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LUK HING ENTERTAINMENT GROUP

LUK HING ENTERTAINMENT GROUP HOLDINGS LIMITED

陸慶娛樂集團控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 8052)

- (1) PROPOSED SHARE CONSOLIDATION;
(2) PROPOSED CHANGE IN BOARD LOT SIZE;
(3) PROPOSED RIGHTS ISSUE ON THE BASIS OF ONE (1)
RIGHTS SHARE FOR EVERY ONE (1) CONSOLIDATED SHARE
HELD ON THE RECORD DATE; AND
(4) POSSIBLE ADJUSTMENTS TO THE SHARE OPTIONS
UNDER THE SHARE OPTION SCHEME**

Financial Adviser to the Company



**建泉融資有限公司
VBG Capital Limited**

Placing Agent and Underwriter

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PROPOSED SHARE CONSOLIDATION

The Board intends to put forward a proposal to the Shareholders to effect the Share Consolidation which involves the consolidation of every ten (10) issued and unissued Existing Shares of par value HK\$0.01 each into one (1) Consolidated Share of par value of HK\$0.1 each. The Share Consolidation is conditional upon, among other things, the approval by the Shareholders by way of poll at the EGM.

As at the date of this announcement, the authorised share capital of the Company is HK\$100,000,000 divided into 10,000,000,000 Existing Shares of HK\$0.01 each, of which 2,741,280,000 Existing Shares have been issued and are fully paid or credited as fully paid. Assuming no further Shares will be issued or repurchased between the date of this announcement and the date of the EGM, immediately after the Share Consolidation becoming effective but before the completion of the Rights Issue, the authorised share capital of the Company will become HK\$100,000,000 divided into 1,000,000,000 Consolidated Shares of HK\$0.1 each, of which 274,128,000 Consolidated Shares (which are fully paid or credited as fully paid) will be in issue.

PROPOSED CHANGE IN BOARD LOT SIZE

As at the date of this announcement, the Existing Shares are traded on the Stock Exchange in board lot size of 10,000 Existing Shares. The Board proposes to change the board lot size for trading on the Stock Exchange from 10,000 Existing Shares to 20,000 Consolidated Shares conditional upon the Share Consolidation becoming effective.

PROPOSED RIGHTS ISSUE

The Company proposes, subject to, among other things, the Share Consolidation becoming effective, to raise gross proceeds of up to (i) approximately HK\$43.9 million (before expenses) (assuming full subscription under the Rights Issue) by issuing up to 274,128,000 Rights Shares (assuming no new Shares are issued or repurchased on or before the Record Date); or (ii) approximately HK\$44.3 million (before expenses) (assuming full subscription under the Rights Issue) by issuing up to 276,623,000 Rights Shares (assuming no new Shares are issued or repurchased on or before the Record Date other than the new Shares to be allotted and issued pursuant to the full exercise of the outstanding Share Options) by way of rights issue at the Subscription Price of HK\$0.160 per Rights Share, on the basis of one (1) Rights Share for every one (1) Consolidated Share held on the Record Date.

The net proceeds from the Rights Issue after deducting the estimated expenses in relation to the Rights Issue are estimated to be not more than (i) approximately HK\$40.9 million (assuming no change in the number of Shares in issue on or before the Record Date); or (ii) approximately HK\$41.3 million (assuming no change in the number of Shares in issue on or before the Record Date other than the new Shares to be allotted and issued pursuant to the full exercise of the outstanding Share Options). The Company intends to apply the proceeds from the Rights Issue to be used for the repayment of borrowings and as working capital of the Group in the next 12 months.

The Rights Issue is only available to Qualifying Shareholders. To qualify for the Rights Issue, a Shareholder must be registered as a member of the Company on the Record Date and must not be a Non-Qualifying Shareholder. In order to be registered as members of the Company on the Record Date, Shareholders must lodge any transfers of Shares (together with the relevant share certificates) with the Registrar for registration no later than 4:30 p.m. (Hong Kong time) on Monday, 29 May 2023.

Any Shareholder, together with parties acting in concert with it (if any), who as a result of the Rights Issue collectively hold 30% or more of the voting rights in the Company will, subject to any waiver which may be granted by the SFC, be obliged to make a mandatory general offer under Rule 26 of the Takeovers Code for all the Shares not already held by it.

THE COMPENSATORY ARRANGEMENTS AND THE PLACING AGREEMENT

The Company will make arrangements to dispose of the Unsubscribed Rights Shares comprising the Rights Shares that are not subscribed by the Qualifying Shareholders and the NQS Rights Shares that are not successfully sold by the Company as described in the paragraph headed “Arrangements for the NQS Rights Shares” in this announcement, by offering the Unsubscribed Rights Shares to independent placees for the benefit of the relevant No Action Shareholders and Non-Qualifying Shareholders.

After the trading hours of the Stock Exchange on 6 April 2023, the Company and the Placing Agent entered into the Placing Agreement, pursuant to which the Placing Agent has agreed to procure Placee(s), on a best effort basis, to subscribe for the Unsubscribed Rights Shares. The placing price of the Unsubscribed Rights Shares shall be not less than the Subscription Price. The final price will be determined based on the demand for the Unsubscribed Rights Shares and market conditions at the time of placement.

Subject to the terms set out in the Placing Agreement, if and to the extent that at the Latest Time for Compensatory Arrangements, there shall be any Unsubscribed Rights Shares which have not been successfully placed out by the Placing Agent under the Compensatory Arrangements, then the Underwriter shall subscribe or procure subscription for up to 274,128,000 Rights Shares (assuming no Shares being issued or bought back by the Company on or after the date of the Placing Agreement and on or before the Record Date); or up to 276,623,000 Rights Shares (assuming new Shares are allotted and issued on or before the Record Date pursuant to the full exercise of outstanding Share Options but otherwise no Shares being issued or bought back by the Company on or after the date of the Placing Agreement and on or before the Record Date).

UNDERWRITING AGREEMENT

On 6 April 2023 (after trading hours), the Underwriter and the Company entered into the Underwriting Agreement. Pursuant to the Underwriting Agreement, the Underwriter has conditionally agreed to fully underwrite the Underwritten Shares, being all the Unsubscribed Rights Shares that are not placed by the Placing Agent or they have been placed but the placees have not paid therefor at 4:00 p.m. on the date of completion of Placing, subject to the terms and conditions set out in the Underwriting Agreement, in particular the fulfilment or waiver (as applicable) of the conditions contained therein. The Company will pay to the Underwriter an underwriting commission of 3.0% of the subscription amount in respect of the Rights Shares actually subscribed through the Underwriter and/or its sub-underwriters. Details of the major terms and conditions of the Underwriting Agreement are set out in the section headed “The Underwriting Agreement” in this announcement.

The Company shall make an application to the Stock Exchange for the listing of, and permission to deal in, the Rights Shares (in both nil-paid and fully-paid forms) to be allotted and issued pursuant to the Rights Issue.

As the proposed Rights Issue is subject to conditions, it may or may not proceed. Investors are advised to exercise caution when dealing in the Shares.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Tuesday, 16 May 2023 to Monday, 22 May 2023 (both dates inclusive) for determining the identity of the Shareholders entitled to attend and vote at the EGM.

The register of members of the Company will be closed from Tuesday, 30 May 2023 to Monday, 5 June 2023 (both dates inclusive) for determining the entitlements to the Rights Issue.

No transfer of Shares will be registered during the above book closure periods.

IMPLICATIONS UNDER THE GEM LISTING RULES

The Share Consolidation is conditional upon, among other things, the approval by the Shareholders by way of poll at the EGM. To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, as none of the Shareholders or their associates would have any interest in the Share Consolidation, no Shareholder would be required to abstain from voting in favour of the resolution(s) relating to the Share Consolidation at the EGM.

Since the proposed Rights Issue will increase the issued share capital or the market capitalization of the Company by more than 50%, in accordance with Rule 10.29(1) of the GEM Listing Rules, the proposed Rights Issue must be made conditional on approval by the Independent Shareholders in general meeting by a resolution on which any controlling Shareholders and their associates or, where there are no controlling Shareholders, the Directors (excluding independent non-executive Directors) and the chief executive of the Company and their respective associates shall abstain from voting in favour of the proposed Rights Issue.

As at the date of this announcement, the Controlling Shareholder Group comprise of: (1) Welmen, which directly holds 1,111,500,000 Shares, representing approximately 40.55% of the issued share capital of the Company; (2) Yui Tak Investment Limited ("**Yui Tak**"), which owns approximately 30.31% shareholdings in Welmen; (3) Ocean Concept Holdings Limited ("**Ocean Concept**"), which owns all the shareholdings in Yui Yak; (4) Toprich Investment (Group) Limited ("**Toprich**"), which owns approximately 88.29% shareholdings in Ocean Concept; (5) Perfect Succeed Limited ("**Perfect Succeed**"), which owns all the shareholdings in Toprich; (6) Mr. Simon Choi and Mr. John Choi, which owns 50% shareholdings in Perfect Succeed, respectively; and (7) Mr. Au Wai Pong Eric, Mr. Au Ka Wai and Mr. Yeung Chi Shing, who are acting in concert with Mr. Simon Choi and Mr. John Choi pursuant to an acting in concert arrangement. Accordingly, each member of the Controlling Shareholder Group, the Directors (excluding independent non-executive Directors) and the chief executive of the Company and their respective associates (as defined in the GEM Listing Rules), shall abstain from voting in favour of the proposed Rights Issue at the EGM.

The Company has not conducted any rights issue, open offer or specific mandate placings within the 12-month period immediately preceding the date of this announcement, or prior to such 12-month period where dealing in respect of the Shares issued pursuant thereto commenced within such 12-month period, nor has it issued any bonus securities, warrants or other convertible securities as part of any rights issue, open offer and/or specific mandate placings within such 12-month period.

The Rights Issue will not result in a theoretical dilution effect of 25% or more. As such, the theoretical dilution impact of the Rights Issue is in compliance with Rule 10.44A of the GEM Listing Rules.

ESTABLISHMENT OF INDEPENDENT BOARD COMMITTEE AND APPOINTMENT OF INDEPENDENT FINANCIAL ADVISER

The Company will establish an independent board committee, comprising all the independent non-executive Directors, to make recommendations to the Independent Shareholders in respect of the Rights Issue and the transactions contemplated thereunder. The Company will appoint an independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

GENERAL

The EGM will be convened for the Shareholders to consider and, if thought fit, approve the Share Consolidation and Rights Issue. A circular containing, among other things, (i) further details of the Share Consolidation and the Rights Issue; (ii) a letter of recommendation from the Independent Board Committee to the Independent Shareholders in respect of the Rights Issue; (iii) a letter of advice from the independent financial adviser to the Independent Board Committee and the Independent Shareholders on the Rights Issue; and (iv) a notice convening the EGM, is expected to be despatched to the Shareholders on or before Friday, 28 April 2023.

Subject to the fulfilment of certain conditions of the Rights Issue, the Company will despatch the Prospectus Documents containing, among other matters, details of the Rights Issue, to the Qualifying Shareholders. The Company will despatch the Prospectus (without the PAL(s)) to the Non-Qualifying Shareholders for their information only.

POSSIBLE ADJUSTMENT TO THE SHARE OPTIONS UNDER THE SHARE OPTION SCHEMES

As at the date of this announcement, there are 24,950,000 outstanding Share Options granted by the Company exercisable into 24,950,000 Shares. Pursuant to the terms of the Share Option Schemes, the Rights Issue may lead to adjustments to, among others, the exercise price and/or the number of Shares to be issued upon exercise of the outstanding Share Options under the Share Option Schemes. The Company will notify the holders of such Share Options and the Shareholders by way of announcement (as and when appropriate) regarding adjustments to be made (if any) pursuant to the terms of the Share Option Schemes and such adjustment will be certified by an independent financial adviser or auditors of the Company (as the case may be).

Save for the foregoing, as at the date of this announcement, the Company had no outstanding debt securities, derivatives, options, warrants, convertible securities or other similar securities which are convertible or exchangeable into Shares prior to the Record Date. The Company has no intention to issue or grant any Shares, convertible securities, warrants and/or options on or before the Record Date.

WARNING OF THE RISKS OF DEALING IN THE EXISTING SHARES, THE CONSOLIDATED SHARES AND NIL-PAID RIGHTS SHARES

Shareholders and potential investors of the Company should note that the Share Consolidation is conditional upon the satisfaction of the conditions as set out in the paragraph headed “Conditions of the Share Consolidation” in this announcement. Accordingly, the Share Consolidation may or may not proceed.

Shareholders and potential investors of the Company should note that the Rights Issue is conditional upon, among others, the Underwriting Agreement having become unconditional and the Underwriter not having terminated the Underwriting Agreement in accordance with the terms thereof (a summary of which is set out in the section headed “Termination of the Underwriting Agreement” in this announcement). Accordingly, the Rights Issue may or may not proceed.

Any Shareholder or other person dealing in the Existing Shares, the Consolidated Shares and/or the nil-paid Rights Shares up to the date on which all the conditions to which the Rights Issue are fulfilled (and the date on which the Underwriter’s right of termination of the Underwriting Agreement ceases) will accordingly bear the risk that the Rights Issue may not become unconditional or may not proceed.

Shareholders and potential investors are advised to exercise caution when dealing in the Existing Shares, the Consolidated Shares and/or the nil-paid Rights Shares. Any party who is in any doubt about his/her/its position or any action to be taken is recommended to consult his/her/its own professional adviser(s).

PROPOSED SHARE CONSOLIDATION

Reference is made to the announcement of the Company dated 24 February 2023 in respect of, among other things, the proposed plan to conduct a share consolidation. The Board announces that it intends to put forward a proposal to the Shareholders to effect the Share Consolidation which involves the consolidation of every ten (10) issued and unissued Existing Shares of par value of HK\$0.01 each into one (1) Consolidated Share of par value of HK\$0.1 each. The Share Consolidation is conditional upon, among other things, the approval by the Shareholders by way of poll at the EGM.

Conditions of the Share Consolidation

The implementation of the Share Consolidation is conditional upon the following:

- (i) the passing of the ordinary resolution by the Shareholders at the EGM to approve the Share Consolidation at the EGM;
- (ii) the compliance with all relevant procedures and requirements under the laws of the Cayman Islands (where applicable) and the obtaining of all necessary approvals from the regulatory authorities or otherwise as may be required in respect of the Share Consolidation, if any; and
- (iii) the Listing Committee granting the listing of, and permission to deal in, the Consolidated Shares in issued and to be issued upon the Share Consolidation becoming effective.

The Share Consolidation will become effective on 24 May 2023 subject to the fulfillment of the above conditions. All of the conditions above cannot be waived.

Effects of the Share Consolidation

As at the date of this announcement, the authorised share capital of the Company is HK\$100,000,000 divided into 10,000,000,000 Existing Shares of HK\$0.01 each, of which 2,741,280,000 Existing Shares have been issued and are fully paid or credited as fully paid. Assuming no further Shares will be issued or repurchased between the date of this announcement and the date of the EGM, immediately after the Share Consolidation becoming effective but before the completion of the Rights Issue, the authorised share capital of the Company will become HK\$100,000,000 divided into 1,000,000,000 Consolidated Shares of HK\$0.1 each, of which 274,128,000 Consolidated Shares (which are fully paid or credited as fully paid) will be in issue.

Upon the Share Consolidation becoming effective, the Consolidated Shares will rank *pari passu* in all respects with each other in accordance with the Company's articles of association. The Share Consolidation will not result in any change in the relative rights or proportionate interests of the holders of shares of the same class.

Other than the relevant expenses to be incurred in relation to the Share Consolidation, the implementation thereof will not alter the underlying assets, business operations, management or financial position of the Group or the interests or rights of the Shareholders, save for any fractional Consolidated Shares which may arise and the necessary professional expenses for the implementation of the Share Consolidation.

The Board believes that the Share Consolidation will not have any material adverse effect on the financial position of the Group and that on the date the Share Consolidation is to be effected, there are no reasonable grounds for believing that the Company is, or after the Share Consolidation would be, unable to pay its liabilities as they become due. The Share Consolidation will not involve any diminution of any liability in respect of any unpaid capital of the Company or the repayment to the Shareholders of any unpaid capital of the Company nor will it result in any change in the relative rights of the Shareholders.

Fractional entitlement to Consolidated Shares

Fractional Consolidated Shares arising from the Share Consolidation, if any, will be disregarded and will not be issued to the Shareholders but all such fractional Consolidated Shares will be aggregated and, if possible, sold and retained for the benefit of the Company. Fractional Consolidated Shares will only arise in respect of the entire shareholding of a holder of the Existing Shares regardless of the number of share certificates held by such holder.

Odd lot arrangements and matching services

In order to alleviate the difficulties arising from the existence of odd lot of the Consolidated Shares arising from the Share Consolidation, the Company will procure an arrangement with an agent to stand in the market to provide matching services for sale and purchase of odd lot of the Consolidated Shares on a best effort basis. Further details in respect of the odd lot arrangements will be set out in the circular to be despatched to the Shareholders in relation to, among others, the Share Consolidation.

Holders of odd lot of the Consolidated Shares should note that successful matching of the sale and purchase of odd lot of the Consolidated Shares are not warranted. Any Shareholder who is in any doubt about the odd lot arrangements is recommended to consult his/her/its own professional advisers.

Exchange of share certificates

Subject to the Share Consolidation having become effective, Shareholders may, during the period from 9:00 a.m. on Wednesday, 24 May 2023 to 4:30 p.m. on Monday, 3 July 2023 (both days inclusive), submit the existing share certificates for the Existing Shares to the Registrar in Hong Kong, Tricor Investor Services Limited at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong, to exchange, at the expense of the Company, for new share certificates for the Consolidated Shares. Thereafter, existing share certificates for Existing Shares will continue to be good evidence of legal title and may be exchanged for new share certificates for Consolidated Shares at the expense of the Shareholders on payment of a fee of HK\$2.50 (or such higher amount as may be allowed by the Stock Exchange from time to time) for each existing share certificate cancelled or each new share certificate issued for Consolidated Shares (whichever is higher) but are not acceptable for delivery, trading and settlement purposes.

The new share certificates for the Consolidated Shares will be issued in green colour in order to distinguish them from the existing share certificates in orange colour.

Closure of register of members for the EGM

The register of members of the Company will be closed from Tuesday, 16 May 2023 to Monday, 22 May 2023 (both dates inclusive) for determining the identity of the Shareholders entitled to attend and vote at the EGM. No transfer of Shares will be registered during the above book closure period.

Listing and dealings

Application will be made by the Company to the Listing Committee for the granting of the listing of, and permission to deal in, the Consolidated Shares in issue and to be issued upon the Share Consolidation becoming effective.

Subject to the granting of the listing of, and the permission to deal in, the Consolidated Shares on the Stock Exchange, as well as compliance with the stock admission requirements of the HKSCC, the Consolidated Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the commencement date of dealings in the Consolidated Shares on the Stock Exchange, or such other date as determined by HKSCC.

Settlement of transactions between participants of the Stock Exchange on any trading day is required to take place in CCASS on the second settlement day thereafter. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time and all necessary arrangements will be made for the Consolidated Shares to be admitted into CCASS.

None of the Existing Shares are listed or dealt in on any other stock exchange other than the Stock Exchange, and at the time the Share Consolidation becomes effective, the Consolidated Shares in issue will not be listed or dealt in on any stock exchange other than the Stock Exchange, and no such listing or permission to deal is being or is proposed to be sought.

Adjustments in relation to other securities of the Company

As at the date of this announcement, there are outstanding Share Options for subscription of an aggregate of 24,950,000 Existing Shares under the Share Option Scheme. The Share Consolidation may lead to adjustments to the exercise price and/or the number of Consolidated Shares falling to be issued upon exercise of the outstanding Share Options pursuant to the terms and conditions of the Share Option Scheme. The Company will publish announcement(s) on such adjustments as and when appropriate.

Save for the aforesaid, the Company has no other outstanding convertible securities, options or warrants in issue which are convertible or exchangeable into Shares as at the date of this announcement.

PROPOSED CHANGE IN BOARD LOT SIZE

As at the date of this announcement, the Existing Shares are traded on the Stock Exchange in the board lot size of 10,000 Existing Shares. The Board proposes to change the board lot size for trading on the Stock Exchange from 10,000 Existing Shares to 20,000 Consolidated Shares per board lot, conditional upon the Share Consolidation becoming effective.

Based on the closing price of HK\$0.017 per Existing Share (equivalent to the theoretical closing price of HK\$0.17 per Consolidated Share) as at the date of this announcement, (i) the value of each existing board lot of Existing Shares is HK\$170; (ii) the value of each board lot of 10,000 Consolidated Shares would be HK\$1,700 on the assumption that the Share Consolidation becomes effective; and (iii) the value of each board lot of 20,000 Consolidated Shares would be HK\$3,400 on the assumption that the Change in Board Lot Size has also become effective.

The Change in Board Lot Size will not result in any change in relative rights of the Shareholders.

REASONS FOR THE PROPOSED SHARE CONSOLIDATION AND THE CHANGE IN BOARD LOT SIZE

Pursuant to Rule 17.76 of the GEM Listing Rules, where the market price of the securities of the issuer approaches the extremities of HK\$0.01 or HK\$9,995, the Stock Exchange reserves the right to require the issuer to change the trading method or to proceed with a consolidation or splitting of its securities.

Pursuant to the “Guide on Trading Arrangements for Selected Types of Corporate Actions” issued by the Hong Kong Exchanges and Clearing Limited on 28 November 2008 and last updated on 1 October 2020, the expected board lot value should be greater than HK\$2,000 per board lot taking into account the minimum transaction costs for a securities trade. As at the date of this announcement, the closing price of each Existing Share is HK\$0.017, with a board lot size of 10,000 Existing Shares, the Existing Shares are trading under HK\$170 per board lot.

The Existing Shares have been trading not exceeding HK\$0.200 each and from time to time below HK\$0.100 during the past 12 months. The Board considers that the proposed Share Consolidation and Change in Board Lot Size, resulting in a theoretical price HK\$0.17 per Consolidated Share and HK\$3,400 per board lot of 20,000 Consolidated Shares (based on the closing price of HK\$0.017 per Existing Share as at the date of this announcement), would enable the Company to avoid the occurrence of non-compliance with the trading requirements under the GEM Listing Rules. The Board believes the Share Consolidation and the Change in Board Lot Size will not have any material adverse effect on the financial position of the Company nor result in change in the relative rights of the Shareholders and are in the interests of the Company and the Shareholders as a whole.

Other corporate actions and fundraising activities in the next twelve months

As at the date of this announcement and except the fundraising activities mentioned in this announcement (i.e. the Rights Issue), (i) the Company has no intention to carry out other corporate actions in the next 12 months which may have an effect of undermining or negating the intended purpose of the Share Consolidation; and (ii) the Company currently does not have any plan to conduct any equity fundraising activities in the next 12 months/the Company is considering certain methods of fund raising activity for its business operation, which may involve issue of new Shares, including but not limited to rights issue and share placing. However, as at the date of this announcement, there is no concrete plan for any other fundraising activity. The Company will update its Shareholders by way of announcement as and when required in accordance with the GEM Listing Rules.

PROPOSED RIGHTS ISSUE

The Board proposes, subject to, amongst others, the Share Consolidation becoming effective and the approval by the Independent Shareholders at the EGM, the Rights Issue with the terms set out as follows:

Issue statistics

Basis of the Rights Issue	:	one (1) Rights Shares for every one (1) Consolidated Share held by the Qualifying Shareholders at the close of business on the Record Date
Subscription Price	:	HK\$0.160 per Rights Share
Net price per Rights Share (i.e. Subscription Price less cost and expenses incurred in the Rights Issue)	:	Approximately HK\$0.149 per Rights Share
Number of Shares in issue as at the date of this announcement	:	2,741,280,000 Existing Shares

- Number of Consolidated Shares in issue upon the Share Consolidation becoming effective : 274,128,000 Consolidated Shares (assuming no further issue or repurchase of Shares up to the effective date of the Share Consolidation)
- Number of Rights Shares to be issued pursuant to the Rights Issue : Up to 274,128,000 Rights Shares (assuming no further issue or repurchase of the Shares on or before the Record Date) and up to 276,623,000 Rights Shares (assuming no further issue or repurchase of the Shares on or before the Record Date other than the new Shares to be allotted and issued pursuant to the full exercise of the outstanding Share Options)
- The aggregate nominal value of the Rights Shares will be up to HK\$27,662,300
- Total number of Consolidated Shares in issue upon completion of the Rights Issue : Up to 548,256,000 Consolidated Shares (assuming no further issue or repurchase of Shares on or before the Record Date and that no new Shares (other than the Rights Shares) will be allotted and issued on or before the completion of the Rights Issue) and up to 553,246,000 Consolidated Shares (assuming no further issue or repurchase of Shares on or before the Record Date other than the new Shares to be allotted and issued pursuant to the full exercise of the outstanding Share Options and that no new Shares (other than the Rights Shares) will be allotted and issued on or before completion of the Rights Issue)
- Gross proceeds from the Rights Issue : not less than approximately HK\$40.9 million and not more than approximately HK\$44.3 million before expenses
- Right of excess applications : There will be no excess application arrangements in relation to the Rights issue

As at the date of this announcement, there are 24,950,000 outstanding Share Options granted by the Company exercisable into 24,950,000 Shares. Save for the foregoing, as at the date of this announcement, the Company has no outstanding convertible bonds, options, derivatives, warrants, conversion rights or other similar rights entitling holders thereof to subscribe for or convert into or exchange for new Shares prior to the Record Date. The Company has no intention to issue or grant any Shares, convertible securities, warrants and/or options on or before the Record Date.

Assuming no further issue or repurchase of Shares on or before the Record Date and that no new Shares (other than the Rights Shares) will be allotted and issued on or before completion of the Rights Issue, the 274,128,000 Rights Shares proposed to be issued pursuant to the terms of the Rights Issue represent approximately 50% of the total number of issued Consolidated Shares upon the Share Consolidation becoming effective and as enlarged by the issue of the Rights Shares.

Assuming no further issue or repurchase of Shares on or before the Record Date other than the new Shares to be allotted and issued pursuant to the full exercise of outstanding Share Options and that no new Shares (other than the Rights Shares) will be allotted and issued on or before completion of the Rights Issue, the 276,623,000 Rights Shares proposed to be issued pursuant to the Rights Issue represents approximately 50% of the total number of issued Shares as enlarged by the allotment and issue of the Rights Shares.

Undertaking

As at the date of this announcement, the Company has not received any information or undertaking from any Shareholder of their intention as to whether such Shareholder will take up his/her entitlements under the Rights Issue (or otherwise).

Qualifying Shareholders

The Rights Issue is only available to the Qualifying Shareholders. To qualify for the Rights Issue, a Shareholder must be registered as a member of the Company as at the close of business on the Record Date and not be a Non-Qualifying Shareholder. In order to be registered as members of the Company prior to the close of business on the Record Date, all transfers of the Consolidated Shares (together with the relevant share certificate(s)) must be lodged with the Registrar in Hong Kong, Tricor Tengis Limited at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong, for registration no later than 4:30 p.m. (Hong Kong time) on Monday, 29 May 2023.

It is expected that the last day of dealings in the Consolidated Shares on a cum-rights basis is Wednesday, 24 May 2023, and the Consolidated Shares will be dealt with on an ex– rights basis from Thursday, 25 May 2023. Dealings in the Rights Shares in nil-paid form are expected to take place from Thursday, 8 June 2023 to Thursday, 15 June 2023 (both dates inclusive).

Shareholders with their Shares held by a nominee (or held in CCASS) should note that the Board will consider the nominee (including HKSCC Nominees Limited) as one single Shareholder according to the register of members of the Company. Shareholders with their Shares held by a nominee (or held in CCASS) are advised to consider whether they would like to arrange for the registration of the relevant Shares in their own names prior to the Record Date. For investors whose Shares are held by a nominee (or held in CCASS) and would like to have their names registered on the register of members of the Company, they must lodge all necessary documents with the Registrar in Hong Kong, Tricor Tengis Limited at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong, for registration no later than 4:30 p.m. (Hong Kong time) on Monday, 29 May 2023.

Holders of Share Options who wish to participate in the Rights Issue should exercise their Share Options in accordance with the terms and conditions of the Share Option Schemes and be registered as holders of the Shares so allotted and issued to them pursuant to such exercise with the Company on or before the Record Date.

Subject to the Share Consolidation having become effective and the registration of the Prospectus Documents in accordance with the applicable laws and regulations, the Company will despatch the Prospectus Documents to the Qualifying Shareholders on the Prospectus Posting Date and will despatch the Prospectus only (without the PAL) to the Non-Qualifying Shareholder for their information only.

Qualifying Shareholders who take up their pro-rata entitlement in full will not suffer any dilution to their interests in the Company.

If a Qualifying Shareholder does not take up any of his/her/its entitlement in full under the Rights Issue, his/her/its proportionate shareholding in the Company will be diluted.

Closure of register of members for the Rights Issue

The register of members of the Company will be closed from Tuesday, 30 May 2023 to Monday, 5 June 2023 (both dates inclusive) for the purpose of determining entitlements to the Rights Issue. No transfer of the Consolidated Shares will be registered during the above book closure period.

Basis of provisional allotments

The Rights Shares will be allotted on the basis of one (1) Rights Shares for every one (1) Consolidated Share held by the Qualifying Shareholders as at the close of business on the Record Date.

The PAL relating to the Rights Shares will be enclosed with the Prospectus entitling the Qualifying Shareholders to whom it is addressed to subscribe for the Rights Shares as shown therein. Acceptance for all or any part of a Qualifying Shareholder's provisional allotment should be made only by completing a PAL and lodging the same with a remittance for the Rights Shares being accepted with the Registrar by the Latest Time for Acceptance.

If a Qualifying Shareholder wishes to accept only a part of, or to renounce or transfer a part of, the Rights Shares provisionally allotted to him/her/it under the PAL, such Qualifying Shareholder will need to split his/her/its PAL into the denominations required. Details as to how to split the PALs will be set out in the Prospectus.

Rights of Overseas Shareholders (if any)

The Prospectus Documents to be issued in connection with the Rights Issue will not be registered or filed under the securities law of any jurisdiction other than Hong Kong. Overseas Shareholders may not be eligible to take part in the Rights Issue as explained below.

Pursuant to Rule 17.41(1) of the GEM Listing Rules, the Board will make necessary enquiries regarding the feasibility of extending the Rights Issue to the Overseas Shareholders (if any) under the laws of the relevant overseas jurisdictions and the requirements of the relevant regulatory bodies or stock exchanges. If, based on legal advice, the Board is of the opinion that it would be necessary or expedient not to offer the Rights Shares to any Overseas Shareholders on account either of the legal restrictions under the laws of relevant place(s) or the requirements of the relevant overseas regulatory body or stock exchange, no provisional allotment of the nil-paid Rights Shares or allotment of fully-paid Rights Shares will be made to such Overseas Shareholders. In such circumstances, such Overseas Shareholders will become Non-Qualifying Shareholders and the Rights Issue will not be extended to them. The basis for excluding the Non-Qualifying Shareholders, if any, from the Rights Issue will be set out in the Prospectus to be issued.

Based on the register of members of the Company, there are three (3) Overseas Shareholders as at the date of this announcement, the registered addresses of which are shown to be situated in Malaysia and the British Virgin Islands.

Overseas Shareholders and beneficial owners of the Shares who are residing outside Hong Kong should note that they may or may not be entitled to the Rights Issue, subject to the results of enquiries made by the Directors pursuant to Rule 17.41(1) of the GEM Listing Rules. Accordingly, Overseas Shareholders and beneficial owners of the Shares who are residing outside Hong Kong should exercise caution when dealing in the securities of the Company.

Arrangements for the NQS Rights Shares

Arrangements will be made for the Rights Shares which would otherwise have been provisionally allotted to the Non-Qualifying Shareholders to be sold in the market in their nil-paid form as soon as practicable after dealings in the nil-paid Rights Shares commence and before the last day for dealing in the nil-paid Rights Shares, if a premium (net of expenses) can be obtained. Any net proceeds of sale thereof, after deduction of expenses, will be paid in Hong Kong dollars to the Non-Qualifying Shareholders pro rata to their respective entitlements as at the close of business on the Record Date, provided that if any of such persons would be entitled to a sum not exceeding HK\$100, such sum will be retained by the Company for its own benefit. Any such unsold nil-paid Rights Shares to which such Non-Qualifying Shareholders would otherwise have been entitled will be offered for subscription by the Placing Agent to the Placees under the Placing.

The Subscription Price

The Subscription Price of HK\$0.160 per Rights Share is payable in full by a Qualifying Shareholder upon acceptance of the relevant provisional allotment of the Rights Shares under the Rights Issue or when a transferee of the nil-paid Rights Shares subscribes for the Rights Shares.

The Subscription Price represents:

- (i) a discount of approximately 5.88% to the theoretical closing price of HK\$0.17 per Consolidated Share (after taking into account the effect of the Share Consolidation) based on the closing price of HK\$0.017 per Existing Share as quoted on the Stock Exchange on the Last Trading Day;

- (ii) a discount of approximately 4.76% to the theoretical closing price of HK\$0.168 per Consolidated Share (after taking into account the effect of the Share Consolidation) based on the average closing price of approximately HK\$0.017 per Existing Share as quoted on the Stock Exchange for the five (5) consecutive trading days up to and including the Last Trading Day;
- (iii) a discount of approximately 6.43% to the theoretical closing price of approximately HK\$0.171 per Consolidated Share (after taking into account the effect of the Share Consolidation) based on the average closing price of approximately HK\$0.017 per Existing Share as quoted on the Stock Exchange for the ten (10) consecutive trading days up to and including the Last Trading Day;
- (iv) a discount of approximately 13.98% to the theoretical closing price of HK\$0.186 per Consolidated Share (after taking into account the effect of the Share Consolidation) based on the average closing price of approximately HK\$0.019 per Existing Share as quoted on the Stock Exchange for the thirty (30) consecutive trading days up to and including the Last Trading Day;
- (v) a discount of approximately 3.03% to the theoretical ex-rights price of approximately HK\$0.165 per Consolidated Share (after taking into account the effect of the Share Consolidation) based on the closing price of HK\$0.017 per Existing Share as quoted on the Stock Exchange on the Last Trading Day; and
- (vi) a theoretical dilution effect (as defined under Rule 10.44A of the GEM Listing Rules) of approximately 2.94% represented by the theoretical diluted price of approximately HK\$0.165 to the benchmarked price of approximately HK\$0.17 per Consolidated Share (after taking into account the effect of the Share Consolidation) (as defined under Rule 10.44A of the GEM Listing Rules, taking into account the closing price on the Last Trading Day of HK\$0.017 and the average closing price of HK\$0.0168 per Existing Share as quoted on the Stock Exchange for the five (5) consecutive trading days immediately prior to the date of this announcement).

The Subscription Price was determined after arm's length negotiation between the Company and the Underwriter with reference to, among others, (i) the recent closing price of the Existing Shares; (ii) the prevailing market conditions of the capital market in Hong Kong and the impact of COVID-19 pandemic; (iii) the financial position of the Group; and (iv) the imminent funding and capital needs of the Company in Hong Kong as more particularly disclosed in the paragraph headed "Reasons for the Rights Issue and use of proceeds" in this announcement. In determining the discount rate of the Subscription Price, the Directors have taken into account that it is a common practice for listed companies on the Stock Exchange to issue rights shares at a discount to the prevailing market price in order to enhance the attractiveness of the rights issue and to encourage the Shareholders to participate in the future growth of the Group, hence consider the terms of the Rights Issue, including the Subscription Price, to be fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Status of the Rights Shares

The Rights Shares (when allotted, fully paid or credited as fully paid and issued) will rank *pari passu* in all respects among themselves and with the Consolidated Shares in issue on the date of allotment and issue of the Rights Shares. Holders of the fully paid Rights Shares will be entitled to receive all future dividends and distributions which may be declared, made or paid on or after the date of allotment and issue of the fully paid Rights Shares.

Stamp duty and other applicable fees

Dealings in the Rights Shares in both their nil-paid and fully-paid forms will be subject to payment of stamp duty, Stock Exchange trading fee, transaction levy, investor compensation levy or any other applicable fees and charges in Hong Kong.

Certificates of the Rights Shares and refund cheques for the Rights Issue

Subject to fulfilment of the conditions of the Rights Issue, share certificates for the fully paid Rights Shares are expected to be sent on or before Tuesday, 11 July 2023 to those entitled thereto by ordinary post, at their own risk, to their registered addresses. If the Underwriting Agreement is terminated or not becoming unconditional, refund cheques will be despatched on or before Tuesday, 11 July 2023, by ordinary post, at the respective Shareholders' own risk, to their registered addresses.

Fractional entitlement to the Rights Shares

The Company will not provisionally allot and will not accept applications for any fraction of Rights Shares. All fractions of the Rights Shares will be aggregated (and rounded down to the nearest whole number of a Share) and all nil-paid Rights Shares arising from such aggregation will be sold in the market for the benefit of the Company if a premium (net of expenses) can be achieved.

Taxation

Shareholders are advised to consult their professional advisers if they are in any doubt as to the taxation implications of the receipt, purchase, holding, exercising, disposing of or dealing in, the nil-paid Rights Shares or the Rights Shares and, regarding the Non-Qualifying Shareholders, their receipt of the net proceeds, if any, from sale of the nil-paid Rights Shares on their behalf otherwise falling to be issued to them under the Rights Issue under the laws of jurisdictions in which they are liable to taxation. It is emphasised that none of the Company, the Directors nor any other parties involved in the Rights Issue accepts responsibility for any tax effects on, or liabilities of, any person resulting from subscribing for, purchasing, holding, disposal of, dealings in or exercising any rights in relation to the Shares or the Rights Shares.

Application for listing

The Company will apply to the Listing Committee for the listing of, and the permission to deal in, the Rights Shares (in both nil-paid and fully-paid forms) to be issued and allotted pursuant to the Rights Issue. No part of the securities of the Company is listed or dealt in, and no listing of or permission to deal in any such securities is being or is proposed to be sought, on any other stock exchanges.

Pursuant to the Change in Board Lot Size, the nil-paid Rights Shares shall be traded in the board lot of 20,000 Consolidated Shares.

Rights Shares will be eligible for admission into CCASS

Subject to the granting of the listing of, and the permission to deal in, the Rights Shares (in both nil-paid and fully-paid forms) on the Stock Exchange as well as compliance with the stock admission requirements of HKSCC, the Rights Shares (in both nil-paid and fully-paid forms) will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the respective commencement dates of dealings in the Rights Shares on the Stock Exchange, or such other dates as determined by HKSCC.

Settlement of transactions between participants of the Stock Exchange on any trading day is required to take place in CCASS on the second trading day thereafter. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time. Shareholders should seek advice from their licensed securities dealer(s) or other professional adviser(s) for details of those settlement arrangements and how such arrangements will affect their rights and interests.

Procedures in respect of the Unsubscribed Rights Shares and the Compensatory Arrangements

Pursuant to Rule 10.31(1)(b) of the GEM Listing Rules, the Company will make arrangements to dispose of the Unsubscribed Rights Shares by offering the Unsubscribed Rights Shares to independent placees for the benefit of the relevant No Action Shareholders and Non-Qualifying Shareholders. As the Compensatory Arrangements are in place, there will be no excess application arrangements in relation to the Rights Issue.

The Company appointed the Placing Agent to place the Unsubscribed Rights Shares after the Latest Time for Acceptance to independent placees on a best effort basis, and any premium over the aggregate amount of (i) the Subscription Price for those Rights Shares; and (ii) the expenses of the Placing Agent (including any other related costs and expenses), that is realised from the Placing (the “**Net Gain**”) will be paid to the relevant No Action Shareholders and Non-Qualifying Shareholders in the manner set out below. The Placing Agent will, on a best effort basis, procure, by not later than 4:00 p.m. on Friday, 30 June 2023, acquirers for all (or as many as possible) of those Unsubscribed Rights Shares at a price not less than the Subscription Price. Any unsold Unsubscribed Rights Shares under the Compensatory Arrangements will be taken up by the Underwriter pursuant to the terms of the Underwriting Agreement.

Net Gain (if any but rounded down to the nearest cent) will be paid on a pro-rata basis to the relevant No Action Shareholders and Non-Qualifying Shareholders as set out below:

- (i) for No Action Shareholders, the relevant Qualifying Shareholders (or such persons who hold any nil-paid rights at the time such nil-paid rights are lapsed) whose nil-paid rights are not validly applied for in full, by reference to the extent that Shares in his/her/its nil-paid rights are not validly applied for, and where the nil-paid rights are, at the time they lapse, represented by a PAL, to the person whose name and address appeared on the PAL and where the nil-paid rights are, at the time they lapse, registered in the name of HKSCC Nominees Limited, to the beneficial holders (via their respective CCASS participants) as the holder of those nil-paid rights in CCASS; and
- (ii) for Non-Qualifying Shareholders, the relevant Non-Qualifying Shareholders whose name and address appeared on the register of members of the Company on the Record Date with reference to their shareholdings in the Company on the Record Date.

It is proposed that if the Net Gain to any of the No Action Shareholder(s) and Non-Qualifying Shareholder(s) mentioned above (i) is more than HK\$100, the entire amount will be paid to them; or (ii) is HK\$100 or less, such amount will be retained by the Company for its own benefit.

Conditions of the Rights Issue

The Rights Issue is conditional upon the obligations of the Underwriter under the Underwriting Agreement becoming unconditional and the Underwriter not terminating the Underwriting Agreement.

The Underwriting Agreement contains detailed conditions and events which may cause the Underwriting Agreement to be terminated by the Underwriter. Please refer to the section headed “The Compensatory Arrangement” in this announcement for details of the conditions and grounds of termination of the Underwriting Agreement. If the Underwriting Agreement does not become unconditional or is terminated, the Rights Issue will not proceed.

THE COMPENSATORY ARRANGEMENT

Placing Agreement

On 6 April 2023 (after trading hours of the Stock Exchange), the Company and the Placing Agent entered into the Placing Agreement, pursuant to which the Placing Agent has agreed to procure Placee(s), on a best effort basis, to subscribe for the Unsubscribed Rights Shares. Details of the Placing Agreement are as follows:

- Date : 6 April 2023 (after trading hours of the Stock Exchange)
- Placing Agent : Sanston Financial Group Limited was appointed as the placing agent to place, or procure the placing of, up to 274,128,000 Unsubscribed Rights Shares (assuming no Shares being issued or bought back by the Company on or after the date of the Placing Agreement and on or before the Record Date); or up to 276,623,000 Unsubscribed Rights Shares (assuming new Shares are allotted and issued on or before the Record Date pursuant to the full exercise of outstanding Share Options but otherwise no Shares being issued or bought back by the Company on or after the date of the Placing Agreement and on or before the Record Date), on a best effort basis, to the Placee(s).

The Placing Agent and its ultimate beneficial owners are Independent Third Parties. The Placing Agent has also undertaken that before it engages sub-placing agent(s) to place the Unsubscribed Rights Shares, it will confirm with the Company and such sub-placing agent(s) that these sub-placing agent(s) and their ultimate beneficial owners are Independent Third Parties.

- Placing fee : The Company shall pay to the Placing Agent a placing commission of 3.0% of the actual gross proceeds from the subscription of the Unsubscribed Rights Shares and the NQS Unsold Rights Shares, and the Placing Agent is hereby authorised to deduct from the payment to be made by it to the Company at Unsubscribed Rights Shares Completion.

The Company shall be responsible for all costs and expenses reasonably incurred in connection with or arising out of the Placing.

- Placing price of the Unsubscribed Rights Shares : The placing price of the Unsubscribed Rights Shares shall be not less than the Subscription Price.
- The final price will be determined based on the demand for the Unsubscribed Rights Shares and market conditions at the time of placement.
- Places : The Unsubscribed Rights Shares shall only be offered (i) to institutional, corporate or individual investor(s) who and whose ultimate beneficial owner(s) shall be Independent Third Parties; and (ii) such that the Placing will not have any implications under the Takeovers Code and no Shareholder will be under any obligation to make a general offer under the Takeovers Code as a result of the Placing.
- Ranking of Unsubscribed Rights Shares : The Unsubscribed Rights Shares (when placed, allotted, issued and fully paid) shall rank *pari passu* in all respects among themselves and with the Shares then in issue.
- Placing condition : The Placing is subject to and conditional upon, *inter alia*, (i) the Listing Committee having granted the listing of, and permission to deal in, the Rights Shares; (ii) all necessary consents and approvals to be obtained on the part of each of the Underwriter and the Company in respect of the Underwriter and the transactions contemplated thereunder having been obtained; and (iii) the Placing Agreement not having been terminated in accordance with the provisions thereof, including provisions regarding the force majeure events.
- Completion date of the Placing : Monday, 3 July 2023 or such other date as the Company and the Placing Agent may agree.

The terms of the Placing Agreement (including the placing fee) were determined after arm's length negotiation between the Underwriter and the Company with reference to the size of the Rights Issue and are on normal commercial terms. The Directors consider that the terms of the Placing Agreement are fair and reasonable.

Given that the Compensatory Arrangements would provide a compensatory mechanism for the relevant No Action Shareholders and Non-Qualifying Shareholders, the Directors consider that the Compensatory Arrangements are in the interest of the minority Shareholders.

Underwriting Agreement

On 6 April 2023 (after trading hours), the Company and the Underwriter entered into the Underwriting Agreement in relation to the underwriting and respective arrangements in respect of the Rights Issue. Further details of the Underwriting Agreement are set out below:

- Date : 6 April 2023
- Issuer : The Company
- Underwriter : Sanston Financial Group Limited, a corporation licensed to carry on type 1 (dealing in securities) and type 4 (advising on securities) under the SFO whose ordinary course of business includes underwriting of securities and complies with the requirement under Rule 10.24A(1) of the GEM Listing Rules

As at the date of this announcement, the Underwriter did not hold any Shares. The Underwriter and its ultimate beneficial owners are, to the best of the Directors' knowledge, information and belief having made all reasonable enquiries, Independent Third Parties

- Number of Rights Shares underwritten by the Underwriter : Up to 274,128,000 Rights Shares, being the minimum total number of Rights Shares issuable (assuming no further issue or repurchase of Shares on or before the Record Date), or up to 276,623,000 Rights Shares, being the maximum total number of Rights Shares issuable (assuming new Shares are allotted and issued on or before the Record Date pursuant to the full exercise of outstanding Share Options but otherwise no Shares being issued or repurchased by the Company on or before the Record Date)
- Underwriting Commission : 3.0% of the aggregate Subscription Price of the Underwritten Shares actually subscribed for through the Underwriter and/or its sub-underwriters

The Rights Issue is underwritten by the Underwriter pursuant to the terms of the Underwriting Agreement.

The terms of the Underwriting Agreement (including the commission rate) were determined after arm's length negotiation between the Company and the Underwriter by reference to the financial position of the Group, the size of the Rights Issue, the current and expected market condition and the prevailing market rate. The Directors consider the entering into of the Underwriting Agreement with the Underwriter and the terms of the Underwriting Agreement (including the underwriting commission) are fair and reasonable and in the interest of the Company and the Shareholders as a whole.

Subject to the fulfilment of the conditions (or any waiver, as the case may be, by the Underwriter) contained in the Underwriting Agreement and provided that the Underwriting Agreement is not terminated prior to the Latest Time for Termination in accordance with the terms thereof, the Underwriter shall subscribe for or procure the subscription for, pursuant to the terms of Underwriting Agreement and the Prospectus Documents (insofar as the same are applicable), the Underwritten Shares (being any Unsubscribed Rights Shares that are not placed by the Placing Agent under the Placing Agreement).

Conditions of the Rights Issue and the Underwriting Agreement

The completion of the Rights Issue and the obligations of the Underwriter under the Underwriting Agreement are conditional on:

- (a) the passing by the Shareholders (including the Independent Shareholders as the case may be) at the relevant EGM of ordinary resolutions to approve the Share Consolidation, the Rights Issue and the Underwriting Agreement and the transactions respectively contemplated hereunder;
- (b) the Share Consolidation having become effective by no later than the Prospectus Posting Date;
- (c) the Listing Committee granting or agreeing to grant and not having withdrawn or revoked the listing of and permission to deal in the Consolidated Shares;
- (d) the Listing Committee granting or agreeing to grant (subject to allotment) and not having withdrawn or revoked the listing of and permission to deal in the Rights Shares (in their nil-paid and fully-paid forms);
- (e) the delivery to the Stock Exchange for authorisation and the registration with the Registrar of Companies in Hong Kong respectively of one copy of each of the Prospectus Documents duly signed by all the Directors (or by their agents duly authorised in writing) as having been approved by resolution of the Directors (together with any other documents required by the applicable law or regulation to be annexed thereto) by no later than the Prospectus Posting Date; and otherwise in compliance with the GEM Listing Rules and the Companies (Winding up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong);

- (f) the posting of the Prospectus Documents to the Qualifying Shareholders by no later than the Prospectus Posting Date and the posting of the Prospectus and a letter to the Excluded Shareholders, if any, for information purpose only explaining the circumstances in which they are not permitted to participate in the Rights Issue by no later than the Prospectus Posting Date;
- (g) the compliance with the requirements under the applicable laws and regulations of Hong Kong and Cayman Islands;
- (h) the representations, warranties of the Company referred to in the Underwriting Agreement remaining true and accurate and not misleading in all material respects at all times and none of the undertakings of the Company referred to in the Underwriting Agreement having been breached;
- (i) there being no breach of the undertakings and obligations of the Company under the terms of the Underwriting Agreement; and
- (j) the Underwriting Agreement not being terminated by the Underwriter pursuant to the terms hereof on or before the Latest Time for Termination.

Other than conditions (h) to (j) which can be waived in whole or in part by the Underwriter by notice in writing to the Company prior to the Latest Time for Termination, all other conditions above cannot be waived. In the event of the said conditions not being fulfilled or waived, the Underwriting Agreement shall terminate (save in respect of any rights and obligations which may accrue under the Underwriting Agreement prior to such termination) and neither the Company nor the Underwriter shall have any claim against the other party for costs, damages, compensation or otherwise save for any antecedent breach and the Rights Issue will not proceed.

Termination of the Underwriting Agreement

- (1) If prior to the Latest Time for Termination, in the absolute opinion of the Underwriter:
 - (a) the success of the Rights Issue would be affected by:
 - (i) the introduction of any new regulation or any change in existing law or regulation (or the judicial interpretation thereof) or other occurrence of any nature whatsoever which may in the opinion of the Underwriter materially and adversely affect the business or the financial or trading position or prospects of the Group as a whole; or
 - (ii) the occurrence of any local, national or international event or change, whether or not forming part of a series of events or changes occurring or continuing before, and/or after the date hereof, of a political, military, financial, economic or other nature (whether or not ejusdem generis with any of the foregoing), or in the nature of any local, national or international outbreak or escalation of hostilities or armed conflict, or affecting local securities markets which may, in the opinion of the Underwriter materially and adversely affect the business or the financial or trading position or prospects of the Group as a whole; or

- (iii) any material adverse change in the business or in the financial or trading position of the Group as a whole; or
- (b) any material adverse change in market conditions (including, without limitation, a change in fiscal or monetary policy or foreign exchange or currency markets, suspension or restriction of trading in securities) occurs which in the reasonable opinion of the Underwriter makes it inexpedient or inadvisable to proceed with the Rights Issue; or
- (c) the Prospectus Documents when published contain information (either as to business prospects or the condition of the Group or as to its compliance with any laws or the GEM Listing Rules or any applicable regulations) which has not prior to the date hereof been publicly announced or published by the Company and which may in the opinion of the Underwriter is material to the Group as a whole and is likely to affect the success of the Rights Issue or might cause a prudent investor not to accept the Rights Shares provisionally allotted to it;

the Underwriter shall be entitled by notice in writing to the Company, served prior to the Latest Time for Termination, to terminate this Agreement.

- (2) The Underwriter shall be entitled by notice in writing to rescind this Agreement if prior to the Latest Time for Termination:
 - (a) any material breach of any of the warranties or undertakings contained in the Underwriting Agreement comes to the knowledge of the Underwriter; or
 - (b) it comes to the knowledge of the Underwriter that any event occurring or matter arising on or after the date of the Underwriting Agreement and prior to the Latest Time for Termination which if it had occurred or arisen before the date hereof would have rendered any of the representations, warranties and undertakings contained in the Underwriting Agreement untrue or incorrect in any respect.

Any such notice shall be served by the Underwriter prior to the Latest Time for Termination.

If prior to the Latest Time for Termination any such notice as referred to above is given by the Underwriter, the obligations of all parties under the Underwriting Agreement shall cease and determine and no party shall have any claim against any other party in respect of any matter or thing arising out of or in connection with the Underwriting Agreement (save for any antecedent breaches hereof) and the Rights Issue shall not proceed.

If the Underwriter terminates the Underwriting Agreement, the Rights Issue will not proceed. A further announcement would be made by the Company if the Underwriting Agreement is terminated by the Underwriter.

Restriction on dealings

The Company has undertaken to the Underwriter that for the period from the date of the Underwriting Agreement and ending on the date which is Monday, 3 July 2023 from the Latest Time for Termination, unless with the prior written consent of the Underwriter, the Company shall not (except for the Consolidated Shares and the Rights Shares):

- (i) allot or issue or offer to allot or issue or grant any option, right or warrant to subscribe (either conditionally or unconditionally, or directly or indirectly, or otherwise) any Shares or any interests in Shares or any securities convertible into or exercisable or exchangeable for or substantially similar to any Shares or interest in Shares (except for the allotment or issue of Shares upon exercise of the outstanding Share Options);
- (ii) agree (conditionally or unconditionally) to enter into or effect any such transaction with the same economic effect as any of the transactions described in paragraph (i); or
- (iii) announce any intention to enter into or effect any such transaction described in paragraph (i) or (ii).

POSSIBLE ADJUSTMENT TO THE SHARE OPTIONS UNDER THE SHARE OPTION SCHEMES

As at the date of this announcement, there are 24,950,000 outstanding Share Options granted by the Company exercisable into 24,950,000 Shares. Pursuant to the terms of the Share Option Schemes, the Rights Issue may lead to adjustments to, among others, the exercise price and/or the number of Shares to be issued upon exercise of the outstanding Share Options under the Share Option Schemes. The Company will notify the holders of such Share Options and the Shareholders by way of announcement (as and when appropriate) regarding adjustments to be made (if any) pursuant to the terms of the Share Option Schemes and such adjustment will be certified by an independent financial adviser or auditors of the Company (as the case may be).

Save for the foregoing, as at the date of this announcement, the Company had no outstanding debt securities, derivatives, options, warrants, convertible securities or other similar securities which are convertible or exchangeable into Shares prior to the Record Date. The Company has no intention to issue or grant any Shares, convertible securities, warrants and/or options on or before the Record Date.

REASONS FOR THE RIGHTS ISSUE AND THE USE OF PROCEEDS

Reference is made to the annual report for the financial year ended 31 December 2022, where the Company had disclosed that in order to improve the liquidity position of the Group, the Company had been taking eager steps to explore fund-raising activities such as rights issue and/or share subscription or placing to meet its repayment obligations.

While the Company had alleviated its indebtedness situation by having successfully placed new Shares under general mandate to new investors and used the proceeds to settle certain indebtedness of the Group, the net liabilities of the Group had remained substantial and posed uncertainties relating to going concern basis of the Group.

As disclosed in the Company's annual report for the financial year ended 31 December 2022 that as at 31 December 2022, the Group recorded net current liabilities of approximately HK\$122.0 million and net loss of approximately HK\$48.9 million.

The Directors consider that the Rights Issue represents an opportunity to settle, in a full and final manner, its major outstanding liabilities, in particular the amount due in respect of its convertible promissory notes issuance in July 2019 and the convertible loans obtained in June 2019, strengthen the Group's financial position, and raise additional funding for the business operations of the Group without any interest burden.

Therefore, the Directors are of the view that taking into account the existing cash resources held by the Group, it would be desirable for the Group to raise additional cash for satisfying the cash flow needs of the Group in order to (i) settle the Group's indebtedness, (ii) strengthen the financial position of the Group and (iii) provide for its general working capital so as to accommodate the operating cash flow needs to support its business operations.

Assuming full subscription under the Rights Issue, the expected gross proceeds of the Rights Issue will be up to approximately HK\$43.9 million and the relevant expenses would be approximately HK\$3.0 million, which includes underwriting commission and professional fees payable to financial adviser, legal advisers and other parties involved in the Rights Issue. Accordingly, the estimated net proceeds of the Rights Issue, after deducting the related expense, will be up to approximately HK\$40.9 million.

Given that the Compensatory Arrangements would provide a compensatory mechanism for the relevant No Action Shareholders and Non-Qualifying Shareholders, the Directors consider that the Compensatory Arrangements are in the interest of the minority Shareholders.

Intended use of proceeds

Assuming full subscription under the Rights Issue, the Company intends to apply the net proceeds of approximately HK\$40.9 million from the proposed Rights Issue as follows:

- (a) approximately HK\$21.3 million for full and final settlement of the Group's remaining outstanding liabilities arising from convertible promissory notes and convertible loans, among which (i) HK\$12.8 million will be used for repayment of convertible promissory notes which were issued in July 2019 at interest rate of 9% per annum and were overdue since August 2022; and (ii) HK\$8.5 million will be used for repayment of the convertible loans which were issued in June 2019 at interest rate of 9% per annum and were overdue since August 2022;

- (b) approximately HK\$3.7 million in aggregate for repayment of principal of unsecured loans to Mr. John Choi, the executive Director, which will fall due in the second half of 2023. Since March 2020, Mr. John Choi have been extending unsecured loans to the Company at an interest rate of 5.25% per annum in order to meet the Group’s pressing financial and operational needs and have extended 24 unsecured loans with aggregate principal amount of approximately HK\$5.1 million. After repayment from such proceeds of the proposed Rights Issue, the remaining balance of the principal of such unsecured loans is approximately HK\$1.4 million;
- (c) approximately HK\$3.5 million for settlement of directors’ fees and salaries payable up to 31 December 2022;
- (d) approximately HK\$0.8 million for repayment of principal of bank loan to The Bank of East Asia Limited, which will fall due in 2023. The bank loan from Bank of East Asia was obtained in December 2020 pursuant to the SME financing guarantee scheme with an interest rate of 3.375% per annum and was secured by personal guarantees from shareholders of Welmen, the Company’s controlling shareholder. After repayment from such proceeds of the proposed Rights Issue, the remaining balance of the principal of such bank loan is approximately HK\$2.2 million;
- (e) approximately HK\$5.7 million for repayment of overdue head office and rental expenses and professional fees including but not limited to auditing, legal and financial printer fees; and
- (f) the remaining of the net proceeds from the Rights Issue of approximately HK\$5.9 million for the general working capital of the Group, including but not limited to directors’ fees and salary, head office rental and management fees and other payables.

Given (i) the prevailing volatile market conditions; (ii) the impact caused by COVID-19 pandemic; (iii) the proposed Subscription Price; and (iv) the trading volume and the closing price of the Existing Shares in the recent months, the Underwriter had expressed its interest in acting as the underwriter of the Rights Issue on a fully underwritten basis instead of a non-fully underwritten basis. Thus, the Board decided to conduct the Rights Issue on a fully underwritten basis. In the event that there is an under-subscription of the Rights Issue, the above use of proceeds will be adjusted accordingly and the net proceeds from the Rights Issue will be applied by the Company in the following order of priority:

- (i) for the repayment of borrowings (including the principal and the relevant interest) which will fall due within the next 12 months; and
- (ii) as working capital of the Group during the next 12 months.

The funding needs of the Group

As disclosed in the Company’s annual report for the financial year ended 31 December 2022, the Group recorded net current liabilities of approximately HK\$122.0 million as of 31 December 2022 and net loss of approximately HK\$48.9 million for the year ended 31 December 2022 which was mainly attributable to the overall adverse effect of the Coronavirus (“COVID-19”) to the food and beverage industry in Hong Kong.

Outstanding borrowings and lease liabilities, and working capital

The Group has an immediate need for financial resources to meet the falling due debt and replenish its working capital, given its significant net current liability position and the current situation under petition as set out above. Among others, as at 31 December 2022, the Group has outstanding convertible loans in the amount of approximately HK\$9.1 million and convertible promissory notes in the amount of approximately HK\$18.1 million, both of which has passed its due date. As at 31 December 2022, the Group has a cash and bank balance of approximately HK\$0.6 million, which is insufficient to repay its current debt and meet the other working capital requirement of the Group, including staff costs, trade payable and other operating expenses. Taking into account the present available resources of the Group, the Board expects there will be a shortfall in working capital during the next 12 months.

Fund-raising alternatives

Apart from the Rights Issue, the Board has considered various fund-raising alternatives before resolving to the Rights Issue, including but not limited to debt financing, placing of new shares and open offer. The Board notes that bank borrowings, if available, would result in additional interest burden, higher gearing ratio of the Company and create pressure to the liquidity of the Company. Hence, the Board does not consider it to be beneficial to the Company. As for open offer, while it is similar to a rights issue, offering Qualifying Shareholders to participate, it does not allow free trading of rights entitlements in the open market. As opposed to open offer, Rights Issue would allow Qualifying Shareholders to participate in the future development of the Company and at the same time offer more flexibility to the Qualifying Shareholders to choose whether to maintain their respective pro-rata shareholding interests in the Company and dealing with the Shares.

Having considered all the other fund-raising alternatives, the Directors are of the view that the Rights Issue is in the best interests of the Company and the Shareholders as a whole, and that it is an appropriate fund-raising method to strengthen the capital base of the Company and support the Company's continuing business development and growth.

As at the date of this announcement, save as disclosed in this announcement, the Company currently (i) does not have any agreement, arrangement, understanding, intention, or negotiation (either concluded or in process) on any potential fundraising activities; and (ii) has no other plan or intention to carry out any future corporate actions in the next 12 months which may have an effect of undermining or negating the intended purpose of the Rights Issue.

EFFECTS ON THE SHAREHOLDING STRUCTURE OF THE COMPANY

The following table sets out the possible changes in the shareholding structure of the Company arising from the proposed Share Consolidation and Rights Issue which are for illustrative purpose only.

Set out below is the shareholding structure of the Company (i) as at the date of this announcement; (ii) immediately after the Share Consolidation becoming effective but before completion of the Rights Issue; and (iii) immediately after completion of the Rights Issue,:

	As at the date of this announcement		Immediately after the Share Consolidation becoming effective		Assuming all Qualifying Shareholders take up their respective entitlements under the Rights Issue		Immediately after completion of the Rights Issue assuming no Qualifying Shareholders take up their respective entitlements under the Rights Issue and the remaining Unsubscribed Rights Shares and the NQS Unsold Rights Shares are fully placed to the places under the Compensatory Arrangements		Assuming no Qualifying Shareholders take up their respective entitlements under the Rights Issue and 100% of the Unsubscribed Rights Shares and the NQS Unsold Rights Shares are taken up by the Underwriter	
	No. of Existing Shares	Approximate %	No. of Consolidated Shares	Approximate %	No. of Consolidated Shares	Approximate %	No. of Consolidated Shares	Approximate %	No. of Consolidated Shares	Approximate %
Shareholders										
Welmen (Notes 1, 2)	1,111,500,000	40.55%	111,150,000	40.55%	222,300,000	40.55%	111,150,000	20.28%	111,150,000	20.28%
Trendy Pleasure Limited (“Trendy”) (Note 3)	300,000,000	10.94%	30,000,000	10.94%	60,000,000	10.94%	30,000,000	5.47%	30,000,000	5.47%
Restoran Oversea (CST) Sdn Bhd (“Restoran Oversea”) (Note 4)	400,880,000	14.62%	40,088,000	14.62%	80,176,000	14.62%	40,088,000	7.31%	40,088,000	7.31%
Places	–	0.00%	0	0.00%	0	0.00%	274,128,000	50.00%	0	0.00%
Underwriter	–	0.00%	0	0.00%	0	0.00%	0	0.00%	274,128,000	50.00%
Other public Shareholders	928,900,000	33.89%	92,890,000	33.89%	185,780,000	33.89%	92,890,000	16.94%	92,890,000	16.94%
Total	2,741,280,000	100.00%	274,128,000	100.00%	548,256,000	100.00%	548,256,000	100.00%	548,256,000	100.00%

Note:

1. Welmen is owned as to 30.3111% by Yui Tak Investment Limited (“**Yui Tak**”) and Yui Tak is wholly owned by Ocean Concept Holdings Limited (“**Ocean Concept**”). Ocean Concept is owned as to 88.29% by Toprich Investment (Group) Limited (“**Toprich**”) and Toprich is wholly owned by Perfect Succeed Limited, which is in turn owned as to 50% by Mr. Choi Yat Hon and as to 50% by Mr. Choi Siu Kit.
2. On 2 March 2016, Mr. Choi Yat Hon and Mr. Choi Siu Kit, Mr. Au Wai Pong Eric, Mr. Au Ka Wai, Mr. Yeung Bernard Sie Hong and Mr. Yeung Chi Shing entered into an acting in concert confirmation whereby each of them confirmed that since 31 January 2011, they acted in concert with each other when dealing with matters concerning operation management, accounts, finance and treasury and human resources management of the Group. As such, pursuant to the acting in concert arrangement, each of Mr. Choi Yat Hon and Mr. Choi Siu Kit, Mr. Au Wai Pong Eric, Mr. Au Ka Wai and Mr. Yeung Chi Shing is deemed to be interested in all of the issued share capital of the Company held by Welmen.
3. Trendy is wholly owned by Saint Lotus Cultural Development Group Co., Limited, which is wholly owned by Mr. Zhang Jianguang.
4. Restoran Oversea is a company incorporated in Malaysia with limited liability and wholly and beneficially owned by Oversea Enterprise Berhad. Oversea Enterprise Berhad (KLSE: OVERSEA) has been listed on the ACE Market of Bursa Malaysia Securities Berhad since 1 April 2010.

Shareholders and public investors should note that the above shareholding changes are for illustration purposes only and the actual changes in the shareholding structure of the Company upon completion of the Rights Issue are subject to various factors, including the results of acceptance of the Rights Issue.

FUND RAISING ACTIVITY OF THE COMPANY IN THE PAST 12 MONTHS

The following is the equity fund raising activity conducted by the Company in the past 12 months immediately before this announcement.

Date of announcement	Fundraising activity	Net proceeds raised	Intended use of net proceeds	Actual use of net proceeds
24 February 2023	Placing of new Shares under general mandate	Approximately HK\$7.0 million	The majority of the net proceeds is intended to be used for the settlement of the Group's indebtedness	(i) approximately HK\$6.5 million for settlement of the Group's indebtedness (including the indebted sum relating to the convertible promissory note issued to Jolly Rise Holdings Limited, the petitioner of the winding-up petition filed on 16 December 2022 and which had been subsequently dismissed on 27 February 2023); and (ii) approximately HK\$0.5 million for general working capital purpose to accommodate the operating cash flow needs of the Group to support its business operation.

EXPECTED TIMETABLE OF THE SHARE CONSOLIDATION AND THE RIGHTS ISSUE

Set out below is the expected timetable for the Share Consolidation and the Rights Issue, which is indicative only and has been prepared on the assumption that all the conditions of the Share Consolidation and the Rights Issue will be fulfilled or otherwise waived:

Event	Date and Time
Publication of the announcement	Thursday, 6 April 2023
Expected despatch date of the Circular together with notice of EGM and proxy form for EGM	Friday, 28 April 2023
Latest time for lodging transfer documents of the Shares to qualify for attendance and voting at the EGM	4:30 p.m. on Monday, 15 May 2023
Closure of register of members of the Company for determining the identity of the Shareholders entitled to attend and vote at the EGM	Tuesday, 16 May 2023 to Monday, 22 May 2023 (both dates inclusive)
Latest time for lodging proxy forms for the EGM	11:00 a.m. on Saturday, 20 May 2023
Record date for attendance and voting at the EGM	Monday, 22 May 2023
Expected date and time of the EGM to approve the proposed Share Consolidation and Rights Issue	11:00 a.m. on Monday, 22 May 2023
Announcement of the poll results of the EGM	Monday, 22 May 2023
Register of members of the Company re-opens	Tuesday, 23 May 2023

The following events are conditional on the fulfilment of the conditions relating to the implementation of the Share Consolidation, the Change in Board Lot Size and the Rights Issue and therefore the dates are tentative only:

Effective date of the Share Consolidation	Wednesday, 24 May 2023
Commencement of dealings in the Consolidated Shares	9:00 a.m. on Wednesday, 24 May 2023
Original counter for trading in Existing Shares in board lot of 10,000 Existing Shares (in the form of existing share certificates) temporarily closes	9:00 a.m. on Wednesday, 24 May 2023
Temporary counter for trading in the Consolidated Shares in board lot of 1,000 Consolidated Shares (in the form of existing share certificates) opens	9:00 a.m. on Wednesday, 24 May 2023
First day of free exchange of existing share certificates for new share certificates for Consolidated Shares	Wednesday, 24 May 2023
Last day of dealings in the Consolidated Shares on a cum-right basis relating to the Rights Issue	Wednesday, 24 May 2023
First day of dealings in the Consolidated Shares on an ex-right basis relating to the Rights Issue	Thursday, 25 May 2023
Latest time for the Shareholders to lodge transfer documents of Consolidated Shares in order to be qualified for the Rights Issue	4:30 p.m. on Monday, 29 May 2023
Closure of register of members to determine the entitlements to the Rights Issue (both dates inclusive)	Tuesday, 30 May 2023 to Monday, 5 June 2023 (both dates inclusive)
Record date for the Rights Issue	Monday, 5 June 2023
Register of members of the Company re-opens	Tuesday, 6 June 2023
Expected despatch date of the Prospectus Documents (including the PAL and Prospectus), and in case of the Non-Qualifying Shareholders, the Prospectus only	Tuesday, 6 June 2023
First day of dealings in nil-paid Rights Shares	Thursday, 8 June 2023

Original counter for trading in the Consolidated Shares in board lot of 20,000 Consolidated Shares (in the form of new share certificates) reopens	9:00 a.m. on Thursday, 8 June 2023
Parallel trading in the Consolidated Shares (in the form of both existing share certificates and new share certificates) commences	9:00 a.m. on Thursday, 8 June 2023
Designated broker starts to stand in the market to provide matching services for odd lot of the Consolidated Shares	9:00 a.m. on Thursday, 8 June 2023
Latest time for splitting the PAL	4:30 p.m. on Monday, 12 June 2023
Last day of dealings in nil-paid Rights Shares	Thursday, 15 June 2023
Latest time for acceptance of and payment for the Rights Shares	4:00 p.m. on Tuesday, 20 June 2023
Announcement of the number of Unsubscribed Rights Shares subject to the Compensatory Arrangements	Tuesday, 27 June 2023
Commencement of placing of Unsubscribed Rights Shares by the Placing Agent	Wednesday, 28 June 2023
Designated broker ceases to provide matching services for odd lot of the Consolidated Shares	4:00 p.m. on Thursday, 29 June 2023
Temporary counter for trading in the Consolidated Shares in board lot of 1,000 Consolidated Shares (in the form of existing share certificates) closes	4:10 p.m. on Thursday, 29 June 2023
Parallel trading in the Consolidated Shares (represented by both existing share certificates and new share certificates) ends	4:10 p.m. on Thursday, 29 June 2023
Latest time of placing of the Unsubscribed Rights Shares by the Placing Agent	Friday, 30 June 2023
Latest time for terminating the Underwriting Agreement and for the Rights Issue to become unconditional	4:00 p.m. on Monday, 3 July 2023
Latest time for free exchange of existing share certificates for new share certificates	4:30 p.m. on Monday, 3 July 2023

Announcement of results of the Rights Issue to be published on the respective websites of the Stock Exchange and the Company	Monday, 10 July 2023
Despatch of share certificates for fully-paid Rights Shares and completion of Unsubscribed Rights Share Placing to take place	Tuesday, 11 July 2023
Despatch of refund cheques, if any, if the Rights Issue is terminated	Tuesday, 11 July 2023
Commencement of dealings in fully-paid Rights Shares	9:00 a.m. on Wednesday, 12 July 2023
Payment of Net Gain to relevant No Action Shareholders (if any) or Non-Qualifying Shareholders (if any)	Tuesday, 18 July 2023

All times and dates in this announcement refer to Hong Kong local times and dates. Dates or deadlines specified in the expected timetable above or in other parts of this announcement are indicative only and may be extended or varied by the Company. Any changes to the expected timetable will be published or notified to the Shareholders and the Stock Exchange as and when appropriate.

EFFECT OF BAD WEATHER AND/OR EXTREME CONDITIONS ON THE LATEST TIME FOR ACCEPTANCE OF AND PAYMENT FOR THE RIGHTS SHARES AND FOR APPLICATION AND PAYMENT FOR RIGHTS SHARES

The Latest Time for Acceptance will not take place if a tropical cyclone warning signal no.8 or above, or “extreme conditions” caused by super typhoons as announced by the Government of the Hong Kong Special Administrative Region or a “black” rainstorm warning:

- (i) is/are in force in Hong Kong at any local time before 12:00 noon and no longer in force after 12:00 noon on the date of the Latest Time for Acceptance. Instead the Latest Time for Acceptance will be extended to 5:00 p.m. on the same Business Day; or
- (ii) is/are in force in Hong Kong at any local time between 12:00 noon and 4:00 p.m. on the date of the Latest Time for Acceptance. Instead the Latest Time for Acceptance will be rescheduled to 4:00 p.m. on the following Business Day which does not have either of those warnings in force in Hong Kong at any time between 9:00 a.m. and 4:00 p.m.

If the Latest Time for Acceptance does not take place on the currently scheduled date, the dates mentioned in the section headed “Expected timetable of the Share Consolidation and the Rights Issue” above may be affected. The Company will notify the Shareholders by way of announcements on any change to the expected timetable as soon as practicable.

GEM LISTING RULES IMPLICATIONS

Share Consolidation

The Share Consolidation is conditional upon, among other things, the approval by the Shareholders by way of poll at the EGM. To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, as none of the Shareholders or their associates would have any interest in the Share Consolidation, no Shareholder would be required to abstain from voting in favour of the resolution(s) relating to the Share Consolidation at the EGM.

Rights Issue

Since the proposed Rights Issue will increase the issued share capital or the market capitalization of the Company by more than 50%, in accordance with Rule 10.29(1) of the GEM Listing Rules, the proposed Rights Issue must be made conditional on approval by the Independent Shareholders in general meeting by a resolution on which any controlling Shareholders and their associates or, where there are no controlling Shareholders, the Directors (excluding independent non-executive Directors) and the chief executive of the Company and their respective associates shall abstain from voting in favour of the proposed Rights Issue.

As at the date of this announcement, the Controlling Shareholder Group comprise of: (1) Welmen, which directly holds 1,111,500,000 Shares, representing approximately 40.55% of the issued share capital of the Company; (2) Yui Tak Investment Limited ("**Yui Tak**"), which owns approximately 30.31% shareholdings in Welmen; (3) Ocean Concept Holdings Limited ("**Ocean Concept**"), which owns all the shareholdings in Yui Yak; (4) Toprich Investment (Group) Limited ("**Toprich**"), which owns approximately 88.29% shareholdings in Ocean Concept; (5) Perfect Succeed Limited ("**Perfect Succeed**"), which owns all the shareholdings in Toprich; (6) Mr. Simon Choi and Mr. John Choi, which owns 50% shareholdings in Perfect Succeed, respectively; and (7) Mr. Au Wai Pong Eric, Mr. Au Ka Wai and Mr. Yeung Chi Shing, who are acting in concert with Mr. Simon Choi and Mr. John Choi pursuant to an acting in concert arrangement. Accordingly, each member of the Controlling Shareholder Group, the Directors (excluding independent non-executive Directors) and the chief executive of the Company and their respective associates (as defined in the GEM Listing Rules), shall abstain from voting in favour of the proposed Rights Issue at the EGM.

The Company has not conducted any rights issue, open offer or specific mandate placings within the 12-month period immediately preceding the date of this announcement, or prior to such 12-month period where dealing in respect of the Shares issued pursuant thereto commenced within such 12-month period, nor has it issued any bonus securities, warrants or other convertible securities as part of any rights issue, open offer and/or specific mandate placings within such 12-month period.

The Rights Issue will not result in a theoretical dilution effect of 25% or more. As such, the theoretical dilution impact of the Rights Issue is in compliance with Rule 10.44A of the GEM Listing Rules.

ESTABLISHMENT OF INDEPENDENT BOARD COMMITTEE AND APPOINTMENT OF INDEPENDENT FINANCIAL ADVISER

The Company will establish an independent board committee, comprising all the independent non-executive Directors, to make recommendations to the Independent Shareholders in respect of the Rights Issue and the transactions contemplated thereunder. The Company will appoint an independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

GENERAL

The EGM will be convened for the Shareholders to consider and, if thought fit, approve the Share Consolidation and Rights Issue. A circular containing, among other things, (i) further details of the Share Consolidation and the Rights Issue; (ii) a letter of recommendation from the Independent Board Committee to the Independent Shareholders in respect of the Rights Issue; (iii) a letter of advice from the independent financial adviser to the Independent Board Committee and the Independent Shareholders on the Rights Issue; and (iv) a notice convening the EGM, is expected to be despatched to the Shareholders on or before Friday, 28 April 2023.

Subject to the fulfilment of certain conditions of the Rights Issue, the Company will despatch the Prospectus Documents containing, among other matters, details of the Rights Issue, to the Qualifying Shareholders. The Company will despatch the Prospectus (without the PAL(s)) to the Non-Qualifying Shareholders for their information only.

WARNING OF THE RISKS OF DEALING IN THE EXISTING SHARES, THE CONSOLIDATED SHARES AND NIL-PAID RIGHTS SHARES

Shareholders and potential investors of the Company should note that the Share Consolidation is conditional upon the satisfaction of the conditions as set out in the paragraph headed “Conditions of the Share Consolidation” in this announcement. Accordingly, the Share Consolidation may or may not proceed.

Shareholders and potential investors of the Company should note that the Rights Issue is conditional upon, among others, the Underwriting Agreement having become unconditional and the Underwriter not having terminated the Underwriting Agreement in accordance with the terms thereof (a summary of which is set out in the section headed “Termination of the Underwriting Agreement” in this announcement). Accordingly, the Rights Issue may or may not proceed.

It is expected that the last day of dealings in the Consolidated Shares on a cum-rights basis is Wednesday, 24 May 2023 and the Consolidated Shares will be dealt in on an ex- right basis from Thursday, 25 May 2023. Dealings in the Rights Shares in nil-paid form are expected to take place from Thursday, 8 June 2023 to Thursday, 15 June 2023 (both dates inclusive).

Any Shareholder or other person dealing in the Existing Shares, the Consolidated Shares and/or the nil-paid Rights Shares up to the date on which all the conditions to which the Rights Issue are fulfilled (and the date on which the Underwriter’s right of termination of the Underwriting Agreement ceases) will accordingly bear the risk that the Rights Issue may not become unconditional or may not proceed.

Shareholders and potential investors are advised to exercise caution when dealing in the Existing Shares, the Consolidated Shares and/or the nil-paid Rights Shares. Any party who is in any doubt about his/her/its position or any action to be taken is recommended to consult his/her/its own professional adviser(s).

DEFINITIONS

Unless otherwise specified, the following terms have the following meanings in this announcement:

“acting in concert”	has the same meaning ascribed thereto under the Takeovers Code
“associate(s)”	has the same meaning ascribed thereto under the GEM Listing Rules
“Board”	the board of Directors
“Business Day(s)”	a day on which licensed banks in Hong Kong are generally open for business, other than a Saturday or a Sunday or a day on which a black rainstorm warning or tropical cyclone warning signal number 8 or above is issued in Hong Kong at any time between 9:00 a.m. and 12:00 noon and is not cancelled at or before 12:00 noon
“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC
“Change in Board Lot Size”	the change in board lot size of the Shares for trading on the Stock Exchange from 10,000 Existing Shares to 20,000 Consolidated Shares
“Company”	Luk Hing Entertainment Group Holdings Limited, a company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the GEM (Stock Code: 8052)
“Compensatory Arrangements”	the arrangement involving the placing of the Unsubscribed Rights Shares, if any, by the Placing Agent on a best effort basis pursuant to the Placing Agreement in accordance with Rule 10.31(1)(b) of the GEM Listing Rules
“connected person(s)”	has the meaning ascribed to it under the GEM Listing Rules

“Consolidated Share(s)”	ordinary shares of HK\$0.1 each in the share capital of the Company after the Share Consolidation becoming effective
“Controlling Shareholder Group”	the group of controlling Shareholders of the Company which consists of Welmen Investment Co. Ltd, Yui Tak Investment Limited, Ocean Concept Holdings Limited, Toprich Investment (Group) Limited, Perfect Succeed Limited, Mr. Choi Yiu Ying, Mr. Choi Siu Kit, Mr. Au Wai Pong Eric, Mr. Au Ka Wa and Mr. Yeung Chi Shing
“Director(s)”	the director(s) of the Company
“EGM”	the extraordinary general meeting of the Company to be convened to consider and, if thought fit, approve, among other things, the proposed Share Consolidation and the proposed Rights Issue
“Existing Share(s)”	ordinary share(s) of HK\$0.01 each in the share capital of the Company prior to the Share Consolidation having become effective
“GEM”	GEM operated by the Stock Exchange
“GEM Listing Rules”	the Rules Governing the Listing of Securities on GEM
“Group”	the Company and its subsidiaries
“HK\$” or “HKD”	Hong Kong dollar(s), the lawful currency of Hong Kong
“HKSCC”	Hong Kong Securities Clearing Company Limited
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Independent Board Committee”	the independent board committee of the Board, comprising all the independent non-executive Directors, to be formed for the purpose of giving a recommendation to Independent Shareholders of the Rights Issue
“Independent Shareholder(s)”	any Shareholder(s) other than the Controlling Shareholder Group and their associates and who are not required to abstain from voting at the EGM under the GEM Listing Rules
“Independent Third Party(ies)”	third party(ies) independent of and not connected with the Company and any of its connected persons

“Last Trading Day”	6 April 2023, being the last trading day of the Shares on the Stock Exchange before the release of this announcement
“Latest Time for Acceptance”	4:00 p.m. on Tuesday, 20 June 2023 or other time or date as may be agreed in writing between the Company and the Underwriter, being the latest time for acceptance of, and payment for, the Rights Shares as described in the Prospectus Documents
“Latest Time for Compensatory Arrangements”	being the latest time for the Placing Agent to determine the list of Places and to notify the Company and the Underwriter of the results of the Placing
“Latest Time for Termination”	4:00 p.m. on Monday, 3 July 2023 or such other time or date as the Underwriter may agree in writing with the Company, being the latest time for termination of the Underwriting Agreement
“Listing Committee”	has the meaning as defined in the GEM Listing Rules
“Mr. John Choi”	Mr. Choi Siu Kit, a member of the Controlling Shareholder Group and an executive Director
“Mr. Simon Choi”	Mr. Choi Yat Hon (formerly known as Mr. Choi Yiu Ying), a member of the Controlling Shareholder Group and an executive Director
“No Action Shareholders”	those Qualifying Shareholders who do not subscribe for the Right Shares (whether partially or fully) under the PALs or their renounces, or such persons who hold any nil-paid rights at the time such nil-paid rights are lapsed
“Non-Qualifying Shareholder(s)”	the Overseas Shareholder(s) whom the Directors, after making enquiries with the legal advisers in the relevant jurisdictions, consider it necessary or expedient not to offer the Rights Issue to such Overseas Shareholder(s) on account either of legal restrictions under the laws of the relevant place or the requirements of the relevant regulatory body or stock exchange in that place
“NQS Rights Shares”	the Rights Share(s) which would otherwise have been provisionally allotted to the Non-Qualifying Shareholders in nil-paid form
“Overseas Shareholder(s)”	the Shareholder(s) whose name(s) appear(s) on the register of members of the Company at the close of business on the Record Date and whose registered address(es) as shown on such register at that time is (are) in (a) place(s) outside Hong Kong

“PAL(s)”	the provisional allotment letter(s) to be issued to the Qualifying Shareholders in connection with the Rights Issue
“Placee(s)”	professional, institutional, corporate or other investor(s), procured by the Underwriter and/or its sub-placing agent(s) to subscribe for any of the Unsubscribed Rights Shares pursuant to the Placing Agreement
“Placing”	the placing of a maximum of 276,623,000 Unsubscribed Rights Shares on a best effort basis by the Underwriter and/or its sub-placing agents(s) to the Placees on the terms and conditions of the Placing Agreement
“Placing Agent”	Sanston Financial Group limited, a licensed corporation carrying out type 1 (dealing in securities) and type 4 (advising on securities) regulated activities under the SFO, being the placing agent appointed by the Company pursuant to the Placing Agreement
“Placing Agreement”	the placing agreement dated 6 April 2023 entered into between the Company and the Underwriter in relation to the Placing
“Prospectus”	the prospectus to be despatched to the Shareholders containing details of the Rights Issue
“Prospectus Documents”	the Prospectus and the PAL
“Prospectus Posting Date”	Tuesday, 6 June 2023 or such other date as may be agreed in writing between the Underwriter and the Company, being the date of despatch of the Prospectus Documents
“Qualifying Shareholder(s)”	Shareholder(s), whose name(s) appear(s) on the register of members of the Company as at the close of business on the Record Date, other than the Non-Qualifying Shareholder(s)
“Record Date”	Monday, 5 June 2023 or such other date as may be agreed between the Company and the Underwriter in writing, being the date by reference to which entitlements of the Shareholders to participate in the Rights Issue will be determined
“Registrar”	Tricor Tengis Limited, the Hong Kong branch share registrar and transfer office of the Company

“Rights Issue”	the proposed issue of the Rights Shares on the basis of one (1) Rights Shares for every one (1) Consolidated Share held by the Qualifying Shareholders on the Record Date at the Subscription Price, payable in full on acceptance and on the terms and subject to the conditions in the Underwriting Agreement and the Prospectus Documents
“Rights Share(s)”	not less than 274,128,000 new Consolidated Shares and not more than 276,623,000 new Consolidated Shares to be allotted and issued pursuant to the Rights Issue
“SFC”	the Securities and Futures Commission of Hong Kong
“SFO”	the Securities and Futures Ordinance (Cap 571 of the laws of Hong Kong)
“Share(s)”	ordinary share(s) in the share capital of the Company from time to time
“Shareholder(s)”	holder(s) of issued Share(s)
“Share Consolidation”	the consolidation of every ten (10) issued and unissued Existing Shares of HK\$0.01 each into one (1) Consolidated Share of HK\$0.1 each
“Share Option(s)”	the share options to subscribe for Shares granted under the Share Option Scheme
“Share Option Scheme”	the share option scheme adopted by the Company on 18 October 2016
“Stock Exchange”	the Stock Exchange of Hong Kong Limited
“Subscription Price”	HK\$0.160 per Rights Share
“Takeovers Code”	the Hong Kong Code on Takeovers and Mergers
“Underwriter”	Sanston Financial Group Limited, a corporation licensed to carry on type 1 (dealing in securities) and type 4 (advising on securities) regulated activities under the SFO
“Underwriting Agreement”	the underwriting agreement dated 6 April 2023 entered into between the Company and the Underwriter in respect of the Rights Issue

“Underwritten Shares”	up to 274,128,000 Rights Shares, being the minimum total number of Rights Shares issuable (assuming no Shares being issued or repurchased by the Company on or after the date of the Underwriting Agreement and on or before the Record Date), or up to 276,623,000 Rights Shares, being the maximum total number of Rights Shares issuable (assuming new Shares are allotted and issued on or before the Record Date pursuant to the full exercise of outstanding Share Options but otherwise no Shares being issued or repurchased by the Company on or after the date of the Underwriting Agreement and on or before the Record Date), to be underwritten by the Underwriter pursuant to the terms and conditions under the Underwriting Agreement
“Unsubscribed Rights Shares”	those Rights Shares that are not subscribed by the Qualifying Shareholders and the NQS Rights Shares that are not successfully sold by the Company as described in the paragraph headed “Arrangements for the NQS Rights Shares” in this announcement
“Welmen”	Welmen Investment Co. Ltd, a member of the Controlling Shareholder Group
“%”	per cent.

By order of the Board of
Luk Hing Entertainment Group Holdings Limited
Choi Siu Kit
Executive Director

Hong Kong, 6 April 2023

As at the date of this announcement, the executive Directors are Mr. Choi Yat Hon (formerly known as Choi Yiu Ying), Mr. Choi Siu Kit and Mr. Yeung Chi Shing; the non-executive Director is Mr. Au Ka Wai; and the independent non-executive Directors are Mr. Ip Hoi Fan, Mr. Wong Chung Wai and Ms. Tse Mei Ling.

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 “Latest Company Announcements” page of the Stock Exchange at www.hkexnews.hk for at least 7 days from the date of its publication. This announcement will also be published on the website of the Company at www.lukhing.com.