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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 2022

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 2022, together with the comparative figures for the year ended 31 December 2021. The financial information of the Group has been approved by the Board.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2022

	Notes	**2022** **HK$'000**	2021 *HK$'000*
Revenue	*4*	**79,469**	224,193
Cost of inventories consumed		**(25,402)**	(72,167)
Gross profit		**54,067**	152,026
Other income and gains, net		**13,113**	12,124
Staff costs		**(36,968)**	(91,208)
Depreciation of property, plant and equipment		**(798)**	(6,963)
Depreciation of right-of-use assets		**(2,938)**	(22,750)
Gain on disposal of a subsidiary		**12,628**	–
Impairment losses of property, plant and equipment		**(15)**	(2,660)
Impairment losses of right-of-use assets		**(6,412)**	(15,293)
Impairment losses under expected credit loss model		**(285)**	(7,286)
Rental and related expenses		**(12,100)**	(14,473)
Other operating expenses		**(22,208)**	(50,432)
Finance costs	*6*	**(3,244)**	(3,798)
Loss before tax		**(5,160)**	(50,713)
Income tax expense	*7*	**(135)**	(53)
Loss for the year attributable to owners of the Company	*8*	**(5,295)**	(50,766)
Loss per share		***HK cents***	*HK cents*
– Basic and diluted	*10*	**(3.06)**	(32.4)

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
For the year ended 31 December 2022

	2022	2021
	HK$'000	*HK$'000*
Loss for the year	**(5,295)**	(50,766)
Other comprehensive expense:		
Item that may be reclassified subsequently to profit or loss:		
Release of exchange fluctuation reserve upon disposal of a subsidiary	**273**	–
Exchange differences arising on translation of foreign operations	**18**	(114)
Total comprehensive expense for the year	**(5,004)**	(50,880)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2022

	Notes	**2022** **HK$'000**	2021 *HK$'000*
NON-CURRENT ASSETS			
Property, plant and equipment		**27,097**	27,894
Right-of-use assets		**–**	–
Prepayments, deposits and other receivables		**3,403**	2,969
Deferred tax assets		**3,229**	3,364
		33,729	34,227
CURRENT ASSETS			
Inventories		**3,572**	5,779
Trade receivables	*11*	**596**	3,739
Prepayments, deposits and other receivables		**12,255**	12,401
Financial assets at fair value through profit or loss		**–**	2,056
Amount due from related companies		**–**	–
Tax recoverable		**344**	554
Cash and cash equivalents		**4,881**	6,332
		21,648	30,861
CURRENT LIABILITIES			
Trade payables	*12*	**36,820**	40,534
Other payables and accruals		**43,787**	38,496
Bank and other borrowings		**60,771**	60,644
Lease liabilities		**8,231**	21,102
Amount due to a director		**7,589**	–
Tax payable		**444**	312
		157,642	161,088
NET CURRENT LIABILITIES		**(135,994)**	(130,227)
TOTAL ASSETS LESS CURRENT LIABILITIES		**(102,265)**	(96,000)

	Note	2022 HK$'000	2021 HK$'000
NON-CURRENT LIABILITIES			
Other payables and accruals		**1,048**	620
Lease liabilities		**3,839**	5,528
		4,887	6,148
NET LIABILITIES		**(107,152)**	(102,148)
CAPITAL AND RESERVES			
Share capital	*13*	**17,280**	17,280
Reserves		**(124,432)**	(119,428)
TOTAL DEFICIENCY IN EQUITY		**(107,152)**	(102,148)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year ended 31 December 2022

1. GENERAL INFORMATION

Dragon King Group Holdings Limited (the "**Company**") is a public limited company incorporated in the Cayman Islands and its share are listed on GEM of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") since 16 January 2018. The registered address of the Company is Windward 3, Regatta Office Park, PO Box 1350, Grand Cayman, KY1-1108, Cayman Islands. The principal place of business of the Company was located at 16/F., Tern Centre Two, 251 Queen's Road Central, Hong Kong and changed to Unit C, 11/F., King Yip Factory Building, 59 King Yip Street, Kwun Tong, Kowloon, Hong Kong on 1 March 2023.

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

The consolidated financial statements are presented in Hong Kong dollars, 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 the 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 2022.

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

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

New and amendments to HKFRSs issued but not yet effective

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

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

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

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

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS

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

Going-concern assessment

During the year ended 31 December 2022, the Group reported loss for the year attributable to owner of the Company of approximately HK$5,295,000. In addition, as of that date, the Group's current liabilities exceeded its current assets by approximately HK$135,994,000 and the Group had net liabilities by approximately HK$107,152,000. As at the same date, the Group's total current interest-bearing borrowings amounted to approximately HK$60,771,000, while its cash and cash equivalents amounted to approximately HK$4,881,000 only.

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

(i) the Group had interest-bearing bank and other borrowings of HK$60,771,000 as at 31 December 2022, of which approximately HK$28,400,000 is repayable within one year. The remaining interest-bearing bank borrowings, amounting to approximately HK$32,371,000 were classified as current liabilities due to the existence of a repayment on demand clause in the loan agreements. The Group will actively negotiate with the bank for the renewal of the Group's bank borrowings when they fall due in order to secure necessary funds to meet the Group's working capital and financial requirements in the foreseeable future. In the opinion of the directors of the Company, the Group will be able to roll over or refinance the bank borrowings upon their maturity;

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

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

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

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

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

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

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

Disaggregation of revenue from contracts with customers by timing of recognition

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

(i) Performance obligations for contracts with customers

Operation and management of 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.

(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.

5. OPERATING SEGMENT

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

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

Since this is the only reportable and operating segment of the Group, no further analysis thereof is presented. All the revenue of the Group are generated from operation and management of restaurants for the years ended 31 December 2022 and 2021.

Geographical information

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

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

	Revenue from external customers		**Non-current assets**	
	2022	2021	**2022**	2021
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Hong Kong and Macau	**79,469**	202,148	**27,097**	27,894
The PRC	**–**	22,045	**–**	–
	79,469	224,193	**27,097**	27,894

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

Information about major customers

There was no revenue from customers individually contributing over 10% to the total revenue of the Group for the years ended 31 December 2022 and 2021.

6. FINANCE COSTS

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

7. INCOME TAX EXPENSE

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

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 2022 (2021: 12%).

8. LOSS FOR THE YEAR

Loss for the year has been arrived at after charging:

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

9. DIVIDENDS

No dividend was paid or proposed during the year ended 31 December 2022, nor has any dividend been proposed since the end of the reporting period (2021: Nil).

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:

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

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

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

11. TRADE RECEIVABLES

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

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

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

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

12. TRADE PAYABLES

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

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

13. SHARE CAPITAL

	Value	**Number of shares**	**Share capital**
	HK$		*HK$'000*
Ordinary shares of HK$0.01 each			
Authorised:			
At 1 January 2021	0.01	2,000,000,000	20,000
Increase in authorised shares	0.01	3,000,000,000	30,000
Share consolidation	–	(4,500,000,000)	–
At 31 December 2021, 1 January 2022 and 31 December 2022	0.1	500,000,000	50,000
Issued and fully paid:			
At 1 January 2021		1,440,000,000	14,400
Share consolidation		(1,296,000,000)	–
Placing of new shares on 28 July 2021		28,800,000	2,880
As at 31 December 2021, 1 January 2022 and 31 December 2022		172,800,000	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 2022 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 (hereinafter collectively referred to as the "**Group**"), which comprise the consolidated statement of financial position as at 31 December 2022, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

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

BASIS FOR DISCLAIMER OF OPINION

Multiple fundamental uncertainties relating to going concern

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

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

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.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS AND OPERATIONAL REVIEW

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

Restaurant Operations

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

In early January 2022, the Group closed down the ICC Restaurant due to the expiration of its rental agreement. In addition, during the 1st quarter of FY2022, the Board, after taking into account the repair costs, the outbreak of the fifth wave of the COVID-19 pandemic in Hong Kong as well as the change in dining habits of the consumers switching from dining in to ordering takeaways, had determined to close down the Causeway Bay Restaurant upon the expiry of its tenancy agreement on 28 February 2022.

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

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

FINANCIAL REVIEW

Revenue

For FY2022, the Group recorded a total revenue of approximately HK$79.5 million, against approximately HK$224.2 million for the year ended 31 December 2021 (the "**FY2021**"), representing a substantial decrease of approximately 64.6%. This was mainly due to the closure and disposal of the Group's restaurants during FY2022.

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

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

* *Disposed on 4 January 2022*

Dragon King (龍皇)

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

Dragon Seal (龍璽)

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

Dragon Gown (龍袍)

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

***Imperial Seal*（*皇璽*）**

As disclosed in the Company's announcement dated 26 August 2022, the Group entered into a sale and purchase agreement with independent third parties to dispose of（上海浦江名薈餐飲管理有限公司）, formerly known as Dragon Seal Food & Beverage Management (Shanghai) Limited*（龍璽餐飲管理（上海）有限公司）at nil consideration, an indirect wholly-owned subsidiary of the Company, which was principally engaged in the operation of the restaurant in Shanghai located in Pudong New District under the brand of Imperial Seal and provision of catering services in the PRC. Completion of the change of industrial and commercial registration procedures took place on 4 January 2022. Accordingly, no revenue was generated from Imperial Seal for FY2022.

Gross profit and gross profit margin

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

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

Other income and gains, net

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

Staff costs

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

Depreciation of right-of-use assets

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

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

In view of the deteriorating economy and significant disruption to the operations of the Group resulted from the COVID-19 pandemic and the anti-epidemic precautionary measures in Hong Kong throughout FY2022, the Group assessed if any impairment loss should be recognized for the non-current assets of the Group including property, plant and equipment and right-to-use assets.

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

Impairment loss under expected credit losses model

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

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

Rental and related expenses

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

Other operating expenses

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

Finance Costs

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

Loss attributable to owners of the Company

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

PROSPECTS

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

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

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

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

CAPITAL STRUCTURE

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

LIQUIDITY AND FINANCIAL RESOURCES

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

As at 31 December 2022, the Group had borrowings of approximately 60.8 million which was denominated in Hong Kong Dollars (2021: approximately HK$60.6 million). The Group's bank and other borrowings were primarily used in financing the working capital requirement of its operations.

As at 31 December 2022, the Group's cash and cash equivalents were approximately HK$4.9 million (2021: approximately HK$6.3 million). The Directors believe that the liquidity of the Group will be improved after the economy recovered from the negative effect due to the COVID-19.

GEARING RATIO

As at 31 December 2022, the gearing ratio of the Group was approximately 314.1% (2021: approximately 274.8%). Gearing ratio is calculated as net debt divided by capital and net debt. Net debt represented total liabilities (excluding tax payable) of the Group less cash and cash equivalents. Capital represented the equity attributable to owners of the Company.

CHARGE ON GROUP ASSETS

As at 31 December 2022, the borrowings were secured by a building owned by the Group, which is amounted to approximately HK$27.1 million (2021: approximately HK$27.9 million), for certain banking facilities granted to the Group.

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

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

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

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

FOREIGN EXCHANGE EXPOSURE

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

The Group does not have any material foreign exchange exposure. During the year ended 31 December 2022, the Group had not used any financial instruments for hedging purposes.

TREASURY POLICIES

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

CONTINGENT LIABILITIES

The Group did not have any material contingent liabilities as at 31 December 2022 (2021: Nil).

COMMITMENTS

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

FINAL DIVIDEND

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

INFORMATION ON EMPLOYEES

As at 31 December 2022, the Group had about 121 employees (2021: 240 employees) working in Hong Kong, 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 fund contributions) for the year ended 31 December 2022 amounted to approximately HK$37.0 million (2021: approximately HK$91.2 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 and deposits and other receivables. These credit risks are monitored on a ongoing basis.

Liquidity risk

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

Capital risk

The Group's objectives for managing capital are to ensure the ability to continue as a going concern in order to provide returns for the shareholders and to maintain an optimal capital structure to minimize the cost of capital. To maintain or adjust capital structure, the Group may adjust dividend payout ratio, make return of capital to shareholders in the form of dividend or share buyback, issue new Shares or sell assets to reduce debt. No changes in the objectives, policies or processes were made during the year ended 31 December 2022.

CORPORATE GOVERNANCE PRACTICE

The Company has applied the principles and code provisions in the Corporate Governance Code and Corporate Governance Report (the "**CG Code**") as set out in Part 2 of Appendix 15 to the GEM Listing Rules. During the year ended 31 December 2022, to the best knowledge of the Board, the Company had complied with all the applicable code provisions set out in the CG code.

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

Code	Provision Considered	Deviation	Reason for deviation
C.2.1	The roles of chairman and chief executive should be separate and should not be performed by the same individual.	The roles of chairman and CEO of the Company were performed by the executive Director, Mr. Chan Ko Cheung ("**Mr. Chan**"), with effect on 13 July 2021.	The Company considered that the combination of the roles of chairman and CEO could effectively facilitate the formulation and implementation of the strategies of the Company. The Company considered that under the supervision of its Board and especially its independent non-executive Directors, a balancing mechanism existed so that the interests of the Shareholders were adequately and fairly represented. The Company considered that there was no imminent need to change the arrangement.

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

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the year ended 31 December 2022.

EVENTS AFTER THE REPORTING PERIOD

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

Litigation

Small Claims Tribunal of the Hong Kong Special Administrative Region

SCTC024108/22 and SCTC024109/22

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

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

SCTC033210/22

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

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

Labour Tribunal

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

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

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

District Court of the Hong Kong Special Administrative Region

DCCJ4551/2021

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

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

DCCJ4705/2021

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

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

DCCJ5268/2021

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

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

In respect of DCCJ4551/2021, DCCJ4705/2021 and DCCJ5268/2021, a total of HK$400,000 was paid for the 3 cases so far.

DCCJ460/2022

On 11 May 2022, a final judgment was made against Dragon King Restaurant Group Limited ("**DKRGL**"), as defendant, an indirect wholly-owned subsidiary of the Company, whereby DKRGL shall pay Wan Kin Engineering Limited the sum of HK$334,000 and interest thereon as well as costs. This case has been closed by end of April 2023.

DCCJ838/2022

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

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

DCCJ1225/2022

As disclosed in the 2021 third quarterly report of the Company published on 28 January 2022, on 6 September 2021, the Company's indirect wholly-owned subsidiary, King Harbour Limited ("**King Harbour**"), received a demand letter from the legal representative of the Bank of Communications (Hong Kong) Limited ("**BOCOM**") regarding outstanding principal and accrued interests of a loan. On 11 May 2022, King Harbour and the Company, as the two defendants, each received a writ of summons issued by BOCOM as plaintiff ("**DCCJ1225 Writ**"). The orders sought by BOCOM against King Harbour and the Company under the DCCJ1225 Writ are (i) outstanding principal and default interest of the loan in the aggregate amount of HK$2,117,469.59; (ii) interest on the amount; (iii) further and/or other relief; and (iv) costs.

The Company filed an acknowledgment of service indicating that the Company intended to contest the proceedings. This case, after the Company's further negotiation with BOCOM, has been closed.

DCCJ2845/2022

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

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

High Court of the Hong Kong Special Administrative Region

HCA457/2022

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

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

HCA1557/2022

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

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

The Company will make further disclosure as and when appropriate.

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 Tung (appointed on 28 January 2022 and resigned on 27 January 2023) and Mr. Chui Chi Yun Robert (appointed on 5 May 2023), the independent non-executive Director, and other members included Mr. Lee Yiu Keung (retired on 31 October 2022), Mr. Wang Jingan (retired on 31 October 2022), Mr. Mtafi Rachid Rene (appointed on 1 December 2022) and Mr. Buer Gude (appointed on 5 May 2023), the independent non-executive Directors.

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

Save as disclosed in the announcements of the Company dated 31 October 2022, 27 January 2023 and 28 February 2023, 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 four meetings to review and comment on the Company's 2021 annual results, 2022 interim results, quarterly results, as well as the Company's internal control procedures and risk management system.

DIRECTORS' RESPONSIBILITIES FOR FINANCIAL STATEMENTS

The Directors have acknowledged their responsibilities for preparing the financial statements which give true and fair view of the state of affairs of the Group and in presenting the quarterly, interim and annual financial statements, and announcements of the Company. The Directors aim to present a balanced and understandable assessment of the Group's position and prospects with timely publication of the financial statements of the Group.

The Directors are aware of the loss attributable to owners of the Company of approximately HK$5.3 million for FY2022. In addition, the Group's current liabilities exceeded its current assets by approximately HK$136.0 million and the Group had net liabilities of approximately HK$107.2 million as at 31 December 2022. As at the same date, the Group's total current interest-bearing borrowings amounted to approximately HK$60.8 million, while its cash and cash equivalents amounted to approximately HK$4.9 million. These conditions indicated the existence of material uncertainties which may cast significant doubt on the Group's ability to continue as a going concern. Further discussion of this issue has been set out in the section headed "Management Discussion and Analysis" and the Note 3 to the Consolidated Financial Statements in this announcement.

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 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 FY2022 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.

MANAGEMENT'S POSITION AND ASSESSMENT ON THE DISCLAIMER OPINION

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

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

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

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

AUDIT COMMITTEE'S VIEW ON THE DISCLAIMER OPINION

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

The statements of the Auditor about their reporting responsibilities on the financial statements of the Group are set out in the Independent Auditor's Report on pages 66 to 68 of the annual report published by the Company on 22 May 2023. Details of the going concern assessment have been set out in the Note 3 to the Consolidated Financial Statements in this announcement.

SCOPE OF WORK OF PRISM HONG KONG AND SHANGHAI LIMITED

The figures in respect of the Group's consolidated statement of financial position as at 31 December 2022, 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 2022 as set out in the preliminary announcement have been agreed by the Group's auditor, Prism Hong Kong and Shanghai Limited, to the amounts set out in the Group's consolidated financial statements for the year. The work performed by Prism Hong Kong and Shanghai 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 Prism Hong Kong and Shanghai Limited on the preliminary announcement.

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

Hong Kong, 22 May 2023

As at the date of this announcement, the Board comprises Ms. Shen Taiju (Chairman), Ms. Au Yeung Lok Yee and Mr. Jia Yongqiang as executive Directors; and Mr. Buer Gude, Mr. Chui Chi Yun Robert and Mr. Mtafi Rachid Rene as independent non-executive Directors.