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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 RENEWAL OF THE LEASE AGREEMENT

RENEWAL OF LEASE AGREEMENT

On 28 February 2020, the duly executed New Lease Agreement in respect of the renewal of the lease agreement for the Location was received by the Tenant for an additional term of three years. Dragon King Restaurant is currently operating at the Location.

IMPLICATIONS UNDER THE GEM LISTING RULES

Pursuant to HKFRS 16, as a result of the renewal of the lease agreement, the Group shall recognise an additional asset representing its right to use the Location in the amount of approximately HK\$13.3 million calculated with reference to the present value of aggregated lease payments plus initial direct costs and estimate reinstatement cost with the lease as discounted using a discount rate which is equivalent to the Company's incremental borrowing rate during the entire term of the New Lease Agreement. As such, the Transaction is regarded as an acquisition of asset by the Group for the purpose of the GEM Listing Rules.

As the applicable percentage ratio (as defined in the GEM Listing Rules) in respect of the Transaction contemplated under the New Lease Agreement based on the value of the right-of-use asset recognised by the Group pursuant to HKFRS 16 exceeds 5% but less than 25%, the Transaction constitutes a discloseable transaction of the Company under Chapter 19 of the GEM Listing Rules and is accordingly subject to the reporting and announcement requirements but is exempted from shareholders' approval requirement.

RENEWAL OF LEASE AGREEMENT

On 28 February 2020, the duly executed New Lease Agreement in respect of the renewal of the lease agreement for the Location was received by the Tenant for an additional term of three years. Dragon King Restaurant is currently operating at the Location.

The principal terms of the New Lease Agreement are set out below:

The New Lease Agreement

Parties:

Tenant: King Harbour Limited, an indirectly wholly-owned subsidiary of the Company

Landlord: Unigrade International Limited, a limited liability company which is primarily engaged in property letting

To the best of the Director's knowledge, information and belief, and having made all reasonable enquiries, the Landlord and its ultimate beneficial owner(s) and respective associate(s) are Independent Third Parties

Location: 2nd Floor, Yen Sheng Centre, 64 Hoi Yuen Road, Kwun Tong, Kowloon, Hong Kong

Term of lease: Fixed term of 3 years commencing from 1 March 2020 to 28 February 2023 (both days inclusive)

Rent: Monthly rental of HK\$320,000 for the first rental year; and monthly rental of HK\$345,600 for the second to third rental year

Rent-free period: One month from 1 March 2020 to 31 March 2020 (both days inclusive) and fifteen days from 1 September 2020 to 15 September 2020 (both days inclusive)

Management fee & Air conditioning charges: Monthly fee of HK\$76,121 (subject to review from time to time)

Total consideration payable: The total consideration payable under the New Lease Agreement including rent, management fee & air conditioning charges by the Tenant is approximately HK\$14.4 million

Basis of determining the rent:

The terms (including the rent and management fee) of the New Lease Agreement were determined after arm's length negotiations between the Landlord and Tenant and with reference to the prevailing market rental for properties of similar type, age and location.

The rent is expected to be funded through the internal resources of the Group.

THE RIGHT-OF-USE ASSET

Pursuant to HKFRS 16, as a result of the renewal of the lease agreement, the Group shall recognise an additional asset representing its right to use the Location. As such, the Transaction will be regarded as an acquisition of asset by the Group for the purpose of the GEM Listing Rules. Based on preliminary estimation of the Company, the value of the right-of-use asset to be recognised by the Company under the Transaction shall amount to approximately HK\$13.3 million, which is the present value of aggregated lease payments, plus initial direct costs and estimated reinstatement cost with the lease in accordance with HKFRS 16. Discount rate of approximately 4.82% per annum, which is equivalent to the Company's incremental borrowing rate during the entire term of the New Lease Agreement, is applied to compute the present value of aggregate lease payments under the Transaction.

INFORMATION OF THE PARTIES

The Company

The Company is an investment holding company. The Group principally engages in operating Cantonese cuisine restaurants under five self-owned brands.

The Tenant

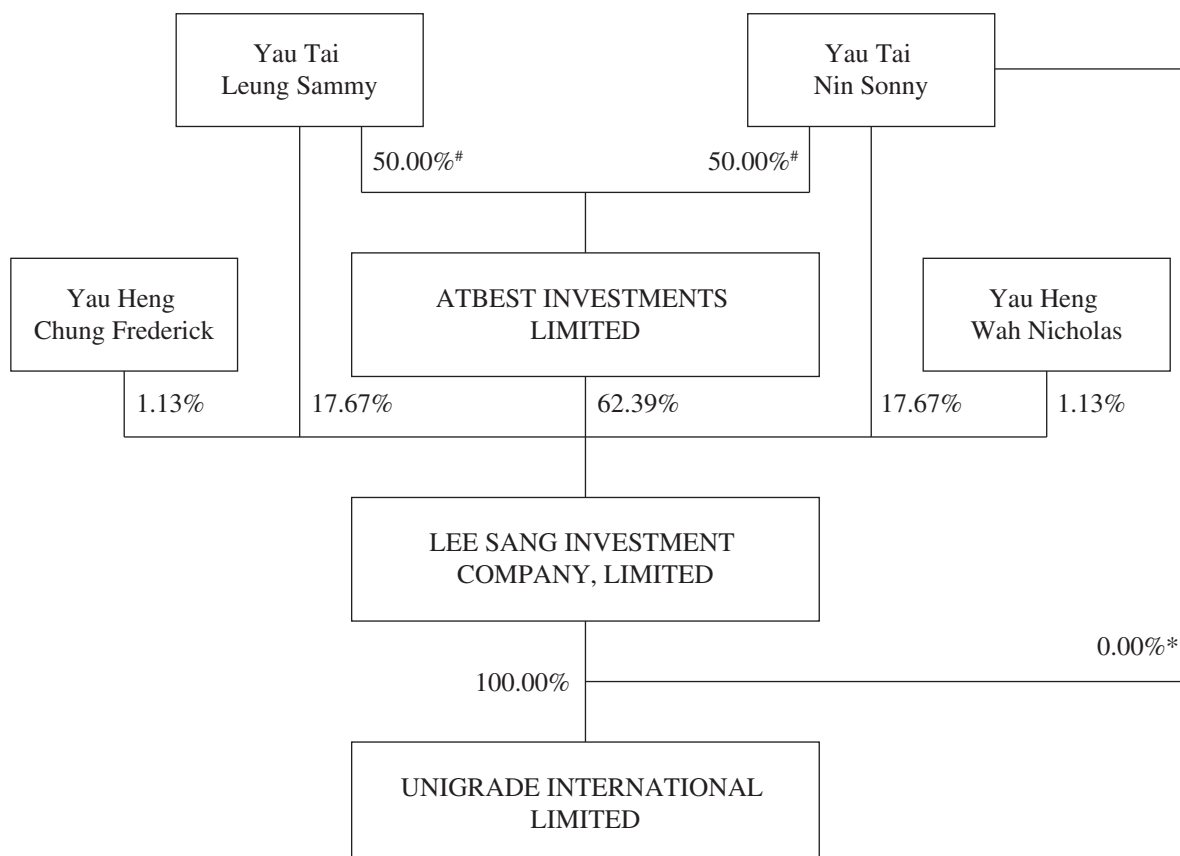
The Tenant is a company incorporated in Hong Kong with limited liability and is an indirect wholly-owned subsidiary of the Company. The principal activities of the Tenant is operating Cantonese cuisine restaurant under the brand name of "Dragon King Restaurant" at the Location since 2007.

The Landlord

The Landlord is a company incorporated in Hong Kong with limited liability and is primarily engaged in property letting.

To the best of the Director's knowledge, information and belief, and having made all reasonable enquiries, the Landlord and its ultimate beneficial owner(s) and respective associate(s) are Independent Third Parties. The Landlord is beneficially owned as to approximately 48.87% by Mr. Yau Tai Nin Sonny, as to approximately 48.86% by Mr. Yau Tai Leung Sammy, as to approximately 1.13% by Mr. Yau Heng Chung Frederick and as to approximately 1.13% by Mr. Yau Heng Wah Nicholas respectively.

The group structure of the Landlord with its ultimate beneficial owners is presented as below.



Notes:

* represents percentage less than 0.01%

Mr. Yau Tai Nin Sonny beneficially owns 2 Class A shares and 10,000 Class B shares of ATBEST INVESTMENTS LIMITED respectively. Mr. Yau Tai Leung Sammy beneficially owns 10,000 Class B shares of ATBEST INVESTMENTS LIMITED.

REASONS AND BENEFITS FOR THE NEW LEASE AGREEMENT

The Group is principally engaged in the operation and management of restaurants in Hong Kong, Macau and the People’s Republic of China. The Group’s Dragon King Restaurant have been operated at the Location since 2007. The Directors believe that, taking into account the historical performance of the restaurant, the renewal of the lease agreement for the Location will enable the Company to secure the Location for Dragon King Restaurant.

In addition, the terms (including the rent and management fee) of the New Lease Agreement were determined after arm’s length negotiations between the Landlord and Tenant and with reference to the prevailing market rental for properties of similar type, age and location. The Directors consider that the terms of the New Lease Agreement are fair and reasonable and in the interests of the Company and its shareholders as a whole.

IMPLICATIONS UNDER THE GEM LISTING RULES

Pursuant to HKFRS 16, as a result of the renewal of the lease agreement, the Group shall recognise an additional asset representing its right to use the Location in the amount of approximately HK\$13.3 million calculated with reference to the present value of aggregated lease payments plus initial direct costs and estimate reinstatement cost with the lease as discounted using a discount rate which is equivalent to the Company's incremental borrowing rate during the entire term of the New Lease Agreement. As such, the Transaction is regarded as an acquisition of asset by the Group for the purpose of the GEM Listing Rules.

As the applicable percentage ratio (as defined in the GEM Listing Rules) in respect of the Transaction contemplated under the New Lease Agreement based on the value of the right-of-use asset recognised by the Group pursuant to HKFRS 16 exceeds 5% but less than 25%, the Transaction constitutes a discloseable transaction of the Company under Chapter 19 of the GEM Listing Rules and is accordingly subject to the reporting and announcement requirements but is exempted from shareholders' approval requirement.

DEFINITIONS

In this announcement, unless the context otherwise requires, the following expressions shall have the following meaning:

“associate(s)”	has the meaning ascribed to it under GEM Listing Rules
“Board”	the board of Directors
“Company”	Dragon King Group Holdings Limited, an exempted company incorporated with limited liability in the Cayman Islands and, the shares of which are listed on GEM (Stock code: 8493)
“connected person”	has the meaning ascribed to it under GEM Listing Rules
“Directors”	The directors of the Company
“GEM”	GEM of the Stock Exchange
“GEM Listing Rules”	the Rules Governing the Listing of Securities on GEM of the Stock Exchange
“Group”	collectively, the Company and its subsidiaries from time to time
“HK\$”	Hong Kong Dollars, the lawful currency of Hong Kong
“HKFRS 16”	Hong Kong Financial Reporting Standard 16 “Leases” issued by the Hong Kong Institute of Certified Public Accountants
“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 enquires, 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”	Unigrade International Limited, a company incorporated in Hong Kong with limited liability
“Location”	2nd Floor, Yen Sheng Centre, 64 Hoi Yuen Road, Kwun Tong, Kowloon, Hong Kong
“Macau”	the Macau Special Administrative Region of the People’s Republic of China
“New Lease Agreement”	the lease agreement dated on 10 December 2019 and received by the Tenant on 28 February 2020 in relation to the leasing of the Location
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Tenant”	King Harbour Limited, an indirectly wholly-owned subsidiary of the Company
“Transaction”	the leasing of the Location by the Tenant under the terms set out in the New Lease Agreement
“%”	per cent

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

Hong Kong, 28 February 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; and 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 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.