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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)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2018

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

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

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

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

This announcement will remain on the website of the Stock Exchange at 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.

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Three months and six months ended 30 June 2018

The unaudited condensed consolidated results of the Group for the three months and six months ended 30 June 2018, together with the unaudited comparative figures for the corresponding period in 2017, are as follows:

	Notes	Unaudited Three months ended 30 June		Unaudited Six months ended 30 June	
		2018 HK\$'000	2017 HK\$'000	2018 HK\$'000	2017 HK\$'000
Revenue	6	93,155	89,720	208,395	202,608
Costs of inventories consumed		(30,268)	(27,708)	(66,481)	(62,971)
Gross profit		62,887	62,012	141,914	139,637
Other income and gains, net		572	452	1,322	1,058
Staff costs		(30,887)	(30,854)	(72,838)	(66,150)
Depreciation of items of property, plant and equipment		(4,465)	(4,554)	(8,448)	(9,014)
Loss on disposal of items of property, plant and equipment		(6,957)	–	(6,969)	(8)
Rental and related expenses		(19,349)	(17,796)	(38,123)	(35,958)
Other operating expenses		(15,373)	(12,537)	(32,889)	(28,721)
Finance costs		(443)	(338)	(880)	(1,241)
Listing expenses		–	(2,319)	(4,449)	(5,797)
Loss before tax	7	(14,015)	(5,934)	(21,360)	(6,194)
Income tax (expenses)/credit	8	(137)	240	(703)	(1,149)
Loss for the period		<u>(14,152)</u>	<u>(5,694)</u>	<u>(22,063)</u>	<u>(7,343)</u>
Loss attributable to:					
Owners of the Company		(14,152)	(5,694)	(22,063)	(7,271)
Non-controlling interests		–	–	–	(72)
		<u>(14,152)</u>	<u>(5,694)</u>	<u>(22,063)</u>	<u>(7,343)</u>
		<i>HK cents</i>	<i>HK cents</i>	<i>HK cents</i>	<i>HK cents</i>
Loss per share attributable to ordinary equity holders of the Company					
– Basic and diluted		<u>(0.98)</u>	<u>(0.53)</u>	<u>(1.56)</u>	<u>(0.67)</u>

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME

Three months and six months ended 30 June 2018

	Unaudited Three months ended 30 June		Unaudited Six months ended 30 June	
	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Loss for the period	(14,152)	(5,694)	(22,063)	(7,343)
Other comprehensive income:				
Other comprehensive income to be reclassified to profit or loss in subsequent periods:				
– Exchange differences on translating foreign operations	<u>434</u>	<u>74</u>	<u>482</u>	<u>149</u>
Total comprehensive loss for the period	<u>(13,718)</u>	<u>(5,620)</u>	<u>(21,581)</u>	<u>(7,194)</u>
Loss attributable to:				
Owners of the Company	<u>(13,718)</u>	<u>(5,620)</u>	<u>(21,581)</u>	<u>(7,122)</u>
Non-controlling interests	<u>–</u>	<u>–</u>	<u>–</u>	<u>(72)</u>
	<u>(13,718)</u>	<u>(5,620)</u>	<u>(21,581)</u>	<u>(7,194)</u>

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
30 June 2018

		Unaudited	Audited
		30 June	31 December
		2018	2017
	<i>Notes</i>	HK\$'000	HK\$'000
NON-CURRENT ASSETS			
Property, plant and equipment	<i>11</i>	75,806	76,420
Deposits and other receivables		37,945	24,798
Deferred tax assets		3,806	3,756
		<hr/>	<hr/>
Total non-current assets		117,557	104,974
		<hr/>	<hr/>
CURRENT ASSETS			
Inventories		9,858	10,376
Trade receivables	<i>12</i>	6,366	8,880
Prepayments, deposits and other receivables		32,448	22,575
Amount due from related companies		402	402
Amount due from directors		–	15,375
Cash and cash equivalents		47,583	15,917
		<hr/>	<hr/>
Total current assets		96,657	73,525
		<hr/>	<hr/>
CURRENT LIABILITIES			
Trade payables	<i>13</i>	37,024	40,683
Other payables and accruals		26,421	27,192
Amount due to a director		–	1,797
Interest-bearing bank and other borrowings		56,114	48,522
Tax payable		898	2,213
		<hr/>	<hr/>
Total current liabilities		120,457	120,407
		<hr/>	<hr/>
NET CURRENT LIABILITIES		(23,800)	(46,882)
		<hr/>	<hr/>
TOTAL ASSETS LESS CURRENT LIABILITIES		93,757	58,092
		<hr/>	<hr/>
NON-CURRENT LIABILITIES			
Other payables and accruals		3,539	3,051
		<hr/>	<hr/>
Total non-current liabilities		3,539	3,051
		<hr/>	<hr/>
Net assets		90,218	55,041
		<hr/> <hr/>	<hr/> <hr/>
EQUITY			
Equity attributable to owners of the Company			
Issued capital	<i>14</i>	14,400	–
Reserves		75,818	55,041
		<hr/>	<hr/>
Total equity		90,218	55,041
		<hr/> <hr/>	<hr/> <hr/>

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
Six months ended 30 June 2018

	Attributable to owners of the Company								
	Issued capital <i>HK\$'000</i>	Share premium <i>HK\$'000</i>	Other reserve <i>HK\$'000</i>	Capital reserve <i>HK\$'000</i>	Exchange fluctuation reserve <i>HK\$'000</i>	Retained profit/(Accumulated loss) <i>HK\$'000</i>	Total <i>HK\$'000</i>	Non-controlling interests <i>HK\$'000</i>	Total equity <i>HK\$'000</i>
At 1 January 2017 (Audited)	-	-	-	43,000	(325)	22,306	64,981	(225)	64,756
Loss for the period	-	-	-	-	-	(7,271)	(7,271)	(72)	(7,343)
Other comprehensive income for the period:									
Exchange differences on translation of foreign operations	-	-	-	-	149	-	149	-	149
Total comprehensive loss for the period	-	-	-	-	149	(7,271)	(7,122)	(72)	(7,194)
Acquisitions of non-controlling interests	-	-	-	(297)	-	-	(297)	297	-
At 30 June 2017 (Unaudited)	-	-	-	42,703	(176)	15,035	57,562	-	57,562
At 1 January 2018 (Audited)	-	43,224	(43,224)	42,703	193	12,145	55,041	-	55,041
Loss for the period	-	-	-	-	-	(22,063)	(22,063)	-	(22,063)
Other comprehensive income for the period:									
Exchange differences on translation of foreign operations	-	-	-	-	482	-	482	-	482
Total comprehensive loss for the period	-	-	-	-	482	(22,063)	(21,581)	-	(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	-	75,600
Share issuance costs	-	(16,367)	-	-	-	-	(16,367)	-	(16,367)
Effect of adoption of HKFRS 9	-	-	-	-	-	(2,475)	(2,475)	-	(2,475)
At 30 June 2018 (Unaudited)	14,400	88,057	(43,224)	42,703	675	(12,393)	90,218	-	90,218

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS*Six months ended 30 June 2018*

	Unaudited	
	Six months ended 30 June	
	2018	2017
	HK\$'000	HK\$'000
Net cash used in operating activities	<u>(32,703)</u>	<u>(7,002)</u>
Cash flows from investing activities		
Interest received	3	–
Purchases of items of property, plant and equipment	(14,791)	(1,050)
Proceeds from withdrawal of life insurance policies	–	1,894
	<u>–</u>	<u>1,894</u>
Net cash from/(used in) investing activities	<u>(14,788)</u>	<u>844</u>
Cash flows from financing activities		
New bank borrowings	25,990	7,078
Repayment of bank borrowings	(18,398)	(14,588)
Movement in balances with directors	13,578	16,654
Net proceeds from share offer	58,334	–
	<u>58,334</u>	<u>–</u>
Net cash from financing activities	<u>79,504</u>	<u>9,144</u>
Net increase in cash and cash equivalents	32,013	2,986
Cash and cash equivalents at the beginning of period	15,917	15,497
Effect of foreign exchange rate changes, net	<u>(347)</u>	<u>190</u>
Cash and cash equivalents at the end of period	<u><u>47,583</u></u>	<u><u>18,673</u></u>

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

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

Accordingly, for the purpose of preparing the unaudited condensed consolidated financial statements of the Group, the Company has been considered as the holding company of the companies now comprising the Group throughout the six months ended 30 June 2018 presented. The Group comprising the Company and its subsidiaries resulting from the Reorganisation is regarded as a continuing entity. The Group was under the control of Mr. Wong WC prior to and after the Reorganisation.

The unaudited condensed consolidated financial statements have been prepared as if the Company had been the holding company of the Group throughout the six months ended 30 June 2017 in accordance with Accounting Guideline 5 "Merger Accounting for Common Control Combinations" issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**"). The unaudited condensed consolidated statement of profit or loss, the unaudited condensed consolidated other comprehensive income and unaudited condensed consolidated statement of changes in equity for the period presented, which include the results and changes in equity of the companies now comprising the Group, have been prepared as if the current group structure had been in existence throughout the period.

As at 30 June 2018, the Group's current liabilities exceeded its current assets by approximately HK\$23,800,000. The current liabilities mainly consisted of interest-bearing bank borrowings of approximately HK\$56,114,000 as at 30 June 2018, of which HK\$32,364,000 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.

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

3. BASIS OF PREPARATION

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

The accounting policies and methods of computation used in the unaudited condensed consolidated financial statements for the six months ended 30 June 2018 are the same as those followed in the preparation of the Group’s annual financial statements for the year ended 31 December 2017.

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

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

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

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

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

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

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

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

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

² No mandatory effective date yet determined but available for adoption

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

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

4. 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 interim 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 2017.

5. 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 interim 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 2017.

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 2017.

(c) **Fair value estimation**

As at 31 December 2017 and 30 June 2018, the Group's deposits and other receivables for life insurance policies are measured at fair value.

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.

6. REVENUE, OTHER INCOME AND GAINS, NET

Revenue, other income and gains recognised during the reporting periods are as follows:

	Unaudited Three months ended 30 June		Unaudited Six months ended 30 June	
	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Revenue				
Revenue from Chinese restaurant operations	<u>93,155</u>	<u>89,720</u>	<u>208,395</u>	<u>202,608</u>
Other income and gains, net				
Bank interest income	2	–	3	–
Interest income from life insurance policies	183	182	366	363
Subsidies received from a utility company for purchases of items of property, plant and equipment	145	135	289	268
Others	<u>242</u>	<u>135</u>	<u>664</u>	<u>427</u>
	<u>572</u>	<u>452</u>	<u>1,322</u>	<u>1,058</u>

The following table presents revenue from external customers for the three months and six months ended 30 June 2018 and 2017 by geographic area:

	Unaudited Three months ended 30 June		Unaudited Six months ended 30 June	
	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Revenue from external customers				
Hong Kong and Macau	82,540	80,271	186,567	180,685
Mainland China	<u>10,615</u>	<u>9,449</u>	<u>21,828</u>	<u>21,923</u>
	<u>93,155</u>	<u>89,720</u>	<u>208,395</u>	<u>202,608</u>

7. 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	
	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Minimum lease payments under operating lease	16,461	15,484	31,048	29,174
Contingent rents under operating leases*	63	23	446	543
Auditor's remuneration	250	249	500	500
Employee benefit expense (excluding directors' and chief executive's remuneration)				
Wages and salaries	28,063	28,603	67,003	61,034
Pension scheme contributions	1,558	1,552	3,303	3,110
	<u>29,621</u>	<u>30,155</u>	<u>70,306</u>	<u>64,144</u>
Foreign exchange differences, net	(2)	(6)	(88)	(15)
Premium charges on life insurance policies	57	43	114	314
Loss on disposal of items of property, plant and equipment	6,957	–	6,969	8

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

8. INCOME TAX EXPENSES/(CREDIT)

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

Hong Kong profits tax has been provided at the rate of 16.5% on the estimated assessable profits arising in Hong Kong during the six months ended 30 June 2018 (2017: 16.5%).

PRC tax and Macau tax have been provided at the rate of 25% and 12% on the estimated profits arising in the PRC and Macau during the six months ended 30 June 2018 (2017: 25% and 12%), respectively.

	Unaudited Three months ended 30 June		Unaudited Six months ended 30 June	
	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Current – Hong Kong	137	–	753	1,321
Current – elsewhere	–	–	–	68
Deferred	–	(240)	(50)	(240)
	<u>137</u>	<u>(240)</u>	<u>703</u>	<u>1,149</u>
Total tax charge/(credit) for the period				

9. DIVIDEND

The board of Directors (the “**Board**”) does not recommend any payment of dividend in respect of the six months ended 30 June 2018 (2017: Nil).

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

(a) Basic

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

	Unaudited Three months ended 30 June		Unaudited Six months ended 30 June	
	2018	2017	2018	2017
Loss				
Loss for the period attributable to ordinary equity holders of the Company (<i>HK\$'000</i>)	<u>(14,152)</u>	<u>(5,694)</u>	<u>(22,063)</u>	<u>(7,271)</u>
Number of shares				
Weighted average number of shares for the purpose of calculating basic loss per share (<i>'000</i>)	<u>1,440,000</u>	<u>1,080,000</u>	<u>1,410,166</u>	<u>1,080,000</u>
Basic loss per share (<i>HK cents per share</i>)	<u>(0.98)</u>	<u>(0.53)</u>	<u>(1.56)</u>	<u>(0.67)</u>

The weighted average number of ordinary shares for the purpose of calculating basic loss per share for the period ended 30 June 2018 was derived from 1,080,000,000 ordinary shares in issue and the effect of the share offer (360,000,000 shares issued pursuant to the share offer) by the Company.

The weighted average number of ordinary shares for the purpose of calculating basic loss per share for the period ended 30 June 2017 was derived from 1,080,000,000 ordinary shares (comprising 10,000 ordinary shares in issue and 1,079,990,000 ordinary shares to be issued under the capitalisation issue), as if these 1,080,000,000 ordinary shares were outstanding throughout the period.

(b) Diluted

Diluted loss per share for the period ended 30 June 2018 and 2017 is the same as basic loss per share due to the absence of dilutive potential ordinary share during the respective periods.

11. PROPERTY, PLANT AND EQUIPMENT

For the six months ended 30 June 2018, the Group acquired property, plant and equipment of approximately HK\$14.8 million (2017: approximately HK\$5.2 million).

12. TRADE RECEIVABLES

	Unaudited 30 June 2018 HK\$'000	Audited 31 December 2017 <i>HK\$'000</i>
Trade receivables	<u>6,366</u>	<u>8,880</u>

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 2018 HK\$'000	Audited 31 December 2017 <i>HK\$'000</i>
Within 1 month	2,872	7,153
1 to 2 months	1,351	179
2 to 3 months	–	114
Over 3 months	<u>2,143</u>	<u>1,434</u>
	<u>6,366</u>	<u>8,880</u>

13. 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 2018 HK\$'000	Audited 31 December 2017 <i>HK\$'000</i>
Within 1 month	10,298	13,328
1 to 2 months	9,484	10,171
2 to 3 months	4,819	7,506
Over 3 months	<u>12,423</u>	<u>9,678</u>
	<u>37,024</u>	<u>40,683</u>

14. ISSUED CAPITAL

	Number of shares	Share Capital HK\$'000
Authorised:		
At 8 August 2016 (date of incorporation) with par value of HK\$0.01 each (<i>note a</i>)	38,000,000	380
Increase of authorised share capital with par value of HK\$0.01 each on 15 December 2017 (<i>note b</i>)	1,962,000,000	19,620
As at 31 December 2017 and 30 June 2018	2,000,000,000	20,000
Issued and fully paid:		
At 8 August 2016 (date of incorporation) with par value of HK\$0.01 each (<i>note a</i>)	1	—*
Issue of shares with par value of HK\$0.01 each (<i>note c</i>)	9,999	—*
As at 31 December 2017	10,000	—*
Capitalisation of shares (<i>note d</i>)	1,079,990,000	10,800
Share issued pursuant to the share offer (<i>note e</i>)	360,000,000	3,600
As at 30 June 2018	1,440,000,000	14,400

* 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 (“**Dragon King BVI**”) in consideration for the acquisition of the entire share capital of Dragon King BVI.
- (d) 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.
- (e) 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 GEM.

15. OPERATING LEASE COMMITMENTS

As lessee

The Group leases certain of its restaurants, staff quarters and office premises under operating lease arrangements. Leases for restaurants are negotiated for terms ranging from three to eleven years, while leases for staff quarters and office premises are negotiated for terms ranging from one to three years.

At the end of the reporting period, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	Unaudited 30 June 2018 HK\$'000	Audited 31 December 2017 HK\$'000
Within one year	52,982	53,006
In the second to fifth years, inclusive	97,623	107,047
After five years	11,745	15,345
	162,350	175,398

The operating lease rentals of certain restaurants are based on the higher of a fixed rental and contingent rent based on the sales of those restaurants. Our directors of the view that, as the future sales of those restaurants could not be accurately estimated, the relevant rental commitments have not been included in operating lease arrangement.

16. 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:

(a) Transactions with related parties

	Unaudited Three months ended 30 June		Unaudited Six months ended 30 June	
	2018 HK\$'000	2017 HK\$'000	2018 HK\$'000	2017 HK\$'000
Interest expenses paid to a senior management	-	-	-	28

The transactions were conducted at terms and conditions mutually agreed between the relevant parties. The Directors are of the opinion that those related party transactions were conducted in the ordinary course of business of the Group.

Interest expenses paid to a senior management, who is also a sister of Mr. Wong WC, the Group's chief executive officer and executive director, were charged at 6% and 24% per annum on the loans from the senior management.

(b) **Directors' and chief executive's emoluments**

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

	Unaudited		Unaudited	
	Three months ended		Six months ended	
	30 June		30 June	
	2018	2017	2018	2017
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Salaries, allowances and benefits in kind	1,427[^]	860[^]	2,854[^]	1,720[^]
Pension scheme contributions	9	9	18	18
	<u>1,436</u>	<u>869</u>	<u>2,872</u>	<u>1,738</u>

[^] Included in the above salaries, allowances and benefits in kind are estimated rentals of approximately HK\$170,000 (2017: HK\$170,000) for each of Mr. Wong WC 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 four self-owned brands.

Restaurant Operations

For the six months ended 30 June 2018, the Group operated nine 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)”, “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 2018, the Group had seven restaurants in Hong Kong, one of which is located in Hong Kong Island (known as the “**Causeway Bay 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 New Territories (respectively known as the “**Sheung Shui Restaurant**” and the “**Kwai Chung 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**”).

Save as disclosed in the Company’s announcement dated on 27 July 2018, the lease of the restaurant in Wan Chai (the “**Wan Chai Restaurant**”) has expired on 30 June 2018 and was not renewed upon its expiry because the Group considered that the Wan Chai Restaurant would not be able to generate positive operating profit if the lease was renewed based on the proposed considerable increment in rental.

Following the non-renewal of Wan Chai Restaurant, the Group identified a new location in the same district as the Wan Chai Restaurant for relocation (the “**New Wan Chai Restaurant**”) and the Group considers the location of the New Wan Chai Restaurant to be more desirable in terms of the rental cost, customer flow and quality of surroundings by Grade A commercial buildings and exhibition centers. The expected commencement date of the New Wan Chai Restaurant is in August 2018.

FINANCIAL REVIEW

Revenue

For the six months ended 30 June 2018, the Group recorded a total revenue of approximately HK\$208.4 million, representing an increase of approximately 2.9% as compared to approximately HK\$202.6 million for the six months ended 30 June 2017.

The increase in revenue was principally attributed to the commencement of the business of the Kwai Chung Restaurant. If excluding the revenue contributed by the Kwai Chung Restaurant, 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\$141.9 million for the six months ended 30 June 2018, representing a slight increase of approximately 1.6% from approximately HK\$139.6 million for the six months ended 30 June 2017 driven by the increase of revenue and partially offset by the increase of the costs of inventories consumed.

Moreover, the Group's overall gross profit margin slightly decreased from approximately 68.9% for the six months ended 30 June 2017 to approximately 68.1% for the six months ended 30 June 2018, the decrease in gross profit margin was mainly due to the increase in the cost of food ingredients which included in the costs of inventories consumed.

Staff costs

Staff costs was approximately HK\$72.8 million for the six months ended 30 June 2018, representing an increase of approximately 10.0% as compared to HK\$66.2 million for the six months ended 30 June 2017. Such increase was mainly due to the one-off salary and discretionary bonus paid to the Group's employees and the opening of the Kwai Chung Restaurant during the period.

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 attributed to the closure of the Wan Chai Restaurant which the lease has expired on 30 June 2018.

Other operating expenses

The Group's other operating expenses increased by approximately 14.6% from approximately HK\$28.7 million for the six months ended 30 June 2017 to approximately HK\$32.9 million for the six months ended 30 June 2018. Such increase was mainly due to the increase in the marketing and promotional expenses to further enhance the Group's brand recognition, the increase in the legal and professional fees incurred after the Listing for the services of compliance adviser, legal adviser and share registrars and the opening of the Kwai Chung Restaurant during the period.

Listing expenses

Listing expenses was approximately HK\$4.4 million for the six months ended 30 June 2018, representing a decrease of approximately 24.1% as compared to approximately HK\$5.8 million for the six months ended 30 June 2017 as the Group has been successfully listed on 16 January 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

For the six months ended 30 June 2018, the Group recorded a loss attributable to owners of the Company of approximately HK\$22.1 million, as compared with loss of approximately HK\$7.3 million for the six months ended 30 June 2017.

The significant increase in loss attributable to owners of the Company were mainly due to the loss on disposal of items of property, plant and equipment, the one-off salary and discretionary bonus paid and the increase in other operating expenses as discussed above.

PROSPECTS

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

Looking forward, the Group will continue to strengthen the Group's position in the Cantonese full-service restaurant industry and further expand the business operations with a view to creating long term Shareholders' value. The Group will focus on the following business strategies: (i) expansion in Hong Kong with multi-brand strategy; (ii) further enhances 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 2018 as stated in the Prospectus	Actual business progress up to the date of this announcement
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” on 2 May 2018 The New Wan Chai Restaurant expected commence its operation on August 2018. For detail, please refer to the Company’s announcement dated 27 July 2018.
Further enhance the Group’s brand recognition	<ul style="list-style-type: none"> To advertise and promote more in conventional media channels and online platforms To engage in more marketing campaigns and other marketing activities To participate in more different cooking competitions 	<ul style="list-style-type: none"> Continue to enhance the Group’s brand recognition through various media channels
Enhancement of existing restaurant facilities	<ul style="list-style-type: none"> To refurbish the Group’s existing restaurants’ fitting out and utensils To attract new and returning customer traffic 	<ul style="list-style-type: none"> Started the refurbishment work in the Group’s restaurants in June 2018
Repayment of bank and other borrowings	<ul style="list-style-type: none"> To repay part of our outstanding bank borrowings 	<ul style="list-style-type: none"> Early repayment of 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 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 2018, the net proceeds from share offer were applied as follows:

	Planned use of proceeds up to 30 June 2018 <i>HK\$ million</i>	Actual use of proceeds up to 30 June 2018 <i>HK\$ million</i>
Expansion in Hong Kong with multi-brand strategy	19.0	13.1
Enhancement of existing restaurant facilities	4.1	–
Enhancement of marketing and promotions	0.5	0.5
Repayment of bank and other borrowings	3.0	3.0
Working capital	1.6	1.6
	<u>28.2</u>	<u>18.2</u>

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 2018, approximately HK\$18.2 million out of the net proceeds from the Listing had been used. The unused net proceeds were deposited in licensed banks in Hong Kong.

Save as disclosed in the Company's announcement dated 27 July 2018, it was expected that the Group would use approximately HK\$12.0 million of the net proceeds for the capital expenditure for opening a new restaurant under the brand name of "Dragon Feast (龍宴)" in Kwai Tsing District during the first half of 2018. Although the Group had made attempts to identify suitable locations in Kwai Tsing District, it could not find any appropriate locations. Furthermore, in view of the relocation of the Wan Chai Restaurant to the New Wan Chai Restaurant mentioned in Business and Operation Review above, the Group proposes that such portion of the net proceeds should be better utilised for the opening of the New Wan Chai Restaurant.

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 announcement. 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 2018, the Group had borrowings of approximately HK\$56.1 million which was denominated in Hong Kong Dollars (31 December 2017: approximately HK\$48.5 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 2018. The Group's bank borrowings were primarily used in financing the working capital requirement of its operations.

As at 30 June 2018, the Group's cash and cash equivalents were approximately HK\$47.6 million (31 December 2017: approximately HK\$15.9 million). The Group had no bank overdraft as at 30 June 2018 (31 December 2017: Nil). 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 2018, the gearing ratio of the Group was approximately 45.6% (31 December 2017: 65.7%). The decrease in gearing ratio was mainly due to strengthening of the Group's capital structure through the fund raised in the share offer of the Company. 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 30 June 2018, the borrowings were secured by a building owned by the Group and life insurance policies amounted to approximately HK\$30.7 million (31 December 2017: approximately HK\$31.1 million) and approximately HK\$20.0 million (31 December 2017: HK\$19.9 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 six months ended 30 June 2018. There is no other plan for material investments or capital assets as at 30 June 2018.

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 period. 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 2018, 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 2018 (31 December 2017: 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 30 June 2018, the Group's operating lease commitments were approximately HK\$162.4 million (31 December 2017: HK\$175.4 million).

DIVIDEND

The Board does not recommend any payment of dividend for the six months ended 30 June 2018 (2017: Nil).

INFORMATION ON EMPLOYEES

As at 30 June 2018, the Group had approximately 610 employees (31 December 2017: approximately 600 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 2018 amounted to approximately HK\$75.8 million (2017: HK\$66.2 million).

OTHER INFORMATION

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

As at 30 June 2018, the interests and short positions of the Directors and chief executives of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (“SFO”)) which are required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or which were recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or which were required, pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange, were as follows:

Long positions in ordinary shares and underlying shares of the Company

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

Notes:

1. Ms. Lee Ching Nung Angel (“**Ms. Lee**”) is the spouse of Mr. Wong WC. Under the SFO, Ms. Lee is deemed to be interested in the same number of shares of the Company in which Mr. Wong WC is interested.
2. Mr. Wong WC beneficially owns the entire issued share capital of Million Edge Developments Limited (“**Million Edge**”). Therefore, Mr. Wong WC is deemed, or taken to be, interested in all the Shares 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 2018, none of the Directors and chief executive of the Company had any interests or short positions in any shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which would have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or which were recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or which were required, pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange.

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

So far as known to the Directors or chief executive of the Company, as at 30 June 2018, the following persons/entities (other than the Directors and chief executives of the Company) had or were deemed to have an interest or a short position in the shares or the underlying shares of the Company which would be required to be disclosed to the Company and the Stock Exchange under the provisions of Division 2 and 3 of Part XV of the SFO, or which were recorded in the register of the Company required to be kept under Section 336 of the SFO, or who were directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Company or any other member of the Group:

Long positions in ordinary shares and underlying shares of the Company

Name of Shareholder	Capacity/Nature of interest	Number of Shares held/ interested	Approximate percentage of shareholding
Million Edge	Beneficial owner	578,880,000	40.2%
Good Vision Limited	Beneficial owner	237,600,000	16.5%
Hong Kong Tang Palace Food & Beverage Group Company Limited ^{Note 1}	Interested in a controlled corporation	237,600,000	16.5%
Tang Palace (China) Holdings Limited ^{Note 2}	Interested in a controlled corporation	237,600,000	16.5%
Mr. Chan Man Wai ^{Note 3}	Interested in a controlled corporation	237,600,000	16.5%
Ms. Au Yim Bing ^{Note 4}	Interest of spouse	237,600,000	16.5%

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

Notes:

- 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 33.78% 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 Man Wai. Under the SFO, Ms. Au is deemed to be interested in the same number of Shares in which Mr. Chan Man Wai 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.
- 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 2018, there was no person or corporation, other than the Directors and chief executive of the Company whose interests are set out in the section “Directors’ and chief executives’ interest and short positions in shares, underlying shares and debenture of the Company” above, had or were deemed to have an interest or a short position in the shares or the underlying shares of the Company which would be required to be disclosed to the Company and the Stock Exchange under the provisions of Division 2 and 3 of Part XV of the SFO, or which were recorded in the register of the Company required to be kept under Section 336 of the SFO, or who were directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Company or any other member of the Group.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company’s listed securities during the six months ended 30 June 2018.

COMPETITION AND CONFLICT OF INTERESTS

Tang Palace Group (consist of Tang Palace (China) and its subsidiaries) was a restaurant chain group including restaurants in China and Hong Kong. Tang Palace (China) was interested in 16.5% interest in the Group through Good Vision. Tang Palace Group does not and will not involve in the daily operation and management of the Group. Moreover, Mr. Kwong Ping Man, the independent non-executive Director of the Company, was also an independent non-executive director of Tang Palace (China). Despite that Mr. Kwong Ping Man is a director of Tang Palace (China), he confirms that he does not involved in day-to-day operations of both Tang Palace Group’s and the Group’s restaurant business. Save as disclosed above, none of the Directors, the controlling shareholders or substantial shareholders of the Company or any of its respective close associates has engaged in any business that competes or may compete, either directly or indirectly, with the businesses of the Group, as defined in the GEM Listing Rules, or has any other conflict of interests with Group during the six months ended 30 June 2018.

Non-Competition Undertaking

In order to avoid any possible future competition between the Group and the controlling shareholders, Mr. Wong WC and Million Edge (each a “**Covenantor**” and collectively the “**Covenantors**”) have entered into the Deed of Non-competition with the Company (for itself and for the benefit of each other member of the Group). Pursuant to the Deed of Non-competition, each of the Covenantors has irrevocably and unconditionally undertaken to the Company (for itself and as trustee for its subsidiaries) that, during the period that the Deed of Non-competition remains effective, he/it shall not, and shall procure that his/its close associates (other than any member of the Group) not to develop, acquire, invest in, participate in, carry on or be engaged, concerned or interested or otherwise be involved, whether directly or indirectly, in any business in competition with or likely to be in competition with the existing business activity of any member of the Group.

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

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

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

DIRECTORS’ SECURITIES TRANSACTIONS

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

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 2018, no share option was granted, exercised, expired or lapsed and there is no outstanding share option under the Share Option Scheme.

INTERESTS OF THE COMPLIANCE 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 six months ended 30 June 2018 and up to the date of this announcement.

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 2018 have been reviewed by the Audit Committee. The Audit Committee is of the opinion that the unaudited condensed consolidated financial statements of the Group for the six months ended 30 June 2018 comply with applicable accounting standards, GEM Listing Rules and that adequate disclosures have been made.

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

Hong Kong, 14 August 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.