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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)**

### **FULFILMENT OF RESUMPTION CONDITIONS AND RESUMPTION OF TRADING**

#### **FULFILMENT OF ALL THE RESUMPTION CONDITIONS**

The Company is pleased to announce that as at the date of this announcement, the Company has fulfilled all the Resumption Conditions to the satisfaction of the Stock Exchange.

#### **RESUMPTION OF TRADING**

Trading in the Shares on the Stock Exchange has been suspended from 9:00 a.m. on 11 November 2021. As all the Resumption Conditions have been fulfilled, the Company has made an application for the resumption of trading in the Shares on the Stock Exchange with effect from 9:00 a.m. on 24 October 2022.

This announcement is made by Dragon King Group Holdings Limited (the “**Company**”, and, together with its subsidiaries, the “**Group**”) pursuant to Rule 17.10 of the Rules Governing the Listing of Securities on GEM (the “**GEM Listing Rules**”) of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) and Part XIVA of the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong.

Reference is made to (i) the announcement of the Company dated 11 November 2021 in relation to the delay in publication of third quarterly results for the nine months ended 30 September 2021 and the corresponding third quarterly report for the nine months ended 30 September 2021; (ii) the announcement of the Company dated 22 December 2021 in relation to among other things, the freezing of some bank accounts of the Group (“**Inside Information Announcement**”); (iii) the announcements of the Company dated 10 January 2022, 10 February 2022, 18 May 2022 and 10 August 2022, respectively, in relation to, among other things, the progress of fulfilment of resumption conditions provided by the Stock Exchange; (iv) the third quarterly results announcement of the Company for the nine months ended 30 September 2021 (“**21Q3 Results**”) and the corresponding third quarterly report (“**21Q3 Report**”) published by the Company on

28 January 2022; (v) the annual results announcement of the Company for the year ended 31 December 2021 (“**21 Results**”) dated 15 September 2022 and the corresponding annual report (“**21 Report**”) published on 29 September 2022; (vi) the announcement of the Company dated 22 September 2022 in relation to the inside information and business update of the Company (“**Business Update Announcement**”); (vii) the first quarterly results announcement of the Company for the three months ended 31 March 2022 (“**22Q1 Results**”) and the corresponding first quarterly report (“**22Q1 Report**”) published by the Company on 10 October 2022; and (viii) the interim results announcement of the Company for the six months ended 30 June 2022 (“**22Q2 Results**”) and the corresponding interim report (“**22Q2 Report**”) published by the Company on 10 October 2022. Unless otherwise stated, capitalised terms used herein shall have the same meanings as those defined in the announcements and reports referred to above.

## **BACKGROUND**

Trading of the shares of the Company (the “**Shares**”) has been suspended on the Stock Exchange with effect from 9:00 a.m. on 11 November 2021 due to the delay in publication of the quarterly results and quarterly report for the nine months ended 30 September 2021.

As disclosed in the announcement of the Company dated 10 January 2022, the Company received a letter on 6 January 2022 (the “**Resumption Guidance**”) from the Stock Exchange in relation to, among other things, the resumption conditions (“**Resumption Conditions**”, each a “**Resumption Condition**”). The Company must remedy any issues arise from time to time before the resumption of trading, and fully comply with the GEM Listing Rules to the Stock Exchange’s satisfaction before trading in the Shares is allowed to resume.

## **THE RESUMPTION CONDITIONS AND THE FULFILLMENT THEREOF**

The Stock Exchange sets out the following Resumption Conditions in the Resumption Guidance:

- (i) publishing all outstanding financial results required under the GEM Listing Rules and address any audit modifications;
- (ii) demonstrating compliance with Rule 17.26 of the GEM Listing Rules;
- (iii) demonstrating that there is no reasonable regulatory concern about the management integrity and competence, and/or the integrity and competence of any persons with substantial influence over the Company’s management and operations, which may pose a risk to investors and damage market confidence;
- (iv) re-complying with Rules 5.05(1), 5.05(2) and 5.28 of the GEM Listing Rules; and
- (v) announcing all material information for the Company’s shareholders (the “**Shareholders**”) and investors to appraise the Company’s position.

The Company is pleased to announce that, as at the date of this announcement, each of the Resumption Conditions has been fulfilled, details of which are set out below:

**(i) publishing all outstanding financial results required under the GEM Listing Rules and address any audit modifications;**

Please refer to the table below for a summary of the outstanding financial results of the Company and their publication dates.

<b>Outstanding financial results required under the GEM Listing Rules</b>	<b>Publication date</b>
21Q3 Results	28 January 2022
21Q3 Report	28 January 2022
21 Results	15 September 2022
21 Report	29 September 2022
22Q1 Results	10 October 2022
22Q1 Report	10 October 2022
22Q2 Results	10 October 2022
22Q2 Report	10 October 2022

The Company has published all unpublished financial results required under the GEM Listing Rules.

The Company's auditor had issued a disclaimer opinion about the financial information contained in the 21 Results due to multiple fundamental uncertainties related to going concern. For details, please refer to page 14-15 of the 21 Results.

The Directors' view is different from that of the auditor's as the Directors considered that the COVID-19 pandemic will gradually improve. With the distribution of consumption vouchers by the Government and the gradual relaxation of the social distancing measures, 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 the repayment of trade payables and bank borrowings. With effect from 6 October 2022, the maximum number of restaurant diners per table is increased from eight to 12, and the maximum number of banquet attendees is increased from 120 to 240. The Directors consider that such relaxation of social distancing measures can further improve the business of the Group. Nonetheless, in order to address the auditors' concern, the Company has taken measures to continue in operational existence for the foreseeable future including but not limited to:

- (1) implementing stronger measures aiming at improving the liquidity and financial position of the Group, including but not limited to closely monitoring the operating costs;
- (2) reviewing and shortening the reporting intervals and improving follow up measures on receivable collection;

- (3) considering other financing arrangements with a view to increasing the Group's capitalisation/equity; and
- (4) considering to refinance and/or roll-over the Group's existing loans with a view to improving the Group's liquidity.

In particular, the Company is considering to take/has taken the following actions:

- (1) as disclosed in the 21 Results, the Group closed down the Kwai Chung Restaurant in late September 2021, did not renew the tenancy of the Causeway Bay Restaurant on 28 February 2022, closed down the San Po Kong Restaurant in July 2022, closed down the Macau Restaurant in early October 2021, disposed of the Shanghai Restaurant in early January 2022. Such closures and disposals of loss-making restaurants have benefited and strengthened the financial position of the Group. The Group was able to reduce the overhead costs in operating these loss-making restaurants and has avoided incurring further losses. Such closures and disposals have enabled the Group to deploy its resources to better manage the remaining restaurants;
- (2) as disclosed in the Business Update Announcement, the Company has entered into two memoranda of understanding in relation to potential acquisitions of companies. Each of the target companies operates one restaurant in Hong Kong. For further details, please refer to “(ii) demonstrating compliance with Rule 17.26 of the GEM Listing Rules” in this announcement below;
- (3) the Company will consider to conduct rights issue (the “**Rights Issue**”) in early 2023. It is expected that part of the net proceeds from the Rights Issue will be used to reimburse the debts from current liabilities and non-current liabilities, including but not limited to (i) reimbursement for trade and other payables accounts; and (ii) repayment for bank and other borrowings; and also, part of the proceeds will be applied as general working capital of the Group;
- (4) Ms. Shen Taiju (“**Ms. Shen**”), being an executive Director, will provide a director's loan in the amount of HK\$10 million to the Company to meet its financial obligations including repayment of outstanding liabilities, professional fees and other operating expenses. Ms. Shen has undertaken not to require the Company to repay the loans until such time when repayment will not affect the ability of the Group to repay other creditors in the normal course of business; and
- (5) the Company will consider placing new shares in the last quarter of 2022. It is expected that the net proceeds from the placing will be used to support the Group's business operation.

Based on the above, and in preparing the consolidated financial statements, the Directors have reviewed the Group's financial and liquidity position, and planned to improve the liquidity by the above measures. As such, the Board considered the Group will have sufficient liquidity to finance its operations for the next twelve months and therefore is of the view that the Group would be able to continue as a going concern.

The Company is now in the course of preparing the third quarterly results of the Company for the nine months ended 30 September 2022. It is expected that the preliminary results announcement for the nine months ended 30 September 2022 and the corresponding quarterly report will be published on time in accordance with Chapter 18 of the GEM Listing Rules.

**(ii) demonstrating compliance with Rule 17.26 of the GEM Listing Rules;**

The Group is principally engaged in the operation and management of restaurants. As disclosed in the 21 Report, the Group has ceased operation of several loss-making restaurants such that it now only operates in Hong Kong a total of three restaurants in Wan Chai, Kwun Tong and Whampoa (the “Existing Restaurants”). Due to continued unsatisfactory customer visit, and the unfavourable market conditions, the restaurant closures in Hong Kong and Macau were necessary to avoid further loss and make available the occupied working capital for other operation needs of the Group. Thus, such closures have brought positive impact on the Group's cashflow and financial positions.

The table below sets out the revenue contributed by the Existing Restaurants and discontinued restaurants for the six months ended 30 June 2022 and for the years ended 31 December 2020 and 2021:

	For the six months ended 30 June 2022		For the year ended 31 December 2021		For the year ended 31 December 2020	
	HK\$'000	%	HK\$'000	%	HK\$'000	%
<b>Existing Restaurants</b>						
Wan Chai	8,239	23.0	25,698	11.5	17,788	9.1
Kwun Tong	11,695	32.5	35,628	15.9	29,241	14.9
Whampoa	6,670	18.5	20,653	9.2	16,203	8.3
<b>Discontinued restaurants</b>						
Causeway Bay	24	0.1	27,953	12.5	23,401	11.9
San Po Kong	8,239	23.0	29,927	13.3	26,542	13.5
ICC	1,027	2.9	37,434	16.7	24,647	12.6
Kwai Chung	–	–	13,391	6.0	17,719	9.0
Macau	–	–	11,465	5.1	11,139	5.7
Shanghai	–	–	22,045	9.8	29,359	15.0
<b>Total</b>	<b>35,895</b>	<b>100.0</b>	<b>224,193</b>	<b>100.0</b>	<b>196,038</b>	<b>100.0</b>

The Company has struggled to make a business case out of operating Cantonese full-service restaurants as a result of the prolonged and profound impact of the COVID-19 pandemic and the stringent precautionary policies imposed by the Hong Kong government. As disclosed in the Business Update Announcement, the Company has therefore turned to a more agile strategy and now refocused on operating smaller scale restaurants across multiple cuisines so as to minimise fixed overheads and maximise the flexibility to cope with the market conditions.

The Company continues to carry out a business with a sufficient level of operations and assets of sufficient value to support its operations. A summary of the key financial figures of the Group for the years ended 31 December 2020 and 2021, for the three months ended 31 March 2022 and 2021 and for the six months ended 30 June 2022 and 2021 is set out below:

	For the six months ended 30 June		For the three months ended 31 March		For the year ended 31 December	
	2022	2021	2022	2021	2021	2020
	<i>HK\$000</i>	<i>HK\$'000</i>	<i>HK\$000</i>	<i>HK\$'000</i>	<i>HK\$000</i>	<i>HK\$'000</i>
Revenue	35,895	110,953	13,447	49,149	224,193	196,038
Gross profit	24,556	74,757	8,618	32,736	152,026	134,978
Gross profit margin	68.41%	67.38%	64.09%	66.60%	67.81%	68.85%
Profit/(Loss)	(3,471)	(8,783)	6,141	(5,008)	(50,713)	(74,618)

The revenue of the Group has increased from approximately HK\$196.0 million for the year ended 31 December 2020 to approximately HK\$224.2 million for the year ended 31 December 2021. The gross profit of the Group has increased from approximately HK\$135.0 million for the year ended 31 December 2020 to approximately HK\$152.0 million for the year ended 31 December 2021. Though there was significant decrease in revenue and gross profit for the three months ended 31 March 2022 and the six months ended 30 June 2022 as compared to the corresponding period in the previous year, it was mainly due to the impact of the fifth wave of the COVID-19 pandemic in the first half of 2022. The Group has suspended the operation of its restaurants in February and March 2022. With the decrease in the number of business days, the revenue and gross profit of the Group has decreased significantly. For further details regarding the suspension of business operation of the Group's restaurants, please refer to the Company's announcements dated 7 March 2022 and 18 May 2022, respectively.

During the first quarter of 2022, the operation of the Group was also temporarily affected by the freezing of the Group's bank accounts as disclosed in the Inside Information Announcement resulting in a temporary shortage of working capital. Although the Company is still in the process of liaising with the relevant bank and law enforcement authorities to unfreeze the approximately HK\$2.3 million that has been frozen, the income generated by the Group after the freezing of the bank accounts was not affected. Therefore, the Group still managed to continue with its business. With the gradual recovery of the Group's business allowing the Group to generate income, the Directors consider the freezing of the bank account to have limited impact on the business operation of the Group at present.



The gross profit margin of the Group has remained relatively stable except for the three months ended 31 March 2022 which was mainly due to the fifth wave of the COVID-19 pandemic. With (i) the resumption of operation of the restaurants; (ii) the closure and disposal of restaurants to cut costs and avoid further losses; and (iii) the gradual relaxation of social distancing measures, the Group managed to pick up its business which can be proven by the increased gross profit margin for the six months ended 30 June 2022.

The Directors consider that the measures imposed by the Hong Kong government to combat the outbreak of COVID-19 during the fifth wave in the first half of 2022 to be the most stringent among the previous waves and believe that similar level of restrictions will not be imposed again in future. With the gradual relaxation of social distancing measures in mid-2022 and gradual recovery of the economy, the Directors believe that the negative impact brought by COVID-19 will be eased.

In view of the easing of social distancing measures to allow restaurants to seat up to 12 people per table and banquet attendees to reach 240 from 6 October 2022, the Group plans to roll out a series of dining offers and discounts to attract diners. Working in tandem with the consumption vouchers recently distributed by the Hong Kong government and benefiting from the global promotion campaign soon to be launched by the Hong Kong Tourism Board, the Directors expect that the prospects and scale of its existing restaurant operations will improve.

With effect from 26 September 2022, the Hong Kong government has adopted a “0+3” policy no longer requiring inbound travellers to be subject to quarantine, instead inbound travellers are only restricted from visiting certain premises including restaurants during the three days upon arrival at Hong Kong. Such policy has enabled Hong Kong to regain its competitiveness among other countries in Southeast Asia. The general public is demanding the Hong Kong government to further relax the restrictions on inbound travellers during the three days upon arrival at Hong Kong by adopting a “0+0” policy within this year. If such policy can be implemented within this year, it will be beneficial to attract overseas travellers to visit Hong Kong and bring positive impact to the overall economy. The Directors believe that should such “0+0” policy be implemented, the Group’s business will be further improved.

Despite the closure of multiple restaurants, the Group is committed to the business of restaurant operations and has actively sought alternative investment opportunities with smaller scale of operation across multiple cuisines to diversify its restaurant portfolio rather than only focusing on Cantonese full-service restaurants.

As disclosed in the Business Update Announcement, the Company is in the course of implementing this strategy and has so far entered into two memoranda of understanding in relation to potential acquisitions of companies. Each of the target companies operates one restaurant in Hong Kong. For further details of the memoranda of understanding, please refer to the Business Update Announcement. The Group is currently performing due diligence on the target companies and expects to enter into the formal sale and purchase agreements in November 2022. Upon completion of the acquisitions, the target companies will become subsidiaries of the Group and the financial results of the target companies will be consolidated with those of the Group.

In view of the above, the Directors consider that the Group has and will continue to comply with Rule 17.26 of the GEM Listing Rules.

- (iii) demonstrating that there is no reasonable regulatory concern about the management integrity and competence, and/or the integrity and competence of any persons with substantial influence over the Company's management and operations, which may pose a risk to investors and damage market confidence;**

The Board is of the view that there is presently no reasonable regulatory concern about the management integrity and competence and/or the integrity and competence of any persons with substantial influence over the Company's management and operations. In respect of the investigation on Mr. Chan Ko Cheung, former Director of the Company, please refer to the Inside Information Announcement.

As at the date of this announcement, the Board comprises Ms. Shen (appointed on 6 January 2022) as executive Director; Mr. Lee Yiu Keung (appointed on 9 April 2021), Mr. Wang Jingan (appointed on 12 October 2021) and Mr. Wong Luen Tung (appointed on 28 January 2022) as independent non-executive Directors. Before the appointment of the Directors, the Group has conducted background check on the candidates and was not aware that the current board members have integrity issue or are not competent to discharge their duties as directors of the Company.

The executive Director, Ms. Shen, is responsible for the overall corporate strategic development of the Group's business. She is also responsible for overseeing the Group's operation, business development, finance and administration. A regular communication channel has been established among Ms. Shen, the financial officers of various restaurants and the company secretary of the Company so as to maintain sufficient management control over the business operation and any corporate actions within the Group.

The Company is now in the course of obtaining quotations in respect of the engagement of compliance adviser to ensure the Company's compliance with the GEM Listing Rules, corporate governance code and all applicable laws, rules, codes and guidelines. It is expected the compliance adviser will be appointed in October 2022.

The Company also intends to engage an independent internal control consultant before the end of 2022 to conduct an independent internal control review and demonstrate that the Company has put in place adequate internal control and procedures to comply with the GEM Listing Rules at the recommendation of the audit committee of the Board. Upon completion of the internal control review, and the Company will disclose the key findings identified by the consultant, the corresponding recommendations for rectification, the Company's response and the remediation status by way of an announcement.

In the light of the foregoing, the Board is of the view that it has taken sufficient measures to fulfill this resumption condition. Further, with the engagement of professional service providers, and the implementation of the enhanced internal control systems and procedures, the Board is of the view that the interests of the Shareholders and the relevant stakeholders will be safeguarded.



**(iv) re-complying with Rules 5.05(1), 5.05(2) and 5.28 of the GEM Listing Rules;**

As disclosed in the first quarterly update announcement of the Company dated 10 February 2022, the Company has re-complied with Rules 5.05(1), 5.05(2) and 5.28 of the GEM Listing Rules.

**(v) announcing all material information for the Company's shareholders and investors to appraise the Company's position.**

To the best of the Directors' knowledge, information and belief, the Company has disclosed all material information for its Shareholders and potential investors to appraise the Company's position. The Company will continue to make announcement(s) as and when appropriate in accordance with the GEM Listing Rules to keep its Shareholders and potential investors informed of all material information of the Group.

### **INTERNAL CONTROL ENHANCEMENT**

In order to reduce the risk of breaching the GEM Listing Rules, the Company is minded to strengthen internal control and enhance monitoring of compliance matters. It has gradually adopted the following measures since the suspension of the trading of the Shares on 11 November 2021:

- (a) appointed a new executive director in January 2022;
- (b) appointed a new joint company secretary in December 2021;
- (c) updated the Company's internal control policies such that the Company's "Transaction Approval Procedures" now require the signing by 2 directors for every transaction which constitutes a notifiable transaction for the Company under Chapter 19 and 20 of the GEM Listing Rules;
- (d) established a regular communication channel among Ms. Shen Taiju, the financial officers of various restaurants and the company secretary, so as to maintain sufficient management control over the business operation and any corporate actions within the Group;
- (e) will engage a compliance adviser in October 2022;
- (f) will engage an independent internal control consultant before the end of 2022 to conduct an independent internal control review;
- (g) will arrange appropriate training for directors at both issuer and subsidiary levels on a half-yearly basis;
- (h) will introduce measures as deemed appropriate by the compliance adviser and the independent internal control consultant; and
- (i) will work more closely with its compliance adviser, company secretary and legal advisers on compliance matters.

Taking into consideration that the abovementioned measures will raise awareness and level of knowledge on the GEM Listing Rules of the Directors, the senior management and responsible finance staff, the Board is of the view that the abovementioned measures can effectively reduce the risk of similar breaches of the GEM Listing Rules in the future.

## **RESUMPTION OF TRADING**

Trading in the Shares on the Stock Exchange has been suspended from 9:00 a.m. on 11 November 2021. As all Resumption Conditions have been fulfilled, the Company has made an application for the resumption of trading in the Shares on the Stock Exchange with effect from 9:00 a.m. on 24 October 2022.

**Shareholders and potential investors of the Company should exercise caution when dealing in the Company's securities.**

By order of the Board  
**Dragon King Group Holdings Limited**  
**Shen Taiju**  
*Chairman*

Hong Kong, 21 October 2022

*As at the date of this announcement, the Board comprises Ms. Shen Taiju (Chairman) as executive Director; 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 Stock Exchange's website at [www.hkexnews.hk](http://www.hkexnews.hk) for at least seven days from the day of its publication and on the website of the Company.*