



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

First Quarterly Report 2018



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

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UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Three months ended 31 March 2018

The unaudited condensed consolidated results of the Group for the three months ended 31 March 2018, together with the unaudited comparative figures for the corresponding period in 2017, are as follows:

		Unaudited Three months ended 31 March	
		2018 HK\$'000	2017 HK\$'000
	Notes		
Revenue	4	115,240	112,888
Costs of inventories consumed		(36,213)	(35,263)
GROSS PROFIT		79,027	77,625
Other income and gains, net	4	750	606
Staff costs		(41,951)	(35,296)
Depreciation of items of property, plant and equipment		(3,983)	(4,460)
Rental and related expenses		(18,774)	(18,162)
Other operating expenses		(17,528)	(16,192)
Finance costs		(437)	(903)
Listing expenses		(4,449)	(3,478)
LOSS BEFORE TAX	5	(7,345)	(260)
Income tax expenses	6	(566)	(1,389)
LOSS FOR THE PERIOD		(7,911)	(1,649)
Attributable to:			
Owners of the Company		(7,911)	(1,577)
Non-controlling interests		–	(72)
		(7,911)	(1,649)
Loss per share attributable to ordinary equity holders of the Company		HK cents	HK cents
– Basic and diluted	8	(0.57)	(0.15)

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME

Three months ended 31 March 2018

	Unaudited Three months ended 31 March	
	2018 HK\$'000	2017 HK\$'000
LOSS FOR THE PERIOD	(7,911)	(1,649)
OTHER COMPREHENSIVE INCOME:		
Other comprehensive income to be reclassified to profit or loss in subsequent periods:		
– Exchange differences on translating foreign operations	48	75
TOTAL COMPREHENSIVE LOSS FOR THE PERIOD	(7,863)	(1,574)
Attributable to:		
Owners of the Company	(7,863)	(1,502)
Non-controlling interests	–	(72)
	(7,863)	(1,574)

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Three months ended 31 March 2018

	Attributable to owners of the Company						Non-controlling interests	Total equity	
	Issued capital	Share premium	Other reserve	Capital reserve	Exchange fluctuation reserve	Retained profits			Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
At 1 January 2017 (Audited)	-	-	-	43,000	(325)	22,306	64,981	(225)	64,756
Loss for the period	-	-	-	-	-	(1,577)	(1,577)	(72)	(1,649)
Other comprehensive income for the period:									
Exchange differences on translation of foreign operations	-	-	-	-	75	-	75	-	75
Total comprehensive loss for the period	-	-	-	-	75	(1,577)	(1,502)	(72)	(1,574)
Acquisitions of non-controlling interests	-	-	-	(297)	-	-	(297)	297	-
At 31 March 2017 (Unaudited)	-	-	-	42,703	(250)	20,729	63,182	-	63,182
At 1 January 2018 (Audited)	-	43,224	(43,224)	42,703	193	12,145	55,041	-	55,041
Loss for the period	-	-	-	-	-	(7,911)	(7,911)	-	(7,911)
Other comprehensive income for the period:									
Exchange differences on translation of foreign operations	-	-	-	-	48	-	48	-	48
Total comprehensive loss for the period	-	-	-	-	48	(7,911)	(7,863)	-	(7,863)
Issue of new shares pursuant to the Capitalisation	10,800	(10,800)	-	-	-	-	-	-	-
Share issued pursuant to the share offer	3,600	72,000	-	-	-	-	75,600	-	75,600
Share issuance costs	-	(16,367)	-	-	-	-	(16,367)	-	(16,367)
Effect of adoption of HKFRS 9	-	-	-	-	-	(2,475)	(2,475)	-	(2,475)
At 31 March 2018 (Unaudited)	14,400	88,057	(43,224)	42,703	241	1,759	103,936	-	103,936

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. CORPORATE AND GROUP INFORMATION

The Company is a limited liability company incorporated in the Cayman Islands on 8 August 2016. The registered address of the Company is P.O. Box 1350, Clifton House, 75 Fort Street, Grand Cayman, KY1-1108, Cayman Islands. The principal place of business of the Company is located at Office A, 20/F, TG Place, 10 Shing Yip Street, Kwun Tong, Kowloon, Hong Kong. The Company's shares are listed on GEM of the Stock Exchange (the "Listing") since 16 January 2018 (the "Listing Date").

The Group is principally engaged in the operation and management of restaurants in Hong Kong, Macau and the People's Republic of China (the "PRC").

2. BASIS OF PRESENTATION

Prior to the corporate reorganisation of the Group in preparation for the Listing ("Reorganisation"), the group entities were under the control of Mr. Wong Wing Chee ("Mr. Wong WC"). Pursuant to the Reorganisation, the Company became the holding company of the companies now comprising the Group on 15 December 2017.

Accordingly, for the purpose of preparing the unaudited condensed consolidated financial statements of the Group, the Company has been considered as the holding company of the companies now comprising the Group throughout the three months ended 31 March 2018 presented. The Group comprising the Company and its subsidiaries resulting from the Reorganisation is regarded as a continuing entity. The Group was under the control of Mr. Wong WC prior to and after the Reorganisation.

The unaudited condensed consolidated financial statements have been prepared as if the Company had been the holding company of the Group throughout the three months ended 31 March 2017 in accordance with Accounting Guideline 5 "Merger Accounting for Common Control Combinations" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"). The unaudited condensed consolidated statement of profit or loss, the unaudited condensed consolidated other comprehensive income and unaudited condensed consolidated statement of changes in equity for the period presented, which include the results and changes in equity of the companies now comprising the Group, have been prepared as if the current group structure had been in existence throughout the period.

This unaudited condensed consolidated financial statements are presented in thousands of Hong Kong dollars ("HK\$'000"), unless otherwise stated.

3. BASIS OF PREPARATION

The unaudited condensed consolidated financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards (“HKFRSs”) and the disclosure requirements of the Hong Kong Companies Ordinance Cap. 622. The unaudited condensed consolidated financial statements have been prepared under the historical cost convention.

The preparation of unaudited condensed consolidated financial statements in conformity with HKFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group’s accounting policies.

- (a) The following new and amended standards have been adopted by the Group for the first time for the financial period beginning on or after 1 January 2018:

Amendments to HKFRS 2	<i>Classification and Measurement of Share-based Payment Transactions</i>
Amendments to HKFRS 4	<i>Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts</i>
HKFRS 9	<i>Financial Instruments</i>
HKFRS 15	<i>Revenue from Contracts with Customers</i>
Amendments to HKFRS 15	<i>Clarifications to HKFRS 15 Revenue from Contracts with Customers</i>
Amendments to HKAS 40	<i>Transfers of Investment Property</i>
HK(IFRIC)-Int 22	<i>Foreign Currency Transactions and Advance Consideration</i>
<i>Annual Improvements to HKFRSs 2014-2016 Cycle</i>	<i>Amendments to the following two HKFRSs:</i> <i>– HKFRS 1 First-time Adoption of Hong Kong Financial Reporting Standards</i> <i>– HKAS 28 Investments in Associates and Joint Ventures</i>

The adoption of the above HKFRSs, except for HKFRS 9, did not have any significant financial impacts on the unaudited condensed consolidated financial statements.

Upon adoption of HKFRS 9, the classification and measurement of financial assets depends on two assessments: the financial asset’s contractual cash flow characteristics and the entity’s business model for managing the financial asset. The Group has assessed that the life insurance policies’ assets of HK\$19,898,000 as at 31 December 2017, that were measured at amortised cost prior to the adoption of HKFRS 9, would not pass the contractual cash flow characteristics test in HKFRS 9 and were reclassified as financial assets at fair value through profit or loss from 1 January 2018.

The Group did not restate the comparative information and recognised a transitional adjustment of HK\$2,475,000 to reduce the carrying amount of the life insurance policies’ assets against the opening balance of equity at 1 January 2018 was recognised.

- (b) The following new standards and revisions to standards have been issued, but are not effective for the financial year beginning 1 January 2019 and have not been early adopted by the Group:

Amendments to HKFRS 9	<i>Prepayment Features with Negative Compensation</i> ¹
Amendments to HKFRS 10 and HKAS 28 (2011)	<i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i> ²
HKFRS 16	<i>Leases</i> ¹
HKFRS 17	<i>Insurance Contracts</i> ³
Amendments to HKAS 28	<i>Long-term Interests in Associates and Joint Ventures</i> ¹
HK(IFRIC)-Int 23	<i>Uncertainty over Income Tax Treatments</i> ¹
<i>Annual Improvements to 2015-2017 Cycle</i>	<i>Amendments to HKFRS 3, HKFRS 11, HKAS 12 And HKAS 23</i> ¹

¹ Effective for annual periods beginning on or after 1 January 2019

² No mandatory effective date yet determined but available for adoption

³ Effective for annual periods beginning on or after 1 January 2021

The Group will apply the above HKFRSs when they become effective. The Group is in the process of assessing the impact of the above HKFRSs.

4. REVENUE, OTHER INCOME AND GAINS, NET

	Unaudited	
	Three months ended 31 March	
	2018 HK\$'000	2017 HK\$'000
Revenue		
Revenue from Chinese restaurant operations	115,240	112,888
Other income and gains, net		
Bank interest income	1	–
Interest income from life insurance policies	183	181
Subsidies received from a utility company for purchases of items of property, plant and equipment	144	133
Others	422	292
	750	606

The following table presents revenue from external customers for the three months ended 31 March 2018 and 2017 by geographic area:

	Unaudited	
	Three months ended 31 March	
	2018	2017
	HK\$'000	HK\$'000
Revenue from external customers		
Hong Kong and Macau	104,027	100,414
Mainland China	11,213	12,474
	115,240	112,888

5. LOSS BEFORE TAX

The Group's loss before tax is arrived at after charging/(crediting):

	Unaudited	
	Three months ended 31 March	
	2018	2017
	HK\$'000	HK\$'000
Minimum lease payments under operating leases	14,587	13,690
Contingent rents under operating leases*	383	520
Auditor's remuneration	250	251
Employee benefit expense (excluding directors' and chief executive's remuneration)		
Wages and salaries	38,640	32,431
Pension scheme contributions	1,745	1,558
	40,385	33,989
Foreign exchange differences, net	(86)	(9)
Premium charges on life insurance policies	57	271
Loss on disposal of items of property, plant and equipment	12	8

* Contingent rents under operating leases are included in "Rental and related expenses" in the unaudited condensed consolidated statement of profit or loss.

6. INCOME TAX

Pursuant to the rules and regulations of the Cayman Islands and the British Virgin Islands (“BVI”), the Group is not subject to any income tax in the Cayman Islands and the BVI.

Hong Kong profits tax has been provided at the rate of 16.5% on the estimated assessable profits arising in Hong Kong during the three months ended 31 March 2018 (2017: 16.5%).

PRC tax and Macau tax have been provided at the rate of 25% and 12% on the estimated profits arising in the PRC and Macau during the three months ended 31 March 2018 (2017: 25% and 12%), respectively.

	Unaudited Three months ended 31 March	
	2018 HK\$'000	2017 HK\$'000
Current – Hong Kong	616	1,321
Current – elsewhere	–	68
Deferred	(50)	–
Total tax charge for the period	566	1,389

7. DIVIDEND

The board of Directors (the “Board”) does not recommend any payment of dividend in respect of the three months ended 31 March 2018 (2017: Nil).

8. LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY

(a) Basic

Loss per share attributable to ordinary equity holders of the Company is calculated by dividing the loss attributable to the owners of the Company by the weighted average number of ordinary shares in issue during the respective periods.

	Unaudited Three months ended 31 March	
	2018	2017
Loss		
Loss for the period attributable to ordinary equity holders of the Company (HK\$'000)	(7,911)	(1,577)
Number of shares		
Weighted average number of shares for the purpose of calculating basis loss per share ('000)	1,380,000	1,080,000
Basic loss per share (HK cents per share)	(0.57)	(0.15)

The weighted average number of ordinary shares for the purpose of calculating basic loss per share for the three months ended 31 March 2018 was derived from 1,080,000,000 ordinary shares in issue and the effect of the share offer (360,000,000 shares issued pursuant to the share offer) by the Company.

The weighted average number of ordinary shares for the purpose of calculating basic loss per share for the three months ended 31 March 2017 was derived from 1,080,000,000 ordinary shares (comprising 10,000 ordinary shares in issue and 1,079,990,000 ordinary shares to be issued under the capitalisation issue), as if these 1,080,000,000 ordinary shares were outstanding throughout the period.

(b) Diluted

Diluted loss per share for the three months ended 31 March 2018 and 2017 is the same as basic loss per share due to the absence of dilutive potential ordinary share during the respective periods.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS AND OPERATION REVIEW

The Group operates full-service restaurants providing Cantonese cuisine under four self-owned brands.

RESTAURANT OPERATIONS

For the three months ended 31 March 2018, the Group operated nine full-service restaurants in Hong Kong, Macau and Shanghai, the PRC to provide Cantonese cuisine under the brand names of “Dragon King (龍皇)”, “Dragon Seal (龍璽)”, “Imperial Seal (皇璽)” and “Dragon Feast (龍宴)”. 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.

Vast majority of the Group’s restaurants are located in Hong Kong. As at 31 March 2018, the Group had seven restaurants in Hong Kong, two of which are located in 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 the New Territories (known as the “Sheung Shui Restaurant”). The Group’s restaurant in Macau is in the Venetian Macao (known as the “Macau Restaurant”) and the Shanghai’s restaurant is in Pudong New District (known as the “Shanghai Restaurant”).

FINANCIAL REVIEW

Revenue

For the three months ended 31 March 2018, the Group recorded a total revenue of approximately HK\$115.2 million, representing a slight increase of approximately 2.0% as compared to approximately HK\$112.9 million for the three months ended 31 March 2017.

The increase in revenue was principally attributed to the increase in revenue of the ICC Restaurant and the Wan Chai Restaurant resulting from the increase in banquets during the period. The revenue contributed by the other restaurants remained generally stable during the comparable period.

Gross profit and gross profit margin

The Group's gross profit (i.e. revenue minus cost of inventories consumed) amounted to approximately HK\$79.0 million for the three months ended 31 March 2018, representing an increase of approximately 1.8% from approximately HK\$77.6 million for the three months ended 31 March 2017 driven by the increase in revenue.

The Group's overall gross profit margin remained consistent for the periods ended 31 March 2018 and 2017.

Staff costs

Staff costs was approximately HK\$42.0 million for the three months ended 31 March 2018, representing an increase of approximately 19.0% as compared to approximately HK\$35.3 million for the three months ended 31 March 2017. Such increase was mainly due to the salary and discretionary bonus paid to the Group's employees during the period.

Other operating expenses

The Group's other operating expenses increased by approximately 8.0% from approximately HK\$16.2 million for the three months ended 31 March 2017 to approximately HK\$17.5 million for the three months ended 31 March 2018. Such increase was mainly due to the increase in the marketing and promotional expenses to further enhance the Group's brand recognition.

Listing expenses

Listing expenses was approximately HK\$4.4 million for the three months ended 31 March 2018, representing an increase of approximately 25.7% as compared to approximately HK\$3.5 million for the three months ended 31 March 2017. Listing expenses incurred for the three months ended 31 March 2018 is one off in nature and mainly attributable to the professional fees in relation to the Listing on 16 January 2018.

Loss attributable to owners of the Company

For the three months ended 31 March 2018, the Group recorded a loss attributable to owners of the Company of approximately HK\$7.9 million, as compared to approximately HK\$1.6 million for the three months ended 31 March 2017. It was mainly due to the increase in staff costs and other operating expenses as discussed above.

DIVIDEND

The Board does not recommend any payment of dividend for the three months ended 31 March 2018 (2017: Nil).

PROSPECTS

The shares of the Company were listed on GEM on 16 January 2018 by way of share offer. The Directors believe that Listing on GEM could enhance the Group's profile and recognition which will enhance the customers' confidence to the Group. In addition, the net proceeds from the share offer will provide additional resources to the Group to expand its business and improve its capital base.

Looking forward, the Group will continue to strengthen the Group's position in the Cantonese full-service restaurant industry and further expand the business operations with a view to creating long term shareholders' value. The Group will focus on the following business strategies: (i) expansion in Hong Kong with multi-brand strategy; (ii) further enhance the Group's brand recognition; and (iii) enhancement of existing restaurant facilities. Details of the business strategies have been disclosed in the prospectus of the Company dated 29 December 2017 (the "Prospectus").

COMPARISON OF BUSINESS OBJECTIVES AND STRATEGIES WITH ACTUAL BUSINESS PROGRESS

The Group will endeavour to achieve the following business objectives:

Business Strategy as stated in the Prospectus	Implementation activities up to 30 June 2018 as stated in the Prospectus	Actual business progress up to the date of this report
Expansion in Hong Kong with multi-brand strategy	<ul style="list-style-type: none"> To open restaurant in Hong Kong under the brand name of "Dragon King" 	<ul style="list-style-type: none"> Kwai Chung Restaurant commenced its operation on 2 May 2018
Further enhance the Group's brand recognition	<ul style="list-style-type: none"> To advertise and promote more in conventional media channels and online platforms To engage in more marketing campaigns and other marketing activities To participate in more cooking competitions 	<ul style="list-style-type: none"> Engaged a marketing and public relation firm during the period for the three months ended 31 March 2018 and will continue to enhance the Group's brand recognition in the second quarter of 2018
Enhancement of existing restaurant facilities	<ul style="list-style-type: none"> To refurbish the Group's existing restaurants' fitting out and utensils To attract new and returning customer traffic 	<ul style="list-style-type: none"> Received quotations from contractors and vendors and will start its refurbishment in June 2018
Repayment of bank and other borrowings	<ul style="list-style-type: none"> To repay part of our outstanding bank borrowings 	<ul style="list-style-type: none"> Early repayment of three outstanding bank borrowings amounted to HK\$2.1 million

USE OF NET PROCEEDS FROM LISTING

The net proceeds from the issue of new shares of the Group at the time of its Listing on GEM on 16 January 2018 through the share offer of 360,000,000 shares of HK\$0.01 each in the share capital of the Group 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 at 31 March 2018, the net proceeds from share offer were applied as follows:

	Planned use of proceeds as stated in the Prospectus up to 30 June 2018	Actual use of proceeds up to 31 March 2018
	HK\$ million	HK\$ million
Expansion in Hong Kong with multi-brand strategy	19.0	6.1
Enhancement of existing restaurant facilities	4.1	–
Enhancement of marketing and promotions	0.5	0.1
Repayment of bank and other borrowings	3.1	2.1
Working capital	1.6	1.6

The business objectives as stated in the Prospectus were based on the best estimation of the future market conditions made by the Group at the time of preparing the Prospectus. The use of proceeds was applied in accordance with the actual development of the market.

As at 31 March 2018, approximately HK\$9.9 million out of the net proceeds from the Listing had been used. The unused net proceeds were deposited in licensed banks in Hong Kong.

The Company intends to apply the net proceeds in the manner as stated in the Prospectus. However, the Directors will 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.

OTHER INFORMATION

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITION IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY

As at 31 March 2018, the interests and short positions of the Directors and chief executives of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of Securities and Futures ("SFO")) which were notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or which were recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or which were required, pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange, were as follows:

Long positions in ordinary shares and underlying shares of the Company

Name of Director/ chief executive	Capacity/Nature of interest	Number of shares held/interested	Approximate percentage of shareholding
Ms. Lee Ching Nung Angel ^{Note 1}	Interest of spouse	578,880,000	40.2%
Mr. Wong WC ^{Note 2}	Interested in a controlled corporation	578,880,000	40.2%
Mr. Wong Wing Hong ^{Note 3}	Interested in a controlled corporation	10,800,000	0.75%

Notes:

1. Ms. Lee Ching Nung Angel ("**Ms. Lee**") is the spouse of Mr. Wong WC. Under the SFO, Ms. Lee is deemed to be interested in the same number of shares of the Company in which Mr. Wong WC is interested.
2. Mr. Wong WC beneficially owns the entire issued share capital of Million Edge Developments Limited ("**Million Edge**"). Therefore, Mr. Wong WC is deemed, or taken to be, interested in all the shares of the Company held by Million Edge for the purpose of the SFO. Mr. Wong WC is the sole director of Million Edge.
3. Mr. Wong Wing Hong ("**Mr. Wong WH**") beneficially owns the entire issued share capital of Wealthy Time Limited ("**Wealthy Time**"). Therefore, Mr. Wong WH is deemed, or taken to be, interested in all the shares of the Company held by Wealthy Time for the purpose of the SFO. Mr. Wong WH is the sole director of Wealthy Time.

Save as disclosed above, as at 31 March 2018, none of the Directors and chief executive of the Company had any interests or short positions in any shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which would have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or which were recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or which were required, pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange.

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES OF THE COMPANY

So far as known to the Directors or chief executive of the Company, as at 31 March 2018, the following persons/entities (other than the Directors and chief executives of the Company) had or were deemed to have an interest or a short position in the shares or the underlying shares of the Company which would be required to be disclosed to the Company and the Stock Exchange under the provisions of Division 2 and 3 of Part XV of the SFO, or which were recorded in the register of the Company remained to be kept under Section 336 of the SFO, or who were directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Company or any other member of the Group:

Long positions in ordinary shares and underlying shares of the Company

Name of Shareholder	Capacity/Nature of interest	Number of Shares held/interested	Approximate percentage of shareholding
Million Edge	Beneficial owner	578,880,000	40.2%
Good Vision Limited	Beneficial owner	237,600,000	16.5%
Hong Kong Tang Palace Food & Beverage Group Company Limited ^{Note 1}	Interested in a controlled corporation	237,600,000	16.5%
Tang Palace (China) Holdings Limited ^{Note 2}	Interested in a controlled corporation	237,600,000	16.5%
Mr. Chan Man Wai ^{Note 3}	Interested in a controlled corporation	237,600,000	16.5%

Name of Shareholder	Capacity/Nature of interest	Number of Shares held/interested	Approximate percentage of shareholding
Ms. Au Yim Bing ^{Note 4}	Interest of spouse	237,600,000	16.5%
Wise Alliance Limited	Beneficial owner	108,000,000	7.5%
Mr. Lee Wing Sun ^{Note 5}	Interest in a controlled corporation	108,000,000	7.5%
Ms. Wat Hoi San ^{Note 6}	Interest of spouse	108,000,000	7.5%
Dragon Eagle King Limited	Beneficial owner	75,600,000	5.25%
Centurion Treasure Limited ^{Note 7}	Interested in a controlled corporation	75,600,000	5.25%
Mr. Wee Ho ^{Note 8}	Interested in a controlled corporation	75,600,000	5.25%
Ms. Chui Shuk Man ^{Note 9}	Interest of spouse	75,600,000	5.25%

Notes:

1. Hong Kong Tang Palace Food & Beverage Group Company Limited ("**Tang Palace BVI**") beneficially owns the entire issued share capital of Good Vision Limited ("**Good Vision**"). Therefore, Tang Palace BVI is deemed or taken to be interested in all the shares of the Company held by Good Vision for the purpose of the SFO. Mr. Chan Man Wai ("**Mr. Chan**") is the sole director of Good Vision.
2. Tang Palace (China) Holdings Limited ("**Tang Palace (China)**"), a company listed on the Main Board of the Stock Exchange, beneficially owns the entire issued share capital of Tang Palace BVI. Therefore, Tang Palace (China) is deemed, or taken to be, interested in all the shares of the Company in which Tang Palace BVI is interested for the purpose of the SFO.
3. Mr. Chan either directly or through Best Active Investments Limited ("**Best Active**", a company wholly-owned by Mr. Chan) holds a total of 33.85% of the total issued share capital of Tang Palace (China). As such, Mr. Chan controls more than one-third of the voting rights of Tang Palace (China) and is deemed to be interested in its interests in the Company by virtue of the SFO. Mr. Chan is the sole director of Best Active.
4. Ms. Au Yim Bing ("**Ms. Au**") is the spouse of Mr. Chan. Under the SFO, Ms. Au is deemed to be interested in the same number of Shares in which Mr. Chan is interested.
5. Mr. Lee Wing Sun ("**Mr. Lee**") beneficially owns the entire issued share capital of Wise Alliance Limited ("**Wise Alliance**"). Therefore, Mr. Lee is deemed or taken to be interested in all the shares of the Company held by Wise Alliance for the purpose of the SFO. Mr. Lee is the sole director of Wise Alliance.
6. Ms. Wat Hoi San ("**Ms. Wat**") is the spouse of Mr. Lee. Under the SFO, Ms. Wat is deemed to be interested in the same number of shares of the Company in which Mr. Lee is interested.
7. Centurion Treasure Limited ("**Centurion Treasure**") beneficially owns the entire issued share capital of Dragon Eagle King Limited ("**Dragon Eagle King**"). Therefore, Centurion Treasure is deemed or taken to be interested in all the shares of the Company held by Dragon Eagle King for the purpose of the SFO. Centurion Treasure is the sole director of Dragon Eagle King.
8. Mr. Wee Ho ("**Mr. Wee**") beneficially owns the entire issued share capital of Centurion Treasure. Therefore, Mr. Wee is deemed or taken to be interested in all the shares of the Company held by Centurion Treasure for the purpose of the SFO. Mr. Wee is the sole director of Centurion Treasure.
9. Ms. Chui Shuk Man ("**Ms. Chui**") is the spouse of Mr. Wee. Under the SFO, Ms. Chui is deemed to be interested in the same number of shares in which Mr. Wee is interested.

Save as disclosed above, as at 31 March 2018, there was no person or corporation, other than the Directors and chief executive of the Company whose interests are set out in the section “Directors’ and chief executives’ interest and short positions in shares, underlying shares and debenture of the Company” above, had or were deemed to have an interest or a short position in the shares or the underlying shares of the Company which would be required to be disclosed to the Company and the Stock Exchange under the provisions of Division 2 and 3 of Part XV of the SFO, or which were recorded in the register of the Company remained to be kept under Section 336 of the SFO, or who were directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Company or any other member of the Group.

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 three months ended 31 March 2018.

COMPETITION AND CONFLICT OF INTERESTS

Tang Palace Group (consist of Tang Palace (China) and its subsidiaries) was a restaurant chain group including restaurants in China and Hong Kong. Tang Palace (China) was interested in 16.5% interest in the Group through Good Vision. Tang Palace Group does not and will not involve in the daily operation and management of the Group. Moreover, Mr. Kwong Ping Man, the independent non-executive Director of the Company, was also an independent non-executive director of Tang Palace (China). Despite that Mr. Kwong Ping Man is a director of Tang Palace (China), he confirms that he does not involved in day-to-day operations of both Tang Palace Group’s and the Group’s restaurant business. Save as disclosed above, none of the Directors, the controlling shareholders or substantial shareholders of the Company or any of its respective close associates has engaged in any business that competes or may compete, either directly or indirectly, with the businesses of the Group, as defined in the GEM Listing Rules, or has any other conflict of interests with Group during the three months ended 31 March 2018.

Non-Competition Undertaking

In order to avoid any possible future competition between the Group and the controlling shareholders, Mr. Wong WC and Million Edge (each a “**Covenantor**” and collectively the “**Covenantors**”) have entered into the Deed of Non-competition with the Company (for itself and for the benefit of each other member of the Group). Pursuant to the Deed of Non-competition, each of the Covenantors has irrevocably and unconditionally undertaken

to the Company (for itself and as trustee for its subsidiaries) that, during the period that the Deed of Non-competition remains effective, he/it shall not, and shall procure that his/its close associates (other than any member of the Group) not to develop, acquire, invest in, participate in, carry on or be engaged, concerned or interested or otherwise be involved, whether directly or indirectly, in any business in competition with or likely to be in competition with the existing business activity of any member of the Group.

Each of the Covenantors further undertakes that if any of he/it or his/its close associates other than any member of the Group is offered or becomes aware of any business opportunity which may compete with the business of the Group, he/it shall (and he/it shall procure his/its close associates to) notify the Group in writing and the Group shall have a right of first refusal to take up such business opportunity. The Group shall, within 6 months after receipt of the written notice (or such longer period if the Group is required to complete any approval procedures as set out under the GEM Listing Rules from time to time), notify the Covenantor(s) (and his/its close associates, if applicable) whether the Group will exercise the right of first refusal or not.

The Group shall only exercise the right of first refusal upon the approval of all the independent non-executive Directors (who do not have any interest in such opportunity). The relevant Covenantor(s) and the other conflicting Directors (if any) shall abstain from participating in and voting at and shall not be counted as quorum at all meetings of the Board where there is a conflict of interest or potential conflict of interest including but not limited to the relevant meeting of the independent non-executive Directors for considering whether or not to exercise the right of first refusal.

Each of the covenantors also gave certain non-competition undertakings under the Deed of Non-Competition as set out in the paragraph headed "Relationship with our controlling shareholders – Non-competition undertaking" in the Prospectus.

DIRECTORS' SECURITIES TRANSACTIONS

The Company adopted the required standard of dealings set out in rules 5.48 to 5.67 of the GEM Listing Rules as the code of conduct regarding Directors' securities transactions in securities of the Company (the "**Required Standard of Dealings**"). Based on specific enquiry with the Directors, all Directors confirmed that they had fully complied with the Required Standard of Dealings and there was no event of non-compliance from the Listing Date up to the date of this report.

SHARE OPTION SCHEME

The purpose of the Share Option Scheme is to enable the Company to grant options to selected participants as incentives or rewards for their contribution to the Group. The Directors consider the Share Option Scheme, with its broadened basis of participation, will enable the Group to reward the employees of the Company, the Directors and other selected participants for their contributions to the Group. The Company has conditionally adopted the Share Option Scheme on 15 December 2017. Further details of the Share Option Scheme are set in the section headed “Statutory and General Information – E. Share option scheme” in Appendix V of the Prospectus.

For the three months ended 31 March 2018, no share option was granted, exercised, expired or lapsed and there is no outstanding share option under the Share Option Scheme.

INTERESTS OF THE COMPLIANCE ADVISOR

As confirmed by the Group’s compliance advisor, Frontpage Capital Limited (the “**Compliance Advisor**”), save as the compliance advisor agreement entered into between the Company and the Compliance Advisor, none of the Compliance Advisor or its directors, employees or associates had any interest in the Group or in the share capital of any member of the Group which is required to be notified to the Company pursuant to Rule 6A.32 of the GEM Listing Rules.

CORPORATE GOVERNANCE PRACTICE

The Board considers good corporate governance a key element in managing the business and affairs of the Group. The management of the Group periodically reviews and proposes amendments to its corporate governance practices for compliance with the Corporate Governance Code (the “**CG Code**”) as set out in Appendix 15 of the GEM Listing Rules. The Board is of the opinion that the Company has complied with the CG Code during the three months ended 31 March 2018 and up to the date of this report.

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. Kwong Ping Man, the independent non-executive Director, and other members include Mr. Lin Zhisheng and Mr. Chang Cheuk Cheung Terence, the independent non-executive Directors. The written terms of reference of the Audit Committee are posted on the Stock Exchange’s website and on the Company’s website.

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 auditors 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 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.

The Group's unaudited condensed consolidated financial statements for the three months ended 31 March 2018 have been reviewed by the Audit Committee. The Audit Committee is of the opinion that the unaudited condensed consolidated financial statements of the Group for the three months ended 31 March 2018 comply with applicable accounting standards, GEM Listing Rules and that adequate disclosures have been made.

By order of the Board
Dragon King Group Holdings Limited
Lee Ching Nung Angel
Chairman and Executive Director

Hong Kong, 7 May 2018

As at the date of this report, the Board comprises Ms. Lee Ching Nung Angel, Mr. Wong Wing Chee and Mr. Wong Wing Hong as executive Directors; Mr. Kwong Ping Man, Mr. Lin Zhisheng and Mr. Chang Cheuk Cheung Terence as independent non-executive Directors.