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Dragon King Group Holdings Limited

龍皇集團控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8493)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2017

CHARACTERISTICS OF GEM OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE “STOCK EXCHANGE”)

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

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

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

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

FINAL RESULTS

The board of Directors (the “**Board**”) of the Company is pleased to announce the preliminary consolidated results of the Group for the year ended 31 December 2017, together with the comparative figures for the year ended 31 December 2016. The financial information of the Group has been approved by the Board.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Year ended 31 December 2017

	<i>Notes</i>	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Revenue	4	418,513	393,705
Cost of inventories consumed		(131,515)	(127,337)
Gross Profit		286,998	266,368
Other income and gains, net	4	2,524	4,283
Staff costs		(131,449)	(122,963)
Depreciation of items of property, plant and equipment		(17,783)	(18,327)
Rental and related expenses		(73,063)	(62,306)
Other operating expenses		(58,091)	(55,009)
Finance costs	6	(2,360)	(4,232)
Listing expenses		(13,360)	(4,125)
PROFIT/(LOSS) BEFORE TAX	5	(6,584)	3,689
Income tax expense	7	(3,649)	(2,475)
PROFIT/(LOSS) FOR THE YEAR		(10,233)	1,214
Attributable to:			
Owners of the Company		(10,161)	1,128
Non-controlling interests		(72)	86
		(10,233)	1,214
Earnings/(loss) per share attributable to ordinary equity holders of the Company		<i>HK cents</i>	<i>HK cents</i>
– Basic and diluted	9	(0.9)	0.1

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2017

	2017	2016
	<i>HK\$'000</i>	<i>HK\$'000</i>
PROFIT/(LOSS) FOR THE YEAR	(10,233)	1,214
OTHER COMPREHENSIVE INCOME/(LOSS)		
Other comprehensive income/(loss) to be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	<u>518</u>	<u>(863)</u>
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR	<u>(9,715)</u>	<u>351</u>
Attributable to:		
Owners of the Company	(9,643)	265
Non-controlling interests	<u>(72)</u>	<u>86</u>
	<u>(9,715)</u>	<u>351</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2017

	<i>Notes</i>	2017 HK\$'000	2016 <i>HK\$'000</i>
NON-CURRENT ASSETS			
Property, plant and equipment		76,420	87,958
Deposits and other receivables		24,798	24,859
Deferred tax assets		3,756	3,592
		<hr/>	<hr/>
Total non-current assets		104,974	116,409
		<hr/>	<hr/>
CURRENT ASSETS			
Inventories		10,376	11,402
Trade receivables	<i>10</i>	8,880	5,076
Prepayments, deposits and other receivables		22,575	25,038
Amounts due from related companies		402	332
Amount due from directors		15,375	29,393
Tax recoverable		–	134
Cash and cash equivalents		15,917	15,497
		<hr/>	<hr/>
Total current assets		73,525	86,872
		<hr/>	<hr/>
CURRENT LIABILITIES			
Trade payables	<i>11</i>	40,683	40,818
Other payables and accruals		27,192	30,166
Amount due to a related company		–	283
Amount due to a director		1,797	1,797
Interest-bearing bank and other borrowings		48,522	59,749
Tax payable		2,213	1,308
		<hr/>	<hr/>
Total current liabilities		120,407	134,121
		<hr/>	<hr/>
NET CURRENT LIABILITIES		(46,882)	(47,249)
		<hr/>	<hr/>
TOTAL ASSETS LESS CURRENT LIABILITIES		58,092	69,160
		<hr/>	<hr/>
NON-CURRENT LIABILITIES			
Other payables and accruals		3,051	3,514
Interest-bearing other borrowings		–	558
Deferred tax liabilities		–	332
		<hr/>	<hr/>
Total non-current liabilities		3,051	4,404
		<hr/>	<hr/>
Net assets		55,041	64,756
		<hr/> <hr/>	<hr/> <hr/>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)*As at 31 December 2017*

	<i>Note</i>	2017 HK\$'000	2016 <i>HK\$'000</i>
EQUITY			
Equity attributable to owners of the Company			
Issued capital	<i>12</i>	–	–
Reserves		<u>55,041</u>	<u>64,981</u>
		55,041	64,981
Non-controlling interests		<u>–</u>	<u>(225)</u>
Total equity		<u>55,041</u>	<u>64,756</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

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**").

During the year, the Group was engaged in the operation and management of restaurants.

2.1 BASIS OF PRESENTATION

As at 31 December 2017, the Group's current liabilities exceeded its current assets by approximately HK\$46,882,000. The current liabilities mainly consisted of interest-bearing bank borrowings of approximately HK\$48,522,000 as at 31 December 2017, of which HK\$26,553,000 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. Accordingly, the Directors consider that it is appropriate to prepare the consolidated financial statements on a going concern basis.

Pursuant to a reorganisation scheme to rationalise the structure of the Group in the preparation for the Listing (the "**Reorganisation**"), the Company became the holding company of the companies now comprising the Group on 15 December 2017.

Details of the Reorganisation are set out in the section headed "History, Reorganisation and Development" of the prospectus of the Company dated 29 December 2017 (the "**Prospectus**").

The consolidated statement of profit or loss, consolidated statement of other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows of the Group for the years ended 31 December 2017 and 2016 include the results and cash flows of all companies now comprising the Group from the earliest date presented or since the date when the subsidiaries first came under the common control of the controlling shareholder, where this is a shorter period. The consolidated statement of financial position of the Group as at 31 December 2017 and 2016 have been prepared to present the assets and liabilities of all companies now comprising the Group using the existing book values from the controlling shareholder's perspective. No adjustments are made to reflect fair values, or recognise any new assets or liabilities as a result of the Reorganisation. All intragroup transactions and balances have been eliminated on combination.

Equity interests in subsidiaries and/or businesses held by parties other than the controlling shareholder of the Company prior to the Reorganisation are presented as non-controlling interests in equity. Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests, even this results in the non-controlling interests having a deficit balance.

2.2 BASIS OF PREPARATION

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (“**HKFRSs**”) (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (“**HKASs**”) and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention at amortised cost. These financial statements are presented in Hong Kong dollars and all values are rounded to the nearest thousand except when otherwise indicated.

Basis of consolidation

The consolidated financial statements include the financial statements of the Group for the year ended 31 December 2017. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

When the Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- (a) the contractual arrangement with the other vote holders of the investee;
- (b) rights arising from other contractual arrangements; and
- (c) the Group’s voting rights and potential voting rights.

The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Profit or loss and each component of other comprehensive income are attributed to the owners of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described above. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Group’s share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

2.3 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the following revised HKFRSs for the first time for the current year's financial statements.

Amendments to HKAS 7	<i>Disclosure Initiative</i>
Amendments to HKAS 12	<i>Recognition of Deferred Tax Assets for Unrealised Losses</i>
Amendments to HKFRS 12 included in <i>Annual Improvements to HKFRSs 2014-2016 Cycle</i>	<i>Disclosure of Interests in Other Entities: Clarification of the Scope of HKFRS 12</i>

None of the above amendments to HKFRSs has had a significant financial effect on these financial statements. Disclosure has been made in the financial statements upon the adoption of amendments to HKAS 7, which require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes.

The nature and the impact of the amendments are described below:

- (a) Amendments to HKAS 7 require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes. Disclosure of the changes in liabilities arising from financing activities is provided in the financial statements.
- (b) Amendments to HKAS 12 clarify that an entity, when assessing whether taxable profits will be available against which it can utilise a deductible temporary difference, needs to consider whether tax law restricts the sources of taxable profits against which it may make deductions on the reversal of that deductible temporary difference. Furthermore, the amendments provide guidance on how an entity should determine future taxable profits and explain the circumstances in which taxable profit may include the recovery of some assets for more than their carrying amount. The amendments have had no impact on the financial position or performance of the Group.
- (c) Amendments to HKFRS 12 clarify that the disclosure requirements in HKFRS 12, other than those disclosure requirements in paragraphs B10 to B16 of HKFRS 12, apply to an entity's interest in a subsidiary, a joint venture or an associate, or a portion of its interest in a joint venture or an associate that is classified as held for sale or included in a disposal group classified as held for sale. The amendments have had no impact on the Group's financial statements.

3. OPERATING SEGMENT INFORMATION

For management purposes, the Group has only one reportable operating segment which is the operation and management of restaurants.

Geographical information

(a) Revenue from external customers

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Hong Kong and Macau	373,064	338,919
Mainland China	45,449	54,786
	<u>418,513</u>	<u>393,705</u>

The revenue information above is based on the locations of the customers.

(b) Non-current assets

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Hong Kong and Macau	74,771	83,657
Mainland China	18,001	20,984
	<u>92,772</u>	<u>104,641</u>

The non-current asset information of above is based on the locations of the assets and excludes deferred tax assets and rights arising under insurance contracts.

Information about major customers

There was no revenue from customers individually contributing over 10% to the total revenue of the Group.

4. REVENUE, OTHER INCOME AND GAINS, NET

Revenue represents the amounts received and receivable for operation and management of restaurants, net of discounts. An analysis of the Group's revenue, other income and gains, net is as follows:

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Revenue		
Revenue from Chinese restaurant operations	<u>418,513</u>	<u>393,705</u>
Other income and gains, net		
Bank interest income	2	3
Other interest income	–	205
Interest income from life insurance policies	724	905
Financial subsidy received from PRC tax authority*	435	985
Subsidies received from a utility company for purchases of items of property, plant and equipment*	571	471
Gain on bargain purchase	–	985
Others	<u>792</u>	<u>729</u>
	<u><u>2,524</u></u>	<u><u>4,283</u></u>

* As at 31 December 2017 and 2016, there were no unfulfilled conditions or other contingencies attaching to the subsidies that had been recognised by the Group.

5. PROFIT/(LOSS) BEFORE TAX

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

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Minimum lease payments under operating leases	56,098	47,167
Contingent rents under operating leases*	1,006	1,323
Auditor's remuneration	1,150	260
Employee benefit expense (excluding directors' and chief executive's remuneration)		
Wages and salaries	121,033	113,971
Pension scheme contributions	<u>6,240</u>	<u>5,667</u>
	<u><u>127,273</u></u>	<u><u>119,638</u></u>
Foreign exchange differences, net	(34)	(28)
Premium charges of life insurance policies	438	789
Adjustments of expected cash flows from insurance policies	–	400
Fair value loss of a derivative financial instrument	–	105
Loss on disposal of items of property, plant and equipment	10	3
Gain on bargain purchase#	<u>–</u>	<u>(985)</u>

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

Gain on bargain purchase is included in "Other income and gains, net" in the consolidated statement of profit or loss.

6. FINANCE COSTS

An analysis of finance costs is as follows:

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Interest on bank and other borrowings	2,360	4,228
Interest on finance leases	–	4
	<u>2,360</u>	<u>4,232</u>

7. INCOME TAX

Pursuant to the rules and regulations of the Cayman Islands and the BVI, the Group is not subject to any income tax in the Cayman Islands and the BVI. Hong Kong profits tax has been provided at the rate of 16.5% on the estimated assessable profits arising in Hong Kong during the year. 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 for each of the reporting period, respectively.

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Current – Hong Kong		
Charge for the year	3,852	2,378
Underprovision in prior years	(54)	205
Current – elsewhere	347	–
Deferred	(496)	(108)
	<u>3,649</u>	<u>2,475</u>
Total tax charge for the year	<u>3,649</u>	<u>2,475</u>

8. DIVIDENDS

The Company does not recommend the payment of final dividend for the year ended 31 December 2017 (2016: Nil).

The dividends declared/paid by a Company's subsidiary to the then shareholder during the reporting period were as follows:

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Interim dividends	–	27,293

9. EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY

The calculation of the basic earnings/(loss) per share attributable to the ordinary equity holders of the Company is based on the loss for the year ended 31 December 2017 attributable to ordinary equity holders of the Company of HK\$10,161,000 (2016: profit of HK\$1,128,000), and 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, but excluding the 360,000,000 shares issued pursuant to the share offer of the Company for its listing on the GEM on The Stock Exchange of Hong Kong Limited on 16 January 2018, as if these shares issued under the Reorganisation and the capitalisation issue had been issued on 1 January 2016.

No adjustment has been made to the basic earnings/(loss) per share amounts presented for the years ended 31 December 2017 and 2016 in respect of a dilution as the Group had no potentially dilutive ordinary shares in issue during the years ended 31 December 2017 and 2016.

10. TRADE RECEIVABLES

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:

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Within 1 month	7,153	4,248
1 to 2 months	179	321
2 to 3 months	114	260
Over 3 months	1,434	247
	<u>8,880</u>	<u>5,076</u>

11. TRADE PAYABLES

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

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Within 1 month	13,328	12,503
1 to 2 months	10,171	9,081
2 to 3 months	7,506	6,924
Over 3 months	9,678	12,310
	<u>40,683</u>	<u>40,818</u>

12. SHARE CAPITAL

	Number of shares	Share capital HK\$'000
Authorised:		
At 8 August 2016 (date of incorporation) with par value of HK\$0.01 each (note a)	38,000,000	380
Increase of authorised share capital with par value of HK\$0.01 each on 15 December 2017 (note b)	<u>1,962,000,000</u>	<u>19,620</u>
	<u><u>2,000,000,000</u></u>	<u><u>20,000</u></u>
Issued and fully paid:		
At 8 August 2016 (date of incorporation) with par value of HK\$0.01 each (note a)	1	—*
Issue of shares with par value of HK\$0.01 each (note c)	<u>9,999</u>	<u>—*</u>
	<u><u>10,000</u></u>	<u><u>—*</u></u>

* Amount less than HK\$1,000

Notes

- (a) The Company was incorporated on 8 August 2016 with an initial authorised share capital of HK\$380,000 divided into 38,000,000 shares of a par value of HK\$0.01 each. On the date of incorporation, 1 ordinary share of HK\$0.01 was allotted and issued by the Company.
- (b) On 15 December 2017, the shareholders of the Company resolved to increase the authorised share capital of the Company from HK\$380,000 to HK\$20,000,000 by the creation of 1,962,000,000 additional shares, each ranking pari passu with the Company's shares then in issue in all respects.
- (c) On 15 December 2017, pursuant to the Reorganisation, the Company further allocated and issued 9,999 shares at HK\$0.01 each to shareholders of Dragon King Holdings Limited in consideration for the acquisition of the entire share capital of Dragon King Holdings Limited.
- (d) Subsequent to the end of the reporting period, the Company's shares were listed on the 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.
- (e) 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 the GEM on 16 January 2018.

13. EVENTS AFTER THE REPORTING PERIOD

The following significant events took place subsequent to 31 December 2017:

- (a) The Company's shares were listed on the 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 as detailed in the Prospectus and the announcement of the Company dated 15 January 2018, among others, in relation to the allotment results of the share offer.
- (b) 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 the GEM on 16 January 2018.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS AND OPERATIONAL REVIEW

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

Restaurant Operations

For the year ended 31 December 2017, the Group operated nine full-service restaurants in Hong Kong, Macau and Shanghai, the PRC, to provide Cantonese cuisines under the brand name of “Dragon King (龍皇)”, “Dragon Seal (龍璽)”, “Imperial Seal (皇璽)” and “Dragon Feast (龍宴)”. All of the Group’s restaurants are strategically located in prominent commercial areas, residential areas or shopping complexes. The Group is committed to providing quality food and services as well as comfortable dining environment to the customers.

Vast majority of the Group’s restaurants are located in Hong Kong. As at 31 December 2017, the Group had seven restaurants in Hong Kong, two of which are located in Hong Kong Island (respectively known as the “Causeway Bay Restaurant” and the “Wan Chai Restaurant”), four of the which are located in Kowloon (respectively known as the “ICC Restaurant”, the “Kwun Tong Restaurant”, the “San Po Kong Restaurant” and the “Whampoa Restaurant”), and one of which is located in New Territories (known as the “Sheung Shui Restaurant”). The Group’s restaurant in Macau is in the Venetian Macao (known as the “Macau Restaurant”) and the Shanghai’s restaurant is in Pudong New District (known as the “Shanghai Restaurant”).

FINANCIAL REVIEW

Revenue

For the year ended 31 December 2017, the Group recorded a total revenue of approximately HK\$418.5 million, representing an increase of approximately 6.3% as compared to approximately HK\$393.7 million for the year ended 31 December 2016.

The increase in revenue was principally attributed to (i) the newly operated Wan Chai Restaurant and the Macau Restaurant which commenced business in July 2016; and (ii) the increase in revenue of the ICC Restaurant resulting from the increase in relatively large banquets during the year. The increase in revenue was partially offset by the decrease in revenue of the Whampoa Restaurant, the Sheung Shui Restaurant and the Shanghai Restaurant. The Group considered that the decrease in revenue of the Whampoa Restaurant and the Sheung Shui Restaurant are mainly due to the decrease in number of customers visited while the decrease in revenue of the Shanghai Restaurant resulted from the further enforcement of anti-corruption campaign in Shanghai since 2015. The revenue contributed by the other restaurants remained generally stable during the comparable period.

Gross profit and gross profit margin

The Group's gross profit (i.e. revenue minus cost of inventories consumed) amounted to approximately HK\$287.0 million for the year ended 31 December 2017, representing an increase of approximately 7.7% from approximately HK\$266.4 million for the year ended 31 December 2016 driven by the increase in revenue.

Moreover, the Group's overall gross profit margin slightly increased from approximately 67.7% for the year ended 31 December 2016 to approximately 68.6% for the year ended 31 December 2017, the increase in gross profit margin was mainly due to higher gross profit margins of (i) the ICC Restaurant resulting from the increase in relatively large banquets which generally have higher gross profit margins; and (ii) the Shanghai Restaurant mainly attributable to the improving profit margin of the seafood dishes in 2017.

Other income and gains

Other income and gains decreased by approximately 41.1% from approximately HK\$4.3 million for the year ended 31 December 2016 to approximately HK\$2.5 million for the year ended 31 December 2017. Such decrease was mainly due to (i) the one-off gain on bargain purchase of approximately HK\$1.0 million in relation to the acquisition of certain equipment, furniture and utensils and rental deposits of the Wan Chai Restaurant and the Macau Restaurant in 2016; and (ii) the decrease in financial subsidy received from PRC tax authority in 2017 by approximately HK\$0.6 million.

Staff Costs

Staff costs was approximately HK\$131.4 million for the year ended 31 December 2017, representing an increase of approximately 6.9% as compared to HK\$123.0 million for the year ended 31 December 2016 such increase was mainly due to the full year operation of Wan Chai Restaurant and Macau Restaurant.

Rental and related expenses

The Group's rental and related expenses increased by approximately 17.3% from approximately HK\$62.3 million for the year ended 31 December 2016 to approximately HK\$73.1 million for the year ended 31 December 2017. Such increase was mainly due to the full year operation of Wan Chai Restaurant and Macau Restaurant.

Other operating expenses

The Group's other operating expenses increased by approximately 5.6% from approximately HK\$55.0 million for the year ended 31 December 2016 to approximately HK\$58.1 million for the year ended 31 December 2017. Such increase was mainly due to the full year operation of Wan Chai Restaurant and Macau Restaurant.

Finance costs

Finance costs of the Group decreased by approximately 44.2% from approximately HK\$4.2 million for the year ended 31 December 2016 to approximately HK\$2.4 million for the year ended 31 December 2017. The decrease in finance costs was mainly attributable to the early repayment and fully repaid of certain bank and other borrowings during the year ended 31 December 2017.

Loss attributable to owners of the Company

For the year ended 31 December 2017, the Group recorded a loss attributable to owners of the Company of approximately HK\$10.2 million, while the Group recorded a attributable to owners of the Company profit of approximately HK\$1.1 million for the year ended 31 December 2016. It was mainly due to the non-recurring listing expenses of HK\$13.4 million incurred for the year ended 31 December 2017. Excluding the listing expenses, the Group's profit attributable to owners of the Company would be HK\$3.1 million.

USE OF NET PROCEEDS FROM LISTING

The net proceeds from the issue of new shares of the Group at the time of its listing on GEM on 16 January 2018 through the share offer of 360,000,000 shares of HK\$0.01 each in the share capital of the Group at the price of HK\$0.21 per share, after deduction of the underwriting commission and actual expenses paid by the Group in connection thereto, were approximately HK\$45.6 million.

No proceeds was available as at 31 December 2017. Therefore, no actual usage for the year ended 31 December 2017.

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 announcement. The capital structure of the Group only comprised of ordinary shares.

LIQUIDITY AND FINANCIAL RESOURCES

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

As at 31 December 2017, the Group had borrowings of approximately HK\$48.5 million which was denominated in Hong Kong Dollars (2016: approximately HK\$60.3 million). The Group's bank borrowings were primarily used in financing the working capital requirement of its operations.

As at 31 December 2017, the Group's cash and cash equivalents were approximately HK\$15.9 million (2016: approximately HK\$15.5 million). The Group had no bank overdraft as at 31 December 2017 (2016: approximately HK\$7,000). 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 31 December 2017, the gearing ratio of the Group was approximately 65.7% (2016: 65.1%). Gearing ratio is calculated as net debt divided by capital and net debt. Net debt represented total liabilities (excluding tax payable) of the Group less cash and cash equivalents. Capital represented the equity attributable to owners of the Company.

CHARGE ON GROUP ASSETS

As at 31 December 2017, the borrowings were secured by a building owned by the Group and life insurance policies amounted to approximately HK\$31.1 million (2016: approximately HK\$31.9 million) and approximately HK\$19.9 million (2016: HK\$21.5 million), respectively, for certain banking facilities granted to the Group.

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

There was no significant investment held, material acquisition and disposal of subsidiaries and affiliated companies by the Company during the year ended 31 December 2017. There is no other plan for material investments or capital assets as at 31 December 2017.

FOREIGN EXCHANGE EXPOSURE

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

The Group does not have any material foreign exchange exposure. During the year ended 31 December 2017, the Group had not used any financial instruments for hedging purposes.

TREASURY POLICIES

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

CONTINGENT LIABILITIES

The Group did not have any material contingent liabilities as at 31 December 2017 (2016: Nil).

COMMITMENTS

The contract commitments mainly involve rental payable by the Group in respect of the certain restaurants, staff quarters and office premises under operating leases arrangements. As at 31 December 2017, the Group's operating lease commitments were approximately HK\$175.4 million (2016: HK\$191.7 million).

FINAL DIVIDEND

The Board does not recommend the payment of final dividend for the year ended 31 December 2017 (2016: Nil).

During the year ended 31 December 2016, a wholly-owned subsidiary of the Company declared a special dividend in the sum of approximately HK\$27.3 million to the then shareholder, which was settled by way of offsetting its then outstanding amount due from the controlling shareholder.

INFORMATION ON EMPLOYEES

As at 31 December 2017, the Group had approximately 600 employees (2016: approximately 617 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 cost (including remuneration of Directors and mandatory provident funds contributions) for the year ended 31 December 2017 and 2016 amounted to approximately HK\$131.4 million and HK\$123.0 million respectively.

PRINCIPAL RISKS AND UNCERTAINTIES

Credit Risk

The Group trades only with recognised and creditworthy third parties. It is the Group's policy that only well-established customers will be considered for open account terms and the approval of credit terms is subject to stringent credit check procedures. In addition, receivable balances are monitored on an ongoing basis and the Group's exposure to bad debts is not significant.

Interest Rate Risk

The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's short term and long term debt obligations with floating interest rates. The Group's policy is to manage its interest cost using variable rate debts, which is regularly reviewed by its senior management.

Liquidity Risk

The Group monitors its risk to a shortage of funds using a recurring liquidity planning tool. This tool considers the maturity of its financial instruments, its financial assets and projected cash flows from its business operations. The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank loans and funds generated from its business operations.

CORPORATE GOVERNANCE PRACTICES

We are committed to achieving and maintaining high standards of corporate governance, as our Board believes that good and effective corporate governance practices are key to obtaining and maintaining the trust of the shareholders of the Company and other stakeholders, and are essential for encouraging accountability and transparency so as to sustain the success of the Group and to promote the interests of the shareholders of the Company.

Accordingly, the Company has adopted sound corporate governance principles that emphasise a quality Board, effective internal control, stringent disclosure practices, transparency and accountability to all stakeholders.

The Company has applied the principles and code provisions in the Corporate Governance Code and Corporate Governance Report (the “**CG Code**”) as set out in Appendix 15 to the GEM Listing Rules. In the opinion of the Board, the Company has complied with the CG Code since 16 January 2018 up to the date of this announcement.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY’S LISTED SECURITIES

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company’s listed securities during the year ended 31 December 2017.

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, our independent non-executive Director, and other members included Mr. Lin Zhisheng and Mr. Chang Cheuk Cheung Terence, our independent non-executive Directors.

The core duties of the Audit Committee are 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 Group’s consolidated financial statements for the year ended 31 December 2017 have been reviewed by the Audit Committee. The Audit Committee is of the opinion that the consolidated financial statements of the Group for the year ended 31 December 2017 comply with applicable accounting standards, GEM Listing Rules and that adequate disclosures have been made.

REVIEW OF THIS FINAL RESULTS ANNOUNCEMENT

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss, consolidated statement of comprehensive income, and the related notes thereto for the year ended 31 December 2017 as set out in the preliminary announcement have been agreed by the Group's auditor, Ernst & Young, to the amounts set out in the Group's consolidated financial statements for the year. The work performed by Ernst & Young in this respect does not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Ernst & Young on the preliminary announcement.

EVENTS AFTER THE REPORTING PERIOD

Listing on the GEM of Stock Exchange

The shares of the Company were listed on GEM on 16 January 2018 through the share offer of 360,000,000 shares at a price of HK\$0.21 per share.

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

Hong Kong, 23 March 2018

As at the date of this announcement, 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.