b>	1,077
31-60 days	<b>220</b>	281
61-90 days	<b>180</b>	425
Over 90 days	<b>34,828</b>	35,037
	<b>36,322</b>	36,820

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

The carrying amounts of trade payables approximate their fair values and denominated in HK\$.

## 26. OTHER PAYABLES AND ACCRUALS

	Notes	<b>2023</b> <b>HK\$'000</b>	2022 HK\$'000
Accruals		<b>6,579</b>	7,941
Contract liabilities	(a)	<b>400</b>	519
Deferred revenue	(b)	<b>312</b>	221
Other payables	(c)	<b>31,253</b>	36,154
		<b>38,544</b>	44,835
Less: Other payables and accruals classified as non-current liabilities		-	(1,048)
Portion classified as current liabilities		<b>38,544</b>	43,787

The carrying amounts of financial liabilities included in other payables and accruals approximate their fair values and denominated in HK\$.

Notes:

(a) Details of contract liabilities as at 31 December 2023 and 2022 are as follows:

	<b>2023</b> <b>HK\$'000</b>	2022 HK\$'000
Deposits received from customers for restaurants operation	<b>399</b>	503
Cash coupons for restaurants operation	<b>1</b>	16
	<b>400</b>	519

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.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

## 26. OTHER PAYABLES AND ACCRUALS (Continued)

Notes: (Continued)

(a) Details of contract liabilities as at 31 December 2023 and 2022 are as follows: (Continued)

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

	<b>Deposits received from customers for restaurants operation HK\$'000</b>	<b>Cash coupons for restaurants operation HK\$'000</b>
<b>For the year ended 31 December 2023</b>		
Revenue recognised that was included in the contract liabilities balance at the beginning of the year	<b>503</b>	<b>16</b>
	Deposits received from customers for restaurants operation HK\$'000	Cash coupons for restaurants operation HK\$'000
<b>For the year ended 31 December 2022</b>		
Revenue recognised that was included in the contract liabilities balance at the beginning of the year	<b>554</b>	<b>504</b>

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% (2022: 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 coupons and these cash coupons are non-refundable and will expire within one year.

### Transaction price allocated to the remaining performance obligations for contracts with customers

The transaction prices allocated to the performance obligations that are unsatisfied (or partially unsatisfied) as at 31 December 2023 and 2022 and the expected timing of recognition are, as follows:

	<b>2023 HK\$'000</b>	2022 HK\$'000
Within one year	<b>400</b>	519

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

## 26. OTHER PAYABLES AND ACCRUALS (Continued)

Notes: (Continued)

- (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 (2022: HK\$1,548,000) and HK\$6,334,000 (2022: HK\$10,636,000), respectively.

## 27. BANK AND OTHER BORROWINGS

	<b>2023</b> <b>HK\$'000</b>	2022 HK\$'000
<b>Current</b>		
Bank borrowings – secured	<b>55,487</b>	57,271
Other borrowings – secured	<b>3,885</b>	3,500
	<b>59,372</b>	60,771
<b>Non-current</b>		
Other borrowing – unsecured	<b>2,000</b>	–
<b>Total</b>	<b>61,372</b>	60,771

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

## 27. BANK AND OTHER BORROWINGS (Continued)

	2023		2022	
	Effective interest rate per annum	HK\$'000	Effective interest rate per annum	HK\$'000
Fixed rate borrowings	5%-15%	5,885	12%	3,500
Variables rate borrowings	1.93% – 4.73%	55,487	2.31% – 3.76%	57,271
		<b>61,372</b>		<b>60,771</b>

The Group's variable-rate bank borrowings carry interest at 1.85% to 2.25% below prime rate per annum and 1.8% over HIBOR per annum. (2022: 1.85 % to 2.25% below prime rate per annum and 1.8% to 2.5% over HIBOR per annum.)

The remaining secured other borrowings of approximately HK\$5,885,000 (2022: HK\$3,500,000) are guaranteed by the Group and carry fixed interest rate at 5% and 15% (2022: 12%).

The carrying amounts of bank borrowings that contain a repayment on demand clause but repayable:

	2023 HK\$'000	2022 HK\$'000
Within one year	33,752	28,400
Within a period of more than one year but not exceeding two years	8,104	10,640
Within a period of more than two years but not exceeding five years	1,975	9,395
Within a period of more than five years	11,656	12,336
	<b>55,487</b>	<b>60,771</b>

Notes:

- (a) At 31 December 2023, 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\$26,299,000 (2022: HK\$27,097,000) (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 HK\$.
- (c) As at 31 December 2023, the Group has failed to pay interest and principal of certain bank loans with an aggregate carrying amount of approximately HKD23,108,000 (2022: HK\$11,026,000).



# Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

## 28. DEFERRED TAXATION

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

	<b>2023</b> <b>HK\$'000</b>	2022 HK\$'000
Deferred tax assets	<b>3,497</b>	3,229

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

	<b>Decelerated tax depreciation</b> HK\$'000	<b>Others</b> HK\$'000	<b>Total</b> HK\$'000
At 1 January 2022	3,331	33	3,364
Charged to consolidated statement of profit or loss and other comprehensive income (Note 12)	(135)	–	(135)
At 31 December 2022 and 1 January 2023	3,196	33	3,229
Credited to consolidated statement of profit or loss and other comprehensive income (Note 12)	268	–	268
At 31 December 2023	<b>3,464</b>	33	<b>3,497</b>

The Group has unrecognised tax losses arising in Hong Kong of approximately HK\$159,133,000 (2022: HK\$160,011,000), that are available indefinitely for offsetting against future taxable profits of the companies in which the losses arose. 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.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

## 29. SHARE CAPITAL

	<b>Nominal Value</b> HK\$	<b>Number of shares</b>	HK\$'000
<b>Authorised:</b>			
At 1 January 2021	0.01	2,000,000,000	20,000
Increase in authorised shares (Note a)	0.01	3,000,000,000	30,000
Share consolidation (Note b)	–	(4,500,000,000)	–
<hr/>			
At 31 December 2021, 1 January 2022, 31 December 2022, 1 January 2023 and 31 December 2023	0.1	500,000,000	50,000
<hr/>			
<b>Issued and fully paid:</b>			
At 1 January 2021		1,440,000,000	14,400
Share consolidation (Note b)		(1,296,000,000)	–
Placing of new shares on 28 July 2021 (Note c)		28,800,000	2,880
<hr/>			
At 31 December 2021, 1 January 2022, 31 December 2022 and 1 January 2023		172,800,000	17,280
Placing of new shares on 3 July 2023 (Note d)		34,560,000	3,456
<hr/>			
At 31 December 2023	0.1	207,360,000	20,736

Notes:

- a) 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.
- b) 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.
- c) 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.
- d) Pursuant to an ordinary resolution passed at the extraordinary general meeting held on 26 June 2023, the Company has conditionally agreed to allot and issue, and the creditor has conditionally agreed to subscribe 34,560,000 capitalisation shares at the price of HK\$0.1 per share in settlement of the indebted sum.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

## 30. 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 (2022: HK\$1,500) per month to the MPF Scheme, which contribution is matched by employees.

The total expense recognised in consolidated statement of profit or loss and other comprehensive income of approximately HK\$1,614,000 (2022: HK\$1,665,000) represents contributions payable to these plans by the Group at rates specified in the rules of the schemes. As at 31 December 2023, contributions of approximately HK\$860,000 (2022: HK\$204,000) due in respect of the year ended 31 December 2023 had not been paid over to the schemes. The amounts were paid subsequent to the end of the reporting period.

## 31. 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.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

## 32. 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
<b>Consideration transferred</b>	
Cash	–
Net liabilities disposed of	12,901
	<hr/>
<b>Total consideration received</b>	12,901
	<hr/>
	<b>Assets</b>
	HK\$'000
<b>Analysis of assets and liabilities over which control was lost</b>	
– 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)
	<hr/>
Net liabilities disposed of	(12,901)
	<hr/>
	HK\$'000
<b>Gain on disposal of Dragon Seal Shanghai</b>	
– Consideration	–
– Net liabilities disposed of	12,901
– Release of exchange fluctuation reserve upon disposal of subsidiaries	(273)
	<hr/>
	12,628
	<hr/>
<b>Net cash outflows arising on disposal of Dragon Seal Shanghai</b>	
Cash consideration	–
Less: bank balances and cash disposed of	(18)
	<hr/>
	(18)
	<hr/>

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

## 33. 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.

	<b>Interest payable</b>	<b>Bank and other borrowings</b>	<b>Leases liabilities</b>	<b>Amount due to directors</b>	<b>Other payable to Chan Yuen Lung Alfred</b>	<b>Total</b>
	HK\$'000	(Note 27) HK\$'000	(Note 19) HK\$'000	(Note 35) HK\$'000	HK\$'000	HK\$'000
<b>At 1 January 2022</b>	-	60,644	26,630	-	-	87,274
<i>Changes from cash flows:</i>						
New borrowings	-	3,500	-	7,589	-	11,089
Repayment	-	(3,373)	(7,200)	-	-	(10,573)
Interest paid	(1,525)	-	-	-	-	(1,525)
<i>Non-cash changes:</i>						
New lease	-	-	9,350	-	-	9,350
Early termination of leases	-	-	(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)
<b>At 31 December 2022</b>	677	60,771	12,070	7,589	-	81,107
<b>At 1 January 2023</b>	677	60,771	12,070	7,589	-	81,107
<i>Changes from cash flows:</i>						
Repayment	-	(1,399)	(8,292)	-	-	(9,691)
Interest paid	(922)	-	-	-	-	(922)
New borrowing	-	2,000	-	(2,000)	-	-
<i>Non-cash changes:</i>						
Debt rearrangement to other payable under Chan Yuen Lung Alfred	-	-	-	-	3,456	3,456
Debt capitalization	-	-	-	-	(3,456)	(3,456)
New lease	-	-	495	-	-	495
Interest expense (Note 10)	2,609	-	669	-	-	3,278
Expenses paid on behalf of the Company	-	-	-	577	-	577
Reclassify to other payable due to expiry of contracts	-	-	(667)	-	-	(667)
<b>At 31 December 2023</b>	2,364	61,372	4,275	6,166	-	74,177



# Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

## 34. MAJOR NON-CASH TRANSACTIONS

During the year ended 31 December 2023, the Group entered into new lease agreements for the use of leased properties for 2 years (2022: 2 to 3 years). On the lease commencement, the Group recognised approximately HK\$495,000 right-of-use assets and approximately HK\$495,000 lease liabilities (2022: HK\$9,350,000 right-of-use assets and approximately HK\$9,350,000 lease liabilities).

During the year ended 31 December 2023, the Group carried out a non-cash debt rearrangement amounting HK\$3,456,000 included in the consolidated statement of cash flows as a non-cash transaction.

During the year ended 31 December 2023, the Group carried out a non-cash placing of new shares worth HK\$3,456,000. This placing involved in debt capitalization and included in the consolidated statement of cash flows as a non-cash transactions.

## 35. RELATED PARTY TRANSACTIONS

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

	<b>2023</b> <b>HK\$'000</b>	2022 HK\$'000
Amounts due to directors	<b>6,166</b>	7,589

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

The carrying amounts of amounts due to directors approximate their fair values and denominated in HK\$.

### 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.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

## 36. 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	2023 HK\$'000	2022 HK\$'000
Property, plant and equipment	18	26,299	27,097

### Restriction on assets

Lease liabilities of approximately HK\$4,275,000 (2022: HK\$12,070,000) are recognised with related right-of-use assets of Nil (2022: Nil) as at 31 December 2023. 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.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

## 37. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY

	2023 HK\$'000	2022 HK\$'000
<b>NON-CURRENT ASSET</b>		
Investment in subsidiaries	–	–
<b>CURRENT ASSETS</b>		
Amounts due from fellow subsidiaries	2,992	3,083
Cash and cash equivalents	2	2
	<b>2,994</b>	3,085
<b>CURRENT LIABILITIES</b>		
Other payables and accruals	5,882	2,816
Amounts due to subsidiaries	11,939	11,940
Amounts due to directors	2,166	4,929
Bank and other borrowing	3,885	3,500
	<b>23,872</b>	23,185
<b>NET CURRENT LIABILITIES</b>	<b>(20,878)</b>	(20,100)
<b>NON-CURRENT LIABILITY</b>		
Other borrowing	2,000	–
<b>NET LIABILITIES</b>	<b>(22,878)</b>	(20,100)
<b>CAPITAL AND RESERVES</b>		
Share capital	20,736	17,280
Reserves	(43,614)	(37,380)
<b>TOTAL DEFICIENCY IN EQUITY</b>	<b>(22,878)</b>	(20,100)

The financial statements were approved and authorised for issue by the Board of Directors on 26 March 2024 and are signed on its behalf by:

**HUANG Ai Chun**  
Director

**TANG Hong Jiang**  
Director

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

## 37. 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 2022	90,912	(123,965)	(33,053)
Loss for the year	–	(4,327)	(4,327)
At 31 December 2022 and 1 January 2023	90,912	(128,292)	(37,380)
Loss for the year	–	(6,234)	(6,234)
At 31 December 2023	90,912	(134,526)	(43,614)

## 38. 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	Place of incorporation/ registration/ operations	Class of shares held	Paid up issued/ registered capital		Proportion of ownership interest held by the Company				Proportion of voting power held by the Company				Principal activities
			2023	2022	Directly		Indirectly		Directly		Indirectly		
					2023	2022	2023	2022	2023	2022	2023	2022	
Able Ascent Limited	Hong Kong	Ordinary	HK\$100	HK\$100	–	–	100%	100%	–	–	100%	100%	Restaurant operation
All Best Harvest Limited	Hong Kong	Ordinary	HK\$200	HK\$200	–	–	100%	100%	–	–	100%	100%	Property holding
Dragon Lake Limited	Hong Kong	Ordinary	HK\$10,990	HK\$10,990	–	–	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\$1,000	–	–	100%	100%	–	–	100%	100%	Restaurant operation
Dragon Seal Restaurant Limited	Hong Kong	Ordinary	HK\$1,000	HK\$1,000	–	–	100%	100%	–	–	100%	100%	Restaurant operation
Gold Profit Trading Limited	Hong Kong	Ordinary	–	–	–	–	100%	100%	–	–	100%	100%	Trading of food products
King Harbour Limited	Hong Kong	Ordinary	HK\$1,000	HK\$1,000	–	–	100%	100%	–	–	100%	100%	Restaurant operation
Mass Effort Limited	Hong Kong	Ordinary	HK\$1,000	HK\$1,000	–	–	100%	100%	–	–	100%	100%	Restaurant operation
Premier Oriental Limited	Hong Kong	Ordinary	HK\$1,000	HK\$1,000	–	–	100%	100%	–	–	100%	100%	Restaurant operation
Silver Everford Limited	Hong Kong	Ordinary	HK\$100	HK\$100	–	–	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\$10,990	–	–	100%	100%	–	–	100%	100%	Restaurant operation

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

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

## **39. EVENTS AFTER THE REPORTING PERIOD**

On 30 January 2024, the Group entered into placing agreement, pursuant to which the Group has conditionally agreed to place, on a best effort basis, maximum of 34,560,000 placing shares. On 22 February 2024, a total of 34,560,000 placing shares were successfully placed to not less than six placees at the placing price of HK\$0.257 per placing share and none of the placees has become a substantial shareholder of the Group forthwith upon the completion of the placing. The 34,560,000 placing shares represent (i) approximately 16.67% of the total number of issued share immediately before the completion of the placing; and (ii) approximately 14.29% of the total number of issued share as enlarged by the allotment and issue of the 34,560,000 placing shares immediately after the completion of the placing. The net proceeds from the placing are approximately HK\$8,520,000 and resulted in the increase in share capital of HK\$3,456,000 and share premium of approximately HK\$5,426,000, net of transaction cost of approximately HK\$362,000. The Company proposes to use the net proceeds of (i) 50% to the general working capital of the Group including but not limited to rental expenses, salary expenses and other office overhead of the business of the Group in Hong Kong and in the PRC of up to approximately HK\$4,260,000; and (ii) 50% to the repayment of outstanding liabilities of up to approximately HK\$4,260,000.



# 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					
	2023 HK\$'000	2022 HK\$'000	2021 HK\$'000	2020 HK\$'000	2019 HK\$'000	2018 HK\$'000
REVENUE	104,453	79,469	224,193	196,038	402,320	415,033
PROFIT/(LOSS) BEFORE TAX	1,479	(5,160)	(50,713)	(74,618)	(32,654)	(56,336)
Income tax expense	(152)	(135)	(53)	(141)	(2,819)	(1,731)
PROFIT/(LOSS) FOR THE YEAR	1,327	(5,295)	(50,766)	(74,759)	(35,473)	(58,067)
Profit/(loss) attributable to: Owners of the Company	1,327	(5,295)	(50,766)	(74,759)	(35,473)	(58,067)
	1,327	(5,295)	(50,766)	(74,759)	(35,473)	(58,067)

## ASSETS, LIABILITIES AND NON-CONTROLLING INTERESTS

	As at 31 December					
	2023 HK\$'000	2022 HK\$'000	2021 HK\$'000	2020 HK\$'000	2019 HK\$'000	2018 HK\$'000
TOTAL ASSETS	44,785	55,377	65,088	139,524	256,912	197,660
TOTAL LIABILITIES	(147,164)	(162,529)	(167,236)	(196,527)	(238,715)	(144,437)
	(102,379)	(107,152)	(102,148)	(57,003)	18,197	53,223
EQUITY						
Equity attributable to owners of the Company	(102,379)	(107,152)	(102,148)	(57,003)	18,197	53,223
	(102,379)	(107,152)	(102,148)	(57,003)	18,197	53,223