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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)

INSIDE INFORMATION MEMORANDA OF UNDERSTANDING IN RELATION TO POSSIBLE ACQUISITIONS

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.

POSSIBLE ACQUISITION 1

The board of directors (“**Directors**”) of the Company (“**Board**”) is pleased to announce that on 22 September 2022 (after trading hours), the Company entered into a non-legally binding memorandum of understanding (“**MOU 1**”) with Mr. Lee Chi Lung and Mr. Ku Ka Man (collectively, the “**Acquisition 1 Vendors**”), pursuant to which the Company intends to acquire from the Acquisition 1 Vendors (“**Possible Acquisition 1**”) their equity interest in De Luna Tapas Restaurant & Bar Limited (“**Target Company 1**”). The exact percentage of the equity interest to be acquired by the Company will be agreed upon and set out in the corresponding Formal Agreement (as defined below).

POSSIBLE ACQUISITION 2

The Board is pleased to announce that on 22 September 2022 (after trading hours), the Company entered into a non-legally binding memorandum of understanding (“**MOU 2**”, together with MOU 1, the “**MOUs**”) with Mr. Lee Chi Lung, Mr. Ku Ka Man, Ms. Tsui Yue Ka, Mr. Chuk Wing Hung Keswick, Mr. Liu Kai Fung and Mr. Wong Chun Lam (collectively, the “**Acquisition 2 Vendors**”, together with the Acquisition 1 Vendors, the “**Vendors**”), pursuant to which the Company intends to acquire from the Acquisition 2 Vendors (“**Possible Acquisition 2**”, together with Possible Acquisition 1, the “**Possible Acquisitions**”) their equity interest in MOONKOK CULTURE CLUB LIMITED (“**Target Company 2**”, together with Target Company 1, the “**Target Companies**”). The exact percentage of the equity interest to be acquired by the Company will be agreed upon and set out in the corresponding Formal Agreement (as defined below).

INFORMATION ABOUT THE TARGET COMPANIES

Target Company 1 is a limited company incorporated in Hong Kong. It is principally engaged in the business of restaurant operation. As at the date of this announcement, Target Company 1 is owned as to 100% by the Acquisition 1 Vendors collectively.

Target Company 2 is a limited company incorporated in Hong Kong. It is principally engaged in the business of restaurant operation. As at the date of this announcement, Target Company 2 is owned as to 77% by the Acquisition 2 Vendors collectively.

FORMAL AGREEMENT

The parties to the MOUs agree to enter into earnest negotiations with each other such that the corresponding parties may enter into a formal agreement (“**Formal Agreement**”) in respect of each of the MOUs within 90 days from the date of the MOUs or such later date as the parties may mutually agree.

CONSIDERATION

Pursuant to the MOUs, the total consideration for each of the Proposed Acquisitions (“**Consideration**”) shall be determined with reference to, among other factors, the results of due diligence on the Target Companies and negotiations between the parties to the respective MOU. The exact amount of the Consideration and the manner of payment will be agreed upon and set out in each of the Formal Agreements.

DUE DILIGENCE

Within 45 days from the date of the MOUs or such later date as the parties may mutually agree, the Company shall conduct due diligence on the Target Companies, and the Vendors shall assist the Company in conducting the due diligence.

EXCLUSIVITY

Pursuant to the MOUs, the Vendors undertake not to and undertake to procure the Target Companies’ directors, employees, representatives and agents not to (i) solicit, initiate or encourage enquiries or offers from; or (ii) initiate or continue negotiations or discussions with or furnish any information to; or (iii) enter into any agreement or statement of intent or understanding with, any person or entity other than the Company with respect to the Possible Acquisitions. In the event that the Vendors receive any inquiries or invitation in respect of the above, the Company shall be informed immediately.

BINDING EFFECT

Save for the provisions relating to exclusivity, due diligence, termination, notice, confidentiality, costs, signature of counterparts and governing law and jurisdiction, the provisions of the MOUs are not legally binding.

REASONS AND BENEFITS FOR ENTERING INTO THE MOUS

As at the date of this announcement, the Group is principally engaged in the operation of restaurants in Hong Kong. As disclosed in the annual results announcement of the Company for the year ended 31 December 2021, the Company has struggled to make a business case out of operating full-service restaurants as a result of the prolonged and profound impact of the COVID-19 pandemic and the stringent HKSAR government policy. 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 Directors consider that the Possible Acquisitions, if materialised, will enable the Group to broaden its source of income and diversify risks and will be in the best interests of the Company and its shareholders as a whole.

GENERAL

The Possible Acquisitions, if materialised, may constitute notifiable transactions of the Company under the GEM Listing Rules. The Company will make further announcement(s) as and when appropriate in accordance with the GEM Listing Rules if the Company enters into any definitive agreement or if there is any material development on the Possible Acquisitions.

The Board wishes to emphasise that no formal and legally binding agreement in relation to the Possible Acquisitions has been entered into as at the date of this announcement. As such, the Possible Acquisitions are subject to further negotiations between the parties and may or may not be materialised.

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, 22 September 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 Stock Exchange’s website at www.hkexnews.hk for at least seven days from the day of its publication and on the website of the Company.