



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



Third Quarterly Report
2020

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

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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 and nine months ended 30 September 2020

The unaudited condensed consolidated results of the Group for the three months and nine months ended 30 September 2020, together with the unaudited comparative figures for the corresponding period in 2019, are as follows:

	Notes	Unaudited Three months ended 30 September		Unaudited Nine months ended 30 September	
		2020 HK\$'000	2019 HK\$'000	2020 HK\$'000	2019 HK\$'000
Revenue	3	40,039	96,055	146,081	311,727
Costs of inventories consumed		(13,015)	(30,261)	(44,316)	(98,002)
Gross profit		27,024	65,794	101,765	213,725
Other income and gains, net	4	7,974	304	17,853	1,189
Staff costs		(17,599)	(38,667)	(62,191)	(113,244)
Depreciation of items of property, plant and equipment		(3,052)	(4,615)	(9,452)	(13,786)
Depreciation of right-of-use assets		(6,478)	(9,915)	(21,001)	(28,351)
Loss on disposal of a subsidiary		-	-	(500)	-
Rental and related expenses		(3,077)	(11,125)	(12,565)	(29,162)
Other operating expenses		(7,896)	(14,846)	(26,163)	(48,295)
Finance costs		(1,228)	(795)	(3,991)	(4,616)
Loss before tax	5	(4,332)	(13,865)	(16,245)	(22,540)
Income tax expenses	6	-	-	-	(825)
Loss for the period attributable to the owners of the Company		(4,332)	(13,865)	(16,245)	(23,365)
Loss per share		HK cents	HK cents	HK cents	HK cents
- Basic and diluted	8	(0.30)	(0.96)	(1.13)	(1.62)

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME

Three months and nine months ended 30 September 2020

	Unaudited Three months ended 30 September		Unaudited Nine months ended 30 September	
	2020 HK\$'000	2019 HK\$'000	2020 HK\$'000	2019 HK\$'000
Loss for the period	(4,332)	(13,865)	(16,245)	(23,365)
Other comprehensive income/(expense):				
<i>Item that may be reclassified subsequently to profit or loss:</i>				
– Exchange differences on translating foreign operations	50	(43)	197	(303)
Total comprehensive expense for the period	(4,282)	(13,908)	(16,048)	(23,668)

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Nine months ended 30 September 2020

	Issued capital HK\$'000	Share premium HK\$'000	Other reserve HK\$'000	Capital reserve HK\$'000	Exchange fluctuation reserve HK\$'000	Accumulated loss HK\$'000	Total equity HK\$'000
At 1 January 2019 (Audited)	14,400	88,057	(43,224)	42,703	(316)	(48,397)	53,223
Loss for the period	-	-	-	-	-	(23,365)	(23,365)
Other comprehensive expense for the period, net of income tax							
<i>Item that maybe reclassified subsequently to profit or loss:</i>							
Exchange differences arising on translation of foreign operations	-	-	-	-	(303)	-	(303)
Total comprehensive expense for the period	-	-	-	-	(303)	(23,365)	(23,668)
At 30 September 2019 (Unaudited)	14,400	88,057	(43,224)	42,703	(619)	(71,762)	29,555
At 1 January 2020 (Audited)	14,400	88,057	(43,224)	42,703	131	(83,870)	18,197
Loss for the period	-	-	-	-	-	(16,245)	(16,245)
Other comprehensive income for the period, net of income tax							
<i>Item that maybe reclassified subsequently to profit or loss:</i>							
Exchange differences arising on translation of foreign operations	-	-	-	-	197	-	197
Total comprehensive expense for the period	-	-	-	-	197	(16,245)	(16,048)
At 30 September 2020 (Unaudited)	14,400	88,057	(43,224)	42,703	328	(100,115)	2,149

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL INFORMATION

The Company is a limited liability company incorporated in the Cayman Islands on 8 August 2016. The registered office 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 since 16 January 2018.

The Company is an investment holding company. The Group is principally engaged in the operation and management of restaurants in Hong Kong, Macau and 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 nine months ended 30 September 2020 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 nine months ended 30 September 2020 are consistent with those adopted in the Group's audited annual report dated 23 March 2020 (the "2019 Annual Report"), except for the adoption of the new and revised Hong Kong Financial Reporting Standards (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.

The adoption of the New and Revised HKFRSs has had no significant effect on these unaudited condensed consolidated financial statements for the nine months ended 30 September 2020 and there have been no significant changes to the accounting policies applied in these unaudited condensed consolidated financial statements for the nine months ended 30 September 2020.

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 nine months ended 30 September 2020 have been prepared under the historical cost convention. The unaudited condensed consolidated financial statements for the nine months ended 30 September 2020 are presented in thousand of Hong Kong dollars (“HKS’000”), which is also the functional currency of the Group.

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 2019.

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. REVENUE

	Unaudited Three months ended 30 September		Unaudited Nine months ended 30 September	
	2020 HKS’000	2019 HK\$’000	2020 HKS’000	2019 HK\$’000
Revenue from contracts with customers				
Restaurant operations	40,039	96,055	146,081	311,727

(i) Disaggregated revenue information

	Unaudited Three months ended 30 September		Unaudited Nine months ended 30 September	
	2020 HKS’000	2019 HK\$’000	2020 HKS’000	2019 HK\$’000
Type of goods or services				
Revenue from Chinese restaurant operations	40,039	96,055	146,081	311,727
Geographical markets				
Hong Kong and Macau	30,421	87,271	125,243	283,191
The PRC	9,618	8,784	20,838	28,536
Total	40,039	96,055	146,081	311,727
Timing of revenue recognition				
At a point in time	40,039	96,055	146,081	311,727

(ii) Performance obligations for contracts with customers

Operation and management of restaurants

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

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

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

4. OTHER INCOME AND GAINS, NET

	Unaudited Three months ended 30 September		Unaudited Nine months ended 30 September	
	2020 HK\$'000	2019 HK\$'000	2020 HK\$'000	2019 HK\$'000
Other income and gains, net				
Bank interest income	1	83	3	86
Fair value gains on financial assets at fair value through profit or loss	15	–	95	156
Subsidies received from a utility company for purchases of items of property, plant and equipment*	126	139	378	417
Subsidies received from government	7,394	–	16,381	–
Others	438	82	996	530
	7,974	304	17,853	1,189

* As at 30 September 2020 and 2019, there were no unfulfilled conditions or other contingencies attaching to the subsidies that had been recognised by the Group.

5. LOSS BEFORE TAX

Loss before tax has been arrived at after charging:

	Unaudited Three months ended 30 September		Unaudited Nine months ended 30 September	
	2020 HK\$'000	2019 HK\$'000	2020 HK\$'000	2019 HK\$'000
Contingent rents under operating leases*	-	-	490	472
Auditor's remuneration	250	200	750	800
Employee benefit expense (excluding Directors' and chief executive's remuneration)				
Wages and salaries	15,920	35,401	55,644	102,457
Pension scheme contributions	495	1,646	2,540	5,134
	16,415	37,047	58,184	107,591

* 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 EXPENSES

For the nine months ended 30 September 2020 and 2019, 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 a flat rate of 16.5%.

The 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 nine months ended 30 September 2020 (2019: 25% and 12%), respectively.

	Unaudited Three months ended 30 September		Unaudited Nine months ended 30 September	
	2020 HK\$'000	2019 HK\$'000	2020 HK\$'000	2019 HK\$'000
Current – Hong Kong	-	-	-	825
Total tax charge for the period	-	-	-	825

7. DIVIDEND

The board of Directors (the “Board”) does not recommend any payment of dividend in respect of the nine months ended 30 September 2020 (2019: Nil).

8. LOSS PER SHARE

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

	Unaudited Three months ended 30 September		Unaudited Nine months ended 30 September	
	2020 HK\$'000	2019 HK\$'000	2020 HK\$'000	2019 HK\$'000
Loss attributable to owners of the Company for the purpose of basic and diluted loss per share	(4,332)	(13,865)	(16,245)	(23,365)
	Number of shares		Number of shares	
	'000	'000	'000	'000
Weighted average number of ordinary shares for the purpose of calculating basic and diluted loss per share	1,440,000	1,440,000	1,440,000	1,440,000
Basic loss per share (HK cents per share)	(0.30)	(0.96)	(1.13)	(1.62)

No diluted earnings per share for the nine months ended 30 September 2020 and 2019 were presented as there were no potential ordinary shares in issue for the nine months ended 30 September 2020 and 2019.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS AND OPERATION REVIEW

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

RESTAURANT OPERATIONS

For the nine months ended 30 September 2020, 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 September 2020, the Group had seven restaurants in Hong Kong, two of which are located on Hong Kong Island (respectively known as the “Causeway Bay Restaurant” and the “Wan Chai Restaurant”), four of which are located in Kowloon (respectively known as the “ICC Restaurant”, the “Kwun Tong Restaurant”, the “San Po Kong Restaurant” and the “Whampoa Restaurant”), and one of which is located in the New Territories (known as 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”).

In January 2020, the restaurant under the brand name of “Dragon Feast (龍宴)” located in Sheung Shui (the “Sheung Shui Restaurant”) was disposed of to an independent third party due to the worsening financial performance in recent years.

FINANCIAL REVIEW

Revenue

For the nine months ended 30 September 2020, the Group recorded a total revenue of approximately HK\$146.1 million, representing a significant decrease of approximately HK\$165.6 million or approximately 53.1% as compared to approximately HK\$311.7 million for the nine months ended 30 September 2019.

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

	For the nine months ended 30 September			
	2020		2019	
	Revenue	% of total revenue	Revenue	% of total revenue
	HK\$'000	(%)	HK\$'000	(%)
Dragon King (龍皇)	90,917	62.2%	178,951	57.4%
Dragon Seal (龍璽)	17,815	12.2%	45,394	14.6%
Dragon Gown (龍袍)	13,581	9.3%	21,605	6.9%
Imperial Seal (皇璽)	20,838	14.3%	28,536	9.2%
Dragon Feast (龍宴) *	2,930	2.0%	37,241	11.9%
Total revenue	146,081	100.0%	311,727	100.0%

* Disposed of on 17 January 2020

Dragon King (龍皇)

The revenue generated from Dragon King significantly decreased by approximately HK\$88.1 million, or approximately 49.2%, from approximately HK\$179.0 million for the nine months ended 30 September 2019 to approximately HK\$90.9 million for the nine months ended 30 September 2020.

The overall decrease in revenue was mainly due to the outbreak of novel coronavirus (the "COVID-19") pandemic in Hong Kong since January 2020 and the recurrence in July 2020 and the resulting anti-epidemic precautionary measures including restrictions on catering business premises imposed in Hong Kong which had an adverse impact on the revenue generated during the nine months ended 30 September 2020.

Dragon Seal (龍璽)

The revenue generated from Dragon Seal significantly decreased by approximately HK\$27.6 million, or approximately 60.8%, from approximately HK\$45.4 million for the nine months ended 30 September 2019 to approximately HK\$17.8 million for the nine months ended 30 September 2020. Such decrease was mainly due to the outbreak of COVID-19 and the anti-epidemic precautionary measures discussed above.

Dragon Gown (龍袍)

The revenue generated from Dragon Gown significantly decreased by approximately HK\$8.0 million, or approximately 37.0%, from approximately HK\$21.6 million for the nine months ended 30 September 2019 to approximately HK\$13.6 million for the nine months ended 30 September 2020. Such decrease was mainly due to the outbreak of COVID-19 and the anti-epidemic precautionary measures discussed above.

Imperial Seal (皇璽)

The revenue generated from Imperial Seal significantly decreased by approximately HK\$7.7 million, or approximately 27.0%, from approximately HK\$28.5 million for the nine months ended 30 September 2019 to approximately HK\$20.8 million for the nine months ended 30 September 2020. Such decrease was mainly due to the outbreak of COVID-19 spread in the PRC in the first half of 2020 and the operation of restaurant was suspended from late January 2020 to early March 2020. The revenue generated by Imperial Seal gradually increased during the three months ended 30 September 2020 driven by the persistently low number of new confirmed cases of COVID-19 reported in the PRC.

Dragon Feast (龍宴)

The revenue generated from Dragon Feast significantly decreased by approximately HK\$34.3 million, or approximately 92.2%, from approximately HK\$37.2 million for the nine months ended 30 September 2019 to approximately HK\$2.9 million for the nine months ended 30 September 2020. Such decrease was mainly due to the disposal of the Sheung Shui Restaurant to an independent third party in mid-January 2020.

Gross profit and gross profit margin

The Group's gross profit (i.e. revenue minus cost of inventories consumed) amounted to approximately HK\$101.8 million for the nine months ended 30 September 2020, representing a significant decrease of approximately HK\$111.9 million or approximately 52.4% from approximately HK\$213.7 million for the nine months ended 30 September 2019 driven by the decrease in revenue.

The Group's overall gross profit margin slightly increased approximately by 1.1% from approximately 68.6% for the nine months ended 30 September 2019 to approximately 69.7% for the nine months ended 30 September 2020. Such increase was mainly due to the cost control on food ingredients.

Other income and gains, net

Other income and gains, net significantly increased by approximately HK\$16.7 million from approximately HK\$1.2 million for the nine months ended 30 September 2019 to approximately HK\$17.9 million for the nine months ended 30 September 2020. Such increase were mainly due to the one-off subsidies amounted to approximately HK\$12.2 million and approximately HK\$4.2 million received from the The Food and Environmental Hygiene Department and the Employment Support Scheme from the HKSAR Government under the Anti-epidemic Fund, respectively.

Staff costs

Staff costs was approximately HK\$62.2 million for the nine months ended 30 September 2020, representing a significant decrease of approximately HK\$51.0 million or approximately 45.1% as compared to HK\$113.2 million for the nine months ended 30 September 2019. Such decrease was mainly due to all Directors, senior management members and employees of the Group agreed and have unpaid leaves starting from February 2020 to September 2020 as one of the cost saving measures in response to the outbreak of COVID-19.

Depreciation of right-of-use assets

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

Rental and related expenses

The Group's rental and related expenses significantly decreased by approximately HK\$16.6 million or approximately 56.9% from approximately HK\$29.2 million for the nine months ended 30 September 2019 to approximately HK\$12.6 million for the nine months ended 30 September 2020. Such decrease was mainly due to certain short-term lease payment, management fees and promotion levy were waived by landlord due to the outbreak of COVID-19.

Other operating expenses

The Group's other operating expenses significantly decreased by approximately HK\$22.1 million or approximately 45.8% from approximately HK\$48.3 million for the nine months ended 30 September 2019 to approximately HK\$26.2 million for the nine months ended 30 September 2020. Such decrease was mainly due to the improvement of operational efficiency as a result of the Group's further control over its operational costs.

Loss attributable to owners of the Company

For the nine months ended 30 September 2020, the Group recorded a loss attributable to owners of the Company of approximately HK\$16.2 million, as compared with loss of approximately HK\$23.4 million for the nine months ended 30 September 2019. It was mainly due to the outbreak of COVID-19 and the anti-epidemic precautionary measures imposed by the HKSAR Government which led to a significant decrease in revenue during the nine months ended 30 September 2020 and offset with the subsidies received from the the HKSAR Government to support the Group's operation under the outbreak of COVID-19.

DIVIDEND

The Board does not recommend any payment of dividend for the nine months ended 30 September 2020 (2019: Nil).

PROSPECTS

The shares of the Company were listed on GEM of the Stock Exchange (the “**Listing**”) on 16 January 2018 (the “**Listing Date**”) by way of share offer. The Directors believe that Listing 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.

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

On the other hand, the staff costs and food costs remained relatively high despite the current economic downturn, therefore the Group is facing pressure on striking the balance between cost control and the qualities of the food and services. Another major cost component for the Group is the rental expenses. The Group has been negotiating with the landlords for rent concessions as some of the Group’s restaurants could not be opened due to the restrictions on catering business premises and the reduced number of visitors as overshadowed by the outbreak of COVID-19.

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

OTHER INFORMATION

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

As at 30 September 2020, 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 (“ Ms. Lee ”) ^{Note 1}	Interest of spouse	578,880,000	40.20%
Mr. Wong Wing Chee (“ Mr. Wong WC ”) ^{Note 2}	Interested in a controlled corporation	578,880,000	40.20%
Mr. Wong Wing Hong (“ Mr. Wong WH ”) ^{Note 3}	Interested in a controlled corporation	10,800,000	0.75%

Notes:

1. 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 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 September 2020, none of the Directors and chief executive 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 September 2020, 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	40.20%
Good Vision Limited	Beneficial owner	237,600,000	16.50%
Hong Kong Tang Palace Food & Beverage Group Company Limited ^{Note 1}	Interested in a controlled corporation	237,600,000	16.50%
Tang Palace (China) Holdings Limited ^{Note 2}	Interested in a controlled corporation	237,600,000	16.50%
Mr. Chan Man Wai ^{Note 3}	Interested in a controlled corporation	237,600,000	16.50%
Ms. Au Yim Bing ^{Note 4}	Interest of spouse	237,600,000	16.50%

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 (“**Mr. Chan**”) 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 either directly or through Best Active Investments Limited (“**Best Active**”, a company wholly-owned by him) holds a total of 33.70% 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.

Save as disclosed above, as at 30 September 2020, 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 nine months ended 30 September 2020.

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 nine months ended 30 September 2020.

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 nine months ended 30 September 2020 and up to the date of this report.

SHARE OPTION SCHEME

The Company has conditionally adopted the share option scheme (the "**Share Option Scheme**") by the resolutions in writing of all the shareholders passed on 15 December 2017. The Share Option Scheme enables the Company to grant share options to any director, employee or other stakeholders to the Company or any of its subsidiaries, as incentives or rewards for their contributions to the Group for the purpose of attract and retain the best available personnel, to provide additional incentive to employees (full-time and part-time), directors, consultants, advisers, distributors, contractors, suppliers, agents, customers, business partners or service providers of the Group and to promote the success of the business of the Group.

The subscription price of a share in respect of any particular option granted under the Share Option Scheme shall be a price solely determined by the Board and notified to a participant and shall be at least the higher of: (i) the closing price of the shares as stated in the Stock Exchange's daily quotations sheet on the date of grant of the option, which must be a business day; (ii) the average of the closing prices of the shares as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the date of grant of the option; and (iii) the nominal value of a share on the date of grant of the option.

The maximum number of shares issuable upon exercise of all options to be granted under the Share Option Scheme and any other share option schemes of the Company as from the adoption date (excluding, for this purpose, shares issuable upon exercise of options which have been granted but which have lapsed in accordance with the terms of the Share Option Scheme or any other share option schemes of the Company) must not in aggregate exceed 10% of all the shares in issue. Therefore, it is expected that the Company may grant options in respect of up to 144,000,000 shares (or such numbers of shares as shall result from a sub-division or a consolidation of such 144,000,000 shares from time to time) to the participants under the Share Option Scheme.

The 10% limit as mentioned above may be refreshed at any time by approval of the shareholders in general meeting provided that the total number of shares which may be issued upon exercise of all options to be granted under the Share Option Scheme and any other share option schemes of the Company must not exceed 10% of the shares in issue as at the date of approval of the refreshed limit. Options previously granted under the Share Option Scheme and any other share option schemes of the Company (including those outstanding, cancelled or lapsed in accordance with the terms of the Share Option Scheme and any other share option schemes of the Company) will not be counted for the purpose of calculating the refreshed 10% limit.

The total number of shares issued and to be issued upon exercise of options granted to any participant (including both exercised and outstanding options) under the Share Option Scheme or any other share option schemes of the Company in any 12-month period up to the date of grant shall not exceed 1% of the shares in issue. Any further grant of options in excess of such limit must be separately approved by shareholders in general meeting with such grantee and his close associates (or his associates if the grantee is a connected person) abstaining from voting. In such event, the Company must send a circular to the shareholders containing the identity of the grantee, the number and terms of the options to be granted (and options previously granted to such grantee), and all other information required under the GEM Listing Rules. The number and terms (including the subscription price) of the options to be granted must be fixed before the approval of the shareholders and the date of the Board meeting proposing such further grant should be taken as the date of grant for the purpose of calculating the subscription price.

An option may be exercised in accordance with the terms of the Share Option Scheme at any time during a period as the Board may determine which shall not exceed ten years from the date of grant subject to the provisions of early termination thereof.

The Share Option Scheme will remain in force for a period of 10 years commencing on the date on which the Share Option Scheme is adopted (i.e. 15 December 2017).

During the nine months ended 30 September 2020, the Group did not grant any 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 of the GEM Listing Rules. The Board is of the opinion that the Company has complied with the CG Code during the nine months ended 30 September 2020 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 nine months ended 30 September 2020 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 nine months ended 30 September 2020 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, 6 November 2020

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.