



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

Interim Report 2019

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 and no assurance is given that there will be a liquid market in the securities traded on GEM.

Hong Kong Exchanges and Clearing Limited and the Stock Exchange take no responsibility for the contents of this report, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this report.

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

CONTENTS

Corporate Information	3
Unaudited Condensed Consolidated Statement of Profit or Loss	5
Unaudited Condensed Consolidated Statement of Other Comprehensive Income	6
Unaudited Condensed Consolidated Statement of Financial Position	7
Unaudited Condensed Consolidated Statement of Changes in Equity	9
Unaudited Condensed Consolidated Statement of Cash Flows	10
Notes to the Unaudited Condensed Consolidated Financial Statements	11
Management Discussion and Analysis	23
Other Information	32

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Ms. Lee Ching Nung Angel (*Chairman*)

Mr. Wong Wing Chee
(*Chief Executive Officer*)

Mr. Wong Wing Hong

Independent non-executive Directors

Mr. Kwong Ping Man

Mr. Lin Zhisheng

Mr. Chang Cheuk Cheung Terence

AUDIT COMMITTEE

Mr. Kwong Ping Man (*Chairman*)

Mr. Lin Zhisheng

Mr. Chang Cheuk Cheung Terence

REMUNERATION COMMITTEE

Mr. Lin Zhisheng (*Chairman*)

Mr. Wong Wing Chee

Mr. Kwong Ping Man

Mr. Chang Cheuk Cheung Terence

NOMINATION COMMITTEE

Mr. Wong Wing Chee (*Chairman*)

Mr. Kwong Ping Man

Mr. Lin Zhisheng

Mr. Chang Cheuk Cheung Terence

COMPLIANCE OFFICER

Mr. Wong Wing Hong

AUTHORISED REPRESENTATIVES

Mr. Wong Wing Chee

Mr. Chan Ka Nam

COMPANY SECRETARY

Mr. Chan Ka Nam

COMPLIANCE ADVISER

Frontpage Capital Limited

26th Floor, Siu On Centre

188 Lockhart Road

Wan Chai, Hong Kong

AUDITOR

Ernst & Young

22nd Floor, CITIC Tower

1 Tim Mei Avenue

Central, Hong Kong

LEGAL ADVISER AS TO HONG KONG LAWS

CFN Lawyers in association with Broad and Bright

Units 4101-4104

Sun Hung Kai Centre

30 Harbour Road

Wan Chai, Hong Kong

REGISTERED OFFICE IN THE CAYMAN ISLANDS

PO Box 1350

Clifton House

75 Fort Street

Grand Cayman KY1-1108

Cayman Islands

HEADQUARTERS AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Office A

20th Floor, TG Place

10 Shing Yip Street

Kwun Tong

Kowloon, Hong Kong

**PRINCIPAL SHARE REGISTRAR
AND TRANSFER OFFICE IN
THE CAYMAN ISLANDS**

Estera Trust (Cayman) Limited
PO Box 1350
Clifton House
75 Fort Street
Grand Cayman KY1-1108
Cayman Islands

**BRANCH SHARE REGISTRAR
AND TRANSFER OFFICE IN
HONG KONG**

Tricor Investor Services Limited
Level 54, Hopewell Centre
183 Queen's Road East
Hong Kong

PRINCIPAL BANKS

Hang Seng Bank Limited
DBS Bank (Hong Kong) Limited

COMPANY'S WEBSITE

www.dragonkinggroup.com

STOCK CODE

8493

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Three months and six months ended 30 June 2019

The unaudited condensed consolidated results of the Group for the three months and six months ended 30 June 2019, together with the unaudited comparative figures for the corresponding period in 2018, are as follows:

	Notes	Unaudited Three months ended 30 June		Unaudited Six months ended 30 June	
		2019 HK\$'000	2018 HK\$'000	2019 HK\$'000	2018 HK\$'000
Revenue	5	98,645	93,155	215,672	208,395
Costs of inventories consumed		(30,743)	(30,268)	(67,741)	(66,481)
Gross profit		67,902	62,887	147,931	141,914
Other income and gains, net		476	572	885	1,322
Staff costs		(34,665)	(30,887)	(74,577)	(72,838)
Depreciation of items of property, plant and equipment		(4,666)	(4,465)	(9,171)	(8,448)
Loss on disposal of items of property, plant and equipment		-	(6,957)	-	(6,969)
Depreciation of right-of-use assets		(9,940)	-	(20,163)	-
Expenses from short-term leases		(3,797)	-	(7,594)	-
Rental and related expenses		(5,511)	(19,349)	(11,293)	(38,123)
Other operating expenses		(18,979)	(15,373)	(33,449)	(32,889)
Finance costs		(678)	(443)	(1,244)	(880)
Listing expenses		-	-	-	(4,449)
Loss before tax	6	(9,858)	(14,015)	(8,675)	(21,360)
Income tax expenses	7	(165)	(137)	(825)	(703)
LOSS FOR THE PERIOD ATTRIBUTABLE TO THE OWNERS OF THE COMPANY		(10,023)	(14,152)	(9,500)	(22,063)
Loss per share attributable to ordinary equity holders of the Company		HK cents	HK cents	HK cents	HK cents
- Basic and diluted		(0.70)	(0.98)	(0.66)	(1.56)

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME

Three months and six months ended 30 June 2019

	Unaudited Three months ended 30 June		Unaudited Six months ended 30 June	
	2019 HK\$'000	2018 HK\$'000	2019 HK\$'000	2018 HK\$'000
Loss for the period	(10,023)	(14,152)	(9,500)	(22,063)
Other comprehensive (loss)/income:				
Other comprehensive (loss)/income to be reclassified to profit or loss in subsequent periods:				
– Exchange differences on translating foreign operations	(167)	434	(260)	482
TOTAL COMPREHENSIVE LOSS FOR THE PERIOD ATTRIBUTABLE TO THE OWNERS OF THE COMPANY	(10,190)	(13,718)	(9,760)	(21,581)

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2019

	Notes	Unaudited 30 June 2019 HK\$'000	Audited 31 December 2018 HK\$'000
NON-CURRENT ASSETS			
Property, plant and equipment	10	70,613	78,840
Right-of-use assets		105,556	–
Deposits and other receivables		13,742	14,720
Deferred tax assets		3,563	3,563
Total non-current assets		193,474	97,123
CURRENT ASSETS			
Inventories		10,581	11,398
Trade receivables	11	6,571	7,539
Prepayments, deposits and other receivables		43,643	45,187
Financial assets at fair value through profit or loss		5,338	15,853
Amount due from related companies		1,998	1,660
Tax recoverable		692	911
Cash and cash equivalents		34,890	17,989
Total current assets		103,713	100,537
CURRENT LIABILITIES			
Trade payables	12	42,757	47,101
Other payables and accruals		34,568	42,455
Lease liabilities		36,924	–
Interest-bearing bank borrowing		46,882	50,500
Tax payable		1,209	865
Total current liabilities		162,340	140,921
NET CURRENT LIABILITIES		58,627	40,384
TOTAL ASSETS LESS CURRENT LIABILITIES		134,847	56,739

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2019

	Notes	Unaudited 30 June 2019 HK\$'000	Audited 31 December 2018 HK\$'000
NON-CURRENT LIABILITIES			
Other payables and accruals		2,468	3,516
Lease liabilities		68,916	–
Shareholder's loan		20,000	–
Total non-current liabilities		91,384	3,516
NET ASSETS			
		43,463	53,223
EQUITY			
Equity attributable to owners of the Company			
Issued capital	13	14,400	14,400
Reserves		29,063	38,823
Total equity		43,463	53,223

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Six months ended 30 June 2019

	Issued capital HK\$'000	Share premium HK\$'000	Other reserve HK\$'000	Capital reserve HK\$'000	Exchange fluctuation reserve HK\$'000	Retained profit/ (Accumulated loss) HK\$'000	Total HK\$'000
At 1 January 2018 (Audited)	-	43,224	(43,224)	42,703	193	12,145	55,041
Loss for the period	-	-	-	-	-	(22,063)	(22,063)
Other comprehensive income for the period:							
Exchange differences on translation of foreign operations	-	-	-	-	482	-	482
Total comprehensive loss for the period	-	-	-	-	482	(22,063)	(21,581)
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
Share issuance costs	-	(16,367)	-	-	-	-	(16,367)
Effect of adoption of HKFRS 9	-	-	-	-	-	(2,475)	(2,475)
At 30 June 2018 (Unaudited)	14,400	88,057	(43,224)	42,703	675	(12,393)	90,218
At 1 January 2019 (Audited)	14,400	88,057	(43,224)	42,703	(316)	(48,397)	53,223
Loss for the period	-	-	-	-	-	(9,500)	(9,500)
Other comprehensive loss for the period:							
Exchange differences on translation of foreign operations	-	-	-	-	(260)	-	(260)
Total comprehensive loss for the period	-	-	-	-	(260)	(9,500)	(9,760)
At 30 June 2019 (Unaudited)	14,400	88,057	(43,224)	42,703	(576)	(57,897)	43,463

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

Six months ended 30 June 2019

	Unaudited Six months ended 30 June	
	2019 HK\$'000	2018 HK\$'000
Net cash from/(used in) operating activities	10,892	(32,703)
Cash flows from investing activities		
Interest received	3	3
Purchases of items of property, plant and equipment	(944)	(14,791)
Proceeds from withdrawal of life insurance policies	11,187	–
Net cash from/(used in) investing activities	10,246	(14,788)
Cash flows from financing activities		
New bank borrowings	17,797	25,990
Repayment of bank borrowings	(21,415)	(18,398)
Shareholder's loan	20,000	–
Principal portion of lease payments	(20,447)	–
Movement in balances with directors	–	13,578
Net proceeds from share offer	–	58,334
Net cash (used in)/from financing activities	(4,065)	79,504
Net increase in cash and cash equivalents	17,073	32,013
Cash and cash equivalents at the beginning of period	17,989	15,917
Effect of foreign exchange rate changes, net	(172)	(347)
Cash and cash equivalents at the end of period	34,890	47,583

NOTES TO 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 PO 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 AND PRINCIPAL ACCOUNTING POLICIES

The Group's unaudited condensed consolidated financial statements for the six months ended 30 June 2019 have been prepared in accordance with the accounting principles generally accepted in Hong Kong and comply with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and the applicable disclosure requirements of Chapter 18 of the GEM Listing Rules.

The accounting policies and methods of computation used in the preparation of the unaudited condensed consolidated financial statements for the six months ended 30 June 2019 are consistent with those adopted in the Group's audited annual report dated 22 March 2019 (the "2018 Annual Report"), except for the adoption of the new and revised HKFRSs (the "New and Revised HKFRSs") (which include all HKFRSs, Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the HKICPA that are adopted for the first time for the current periods financial statements.

- (a) The Group has adopted the following new and revised HKFRSs for the first time for the financial period beginning on or after 1 January 2019:

Amendments to HKFRS 9 HKFRS 16	<i>Prepayment Features with Negative Compensation Leases</i>
Amendments to HKAS 19 Amendments to HKAS 28	<i>Plan Amendment, Curtailment or Settlement Long-term Interests in Associates and Joint Ventures</i>
HK(IFRIC)-Int 23 Annual Improvements to 2015-2017 Cycle	<i>Uncertainty over Income Tax Treatments Amendments to HKFRS 3, HKFRS 11, HKAS 12 And HKAS 23</i>

The adoption of the New and Revised HKFRSs, except for HKFRS 16, did not have any significant financial impacts on the unaudited condensed consolidation financial statements.

Impact of HKFRS 16

HKFRS 16 replaces HKAS 17 Leases, HK(IFRIC)-Int 4 Determining whether an Arrangement contains a Lease, HK(SIC)-Int 15 Operating Leases – Incentives and HK(SIC)-Int 27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to recognise assets and liabilities for most leases. The standard includes two elective recognition exemptions for lessees – leases of low-value assets and short-term leases. At the commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). The right-of-use asset is subsequently measured at cost less accumulated depreciation and any impairment losses unless the right-of-use asset meets the definition of investment property in HKAS 40, or relates to a class of property, plant and equipment to which the revaluation model is applied. The lease liability is subsequently increased to reflect the interest on the lease liability and reduced for the lease payments. Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset. Lessees will also be required to remeasure the lease liability upon the occurrence of certain events, such as change in the lease term and change in future lease payments resulting from a change in an index or rate used to determine those payments. Lessees will generally recognise the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset. Lessor accounting under HKFRS 16 is substantially unchanged from the accounting under HKAS 17. Lessors will continue to classify all leases using the same classification principle as in HKAS 17 and distinguish between operating leases and finance leases. HKFRS 16 requires lessees and lessors to make more extensive disclosures than under HKAS 17. The Group has performed an assessment on the impact of adoption of HKFRS 16. The Group has estimated that right-of-use assets of HK\$126.0 million and lease liabilities of HK\$126.0 million were recognised at 1 January 2019.

- (b) The Group has not applied the following new and revised HKFRSs, that have been issued but are not yet effective, in these unaudited condensed consolidated financial statements:

Amendments to HKFRS 3	<i>Definition of a Business¹</i>
Amendments to HKFRS 10 and HKAS 28 (2011)	<i>Sale of Contribution of Assets between an Investor and its Associate or Joint Venture³</i>
HKFRS 17	<i>Insurance Contracts²</i>
Amendments to HKAS 1 and HKAS 8	<i>Definition of Material¹</i>

¹ Effective for annual periods beginning on or after 1 January 2020

² Effective for annual periods beginning on or after 1 January 2021

³ No mandatory effective date yet determined but available for adoption

The Group has not applied new and revised standards, amendments or interpretations that have been issued but are not yet effective. The Group is currently assessing the impact of the adoption of such new and revised standards, amendments or interpretations to the Group but is yet to be in a position to state whether they would have any material financial impact on the Group's results of operations and financial position.

The unaudited condensed consolidated financial statements for the six months ended 30 June 2019 have been prepared under the historical cost convention. The unaudited condensed consolidated financial statements for the six months ended 30 June 2019 are presented in thousand of Hong Kong dollars ("**HK\$'000**"), which is also the functional currency of the Group.

As at 30 June 2019, the Group's current liabilities exceeded its current assets by approximately HK\$58,627,000. The current liabilities mainly consisted of interest-bearing bank borrowings of approximately HK\$46,882,000 as at 30 June 2019, of which of approximately HK\$28,282,000 were classified as current liabilities due to the existence of the repayment on demand clause in the loan agreements. These interest-bearing bank loans were mainly used for financing the purchases of non-current assets. Based on the Group's history of its operating performance and its expected future working capital, the directors believe that there are sufficient financial resources available to the Group to meet its liabilities as and when they fall due. Moreover, Mr. Wong Wing Chee, an executive Director and the controlling shareholder of the Group, has provided an unsecured, interest-free shareholder's loan of HK\$20,000,000 to the Group which is repayable in December 2020. Accordingly, the Directors consider that it is appropriate to prepare the consolidated financial statements on a going concern basis.

The unaudited condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements and should be read in conjunction with the Group's annual financial statements for the year ended 31 December 2018.

The unaudited condensed consolidated financial statements have not been audited by the Company's auditors, but have been reviewed by the audit committee of the Company.

3. ESTIMATES

The preparation of interim financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing the unaudited condensed consolidated financial statements, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 31 December 2018.

4. FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS

(a) Financial risk factor

The Group's activities expose it to a variety of financial risks: interest rate risk, credit risk and liquidity risk. The unaudited condensed consolidated financial statements do not include all financial risk management information and disclosures required in the annual financial statements and should be read in conjunction with the Group's consolidated financial statements as at 31 December 2018.

There have been no changes in the risk management policies since year end.

(b) Liquidity risk

Compared to year end, there have been no material changes to the policies and practices for the Group's liquidity and funding risks management as described in the consolidated financial statements for the year ended 31 December 2018.

(c) Fair value estimation

The carrying values of receivables and payables are a reasonable approximation of their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Company for similar financial instruments.

5. REVENUE, OTHER INCOME AND GAINS, NET

An analysis of revenue is as follows:

	Unaudited Three months ended 30 June		Unaudited Six months ended 30 June	
	2019 HK\$'000	2018 HK\$'000	2019 HK\$'000	2018 HK\$'000
Revenue from contracts with customers				
Revenue operations	98,645	93,155	215,672	208,395

Revenue from contracts with customers

(i) *Disaggregated revenue information*

	Unaudited Three months ended 30 June		Unaudited Six months ended 30 June	
	2019 HK\$'000	2018 HK\$'000	2019 HK\$'000	2018 HK\$'000
Type of goods or services				
Revenue from Chinese restaurant operations and total revenue from contracts with customers	98,645	93,155	215,672	208,395
Geographical markets				
Hong Kong and Macau	89,096	82,540	195,920	186,567
Mainland China	9,549	10,615	19,752	21,828
Total revenue from contracts with customers	98,645	93,155	215,672	208,395
Timing of revenue recognition				
At a point in time	98,645	93,155	215,672	208,395

(ii) *Performance obligations*

Information about the Group's performance obligations is summarised below:

Restaurant operations

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 less than one month.

	Unaudited Three months ended 30 June		Unaudited Six months ended 30 June	
	2019 HK\$'000	2018 HK\$'000	2019 HK\$'000	2018 HK\$'000
Other income and gains, net				
Bank interest income	1	2	3	3
Fair value gains on financial assets at fair value through profit or loss	50	183	156	366
Subsidies received from a utility company for purchases of items of property, plant and equipment*	139	145	278	289
Others	286	242	448	664
	476	572	885	1,322

* As at 30 June 2019 and 2018, there were no unfulfilled conditions or other contingencies attaching to the subsidies that had been recognized by the Group.

6. LOSS BEFORE TAX

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

	Unaudited Three months ended 30 June		Unaudited Six months ended 30 June	
	2019 HK\$'000	2018 HK\$'000	2019 HK\$'000	2018 HK\$'000
Minimum lease payments under operating lease	-	16,461	-	31,048
Contingent rents under operating leases*	37	63	472	446
Auditor's remuneration	300	250	600	500
Employee benefit expense (excluding directors' and chief executive's remuneration)				
Wages and salaries	31,522	28,063	67,056	67,003
Pension scheme contributions	1,637	1,558	3,488	3,303
	33,159	29,621	70,544	70,306
Foreign exchange differences, net	(24)	(2)	(73)	(88)
Loss on disposal of items of property, plant and equipment	-	6,957	-	6,969

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

7. INCOME TAX EXPENSES

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.

For the six months ended 30 June 2019 and 2018, Hong Kong Profits Tax is calculated in accordance with the two-tiered profits tax rates regime. Under the two-tiered profits tax rates regime, the first HK\$2,000,000 of profits of qualifying corporation will be taxed at 8.25%, and profits above HK\$2,000,000 will be taxed at 16.5%. The profits of corporations not qualifying for the two-tiered profits tax rates regime will continue to be taxed at 16.5% on the estimated assessable profits.

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 six months ended 30 June 2019 (2018: 25% and 12%), respectively.

	Unaudited Three months ended 30 June		Unaudited Six months ended 30 June	
	2019 HK\$'000	2018 HK\$'000	2019 HK\$'000	2018 HK\$'000
Current – Hong Kong	165	137	825	753
Deferred	–	–	–	(50)
Total tax charge for the period	165	137	825	703

8. DIVIDEND

The board of Directors (the “Board”) does not recommend any payment of dividend in respect of the six months ended 30 June 2019 (2018: Nil).

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

For the six months ended 30 June 2019, the calculation of the basic loss per share amounts is based on the loss for the period attributable to ordinary equity holders of the Company, and the weighted average number of ordinary shares in issue during the period.

For the six months ended 30 June 2018, the calculation of the basic loss per share amounts is based on the loss for the period attributable to ordinary equity holders of the Company, and the weighted average number of ordinary shares in issue during the period. The weighted average number of ordinary shares for the six months ended 30 June 2018 is calculated on the basis of 1,080,000,000 shares of the Company in issue, which represents the number of shares of the Company immediately after the reorganisation and capitalisation issue, and the 360,000,000 shares issued pursuant to the share offer of the Company for its listing on GEM of the Stock Exchange on 16 January 2018.

The Group had no potentially dilutive ordinary shares in issue during the six months ended 30 June 2019 and 2018.

	Unaudited Three months ended 30 June		Unaudited Six months ended 30 June	
	2019	2018	2019	2018
Loss				
Loss for the period attributable to ordinary equity holders of the Company (HK\$'000)	(10,023)	(14,152)	(9,500)	(22,063)
Number of shares				
Weighted average number of shares for the purpose of calculating basic loss per share ('000)	1,440,000	1,440,000	1,440,000	1,410,166
Basic loss per share (HK cents per share)	(0.70)	(0.98)	(0.66)	(1.56)

10. PROPERTY, PLANT AND EQUIPMENT

For the six months ended 30 June 2019, purchases of property, plant and equipment by the Group was approximately HK\$0.9 million (2018: approximately HK\$14.8 million).

11. TRADE RECEIVABLES

	Unaudited 30 June 2019 HK\$'000	Audited 31 December 2018 HK\$'000
Trade receivables	6,571	7,539

The Group's trading terms with its customers are mainly on cash and credit card settlement. The credit period is generally a few days to two months. Each customer has a maximum credit limit. The Group seeks to maintain strict control over its outstanding receivables. Overdue balances are reviewed regularly by senior management. The Group does not hold any collateral or other credit enhancements over its trade receivable balances. Trade receivables are non-interest-bearing.

An ageing analysis of the trade receivables as at the end of each of the reporting period, based on the invoice date, is as follows:

	Unaudited 30 June 2019 HK\$'000	Audited 31 December 2018 HK\$'000
Within 1 month	3,672	4,367
1 to 2 months	2,899	3,122
2 to 3 months	–	–
Over 3 months	–	50
	6,571	7,539

12. TRADE PAYABLES

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

	Unaudited 30 June 2019 HK\$'000	Audited 31 December 2018 HK\$'000
Within 1 month	10,575	12,511
1 to 2 months	8,871	9,292
2 to 3 months	6,752	7,094
Over 3 months	16,559	18,204
	42,757	47,101

13. ISSUED CAPITAL

	Number of shares	Share Capital HK\$'000
Authorised:		
As at 31 December 2018 and 30 June 2019	2,000,000,000	20,000
Issued and fully paid:		
As at 31 December 2017	10,000	–*
Capitalisation of shares (<i>note a</i>)	1,079,990,000	10,800
Share issued pursuant to the share offer (<i>note b</i>)	360,000,000	3,600
As at 30 June 2018, 31 December 2018 and 30 June 2019	1,440,000,000	14,400

* Amount less than HK\$1,000

Notes:

- (a) Pursuant to the written resolutions passed on 15 December 2017, the directors authorised to capitalise a sum of approximately HK\$10,799,900 from the amount standing to the credit of the share premium account of the Company and applied such amount to pay up in full at par of 1,079,990,000 ordinary shares of the Company upon the listing of the Company on GEM of the Stock Exchange on 16 January 2018.
- (b) The Company's shares were listed on GEM of the Stock Exchange on 16 January 2018 and 360,000,000 ordinary shares were issued at HK\$0.21 per share on 16 January 2018 in connection with the listing of the Company on the GEM.

14. RELATED PARTY TRANSACTIONS

In addition to the transactions detailed elsewhere in the unaudited condensed consolidated financial statements, the Group had the following transactions with related parties during the period:

Directors' and chief executive's emoluments

The remuneration of each director and the chief executive for the reporting period are as follows:

	Unaudited Three months ended 30 June		Unaudited Six months ended 30 June	
	2019 HK\$'000	2018 HK\$'000	2019 HK\$'000	2018 HK\$'000
Salaries, allowances and benefits in kind	1,500	1,427 [^]	3,000	2,854 [^]
Pension scheme contributions	9	9	18	18
	1,509	1,436	3,018	2,872

[^] Included in the above salaries, allowances and benefits in kind are estimated rentals of approximately HK\$171,000 (2018: HK\$170,000) for each of Mr. Wong Wing Chee and Ms. Lee Ching Nung Angel, for a building owned by the Group as directors' quarter.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS AND OPERATION REVIEW

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

RESTAURANT OPERATIONS

For the six months ended 30 June 2019, the Group operated ten full-service restaurants in Hong Kong, Macau and Shanghai, the PRC to provide Cantonese cuisine under the brand name of “Dragon King (龍皇)”, “Dragon Seal (龍璽)”, “Dragon Gown (龍袍)”, “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 30 June 2019, the Group had eight restaurants in Hong Kong, two of which are located on Hong Kong Island (respectively known as the “**Causeway Bay Restaurant**” and the “**Wan Chai Restaurant**”), four of which are located in Kowloon (respectively known as the “**ICC Restaurant**”, the “**Kwun Tong Restaurant**”, the “**San Po Kong Restaurant**” and the “**Whampoa Restaurant**”), and two of which are located in the New Territories (respectively known as the “**Sheung Shui Restaurant**” and the “**Kwai Chung Restaurant**”). The Group’s restaurant in Macau is located in the Venetian Macao (known as the “**Macau Restaurant**”) and the restaurant in Shanghai is located in Pudong New District (known as the “**Shanghai Restaurant**”).

FINANCIAL REVIEW

Revenue

For the six months ended 30 June 2019, the Group recorded a total revenue of approximately HK\$215.7 million, representing an increase of approximately HK\$7.3 million, or approximately 3.5% as compared to approximately HK\$208.4 million for the six months ended 30 June 2018. The increase in overall revenue was due to by the increase of revenue generated by Dragon Gown and Dragon Seal, which was partially offset by the decrease of revenue generated by Dragon King, Imperial Seal and Dragon Feast.

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

	For the six months ended 30 June			
	2019		2018	
	Revenue HK\$'000	% of total revenue (%)	Revenue HK\$'000	% of total revenue (%)
Dragon King (龍皇)	123,652	57.3%	129,407	62.1%
Dragon Seal (龍璽)	33,007	15.3%	26,101	12.5%
Dragon Gown (龍袍)	15,387	7.1%	–	–
Imperial Seal (皇璽)	19,752	9.2%	21,828	10.5%
Dragon Feast (龍宴)	23,874	11.1%	31,059	14.9%
Total revenue	215,672	100.0%	208,395	100.0%

Dragon King (龍皇)

The revenue generated from Dragon King decreased by approximately HK\$5.7 million, or approximately 4.4%, from approximately HK\$129.4 million for the six months ended 30 June 2018 to approximately HK\$123.7 million for the six months ended 30 June 2019.

The decrease in revenue were mainly due to (i) the decrease of revenue generated by the old restaurant located in Wan Chai under the brand name "Dragon King (龍皇)" (the "Old Wan Chai Restaurant") in which the lease has expired on 30 June 2018 and relocated to the Wan Chai Restaurant which operated under the brand name of "Dragon Gown (龍袍)" in August 2018; and (ii) the decrease of revenue generated by the Causeway Bay Restaurant resulted from the social instabilities, which in turn affected customers' confidence in spending, started in the second week of June 2019 and affected the customers' sentiment in dining at Causeway Bay. The decrease in revenue was partially offset by the revenue generated from the Kwai Chung Restaurant which started operation in May 2018. The revenue generated from other restaurants operated under the brand name "Dragon King (龍皇)" remained generally stable during the periods ended 30 June 2018 and 2019.

Dragon Seal (龍璽)

The revenue generated from Dragon Seal increased by approximately HK\$6.9 million, or approximately 26.4%, from approximately HK\$26.1 million for the six months ended 30 June 2018 to approximately HK\$33.0 million for the six months ended 30 June 2019. Such increase was mainly due to the increase in the number of banquet which generally had a higher spending compared to the casual dining.

Dragon Gown (龍袍)

The revenue generated from Dragon Gown was approximately HK\$15.4 million for the six months ended 30 June 2019.

Imperial Seal (皇璽)

The revenue generated from Imperial Seal decreased by approximately HK\$2.0 million, or approximately 9.2%, from approximately HK\$21.8 million for the six months ended 30 June 2018 to approximately HK\$19.8 million for the six months ended 30 June 2019. Such decrease was mainly due to the Sino-US trade war in the second half of 2018 which affected the consumption sentiment of customers in mainland China and the situation continued in the first half of 2019.

Dragon Feast (龍宴)

The revenue generated from Dragon Feast decreased by approximately HK\$7.2 million, or approximately 23.2%, from approximately HK\$31.1 million for the six months ended 30 June 2018 to approximately HK\$23.9 million for the six months ended 30 June 2019. The significant decrease was mainly due to the decrease of revenue generated by the Sheung Shui Restaurant resulted from the increase in the competition of Cantonese cuisine nearby and the refurbishment works performed during the second half of March 2019 in which the restaurant did not have operation during that period.

Gross profit and gross profit margin

The Group's gross profit (i.e. revenue minus cost of inventories consumed) amounted to approximately HK\$147.9 million for the six months ended 30 June 2019, representing an increase of approximately 4.2% from approximately HK\$141.9 million for the six months ended 30 June 2018, which was driven by the increase of revenue and partially offset by the increase of the costs of inventories consumed. The Group's overall gross profit margin remained at similar level for the periods ended 30 June 2019 and 2018.

Staff costs

Staff costs were approximately HK\$74.6 million for the six months ended 30 June 2019, representing an increase of approximately 2.5% as compared to HK\$72.8 million for the six months ended 30 June 2018. Such increase was mainly due to the salary increment for employees of each restaurant and the increase in number of staff for the Kwai Chung Restaurant which started its operation in May 2018.

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 six years, with some lease agreements provide an option for the Group to renew.

Loss on disposal of items of property, plant and equipment

The loss on disposal of items of property, plant and equipment was approximately HK\$7.0 million for the six months ended 30 June 2018. It was mainly due to the closure of the Old Wan Chai Restaurant which the lease has expired on 30 June 2018.

Rental and related expenses

The Group's rental and related expenses decreased by approximately HK\$26.8 million or approximately 70.3% from approximately HK\$38.1 million for the six months ended 30 June 2018 to approximately HK\$11.3 million for the six months ended 30 June 2019. Such decrease was mainly due to the classification of rental expenses as depreciation of right-of-use assets and expenses from short-term leases under HKFRS 16.

Other operating expenses

The Group's other operating expenses slightly increased by approximately HK\$0.5 million or approximately 1.5% from approximately HK\$32.9 million for the six months ended 30 June 2018 to approximately HK\$33.4 million for the six months ended 30 June 2019. Such increase was mainly due to the increase in the Group's marketing and promotional expenses.

Listing expenses

Listing expenses was approximately HK\$4.4 million for the six months ended 30 June 2018. Listing expenses incurred for the six months ended 30 June 2018 is one-off in nature and mainly attributable to the professional fees in relation to the Listing.

Loss attributable to owners of the Company

As a result of the foregoing, the Group recorded a loss attributable to owners of the Company of approximately HK\$9.5 million for the six months ended 30 June 2019, as compared with loss of approximately HK\$22.1 million for the six months ended 30 June 2018.

For the six months ended 30 June 2019, the Group recorded a loss attributable to owners of the Company of approximately HK\$9.5 million. The loss was mainly due to the Wan Chai Restaurant and the Causeway Bay Restaurant both recorded a substantial loss among the group's other restaurants due to the social instabilities, which in turn affected customers' confidence in spending, started in the second week of June 2019 and affected the customers' sentiment in dining at those areas.

PROSPECTS

The shares of the Company were listed on GEM of the Stock Exchange by way of share offer on 16 January 2018. The Directors believe that listing on GEM of the Stock Exchange could enhance the Group's profile and recognition which will enhance the customers' confidence in 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.

Consumption sentiment is likely to continue to be impacted by the Sino-US trade war and fluctuations of both property and stock markets together with the prevailing unstable social atmosphere in Hong Kong. To address the current weakness in customer sentiment and unpredictable market conditions, the Group will strengthen its promotional efforts to maintain the Group's competitiveness, including the launching of new promotional menus regularly and seasonal food.

Looking ahead, if the consumption sentiment is not improved, economy will be affected. The Group will constantly adjust the business strategies in order to respond to the changes in the respective markets. The Group will continue to evaluate the overall market conditions and strike a balance between expanding the Group's restaurants and closing underperforming restaurants in the future.

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 enhancement of the Group’s brand recognition; and (iii) enhancement of the Group’s 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 2019 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 name of “Dragon King” and “Dragon Feast” 	<ul style="list-style-type: none"> The Kwai Chung Restaurant commenced its operation as “Dragon King (龍皇)” on 2 May 2018 The Wan Chai Restaurant commenced its operation as “Dragon Gown (龍袍)” on 15 August 2018 The Group carefully evaluated the market and delayed the expansion plan
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 	<ul style="list-style-type: none"> Continue to enhance the Group’s brand recognition through various media channels Ms. Alice Chan (陳煒) was appointed as the Group’s spokesperson

Business Strategy as stated in the Prospectus	Implementation activities up to 30 June 2019 as stated in the Prospectus	Actual business progress up to the date of this report
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 	The refurbishment work in the Group's restaurants continues
Repayment of bank and other borrowings	<ul style="list-style-type: none"> To repay part of our outstanding bank borrowings 	Early repayment of four outstanding bank borrowings amounted to HK\$3.0 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 of the Stock Exchange 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 30 June 2019, the net proceeds from share offer were applied as follows:

	Planned use of net proceeds as stated in the Prospectus up to 30 June 2019 HK\$ million	Actual use of net proceeds up to 30 June 2019 HK\$ million	Unutilised net proceeds up to 30 June 2019 HK\$ million
Expansion in Hong Kong with multi-brand strategy	23.6	20.6	3.0
Enhancement of existing restaurant facilities	4.1	4.1	–
Enhancement of marketing and promotions	0.9	0.9	–
Repayment of bank and other borrowings	3.0	3.0	–
Working capital	1.6	1.6	–
	33.2	30.2	3.0

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 30 June 2019, approximately HK\$30.2 million out of the net proceeds from the Listing had been used. The remaining unutilised 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.

CAPITAL STRUCTURE

The shares of the Company were listed on GEM of the Stock Exchange on 16 January 2018. There has been no change in the capital structure of the Group since the Listing Date and up to the date of this report. The capital of the Group only comprised of ordinary shares.

LIQUIDITY AND FINANCIAL RESOURCES

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

As at 30 June 2019, the Group had borrowings of approximately HK\$46.9 million which was denominated in Hong Kong Dollars (31 December 2018: approximately HK\$50.5 million). The increase in borrowings represented an additional banking facility drawn from one of the licensed banks in Hong Kong during the six months ended 30 June 2019. The Group's bank borrowings were primarily used in financing the working capital requirement of its operations.

As at 30 June 2019, the Group's cash and cash equivalents were approximately HK\$34.9 million (31 December 2018: approximately HK\$18.0 million). The Directors believe that the Group is in a healthy financial position to expand its business and to achieve its business objectives.

GEARING RATIO

As at 30 June 2019, the gearing ratio of the Group was approximately 67.9% (31 December 2018: 70.2%). The decrease in gearing ratio was mainly due to the increase in cash and cash equivalents resulted from the proceeds from withdrawal of life insurance policies and the shareholder's loan. Gearing ratio is calculated as net debt divided by capital and net debt. Net debt represented total liabilities (excluding lease liabilities and 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 30 June 2019, the borrowings were secured by a building owned by the Group and life insurance policies amounted to approximately HK\$29.9 million (31 December 2018: approximately HK\$30.3 million) and approximately HK\$5.3 million (31 December 2018: HK\$15.9 million), respectively, for certain banking facilities granted to the Group.

SEGMENT INFORMATION

The Group principally operates in one business segment, which is the operation and management of restaurants.

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

There was no significant investment held, material acquisition and disposal of subsidiaries and affiliated companies by the Company during the six months ended 30 June 2019. There is no other plan for material investments or capital assets as at 30 June 2019.

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 six months ended 30 June 2019, 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 30 June 2019 (31 December 2018: Nil).

DIVIDEND

The Board does not recommend any payment of dividend for the six months ended 30 June 2019 (2018: Nil).

INFORMATION ON EMPLOYEES

As at 30 June 2019, the Group had 630 employees (31 December 2018: 650 employees) working in Hong Kong, Macau and Shanghai. Employees are remunerated based on their qualifications, position and performance. The remuneration offered to employees generally includes salaries, allowances and discretionary bonus. Various kind of trainings were provided to the employees. The total staff costs (including remuneration of Directors and mandatory provident funds contributions) for the period ended 30 June 2019 amounted to approximately HK\$74.6 million (2018: HK\$72.8 million).

OTHER INFORMATION

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

As at 30 June 2019, 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 the Securities and Futures Ordinance (“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 5.68 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 Wing Chee ^{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 Wing Chee (“**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 30 June 2019, none of the Directors and Chief Executive Officer 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 5.68 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange.

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

So far as known to the Directors or chief executive of the Company, as at 30 June 2019, the following persons/entities (other than the Directors and chief executive of the Company) had or were deemed to have an interest or a short position in the shares or the underlying shares of the Company which would be required to be disclosed to the Company and the Stock Exchange under the provisions of 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 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Company or any other member of the Group:

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%
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%

Name of Shareholder	Capacity/Nature of interest	Number of Shares held/ interested	Approximate percentage of shareholding
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:

- 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 is the sole director of Good Vision.
- 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.
- Mr. Chan Man Wai (“**Mr. Chan**”) either directly or through Best Active Investments Limited (“**Best Active**”, a company wholly-owned by him) holds a total of 33.84% 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.
- 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.
- 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 30 June 2019, 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’ interests and short positions in shares, underlying shares and debentures 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 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Company or any other member of the Group.

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 six months ended 30 June 2019.

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 Company 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 six months ended 30 June 2019.

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 (the "**Deed of Non-competition**") with the Company (for itself and as trustee for its subsidiaries) on 15 December 2017. 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 5.68 of the GEM Listing Rules as the code of conduct regarding Directors' securities transactions in securities of the Company. 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 during the six months ended 30 June 2019 and 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 six months ended 30 June 2019, 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 ADVISER

As confirmed by the Group's compliance adviser, Frontpage Capital Limited (the "**Compliance Adviser**"), save as the compliance adviser agreement entered into between the Company and the Compliance Adviser, none of the Compliance Adviser 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 to the GEM Listing Rules. The Board is of the opinion that the Company has complied with the CG Code during the six months ended 30 June 2019 and up to the date of this report.

EVENTS AFTER THE REPORTING PERIOD

Save as disclosed in this interim report, there is no other important event affecting the Group since 30 June 2019 and up to date of this interim 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 six months ended 30 June 2019 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 six months ended 30 June 2019 comply with applicable accounting standards and the 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, 9 August 2019

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.