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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)

**DISCLOSEABLE TRANSACTION
DISPOSAL OF 100% EQUITY INTEREST IN TARGET COMPANY**

THE DISPOSAL

The Board announces that on 20 December 2021, the Vendor, the First Purchaser and the Second Purchaser entered into the SPA, pursuant to which, the Vendor agreed to sell and the Purchasers agreed to acquire the Sale Interests at nil consideration. The Target Company was principally engaged in operating the Shanghai Restaurant.

GEM LISTING RULES IMPLICATIONS

As one or more of the percentage ratios set out in Rule 19.06 of the GEM Listing Rules in respect of the Disposal exceeded 5% but was less than 25%, the Disposal would have constituted a discloseable transaction for the Company, which would have been subject to the reporting and announcement requirements but would have been exempted from shareholders' approval requirement pursuant to Chapter 19 of the GEM Listing Rules.

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THE SPA

The principal terms of the SPA were as follows:

Date: 20 December 2021

Parties: (1) the Vendor;
(2) the First Purchaser; and
(3) the Second Purchaser

Subject matter: The Sale Interests, of which 85% shall be transferred to the First Purchaser and the remaining 15% shall be transferred to the Second Purchaser.

Consideration: Nil consideration.

FINANCIAL EFFECT OF THE DISPOSAL

Upon completion of the change of industrial and commercial registration procedures for the Sale Interests on 4 January 2022, the Vendor ceased to have any interest in the Target Company and the Target Company ceased to be a subsidiary of the Company.

Subject to further audit procedures to be performed by the auditors of the Company, as a result of the Disposal, the Group expects a gain of approximately HK\$5.5 million, which is calculated by reference to the difference between the consideration and the current carrying value of the Target Company. The actual gain or loss on the Disposal to be recorded by the Company is subject to audit and may be different from the estimated amount.

REASONS AND BENEFITS OF THE DISPOSAL

The Shanghai Restaurant had been loss-making since its opening in 2012 and the Vendor had stopped paying the rent due under the Tenancy Agreement since October 2021.

As disclosed in the Company's third quarterly report published on 28 January 2022, the revenue generated from the Shanghai Restaurant slightly increased by approximately HK\$0.6 million, or approximately 2.9%, from approximately HK\$20.8 million for the nine months ended 30 September 2020 to approximately HK\$21.4 million for the nine months ended 30 September 2021.

However, the Shanghai Restaurant continued to be loss-making due to the emergence of a new consumer pattern of ordering takeaways and food deliveries following the outbreak of COVID-19 and the significant drop in the number of domestic and international tourists in the PRC due to travel restrictions.

Having taken into account that the new trend of consumer spending and the travel restrictions would remain in place for the foreseeable future, the Board decided to seek exit opportunities and closed down the Shanghai Restaurant in late September 2021 in order to reduce overhead costs and avoid incurring further losses. As the Vendor was unable to settle the outstanding rent

due under the Tenancy Agreement, the Landlord, who to the best of the Directors' knowledge, information and belief is an Independent Third Party, introduced the Purchasers to the Vendor who were willing to take up the subject premises and enter into the New Tenancy Agreement.

The consideration was determined after arm's length negotiation between the Purchasers and the Vendor, and was agreed at nil consideration because the Target Company was persistently loss-making and had outstanding liabilities in the amount of approximately RMB31.1 million as at 31 December 2020. The Directors (including the independent non-executive Directors) considered that the consideration was fair and reasonable and was in the interest of the Company and the Shareholders as a whole for the aforementioned reasons.

Completion of the change of industrial and commercial registration procedures for the Sale Interests took place on 4 January 2022.

INFORMATION ON THE GROUP, THE PURCHASERS AND THE TARGET COMPANY

The Group

Prior to the Disposal, the Group was principally engaged in the operation and management of restaurants in Hong Kong, Macau and the PRC.

Following completion of the change of industrial and commercial registration procedures for the Sale Interests and as at the date of this announcement, the Group has ceased to operate and manage any restaurants in the PRC.

The Vendor

The Vendor is an indirect wholly-owned subsidiary of the Company and is principally engaged in investment holding.

The Purchasers

To the best of the Directors' knowledge, information and belief as at 20 December 2021, having made all reasonable enquiries:

- (i) the First Purchaser was principally engaged in, inter alia, catering enterprise management and catering services and the sole ultimate beneficial owner of the First Purchaser was Mr. Zhou Jiabin (周家彬);
- (ii) the First Purchaser and its ultimate beneficial owner were third parties independent of the Company and connected persons of the Company;
- (iii) the Second Purchaser was principally engaged in, inter alia, catering enterprise management consultancy services and catering services and the sole ultimate beneficial owner controlling of the Second Purchaser was Mr. Wang Xingyou (王興友);
- (iv) the Second Purchaser and its ultimate beneficial owner were third parties independent of the Company and connected persons of the Company.

The Target Company

As at 20 December 2021, the Target Company had established two branch companies, namely Dragon Seal Food & Beverage Management (Shanghai) Limited Pudong Branch* (龍璽餐飲管理(上海)有限公司浦東分公司) (“**Pudong Branch**”) and Dragon Seal Food & Beverage Management (Shanghai) Limited Food Trading Branch (龍璽餐飲管理(上海)有限公司食品商貿分公司) (“**Food Trading Branch**”). The Target Company was a company established in the PRC on 22 March 2012 and was principally engaged in the operation of the Shanghai Restaurant and provision of catering services in the PRC. Prior to completion of the Disposal, it was an indirect wholly-owned subsidiary of the Company.

Pudong Branch was a branch company established in the PRC on 9 January 2013 and was principally engaged in catering services in the PRC.

Food Trading Branch was a branch company established in the PRC on 27 May 2013 and was principally engaged in food trading business in the PRC.

Certain financial information of the Target Company as extracted from the audited consolidated financial statements of the Target Company as determined in accordance with PRC accounting standards, for two years ended 31 December 2020 is as follows:

	For the financial year ended 31 December	
	2019	2020
	RMB'000	RMB'000
	(audited)	(audited)
Loss before income tax	7,860	3,666
Loss after income tax	7,860	3,666

According to the unaudited consolidated financial statements of the Target Company, the unaudited consolidated total asset value and net liabilities of the Target Company as at 30 September 2021 are approximately RMB7.9 million and RMB23.1 million respectively. The Company has engaged an independent valuer to prepare a valuation report of the Target Company. The Target Company was valued at RMB0 as at 20 December 2021 by the valuer.

GEM LISTING RULES IMPLICATIONS

As one or more of the percentage ratios set out in Rule 19.06 of the GEM Listing Rules in respect of the Disposal exceeded 5% but was less than 25%, the Disposal would have constituted a discloseable transaction for the Company, which would have been subject to the reporting and announcement requirements but would have been exempted from shareholders' approval requirement pursuant to Chapter 19 of the GEM Listing Rules.

The Company is aware that this announcement in respect of the Disposal pursuant to the SPA entered into by the Vendor, the First Purchaser and the Second Purchaser on 20 December 2021 constituted late announcement under the GEM Listing Rules. The Disposal was negotiated by the legal representative of the Target Company at the time without the involvement of the Board and it

only came to the Board’s attention during the annual audit procedures of the Company. The Board had sought to ascertain the particulars of the Disposal and publish this announcement as soon as it had been alerted.

In order to reduce the risk of recurrence of such breach of the GEM Listing Rules, in the event that the Directors, senior management or director of subsidiaries of the Company have doubts as to the interpretation of the GEM Listing Rules, they will consult appropriate professional parties so as to ensure that their apprehension and interpretation of the GEM Listing Rules are correct prior to proceeding with any action.

DEFINITIONS

In this announcement, the following expressions have the following meanings:

“Company”	Dragon King Group Holdings Limited (龍皇集團控股有限公司), an exempted company incorporated in the Cayman Islands with limited liability whose shares are listed and traded on GEM of the Stock Exchange (Stock Code: 8493)
“connected person(s)”	has the meaning as ascribed thereto under the GEM Listing Rules
“Director(s)”	the director(s) of the Company
“Disposal”	the disposal of the Sale Interests by the Vendor to the Purchasers pursuant to the SPA
“First Purchaser”	上海浦江薈餐飲集團有限公司, a company established in the PRC with limited liability
“GEM”	GEM operated by the Stock Exchange
“GEM Listing Rules”	The Rules Governing the Listing of Securities on GEM of the Stock Exchange, as amended, supplemented or otherwise modified from time to time
“Group”	the Company and its subsidiaries from time to time
“HK\$”	Hong Kong dollar(s), the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Third Party(ies)”	any person(s) or company(ies) and their respective ultimate beneficial owner, to the best of the Directors’ knowledge, information and belief having made all reasonable enquiries, is/are not connected persons of the Company and is/are third party independent of the Company and its connected persons in accordance with the GEM listing Rules

“Landlord”	上海瑞明置業有限公司, the landlord of the subject premises under the Tenancy Agreement and the New Tenancy Agreement
“New Tenancy Agreement”	the tenancy agreement to be entered into between the Landlord and the Purchasers, pursuant to which the Landlord shall agree to lease the premises stipulated under the Tenancy Agreement to the Purchasers
“PRC”	the People’s Republic of China which, for the purpose of this announcement, excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“Purchasers”	the First Purchaser and the Second Purchaser
“Sale Interests”	100% of paid-up share capital of the Target Company
“Second Purchaser”	台州市順記餐飲企業管理諮詢有限公司, a company established in the PRC with limited liability
“Shanghai Restaurant”	the restaurant operated under the brand name “皇璽” located in Pudong New District, Shanghai, the PRC
“Share(s)”	the ordinary share(s) of HK\$0.01 each in the issued share capital of the Company
“Shareholder(s)”	the holder(s) of the Share(s)
“SPA”	the sale and purchase agreement dated 20 December 2021 entered into between the Purchasers and the Vendor in relation to the Disposal
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Target Company”	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), a company established in the PRC with limited liability and an indirect wholly-owned subsidiary of the Company prior to completion of the Disposal
“Tenancy Agreement”	the tenancy agreement dated August 2012 and entered into between the Landlord and the Target Company, pursuant to which the Landlord had agreed to lease certain premises to the Target Company for the operation of the Shanghai Restaurant

“Vendor” Silver Everford Limited (銀永發有限公司), a company incorporated in Hong Kong with limited liability and an indirect wholly-owned subsidiary of the Company

“%” per cent.

CONTINUED SUSPENSION OF TRADING

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

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

Hong Kong, 26 August 2022

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

This announcement, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the 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 announcement is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this announcement misleading.

This announcement will remain on the “Latest Listed Company Information” page of the website of the Stock Exchange at www.hkexnews.hk for at least 7 days from the day of its publication and on the website of the Company.

* *for identification purposes only*