



# Dragon King Group Holdings Limited

## 龍皇集團控股有限公司

*(Incorporated in the Cayman Islands with limited liability)*

Stock Code: 8493



Interim Report  
**2021**

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

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

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

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

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# UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the three months and six months ended 30 June 2021

The unaudited condensed consolidated results of the Group for the six months ended 30 June 2021, together with the unaudited comparative figures for the corresponding period in 2020, are as follows:

	Notes	Unaudited Three months ended 30 June		Unaudited Six months ended 30 June	
		2021 HK\$'000	2020 HK\$'000	2021 HK\$'000	2020 HK\$'000
<b>REVENUE</b>	5	<b>61,804</b>	48,390	<b>110,953</b>	106,042
Costs of inventories consumed		(19,783)	(13,913)	(36,196)	(31,301)
<b>Gross profit</b>		<b>42,021</b>	34,477	<b>74,757</b>	74,741
Other income and gains, net	6	1,376	8,284	8,852	9,879
Staff costs		(23,273)	(20,443)	(45,834)	(44,592)
Depreciation of items of property, plant and equipment		(1,988)	(3,168)	(3,756)	(6,400)
Depreciation of right-of-use assets		(4,878)	(8,250)	(10,568)	(14,523)
Loss on disposal of a subsidiary		–	–	–	(644)
Rental and related expenses		(6,502)	(4,116)	(11,417)	(9,488)
Other operating expenses		(9,659)	(8,124)	(18,890)	(18,123)
Finance costs		(872)	(1,441)	(1,927)	(2,763)
<b>Loss before tax</b>	7	<b>(3,775)</b>	(2,781)	<b>(8,783)</b>	(11,913)
Income tax expenses	8	–	–	–	–
<b>Loss for the period attributable to the owners of the Company</b>		<b>(3,775)</b>	(2,781)	<b>(8,783)</b>	(11,913)
<b>Loss per share</b>		<b>HK cents</b>	HK cents	<b>HK cents</b>	HK cents
– Basic and diluted	10	<b>(0.31)</b>	(0.19)	<b>(0.72)</b>	(0.83)

# UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME

For the three months and six months ended 30 June 2021

	Unaudited		Unaudited	
	Three months ended 30 June		Six months ended 30 June	
	2021	2020	2021	2020
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>Loss for the period</b>	<b>(3,775)</b>	<b>(2,781)</b>	<b>(8,783)</b>	<b>(11,913)</b>
Other comprehensive income/(expense):				
<i>Item that may be reclassified subsequently to profit or loss:</i>				
– Exchange differences on translating foreign operations	406	49	299	147
<b>Total comprehensive expense for the period</b>	<b>(3,369)</b>	<b>(2,732)</b>	<b>(8,484)</b>	<b>(11,766)</b>

# UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2021

	Notes	Unaudited 30 June 2021 HK\$'000	Audited 31 December 2020 HK\$'000
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	11	34,257	37,558
Right-of-use assets		25,119	36,040
Deposits and other receivables		7,315	9,587
Deferred tax assets		3,417	3,417
Total non-current assets		70,108	86,602
<b>CURRENT ASSETS</b>			
Inventories		7,810	7,957
Trade receivables	12	1,975	2,368
Prepayments, deposits and other receivables		22,193	24,219
Financial assets at fair value through profit or loss		4,980	4,928
Amount due from related companies		1,543	1,543
Tax recoverable		215	215
Bank balances and cash		8,356	11,692
Total current assets		47,072	52,922
<b>CURRENT LIABILITIES</b>			
Trade payables	13	39,990	34,599
Other payables and accruals		24,672	25,960
Lease liabilities		37,615	39,190
Bank borrowings		71,513	76,448
Tax payable		1,053	1,053
Total current liabilities		174,843	177,250
<b>NET CURRENT LIABILITIES</b>		(127,771)	(124,328)
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		(57,663)	(37,726)

# UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2021

	Unaudited 30 June 2021 HK\$'000	Audited 31 December 2020 HK\$'000
Notes		
<b>NON-CURRENT LIABILITIES</b>		
Other payables and accruals	1,608	2,408
Lease liabilities	6,216	16,869
Total non-current liabilities	<b>7,824</b>	19,277
<b>NET LIABILITIES</b>	<b>(65,487)</b>	(57,003)
<b>CAPITAL AND RESERVES</b>		
Share capital	14,400	14,400
Reserves	(79,887)	(71,403)
<b>TOTAL DEFICIT</b>	<b>(65,487)</b>	(57,003)

# UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2021

	Issued capital HK\$'000	Share premium HK\$'000	Other reserve HK\$'000	Capital reserve HK\$'000	Exchange fluctuation reserve HK\$'000	Accumulated loss HK\$'000	Total equity/ (Deficit) HK\$'000
At 1 January 2020	14,400	88,057	(43,224)	42,703	131	(83,870)	18,197
Loss for the period	-	-	-	-	-	(11,913)	(11,913)
Other comprehensive expenses 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	-	-	-	-	147	-	147
Total comprehensive expense for the period	-	-	-	-	147	(11,913)	(11,766)
At 30 June 2020 (Unaudited)	14,400	88,057	(43,224)	42,703	278	(95,783)	6,431
At 1 January 2021	14,400	88,057	(43,224)	42,703	(310)	(158,629)	(57,003)
Loss for the period	-	-	-	-	-	(8,783)	(8,783)
Other comprehensive expenses 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	-	-	-	-	299	-	299
Total comprehensive expense for the period	-	-	-	-	299	(8,783)	(8,484)
At 30 June 2021 (Unaudited)	14,400	88,057	(43,224)	42,703	(11)	(167,412)	(65,487)

# UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2021

	Unaudited	
	Six months ended 30 June	
	2021	2020
	HK\$'000	HK\$'000
<b>NET CASH FROM OPERATING ACTIVITIES</b>	<b>19,429</b>	<b>10,205</b>
<b>INVESTING ACTIVITIES</b>		
Interest received	2	2
Consideration received from disposal of a subsidiary	-	2,782
Purchases of items of property, plant and equipment	(351)	-
<b>NET CASH (USED IN )/GENERATED FROM INVESTING ACTIVITIES</b>	<b>(349)</b>	<b>2,784</b>
<b>FINANCING ACTIVITIES</b>		
New bank borrowings	12,359	11,171
Repayment of bank borrowings	(17,294)	(10,924)
Payment of lease liabilities	(17,518)	(17,483)
<b>NET CASH USED IN FINANCING ACTIVITIES</b>	<b>(22,453)</b>	<b>(17,236)</b>
<b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>	<b>(3,373)</b>	<b>(4,247)</b>
<b>Cash and cash equivalents at the beginning of the period</b>	<b>11,692</b>	<b>14,227</b>
Effect of foreign exchange rate changes	37	106
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD,</b> represented by bank balances and cash	<b>8,356</b>	<b>10,086</b>

# NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

## 1. GENERAL INFORMATION

The Company is a limited liability company incorporated in the Cayman Islands on 8 August 2016. The registered office address of the Company is Windward 3, Regatta Office Park, PO Box 1350, 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 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 in Hong Kong, Macau and People's Republic of China (the "PRC").

## 2. BASIS OF PRESENTATION AND PRINCIPAL ACCOUNTING POLICIES

The Group's unaudited condensed consolidated financial statements for the six months ended 30 June 2021 have been prepared in accordance with the accounting principles generally accepted in Hong Kong and comply with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and the applicable disclosure requirements of Chapter 18 of the GEM Listing Rules.

The accounting policies and methods of computation used in the preparation of the unaudited condensed consolidated financial statements for the six months ended 30 June 2021 are consistent with those adopted in the Group's audited annual report dated 30 March 2021 (the "2020 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 six months ended 30 June 2021 and there have been no significant changes to the accounting policies applied in these unaudited condensed consolidated financial statements for the six months ended 30 June 2021.

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

The unaudited condensed consolidated financial statements for the six months ended 30 June 2021 have been prepared under the historical cost convention. The unaudited condensed consolidated financial statements for the six months ended 30 June 2021 are presented in thousand of Hong Kong dollars (“**HK\$’000**”), which is also the functional currency of the Group.

During the six months ended 30 June 2021, the Group recorded a consolidated net loss of approximately HK\$8,783,000 (2020: approximately HK\$11,913,000), and as of that date, the Group’s current liabilities exceeded its current assets by approximately HK\$127,771,000 (31 December 2020: approximately HK\$124,328,000) and the Group had net liabilities by approximately HK\$65,487,000 (2020: approximately HK\$57,003,000). As at the same date, the Group’s total current borrowings amounted to approximately HK\$71,513,000 (2020: approximately HK\$76,448,000), while its cash and cash equivalents amounted to approximately HK\$8,356,000 (2020: approximately HK\$11,692,000) only.

The Directors consider the Group will have sufficient working capital to finance its operations and financial obligations as and when they fall due, and accordingly, are satisfied that it is appropriate to prepare the consolidated financial statements on a going concern basis after taking into consideration the followings:

- (i) the Group had interest-bearing bank borrowings of approximately HK\$71,513,000 as at 30 June 2021, of which approximately HK\$19,398,000 is repayable within one year. The remaining interest-bearing bank borrowings, amounting to approximately HK\$52,115,000 were classified as current liabilities due to the existence of a repayment on demand clause in the loan agreements. The Group will actively negotiate with the bank for the renewal of the Group’s bank borrowings when they fall due in order to secure necessary funds to meet the Group’s working capital and financial requirements in the foreseeable future. In the opinion of the Directors, the Group will be able to roll over or refinance the bank borrowings upon their maturity;
- (ii) management has been endeavoring to improve the Group’s operating results and cash flows through various cost control measures and will slow down the opening of new restaurants or will close underperforming restaurants in the future; and
- (iii) negotiating with banks for new banking facilities.

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 2020.

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

### **3. ESTIMATES**

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

In preparing the 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 2020.

### **4. FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS**

#### **(a) Financial risk factor**

The Group's activities expose it to a variety of financial risks: interest rate risk, credit risk and liquidity risk. The 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 2020.

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 2020.

#### **(c) Fair value estimation**

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

## 5. REVENUE

	Unaudited		Unaudited	
	Three months ended 30 June		Six months ended 30 June	
	2021	2020	2021	2020
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Revenue from contracts with customers				
Restaurant operations	61,804	48,390	110,953	106,042

### (i) Disaggregated revenue information

	Unaudited		Unaudited	
	Three months ended 30 June		Six months ended 30 June	
	2021	2020	2021	2020
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>Type of goods or services</b>				
Revenue from Chinese restaurant operations	61,804	48,390	110,953	106,042
<b>Geographical markets</b>				
Hong Kong and Macau	54,763	41,519	95,400	94,822
The PRC	7,041	6,871	15,553	11,220
<b>Total</b>	<b>61,804</b>	<b>48,390</b>	<b>110,953</b>	<b>106,042</b>
<b>Timing of revenue recognition</b>				
At a point in time	61,804	48,390	110,953	106,042

### (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.

**6. OTHER INCOME AND GAINS, NET**

	Unaudited		Unaudited	
	Three months ended 30 June		Six months ended 30 June	
	2021	2020	2021	2020
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>Other income and gains, net</b>				
Bank interest income	1	1	2	2
Fair value gains on financial assets at fair value through profit or loss	27	40	52	80
Subsidies received from a utility company for purchases of items of property, plant and equipment*	74	147	148	252
Subsidies received from government	–	7,587	4,200	8,987
Rental Concession**	1,054	–	4,230	–
Others	220	509	220	558
	<b>1,376</b>	<b>8,284</b>	<b>8,852</b>	<b>9,879</b>

\* As at 30 June 2021 and 2020, there were no unfulfilled conditions or other contingencies attaching to the subsidies that had been recognised by the Group.

\*\* During the six months ended 30 June 2021, the Group reorganised rental concession of approximately HK\$4,230,000 of which approximately HK\$1,053,000 related to COVID-19 Related Rental Concessions.

## 7. LOSS FOR THE PERIOD

Loss for the period has been arrived at after charging:

	Unaudited		Unaudited	
	Three months ended 30 June		Six months ended 30 June	
	2021	2020	2021	2020
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Contingent rents under operating leases*	–	–	–	490
Auditor's remuneration	230	250	460	500
Employee benefit expense (excluding directors' and chief executive's remuneration)				
Wages and salaries	20,468	18,135	40,628	39,724
Pension scheme contributions	1,095	943	1,893	2,045
	<b>21,563</b>	<b>19,078</b>	<b>42,521</b>	<b>41,769</b>

\* 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

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

For the six months ended 30 June 2021 and 2020, Hong Kong Profits Tax is calculated in accordance with the two-tiered profits tax rates regime. Under the two-tiered profits tax rates regime, the first HK\$2,000,000 of profits of qualifying corporation will be taxed at 8.25%, and profits above HK\$2,000,000 will be taxed at 16.5%. The profits of corporations not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%.

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 2021 (2020: 25% and 12%), respectively.

	Unaudited		Unaudited	
	Three months ended 30 June		Six months ended 30 June	
	2021	2020	2021	2020
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Current – Hong Kong	-	-	-	-
Total tax charge for the period	-	-	-	-

## 9. DIVIDEND

The Board does not recommend any payment of interim dividend in respect of the six months ended 30 June 2021 (2020: Nil).

## 10. LOSS PER SHARE

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

	Unaudited		Unaudited	
	Three months ended 30 June		Six months ended 30 June	
	2021	2020	2021	2020
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Loss attributable to owners of the Company for the purpose of basic and diluted loss per share	(3,775)	(2,781)	(8,783)	(11,913)

	Number of shares			
	'000	'000	'000	'000
Weighted average number of ordinary shares for the purpose of calculating basic and diluted loss per share	1,225,193	1,440,000	1,225,193	1,440,000

No diluted earnings per share for the six months ended 30 June 2021 and 2020 were presented as there were no potential ordinary shares in issue for the six months ended 30 June 2021 and 2020.

## 11. PROPERTY, PLANT AND EQUIPMENT

For the six months ended 30 June 2021, purchases of property, plant and equipment by the Group was approximately HK\$0.4 million (2020: approximately HK\$2.3 million).

## 12. TRADE RECEIVABLES

	<b>Unaudited 30 June 2021 HK\$'000</b>	Audited 31 December 2020 HK\$'000
Contracts with customers	<b>1,975</b>	2,368

Certain customers are granted credit period from few days to 60 days. The following is an aged analysis of trade receivables, net of allowance for credit losses, presented based on the invoice date, which approximates the respective revenue recognition dates:

	<b>Unaudited 30 June 2021 HK\$'000</b>	Audited 31 December 2020 HK\$'000
Within 1 month	<b>1,533</b>	1,447
1 to 2 months	<b>432</b>	676
2 to 3 months	<b>10</b>	47
Over 3 months	<b>–</b>	198
	<b>1,975</b>	2,368

### 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:

	<b>Unaudited 30 June 2021 HK\$'000</b>	<b>Audited 31 December 2020 HK\$'000</b>
Within 1 month	4,726	3,018
1 to 2 months	3,996	3,670
2 to 3 months	3,613	3,732
Over 3 months	27,655	24,179
	<b>39,990</b>	<b>34,599</b>

### 14. SHARE CAPITAL

	<b>Number of shares</b>	<b>Share capital HK\$'000</b>
<b>Ordinary shares of HK\$0.01 each</b>		
<b>Authorised:</b>		
As at 31 December 2020	2,000,000,000	20,000
Increase of ordinary shares	3,000,000,000	30,000
Decrease of ordinary shares by share consolidation	(4,500,000,000)	–
	<b>500,000,000</b>	<b>50,000</b>
<b>Issued and fully paid:</b>		
As at 31 December 2020	1,440,000,000	14,400
Decrease of ordinary shares by share consolidation and effect of change in par value	(1,296,000,000)	–
	<b>144,000,000</b>	<b>14,400</b>

The Extraordinary General Meeting of the Company on 28 May 2021 resolved that the authorised share capital of the Company has been increased to HK\$50,000,000 divided into 5,000,000,000. Moreover, every 10 issued and unissued Existing Shares be consolidated into 1 Consolidated Share. Thus, the par value of the share increase from HK\$0.01 each to HK\$0.1 each.

## 15. 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) 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 30 June		Six months ended 30 June	
	2021	2020	2021	2020
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Salaries, allowances and benefits in kind	1,773 <sup>^</sup>	1,169 <sup>^</sup>	3,376 <sup>^</sup>	2,524 <sup>^</sup>
Pension scheme contributions	15	9	30	18
	<b>1,788</b>	<b>1,178</b>	<b>3,406</b>	<b>2,542</b>

<sup>^</sup> Included in the above salaries, allowances and benefits in kind are estimated rentals of approximately HK\$171,000 (2020: HK\$171,000) for each of Mr. Wong Wing Chee and Ms. Lee Ching Nung Angel, for a building owned by the Group as directors' quarter.

### (b) Purchases from a company controlled by directors

	Unaudited		Unaudited	
	Three months ended 30 June		Six months ended 30 June	
	2021	2020	2021	2020
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Purchases from a company controlled by directors	2,184	1,236	4,650	2,139

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

# 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 2021, 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)”, “Dragon Gown (龍袍)” and “Imperial Seal (皇璽)”. 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 2021, the Group had seven restaurants in Hong Kong, two of which are located on Hong Kong Island (respectively known as the “**Causeway Bay Restaurant**” and the “**Wan Chai Restaurant**”), four of which are located in Kowloon (respectively known as the “**ICC Restaurant**”, the “**Kwun Tong Restaurant**”, the “**San Po Kong Restaurant**” and the “**Whampoa Restaurant**”), and one of which is located in the New Territories (known as the “**Kwai Chung Restaurant**”). The Group’s restaurant in Macau is located in the Venetian Macao (known as the “**Macau Restaurant**”) and the restaurant in Shanghai is located in Pudong New District (known as the “**Shanghai Restaurant**”).

For the six months ended 30 June 2021, the food and beverage industry gradually recovered from the outbreak of COVID-19. In the first half of 2021, the Group’s restaurants performance keeps improving due to the effective control of the spread of COVID-19 in Hong Kong, Macau and the PRC.

## FINANCIAL REVIEW

### Revenue

For the six months ended 30 June 2021, the Group recorded a total revenue of approximately HK\$111.0 million, representing a slight increase of approximately HK\$5.0 million or approximately 4.7% as compared to approximately HK\$106.0 million for the six months ended 30 June 2020.

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

	For the six months ended 30 June			
	2021		2020	
	Revenue HK\$'000	% of total revenue (%)	Revenue HK\$'000	% of total revenue (%)
Dragon King (龍皇)	68,887	62.1%	69,176	65.2%
Dragon Seal (龍璽)	14,961	13.5%	12,729	12.0%
Dragon Gown (龍袍)	11,552	10.4%	9,987	9.4%
Imperial Seal (皇璽)	15,553	14.0%	11,220	10.6%
Dragon Feast (龍宴)*	–	–	2,930	2.8%
Total revenue	110,953	100.0%	106,042	100.0%

\* Disposed of on 17 January 2020

#### *Dragon King (龍皇)*

The revenue generated from Dragon King slightly decreased by approximately HK\$0.3 million, or approximately 0.4%, from approximately HK\$69.2 million for the six months ended 30 June 2020 to approximately HK\$68.9 million for the six months ended 30 June 2021.

The slight decrease in revenue was mainly due to the resulting anti-epidemic precautionary measures including restrictions on catering business premises imposed in Hong Kong which had an adverse impact on the revenue generated during the first half of 2021 but gradually resumed during the second quarter of 2021.

### *Dragon Seal (龍璽)*

The revenue generated from Dragon Seal increased by approximately HK\$2.3 million, or approximately 18.1%, from approximately HK\$12.7 million for the six months ended 30 June 2020 to approximately HK\$15.0 million for the six months ended 30 June 2021. Such increase was mainly due to the effective control on the COVID-19 in Hong Kong and thus the revenue generated resumed normal.

### *Dragon Gown (龍袍)*

The revenue generated from Dragon Gown increased by approximately HK\$1.6 million, or approximately 16.0%, from approximately HK\$10.0 million for the six months ended 30 June 2020 to approximately HK\$11.6 million for the six months ended 30 June 2021. Such increase was mainly due to the effective control on the COVID-19 in Hong Kong and thus the revenue generated resumed normal.

### *Imperial Seal (皇璽)*

The revenue generated from Imperial Seal significantly increased by approximately HK\$4.4 million, or approximately 39.3%, from approximately HK\$11.2 million for the six months ended 30 June 2020 to approximately HK\$15.6 million for the six months ended 30 June 2021. Such increase was mainly due to the effective control on the COVID-19 in the PRC and thus the revenue generated resumed normal.

## **Gross profit and gross profit margin**

The Group's gross profit (i.e. revenue minus cost of inventories consumed) amounted to approximately HK\$74.8 million for the six months ended 30 June 2021, representing an increase of approximately HK\$0.1 million or approximately 0.1% from approximately HK\$74.7 million for the six months ended 30 June 2020 driven by the increase in revenue.

The Group's overall gross profit margin decreased by 3.1% for the six months ended 30 June 2021 when compared to the six months ended 30 June 2020 due to more promotional menu was provided to the customers during the period.

## **Other income and gains, net**

Other income and gains, net decreased by approximately HK\$1.0 million or approximately 10.1% from approximately HK\$9.9 million for the six months ended 30 June 2020 to approximately HK\$8.9 million for the six months ended 30 June 2021. Such decrease were mainly due to the one-off subsidies received from the The Food and Environmental Hygiene Department and the Employment Support Scheme from the HKSAR Government under the Anti-epidemic Fund during the six months ended 30 June 2020.

## **Staff costs**

Staff costs was approximately HK\$45.8 million for the six months ended 30 June 2021, representing an increase of approximately HK\$1.2 million or approximately 2.7% as compared to HK\$44.6 million for the six months ended 30 June 2020. Such increase was mainly due to unpaid leaves were applied to all Directors, senior management and employees during the six months ended 30 June 2020 while no more unpaid leaves were applied to all employees since the outbreak of COVID-19 gradually recovered in 2021.

## **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 increased by approximately HK\$1.9 million or approximately 20% from approximately HK\$9.5 million for the six months ended 30 June 2020 to approximately HK\$11.4 million for the six months ended 30 June 2021. Such increase was mainly due to certain short-term lease payment, management fees and promotion levy were no longer waived by landlord due to the effective control on the COVID-19.

## **Other operating expenses**

The Group's other operating expenses increased by approximately HK\$0.8 million or approximately 4.4% from approximately HK\$18.1 million for the six months ended 30 June 2020 to approximately HK\$18.9 million for the six months ended 30 June 2021. Such increase was mainly due to the further resources allocated to promotional and marketing activities to attract more customers to dine in once the COVID-19 gradually recovered in the first half of 2021.

## Loss attributable to owners of the Company

For the six months ended 30 June 2021, the Group recorded a loss attributable to owners of the Company of approximately HK\$8.8 million, as compared with loss of approximately HK\$11.9 million for the six months ended 30 June 2020. The decrease in the loss attributable to owners of the Company mainly due to the effective control of on the COVID-19 in Hong Kong, Macau, and the PRC which led to the increase in revenue and less depreciation recognised during the period.

## PROSPECTS

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

On the other hand, the staff costs and food costs remained relatively high despite the current economic downturn, therefore the Group is facing pressure on striking the balance between cost control and the qualities of the food and services. Another major cost component for the Group is the rental expenses. The Group has been negotiating with the landlords for rent concessions due to the restrictions on catering business premises and the reduced number of visitors as overshadowed by the outbreak of COVID-19.

In response to the adverse business environment brought by the outbreak of COVID-19, the Group has 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.

Moreover, the Group has set up an online sales platform to promote the Group's packaged foods and several packaged sauces in late 2020 and will further expand the online sales business in the future. The development of online sales business is to diversify the operational and financial risks facing in operating the restaurants under the COVID-19 and lower the reliance on the revenue generated from the restaurant operations.

Looking ahead, the Group will constantly adjust the business strategies in response to the ever-changing economy and the food and beverage industry. 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.

## 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 the Listing Date 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 2021, the net proceeds from share offer were applied as follows:

	Planned use of net proceeds as stated in the Prospectus up to 30 June 2021 HK\$ million	Actual use of net proceeds up to 30 June 2021 HK\$ million	Unutilised net proceeds up to 30 June 2021 HK\$ million
Expansion in Hong Kong with multi-brand strategy			
– Capital expenditure, working capital and rental deposit of opening of “Dragon King” Restaurant in Kwai Chung	9.6	9.6	–
– Capital expenditure, working capital and rental deposit of opening of “Dragon Gown” Restaurant in Wan Chai	11.0	11.0	–
– Capital expenditure, working capital and rental deposit of opening of “Dragon King” Restaurant in Eastern District	6.8	–	6.8
<b>Sub-total</b>	<b>27.4</b>	<b>20.6</b>	<b>6.8</b>

	Planned use of net proceeds as stated in the Prospectus up to 30 June 2021 HK\$ million	Actual use of net proceeds up to 30 June 2021 HK\$ million	Unutilised net proceeds up to 30 June 2021 HK\$ million
Enhancement of existing restaurant facilities			
– Renovation costs for the Group’s Restaurant	4.1	4.1	–
<b>Sub-total</b>	<b>4.1</b>	<b>4.1</b>	<b>–</b>
Enhancement of marketing and promotions			
– Advertise and promote more in conventional media channels and online platforms	0.8	0.8	–
– Engage in more marketing campaigns and appointment of spokesperson	0.4	0.4	–
<b>Sub-total</b>	<b>1.2</b>	<b>1.2</b>	<b>–</b>
Repayment of bank and other borrowings	3.0	3.0	–
Working capital	1.6	1.6	–
<b>Total</b>	<b>37.3</b>	<b>30.5</b>	<b>6.8</b>

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 2021, approximately HK\$30.5 million out of the net proceeds from the Listing had been used. The remaining unutilised net proceeds of approximately HK\$6.8 million were deposited in licensed banks in Hong Kong. The Company intends to apply the net proceeds in the manner as stated in the Prospectus. However, the Directors will constantly evaluate the Group's business objectives and may change or modify the Group's plans against the changing market condition to attain sustainable business growth of the Group. Nevertheless, given the current economic condition and social instabilities together with the Pandemic in Hong Kong subsequent to the reporting period, the Group has decided to delay the plan of opening new restaurant until the Directors consider the overall economical and political atmosphere resume and is suitable for the expansion which expected in late 2021.

## **CAPITAL STRUCTURE**

The shares of the Company were listed on GEM of the Stock Exchange on the Listing Date. There has been no change in the capital structure of the Group since then. 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 and other borrowings.

As at 30 June 2021, the Group had borrowings of approximately HK\$71.5 million which was denominated in Hong Kong Dollars (31 December 2020: approximately HK\$76.4 million). The Group's bank borrowings were primarily used in financing the working capital requirement of its operations.

As at 30 June 2021, the Group's cash and cash equivalents were approximately HK\$8.4 million (31 December 2020: approximately HK\$11.7 million). The Directors believe that the Group is in a healthy financial position to achieve its business objectives.

## **GEARING RATIO**

As at 30 June 2021, the gearing ratio of the Group was approximately 156.4% (31 December 2020: approximately 145.0%). 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 2021, the borrowings were secured by a building owned by the Group and life insurance policies amounted to approximately HK\$28.3 million (31 December 2020: approximately HK\$28.7 million) and approximately HK\$5.0 million (31 December 2020: approximately HK\$4.9 million), respectively, for certain banking facilities granted to the Group.

## **SEGMENT INFORMATION**

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

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

There was no significant investment held, material acquisition and disposal of subsidiaries and affiliated companies by the Company during the six months ended 30 June 2021. There is no other plan for material investments or capital assets as at 30 June 2021.

## **FOREIGN EXCHANGE EXPOSURE**

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

The Group does not have any material foreign exchange exposure. During the six months ended 30 June 2021, 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 2021 (31 December 2020: Nil).

## **COMMITMENTS**

As at 30 June 2021, the Group does not have any commitments (31 December 2020: Nil).

## **DIVIDEND**

The Board does not recommend any payment of interim dividend for the six months ended 30 June 2021 (2020: Nil).

## **EMPLOYEES AND REMUNERATION POLICY**

As at 30 June 2021, the Group had a workforce of 350 employees. Total staff cost for the six months ended 30 June 2021 was about HK\$45.8 million.

The emolument policy of the employees of the Group is formulated by the remuneration committee of the Company ("Remuneration Committee") with reference to the duties, responsibilities, experience and competence of individual employees. The same policy also applies to the Directors. In addition to salaries and discretionary bonuses relating to the performance of the Group, employee benefits included pension scheme contributions. The emoluments of the Directors are reviewed annually by the Remuneration Committee.

As incentives and rewards for their contributions to the Group, the employees of the Group and all the Directors (including the independent non-executive Directors) may also be granted share options by the Company from time to time pursuant to the share option scheme of the Company adopted on 15 December 2017.

The Group provides various training to its employees to enhance their technical skills and knowledge relevant to the employees' responsibilities. The Group also provides its employees with quality control standards and work safety standards training to enhance their safety awareness.

## **EVENTS AFTER THE REPORTING PERIOD**

On 28 July 2021, the Company have been successfully placed an aggregate of 28,800,000 Placing Shares to not less than six Placees at the Placing Price of HK\$0.208 per Placing Share. The Company intended to use the net proceeds of approximately HK\$5,788,400 in accordance to the purposes which disclosed in the announcement on 28 July 2021.

## OTHER INFORMATION

### DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITION IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY

As at 30 June 2021, the interests and short positions of the Directors and chief executive 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 Future Ordinance (the "SFO")) which are required to be notified to the Company and the Stock Exchange pursuant to Division 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), or which were recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or which are required, pursuant to Rules 5.46 to 5.68 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange, were follow:

#### Long positions in ordinary shares and underlying shares of the Company

Name of Director/ chief executive	Capacity/Nature of interest	Number of shares held/ interested	Approximate percentage of shareholding
Ms. Lee Ching Nung Angel ("Ms. Lee") <sup>Note 1</sup>	Interest of spouse	17,600,400	12.22%
Mr. Wong Wing Chee ("Mr. Wong WC") <sup>Note 2</sup>	Interested in a controlled corporation	17,600,400	12.22%

Notes:

1. Ms. Lee is the spouse of Mr. Wong WC. Ms. Lee resigned as an executive Director on 13 July 2021.
2. Mr. Wong WC beneficially owns the entire issued share capital of Million Edge Developments Limited ("Million Edge"). Mr. Wong WC is the sole director of Million Edge.

Save as disclosed above, as at 30 June 2021, none of the Directors and Chief Executive Officer had any interests or short positions in any shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which would have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or which were recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or which were required, pursuant to Rules 5.46 to 5.68 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange.

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

So far as known to the Directors or chief executive of the Company, as at 30 June 2021, the following persons/entities (other than the Directors and chief executive of the Company) had or were deemed to have an interest or a short position in the shares or the underlying shares of the Company which would be required to be disclosed to the Company and the Stock Exchange under the provisions of Division 2 and 3 of Part XV of the SFO, or which were recorded in the register of the Company remained to be kept under Section 336 of the SFO, or who were directly or indirectly, interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Company or any other member of the Group:

## Long positions in ordinary shares and underlying shares of the Company

Name of Shareholder	Capacity/Nature of interest	Number of Shares held/ interested	Approximate percentage of shareholding
Million Edge	Beneficial owner	17,600,400	12.22%

Save as disclosed above, as at 30 June 2021, 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 remained to be kept under Section 336 of the SFO, or who were directly or indirectly, interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Company or any other member of the Group.

There was a duplication of interests of 17,600,400 shares among Ms. Lee, Mr. Wong WC and Million Edge which represented the same block of shares.

## 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 2021.

## CHANGE OF DIRECTORS' INFORMATION

Upon specific enquiry by the Company and following confirmations from the Directors, save as disclosed hereunder, there is no change in the information of the Directors required to be disclosed pursuant to the GEM Listing Rules since the Company's last published annual report. The change of Directors' information is set out below:

1. Mr. Chan Ko Cheung has been appointed as the compliance officer of the Company with effect from 7 May 2021.

2. Mr. Chan Ko Cheung has been appointed as the an authorised representative, chief executive officer, the chairman of the Board, a member of the Remuneration Committee and the chairman of the nomination committee of the Company with effect from 13 July 2021.
3. Ms. Leung Hoi Ki has been appointed as the chairperson of the Remuneration Committee with effect from 13 July 2021.

## 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. Mr. Kwong Ping Man, who was an 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. On 17 December 2020, Good Vision had sold all shares of the Company it held, being 237,600,000 shares and representing 16.5% of the issued share capital of the Company. 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 2021.

## NON-COMPETITION UNDERTAKING

In order to avoid any possible future competition between the Group and the controlling shareholders, Mr. Wong WC and Million Edge (each a “**Covenantor**” and collectively the “**Covenantors**”) have entered into the deed of non-competition (the “**Deed of Non-competition**”) with the Company (for itself and as trustee for its subsidiaries) on 15 December 2017. Pursuant to the Deed of Non-competition, each of the Covenantors has irrevocably and unconditionally undertaken to the Company (for itself and as trustee for its subsidiaries) that, during the period that the Deed of Non-competition remains effective, he/it shall not, and shall procure that his/its close associates (other than any member of the Group) not to develop, acquire, invest in, participate in, carry on or be engaged, concerned or interested or otherwise be involved, whether directly or indirectly, in any business in competition with or likely to be in competition with the existing business activity of any member of the Group.

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

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

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

As at the end of the reporting period, the Deed of Non-competition has terminated as the Covenantors had ceased to be interested in 30% (or such other amount as may from time to time be specified in the GEM Listing Rules as being the threshold for determining a controlling shareholder of a company) or more of the entire issued share capital of the Company.

## **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 six months ended 30 June 2021.

## 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 2021, except for the following deviation(s):

Code Provision	Deviation	Considered Reason for Deviation
C.1.2 Management should provide all members of the Board with monthly updates giving a balanced and understandable assessment of the Company's performance, position and prospects in sufficient detail to enable the Board as a whole and each Director to discharge their duties under Rule 5.01 and Chapter 17 of the GEM Listing Rules.	The management could not provide the Directors with updated financial information of the Company every month.	The Board members of the Company were still informed by the management of the Company by email, by Whatsapp or by phone on the updated information of the Company's performance and future business plan from time to time.
C.1.3 Where the directors are aware of material uncertainties relating to events or conditions that may cast significant doubt on the issuer's ability to continue as a going concern, they should be clearly and prominently disclosed and discussed at length in the Corporate Governance Report.	The Corporate Governance Report contained in the Annual Report 2020 did not disclose the discussion details required under Code Provision C.1.3.	The Board noted the deviation and will ensure the Company will include the necessary details in the future.

## **NON-COMPLIANCE WITH RULES 5.05(1) AND 5.28 OF THE GEM LISTING RULES**

Following the resignation of Mr. Lin Zhisheng as an independent non-executive Director and a member of the audit committee ("Audit Committee") of the Company on 13 July 2021, the Company only has two independent non-executive Directors and two members of the Audit Committee which falls below the minimum number as required under Rules 5.05(1) and 5.28 of the GEM Listing Rules. The Company will identify suitable candidate for appointment as independent non-executive Director so as to fulfill the requirements under Rules 5.05(1) and 5.28 of the GEM Listing Rules within three months after the date of the resignation of Mr. Lin Zhisheng. Further announcement will be made by the Company in relation to such appointment as and when appropriate.

## **AUDIT COMMITTEE**

The Audit Committee of the Company has been established in accordance with the GEM Listing Rules and comprises Ms. Leung Hoi Ki (chairlady of the Audit Committee) and Mr. Lee Yiu Keung, all of them are independent non-executive Directors.

The Audit Committee has reviewed with the management this interim report, including the unaudited consolidated results of the Group for the six months ended 30 June 2021, prior to recommending them to the Board for approval.

The consolidated results of the Group for the six months ended 30 June 2021 have not been audited by the auditors of the Company.

By order of the Board  
**Dragon King Group Holdings Limited**  
**Chan Ko Cheung**  
*Chairman*

Hong Kong, 13 August 2021

*As at the date of this report, the Board comprises Mr. Chan Ko Cheung (Chairman & Chief Executive Officer), Mr. Wong Wing Chee and Mr. Zhu Min as executive Directors; and Mr. Lee Yiu Keung and Ms. Leung Hoi Ki as independent non-executive Directors.*