



Dragon King Group Holdings Limited

龍皇集團控股有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 8493



First Quarterly Report
2023



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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 Directors (the “**Board**”) is pleased to present the unaudited condensed consolidated results of the Group for the three months ended 31 March 2023 (the “**Period**”), together with the unaudited comparative figures for the corresponding period in 2022, are as follows:

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the three months ended 31 March 2023

		Unaudited Three months ended 31 March	
		2023	2022
		HK\$'000	HK\$'000
	Notes		
Revenue	3	31,143	13,447
Costs of inventories consumed		(8,126)	(4,829)
Gross profit		23,017	8,618
Other income and gains, net	4	3	1,832
Staff costs		(9,761)	(8,523)
Depreciation of property, plant and equipment		(199)	(199)
Gain on disposal of a subsidiary	9	–	12,628
Impairment losses of right-of-use assets		–	(750)
Rental and related expenses		(2,393)	(1,975)
Other operating expenses		(4,276)	(4,019)
Finance costs		(860)	(1,257)
Profit before tax	5	5,531	6,355
Income tax expense	6	–	–
Profit for the period attributable to the owners of the Company		5,531	6,355
Earnings per share		HK cents	HK cents
– Basic and diluted	8	3.20	3.68

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME

For the three months ended 31 March 2023

	Unaudited Three months ended 31 March	
	2023 HK\$'000	2022 HK\$'000
Profit for the period	5,531	6,355
Other comprehensive (expense) income: <i>Items that may be reclassified subsequently to profit or loss:</i>		
– Exchange differences arising on translation of foreign operation	(143)	–
– Release of exchange fluctuation reserve upon disposal of a subsidiary	–	273
Total comprehensive income for the period	5,388	6,628

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the three months ended 31 March 2023

	Attributable to owners of the Company						Total deficiency in equity HK\$'000
	Issued capital HK\$'000	Share premium HK\$'000	Other reserve HK\$'000	Capital reserve HK\$'000	Exchange fluctuation reserve HK\$'000	Accumulated losses HK\$'000	
At 1 January 2022 (Audited)	17,280	90,912	(43,224)	42,703	(424)	(209,395)	(102,148)
Profit for the period	-	-	-	-	-	6,355	6,355
Other comprehensive income for the period, net of income tax							
<i>Item that may be reclassified subsequently to profit or loss:</i>							
Release of exchange fluctuation reserve upon disposal of a subsidiary	-	-	-	-	273	-	273
Total comprehensive income for the period	-	-	-	-	273	6,355	6,628
At 31 March 2022 (Unaudited)	17,280	90,912	(43,224)	42,703	(151)	(203,040)	(95,520)
At 1 January 2023 (Audited)	17,280	90,912	(43,224)	42,703	(133)	(214,690)	(107,152)
Profit for the period	-	-	-	-	-	5,531	5,531
Other comprehensive expense for the period, net of income tax							
<i>Item that may be reclassified subsequently to profit or loss:</i>							
Exchange differences arising on translation of foreign operation	-	-	-	-	(143)	-	(143)
Total comprehensive income for the period	-	-	-	-	(143)	5,531	5,388
At 31 March 2023 (Unaudited)	17,280	90,912	(43,224)	42,703	(276)	(209,159)	(101,764)

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL INFORMATION

The Company is a limited liability company incorporated in the Cayman Islands on 8 August 2016. The registered address of the Company is Windward 3, Regatta Office Park, PO Box 1350, Grand Cayman, KY1-1108, Cayman Islands. The principal place of business of the Company was located at 16/F., Tern Centre Two, 251 Queen's Road Central, Hong Kong and changed to Unit C, 11/F., King Yip Factory Building, 59 King Yip Street, Kwun Tong, Kowloon, Hong Kong on 1 March 2023. The Company's shares have been listed on GEM of the Stock Exchange since 16 January 2018.

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

2. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES

The Group's unaudited condensed consolidated financial statements for the three months ended 31 March 2023 have been prepared in accordance with the accounting principles generally accepted in Hong Kong and comply with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and the applicable disclosure requirements of Chapter 18 of the GEM Listing Rules.

The accounting policies and methods of computation used in the preparation of the unaudited condensed consolidated financial statements for the three months ended 31 March 2023 are consistent with those adopted in the Group's audited annual report dated 22 May 2023 (the "2022 Annual Report"), except for the adoption of the new and revised Hong Kong Financial Reporting Standards (the "New and Revised HKFRSs") (which include all HKFRSs, Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the HKICPA that are adopted for the first time for the current periods financial statements.

The adoption of the New and Revised HKFRSs has had no significant effect on these unaudited condensed consolidated financial statements for the three months ended 31 March 2023 and there have been no significant changes to the accounting policies applied in these unaudited condensed consolidated financial statements for the three months ended 31 March 2023.

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

The unaudited condensed consolidated financial statements for the three months ended 31 March 2023 have been prepared under the historical cost convention. The unaudited condensed consolidated financial statements for the three months ended 31 March 2023 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 2022.

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

3. REVENUE

(i) Disaggregated revenue information from contracts with customers

	Unaudited Three months ended 31 March	
	2023 HK\$’000	2022 HK\$’000
Type of goods or services		
Revenue from Chinese restaurant operations	31,143	13,447
Geographical markets		
Hong Kong	31,143	13,447
Timing of revenue recognition		
At a point in time	31,143	13,447

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

Operation and management of restaurants

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

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

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

4. OTHER INCOME AND GAINS, NET

	Unaudited Three months ended 31 March	
	2023 HK\$'000	2022 HK\$'000
Other income and gains, net		
Bank interest income	–	1
Government grant (Note)	–	1,800
Others	3	31
	3	1,832

Note: During the three months ended 31 March 2023, the Group has no government grant income. During the three months ended 31 March 2022, the Group recognised government grants of HK\$1,800,000 in respect of COVID-19-related subsidies which was the anti-epidemic fund of the Hong Kong Government. The Group has complied with all attached conditions for the three months ended 31 March 2022.

5. PROFIT FOR THE PERIOD

Profit for the period has been arrived at after charging the following:

	Unaudited Three months ended 31 March	
	2023 HK\$'000	2022 HK\$'000
Employee benefit expense (excluding directors' and chief executive's remuneration)		
Salaries, bonuses and allowances	9,153	7,771
Pension scheme contributions	395	369
	9,548	8,140
Auditor's remuneration	375	300

6. INCOME TAX EXPENSE

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

For the three months ended 31 March 2023 and 2022, Hong Kong Profits Tax is calculated in accordance with the two-tiered profits tax rates regime. Under the two-tiered profits tax rates regime, the first HK\$2,000,000 of profits of qualifying corporation will be taxed at 8.25%, and profits above HK\$2,000,000 will be taxed at 16.5%. The profits of corporations not qualifying for the two-tiered profits tax rates regime will continue to be taxed at 16.5% on the estimated assessable profits.

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

Hong Kong Profits Tax has not been provided as the Group's estimated assessable profits for the year are wholly absorbed by unrelieved tax losses brought forward from previous years.

	Unaudited	
	Three months ended 31 March	
	2023	2022
	HK\$'000	HK\$'000
Current – Hong Kong	–	–
Total tax charge for the period	–	–

7. DIVIDEND

The Board does not recommend any payment of dividend in respect of the three months ended 31 March 2023 (2022: Nil).

8. EARNINGS PER SHARE

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

	Unaudited	
	Three months ended 31 March	
	2023	2022
	HK\$'000	HK\$'000
Earnings attributable to owners of the Company for the purpose of basic and diluted earnings per share	5,531	6,355

	Number of shares	
	2023	2022
	'000	'000
Weighted average number of ordinary shares for the purpose of basic and diluted earnings per share	172,800	172,800

No diluted earnings per share for the three months ended 31 March 2023 and 2022 were presented as there were no potential ordinary shares in issue for the three months ended 31 March 2023 and 2022.

9. GAIN ON DISPOSAL OF A SUBSIDIARY

Disposal of Dragon Seal Food & Beverage Management (Shanghai) Limited (“Dragon Seal Shanghai”)

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

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

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS AND OPERATIONAL REVIEW

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

Restaurant Operations

For the three months ended 31 March 2023 (the “**2023Q1**”), the Group operated three full-service restaurants in Hong Kong to provide Cantonese cuisine under the brand names “Dragon King (龍皇)” and “Dragon Gown (龍袍)”.

All the Group’s restaurants are strategically located in prominent commercial areas, residential areas or shopping malls. The Group is committed to providing high quality food and services as well as comfortable dining environment to its customers.

As at 31 March 2023, the Group operated three restaurants in Hong Kong, one of which located on Hong Kong Island (known as the “**Wan Chai Restaurant**”) and the remaining two of which located in Kowloon (known as the “**Kwun Tong Restaurant**” and the “**Whampoa Restaurant**” respectively).

Following the relaxation of the anti-epidemic measures by the Hong Kong government and the opening of boarders during 2023Q1, the overall economy and market sentiments in Hong Kong have been improved and thus, the food and beverage industry has gradually resumed normal and began to pick up the rebound momentum.

FINANCIAL REVIEW

Revenue

For 2023Q1, the Group recorded a total revenue of approximately HK\$31.1 million, against approximately HK\$13.4 million for the three months ended 31 March 2022 (the “**2022Q1**”), representing a remarkable increase of approximately 132.1%. This was mainly due to the improved performance of the restaurants operated by the Group as a result of the relief of the anti-epidemic precautionary measures during 2023Q1.

The table below sets forth a breakdown of the Group's revenue generated by each of the Group's self-owned brands during 2023Q1 and 2022Q1:

	For the three months ended 31 March			
	2023		2022	
	Revenue HK\$'000	% of total revenue %	Revenue HK\$'000	% of total revenue %
Dragon King (龍皇)	20,488	65.8	10,024	74.5
Dragon Seal (龍璽)	–	–	1,021	7.6
Dragon Gown (龍袍)	10,655	34.2	2,402	17.9
Imperial Seal (皇璽)*	–	–	–	–
Total revenue	31,143	100.0	13,447	100.0

* Disposed on 4 January 2022

Dragon King (龍皇)

The revenue generated by Dragon King recorded a significant increase by approximately HK\$10.5 million, or approximately 105.0% from HK\$10.0 million for 2022Q1 to HK\$20.5 million for 2023Q1, which was mainly attributable to the relaxation of the stringent pandemic measures, in particular, the dine-in restrictions in catering business premises, imposed by the Hong Kong government, during 2023Q1 under review.

Dragon Seal (龍璽)

No revenue was generated by Dragon Seal during 2023Q1 as compared to approximately HK\$1.0 million for 2022Q1, which was due to the closure of the ICC Restaurant (operated under the brand of Dragon Seal) in early January 2022 upon the expiry of its rental agreement.

Dragon Gown (龍袍)

The revenue generated by Dragon Gown recorded a substantial increase by approximately HK\$8.3 million, or approximately 345.8% from HK\$2.4 million for 2022Q1 to HK\$10.7 million for 2023Q1, which was mainly attributable to the relief of the stringent pandemic measures, in particular, the dine-in restrictions in catering business premises, imposed by the Hong Kong government, during the 2023Q1 under review.

Imperial Seal (皇璽)

As disclosed in the Company's announcement dated 26 August 2022, the Group entered into a sale and purchase agreement with independent third parties to dispose of 上海浦江名薈餐飲管理有限公司, 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, which was principally engaged in the operation of the restaurant in Shanghai located in Pudong New District 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 both 2023Q1 and 2022Q1.

Gross profit and gross profit margin

The gross profit of the Group (i.e., revenue minus cost of inventories consumed) amounted to approximately HK\$23.0 million for 2023Q1, against approximately HK\$8.6 million for 2022Q1, representing a considerable increase of approximately HK\$14.4 million or approximately 167.4%.

The Group's overall gross profit margin for 2023Q1 improved by 9.8% when compared with that for 2022Q1, which was mainly attributable to implementation of the cost control measures by the Group during 2023Q1.

Other income and gains, net

The Group's other income and gain, net decreased notably by approximately HK\$1.83 million or approximately 99.8% from approximately HK\$1.8 million for 2022Q1 to approximately HK\$3,000 for 2023Q1. Such decrease was mainly attributable to the non-recurrence of the government grants during 2023Q1.

Staff costs

During 2023Q1, staff costs amounted to approximately HK\$9.8 million, representing a notable increase of approximately HK\$1.3 million or approximately 15.3% when compared to approximately HK\$8.5 million recorded for 2022Q1. Such increase was attributable to the full operations of all three restaurants operated by the Group during 2023Q1 under review, whilst during 2022Q1, certain of the Group's restaurants were temporarily closed down due to the anti-epidemic precautionary measures and restrictions for dine-in imposed by the Hong Kong government.

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 two to three years, with certain 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\$0.4 million or approximately 20.0% from approximately HK\$2.0 million for 2022Q1 to approximately HK\$2.4 million for 2023Q1, which was attributable to the full operations of the restaurants operated by the Group and no rental concessions from the landlords and government subsidies were received during 2023Q1.

Other operating expenses

The other operating expenses of the Group increased slightly by approximately HK\$0.3 million or approximately 7.5% from approximately HK\$4.0 million for 2022Q1 to approximately HK\$4.3 million for 2023Q1 under review, which was mainly attributable to the substantial increase in turnover of the three restaurants operated by the Group during 2023Q1, which led to higher operating expenses when compared with that of 2022Q1.

Profit attributable to owners of the Company

For 2023Q1, the profit attributable to owners of the Company stood at approximately HK\$5.5 million, as compared to a profit of approximately HK\$6.4 million recorded for 2022Q1. The profit for 2022Q1 was mainly resulted from a gain on disposal of a subsidiary amounting to HK\$12.6 million whilst the profit for 2023Q1 was mainly attributable to the improved performance of the Group's restaurant operations and the implementation of cost control measures.

PROSPECTS

During the year of 2022, in response to the adverse business environment brought by the COVID-19 pandemic, the Group had taken proactive steps in consolidating its restaurants operations by (i) closing down/disposing the loss-making restaurants in Hong Kong and Shanghai; and (ii) implementing various measures to streamline its operations and reduce the operating costs. This strategic consolidation had enabled the Group to deploy its resources in managing the remaining restaurants viably.

Following the relaxation of stringent COVID-19 pandemic policies and the opening of borders during the 1st quarter of 2023, the overall economy and market sentiments have been improved. Coupled with the further phase of consumption vouchers distributed by the Hong Kong government and the global promotion campaign being launched by the Hong Kong Tourist Board in the 2nd quarter of 2023, the Group believed that the catering and beverage business market will pick up the rebound momentum. The Group has rolled out promotions packages by giving out a series of dining offers and discounts to attract diners and anticipated that the prospects of its existing restaurants will improve.

The Group will continuously upkeep its cautious cost control measures and contingency plans in operating its business and closely monitor the market situation to strike the balance between costs and qualities of food and services being delivered. Despite the closure of the restaurants during the year of 2022, the Group is committed to its business of restaurant operations and remains optimistic that the overall economy and business environment of Hong Kong will improve further in the 2nd half of 2023. We will actively look for alternative investment opportunities for smaller scale of operations across multiple cuisine to diversify its existing restaurant portfolio.

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 three months ended 31 March 2023. Save as disclosed on page 14 of the annual report of the Company published on 22 May 2023, there is no other plan for material investments or capital assets as at 31 March 2023.

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 three months ended 31 March 2023, the Group had not used any financial instruments for hedging purposes.

TREASURY POLICIES

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

CONTINGENT LIABILITIES

The Group did not have any material contingent liabilities as at 31 March 2023 (31 December 2022: Nil).

COMMITMENTS

As at 31 March 2023, the Group does not have any commitments (31 December 2022: Nil).

DIVIDEND

The Board does not recommend any payment of dividend for the three months ended 31 March 2023 (2022: Nil).

EMPLOYEES AND REMUNERATION POLICY

As at 31 March 2023, the Group had a workforce of 112 employees. Total staff cost for the three months ended 31 March 2023 was about HK\$9.8 million.

The emolument policy of the employees of the Group is formulated by the remuneration committee of the Company (the “**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 bonus 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 provide 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 three months ended 31 March 2023.

SHARE OPTION SCHEME

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



For the three months ended 31 March 2023, no share option was granted, exercised, expired or lapsed and there is no outstanding share option under the Share Option Scheme.

OTHER INFORMATION

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 for an aggregate amount of approximately HK\$111,000 from Mass Effort.

Evermax has withdrawn the claims in respect of SCTC024108/22 and SCTC024109/22.

SCTC033210/22

The Company, as defendant, received small claim tribunal notice on 13 March 2023 in respect of PR and marketing project from Corplink Consultatant Company Limited (“**Corplink**”). Corplink is seeking for an aggregate amount of HK\$12,000, being the balance of the project payment, from the Company.

Hearing in respect of the said claim has been scheduled in June 2023, further disclosure will be made by the Company as and when appropriate.

Labour Tribunal

LBTC91/2023, LBTC94/2023, LBTC184/2023 and LBTC217/2023

On 9 February 2023, 14 February 2023 and 20 February 2023, Mass Effort were ordered by the Labour Tribunal to pay the claimants in the amounts of approximately HK\$125,000, HK\$107,000, HK\$31,000 and HK\$182,000 in respect of LBTC91/2023, LBTC94/2023, LBTC184/2023 and LBTC217/2023 respectively.

Mass Effort has arranged for such payments with a view in closing the aforesaid cases.

District Court of the Hong Kong Special Administrative Region

DCCJ4551/2021

The Company, as defendant, received a writ of summons dated 24 September 2021 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 pay Blooming the sum of 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 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 pay Frontpage the sum of 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 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 pay CFN the sum of HK\$366,000 and interest thereon as well as costs.

In respect of DCCJ4551/2021, DCCJ4705/2021 and DCCJ5268/2021, a total of HK\$400,000 was paid 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, an indirect wholly-owned subsidiary of the Company, whereby DKRGL shall pay Wan Kin Engineering Limited the sum of HK\$334,000 and interest thereon as well as costs. This case has been closed by end of April 2023.

DCCJ838/2022

On 22 March 2022, Oriental Etrade Limited (“**Oriental**”), as defendant, 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 pay LCC the sum of 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 filed an acknowledgment of service indicating that the Company intended to contest the proceedings. This case, after the Company’s further negotiation with BOCOM, has been closed.

DCCJ2845/2022

King Harbour, as defendant, received a writ of summons dated 26 July 2022 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.

King Harbour filed an acknowledgment of service indicating that it intended to contest the proceedings. After further negotiation with payments by King Harbour with Sinogain, this case has been closed.

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 Wan Kin Engineering Limited (“**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.

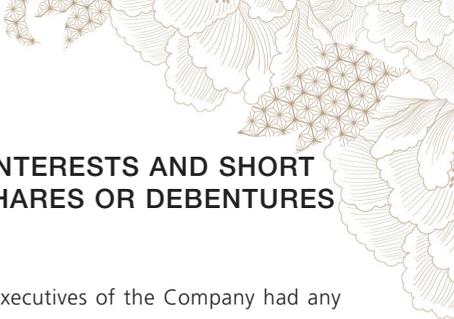
Premier filed a defence to contest the proceedings and reached a settlement with WKE subsequently by end of April 2023.

HCA1557/2022

On 25 November 2022, King Harbour received an amended writ of summons issued by Unigrade International Limited (“**Unigrade**”) as plaintiff (“**HCA1557/2022 Writ**”). The HCA1557/2022 Writ relates to a claim by Unigrade in respect of rent and rates and management fees for the Group’s restaurant in Kwun Tong, Hong Kong.

In March 2023, the representing solicitors for King Harbour has put forward the settlement proposal to Unigrade for consideration. Ongoing negotiation has been taken place between the parties with a view in reaching an amicable and speedy settlement.

The Company will make further disclosure as and when appropriate.



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

As at 31 March 2023, none of the Directors and chief executives of the Company had any interests or short positions in any shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Future Ordinance (the “SFO”)) which would have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or which were recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or which were required, pursuant to Rules 5.46 to 5.68 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange.

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

As at 31 March 2023, 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 three months ended 31 March 2023.

NON-COMPLIANCE WITH THE GEM LISTING RULES

Following Mr. Wong Luen Tung resigned as an independent non-executive Director on 27 January 2023, the Company only has two independent non-executive Directors and two members of the Audit Committee which falls below the minimum as required under Rules 5.05(1) and 5.28 of the GEM Listing Rules. Further, the Company has failed to comply with the requirement of having at least one independent non-executive Director in the Board and Audit Committee with appropriate professional qualifications or accounting or related financial management expertise under Rules 5.05(2) and 5.28 of the GEM Listing Rules.

Following Dr. Chung Ling Cheong Dicky (“**Dr. Chung**”) resigned as an independent non-executive Director on 28 February 2023, the Company only has one independent non-executive Director and one member at the Audit Committee which falls below the minimum as required under Rules 5.05(1) and 5.28 of the GEM Listing Rules. Further, the Company has failed to comply with the requirement of having at least one independent non-executive Director in the Board and Audit Committee with appropriate professional qualifications or accounting or related financial management expertise under Rules 5.05(2) and 5.28 of the GEM Listing Rules. Also, pursuant to Rule 5.34 of the GEM Listing Rules, the remuneration committee must be chaired by an independent non-executive director and comprise a majority of independent non-executive directors and Rule 5.36A of the GEM Listing Rules, the nomination committee must comprise a majority of independent non-executive directors. In addition, a listed issuer is required to have independent non-executive directors representing at least one-third of the board of directors pursuant to Rule 5.05A of the GEM Listing Rules. Upon the resignation of Dr. Chung, the number of independent non-executive directors fell below one-third of the Board members as required under Rule 5.05A of the GEM Listing Rules.

Following the appointment of Mr. Chui Chi Yun Robert and Mr. Buer Gude on 5 May 2023, the Company had complied with the requirements under Rules 5.05(1), 5.05(2), 5.05A, 5.28, 5.34 and 5.36A of the GEM Listing Rules.



DIRECTORS' SECURITIES TRANSACTIONS

The Company adopted the required standard of dealings set out in rules 5.48 to 5.67 of the GEM Listing Rules as the code of conduct regarding Directors' securities transactions in securities of the Company. Based on specific enquiry with the Directors, all Directors confirmed that they had fully complied with the required standard of dealings and there was no event of non-compliance during the three months ended 31 March 2023 and up to the date of this report.

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 (the "CG Code") as set out in Part 2 of Appendix 15 of the GEM Listing Rules. The Board is of the opinion that the Company has complied with the CG Code during the three months 31 March 2023.

AUDIT COMMITTEE

The Audit Committee was established on 15 December 2017. The Chairman of the Audit Committee is Mr. Chui Chi Yun Robert (appointed on 5 May 2023) and Mr. Wong Luen Tung (resigned on 27 January 2023), the independent non-executive Director, and other members include Dr. Chung Ling Cheong Dicky (resigned on 28 February 2022), Mr. Buer Gude (appointed on 5 May 2023) and Mr. Mtafi Rachid Rene, the independent non-executive Directors. The written terms of reference of the Audit Committee are posted on the Stock Exchange's website and on the Company's website.

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

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

The Group’s unaudited condensed consolidated financial statements for the three months ended 31 March 2023 have been reviewed by the Audit Committee. The Audit Committee is of the opinion that the unaudited condensed consolidated financial statements of the Group for the three months ended 31 March 2023 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, 22 May 2023

As at the date of this report, the Board comprises Ms. Shen Taiju (Chairman), Ms. Au Yeung Lok Yee and Mr. Jia Yongqiang as executive Directors; and Mr. Buer Gude, Mr. Chui Chi Yun Robert and Mr. Mtafi Rachid Rene as independent non-executive Directors.