



Dragon King Group Holdings Limited

龍皇集團控股有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 8493



Third Quarterly Report
2022

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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 and nine months ended 30 September 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 and nine months ended 30 September 2022

	Notes	Unaudited Three months ended 30 September		Unaudited Nine months ended 30 September	
		2022 HK\$'000	2021 HK\$'000	2022 HK\$'000	2021 HK\$'000
Revenue	3	20,875	64,085	56,770	175,038
Costs of inventories consumed		(6,776)	(22,962)	(18,115)	(59,158)
Gross profit		14,099	41,123	38,655	115,880
Other income and gains, net	4	2,087	476	6,913	9,328
Staff costs		(10,545)	(25,764)	(29,710)	(71,598)
Depreciation of property, plant and equipment		(200)	(1,289)	(598)	(5,045)
Depreciation of right-of-use assets		-	(4,703)	(9,350)	(15,271)
Gain on disposal of a subsidiary		-	-	12,628	-
Rental and related expenses		(2,908)	(7,136)	(9,216)	(18,553)
Other operating expenses		(6,897)	(12,244)	(14,925)	(31,134)
Finance costs		(571)	(998)	(2,443)	(2,923)
Loss before tax	5	(4,935)	(10,533)	(8,046)	(19,316)
Income tax expenses	6	-	-	-	-
Loss for the period attributable to the owners of the Company		(4,935)	(10,533)	(8,046)	(19,316)
Loss per share		HK cents	HK cents	HK cents	HK cents
- Basic and diluted	8	(2.86)	7.21 (restated)	(4.66)	13.41 (restated)

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME

For the three months and nine months ended 30 September 2022

	Unaudited Three months ended 30 September		Unaudited Nine months ended 30 September	
	2022 HK\$'000	2021 HK\$'000	2022 HK\$'000	2021 HK\$'000
Loss for the period	(4,935)	(10,533)	(8,046)	(19,316)
Other comprehensive income:				
<i>Item that may be reclassified subsequently to profit or loss:</i>				
– Exchange differences on translating foreign operations	–	15	–	314
– Release of exchange fluctuation reserve upon disposal of a subsidiary	–	–	273	–
Total comprehensive expense for the period	(4,935)	(10,518)	(7,773)	(19,002)

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the nine months ended 30 September 2022

	Issued capital HK\$'000	Share premium HK\$'000	Other reserve HK\$'000	Capital reserve HK\$'000	Exchange fluctuation reserve HK\$'000	Accumulated loss HK\$'000	Total equity HK\$'000
At 1 January 2021 (Audited)	14,400	88,057	(43,224)	42,703	(310)	(158,629)	(57,003)
Loss for the period	-	-	-	-	-	(19,316)	(19,316)
Other comprehensive income for the period, net of income tax							
<i>Item that maybe reclassified subsequently to profit or loss:</i>							
Exchange differences arising on translation of foreign operations	-	-	-	-	314	-	314
Total comprehensive expense for the period	-	-	-	-	314	(19,316)	(19,002)
Placing of new share	2,880	3,110	-	-	-	-	5,990
Transaction costs attributable to placing of new share	-	(255)	-	-	-	-	(255)
At 30 September 2021 (Unaudited)	17,280	90,912	(43,224)	42,703	4	(177,945)	(70,270)
At 1 January 2022 (Audited)	17,280	90,912	(43,224)	42,703	(424)	(209,395)	(102,148)
Loss for the period	-	-	-	-	-	(8,046)	(8,046)
Other comprehensive income for the period, net of income tax							
<i>Item that maybe reclassified subsequently to profit or loss:</i>							
Release of exchange fluctuation reserve upon disposal of a subsidiary	-	-	-	-	273	-	273
Total comprehensive income (expense) for the period	-	-	-	-	273	(8,046)	(7,773)
At 30 September 2022 (Unaudited)	17,280	90,912	(43,224)	42,703	(151)	(217,441)	(109,921)

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL INFORMATION

The Company is a limited liability company incorporated in the Cayman Islands on 8 August 2016. The registered office address of the Company is 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, 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 are listed on GEM of the Stock Exchange since 16 January 2018.

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

2. BASIS OF PRESENTATION AND PRINCIPAL ACCOUNTING POLICIES

The Group's unaudited condensed consolidated financial statements for the nine months ended 30 September 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 nine months ended 30 September 2022 are consistent with those adopted in the Group's audited consolidated financial statement for the year ended 31 December 2021 as contained in the Group's 2021 audited report (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 nine months ended 30 September 2022 and there have been no significant changes to the accounting policies applied in these unaudited condensed consolidated financial statements for the nine months ended 30 September 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 nine months ended 30 September 2022 have been prepared under the historical cost convention. The unaudited condensed consolidated financial statements for the nine months ended 30 September 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 auditors, but have been reviewed by the audit committee of the Company.

3. REVENUE

(i) Disaggregated revenue information

	Unaudited Three months ended 30 September		Unaudited Nine months ended 30 September	
	2022 HK\$’000	2021 HK\$’000	2022 HK\$’000	2021 HK\$’000
Type of goods or services				
Revenue from Chinese restaurant operations	20,875	64,085	56,770	175,038
Geographical markets				
Hong Kong and Macau	20,875	58,213	56,770	153,613
The PRC*	-	5,872	-	21,425
Total	20,875	64,085	56,770	175,038
Timing of revenue recognition				
At a point in time	20,875	64,085	56,770	175,038

* 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 30 September		Unaudited Nine months ended 30 September	
	2022 HK\$'000	2021 HK\$'000	2022 HK\$'000	2021 HK\$'000
Other income and gains, net				
Bank interest income	-	1	-	3
Fair value gains on financial assets at fair value through profit or loss	-	22	276	74
Subsidies received from a utility company for purchases of items of property, plant and equipment*	-	74	-	222
Subsidies received from government**	1,877	-	6,353	4,200
Rental Concession***	-	320	-	4,550
Others	210	59	284	279
	2,087	476	6,913	9,328

* As at 30 September 2022 and 2021, there were no unfulfilled conditions or other contingencies attaching to the subsidies that had been recognised by the Group.

** During the nine months ended 30 September 2022, the Group recognised government grants of HK\$6,353,000 (30 September 2021: HK\$4,200,000) in respect of COVID-19-related subsidies, of which HK\$2,377,000 (30 September 2021: Nil) relates to the Employment Support Scheme, HK\$3,976,000 (30 September 2021: HK\$4,200,000) related to the Antiepidemic fund of the Hong Kong Government, which were included in other income and gains, net. The Group has complied all attached conditions for the nine months ended 30 September 2022.

*** During the nine months ended 30 September 2021, the Group recognised rental concession of approximately HK\$4,550,000 of which approximately HK\$1,373,000 related to COVID-19 Related Rental Concessions.

5. LOSS BEFORE TAX

Loss before tax has been arrived at after charging:

	Unaudited Three months ended 30 September		Unaudited Nine months ended 30 September	
	2022 HK\$'000	2021 HK\$'000	2022 HK\$'000	2021 HK\$'000
Contingent rents under operating leases				
Auditor's remuneration	300	230	900	690
Employee benefit expense (excluding Directors' and chief executive's remuneration)				
Wages and salaries	9,710	22,966	27,314	63,594
Pension scheme contributions	437	1,149	1,216	3,042
	10,147	24,115	28,530	66,636

6. 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 nine months ended 30 September 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 a flat rate of 16.5%.

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 30 September		Unaudited Nine months ended 30 September	
	2022 HK\$'000	2021 HK\$'000	2022 HK\$'000	2021 HK\$'000
Current – Hong Kong	-	-	-	-
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 nine months ended 30 September 2022 (2021: Nil).

8. LOSS PER SHARE

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

	Unaudited Three months ended 30 September		Unaudited Nine months ended 30 September	
	2022 HK\$'000	2021 HK\$'000	2022 HK\$'000	2021 HK\$'000
Loss attributable to owners of the Company for the purpose of basic and diluted loss per share	(4,935)	(10,533)	(8,046)	(19,316)

	Number of shares '000		Number of shares '000	
	'000	'000 (restated)	'000	'000 (restated)
Weighted average number of ordinary shares for the purpose of calculating basic and diluted loss per share	172,800	146,026	172,800	144,678
Basic loss per share (HK cents per share)	(2.86)	(7.21)	(4.66)	(13.35)

No diluted earnings per share for the nine months ended 30 September 2022 and 2021 were presented as there were no potential ordinary shares in issue for the nine months ended 30 September 2022 and 2021.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS AND OPERATION REVIEW

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

Restaurant Operations

For the nine months ended 30 September 2022, the Group operated six full-service restaurants in Hong Kong to provide Cantonese cuisine under the brand names “Dragon King (龍皇)” 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 providing high quality food and services as well as a comfortable dining environment to its customers.

All of the Group’s restaurants are located in Hong Kong. As at 30 September 2022, the Group had three restaurants in Hong Kong, one of which is located on Hong Kong Island (known as the “**Wan Chai Restaurant**”), two of which are located in Kowloon (respectively known as the “**Kwun Tong Restaurant**” and the “**Whampoa Restaurant**”).

For the nine months ended 30 September 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 the implementation of strict dine-in restrictions and social distancing measures by the Hong Kong Government.

In early 2022, the Hong Kong Government announced restrictions on the maximum number of persons per table for catering promises. The continuous outbreak of COVID-19 and a series of anti-epidemic measures implemented causing adverse impacts on the Group’s financial performance, resulting in the Group’s revenue has suffered a significant decrease of approximately HK\$118.3 million or approximately 67.6% during the nine months ended 30 September 2022.

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

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.

The Group closed down the San Po Kong Restaurant in July 2022.

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 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 nine months ended 30 September 2022, the Group recorded a total revenue of approximately HK\$56.8 million, representing a significant decrease of approximately HK\$118.3 million or approximately 67.6% as compared to approximately HK\$175.0 million for the nine months ended 30 September 2021.

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

	For the nine months ended 30 September			
	2022		2021	
	Revenue HK\$'000	% of total revenue (%)	Revenue HK\$'000	% of total revenue (%)
Dragon King (龍皇)	41,301	72.28%	108,798	62.2%
Dragon Seal (龍璽)	1,104	1.94%	26,250	15.0%
Dragon Gown (龍袍)	14,635	25.78%	18,565	10.6%
Imperial Seal (皇璽)*	-	-	21,425	12.2%
Total revenue	56,770	100%	175,038	100.0%

* Disposed of on 4 January 2022

Dragon King (龍皇)

The revenue generated from Dragon King significantly decreased by approximately HK\$67.4 million, or approximately 62.0%, from approximately HK\$108.8 million for the nine months ended 30 September 2021 to approximately HK\$41.3 million for the nine months ended 30 September 2022.

The significant decrease in revenue was mainly due to the stricter anti-epidemic precautionary measures including restrictions on catering business premises imposed in Hong Kong in 2022 and few restaurant under Drangon King brand in 2021 and 2022.

Dragon Seal (龍璽)

The revenue generated from Dragon Seal significantly decreased by approximately HK\$25.1 million, or approximately 95.7%, from approximately HK\$26.3 million for the nine months ended 30 September 2021 to approximately HK\$1.1 million for the nine months ended 30 September 2022. Such decrease was mainly attributable to the closure of the ICC Restaurant in early January 2022 which operated the brand of Dragon Seal due to the end of rental agreement.

Dragon Gown (龍袍)

The revenue generated from Dragon Gown decreased by approximately HK\$3.9 million, or approximately 21.2%, from approximately HK\$18.6 million for the nine months ended 30 September 2021 to approximately HK\$14.6 million for the nine months ended 30 September 2022. Such decrease was mainly due to the stricter anti-epidemic precautionary measures on catering business.

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 上海浦江名譽餐飲管理有限公司, formerly known as Dragon Seal Food & Beverage Management (Shanghai) Limited* (龍璽餐飲管理(上海)有限公司), an indirect wholly-owned subsidiary of the Company ("**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 nine months ended 30 September 2022.

Gross profit and gross profit margin

The Group's gross profit (i.e. revenue minus cost of inventories consumed) amounted to approximately HK\$38.7 million for the nine months ended 30 September 2022, representing a significant decrease of approximately HK\$118.3 million or approximately 13.9% from approximately HK\$115.9 million for the nine months ended 30 September 2021 driven by the significant decrease in revenue.

The Group's overall gross profit margin slightly increased by approximately 2.9% from approximately 66.2% for the nine months ended 30 September 2021 to approximately 68.1% for the nine months ended 30 September 2022.

Other income and gains, net

Other income and gains, net significantly decreased by approximately HK\$2.4 million from approximately HK\$9.3 million for the nine months ended 30 September 2021 to approximately HK\$6.9 million for the nine months ended 30 September 2022. Such decrease were mainly due to non-recurrence of rental concession in 2022.

Staff costs

Staff costs was approximately HK\$29.7 million for the nine months ended 30 September 2022, representing a significant decrease of approximately HK\$41.9 million or approximately 59.5% as compared to HK\$71.6 million for the nine months ended 30 September 2021. Such decrease was mainly due to the reduction in the number of restaurant operated by the Group in 2022 and anti-epidemic precaution measure in first half of 2022.

Depreciation of right-of-use assets

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

Rental and related expenses

The Group's rental and related expenses significantly decreased by approximately HK\$9.3 million or approximately 50.3% from approximately HK\$18.6 million for the nine months ended 30 September 2021 to approximately HK\$9.2 million for the nine months ended 30 September 2022. Such decrease was mainly due to reduction in the number of operated by the Group in 2022 as compared that in same period of 2021.

Other operating expenses

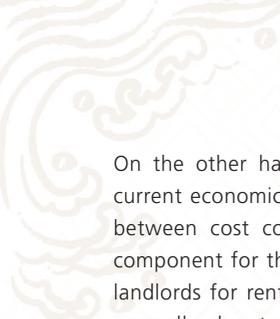
The Group's other operating expenses decreased by approximately HK\$16.2 million or approximately 52% from approximately HK\$31.7 million for the nine months ended 30 September 2021 to approximately HK\$14.9 million for the nine months ended 30 September 2022. Such decrease was mainly due to reduction in the number of operated by the Group in 2022 as compared that in same period of 2021.

Loss attributable to owners of the Company

For the nine months ended 30 September 2022, the Group recorded a loss attributable to owners of the Company of approximately HK\$8.0 million, as compared with loss of approximately HK\$19.3 million for the nine months ended 30 September 2021. The increase in the loss attributable to owners of the Company was mainly due to the gain on disposal of a subsidiary during the period.

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.

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.

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 nine months ended 30 September 2022. There is no other plan for material investments or capital assets as at 30 September 2022.

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 nine months ended 30 September 2022, 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 September 2022 (31 December 2021: Nil).

COMMITMENTS

As at 30 September 2022, the Group does not have any commitments (31 December 2021: Nil).

DIVIDEND

The Board does not recommend any payment of dividend for the nine months ended 30 September 2022 (2021: Nil).

EMPLOYEES AND REMUNERATION POLICY

As at 30 September 2022, the Group had a workforce of 127 employees. Total staff cost for the nine months ended 30 September 2022 was about HK\$29.7 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.

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 nine months ended 30 September 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 nine months ended 30 September 2022, no share option was granted, exercised, expired or lapsed and there is no outstanding share option under the Share Option Scheme.

OTHER INFORMATION

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 30 September 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 30 September 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.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the nine months ended 30 September 2022.

NON-COMPLIANCE WITH THE GEM LISTING RULES

Following the retirement of Mr. Lee Yiu Keung ("**Mr. Lee**") and Mr. Wang Jingan ("**Mr. Wang**") as the independent non-executive directors of the Company at the annual general meeting of the Company held on 31 October 2022, the Company is not able to comply with (i) Rule 5.05(1) of the GEM Listing Rules, the board of directors of a listed issuer must include at least three independent non-executive directors; (ii) Rule 5.28 of the GEM Listing Rules, the audit committee should comprise of a minimum of three members of non-executive directors only; and (iii) Rules 5.34 of the GEM Listing Rules requires the remuneration committee chaired by an independent non-executive director and comprising a majority of independent non-executive directors.

Rule 5.34 of the GEM Listing Rules has been complied following the appointment of Dr. Chung Ling Cheong Dicky on 14 November 2022. In order to comply with Rule 5.05(1) and 5.28 of the GEM Listing Rules the Company is endeavoring to identify suitable candidate to fill the vacancies with the expectation within 3 months from the effective date of the retirement of Mr. Lee and Mr. Wang pursuant to Rules 5.06 and 5.33 of the GEM Listing Rules. The Company will make further announcement(s) as and when appropriate.

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 nine months ended 30 September 2022.

CORPORATE GOVERNANCE PRACTICE

The Board considers good corporate governance a key element in managing the business and affairs of the Group. The management of the Group periodically reviews and proposes amendments to its corporate governance practices for compliance with the Corporate Governance Code (the "CG Code") as set out in Appendix 15 of the GEM Listing Rules. The Board is of the opinion that the Company has complied with the CG Code during the nine months ended 30 September 2022, except for the following deviation(s):

Code Provision Considered	Deviation	Reason for Deviation
C2.1 the roles of chairman and chief executive should be separate and should not be performed by the same individual.	The roles of chairman and CEO of the Company were performed by the executive Director, Mr. Chan Ko Cheung, with effect on 13 July 2021.	The Company considered that the combination of the roles of chairman and CEO could effectively facilitate the formulation and implementation of the strategies of the Company. The Company considered that under the supervision of its Board and especially its independent non-executive Directors, a balancing mechanism existed so that the interests of the Shareholders were adequately and fairly represented. The Company considered that there was no imminent need to change the arrangement.

Following the resignation of Mr. Chan as an executive director, chairman and chief executive officer of the Company with effect on 6 October 2022, the Board considers that the Company has complied with all the provisions of the CG code as set out in Appendix 15 to the GEM Listing Rules as at the date of this report.

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 member include Dr. Chung Ling Cheong Dicky, the independent non-executive Director. The written terms of reference of the Audit Committee are posted on the Stock Exchange's website and on the Company's website.

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

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

The Group's unaudited condensed consolidated financial statements for the nine months ended 30 September 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 nine months ended 30 September 2022 comply with applicable accounting standards, GEM Listing Rules and that adequate disclosures have been made.

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

Hong Kong, 14 November 2022

As at the date of this report, the Board comprises Ms. Shen Taiju (Chairman) as executive Director; and Mr. Wong Luen Tung and Dr. Chung Ling Cheong Dicky as independent non-executive Directors.