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**Dragon King Group Holdings Limited**

**龍皇集團控股有限公司**

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

**(Stock Code: 8493)**

**SUPPLEMENTAL ANNOUNCEMENT  
IN RELATION TO THE ANNUAL RESULTS ANNOUNCEMENT  
FOR THE YEAR ENDED 31 DECEMBER 2020**

**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.**

Reference is made to the annual results announcement of Dragon King Group Holdings Limited (the “**Company**”, together with its subsidiaries, the “**Group**”) for the year ended 31 December 2020 (the “**Annual Results Announcement**”) dated 30 March 2021. Unless the context otherwise requires, capitalised terms used herein shall have the same meanings as those defined in the Annual Results Announcement. In addition to the information disclosed in the Annual Results Announcement, the Board would like to provide additional information relating to the disclaimer of opinion (the “**Disclaimer Opinion**”) issued by Asian Alliance (HK) CPA Limited, the Company’s auditors (the “**Auditors**”), on the audited consolidated financial statements of the Company for the year ended 31 December 2020, as follows:

## MANAGEMENT'S POSITION AND ASSESSMENT ON THE DISCLAIMER OPINION

The significant loss for the year ended 31 December 2020 included the impairment of property, plant and equipment and right-of-use assets consisted of approximately HK\$22,440,000, loss on written-off of other receivables of approximately HK\$2,373,000 and impairment under expected credit loss model of approximately HK\$6,500,000 which amounted to HK\$31,313,000 in total. The impairment loss recognised was mainly due to the COVID-19 pandemic which the Group's restaurant operation had a significant impact in generating revenue under certain pre-cautionary pandemic measures by HKSAR Government. Excluding the effect of impairment loss recognised, the management considered that the 2020 annual results is similar to 2019 annual results.

The Group had interest-bearing bank borrowings of approximately HK\$76,448,000 as at 31 December 2020, of which approximately HK\$18,584,000 is repayable within one year. The remaining interest-bearing bank borrowings, amounting to approximately HK\$57,864,000, were classified as current liabilities due to the existence of a repayment on demand clause in the loan agreements. The management considered that there will be low chances for bank to activate the repayment on demand clause with reference to the relationship with banks and no default records were noted in the past.

The cash and cash equivalents amounted to approximately HK\$11,692,000 as at 31 December 2020 which decreased by approximately HK\$2,535,000 compared to the same period as at 31 December 2019. The management considered that despite of the low amount of cash and cash equivalents as at year end date, there are still sufficient cash and cash equivalents to finance or support the restaurant's operation.

The Directors' view is different from that of Auditors as follows:

- (i) The Directors considered that the COVID-19 pandemic will gradually improve in 2021 by referencing the number of confirmed cases decreased from time to time in Hong Kong. Once certain anti-epidemic precautionary measures on catering business released by the HKSAR Government, the revenue generated by the Group's restaurants will increase and thus the operating cash flows will also increase to support the daily operation and also other financing activities including but not limited to repay the trade payables and also repay the instalment of bank borrowings.
- (ii) Moreover, the management of the Company also actively discusses with landlords for certain rent concessions and the responses from landlords are positive. Starting from the COVID-19 pandemic, the Group enjoyed around 20% to 100% rental concession from time to time and certain rental concession still continues.
- (iii) Furthermore, the Company has successfully negotiated with a bank to grant an additional banking facilities and the banking facilities letter which will be signed at the end of April 2021.

## AUDIT COMMITTEE'S VIEW TOWARDS DISCLAIMER OPINION

The Audit Committee shared the same view with the management towards the Disclaimer Opinion after carefully reviewed and agreed with the Directors' position in the section "MANAGEMENT'S POSITION AND ASSESSMENT ON THE DISCLAIMER OPINION" above.

The Audit Committee had held discussions in March 2021 with the Auditors regarding the Disclaimer Opinion prior to the issuance of the Annual Results Announcement. The Auditors has explained their views on multiple fundamental uncertainties relating to going concern (the "Going Concern") to the chairman and the members of the Audit Committee and the Audit Committee also expressed their views on the Going Concern which is discussed in the section "MANAGEMENT'S POSITION AND ASSESSMENT ON THE DISCLAIMER OPINION" above.

However, due to (a) the uncertainty of the future COVID-19 developments; (b) the uncertainty on the time of the release of certain anti-epidemic precautionary measures on catering business by the HKSAR Government; and (c) there will be no further subsidies from the HKSAR Government to the food & beverage industry, the Auditors expressed their concerns on the Company's Going Concern in the future and concluded their opinion on the Company's financial statements.

## PROPOSED ACTION PLAN FOR ADDRESSING THE DISCLAIMER OPINION AND ITS TIMETABLE

The Group is taking and will take the following actions in response to the Disclaimer Opinion:

Action Plan	Timetable
Negotiating with the bank to renew the current bank borrowings	<b>By 31 May 2021</b> Negotiate with the bank for the renewal of the Group's bank borrowings
	<b>By 30 June 2021</b> If the bank does not renew the bank borrowings, the Group will look for new banking facilities from other banks
Improving the operating results and cash flows	<b>Ongoing</b> The Group will consider to implement the following cost control measures: <ol style="list-style-type: none"><li>1. Reduce salaries expense by employing less employees</li><li>2. Negotiate with landlords to reduce the rental expense</li><li>3. Reduce professional expenses</li><li>4. Enhance promotion to improve operating results and cash flows</li></ol>
	<b>Start of June</b> Enhance promotion to attract people to spend the local consumption voucher at the restaurants

## REMOVAL OF THE DISCLAIMER OPINION

The Company expects that the Disclaimer Opinion will be removed in the Auditors' report in respect of the Company's financial statements for the year ending 31 December 2021 in accordance with the proposed actions that are taken in place successfully. The management of the Company will actively discuss with the Board and the Audit Committee members will also hold meeting(s) from time to time with the Auditors to resolve the Disclaimer Opinion in the coming audit for the year ending 31 December 2021.

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

Hong Kong, 10 May 2021

*As at the date of this announcement, the Board comprises Ms. Lee Ching Nung Angel, Mr. Wong Wing Chee, Mr. Zhu Min and Mr. Chan Ko Cheung as executive Directors; and Mr. Lee Yiu Keung, Ms. Leung Hoi Ki and Mr. Lin Zhisheng as independent non-executive Directors.*

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

*This announcement will remain on the GEM website at [www.hkgem.com](http://www.hkgem.com) on the "Latest Company Announcements" page for at least 7 days from the day of its publication and on the website of the Company at [www.dragonkinggroup.com](http://www.dragonkinggroup.com).*