龍皇
DRAGON KING
RESTAURANT

Dragon King Group Holdings Limited
龍皇集團控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8493)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2021

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

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

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

*This announcement, for which the directors (the "**Directors**") of Dragon King Group Holdings Limited (the "**Company**", 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 announcement 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 announcement misleading.*

This announcement will remain on the website of the Stock Exchange at http://www.hkexnews.hk on the "Latest Listed Company Information" page for at least 7 days from the date of its posting and will be published on the Company's website at www.dragonkinggroup.com.

FINAL RESULTS

The board of Directors (the "**Board**") of the Company announces the preliminary consolidated results of the Group for the year ended 31 December 2021, together with the comparative figures for the year ended 31 December 2020. The financial information of the Group has been approved by the Board.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2021

	Notes	2021 HK$'000	2020 HK$'000
Revenue	4	**224,193**	196,038
Cost of inventories consumed		**(72,167)**	(61,060)
Gross profit		**152,026**	134,978
Other income and gains, net		**12,124**	33,538
Staff costs		**(91,208)**	(87,538)
Depreciation of property, plant and equipment		**(6,963)**	(12,789)
Depreciation of right-of-use assets		**(22,750)**	(35,024)
Loss on written-off of other receivables		**–**	(2,373)
Loss on disposal of a subsidiary		**–**	(644)
Impairment losses of property, plant and equipment		**(2,660)**	(9,891)
Impairment losses of right-of-use assets		**(15,293)**	(12,549)
Impairment losses under expected credit loss model		**(7,286)**	(6,500)
Rental and related expenses		**(14,473)**	(24,865)
Other operating expenses		**(50,432)**	(45,428)
Finance costs	6	**(3,798)**	(5,533)
Loss before tax		**(50,713)**	(74,618)
Income tax expense	7	**(53)**	(141)
Loss for the year attributable to owners of the Company	8	**(50,766)**	(74,759)
Loss per share		***HK cents***	*HK cents*
– Basic and diluted	10	**(3.2)**	(5.2)

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2021

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 31 December 2021

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

	Note	2021 HK$'000	2020 HK$'000
NON-CURRENT LIABILITIES			
Other payables and accruals		**620**	2,408
Lease liabilities		**5,528**	16,869
		6,148	19,277
NET LIABILITIES		**(102,148)**	(57,003)
CAPITAL AND RESERVES			
Share capital	*13*	**17,280**	14,400
Reserves		**(119,428)**	(71,403)
TOTAL DEFICIENCY IN EQUITY		**(102,148)**	(57,003)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year ended 31 December 2021

1. GENERAL INFORMATION

Dragon King Group Holdings Limited (the "**Company**") is a limited liability company incorporated in the Cayman Islands on 8 August 2016. The registered address of the Company is Windward 3, Regatta Office Park, PO Box 1350, Grand Cayman, KY1-1108, Cayman Islands. The principal place of business of the Company was located at Office A, 20/F, TG Place, 10 Shing Yip Street, Kwun Tong, Kowloon, Hong Kong and changed to 16/F., Tern Centre Two, 251 Queen's Road Central, Hong Kong on 31 January 2022. The Company's shares are listed on GEM of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") since 16 January 2018.

The principal activity of the Company is investment holding and the principal activities of its subsidiaries (together with the Company collectively referred to as the "**Group**") are principally engaged in operation and management of restaurants.

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

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

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

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

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

New and amendments to HKFRSs issued but not yet effective

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

HKFRS 17	Insurance Contracts[3]
Amendments to HKFRS 17	Insurance Contracts[3, 5]
Amendments to HKFRS 3	Reference to the Conceptual Framework[2]
Amendments to HKFRS 10 and HKAS 28 (2011)	Sale or Contribution of Assets between an Investor and Its Associate or Joint Venture[4]
Amendments to HKAS 1	Classification of liabilities as Current or Non-current[3]
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies[3]
Amendments to HKAS 8	Definition of Accounting Estimates[3]
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction[3]
Amendments to HKAS 16	Property, Plant and Equipment – Proceeds before Intended Use[2]
Amendments to HKAS 37	Onerous contracts: Cost of Fulfilling a Contract[2]
Amendments to HKFRS 16	COVID-19 – Related Rent Concessions beyond 30 June 2021[1]
Amendments to HKFRS 1, HKFRS 9, Illustrative Examples accompanying HKFRS 16 and HKAS 41	Annual Improvements to HKFRSs 2018 – 2020[2]

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

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

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

(i) the Group had interest-bearing bank borrowings of HK$60,644,000 as at 31 December 2021, of which HK$15,231,000 is repayable within one year. The remaining interest-bearing bank borrowings, amounting to HK$45,413,000 were classified as current liabilities due to the existence of a repayment on demand clause in the loan agreements. The Group will actively negotiate with the bank for the renewal of the Group's bank borrowings when they fall due in order to secure necessary funds to meet the Group's working capital and financial requirements in the foreseeable future. In the opinion of the Directors of the Company, the Group will be able to roll over or refinance the bank borrowings upon their maturity;

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

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

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

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.

4. REVENUE

(i) Disaggregation of revenue information from contracts with customers

For the year ended 31 December 2021

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

For the year ended 31 December 2020

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

(ii) Performance obligations for contracts with customers

Operation and management of restaurants

The performance obligation is satisfied when the catering services have been provided to customers. The Group's trading terms with its customers are mainly on cash and credit card settlement. The credit period is generally few days to 60 days.

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

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

5. OPERATING SEGMENT

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

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

Since this is the only reportable and operating segment of the Group, no further analysis thereof is presented. All the revenue of the Group are generated from operation and management of restaurants for the years ended 31 December 2021 and 2020.

Geographical information

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

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

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

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

Information about major customers

There was no revenue from customers individually contributing over 10% to the total revenue of the Group for the years ended 31 December 2021 and 2020.

6. FINANCE COSTS

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

7. INCOME TAX EXPENSE

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

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

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

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

Macau Complementary Income Tax is calculated at the progressive rate on the estimated assessable profits for the year. The maximum tax rate is 12% for the year ended 31 December 2021 (2020: 12%).

8. LOSS FOR THE YEAR

Loss for the year has been arrived at after charging:

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

9. DIVIDENDS

No dividend was paid or proposed for ordinary shareholders of the Company during the year ended 31 December 2021, nor has any dividend been proposed since the end of the reporting period (2020: Nil).

10. LOSS PER SHARE

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

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

	Number of shares	
	2021	2020
	'000	*'000*
Weighted average number of ordinary shares for the purpose of basic and diluted loss per share	**1,563,879**	1,440,000

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

11. TRADE RECEIVABLES

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

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

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

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

12. TRADE PAYABLES

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

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

13. SHARE CAPITAL

	Number of shares	**Share capital**
		HK$'000
Ordinary shares of HK$0.01 each		
Authorised:		
As at 1 January 2020, 31 December 2020, 1 January 2021 and 31 December 2021	2,000,000,000	20,000
Issued and fully paid:		
As at 1 January 2020, 31 December 2020 and 1 January 2021	1,440,000,000	14,400
Placing of new shares on 28 July 2021	288,000,000	2,880
As at 31 December 2021	1,728,000,000	17,280

EXTRACT FROM INDEPENDENT AUDITOR'S REPORT

The following is an extract of the independent auditor's report on the Group's audited consolidated financial statements for the year ended 31 December 2021 which has included a disclaimer of opinion.

DISCLAIMER OF OPINION

We were engaged to audit the consolidated financial statements of Dragon King Group Holdings Limited (the "**Company**") and its subsidiaries (collectively referred to as the "**Group**"), which comprise the consolidated statement of financial position as at 31 December 2021, and the consolidated statement of profit or loss, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

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

BASIS FOR DISCLAIMER OF OPINION

Multiple fundamental uncertainties relating to going concern

As described in Note 3 to the consolidated financial statements, the Group reported loss attributable to owners of the Company of HK$50,766,000 for the year ended 31 December 2021. In addition, the Group's current liabilities exceeded its current assets by HK$130,227,000 and the Group had net liabilities of HK$102,148,000 as at 31 December 2021. As at the same date, the Group's total current bank borrowings amounted to HK$60,644,000, while its cash and cash equivalents amounted to HK$6,332,000 only.

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

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

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

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS AND OPERATIONAL REVIEW

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

Restaurant Operations

For the year ended 31 December 2021, the Group operated nine full-service restaurants in Hong Kong, Macau and Shanghai, the PRC to provide Cantonese cuisine under the brand name of "Dragon King（龍皇）", "Dragon Seal（龍璽）", "Dragon Gown（龍袍）" and "Imperial Seal（皇璽）".

In Hong Kong

The Group had seven restaurants in Hong Kong, two of which are located on Hong Kong Island (respectively known as the "**Causeway Bay Restaurant**" and the "**Wan Chai Restaurant**"), four of which are located in Kowloon (respectively known as the "**ICC Restaurant**", the "**Kwun Tong Restaurant**", the "**San Po Kong Restaurant**" and the "**Whampoa Restaurant**"), and one of which is located in New Territories (known as the "**Kwai Chung Restaurant**").

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

Outside Hong Kong

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

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

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

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

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

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

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

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

FINANCIAL REVIEW

Revenue

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

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

	For the year ended 31 December			
	2021		2020	
	Revenue *HK$'000*	**% of total revenue**	Revenue *HK$'000*	% of total revenue
Dragon King（龍皇）	**139,017**	**62.0%**	122,234	62.4%
Dragon Seal（龍璽）	**37,434**	**16.7%**	24,099	12.3%
Dragon Gown（龍袍）	**25,697**	**11.5%**	17,788	9.1%
Imperial Seal（皇璽）*	**22,045**	**9.8%**	29,359	15.0%
Dragon Feast（龍宴）**	**–**	**–**	2,558	1.2%
Total revenue	**224,193**	**100.0%**	196,038	100.0%

* *Disposed of on 4 January 2022*

** *Disposed of on 17 January 2020*

Dragon King（龍皇）

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

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

Dragon Seal（龍璽）

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

Dragon Gown（龍袍）

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

Imperial Seal（皇璽）

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

Dragon Feast（龍宴）

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

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

Gross profit and gross profit margin

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

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

Other income and gains, net

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

Staff costs

Staff costs was approximately HK$91.2 million for the year ended 31 December 2021, representing a slightly increase of approximately HK$3.7 million or approximately 4.2% as compared to HK$87.5 million for the year ended 31 December 2020. Such increase was mainly due to all Directors, senior management members and employees of the Group agreed and have unpaid leaves starting from February 2020 to December 2020 which did not recur in the current period in 2021 due to gradual recovery from COVID-19.

Depreciation of right-of-use assets

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

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

In view of the deteriorating economy and significant disruption in the operations of the Group arising from the COVID-19 and the related anti-epidemic precautionary measures in Hong Kong, Macau and the PRC throughout the year ended 31 December 2021, the Group assessed if any impairment loss should be recognised for the non-current assets of the Group including property, plant and equipment and right-of-use assets.

Impairment loss of approximately HK$2.7 million (2020: HK$9.9 million) and HK$15.3 million (2020: HK$12.5 million) were recognised for property, plant and equipment and right-of-use assets during the year ended 31 December 2021 respectively.

Impairment loss under expected credit losses model

The Group assessed the measurement of expected credit losses for other receivables using a provision matrix that is based on its historical credit loss experience, adjusted for forward looking factors specific to the debtors and the economic environment.

For the year ended 31 December 2021, impairment losses on other receivables of approximately HK$7.3 million (2020: HK$6.5 million) was recognised. Due to the ongoing impact of the COVID-19, most business activities and the payment chain in Hong Kong, Macau and the PRC were significantly affected which caused the extension of debt collection periods and increase in loss allowance on other receivables.

Rental and related expenses

The Group's rental and related expenses significantly decreased by approximately HK$10.4 million or approximately 41.8% from approximately HK$24.9 million for the year ended 31 December 2020 to approximately HK$14.5 million for the year ended 31 December 2021. Such decrease was mainly due to certain short-term lease payment, management fees and promotion levy were waived by landlord due to of COVID-19 and reduction in the number of restaurants.

Other operating expenses

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

Finance costs

Finance costs of the Group decreased by approximately HK$1.7 million or approximately 31.4% from approximately HK$5.5 million for the year ended 31 December 2020 to approximately HK$3.8 million for the year ended 31 December 2021. The decrease in finance costs was mainly attributable to the decrease in interest on lease liabilities attributable to the right-of-use assets under HKFRS 16.

Loss attributable to owners of the Company

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

PROSPECTS

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

On the other hand, the staff costs and food costs remained relatively high despite the current economic downturn, therefore the Group is facing pressure on striking the balance between cost control and the qualities of the food and services. Another major cost component for the Group is the rental expenses. The Group has been negotiating with the landlords for rent concessions as certain of the Group's restaurants could not be operated normally due to the restrictions on catering business premises but the landlord were reluctant to grant a large amount of rental concession as the year in 2021.

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

USE OF NET PROCEEDS FROM LISTING

The net proceeds from the listing on GEM (the "**Listing**") on 16 January 2018 (the "**Listing Date**") through the share offer of 360,000,000 shares of HK$0.01 each in the share capital of the Company at the price of HK$0.21 per share, after deduction of the underwriting commission and actual expenses paid by the Group in connection thereto, were approximately HK$37.3 million.

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

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

The use of proceeds after change is as follows:

	Planned use of net proceeds as stated in the Prospectus before revised allocation *HK$ million*	Unutilised net proceeds before revised allocation *HK$ million*	Revised allocation of the unutilised net proceeds *HK$ million*	Actual use of net proceeds up to 31 December 2021 *HK$ million*
Expansion in Hong Kong with multi-brand strategy				
– Capital expenditure, working capital and rental deposit of opening of "Dragon King" Restaurant in Kwai Chung	9.6	–	–	9.6
– Capital expenditure, working capital and rental deposit of opening of "Dragon Gown" Restaurant in Wan Chai	11.0	–	–	11.0
– Capital expenditure, working capital and rental deposit of opening of "Dragon King" Restaurant in Eastern District	6.8	6.8	–	–
Sub-total	**27.4**	**6.8**	**–**	**20.6**
Enhancement of existing restaurant facilities				
– Renovation costs for the Group's Restaurant	4.1	–	–	4.1
Sub-total	**4.1**	**–**	**–**	**4.1**
Enhancement of marketing and promotions				
– Advertise and promote more in conventional media channels and online platforms	0.8	–	–	0.8
– Engage in more marketing campaigns and appointment of spokesperson	0.4	–	–	0.4
Sub-total	**1.2**	**–**	**–**	**1.2**
Repayment of bank and other borrowings	3.0	–	–	3.0
Working capital	1.6	–	6.8	8.4
	37.3	**6.8**	**6.8**	**37.3**

USE OF PROCEEDS FROM PLACING

On 28 July 2021, an aggregate of 28,800,000 Shares were placed at the placing price of HK$0.208 per Share, representing 16.67% of the issued share capital of the Company as enlarged by the allotment and issue of the Shares immediately upon completion of the placing. The net proceeds from the placing, after deduction of the placing commission and other related expenses, amounted to approximately HK$5,788,400. As at 31 December 2021, the net proceeds from the placing have been fully utilised in accordance with the purposes as set out in the relevant announcements.

CAPITAL STRUCTURE

There has been no change in the capital structure of the Group since the Listing Date. The capital of the Group only comprised of ordinary shares.

LIQUIDITY AND FINANCIAL RESOURCES

The Group has funded the liquidity and capital requirements principally from cash generated from operations and bank borrowings.

As at 31 December 2021, the Group had borrowings of approximately HK$60.6 million which was denominated in Hong Kong Dollars (2020: approximately HK$76.4 million). The Group's bank borrowings were primarily used in financing the working capital requirement of its operations.

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

GEARING RATIO

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

CHARGE ON GROUP ASSETS

As at 31 December 2021, the borrowings were secured by a building owned by the Group and life insurance policies amounted to approximately HK$27.9 million (2020: approximately HK$28.7 million) and Nil (2020: approximately HK$4.9 million), respectively, for certain banking facilities granted to the Group.

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

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

FOREIGN EXCHANGE EXPOSURE

Most of the income and expenditures of the Group are denominated in Hong Kong Dollars ("**HKD**") and Renminbi ("**RMB**"), which are the functional currencies of the respective group entities. Although HKD is not pegged to RMB, the historical exchange rate fluctuation on RMB was not significant during the year. Therefore, no significant exposure is expected on RMB transactions and balances.

The Group does not have any material foreign exchange exposure. During the year ended 31 December 2021, the Group had not used any financial instruments for hedging purposes.

TREASURY POLICIES

The Directors will continue to follow a prudent policy in managing the Group's cash balances and maintain a strong and healthy liquidity to ensure that the Group is well placed to take advantage of future growth opportunities.

CONTINGENT LIABILITIES

The Group did not have any material contingent liabilities as at 31 December 2021 (2020: Nil).

COMMITMENTS

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

FINAL DIVIDEND

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

INFORMATION ON EMPLOYEES

As at 31 December 2021, the Group had 240 employees (2020: 390 employees) working in Hong Kong, Macau and Shanghai. Employees are remunerated based on their qualifications, position and performance. The remuneration offered to employees generally includes salaries, allowances and discretionary bonus. Various kind of trainings were provided to the employees. The total staff costs (including remuneration of Directors and mandatory provident funds contributions) for the year ended 31 December 2021 amounted to approximately HK$91.2 million (2020: approximately HK$87.5 million).

PRINCIPAL RISKS AND UNCERTAINTIES

Foreign currency risk

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

Credit risk

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

Liquidity risk

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

Capital risk

The Group's objectives for managing capital are to ensure the ability to continue as a going concern in order to provide returns for the shareholders and to maintain an optimal capital structure to minimise the cost of capital. To maintain or adjust capital structure, the Group may adjust dividend payout ratio, make return of capital to shareholders in the form of dividend or share buyback, issue new Shares or sell assets to reduce debt. No changes in the objectives, policies or processes were made during the year ended 31 December 2021.

CORPORATE GOVERNANCE PRACTICE

The Company has applied the principles and code provisions in the Corporate Governance Code and Corporate Governance Report (the "**CG Code**") as set out in Appendix 15 to the GEM Listing Rules. During the year under review, the Company complied with the Code except for the following deviations:

Code Provision Considered		**Deviation**	**Reason for Deviation**
A2.1	the roles of chairman and chief executive should be separate and should not be performed by the same individual.	The roles of chairman and CEO of the Company were performed by the executive Director, Mr. Chan Ko Cheung, with effect on 13 July 2021.	The Company considered that the combination of the roles of chairman and CEO could effectively facilitate the formulation and implementation of the strategies of the Company. The Company considered that under the supervision of its Board and especially its independent non-executive Directors, a balancing mechanism existed so that the interests of the Shareholders were adequately and fairly represented. The Company considered that there was no imminent need to change the arrangement.
C1.2	Management should provide all members of the Board with monthly updates giving a balanced and understandable assessment of the Company's performance, position and prospects in sufficient detail to enable the Board as a whole and each Director to discharge their duties under Rule 5.01 and Chapter 17 of the GEM Listing Rules.	The management could not provide the Directors with updated financial information of the Company every month.	The Board members of the Company were still informed by the management of the Company by email, by Whatsapp or by phone on the updated information of the Company's performance and future business plan from time to time.
C1.3	Where the directors are aware of material uncertainties relating to events or conditions that may cast significant doubt on the issuer's ability to continue as a going concern, they should be clearly and prominently disclosed and discussed at length in the Corporate Governance Report.	The Corporate Governance Report contained in the Annual Report 2020 did not disclose the discussion details required under Code Provision C.1.3.	The Board noted the deviation and will ensure the Company will include the necessary details in the future.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the year ended 31 December 2021.

OTHER MATTERS

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

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

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

EVENTS AFTER THE REPORTING PERIOD

Disposal of a subsidiary

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

Restaurant Operations

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

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

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

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

Litigation

Small Claims Tribunal of the Hong Kong Special Administrative Region

SCTC024108/22 and SCTC024109/22

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

District Court of the Hong Kong Special Administrative Region

DCCJ4551/2021

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

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

DCCJ4705/2021

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

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

DCCJ5268/2021

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

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

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

DCCJ460/2022

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

DCCJ838/2022

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

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

DCCJ1225/2022

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

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

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

DCCJ2845/2022

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

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

High Court of the Hong Kong Special Administrative Region

HCA457/2022

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

The Company has filed a defence to contest the proceedings.

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

The Company will make further disclosure wherever appropriate or necessary.

AUDIT COMMITTEE

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

The primary duties of the Audit Committee are mainly to review the financial information and reporting process, internal control procedures and risk management system, audit plan and relationship with external auditor and arrangements to enable employees of the Company to raise, in confidence, concerns about possible improprieties in financial reporting, internal control or other matters of the Company.

The Company has complied with Rule 5.28 of the GEM Listing Rules in that at least one of the members of the Audit Committee (which must comprise a minimum of three members, the majority of the members of the Audit Committee must be independent non-executive Directors and must be chaired by an independent non-executive Director) is an independent non-executive Director who possesses appropriate professional qualifications or accounting related financial management expertise.

During the year, the Audit Committee held five meetings to review and comment on the Company's 2020 annual results, 2021 interim results, quarterly results, audit plans for annual audit 2021 as well as the Company's internal control procedures and risk management system.

DIRECTORS' RESPONSIBILITY FOR FINANCIAL STATEMENTS

All Directors acknowledge their responsibilities to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Group and in presenting the quarterly, interim and annual financial statements, and announcements to the shareholders of the Company. The Directors aim to present a balanced and understandable assessment of the Group's position and prospects with timely publication of the financial statements of the Group. Except from the issues discussed under paragraph "Multiple fundamental uncertainties relating to going concern" in the announcement, as at 31 December 2021, the Directors were not aware of any material uncertainties relating to events or conditions which may cast significant doubt upon the Group's ability to continue as a going concern.

MANAGEMENT'S POSITION AND ASSESSMENT ON THE DISCLAIMER OPINION

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

The Directors' view is different from that of Auditors as the Directors considered that the COVID-19 pandemic will gradually improve. With the distribution of consumption vouchers by the Government and the gradual relaxation of the social distancing measures, the revenue generated by the Group's restaurants will increase and thus the operating cash flows will also increase to support the daily operation and also other financing activities including but not limited to repay the trade payables and also repay the instalment of bank borrowings.

Nonetheless, in order to address this concern, the Company has taken the measures to continue in operational existence for the foreseeable future including but not limited to:

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

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

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

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

Based on the above, and in preparing the consolidated financial statements, the Directors have reviewed the Group's financial and liquidity position, and planned to improve the liquidity by the above measures. As such, the Board considered the Group will have sufficient liquidity to finance its operations for the next twelve months and therefore is of the view that the Group would be able to continue as a going concern.

Despite the effort made by the Company to address the concern, the Auditors issued the Disclaimer Opinion as they cast doubt on the certainty of the debt restructuring plan and financial support by certain existing creditors. The management of the Company (the "**Management**") has considered the Auditors' rationale and understood their consideration in arriving their opinion.

AUDIT COMMITTEE'S VIEW ON THE DISCLAIMER OPINION

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

SCOPE OF WORK OF UNITAX PRISM (HK) CPA LIMITED

The figures in respect of the Group's consolidated statement of financial position as at 31 December 2021, the consolidated statement of profit or loss, the consolidated statement of profit or loss and other comprehensive income, and the related notes thereto for the year ended 31 December 2021 as set out in the preliminary announcement have been agreed by the Group's auditor, UniTax Prism (HK) CPA Limited, to the amounts set out in the Group's consolidated financial statements for the year. The work performed by UniTax Prism (HK) CPA Limited in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by UniTax Prism (HK) CPA Limited on the preliminary announcement.

CONTINUED SUSPENSION OF TRADING

At the request of the Company, trading in the Shares on the Stock Exchange has been suspended with effect from 9:00 a.m. on 11 November 2021, and will remain suspended until further notice, pending, among other matters, the fulfilling of the guidance for the resumption of trading in the shares by the Stock Exchange.

By order of the Board
Dragon King Group Holdings Limited
Shen Taiju
Executive Director

Hong Kong, 14 September 2022

As at the date of this announcement, the Board comprises Mr. Chan Ko Cheung (Chairman & Chief Executive Officer) and Ms. Shen Taiju as executive Directors; and Mr. Lee Yiu Keung, Mr. Wang Jingan and Mr. Wong Luen Tung as independent non-executive Directors.