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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 IN RELATION TO THE DISPOSAL OF A SUBSIDIARY**

#### **THE DISPOSAL**

The Board announces that on 17 January 2020 (after trading hours), the Vendor, the direct wholly-owned subsidiary of the Company, and the Purchaser, an Independent Third Party, entered into the Agreement, pursuant to which, the Vendor has agreed to sell and the Purchaser has agreed to acquire the Sale Shares at the Consideration of HK\$2,782,405. The Target Company is principally engaged in operating the restaurant under the brand name “Dragon Feast 龍宴” located in Sheung Shui, New Territories. Upon Completion, the Target Company will cease to be a subsidiary of the Company.

#### **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 exceeds 5% but is less than 25%, the Disposal constitutes a discloseable transaction for the Company, which is subject to the reporting and announcement requirements but is exempted from shareholders’ approval requirement pursuant to Chapter 19 of the GEM Listing Rules.

#### **INTRODUCTION**

The Board announces that on 17 January 2020 (after trading hours), the Vendor, the direct wholly-owned subsidiary of the Company, and the Purchaser, an Independent Third Party, entered into the Agreement, pursuant to which, the Vendor has agreed to sell and the Purchaser has agreed to acquire the Sale Shares at the Consideration of HK\$2,782,405. The Target Company is principally engaged in operating the restaurant under the brand name “Dragon Feast 龍宴” located in Sheung Shui, New Territories. Upon Completion, the Target Company will cease to be a subsidiary of the Company.

## **THE AGREEMENT**

The principal terms of the Agreement are set out below:

### **1. Date**

17 January 2020

### **2. Parties**

- i. Dragon King Holdings Limited, a company incorporated in the British Virgin Islands and is the direct wholly-owned subsidiary of the Company as at the date of this announcement, as the Vendor, which is principally engaged in investment holding; and
- ii. Leung Chi Wai, an individual person, as the Purchaser, who is an operator of a group of Cantonese cuisine restaurants.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, the Purchaser is an Independent Third Party.

### **3. Subject of the Disposal**

Pursuant to the Agreement, the Vendor has agreed to sell and the Purchaser has agreed to acquire the Sale Shares (representing all the issued shares of the Target Company as at the date of this announcement).

### **4. Consideration**

The Consideration is HK\$2,782,405, which will be paid in cash by the Purchaser to the Vendor upon the Completion.

The Consideration was determined after arm's length negotiation between the Vendor and the Purchaser with reference to the net assets value (excluding the intra-group balances) as at 30 November 2019 and historical performance of the Target Company.

The Directors consider that the terms and conditions of the Disposal to be fair and reasonable and are in the interests of the Company and its shareholders.

### **5. Guarantee**

The Vendor agrees to guarantee the due performance of all obligations under the Agreement.

## INFORMATION OF THE TARGET COMPANY

The Target Company is a company incorporated in Hong Kong with limited liability and is principally engaged in operating the restaurant under the brand name “Dragon Feast 龍宴” located at Shop No. 401, 4/F., Choi Yuen Plaza, Choi Yuen Estate, 8 Choi Yuen Road, Sheung Shui, New Territories, Hong Kong. As at the date of this announcement, the Target Company is directly and wholly owned by the Vendor.

The property that the restaurant operated in is currently leased from an Independent Third Party for commercial purpose for a term of nine years commencing from 2 November 2015 and expiring on 1 November 2024 at a basic monthly rental of HK\$592,000 for the first three years; HK\$655,500 for the 4th to 6th year and for the 7th to 9th year at open market rent to be mutually agreed by both parties but shall not be less than HK\$696,500 per month or greater than HK\$786,600 per month, plus an additional monthly turnover rental amount by which 11% of the restaurant’s monthly gross turnover exceeds the monthly basic rent.

Upon Completion, the Tenancy Agreement will be delivered by the Vendor to the Purchaser subject to existing lease.

Set out below is the audited financial information of the Target Company for the financial year ended 31 December 2017 and 2018 extracted from the audited financial statements of the Target Company which are prepared under the generally accepted accounting principles in Hong Kong and the unaudited management account for the eleven months ended 30 November 2019:

	<b>For the eleven months ended 30 November 2019 <i>HK\$’000</i> (unaudited)</b>	<b>For the year ended 31 December</b>	
		<b>2018 <i>HK\$’000</i> (audited)</b>	<b>2017 <i>HK\$’000</i> (audited)</b>
Revenue	45,424	56,344	61,517
Loss before taxation	(5,640)	(9,428)	(2,498)
Net loss after taxation	(5,640)	(9,428)	(2,166)

The unaudited net liabilities of the Target Company as at 30 November 2019 was approximately HK\$16,977,000. If the intra-group balances were excluded, the Target Company recorded an unaudited net asset value of approximately HK\$ 3,329,000 as at 30 November 2019.

## **POSSIBLE FINANCIAL EFFECT OF THE DISPOSAL AND USE OF PROCEED**

Immediately after Completion, the Target Company will cease to be a subsidiary of the Company and the financial results of the Target Company will no longer be consolidated into the Group's financial statements.

The net proceeds arising from the Disposal of approximately HK\$2.8 million will be applied as general working capital of the Group.

Based on, inter alia, the Consideration, the unaudited net assets value as at 30 November 2019, the Group currently expects to record a loss on disposal of approximately HK\$0.5 million upon Completion.

**Shareholders and potential investors of the Company should note that the above figures are for illustrative purpose only. The actual loss may be different from the above and will be determined based on the financial position of the Target Company on the date of Completion and the review by the Company's auditor.**

## **INFORMATION OF THE PARTIES**

### **The Vendor**

The Group is principally engaged in operating Cantonese cuisine restaurants. The Vendor is principally engaged in investment holding.

### **The Purchaser**

The Purchaser is an operator of a group of Cantonese cuisine restaurants.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, the Purchaser is an Independent Third Party.

## **REASONS FOR AND BENEFITS OF THE DISPOSAL**

The Directors consider that the financial performance of the Target Company has been worsening in recent years due to the gloomy economic environment triggered by the social unrest in Hong Kong as well as the intensified competition of the Chinese restaurant in Sheung Shui. Taking into account the increasingly challenging operating environment, the Board is of the view that the Disposal serves as a good opportunity for the Group to cut loss and better allocate its resources in pursuing other business opportunities.

In view of the above, the Directors, including the independent non-executive Directors, consider that the terms of the Agreement are on normal commercial terms, fair and reasonable and the Disposal is in the interests of the Company and the Shareholders as a whole.

## 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 exceeds 5% but is less than 25%, the Disposal constitutes a discloseable transaction for the Company, which is subject to the reporting and announcement requirements but is exempted from shareholders' approval requirement pursuant to Chapter 19 of the GEM Listing Rules.

## DEFINITIONS

In this announcement, unless the context otherwise requires, the following expressions have the same meanings set out below:

“Agreement”	The sale and purchase agreement dated 17 January 2020 entered into between the Purchaser and the Vendor in relation to the Disposal
“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)
“Completion”	completion of the Disposal
“connected person(s)”	has the meaning as ascribed thereto under the GEM Listing Rules
“Consideration”	the total cash consideration for the Disposal, being HK\$2,782,405
“Director(s)”	the director(s) of the Company
“Disposal”	the disposal of the Sale Shares by the Vendor to the Purchaser pursuant to the Agreement
“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 People’s Republic of China
“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
“Purchaser”	Leung Chi Wai, an individual person, who is an Independent Third Party
“Restaurant”	the restaurant operated under the brand name “Dragon Feast 龍宴” located in Sheung Shui, with a total floor area of approximately 1,288.90 square meters
“Sale Shares”	ten issued ordinary shares of the Target Company, representing the entire issued share capital of the Target Company beneficially held by the Vendor
“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)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary(ies)”	has the meaning as ascribed thereto under the Companies Ordinance (Chapter 622 of the Laws of Hong Kong)
“Target Company”	Prominent Voice Limited ( 譽豪有限公司 ), a company incorporated in Hong Kong with limited liability and is directly and wholly owned by the Vendor as at the date of this announcement
“Tenancy Agreement”	the tenancy agreement dated 5 October 2015 and the supplemental deed dated 29 March 2016 entered into between The Link Properties Limited ( 領匯物業有限公司 ) (now known as Link Properties Limited ( 領展物業有限公司 ) ) and the Target Company pursuant to which The Link Properties Limited had agreed to lease a premise to the Target Company for the operation of the Restaurant

“Vendor” Dragon King Holdings Limited (龍皇控股有限公司), a company incorporated in the British Virgin Islands with limited liability and is the direct wholly-owned subsidiary of the Company, which is principally engaged in investment holding

“%” per cent.

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

Hong Kong, 17 January 2020

*As at the date of this announcement, the Board comprises Ms. Lee Ching Nung Angel, Mr. Wong Wing Chee and Mr. Wong Wing Hong as executive Directors; Mr. Kwong Ping Man, Mr. Lin Zhisheng and Mr. Chang Cheuk Cheung Terence 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 website of the Stock Exchange at [www.hkexnews.hk](http://www.hkexnews.hk) on the “Latest Listed Company Information” page for at least 7 days from the date of its posting and will be published on the Company’s website at [www.dragonkinggroup.com](http://www.dragonkinggroup.com).*