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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)

ISSUE OF NEW SHARES UNDER GENERAL MANDATE FOR DEBT CAPITALISATION

DEBT CAPITALISATION

On 26 June 2023 (after trading hours), the Company has conditionally agreed to allot and issue, and the Creditor has conditionally agreed to subscribe 34,560,000 Capitalisation Shares at the price of HK\$0.1 per Share in settlement of the Indebted Sum.

The Capitalisation Shares represent (i) approximately 20.00% of the existing issued share capital of the Company as at the date of this announcement; and (ii) approximately 16.67% of the issued share capital of the Company as enlarged by the allotment and issue of the Capitalisation Shares, assuming there will be no change in the number of issued share capital of the Company from the date of this announcement and up to the completion of the Debt Capitalisation.

The issue of the Capitalisation Shares is conditional upon the Stock Exchange granting the listing of, and permission to deal in, the Capitalisation Shares.

Completion of the Debt Capitalisation is subject to the Stock Exchange granting the listing of and permission to deal in the Capitalisation Shares, and may or may not proceed. Shareholders and potential investors are advised to exercise caution when dealing in the Shares.

INTRODUCTION

During the period from December 2021 to July 2022, the Creditor has granted several loan to the Company as at the date of this announcement.

After negotiation with the Creditor, the Board announces that on 26 June 2023 (after trading hours of the Stock Exchange), the Company and the Creditor have agreed to settle the Partial Indebted Sum of approximately HK\$3,456,000 by way of allotment and issue of a total of 34,560,000 Capitalisation Shares at the price of HK\$0.1 per Share to the Creditor, subject to (i) the Stock Exchange granting the listing of and permission to deal in the Capitalisation Shares to be allotted and issued; and (ii) compliance with the applicable rules and regulations under the Listing Rules.

THE DEBT CAPITALISATION

Date

26 June 2023

Issuer

the Company

Subscriber

The Creditor is a natural person who is a Hong Kong resident. To the best of the Directors' information and belief after having made all reasonable enquiries, the Creditor is third party independent of the Company and its connected persons.

Debt Capitalisation

The Partial Indebted Sum forms part of the aggregated outstanding amount due to the Creditor. The Company has conditionally agreed to allot and issue, and the Creditor has conditionally agreed to subscribe 34,560,000 Capitalisation Shares at the Subscription Price of HK\$0.1 per Share in settlement of the Indebted Sum.

Capitalisation Shares

34,560,000 new Shares will be issued under the Debt Capitalisation.

The Capitalisation Shares represent (i) approximately 20.00% of the existing issued share capital of the Company as at the date of this announcement; and (ii) approximately 16.67% of the issued share capital of the Company as enlarged by the allotment and issue of the Capitalisation Shares, assuming there will be no change in the number of issued share capital of the Company from the date of this announcement and up to the completion of the Debt Capitalisation.

The Capitalisation Shares have an aggregate nominal value of HK\$3,456,000.

Subscription Price

HK\$0.1 per Capitalisation Share, representing:

- (a) a premium of approximately 113% to the closing price of HK\$0.047 per Share as quoted on the Stock Exchange on 26 June 2023, being the date on which the Company and the Creditor conditionally agreed on the Debt Capitalisation; and
- (b) a premium of approximately 115% to the average closing price of HK\$0.0466 per Share as quoted on the Stock Exchange for the last five (5) trading days immediately prior to the date on which the Company and the Creditor conditionally agreed on the Debt Capitalisation.

The Subscription Price was determined and negotiated on an arm's length basis between the Company and the Creditor and with reference to the market conditions and the prevailing market price of the Shares. The Directors consider that the Subscription Price is fair and reasonable and is in the interests of the Company and the Shareholders as a whole.

The Debt Capitalisation contemplated thereunder involves the capitalisation of the Indebted Sum into 34,560,000 Capitalisation Shares of HK\$0.1 per Share, and the Company will use its internal resources to settle the professional fees and all other related expenses which may be borne by the Company in connection with the Debt Capitalisation. The net issue price per Capitalisation Share will be HK\$0.1.

There will be no proceeds arising from the issue of the Capitalisation Shares as all the Subscription Prices will be set off against the debts owing by the Company to the Creditor on a dollar-to-dollar basis.

General Mandate

The Capitalisation Shares will be issued under the General Mandate granted to Directors to allot, issue and deal with 34,560,000 new Shares. As at the date of this announcement, no Shares have been allotted and issued pursuant to the General Mandate. Accordingly, 34,560,000 Shares remains available for allotment and issuance under the General Mandate which is sufficient for the issue of the Capitalisation Shares. As a result, the issue of the Capitalisation Shares is not subject to separate Shareholders' approval.

Application for Listing

An application will be made by the Company to the Stock Exchange for the listing of, and permission to deal in, the Capitalisation Shares.

Ranking of the Capitalisation Shares

The Capitalisation Shares, when fully paid, will rank pari passu in all respects with the Shares in issue on the completion date of the Debt Capitalisation, including the right to any dividends or distributions after the date of allotment.

Condition to the Debt Capitalisation

Completion of the Debt Capitalisation is conditional upon the Stock Exchange granting the listing of and permission to deal in the Capitalisation Shares.

Completion of the Debt Capitalisation

Completion of the Debt Capitalisation will take place as soon as practicable after the date upon which the condition mentioned above has been satisfied. If such condition is not fulfilled, the Debt Capitalisation will not proceed.

FUND-RAISING EXERCISE IN THE PAST 12 MONTHS

The Company has not conducted any equity fund raising activities for the 12 months immediately before the date of this announcement.

EFFECT ON THE SHAREHOLDING STRUCTURE

The shareholdings of the Company as at date of this announcement and immediately after completion of the Debt Capitalisation is and will be as follows:

	As at the date of this announcement		Immediately after completion of the Debt Capitalisation	
	<i>Number of Shares</i>	<i>Approximate %</i>	<i>Number of Shares</i>	<i>Approximate %</i>
Public Shareholders				
The Creditor	–	–	34,560,000	16.67
Other public Shareholders	172,800,000	100.00	172,800,000	83.33
Total	172,800,000	100.00	207,360,000	100.00

REASONS AND BENEFITS FOR THE DEBT CAPITALISATION

The Company is an investment holding company, and its subsidiaries are principally engaged in the operation and management of restaurants.

The Partial Indebted Sum bears no interest, and it has been due for repayment as at the date of this announcement. As at 31 December 2022, the Group had cash in hand of approximately HK\$4.9 million.

With respect to the Debt Capitalisation, the Directors consider that the Debt Capitalisation will allow the Company to settle the Partial Indebted Sum without utilising existing financial resources of the Company while reducing the gearing level of the Group and hence strengthening the financial position of the Group.

The Directors consider the terms of the Debt Capitalisation, which were negotiated on an arm's length basis and agreed on normal commercial terms between the parties thereto, are fair and reasonable, and the and Debt Capitalisation are in the interests of the Company and Shareholders as a whole.

Completion of the Debt Capitalisation is subject to the Stock Exchange granting the listing of and permission to deal in the Capitalisation Shares, and may or may not proceed. Shareholders and potential investors are advised to exercise caution when dealing in the Shares.

DEFINITIONS

“2022 AGM”	the annual general meeting of the Company held on 31 October 2022
“Board”	the board of Directors
“Capitalisation Share(s)”	34,560,000 new Shares to be allotted and issued by the Company to the Creditor in settlement of the Indebted Sum
“Company”	Dragon King Group Holdings Limited (龍皇集團控股有限公司), a limited liability company incorporated under the laws of the Cayman Islands, the Shares of which are listed on the GEM of the Stock Exchange (stock code: 8493)
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Creditor”	Chan Yuen Lung Alfred (陳元龍), a Hong Kong citizen and a third party independent of the Company and its connected persons
“Debt Capitalisation”	the capitalisation of the Partial Indebted Sum owed by the Group to the Creditor
“Director(s)”	the director(s) of the Company
“General Mandate”	the general mandate granted to the Directors pursuant to an ordinary resolution passed at the 2022 AGM to allot and issue up to 34,560,000 new Shares, representing 20% of the issued share capital of the Company on the date of the 2022 AGM
“GEM Listing Rules”	the Rules Governing the Listing of Securities on the GEM of the Stock Exchange of Hong Kong Limited
“Group”, “we”, “us”, or “our”	the Company, its subsidiaries and consolidated affiliated entity(ies)
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC

“Partial Indebted Sum”	a sum of approximately HK\$3,456,000 owed by the Company to Creditor
“Share(s)”	ordinary share(s) in the share capital of the Company with a par value of HK\$0.01 each
“Shareholder(s)”	holder(s) of the Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscription Price”	HK\$0.1 per Capitalisation Share
“subsidiary(ies)”	has the meaning ascribed to it under the GEM Listing Rules
“substantial shareholder”	has the meaning ascribed to it under the GEM Listing Rules
“%”	per cent.

By the Order of the Board
Dragon King Group Holdings Limited
Shen Taiju
Executive Director and Chairman

Hong Kong, 27 June 2023

As at the date of this announcement, the Board comprises Ms. Shen Taiju (Chairman), Ms. Au Yeung Lok Yee and Mr. Jia Yongqiang as executive Directors; and Mr. Buer Gude, Mr. Chui Chi Yun Robert and Mr. Mtafi Rachid Rene as independent non-executive Directors.

This announcement, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the GEM 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 “Latest Listed Company Information” page of the Stock Exchange’s website at www.hkexnews.hk for at least 7 days from the day of its publication and on the website of the Company.