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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)

**FIRST QUARTERLY RESULTS ANNOUNCEMENT
FOR THE THREE MONTHS ENDED 31 MARCH 2022
AND
CONTINUED SUSPENSION OF TRADING**

The board (the “**Board**”) of directors (the “**Directors**”) of Dragon King Group Holdings Limited (the “**Company**” and together with its subsidiaries, the “**Group**”) announces the unaudited consolidated quarterly results of the Group for the three months ended 31 March 2022. This announcement, containing the full text of the 2022 first quarterly report (the “**2022 First Quarterly Report**”) of the Company, complies with the relevant requirements of the Rules Governing the Listing of Securities on GEM of The Stock Exchange of Hong Kong Limited (the “**GEM Listing Rules**”) in relation to the information to accompany preliminary announcement of quarterly results. The printed version of the 2022 First Quarterly Report will be despatched to the shareholders of the Company and available for viewing on the websites of the Stock Exchange at www.hkexnews.hk and of the Company at www.dragonkinggroup.com in due course in the manner as required by the GEM Listing Rules.

CONTINUED SUSPENSION OF TRADING

At the request of the Company, trading in the Shares on the Stock Exchange of Hong Kong Limited has been suspended with effect from 9:00 a.m. on 11 November 2021, and will remain suspended until further notice.

By order of the Board
Dragon King Group Holdings Limited
Shen Taiju
Executive Director

Hong Kong, 10 October 2022

As at the date of this announcement, the Board comprises Ms. Shen Taiju (Chairman) as executive Director; and Mr. Lee Yiu Keung, Mr. Wang Jingan and Mr. Wong Luen Tung as independent non-executive Directors.

This announcement, for which the Directors 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 of Hong Kong Limited 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 “Latest Listed Company Information” page of the Stock Exchange’s website at www.hkexnews.hk for at least 7 days from the day of its publication and on the website of the Company.

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

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



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The Board of the Company is pleased to present the unaudited condensed consolidated results of the Group for the three months ended 31 March 2022, together with the unaudited comparative figures for the corresponding period in 2021, are as follows:

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the three months ended 31 March 2022

	Notes	Unaudited Three months ended 31 March	
		2022 HK\$'000	2021 HK\$'000
Revenue	3	13,447	49,149
Costs of inventories consumed		(4,829)	(16,413)
Gross profit		8,618	32,736
Other income and gains, net	4	1,832	7,476
Staff costs		(8,523)	(22,561)
Depreciation of property, plant and equipment		(199)	(1,768)
Depreciation of right-of-use assets		–	(5,690)
Gain on disposal of a subsidiary	9	12,628	–
Impairment losses of right-of-use assets		(750)	–
Rental and related expenses		(1,975)	(4,915)
Other operating expenses		(4,019)	(9,231)
Finance costs		(1,257)	(1,055)
Profit (loss) before tax	5	6,355	(5,008)
Income tax expense	6	–	–
Profit (loss) for the period attributable to the owners of the Company		6,355	(5,008)
Earnings (loss) per share		HK cents	HK cents (restated)
– Basic and diluted	8	3.68	(3.48)

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME

For the three months ended 31 March 2022

	Unaudited Three months ended 31 March	
	2022 HK\$'000	2021 HK\$'000
Profit (loss) for the period	6,355	(5,008)
Other comprehensive income (expense): <i>Item that may be reclassified subsequently to profit or loss:</i>		
– Exchange differences arising on translation of foreign operations	–	(107)
– Release of exchange fluctuation reserve upon disposal of a subsidiary	273	–
Total comprehensive income (expense) for the period	6,628	(5,115)

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the three months ended 31 March 2022

	Issued capital	Share premium	Other reserve	Capital reserve	Exchange fluctuation reserve	Accumulated losses	Total deficiency in equity
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 January 2021	14,400	88,057	(43,224)	42,703	(310)	(158,629)	(57,003)
Loss for the period	-	-	-	-	-	(5,008)	(5,008)
Other comprehensive expense for the period, net of income tax							
<i>Item that may be reclassified subsequently to profit or loss:</i>							
Exchange differences arising on translation of foreign operations	-	-	-	-	(107)	-	(107)
Total comprehensive expense for the period	-	-	-	-	(107)	(5,008)	(5,115)
At 31 March 2021 (Unaudited)	14,400	88,057	(43,224)	42,703	(417)	(163,637)	(62,118)
At 1 January 2022	17,280	90,912	(43,224)	42,703	(424)	(209,395)	(102,148)
Profit for the period	-	-	-	-	-	6,355	6,355
Other comprehensive income for the period, net of income tax							
<i>Item that may be reclassified subsequently to profit or loss:</i>							
Release of exchange fluctuation reserve upon disposal of a subsidiary	-	-	-	-	273	-	273
Total comprehensive income for the period	-	-	-	-	273	6,355	6,628
At 31 March 2022 (Unaudited)	17,280	90,912	(43,224)	42,703	(151)	(203,040)	(95,520)

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL INFORMATION

The Company is a limited liability company incorporated in the Cayman Islands on 8 August 2016. The registered address of the Company is Windward 3, Regatta Office Park, PO Box 1350, Grand Cayman, KY1-1108, Cayman Islands. The principal place of business of the Company was located at Office A, 20/F, TG Place, 10 Shing Yip Street, Kwun Tong, Kowloon, Hong Kong and changed to 16/F., Tern Centre Two, 251 Queen's Road Central, Hong Kong on 31 January 2022. The Company's shares have been listed on GEM of the Stock Exchange since 16 January 2018.

The Company is an investment holding company. The Group is principally engaged in the operation and management of restaurants.

2. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES

The Group's unaudited condensed consolidated financial statements for the three months ended 31 March 2022 have been prepared in accordance with the accounting principles generally accepted in Hong Kong and comply with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and the applicable disclosure requirements of Chapter 18 of the GEM Listing Rules.

The accounting policies and methods of computation used in the preparation of the unaudited condensed consolidated financial statements for the three months ended 31 March 2022 are consistent with those adopted in the Group's audited annual report dated 14 September 2022 (the "2021 Annual Report"), except for the adoption of the new and revised Hong Kong Financial Reporting Standards (the "New and Revised HKFRSs") (which include all HKFRSs, Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the HKICPA that are adopted for the first time for the current periods financial statements.

The adoption of the New and Revised HKFRSs has had no significant effect on these unaudited condensed consolidated financial statements for the three months ended 31 March 2022 and there have been no significant changes to the accounting policies applied in these unaudited condensed consolidated financial statements for the three months ended 31 March 2022.

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

The unaudited condensed consolidated financial statements for the three months ended 31 March 2022 have been prepared under the historical cost convention. The unaudited condensed consolidated financial statements for the three months ended 31 March 2022 are presented in thousand of Hong Kong dollars (“HK\$’000”), which is also the functional currency of the Group.

The unaudited condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements and should be read in conjunction with the Group’s annual financial statements for the year ended 31 December 2021.

The unaudited condensed consolidated financial statements have not been audited by the Company’s auditor, but have been reviewed by the audit committee of the Company (the “Audit Committee”).

3. REVENUE

(i) Disaggregated revenue information from contracts with customers

	Unaudited	
	Three months ended 31 March	
	2022	2021
	HK\$’000	HK\$’000
Type of goods or services		
Revenue from Chinese restaurant operations	13,447	49,149
Geographical markets		
Hong Kong and Macau	13,447	40,637
The People’s Republic of China (the “PRC”)*	–	8,512
Total	13,447	49,149
Timing of revenue recognition		
At a point in time	13,447	49,149

* The Group no longer operates in the PRC upon the disposal of Dragon Seal Food & Beverage Management (Shanghai) Limited (龍璽餐飲管理(上海)有限公司) (“Dragon Seal Shanghai”)

(ii) **Performance obligations for contracts with customers**

Operation and management of restaurants

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

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

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

4. OTHER INCOME AND GAINS, NET

	Unaudited Three months ended 31 March	
	2022 HK\$'000	2021 HK\$'000
Other income and gains, net		
Bank interest income	1	1
Fair value gains on financial assets at fair value through profit or loss	–	25
Subsidies received from a utility company for purchases of property, plant and equipment (note a)	–	74
Government grant (note b)	1,800	4,200
Rental Concession (note c)	–	3,176
Others	31	–
	1,832	7,476

Notes:

- a) As at 31 March 2021, there were no unfulfilled conditions or other contingencies attaching to the subsidies that had been recognised by the Group.
- b) During the three months ended 31 March 2022, the Group recognised government grants of HK\$1,800,000 (31 March 2021: HK\$4,200,000) in respect of COVID-19-related subsidies, of which HK\$1,800,000 (31 March 2021: HK\$4,200,000) related to the anti-epidemic fund of the Hong Kong Government, which were included in other income and gains, net. The Group has complied with all attached conditions for the three months ended 31 March 2022.
- c) During the three months ended 31 March 2021, the Group recognised rental concession of approximately HK\$3,176,000, of which approximately HK\$733,000 related to COVID-19 Related Rental Concessions.

5. PROFIT (LOSS) FOR THE PERIOD

Loss for the period has been arrived at after charging:

	Unaudited Three months ended 31 March	
	2022 HK\$'000	2021 HK\$'000
Auditor's remuneration	300	230
Employee benefit expense (excluding directors' and chief executive's remuneration)		
Wages and salaries	7,771	20,160
Pension scheme contributions	369	798
	8,140	20,958

6. INCOME TAX EXPENSE

On 21 March 2018, the Hong Kong Legislative Council passed The Inland Revenue (Amendment) (No. 7) Bill 2017 (the "Bill") which introduces the two-tiered profits tax rates regime. The Bill was signed into law on 28 March 2018 and was gazetted on the following day.

For the three months ended 31 March 2022 and 2021, Hong Kong Profits Tax is calculated in accordance with the two-tiered profits tax rates regime. Under the two-tiered profits tax rates regime, the first HK\$2,000,000 of profits of qualifying corporation will be taxed at 8.25%, and profits above HK\$2,000,000 will be taxed at 16.5%. The profits of corporations not qualifying for the two-tiered profits tax rates regime will continue to be taxed at 16.5% on the estimated assessable profits.

The directors of the Company considered the amount involved upon implementation of the two-tiered profits tax rates regime as insignificant to the consolidated financial statements. Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for both period.

Under the Law of the PRC on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% for both period.

Macau Complementary Income Tax is calculated at the progressive rate on the estimated assessable profits for the year. The maximum tax rate is 12% for both period.

	Unaudited	
	Three months ended 31 March	
	2022	2021
	HK\$'000	HK\$'000
Current – Hong Kong	–	–
Current – elsewhere	–	–
Total tax charge for the period	–	–

7. DIVIDEND

The board of Directors (the “Board”) does not recommend any payment of dividend in respect of the three months ended 31 March 2022 (2021: Nil).

8. EARNINGS (LOSS) PER SHARE

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

	Unaudited	
	Three months ended 31 March	
	2022	2021
	HK\$'000	HK\$'000
Earnings (loss) attributable to owners of the Company for the purpose of basic and diluted earnings (loss) per share	6,355	(5,008)

	Number of shares	
	2022	2021
	'000	'000
		(restated)
Weighted average number of ordinary shares for the purpose of basic and diluted earnings (loss) per share	172,800	144,000

No diluted earnings (loss) per share for the three months ended 31 March 2022 and 2021 were presented as there were no potential ordinary shares in issue for the three months ended 31 March 2022 and 2021.

9. GAIN ON DISPOSAL OF A SUBSIDIARY

On 4 January 2022, the Group disposed of its 100% equity interests of Dragon Seal Shanghai, at nil consideration to two independent third parties. The net liabilities of Dragon Seal Shanghai at the date of disposal were as follows:

	HK\$'000
Analysis of assets and liabilities over which control was lost:	
Prepayment, deposits and other receivables	150
Bank balances and cash	18
Trade payables	(2,572)
Other payables and accruals	(3,730)
Lease liabilities	(6,767)
	<hr/>
Net liabilities disposed of	(12,901)
	<hr/>
Gain on disposal of a subsidiary:	
Consideration received	–
Net liabilities disposed of	12,901
Release of exchange fluctuation reserve upon disposal of subsidiaries	(273)
	<hr/>
Gain on disposal	12,628
	<hr/>
Net cash outflow arising on disposal:	
Cash consideration	–
Less: bank balances and cash disposed of	(18)
	<hr/>
	(18)
	<hr/>

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS AND OPERATION REVIEW

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

Restaurant Operations

For the three months ended 31 March 2022, the Group operated six full-service restaurants in Hong Kong to provide Cantonese cuisine under the brand name of “Dragon King (龍皇)”, “Dragon Seal (龍璽)” and “Dragon Gown (龍袍)”. All of the Group’s restaurants are strategically located in prominent commercial areas, residential areas or shopping complexes. The Group is committed to provide high quality food and services as well as comfortable dining environment to the customers.

All of the Group’s restaurants are located in Hong Kong. As at 31 March 2022, the Group had four restaurants in Hong Kong, one of which is located on Hong Kong Island (known as the “**Wan Chai Restaurant**”), three of which are located in Kowloon (respectively known as the “**Kwun Tong Restaurant**”, the “**San Po Kong Restaurant**” and the “**Whampoa Restaurant**”).

For the three months ended 31 March 2022, the food and beverage industry suffered from the outbreak of the fifth wave of COVID-19 in Hong Kong. The Group is facing a challenging business environment due to implementation of stricter dine-in restrictions and social distancing measures by Hong Kong government. In early 2022, the HKSAR Government announced the restrictions on the maximum number of persons for each table. The result of the continuous outbreak of COVID-19 and series of anti-epidemic measures implemented caused adverse impacts on the Group’s financial performance, the Group’s revenue has suffered a significant decrease of approximately HK\$35.7 million or approximately 72.6% during the three months ended 31 March 2022.

In early January 2022, the Group closed down the ICC Restaurant due to the end of rental agreement.

Furthermore, the tenancy for the Causeway Bay Restaurant ended on 28 February 2022 and the Board, having taken into account the repair costs, the ongoing COVID-19 situation in Hong Kong and the emergence of a new consumer trend of ordering takeaways, has determined not to renew the tenancy in order to focus the Group's resources on its remaining restaurants.

In view of the development of the COVID-19 pandemic and the latest public health situation in Hong Kong at the time, the Board temporarily suspended the operation of its restaurants in February and March 2022 and operation was later resumed. Please refer to the Company's announcements dated 7 March 2022 and 18 May 2022 respectively for further details.

Disposal of a subsidiary

On 20 December 2021, Silver Everford Limited, an indirect wholly-owned subsidiary of the Company, entered into a sale and purchase agreement with independent third parties to dispose of the entire issued share capital of Dragon Seal Food & Beverage Management (Shanghai) Limited (龍璽餐飲管理(上海)有限公司) (the "**Shanghai Subsidiary**"), an indirect wholly-owned subsidiary of the Company, at nil consideration. Please refer to the Company's announcement dated 26 August 2022 for further details.

FINANCIAL REVIEW

Revenue

For the three months ended 31 March 2022, the Group recorded a total revenue of approximately HK\$13.4 million, representing a significant decrease of approximately HK\$35.7 million or approximately 72.6% as compared to approximately HK\$49.1 million for the three months ended 31 March 2021.

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

	2022		2021	
	Revenue HK\$'000	% of total revenue (%)	Revenue HK\$'000	% of total revenue (%)
Dragon King (龍皇)	10,024	74.5%	30,488	62.0%
Dragon Seal (龍璽)	1,021	7.6%	5,816	11.8%
Dragon Gown (龍袍)	2,402	17.9%	4,333	8.8%
Imperial Seal (皇璽)*	–	–	8,512	17.4%
Total revenue	13,447	100.0	49,149	100.0%

* Disposed on 4 January 2022

Dragon King (龍皇)

The revenue generated from Dragon King significantly decreased by approximately HK\$20.5 million, or approximately 67.1%, from approximately HK\$30.5 million for the three months ended 31 March 2021 to approximately HK\$10.0 million for the three months ended 31 March 2022.

The overall decrease in revenue was mainly due to the outbreak of the fifth wave of COVID-19 in Hong Kong in early 2022 and the resulting stricter anti-epidemic precautionary measures including restrictions on catering business premises imposed in Hong Kong which had an adverse impact on the revenue generated during the period ended 31 March 2022.

Dragon Seal (龍璽)

The revenue generated from Dragon Seal significantly decreased by approximately HK\$4.8 million, or approximately 82.4%, from approximately HK\$5.8 million for the three months ended 31 March 2021 to approximately HK\$1.0 million for the three months ended 31 March 2022. Such decrease was mainly due to the outbreak of the fifth wave of COVID-19 and the anti-epidemic precautionary measures discussed above.

Dragon Gown (龍袍)

The revenue generated from Dragon Gown significantly decreased by approximately HK\$1.9 million, or approximately 44.6%, from approximately HK\$4.3 million for the three months ended 31 March 2021 to approximately HK\$2.4 million for the three months ended 31 March 2022. Such decrease was mainly due to the outbreak of COVID-19 and the anti-epidemic precautionary measures discussed above.

Imperial Seal (皇璽)

As disclosed in the Company's announcement dated 26 August 2022, the Group entered into a sale and purchase agreement to dispose of the Shanghai Subsidiary which was principally engaged in the operation of the Shanghai Restaurant under the brand of Imperial Seal and provision of catering services in the PRC. Completion of the change of industrial and commercial registration procedures took place on 4 January 2022.

Accordingly, no revenue was generated from Imperial Seal for the three months ended 31 March 2022.

Gross profit and gross profit margin

The Group's gross profit (i.e. revenue minus cost of inventories consumed) amounted to approximately HK\$8.6 million for the three months ended 31 March 2022, representing a significant decrease of approximately HK\$24.1 million or approximately 73.7% from approximately HK\$32.7 million for the three months ended 31 March 2021 driven by the decrease in revenue.

The Group's overall gross profit margin decreased by 2.5% for the period ended 31 March 2022 when compared to the period ended 31 March 2021 as more promotional menu was provided to the customers during the period.

Other income and gains, net

Other income and gains, net significantly decreased by approximately HK\$5.7 million or approximately 75.5% from approximately HK\$7.5 million for the three months ended 31 March 2021 to approximately HK\$1.8 million for the three months ended 31 March 2022. Such decrease was mainly due to the decrease in government subsidies received from the HKSAR Government under the Employment Support Scheme and non-recurrence of rental concession in early 2022.

Staff costs

Staff costs was approximately HK\$8.5 million for the three months ended 31 March 2022, representing a decrease of approximately HK\$14.1 million or approximately 62.2% as compared to HK\$22.6 million for the three months ended 31 March 2021. Such decrease was mainly due to all Directors, senior management members and employees of the Group agreeing and having taken unpaid leaves as one of the cost controls measures in response to the pandemic.

Depreciation of right-of-use assets

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

Rental and related expenses

The Group's rental and related expenses decreased by approximately HK\$2.9 million or approximately 59.8% from approximately HK\$4.9 million for the three months ended 31 March 2021 to approximately HK\$2.0 million for the three months ended 31 March 2022. Such decrease was mainly due to the reduction of number of restaurants.

Other operating expenses

The Group's other operating expenses decreased by approximately HK\$5.2 million or approximately 56.5% from approximately HK\$9.2 million for the three months ended 31 March 2021 to approximately HK\$4.0 million for the three months ended 31 March 2022. Such decrease was mainly due to the reduction of number of restaurants and temporarily suspension of restaurants.

Profit (loss) attributable to owners of the Company

For the three months ended 31 March 2022, the Group recorded a profit attributable to owners of the Company of approximately HK\$6.4 million, as compared to a loss attributable to owners of the Company of approximately HK\$5.0 million for the three months ended 31 March 2021. The profit attributable to owners of the Company was mainly due to the gain on disposal of a subsidiary.

DIVIDEND

The Board does not recommend any payment of dividend for the three months ended 31 March 2022 (2021: Nil).

PROSPECTS

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

On the other hand, the staff costs and food costs remained relatively high despite the current economic downturn, therefore the Group is facing pressure on striking the balance between cost control and the qualities of the food and services. Another major cost component for the Group is the rental expenses. The Group has been negotiating with the landlords for rent concessions as certain of the Group's restaurants could not be operated normally due to the restrictions on catering business premises but the landlord were reluctant to grant a large amount of rental concession.

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

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the three months ended 31 March 2022.

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. Based on specific enquiry with the Directors, all Directors confirmed that they had fully complied with the required standard of dealings and there was no event of non-compliance during the three months ended 31 March 2022 and up to the date of this report.

COMPETING INTERESTS

None of the Directors, the controlling shareholders of the Company or their respective close associates (as defined in the GEM Listing Rules) had any business or interest which competed or might compete with the business of the Group nor had any other conflict of interests with the Group for the three months ended 31 March 2022.

SHARE OPTION SCHEME

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

For the three months ended 31 March 2022, no share option was granted, exercised, expired or lapsed and there is no outstanding share option under the Share Option Scheme.

EVENTS AFTER THE REPORTING PERIOD

Close down of San Po Kong Restaurant

The Group closed down the San Po Kong Restaurant in July 2022 due to unsatisfactory performance and currently only operates the Wan Chai Restaurant, Kwun Tong Restaurant and Whampoa Restaurant.

Memorandum of understanding in relation to possible acquisitions

As disclosed in the Company's announcement dated 22 September 2022, the Company was entered into two non-legally binding memorandum of understanding (the "**MOU**") with Mr. Lee Chi Lung, Mr. Ku Ka Man, Ms. Tsui Yue Ka, Mr. Chuk Wing Hung Keswick, Mr. Liu Kai Fung and Mr. Wong Chun Lam (collectively the "**Vendors**", and together with the Company, the "**Parties**").

As at the date of this report, no formal agreement for possible acquisitions has been entered into among the Parties. Further announcement(s) will be made by the Company in respect of the MOU when appropriate.

LITIGATION

Small Claims Tribunal of the Hong Kong Special Administrative Region

SCTC024108/22 and SCTC024109/22

Mass Effort Limited ("**Mass Effort**"), as defendant an indirect wholly-owned subsidiary of the Company engaged in restaurant operations, received small claim tribunal notices both dated 17 August 2022 in respect of outstanding rates and promotion levy from Evermax Development Limited ("**Evermax**"). Evermax is seeking an aggregate of around HK\$111,000 from Mass Effort.

District Court of the Hong Kong Special Administrative Region

DCCJ4551/2021

The Company, as defendant, received a writ of summons dated 24 September 2021 and issued by Blooming (HK) Business Limited ("**Blooming**") as plaintiff ("**DCCJ4551 Writ**"). The DCCJ4551 Writ relates to a claim by Blooming in respect of an outstanding contractual sum payable by the Company. The orders sought by Blooming against the Company under the DCCJ4551 Writ are (i) the sum of HK\$453,200; (ii) interest thereon; and (iii) costs.

On 19 January 2022, a final judgment was made against the Company, whereby the Company shall repay Blooming HK\$453,200 and interest thereon as well as costs.

DCCJ4705/2021

The Company, as defendant, received a writ of summons dated 8 October 2021 and issued by Frontpage Capital Limited ("**Frontpage**") as plaintiff ("**DCCJ4705 Writ**"). The DCCJ4705 Writ relates to a claim by Frontpage in respect of an outstanding contractual sum payable by the Company. The orders sought by Frontpage against the Company under the DCCJ4705 Writ are (i) the sum of HK\$1,500,000; (ii) interest thereon; and (iii) costs.

On 19 January 2022, a final judgment was made against the Company, whereby the Company shall repay Frontpage HK\$1,500,000 and interest thereon as well as costs.

DCCJ5268/2021

The Company, as defendant, received a writ of summons dated 16 November 2021 and issued by CFN Lawyers ("**CFN**") as plaintiff ("**DCCJ5268 Writ**"). The DCCJ5268 Writ relates to a claim by CFN in respect of an outstanding contractual sum payable by the Company. The orders sought by CFN against the Company under the DCCJ5268 Writ are (i) the sum of HK\$366,000; (ii) interest thereon; and (iii) costs.

On 8 February 2022, a final judgment was made against the Company, whereby the Company shall repay CFN HK\$366,000 and interest thereon as well as costs.

In respect of DCCJ4551/2021, DCCJ4705/2021 and DCCJ5268/2021, HK\$400,000 has been repaid for the 3 cases so far.

DCCJ460/2022

On 11 May 2022, a final judgment was made against Dragon King Restaurant Group Limited ("**DKRGL**"), as defendant and an indirect wholly-owned subsidiary of the Company, whereby DKRGL shall repay Wan Kin Engineering Limited HK\$334,000 and interest thereon as well as costs.

DCCJ838/2022

On 22 March 2022, Oriental Etrade Limited ("**Oriental**"), as defendant and a wholly-owned subsidiary of the Company, received a writ of summons issued by Lawrence Chan & Co. ("**LCC**") as plaintiff ("**DCCJ838 Writ**"). The DCCJ838 Writ relates to a claim by LCC in respect of a dishonoured cheque drawn by Oriental in favour of LCC. The orders sought by LCC against Oriental under the DCCJ838 Writ are (i) the sum of HK\$2,000,000; (ii) interest thereon; and (iii) costs.

On 11 May 2022, a final judgment was made against Oriental, whereby Oriental shall repay LCC HK\$2,000,000 and interest thereon as well as costs.

DCCJ1225/2022

As disclosed in the 2021 third quarterly report of the Company published on 28 January 2022, on 6 September 2021, the Company's indirect wholly-owned subsidiary, King Harbour Limited ("**King Harbour**"), received a demand letter from the legal representative of the Bank of Communications (Hong Kong) Limited ("**BOCOM**") regarding outstanding principal and accrued interests of a loan.

On 11 May 2022, King Harbour and the Company, as the two defendants, each received a writ of summons issued by BOCOM as plaintiff ("**DCCJ1225 Writ**"). The orders sought by BOCOM against King Harbour and the Company under the DCCJ1225 Writ are (i) outstanding principal and default interest of the loan in the aggregate amount of HK\$2,117,469.59; (ii) interest on the amount; (iii) further and/or other relief; and (iv) costs.

The Company has filed an acknowledgment of service indicating that the Company intends to contest the proceedings.

DCCJ2845/2022

King Harbour, as defendant, received a writ of summons dated 26 July 2022 and issued by Sinogain Food And Oil Limited ("**Sinogain**") as plaintiff ("**DCCJ2845 Writ**"). The DCCJ2845 Writ relates to a claim by the plaintiff in respect of payment of delivered goods. The orders sought by Sinogain against King Harbour under the DCCJ2845 Writ are (i) the sum of HK\$177,996; (ii) interest thereon; and (iii) costs.

The Company has filed an acknowledgment of service indicating that the Company intends to contest the proceedings.

High Court of the Hong Kong Special Administrative Region

HCA457/2022

On 4 May 2022, Premier Oriental Limited ("**Premier**"), as defendant and a wholly-owned subsidiary of the Company, received an amended writ of summons issued by WKE as plaintiff ("**HCA457 Writ**"). The HCA457 Writ relates to a claim by WKE in respect of a contract sum for certain decoration and renovation work undertaken at Dragon Gown (龍袍), the Group's restaurant in Wanchai, Hong Kong.

The Company has filed a defence to contest the proceedings.

Please refer to the announcements of the Company dated 17 February 2022 and 26 May 2022 respectively for further details on DCCJ1225/2022, DCCJ838/2022 and HCA457/2022.

The Company will make further disclosure wherever appropriate or necessary.

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

As at 31 March 2022, none of the Directors and chief executives 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 Securities and Future Ordinance (the "**SFO**")) which would have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or which were recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or which were required, pursuant to Rules 5.46 to 5.68 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange.

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

As at 31 March 2022, according to the register kept by the Company pursuant to section 336 of SFO, and so far as is known to the Directors or chief executive of the Company, no person (other than a Director or a chief executive of the Company) had, or was deemed or taken to have, an interest or short position in the Shares or underlying Shares which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO.

AUDIT COMMITTEE

The Audit Committee was established on 15 December 2017. The Chairman of the Audit Committee is Mr. Wong Luen Tung (appointed on 28 January 2022), the independent non-executive Director, and other members include Mr. Wang Jingan and Mr. Lee Yiu Keung, the independent non-executive Directors. The written terms of reference of the Audit Committee are posted on the Stock Exchange's website and on the Company's website.

The primary duties of the Audit Committee are mainly to review the financial information and reporting process, internal control procedures and risk management system, audit plan and relationship with external auditors and arrangements to enable employees of the Company to raise, in confidence, concerns about possible improprieties in financial reporting, internal control or other matters of the Company.

The Company has complied with Rule 5.28 of the GEM Listing Rules in that at least one of the members of the Audit Committee (which must comprise a minimum of three members and must be chaired by an independent non-executive Director) is an independent non-executive Director who possesses appropriate professional qualifications or accounting related financial management expertise.

The Group's unaudited condensed consolidated financial statements for the three months ended 31 March 2022 have been reviewed by the Audit Committee. The Audit Committee is of the opinion that the unaudited condensed consolidated financial statements of the Group for the three months ended 31 March 2022 comply with applicable accounting standards, GEM Listing Rules and that adequate disclosures have been made.

CONTINUED SUSPENSION OF TRADING

At the request of the Company, trading in the Shares on the Stock Exchange has been suspended with effect from 9:00 a.m. on 11 November 2021, and will remain suspended until further notice, pending, among other matters, the fulfilling of the guidance for the resumption of trading in the shares by the Stock Exchange.

By order of the Board
Dragon King Group Holdings Limited
Shen Taiju
Chairman

Hong Kong, 10 October 2022

As at the date of this report, the Board comprises Ms. Shen Taiju (Chairman) as executive Director; and Mr. Lee Yiu Keung, Mr. Wang Jingan and Mr. Wong Luen Tung as independent non-executive Directors.