
THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult your stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional advisers.

If you have sold or transferred all your shares in Luk Hing Entertainment Group Holdings Limited, you should at once hand this circular together with the accompanying form of proxy to the purchaser or the transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or the transferee.

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this circular, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this circular.

This circular appears for information only and does not constitute an invitation or offer to Shareholders or any other persons to acquire, purchase, or subscribe for securities of the Company.

LH

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;**
- (4) PROPOSED AMENDMENTS TO THE MEMORANDUM AND ARTICLES OF ASSOCIATION AND ADOPTION OF THIRD AMENDED AND RESTATED MEMORANDUM AND ARTICLES OF ASSOCIATION; AND**
- (5) NOTICE OF EXTRAORDINARY GENERAL MEETING**

Financial Adviser to the Company



Placing Agent and Underwriter

sanston

**Independent Financial Adviser to
the Independent Board Committee and Independent Shareholders**



Capitalised terms used in this cover page shall have the same meanings as those defined in this circular.

A letter from the Board is set out on pages 11 to 43 of this circular and a letter from the Independent Board Committee containing its recommendation to the Independent Shareholders is set out on page 44 of this circular. A letter from the Independent Financial Adviser containing its recommendation to the Independent Board Committee and the Independent Shareholders is set out on pages 45 to 71 of this circular.

Dealings in the Rights Shares in nil-paid form are expected to take place from Tuesday, 18 July 2023 to Tuesday, 25 July 2023 (both days inclusive). If the conditions of the Rights Issue are not fulfilled, the Rights Issue will not proceed. Any person contemplating dealing in the nil-paid Rights Shares during the period from Tuesday, 18 July 2023 to Tuesday, 25 July 2023 (both days inclusive) will accordingly bear the risk that the Rights Issue may not become unconditional and/or may not proceed. Any person contemplating dealing in the Shares and/or the Rights Shares in their nil-paid form are recommended to consult his/her/its/their own professional advisers.

A notice convening the EGM to be held at Shop 601, 6th Floor, Citygate, 20 Tat Tung Road, Tung Chung, Lantau, Hong Kong on Friday, 30 June 2023 at 11:00 a.m. is set out on pages EGM-1 to EGM-5 of this circular. Whether you are able to attend the EGM or not, you are requested to complete the enclosed proxy form in accordance with the instructions printed on it and return the completed proxy form to the Registrar, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong as soon as possible and in any event so that it is received at least 48 hours before the time appointed (i.e. Wednesday, 28 June 2023 at 11:00 a.m.) for the EGM or adjourned meeting (as the case may be). Submission of a proxy form shall not preclude you from attending the EGM (or any adjournment of such meeting) and voting in person should you so wish.

The Rights Issue will proceed on an underwritten basis irrespective of the level of acceptance of the provisionally allotted Rights Shares and is subject to the fulfilment of conditions. Please refer to the section headed "Letter from the Board – Conditions of the Rights Issue" in this circular. In the event that the Rights Issue is not fully subscribed, any Untaken Shares together with the NQS Unsold Shares will be placed to independent places on a best effort basis under the Placing. Any Untaken Shares or NQS Unsold Shares which are not placed under the Placing will not be issued by the Company and the size of the Rights Issue will be reduced accordingly. Shareholder and potential investors of the Company are advised to exercise caution when dealing in the Shares, the Consolidated Shares and/or nil-paid Rights Shares up to the date when all the conditions to which the Rights Issue is subject are fulfilled.

9 June 2023

CHARACTERISTICS OF GEM

GEM has been positioned as a market designed to accommodate small and mid-sized companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration.

Given that the companies listed on GEM are generally small and mid-sized companies, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board and no assurance is given that there will be a liquid market in the securities traded on GEM.

CONTENTS

	<i>Page</i>
CHARACTERISTICS OF GEM	i
EXPECTED TIMETABLE	1
DEFINITIONS	5
LETTER FROM THE BOARD	11
LETTER FROM THE INDEPENDENT BOARD COMMITTEE	44
LETTER FROM THE INDEPENDENT FINANCIAL ADVISER	45
APPENDIX I – FINANCIAL INFORMATION OF THE GROUP	I-1
APPENDIX II – UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE GROUP	II-1
APPENDIX III – AMENDMENTS TO THE MEMORANDUM OF ASSOCIATION AND ARTICLES OF ASSOCIATION	III-1
APPENDIX IV – GENERAL INFORMATION	IV-1
NOTICE OF EGM	EGM-1

EXPECTED TIMETABLE

Set out below is the expected timetable for the proposed Share Consolidation, the Change in Board Lot Size, the Rights Issue and the Placing which is indicative only and has been prepared on the assumption that all the conditions of the Rights Issue will be fulfilled:

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, 9 June 2023

Latest time for lodging transfer documents of the Shares to
qualify for attendance and voting at the EGM 4:30 p.m. on
Friday, 23 June 2023

Closure of register of members of the Company for determining
the identity of the Shareholders entitled to attend and vote at the EGM Monday, 26 June 2023 to
Friday, 30 June 2023
(both dates inclusive)

Latest time for lodging proxy forms for the EGM 11:00 a.m. on
Wednesday, 28 June 2023

Record date for attendance and voting at the EGM Friday, 30 June 2023

**Expected date and time of the EGM to approve the proposed Share
Consolidation and Rights Issue.** 11:00 a.m. on
Friday, 30 June 2023

Announcement of the poll results of the EGM Friday, 30 June 2023

Register of members of the Company re-opens Monday, 3 July 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 Tuesday, 4 July 2023

Commencement of dealings in the Consolidated Shares 9:00 a.m. on
Tuesday, 4 July 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
Tuesday, 4 July 2023

EXPECTED TIMETABLE

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 Tuesday, 4 July 2023
First day of free exchange of existing share certificates for new share certificates for Consolidated Shares	Tuesday, 4 July 2023
Last day of dealings in the Consolidated Shares on a cum-right basis relating to the Rights Issue	Tuesday, 4 July 2023
First day of dealings in the Consolidated Shares on an ex-right basis relating to the Rights Issue	Wednesday, 5 July 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 Thursday, 6 July 2023
Closure of register of members to determine the entitlements to the Rights Issue	Friday, 7 July 2023 to Thursday, 13 July 2023 (both dates inclusive)
Record date for the Rights Issue	Thursday, 13 July 2023
Register of members of the Company re-opens	Friday, 14 July 2023
Expected despatch date of the Prospectus Documents (including the PAL and Prospectus), and in case of the Non-Qualifying Shareholders, the Prospectus only	Friday, 14 July 2023
First day of dealings in nil-paid Rights Shares	Tuesday, 18 July 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 Tuesday, 18 July 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 Tuesday, 18 July 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 Tuesday, 18 July 2023

EXPECTED TIMETABLE

Latest time for splitting the PAL.	4:30 p.m. on Thursday, 20 July 2023
Last day of dealings in nil-paid Rights Shares	Tuesday, 25 July 2023
Latest time for acceptance of and payment for the Rights Shares	4:00 p.m. on Friday, 28 July 2023
Announcement of the number of Unsubscribed Rights Shares subject to the Compensatory Arrangements.	Friday, 4 August 2023
Commencement of placing of Unsubscribed Rights Shares by the Placing Agent.	Monday, 7 August 2023
Designated broker ceases to provide matching services for odd lot of the Consolidated Shares	4:00 p.m. on Monday, 7 August 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 Monday, 7 August 2023
Parallel trading in the Consolidated Shares (represented by both existing share certificates and new share certificates) ends.	4:10 p.m. on Monday, 7 August 2023
Latest time of placing of the Unsubscribed Rights Shares by the Placing Agent.	Wednesday, 9 August 2023
Latest time for free exchange of existing share certificates for new share certificates.	4:30 p.m. on Wednesday, 9 August 2023
Latest time for terminating the Underwriting Agreement and for the Rights Issue to become unconditional	4:00 p.m. on Friday, 11 August 2023
Announcement of results of the Rights Issue to be published on the respective websites of the Stock Exchange and the Company.	Thursday, 17 August 2023
Despatch of share certificates for fully-paid Rights Shares and completion of Unsubscribed Rights Share Placing to take place	Friday, 18 August 2023

EXPECTED TIMETABLE

Despatch of refund cheques, if any, if the Rights Issue is terminated Friday, 18 August 2023

Commencement of dealings in fully-paid Rights Shares 9:00 a.m. on
Monday, 21 August 2023

Payment of Net Gain to relevant No Action Shareholders
(if any) or Non-Qualifying Shareholders (if any) Friday, 25 August 2023

Notes:

- (1) Shareholders should note that the dates and deadlines specified in the above timetable, and in other parts of this circular are indicative only and subject to change. Further announcement(s) will be made if there is any change to the expected timetable.
- (2) All references to times and dates are references to Hong Kong times and dates.

All times and dates in this circular refer to Hong Kong local times and dates. Dates or deadlines specified in the expected timetable above or in other parts of this circular 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) in 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) in 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.

DEFINITIONS

In this circular, the following expressions shall have the following meanings unless the context otherwise requires:

“acting in concert”	has the same meaning ascribed thereto under the Takeovers Code
“Announcements”	the announcements of the Company dated 6 April 2023, 2 May 2023 and 25 May 2023 in relation to, among other things, the Share Consolidation, the Change in Board Lot Size, and the Rights Issue
“Articles” or “Articles of Association”	means the existing second amended and restated articles of association of the Company, as amended or supplemented from time to time
“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, an exempted 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

DEFINITIONS

“Consolidated Share(s)”	ordinary shares of par value 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 Wai 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 par value 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

DEFINITIONS

“Latest Practicable Date”	1 June 2023, being the latest practicable date prior to print of this circular for ascertaining certain information included in this circular
“Last Trading Day”	6 April 2023, being the last trading day of the Shares on the Stock Exchange immediately prior to the date of the Placing Agreement and the Underwriting Agreement
“Latest Time for Acceptance”	4:00 p.m. on Friday, 28 July 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 Placees and to notify the Company and the Underwriter of the results of the Placing
“Latest Time for Termination”	4:00 p.m. on Friday, 11 August 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
“Memorandum” or “Memorandum of Association”	means the existing second amended and restated memorandum of association of the Company, as amended or supplemented from time to time
“Memorandum and Articles of Association”	means the Memorandum and the Articles
“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

DEFINITIONS

“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

DEFINITIONS

“Prospectus Posting Date”	Friday, 14 July 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”	Friday, 30 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 Investor Services Limited, the Hong Kong branch share registrar and transfer office of the Company
“Review Period”	7 October 2022 to 6 April 2023, being the review period to determine the Subscription Price and Subscription Shares
“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 par value HK\$0.01 each into one (1) Consolidated Share of par value HK\$0.1 each
“Share Option(s)”	the share options to subscribe for Shares granted under the Share Option Scheme

DEFINITIONS

“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 circular
“Welmen”	Welmen Investment Co. Ltd, a member of the Controlling Shareholder Group
“%”	per cent.

LETTER FROM THE BOARD

LH

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)

Executive Directors:

Mr. Choi Yat Hon (formerly known as Choi Yiu Ying)
(Chairman and Chief Executive Officer)

Mr. Choi Siu Kit

Mr. Patrick Ting

Registered office:

Windward 3, Regatta Office Park
P.O. Box 1350
Grand Cayman KY1-1108
Cayman Islands

Non-executive Director:

Mr. Au Ka Wai

Principal place of business

in Hong Kong:

Room 1505, 15/F.,
Shun Tak Centre West Tower
168-200 Connaught Road Central
Sheung Wan
Hong Kong

Independent non-executive Directors:

Mr. Ip Hoi Fan

Mr. Wong Chung Wai

Ms. Tse Mei Ling

9 June 2023

*To the Qualifying Shareholders and, for information only,
the Non-Qualifying Shareholders (if any)*

Dear Sir or Madam,

- (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;
(4) PROPOSED AMENDMENTS TO THE MEMORANDUM AND ARTICLES OF
ASSOCIATION AND ADOPTION OF THIRD AMENDED AND RESTATED
MEMORANDUM AND ARTICLES OF ASSOCIATION; AND
(5) NOTICE OF EXTRAORDINARY GENERAL MEETING**

INTRODUCTION

Reference is made to the Announcements of the Company dated 6 April 2023, 2 May 2023 and 25 May 2023 in relation to, among other matters, the Share Consolidation, the Change in Board Lot Size, and the Rights Issue.

LETTER FROM THE BOARD

The purpose of this circular is to provide you with, 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, 9 June 2023.

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.

Effects of the Share Consolidation

As at the Latest Practicable Date, the authorised share capital of the Company is HK\$100,000,000 divided into 10,000,000,000 Existing Shares of par value HK\$0.01 each, of which 2,741,280,000 Existing Shares have been allotted and issued as fully paid or credited as fully paid. Upon the Share Consolidation becoming effective and assuming that no further Existing Shares will be allotted and issued or repurchased prior thereto, the authorised share capital of the Company shall become HK\$100,000,000 divided into 1,000,000,000 Consolidated Shares of par value HK\$0.1 each, of which 274,128,000 Consolidated Shares will be in issue and fully paid or credited as fully paid.

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.

LETTER FROM THE BOARD

Conditions of the Share Consolidation

The Share Consolidation is conditional upon the following conditions:

- (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 4 July 2023 subject to the fulfillment of the above conditions. All of the conditions above cannot be waived.

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 has appointed Wealth Link Securities Limited as an agent to provide matching services, on a best effort basis, to those Shareholders who wish to acquire odd lots of the Consolidated Shares to make up a full board lot, or to dispose of their holding of odd lots of the Consolidated Shares during the period from 9:00 a.m. on Tuesday, 18 July 2023 to 4:00 p.m. on Monday, 7 August 2023. Shareholders who wish to take advantage of this facility should contact Mr. Jay Kwong of Wealth Link Securities Limited at Suite 1504, 15/F, Bangkok Bank Building, 28 Des Voeux Road Central, Central, Hong Kong (telephone number: 3187 7707) during office hours (i.e. 9:00 a.m. to 5:00 p.m.) of such period.

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.

LETTER FROM THE BOARD

Exchange of share certificates

Subject to the Share Consolidation having become effective, Shareholders may, during the period from 9:00 a.m. on Tuesday, 4 July 2023 to 4:30 p.m. on Wednesday, 9 August 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 Monday, 26 June 2023 to Friday, 30 June 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.

LETTER FROM THE BOARD

Adjustments in relation to other securities of the Company

As at the Latest Practicable Date, 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 Latest Practicable Date.

Shareholders and potential investors should note that the Share Consolidation is conditional upon satisfaction of the conditions as set out in the paragraph headed “Letter from the Board – Conditions of the Share Consolidation” above. Accordingly, the Share Consolidation may or may not proceed. Shareholders and potential investors are advised to exercise caution when dealing in the securities of the Company. If they are in any doubt, they should consult their professional advisers.

PROPOSED CHANGE IN BOARD LOT SIZE

As at the Latest Practicable Date, 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\$0.014 per Existing Share (equivalent to the theoretical closing price of HK\$0.14 per Consolidated Share) as at the Latest Practicable Date, (i) the value of each existing board lot of Existing Shares is HK\$140; (ii) the value of each board lot of 10,000 Consolidated Shares would be HK\$1,400 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\$2,800 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.

Shareholders or potential investors should note that (i) odd lots will be created after the Share Consolidation and the Change in Board Lot Size; (ii) odd lot arrangements do not guarantee successful matching of all odd lots at the relevant market price; and (iii) odd lots might be sold below the market price.

LETTER FROM THE BOARD

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 Latest Practicable Date, the closing price of each Existing Share is HK\$0.014, with a board lot size of 10,000 Existing Shares, the Existing Shares are trading under HK\$140 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\$0.14 per Consolidated Share and HK\$2,800 per board lot of 20,000 Consolidated Shares (based on the closing price of HK\$0.014 per Existing Share as at the Latest Practicable Date), 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.

Further, the Share Consolidation would reduce the overall transaction and handling costs of dealings in the Shares as a proportion of the market value of each board lot, since most of the banks/securities houses will charge a minimum transaction cost for each securities trade. With a corresponding upward adjustment in the trading price of the Consolidated Shares, the Board considers that the Share Consolidation would maintain the transaction amount for each board lot at a reasonable level in order to attract more investors and broaden the shareholder base of the Company.

In view of the above reasons, the Company considers the proposed Share Consolidation and Change in Board Lot Size is justifiable notwithstanding of the potential costs and impact arising from creation of odd lots to Shareholders. Accordingly, the Board is of the view that the Share Consolidation and Change in Board Lot Size is beneficial to and 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 Latest Practicable Date and except for the fundraising activities mentioned in this circular (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 will update its Shareholders by way of announcement as and when required in accordance with the GEM Listing Rules.

LETTER FROM THE BOARD

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:

Rights 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 Latest Practicable Date	:	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

LETTER FROM THE BOARD

- 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 Latest Practicable Date, 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 Latest Practicable Date, 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.

LETTER FROM THE BOARD

Undertaking

As at the Latest Practicable Date, 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 Investor Services 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 Thursday, 6 July 2023.

It is expected that the last day of dealings in the Consolidated Shares on a cum-rights basis is Tuesday, 4 July 2023, and the Consolidated Shares will be dealt with on an ex- rights basis from Wednesday, 5 July 2023. Dealings in the Rights Shares in nil-paid form are expected to take place from Tuesday, 18 July 2023 to Tuesday, 25 July 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 Investor Services 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 Thursday, 6 July 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.

LETTER FROM THE BOARD

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 Friday, 7 July 2023 to Thursday, 13 July 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 Share 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 Latest Practicable Date, the registered addresses of which are shown to be situated in Malaysia and the British Virgin Islands.

LETTER FROM THE BOARD

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 Places 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 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 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 5.88% to the theoretical closing price of approximately HK\$0.17 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;

LETTER FROM THE BOARD

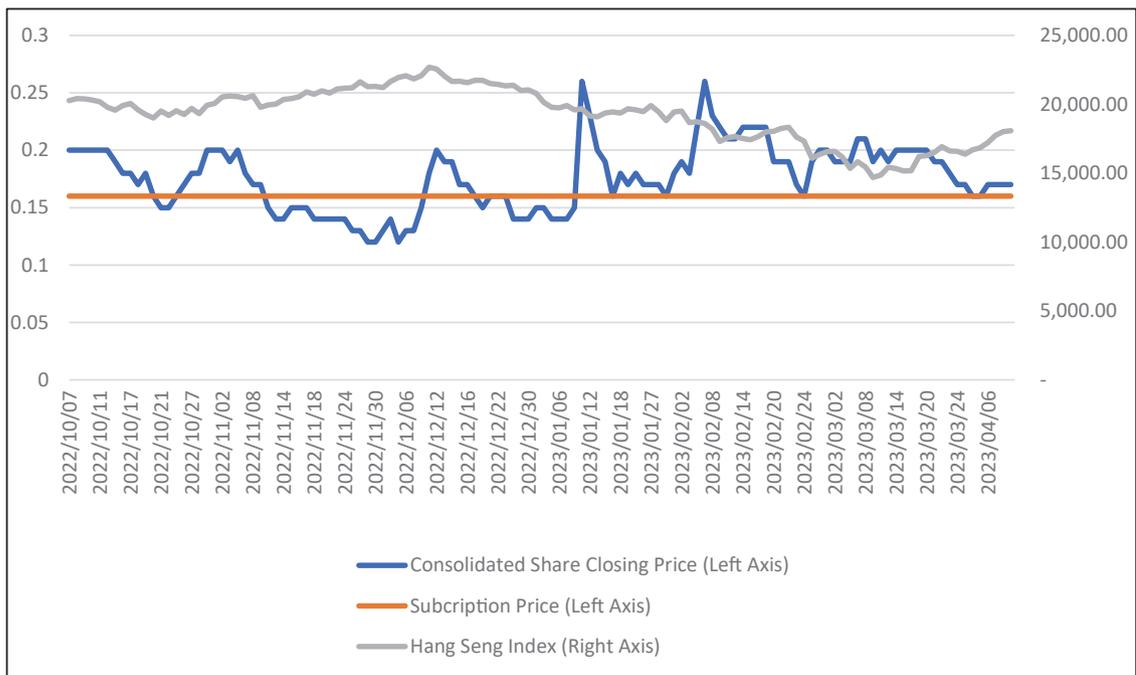
- (iv) a discount of approximately 12.57% to the theoretical closing price of HK\$0.183 per Consolidated Share (after taking into account the effect of the Share Consolidation) based on the average closing price of approximately HK\$0.0183 per Existing Share as quoted on the Stock Exchange for the thirty (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;
- (vi) a discount of approximately 2.94% to the theoretical ex-entitlement 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\$0.17 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\$0.0162 per Existing Share as quoted on the Stock Exchange for the five (5) consecutive trading days immediately prior to the Last Trading Day);
- (vii) 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\$0.0162 per Existing Share as quoted on the Stock Exchange for the five (5) consecutive trading days immediately prior to the Last Trading Day); and
- (viii) a premium of approximately 14.29% to the closing price of HK\$0.14 per Consolidated Share (after taking into account the effect of the Share Consolidation) as quoted on the Stock Exchange on the Latest Practicable Date.

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 circular. 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.

LETTER FROM THE BOARD

When determining the Subscription Price, the Directors have reviewed the closing prices and trading volume of the Shares and Hang Seng Index during the Review Period 7 October 2022 to 6 April 2023 (being the Last Trading Date). The Directors consider that the Review Period covering approximately 6 months prior to the Last Trading Day represents a reasonable and sufficient period to provide a general and fair overview of the recent trend of the Share Price free from the influence of, if any short term market volatility, when assessing the Subscription Price. The Review Period covering approximately 6 months was determined by the Directors with reference to, among other things, the financial and business performance of the Company and the market conditions.

The following chart illustrates the trend of the closing prices of the Consolidated Shares and Hang Seng Index between Review Period:



LETTER FROM THE BOARD

The following table sets out (a) the average daily trading volume of the Shares during the Review Period; and (b) the percentage of the average daily trading volume of the Shares in proportion to the total number of issued Shares as at the end of the month/period during the Review Period:

Period	Total trading volume of Shares	Number of trading days	Average daily trading volume of the Shares	Percentage of average daily trading volume to total number of issued shares as at the end of the month/period
October	72,770,000	20	3,638,500	0.16%
November	160,220,000	22	7,282,727	0.32%
December	172,470,000	20	8,623,500	0.38%
January	170,980,000	18	9,498,889	0.41%
February	179,900,000	20	8,995,000	0.39%
March	35,790,000	23	1,556,087	0.06%
April (up to Last Trading Day)	3,100,000	3	1,033,333	0.05%

Having considered (i) the general upward trend of the closing price of the Shares during the Review Period (ranged from the lowest of HK\$0.12 per Consolidated Share on 29 November 2022, 30 November 2022 and 5 December 2022 to the highest of HK\$0.26 per Consolidated Share on 11 January 2023 and 7 February 2023 and the average Consolidated Share price of HK\$0.18 per Consolidated Share); (ii) the general downward trend of the closing price of the Hang Seng Index during the Review Period (ranged from the lowest of 14,687.02 on 9 December 2022 to the highest of 22,688.90 on 9 March 2023 and the average closing price of 19,212.38); (iii) the relatively low liquidity of the Shares during the Review Period (the monthly average daily trading volume in proportion to the total number of issued Shares ranged from approximately 0.005% to 0.041%) and (iv) the current financial situation of the Company, the Board is of the view that, despite the Subscription Price represents a discount of approximately 6% of to the closing price on the Last Trading Day and the theoretical dilution effect of the Subscription is approximately 3%, the Subscription Price is 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.

LETTER FROM THE BOARD

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 despatched on or before Friday, 18 August 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 Friday, 18 August 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.

LETTER FROM THE BOARD

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 Wednesday, 9 August 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

LETTER FROM THE BOARD

- (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 circular 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).

LETTER FROM THE BOARD

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.

LETTER FROM THE BOARD

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. The Company will ensure that it will continue to comply with the public float requirement under 11.23(7) of the GEM Listing Rules after the Placing and the Rights Issue.

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.

Undertakings

The Company has not received, as at the date of the Latest Practicable Date, any irrevocable undertaking from any substantial Shareholder of the Company of any intention in relation to the Rights Shares to be provisionally allotted to that Shareholder under the Rights Issue.

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

LETTER FROM THE BOARD

As at the Latest Practicable Date, 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;

LETTER FROM THE BOARD

- (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.

LETTER FROM THE BOARD

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

LETTER FROM THE BOARD

- (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. Save for the above, the Company has no right to terminate the Underwriting Agreement or the Rights Issue in accordance with the terms of the Underwriting Agreement.

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).

LETTER FROM THE BOARD

POSSIBLE ADJUSTMENT TO THE SHARE OPTIONS UNDER THE SHARE OPTION SCHEMES

As at the Latest Practicable Date, there are 24,950,000 outstanding Share Options granted by the Company exercisable into 24,950,000 Shares or 2,495,000 Consolidated Shares. Pursuant to the terms of the Share Option Schemes, the Directors are authorised to grant Share Options to subscribe up to 225,440,000 Shares or 22,544,000 Consolidated Shares, and 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 Latest Practicable Date, 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 first quarter report for the three-month period ended 31 March 2023 and the annual report for the financial year ended 31 December 2022, despite the fact that Company recorded an increase in revenue of approximately HK\$17.2 million, from approximately HK\$6.6 million for the three-month period ended 2022 to approximately HK\$23.8 million for the three-month period ended 2023 and it is 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.

LETTER FROM THE BOARD

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.

As disclosed in Appendix II of this Circular, the unaudited pro forma adjusted consolidated net tangible liabilities of the Group attributable to owners of the Company after completion of the Rights Issue amounts to approximately HK\$30.9 million on the basis of 274,128,000 Rights Shares to be issued at a Subscription Price of HK\$0.160 per Rights Share. Even though, assuming the completion of the Rights Issue took place, the Company remains at a net current liabilities position due to that the proceeds from the Rights Issue are mainly intended to settle liabilities which are mainly overdue and will incur extra costs of the Company i.e. interest costs. In particular, among the liabilities to be settled by the proceeds of the Rights Issue, the convertible promissory notes and convertible loans will expose the Company to risks of winding-up petitions. While the Directors are of the view that, the Group being principally engaged in the food and beverage industry, and its business was significantly affected by the Covid-19 pandemic and therefore had a decrease in its account and other receivables, being the Company's major current asset. The Directors believe that, with the economy picking up from the relaxed measures imposed due to Covid-19, the Group's business shall gradually recover and improve its financial position in the future. 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\$20.4 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\$11.9 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 unsecured loans to Mr. John Choi were categorized under account and other payables under current liabilities in the Company's annual report for the financial year ended 31 December 2022, the executive Director, which will fall due in the second half of 2023. Since March 2020, Mr. John Choi has 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;

LETTER FROM THE BOARD

- (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\$6.8 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.

LETTER FROM THE BOARD

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 Latest Practicable Date, save as disclosed in this circular, 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.

LETTER FROM THE BOARD

EFFECT OF 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 Latest Practicable Date; (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 Latest Practicable Date		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)	111,150,000	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) Sd 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%	247,128,000	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%

LETTER FROM THE BOARD

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 circular:

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. The net proceeds have been fully utilized.

LETTER FROM THE BOARD

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 Latest Practicable Date, 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 Latest Practicable Date, 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.

LETTER FROM THE BOARD

ESTABLISHMENT OF INDEPENDENT BOARD COMMITTEE AND APPOINTMENT OF INDEPENDENT FINANCIAL ADVISER

The Independent Board Committee comprising all the independent non-executive Directors, namely Mr. Ip Hoi Fan, Mr. Wong Chung Wai and Ms. Tse Mei Ling, has been established to make recommendations to the Independent Shareholders in respect of the Rights Issue and the transactions contemplated thereunder. Silverbricks Securities Company Limited has been appointed as the Independent Financial Adviser by the Company with the approval of the Independent Board Committee to advise the Independent Board Committee and the Independent Shareholders in these regards.

DESPATCH OF THE PROSPECTUS DOCUMENT

Subject to, among other things, the Rights Issue, the Placing Agreement, the Underwriting Agreement and the transactions contemplated thereunder respectively having been approved by the Independent Shareholders at the EGM and upon the Share Consolidation becoming effective, the Company will despatch the Prospectus Documents to the Qualifying Shareholders. The Company will despatch the Prospectus to the Non-Qualifying Shareholders for their information only but the Company will not send the PAL to the Non-Qualifying Shareholders.

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, 9 June 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 circular. 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 circular). Accordingly, the Rights Issue may or may not proceed.

LETTER FROM THE BOARD

It is expected that the last day of dealings in the Consolidated Shares on a cum-rights basis is Tuesday, 4 July 2023 and the Consolidated Shares will be dealt in on an ex– right basis from Wednesday, 5 July 2023. Dealings in the Rights Shares in nil-paid form are expected to take place from Tuesday, 18 July 2023 to Tuesday, 25 July 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).

RECOMMENDATIONS

The Independent Board Committee comprising all the independent non-executive Directors, namely Mr. Ip Hoi Fan, Mr. Wong Chung Wai and Ms. Tse Mei Ling, has been established to advise the Independent Shareholders as to whether the terms of the Rights Issue are fair and reasonable and in the interests of the Company and the Shareholders as a whole, and to advise the Independent Shareholders on how to vote at the EGM. Silverbricks Securities Company Limited has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this regard. Your attention is drawn to the letter from the Independent Board Committee set out on page 44 of this circular which contains its recommendation to the Independent Shareholders in relation to the Rights Issue, and the letter from the Independent Financial Adviser set out on pages 45 to 71 of this circular which contains its advice to the Independent Board Committee and the Independent Shareholders.

The Directors consider that the terms of the Share Consolidation are fair and reasonable and in the interests of the Company and the Shareholders as a whole. Further, the Directors (including the independent non-executive Directors whose views are expressed in the letter from the Independent Board Committee) consider that the terms of the Rights Issue and the transactions contemplated thereunder are fair and reasonable and in the interests of the Company and the Shareholders as a whole. Accordingly, the Directors (including the independent non-executive Directors whose views are expressed in the letter from the Independent Board Committee) recommend the Independent Shareholders to vote in favour of the resolution(s) to be proposed at the EGM.

The Directors also consider that the Proposed Amendments and the adoption of the Second Amended and Restated Articles of Association are in the best interests of the Company and the Shareholders.

Accordingly, the Directors also recommend the Shareholders to vote in favour of such resolution to be proposed at the EGM.

LETTER FROM THE BOARD

ADDITIONAL INFORMATION

Your attention is also drawn to the additional information set out in the appendices to this circular.

For and on behalf of
Luk Hing Entertainment Group Holdings Limited
Choi Siu Kit
Executive Director

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

LH

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)

9 June 2023

To the Independent Shareholders

Dear Sir or Madam,

**PROPOSED RIGHTS ISSUE ON THE BASIS OF ONE (1)
RIGHTS SHARE FOR EVERY ONE (1) CONSOLIDATED SHARE HELD
ON THE RECORD DATE ON A FULLY UNDERWRITTEN BASIS**

We refer to the circular of the Company dated 28 April 2023 (the “**Circular**”) of which this letter forms part. Unless otherwise defined, capitalised terms used herein shall have the same meanings as those defined in the Circular.

We have been appointed by the Board as the Independent Board Committee to advise the Independent Shareholders as to whether the terms of the Rights Issue are fair and reasonable and in the interests of the Company and the Shareholders as a whole, and to advise the Independent Shareholders on how to vote at the EGM.

The Independent Financial Adviser has been appointed as the independent financial adviser to advise us and the Independent Shareholders in this respect. Having taken into account the terms of the Rights Issue and the Placing Agreement, and the advice from the Independent Financial Adviser, we are of the opinion that the terms of the Rights Issue and the Placing Agreement, and the transactions contemplated thereunder are on normal commercial terms, fair and reasonable so far as the Company and the Independent Shareholders are concerned and in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend you to vote in favour of the resolutions to be proposed at the EGM to approve the Rights Issue, the Placing Agreement, and the transactions contemplated thereunder.

Yours faithfully,

For and on behalf of

The Independent Board Committee

Luk Hing Entertainment Group Holdings Limited

Mr. Ip Hoi Fan

Mr. Wong Chung Wai

Ms. Tse Mei Ling

Independent non-executive Directors

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The following is the full text of the letter of advice from Silverbricks Securities Company Limited, the Independent Financial Adviser, which sets out its advice to the Independent Board Committee and Independent Shareholders prepared for the purpose of inclusion in this circular.



元庫證券有限公司
Silverbricks Securities Company Limited

Unit 04-06, 10/F, Shun Tak Centre
China Merchants Tower
168-200 Connaught Road Central
Sheung Wan, Hong Kong

9 June 2023

*To the Independent Board Committee and
the Independent Shareholders of
LUK Hing Entertainment Group Holdings Limited*

Dear Sirs,

PROPOSED RIGHTS ISSUE ON THE BASIS OF ONE (1) RIGHTS SHARE FOR EVERY ONE (1) CONSOLIDATED SHARE HELD ON THE RECORD DATE ON A FULLY UNDERWRITTEN BASIS

INTRODUCTION

We refer to our engagement as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the Rights Issue, particulars of which are set out in the letter from the Board (the “**Letter from the Board**”) contained in the circular of the Group to the Shareholders dated 9 June 2023 (the “**Circular**”), of which this letter forms part. Unless the context requires otherwise, capitalized terms used in this letter shall have the same meanings as given to them under the definitions section of the Circular.

Reference is made to the Announcement. The Company proposed to raise gross proceeds of HK\$43.9 million (before expenses) by issuing up to 274,128,000 Rights Shares (assuming no change in the number of Shares in issue on or before the Record Date) 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) existing Share held on the Record Date. The Rights Issue is only available to the Qualifying Shareholders.

In accordance with Rule 10.29(1) of the GEM Listing Rules, as the Rights Issue will increase the number of the issued Shares by more than 50%, the Rights Issue must be made conditional on approval by 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 the independent non-executive Directors) and the chief executive of the Company and their respective associates shall abstain from voting in favour of the ordinary resolution to approve the Rights Issue at the EGM.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

As at the date of this circular, 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, which owns approximately 30.31% shareholdings in Welmen; (3) Ocean Concept, which owns all the shareholdings in Yui Yak; (4) Toprich, which owns approximately 88.29% shareholdings in Ocean Concept; (5) 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 INDEPENDENT BOARD COMMITTEE

The Independent Board Committee comprising all the independent non-executive Directors, namely Mr. Ip Hoi Fan, Mr. Wong Chung Wai and Ms. Tse Mei Ling, has been established to advise the Independent Shareholders as to whether the terms of the Rights Issue, the Underwriting Agreement and the transactions contemplated respectively thereunder are fair and reasonable and in the interests of the Company and the Shareholders as a whole, and to advise the Independent Shareholders on how to vote at the EGM, taking into account the recommendations of the Independent Financial Adviser appointed by the Company. In this connection, the Company has appointed the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders as to whether the terms of the Rights Issue, the Underwriting Agreement and the transactions contemplated respectively thereunder are fair and reasonable. We, Silverbricks Securities Company Limited, have been appointed as the Independent Financial Adviser with the approval of the Independent Board Committee in accordance with the Listing Rules to advise the Independent Board Committee and the Independent Shareholders in these regards and to give our opinion for the Independent Board Committee's consideration when making their recommendations to the Independent Shareholders.

As at the Latest Practicable Date, we are not connected with the Directors, chief executive and substantial shareholders of the Company or any of their respective subsidiaries or their respective associates or connected persons and, as at the Latest Practicable Date, did not have any shareholding, directly or indirectly, in any of their respective subsidiaries or their respective associates and did not have any shareholding, directly or indirectly, in any member of the Group or any right, whether legally enforceable or not, to subscribe for or to nominate persons to subscribe for securities in any member of the Group. We are not aware of any relationships or interests between us and the Company or any other parties that could be reasonably be regarded as hindrance to our independence as defined under Rule 17.96 of the GEM Listing Rules to act as the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of the proposed Rights Issue of the Company. Apart from normal professional fees payable to us in connection with this appointment, no arrangements exist whereby we had received or will receive any fee or benefit from the Group and its associates. During the past two years, there was no engagement between the Group and us. Also, we are not aware of the existence of or change in any circumstances that could affect our independence. Accordingly, we consider that we are eligible to give independent advice on the proposed Rights Issue and the transactions contemplated thereunder of the Company.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

BASIS OF OUR OPINION

In forming our opinion and recommendation, we have relied on the information, facts and representations contained or referred to in the Circular and the information, facts and representations provided by, and the opinions expressed by the Directors, management of the Company and its subsidiaries. We have no reason to believe that any information and representations relied on by us in forming our opinion is untrue, inaccurate or misleading, nor are we aware of any material facts the omission of which would render the information provided and the representations made to us untrue, inaccurate or misleading.

We have assumed that all information, facts, opinions and representations made or referred to in the Circular were true, accurate and complete at the time they were made and continued to be true, accurate and complete as at the date of the Circular and that all expectations and intentions of the Directors, management of the Company and its subsidiaries, will be met or carried out as the case may be. We have no reason to doubt the truth, accuracy and completeness of the information, facts, opinions and representations provided to us by the Directors, management of the Company and its subsidiaries. The Directors have confirmed to us that no material facts have been omitted from the information supplied and opinions expressed. We have no reason to doubt that any relevant material facts have been withheld or omitted from the information provided and referred to in the Circular or the reasonableness of the opinions and representations provided to us by the Directors, management of the Company and its subsidiaries.

We have also sought and received confirmation from the Directors that no material facts have been omitted from the information supplied and opinions expressed. We have relied on such information and opinions and have not, however, conducted any independent verification of the information provided, nor have we carried out any independent investigation into the business, financial conditions and affairs of the Group or its future prospect.

The Directors have collectively and individually accepted full responsibility for the accuracy of the information contained in the Circular and have confirmed, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in the Circular have been arrived at after due and careful consideration and there are no other facts not contained in the Circular, the omission of which would make any statement in the Circular misleading.

In formulating our opinion, we have not considered the taxation implications on Independent Shareholders in relation to the subscription for, holding or disposal of the Rights Shares, since these are particular to their individual circumstances. It is emphasised that we will not accept responsibility for any tax effects on, or liabilities of any person resulting from the subscription for, holding or disposal of the Rights Shares. In particular, Independent Shareholders subject to overseas taxation or Hong Kong taxation on securities dealings should consider their own tax position and, if in any doubt, should consult their own professional advisers.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

We consider that we have reviewed all currently available information and documents, among others: (i) the Placing Agreement; (ii) the Underwriting Agreement; (iii) agreements for the convertible loans and convertible promissory notes; (iv) agreements of the loans from Mr. John Choi; (v) bank loan agreements; and (vi) annual report of the Company for the year ended 31 December 2022 (the “**2022 Annual Report**”), which are made available to us and enable us to reach an informed view and to justify our reliance on the information provided so as to provide a reasonable basis for our advice. Based on the foregoing, we confirm that we have taken all reasonable steps, which are applicable to the Rights Issue, as referred to in Rule 17.92 of the GEM Listing Rules (including the notes thereto).

This letter is issued for the information for the Independent Board Committee and the Independent Shareholders solely in connection with their consideration of the Rights Issue and, except for its inclusion in the Circular, is not to be quoted or referred to, in whole or in part, nor shall this letter be used for any other purposes, without our prior written consent.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion regarding the Rights Issue, we have considered the following principal factors and reasons:

1. Background information of the Group

The Group is principally engaged in food and beverage and entertainment industry in Hong Kong and PRC. Set out below is a summary of the consolidated financial information of the Group for 31 December 2021 (“**FY2021**”) and 31 December 2022 (“**FY2022**”) as extracted from the 2022 Annual Report.

(a) *Financial Performance of the Group*

	For the year ended	
	31 December	
	2022	2021
	(audited)	(audited)
	HK\$'000	HK\$'000
Revenue	58,590	160,409
Loss for the year	(48,935)	(81,529)

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

(b) Financial Position of the Group

	As at 31 December	
	2022	2021
	(audited)	(audited)
	HK\$'000	HK\$'000
Cash and cash equivalents	626	2,034
Total assets	41,602	111,478
Total liabilities	149,320	172,148
Net liabilities	(107,718)	(60,670)

Audited consolidated results for the two years ended 31 December 2022

As disclosed in the 2022 Annual Report, revenue of the Group decreased by approximately 63.5% from approximately HK\$160.4 million for FY2021 to approximately HK\$58.6 million for FY2022. Such decrease was mainly due to the decrease in revenue of sales of food, beverage and other products segment by approximately 63.3% for FY2021 due to the outbreak of the COVID-19 pandemic.

However, the loss for the Group decreased from approximately HK\$81.5 million for FY2021 to approximately HK\$48.9 million for FY2022, the decrease was due to the net gain of HK\$16.4 million on disposal of Luk Hing Investment Limited, a limited private company incorporated in Macau for a total consideration of HK\$100,000 on 23 December 2023; (ii) the absence of impairment losses on non-current assets and intangible assets of CUBIC SPACE+, representing for written off on plant and equipment, written off deposits, inventories and gain on lease termination which amounted for approximately HK\$24,409,000, HK\$910,000, HK\$227,000 and HK\$14,205,000 respectively as the Group would be unable to continue to operate CUBIC SPACE+ from 20 October 2022; and (iii) the absence of loss on cessation of business of Club Cubic Macau representing for written off on plant and equipment, written off on intangible assets, written off on prepayment and deposits and gain on lease termination which amounted for approximately HK\$7,824,000, HK\$392,000, HK\$10,800,000 and HK\$2,113,000 respectively as the Group would be unable to continue to operate Club Cubic Macau from 8 October 2022.

In FY2022, the Group recorded cash and cash equivalents, total assets, total liabilities and net liabilities of approximately HK\$0.6 million, HK\$41.6 million, HK\$149.3 million and HK\$107.7 million, respectively. The current ratio and quick ratio were approximately 0.1 in FY2022 as compared to approximately 0.3 in FY2021. The debt ratio was approximately 358.9% in FY2022 as compared to approximately 154.4% in FY2021.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

2. Reasons for and benefits of the Rights Issue and use of proceeds

As disclosed in the Letter from the Board, the net proceeds from the Rights Issue (after deducting the estimated expenses) are estimated to be approximately HK\$40.9 million. The Group intends to use the net proceeds from the Rights Issue as follows:

- (1) approximately HK\$20.4 million for full and final settlement of the Group's remaining outstanding liabilities arising from convertible promissory notes and convertible loans;
- (2) 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;
- (3) approximately HK\$3.5 million for settlement of directors' fees and salaries payable up to 31 December 2022;
- (4) 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;
- (5) approximately HK\$5.7 million for repayment of overdue head office and rental expenses and professional fees; and
- (6) the remaining of the net proceeds from the Rights Issue of approximately HK\$6.8 million for the general working capital of the Group.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Settlement of the Group's remaining outstanding liabilities arising from convertible promissory notes and convertible loans

According to the 2022 Annual Report, on 3 July 2019, the Company entered into the note purchase agreements with investors in the aggregate principal amount of approximately RMB16.0 million. The proceeds are intended to be used for the additional investment by the Group to Zhuhai Ruiye. The convertible promissory notes bear an annual interest rate of 9% payable in arrear annually with aggregate principal amount of RMB16.0 million, with a term commencing from 3 July 2019 until 36 months from opening of a clubbing venue in Zhuhai by Zhuhai Ruiye Bar Management Company Limited (“**Zhuhai Ruiye**”). During the year ended 31 December 2022, the convertible promissory notes was defaulted and were overdue since August 2022. The outstanding amounts of approximately HK\$18.1 million were transferred to other payables.

According to the 2022 Annual Report, on 10 June 2019, Luk Hing Capital Limited (“**Luk Hing Capital**”), a subsidiary of the Company, as borrower and the Company, as guarantor of Luk Hing Capital entered into the convertible loan agreements with the lenders. The convertible loans bear an annual interest of 9% payable in arrear annually with aggregate principal amount of RMB8.0 million (equivalent to approximately HK\$9.1 million), with a term commencing from 10 June 2019 until 36 months from opening of a clubbing venue in Zhuhai by Zhuhai Ruiye, a non-wholly-owned subsidiary. During the year ended 31 December 2022, the convertible loans was defaulted and were overdue since August 2022. The outstanding amounts of approximately HK\$9.1 million were transferred to other payables.

The Company intends to use HK\$20.4 million for full and final settlement of the Group's remaining outstanding liabilities arising from convertible promissory notes and convertible loans. The difference between the settlement amount of HK\$20.4 million and the total outstanding amount for from convertible promissory notes and convertible loans of approximately HK\$27.2 million for the year ended 31 December 2022 is mainly due to (i) the discount based on the settlement agreement of approximately HK\$1.7 million and HK\$40,000; and (ii) the settlement of HK\$4.4 million and HK\$0.7 million in March 2023 for the convertible promissory notes and convertible loans, respectively.

According to the announcements issued by the Company on 16 December 2022, 22 February 2023, 24 February 2023 and 27 February 2023 in respect of a winding up petition received by the Company, on 16 December 2022, the Company received a petition (the “**Petition**”) from Jolly Rise Holdings Limited, being one of the investors to the convertible promissory note, in the matter of the petition that the Company may be wound up by the High Court on the ground that the Company is unable to pay its debts. And the High Court has ordered that the Petition be dismissed on 27 February 2023.

In view of the potential risk for the Company to be wound up due to the overdue convertible promissory notes and convertible loans, we concur with the Directors that there is a genuine need to settle the outstanding liabilities from the convertible promissory notes and convertible loans.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Repayment of the unsecured loans to Mr. John Choi

As disclosed in the Letter from the Board, Mr. John Choi, the executive Director, has 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 22 unsecured loans with aggregate principal amount of approximately HK\$5.1 million since March 2020. The Company intends to repay approximately HK\$3.7 million in aggregate for the unsecured loans to Mr. John Choi, which will fall due in the second half of 2023. 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.

Having considered that (i) the positive impact brought by settlement of the Group's indebtedness such as the improvement of credit rating, reduction of interest expenses, financial stability and operational flexibility and (ii) the unsecured loans to be settled will fall due in the second half of 2023, we concur with the Directors that it is reasonable to repay the unsecured loans to Mr. John Choi with a view to strengthen the Group's financial position by reducing the current liabilities and improving the net liabilities position of the Group.

Settlement of directors' fees and salaries payable

As disclosed in the Letter from the Board, the Company intends to settle the directors' fees and salaries payable up to 31 December 2022 of approximately HK\$3.5 million.

Having consider that (i) the directors' fees and salaries payable are due on 31 December 2022, and (ii) the late payment of directors' fees and salaries may negatively affect the daily operation of the Group as the late payment may potentially decrease the employee morale, resulting in decreased motivation and productivity, we concur with the Directors that settlement of directors' fees and salaries payable up to 31 December 2022 is beneficial to the Group's business operation while maintaining a relatively healthy financial position.

Repayment of principal of bank loan

As disclosed in the Letter from the Board, 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. The Company intends to repay the bank loan of HK\$0.8 million to The Bank of East Asia Limited, which will fall due in 2023. 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.

Having considered that (i) the positive impact brought by settlement of the Group's indebtedness as we discussed above; and (ii) the unsecured loans to be settled will fall due in 2023, we concur with the Directors that it is reasonable to repay the bank loan from Bank of East Asia with a view to strengthen the Group's financial position by reducing the current liabilities and improving the net liabilities position of the Group.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Settlement of overdue head office and rental expenses and professional fees

As disclosed in the Letter from the Board, the company intends to repay HK\$5.7 million for the overdue head office and rental expenses and professional fees. In particular, as at 31 December 2022, the amount overdue for the head office and rental expenses and professional fees were approximately HK\$2.0 million and HK\$3.7 million, respectively.

Having consider that (i) the head office and rental expenses and professional fees are overdue as at 31 December 2022, and (ii) the positive impact brought by settlement of the Group's indebtedness as we discussed above, we concur with the Directors that settlement of the overdue head office and rental expenses and professional fees is beneficial to the Group's financial position.

Having considered the above, we concur with the Directors that the Group has a genuine funding need for its business operations. We are of the view that the intended use of proceeds is fair and reasonable.

Alternative financing methods

As disclosed in the Letter from the Board, the Group has considered alternative fund-raising methods, including but not limited to debt financing, placing of new shares and open offer, before resolving to the Rights Issue. 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-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.

After taking into account the benefits and potential cost of each of the alternatives, we are of the view and concur with the view of the Directors that placing of new Shares would only be available to certain placees who are not necessarily the existing Shareholders and would dilute the shareholding of the existing Shareholders. We are of the view and concur with the view of the management of the Company that the Rights Issue allows the Group to reduce its gearing level and interest burden at a more cost effective and beneficial method and is in the interests of the Company and the Shareholders as a whole.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

3. Principal terms of the Rights Issue

Set out below is a summary of the principal terms of the Rights Issue, further details of which are set out in the Letter from the Board:

Basis of the Rights Issue : One (1) Rights Share 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 : Approximately HK\$0.149 per Rights Share
(i.e. Subscription Price less cost and expenses incurred in the Rights Issue)

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)

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

- 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
- 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
- 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)

As at the Latest Practicable Date, 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 Latest Practicable Date, 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.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Assessment on the principal terms of the Rights Issue

The Subscription Price

The Subscription Price represents:

- (i) a premium of approximately 14.29% to the closing price of HK\$0.14 per Consolidated Share (after taking into account the effect of the Share Consolidation) as quoted on the Stock Exchange on the Latest Practicable Date;
- (ii) 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;
- (iii) 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 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;
- (iv) a discount of approximately 5.88% to the theoretical closing price of approximately HK\$0.17 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;
- (v) a discount of approximately 12.57% to the theoretical closing price of HK\$0.183 per Consolidated Share (after taking into account the effect of the Share Consolidation) based on the average closing price of approximately HK\$0.0183 per Existing Share as quoted on the Stock Exchange for the thirty (30) consecutive trading days up to and including the Last Trading Day;

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

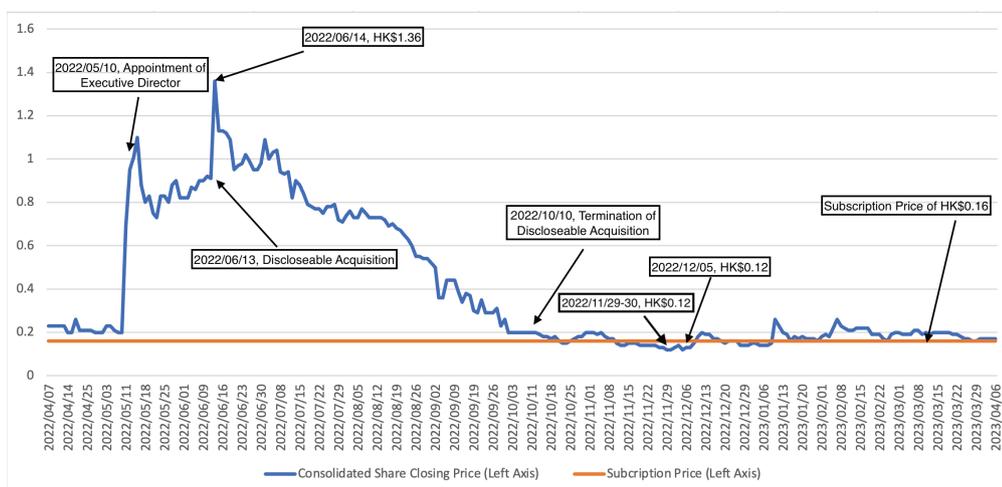
- (vi) a discount of approximately 3.03% to the theoretical ex-rights price of approximately HK\$0.165 per Consolidated Share (after taking into account the effect of the Share Consolidation) based on the closing price of HK\$0.017 per Existing Share as quoted on the Stock Exchange on the Last Trading Day;
- (vii) a discount of approximately 2.94% to the theoretical ex-entitlement 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\$0.17 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\$0.0162 per Existing Share as quoted on the Stock Exchange for the five (5) consecutive trading days immediately prior to the Last Trading Day); and
- (viii) 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\$0.0162 per Existing Share as quoted on the Stock Exchange for the five (5) consecutive trading days immediately prior to the Last Trading Day).

As disclosed in the Letter from the Board, 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 the Letter from the Board.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Comparison with historical closing prices of the Shares

In order to assess the fairness and reasonableness of the Subscription Price, we have performed a review on the daily closing prices and trading volume of the Shares from 7 April 2022 up to and including the Latest Trading Day (the “**Review Period**”) (being a period of approximately 12 months prior to and including the Last Trading Day) and compared with the Subscription Price. We consider that the Review Period is an adequate period covering the annual operating cycle of the Company to illustrate the recent price movement of the Shares for conducting a reasonable comparison among the historical closing prices prior to the Announcement, and the Review Period is fair and representative to reflect the market assessment on the financial performance of the Group and the general market sentiment, and such comparison is relevant for the assessment of the fairness and reasonableness of the Subscription Price, as the share price before the Announcement represent a fair market value of the Company the Shareholders expected, while that after the Announcement, the value may have taken into account the potential upside of the Rights Issue which may distort the analysis. The chart below illustrates the adjusted daily closing price per the Consolidated Share (“**Closing Price**”) versus the Subscription Price of HK\$0.160 per Rights Share during the Review Period:



Source: website of the Stock Exchange

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

As shown in the chart above, during the Review Period, the average closing price was approximately HK\$0.41 per Consolidated Share (the “**Average Closing Price**”). The daily closing price ranged from HK\$0.12 per Consolidated Share recorded on 29 November 2022 to 30 November 2022 and 5 December 2022 (the “**Lowest Closing Price**”) to HK\$1.36 per Consolidated Share recorded on 14 June 2022 (the “**Highest Closing Price**”). We note that Shares were traded above the Subscription Price throughout the Review Period. The Subscription Price of HK\$0.16 represents (i) a premium of approximately 33.3% to the Lowest Closing Price; (ii) a discount of approximately 88.2% to the Highest Closing Price; and (iii) a discount of approximately 60.7% to the Average Closing Price. As discussed in the section headed “Comparison with recent rights issues transactions” below, we note that it is a common practice (15 out of 16 Comparables) to set the subscription price at a discount to the prevailing trading prices of the relevant shares in order to increase the attractiveness and encourage shareholders to participate in the right issues.

There was an uptrend from early-May 2022 to mid-June 2022. The closing price of the Shares steadily increased from HK\$0.2 at the beginning of May 2022 to the Highest Closing Price on 14 June 2022 as the Company announced (i) the appointment of executive director on 10 May 2022 and (ii) the discloseable acquisition on 13 June 2022. On 13 June 2022, the Company has conditionally agreed to acquire 100% of the issued share capital of C45 Holdings Limited, at the Consideration of HK\$34,560,000, which will be satisfied by the allotment and issue of the 432,000,000 consideration shares at the issue price of HK\$0.80 per Consolidated Share. The issue price represents (i) a discount of approximately 12.1% over the closing price per Consolidated Share of HK\$0.91 as quoted on the Stock Exchange on 13 June 2022, being the date of the discloseable acquisition and (ii) a premium of 400% over the Subscription Price of HK\$0.16. After reaching the Highest Closing Price, the closing price of the Shares then exhibited a downward trend and hit the Lowest Closing Price on 29 November 2022 to 30 November 2022 and 5 December 2022 as the Company announced the termination of the discloseable acquisition on 10 October 2022. The closing price of the Shares remain stable afterwards with the average closing price of approximately HK\$0.175 per Consolidated Share since 11 October 2022 and closed at HK\$0.17 on the Latest Trading Day.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Historical trading liquidity of the Shares

Month	Total volume of Shares traded <i>(Shares)</i>	Number of trading days <i>(days)</i>	Approximate average daily trading volume of the Shares <i>(Shares)</i>	Percentage of average daily trading volume to total number of issued shares as at the end of the month/ period <i>(Note 1)</i>
2022				
April	13,140,000	18	730,000	0.03%
May	491,170,000	20	24,558,500	1.09%
June	60,680,000	21	2,889,524	0.13%
July	38,750,000	20	1,937,500	0.07%
August	7,360,000	23	320,000	0.01%
September	56,930,000	21	2,710,952	0.10%
October	72,770,000	20	3,638,500	0.16%
November	160,220,000	22	7,282,727	0.32%
December	172,470,000	20	8,623,500	0.38%
2023				
January	170,980,000	18	9,498,889	0.41%
February	179,900,000	20	8,995,000	0.39%
March	35,790,000	23	1,556,087	0.06%
April (up to Last Trading Day)	13,140,000	18	730,000	0.03%

Source: website of the Stock Exchange

Notes:

1. Based on the number of total issued Shares as at each month end as disclosed in the monthly returns of the Company.

As shown in the table above, the average daily trading volume of the Shares in each month ranged from 730,000 Shares in April 2022 to 24,558,500 Shares in May 2022 during the Review Period, representing 0.03% to approximately 1.09% of the total number of issued shares as at the end of the month/period, respectively, indicating a relatively thin trading liquidity during the Review Period.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Given such relatively thin liquidity of the Shares during the Review Period, it would be difficult for the Shareholders to acquire a substantial block of the Shares in the open market without exerting a significant impact on the Share price. We consider that the prices and general price trend of the Shares during the Review Period should have reflected market evaluation on the recent business performance of the Group.

In view of the above that (i) the closing price remained stable with the average closing price of approximately HK\$0.175 from 11 October 2022 to the Latest Practicable Date after the Company terminated the discloseable acquisition; and (ii) the thin liquidity of the Shares during the Review Period, we consider that it is fair and reasonable for the Company to determine the Subscription Price with reference to the prevailing market price of the Shares with a discount (which is analyzed below) to encourage Qualifying Shareholders to participate in the Rights Issue.

Comparison with recent rights issue transactions

In order to assess the fairness and reasonableness of the Subscription Price, we exhaustively conducted a search of recent proposed rights issue exercises, announced by the companies listed on GEM of the Stock Exchange (excluding those terminated or lapsed or announced but not yet completed) within approximately 12 months prior to the Last Trading Day (the “**Comparison Period**”) to understand the trend of the recent market practice. Based on our research, we have identified a total of 16 rights issue comparables (the “**Comparables**”) during the Comparison Period.

We consider the Comparison Period of approximately 12 months is adequate and appropriate given that (i) such period would provide us with the recent and relevant information to demonstrate the prevailing market practice prior to the Announcement under the prevailing market conditions; and (ii) we are able to identify sufficient and reasonable samples size for selection of Comparables within the Comparison Period. We note that the terms of the rights issue announced by the Comparables may not be directly comparable to the terms of the Rights Issue announced by the Group due to the differences in business activities and performances. We note that the business activities of the Comparables may not be directly comparable to the business activities carried out by the Group. We consider that despite the terms of the rights issue depend on various factors, including the dilution effect to shareholding, funding needs and use of proceeds, discounts to share price, etc., they are often influenced by the recent market trends for rights issue. Although the Comparables included rights issue on different basis of entitlement, and involved issuers which engaged in different business or with different financial performance and funding needs from the Company, we consider that the Comparables are exhaustive and representative samples under the current selection criteria and are suitable to serve as a general reference for the purpose of an assessment on the Subscription Price, as (i) all of the Comparables and the Company are listed on GEM of the Stock Exchange which are similar in size of operation as GEM is positioned as a market designed to accommodate small and mid sized companies; (ii) our analysis is mainly concerned with the comparison of subscription price to closing price, theoretical ex-rights price, maximum dilution on the shareholding and theoretical dilution effect; and (iii) the Comparables were included without any artificial selection or filtering on our part thus they represented a true and fair view of the recent market trends for rights issue.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Table A

Date of announcement	Company (stock code)	Basis of entitlement	Maximum amount of funds to be raised from the rights issue <i>HKS' million</i>	Discount of the closing price over the subscription price per share on the last trading day prior to announcement	Discount of the subscription price over the theoretical ex-rights price per share based on the closing price per share on the last trading day prior to announcement in relation to the respective rights issue	Maximum dilution on the shareholding <i>(Approximately %)</i>	Theoretical dilution effect <i>(Note 2)</i> <i>(Approximately %)</i>	Excess Application/ Placing <i>(Note 3)</i>	Underwriting arrangement	Placing Commission <i>(%)</i>	Underwriting commission <i>(%)</i>
6/3/2023	CBK Holdings Limited (8428)	5 for 1	18.92	(15.9)	(2.9)	83.3	(13.2)	Placing	Non-underwritten	3.5	N/A
10/1/2023	Kinetix Systems Holdings Limited (8606)	1 for 2	31.3	(29.4)	(21.7)	33.3	(9.8)	Placing	Underwritten on a best effort basis	1.3	N/A
6/1/2023	SDM Education Group Holdings Limited (8363)	1 for 2	23.8	nil	nil	33.3	nil	Excess application	Fully-underwritten	N/A	4
29/12/2022	New Amante Group Limited (8412)	1 for 2	12.6	(10.6)	(7.3)	33.3	(5.6)	Excess application	Underwritten on a best effort basis	N/A	1.5
21/10/2022	C&N Holdings Limited (8430)	3 for 1	32.5	(13.3)	(3.7)	75.0	(10.0)	Placing	Non-underwritten	1.5	N/A
23/9/2022	Tasty Concepts Holding Limited (8096)	5 for 2	41.3	(14.3)	(4.5)	71.4	(10.3)	Placing	Non-underwritten	2.5	N/A
10/8/2022	Easy Repay Finance & Investment Limited (8079)	1 for 2	14.4	(45.0)	(35.1)	33.3	(16.1)	Placing	Non-underwritten	7.1	N/A
4/8/2022	Xinyi Electric Storage Holdings Limited (8328)	1 for 10	393.9	(18.8)	(17.4)	9.1	(1.7)	Excess application	Non-underwritten	N/A	N/A
14/7/2022	Wan Cheng Metal Packaging Company Limited (8291)	1 for 1	24.0	(25.0)	(14.3)	50.0	(16.5)	Placing	Non-underwritten	2.5	N/A
17/6/2022	Ocean Star Technology Group Limited (8297)	1 for 2	31.5	(41.2)	(32.0)	33.3	(13.9)	Excess application	Underwritten on a best effort basis	N/A	1

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Date of announcement	Company (stock code)	Maximum amount of funds to be raised from the rights issue HK\$ million	Discount of the closing price over the subscription price per share on the respective last trading day (Approximately %)	Discount of the subscription price over the theoretical ex-rights price per share based on the closing price per share on the last trading day prior to announcement in relation to the respective rights issue (Approximately %)	Maximum dilution on the shareholding (Approximately %)	Theoretical dilution effect (Note 2) (Approximately %)	Excess Application/Placing (Note 3)	Underwriting arrangement	Placing Commission (%)	Underwriting commission (%)
10/6/2022	Gameone Holdings Limited (8282)	22.4	(40.4)	(31.2)	33.3	(13.5)	Excess application	Underwritten on a best effort basis	N/A	1.5
25/5/2022	F8 Enterprises (Holdings) Group Limited (8347)	17.1	(5.6)	(3.7)	33.3	(1.9)	Excess application	Underwritten on a best effort basis	N/A	5
18/5/2022	K Group Holdings Limited (8475)	50.2	(28.8)	(12.3)	66.7	(20.4)	Excess application	Underwritten on a best effort basis	N/A	3
12/5/2022	KOALA Financial Group Limited (8226)	83.5	(4.8)	(1.6)	66.7	(4.7)	Excess application	Underwritten on a best effort basis	N/A	3
28/4/2022	Palinda Group Holdings Limited (8179)	29.3	(39.8)	(30.6)	33.3	(13.3)	Excess application	Fully-underwritten	N/A	7.1
28/4/2022	Life Concepts Holdings Limited (8056)	48.6	(7.0)	(2.9)	60.0	(9.3)	Excess application	Underwritten on a best effort basis	N/A	1
			(4.8)	(1.6)	9.1	(1.7)				
			(45.0)	(35.1)	83.3	(20.4)				
			(22.7)	(14.7)	46.8	(10.7)				
6/4/2023	The Group	43.9	(5.9)	(2.9)	50.0	(2.9)	Placing	Fully-underwritten	3	3

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Notes:

1. In order to calculate the average, minimum and maximum percentage of the placing commission of the Comparables, we have excluded the minimum placing commissions and absolute placing commissions.
2. The theoretical dilution effect is calculated in accordance with Rule 7.27B of the Rules Governing the Listing of Securities on the Stock Exchange or Rule 10.44A of the GEM Listing Rules.
3. Pursuant to Rule 10.31(1) of the GEM Listing Rule.
4. N/A represents the respective fundraising exercise did not involve underwriters nor placing agents.

Based on the Table A, we noted that (i) the subscription prices to the closing price on the Last Trading Day prior to the announcement of the Comparables ranged from a discount of approximately 4.8% to a discount of approximately 45.0%, with an average discount of approximately 22.7%. The discount of the Subscription Price to the theoretical closing price per Consolidated Share as at the Last Trading Day of approximately 5.9% is within the range; (ii) the theoretical ex-rights price per Consolidated Share based on the closing price per share on the last trading day prior to announcement in relation to the respective Comparables ranged from a discount of approximately 1.6% to a discount of approximately 35.1%, with an average discount of approximately 14.7%. The discount of the Subscription Price to the theoretical ex-rights price per Consolidated Share on the Last Trading Day of approximately 2.9% is within the range; (iii) the theoretical dilution effect of the Comparables ranged from approximately 1.7% to approximately 20.4%, with an average discount of approximately 10.7%. Due to the facts that (a) the theoretical dilution effect represented by the Rights Issue of approximately 2.9% falls within the range of the Comparables; (b) the net proceeds from the Rights Issue would improve the Group's financial condition; and (c) the Subscription Price favors the Qualifying Shareholders to subscribe for the Rights Shares and maintain their respective pro-rata shareholding interests in the Company, we consider that the theoretical dilution effect represented by the Rights Issue is acceptable so far as the Independent Shareholders are concerned; and (iv) the maximum dilution on the shareholding of the Comparables ranged from approximately 9.1% to approximately 83.3%, with an average of approximately 46.8%. Although the maximum dilution on the shareholding of the Rights Issue of approximately 50.0% is larger than the average of the Comparables of approximately 46.8%, it falls within the range of the Comparables. Taking into consideration the maximum dilution on the shareholding of the Rights Issue falls within the range of the Comparables, we are of the view that the proposed offer basis is in the interest of the Company and the Shareholders as a whole and so far as the Independent Shareholders are concerned.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Taking into consideration that, (i) the Subscription Price of the Rights Issue has a discount of 60.7% to the average Closing Price during the Review Period; (ii) the trading liquidity of the Shares were very thin during the Review Period and the Subscription Price at a discount may enhance the attractiveness of the Shares among the thin trading liquidity; (iii) the Subscription Price is within range of the Comparables; (iv) a review period of 12 months prior to the Announcement to be exhaustive for a representation of proposed rights issue in the recent market; and (v) the discount of the Subscription Price to the recent market price of the Share is necessary to encourage the Qualifying Shareholders to participate the Rights Issue under recent market uncertainties, we are of the view that the setting of the Subscription Price is fair and reasonable so far as the Independent Shareholders are concerned.

Excess application

As stated in the Letter from the Board, the Qualifying Shareholders will not be entitled to subscribe for any Rights Shares in excess of their respective entitlements. We have reviewed the Comparables and noted that 6 out of 16 Comparables did not offer excess application to their shareholders. Therefore, we consider that the absence of excess application arrangement is not an uncommon market practice. As such, we are of the view that the absence of excess application arrangement is acceptable so far as the Independent Shareholders are concerned.

Placing price

Pursuant to the Placing Agreement, the placing price (the “**Placing Price**”) of each of the Unsubscribed Rights Share shall be not less than the Subscription Price. The final price determination is depends on the demand and market conditions of the Unsubscribed Rights Shares during the process of the Placing.

Given that (i) the Placing Price shall be not less than the Subscription Price, which is not prejudicial to the interests of the Qualifying Shareholders; and (ii) the Subscription Price is fair and reasonable as discussed in the paragraph headed “Subscription Price” in this letter above, we consider that the Placing Price is fair and reasonable so far as the Independent Shareholders are concerned.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Placing commission

As set out in the Letter from the Board, the terms of the Placing Agreement, including the rate of placing commission, were determined after arm's length negotiation between the Company and the Placing Agents with reference to the size of the Rights Issue and are on normal commercial terms. For further details of the principal terms of the Placing Agreement, please refer to section headed "Placing Agreement" in the Letter from the Board. The Placing Agent to the Company will receive 3.0% of the placing price. According to the Comparables as set out in Table A, the placing commission of the Comparables ranged from 1.3% to 7.1%, with average placing commission of approximately 3.1% respectively. As the placing commission falls within the range of the Comparables and close to the average placing commission, we are of the view that the placing commission is fair and reasonable and in the interests of the Company and Independent Shareholders as a whole.

Underwriting commission

As set out in the Letter from the Board, the terms of the Underwriting Agreement, including the rate of placing commission, were determined after arm's length negotiation between the Company and the Underwriter with 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. For further details of the principal terms of the Placing Agreement, please refer to section headed "Underwriting Agreement" in the Letter from the Board. The Underwriter to the Company will receive 3.0% of the placing price. According to the Comparables as set out in Table A, the underwriting commission of the Comparables ranged from 1.0% to 7.1%, with average placing commission of approximately 3.0% respectively. As the underwriting commission falls within the range of the Comparables and close to the average underwriting commission, we are of the view that the underwriting commission is fair and reasonable and in the interests of the Company and Independent Shareholders as a whole.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

4. Dilution effect of the Rights Issue on the shareholding of the Company

As at the Latest Practicable Date, the Company has 2,741,280,000 existing Shares (equivalent to 274,128,000 Consolidated Shares upon the Share Consolidation becoming effective) in issue. Set out below is the shareholding structure of the Company (i) as at the Latest Practicable Date; (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 Latest Practicable Date		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)	111,150,000	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") (Notes 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) Sd 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%
Placees	–	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%	247,128,000	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.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

All Qualifying Shareholders are entitled to subscribe for the Rights Shares. For those Qualifying Shareholders who take up their provisional allotments in full under the Rights Issue, their shareholding interests in the Company will remain unchanged upon completion of the Rights Issue (assuming full acceptance of the Rights Issue). Qualifying Shareholders who do not accept the Rights Issue entitlements can, subject to the then prevailing market conditions, consider selling their nil-paid Rights Shares in the market. However, those Qualifying Shareholders who do not take up the Rights Shares to which they are entitled and the Excluded Shareholders should note that their shareholdings in the Company will be diluted upon completion of the Rights Issue and their aggregate shareholding interests in the Company may be reduced by a maximum of 50.0%.

We also that as shown in the table of Comparables in the section headed “Comparison with recent rights issue transactions” above, the maximum dilution of the Comparables ranged from approximately 9.1% to approximately 83.3%. For the Non-Qualifying Shareholders and those Qualifying Shareholders who do not take up their full provisional allotments under the Rights Issue, depending on the extent to which they subscribe for the Rights Shares, their shareholding interests in the Company upon completion of the Rights Issue will be diluted by up to a maximum of approximately 50.00%, which fall within the range of the Comparables. In addition, we note that the theoretical dilution effect of 50.0% of the Rights Issue is close to the average of theoretical dilution effect of the Comparables of approximately 46.8%.

Having considered that (i) the dilution effect is not prejudicial as all Qualifying Shareholders are offered an equal opportunity to participate in the Rights Issue and public Shareholders’ interests in the Company will be not diluted if they choose to subscribe for their pro-rata entitlement of the Rights Shares; (ii) the Qualifying Shareholders have the opportunity to realize their nil-paid rights to subscribe for the Rights Shares in the market, subject to availability; (iii) shareholding dilution is inherent in the Rights Issue in general; and (iv) the positive impact on the financial position of the Group as a result of the Rights Issue as detailed in paragraph headed “Possible Financial Effect of the Rights Issue” below, we are of the view that the potential dilution effect on the shareholding, which may only happen to the Qualifying Shareholders who decide not to subscribe for their pro-rata Rights Shares, is acceptable.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

5. Possible Financial Effect of the Rights Issue

Net tangible assets

According to the “Unaudited pro forma financial information of the Group” set out in Appendix II to the Circular, the audited consolidated net tangible liabilities of the Group attributable to owners of the Company was approximately HK\$71.7 million as at 31 December 2022 assuming no outstanding Share Options having been exercised on or before the Record Date; upon completion of the Rights Issue, the unaudited pro forma adjusted consolidated net tangible liabilities of the Group attributable to the owners of the Company would decrease to approximately HK\$30.9 million. As such, the Rights Issue is expected to have a positive impact on the financial position of the Group.

Liquidity

According to the Annual Report 2022, as at 31 December 2022, the cash and cash equivalents of the Group was approximately HK\$0.6 million and the Group had current assets of approximately HK\$11.0 million, current liabilities of approximately HK\$133.1 million. Accordingly, the current ratio of the Group (being the current assets of the Group divided by the current liabilities of the Group) as at 31 December 2022 was approximately 0.1. Immediately upon completion of the Rights Issue, the cash and cash equivalents of the Group is expected to increase by the expected net proceeds from the Rights Issue of approximately HK\$40.9 million. The current ratio of the Group will be increased from approximately 0.1 to approximately 0.4. As such, the current ratio and the liquidity of the Group will be improved upon the completion of the Rights Issue.

After taking into consideration of the above, particularly, the improvement in liquidity position of the Group, we are of the view that the Rights Issue is in the interest of the Company and the Shareholders as a whole.

Shareholders should note that the aforesaid analyses are for illustrative purpose only and do not purport to represent the financial position of the Group upon completion of the Rights Issue and because of its hypothetical nature, does not provide any assurance or indication that any event will take place in the future and may not be indicative of (i) the financial position of the Company as at 31 December 2022 or any future date; or (ii) the net assets per Share of the Company as at 31 December 2022 or any future date.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

OPINION AND RECOMMENDATION

Having taken into consideration of the following principal factors and reasons regarding the major terms of the Rights Issue including:

- (i) the proceeds from the Rights Issue for (a) repayments of convertible promissory notes and convertible loans, (b) repayment of principal of unsecured loans to Mr. John Choi, (c) settlement of directors' fees and salaries payable, (d) repayment of principal of bank loan to The Bank of East and Asia Limited and (e) repayment of overdue head office and rental expenses and professional fees, and the Directors expect to strengthen the Group's financial position, and raise additional funding for the business operations of the Group without any interest burden under section headed "Reasons for the Rights Issue and use of proceeds" above in this letter;
- (ii) taking into account the benefits and cost of each of the alternatives, the Rights Issue represents an appropriate means for fund raising to strengthen the capital base of the Company and support the Company's continuing business development and growth as stated under the paragraph headed "Fund raising alternatives" above in this letter;
- (iii) the Qualifying Shareholders may have difficulties in acquiring or selling a significant number of Shares in the open market if the same trading pattern of the Shares persists during and after the completion of the Rights Issue without exerting impact on the market price of the Shares. We are therefore of the view that the Subscription Price at a discount to the average Closing Price would encourage the Qualifying Shareholders to participate in the Rights Issue, and to maintain their respective shareholding interests in the Company as stated under the paragraph headed "Subscription Price" above in this letter;
- (iv) the Subscription Price is fair and reasonable in our view for the reasons set out in earlier sections headed "Subscription Price" and "Comparison to other rights issue" in this letter; and
- (v) Rights Issue is conducted on the basis that all Qualifying Shareholders have been offered the same opportunity to maintain their proportionate interests in the Company and allows the Qualifying Shareholders to participate in the future growth of the Company, and the maximum dilution effect only occur when the Qualifying Shareholders do not subscribe for their proportionate Rights Shares,

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

we are of the view that the terms of the Rights Issue are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned and the Rights Issue including the transactions contemplated thereunder are in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Shareholders and the Independent Board Committee to advise the Independent Shareholders to vote in favour of the resolution to be proposed at the EGM to approve the Rights Issue.

Yours faithfully
For and on behalf of
Silverbricks Securities Company Limited
Yau Tung Shing
Co-head of Corporate Finance

Note: Mr. Yau Tung Shing is licensed individuals under the SFO, authorized to conduct Type 6 (advising on corporate finance) regulated activities in accordance with the SFO. He is considered responsible officer of Silverbricks Securities Company Limited. Mr. Yau Tung Shing possesses over 6 years of experience in the corporate finance industry.

A. FINANCIAL INFORMATION OF THE GROUP

The financial information of the Group for the three years ended 31 December 2020, 2021, 2022 are disclosed in the following documents which have been published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (<http://lukhing.com>), respectively:

- (i) the unaudited consolidated financial information of the Group for three-month period ended 31 March 2023 is disclosed in the first quarter report of the Company for three-month period ended 31 March 2023 published on 12 May 2023, from pages 2 to 13 (<https://www1.hkexnews.hk/listedco/listconews/gem/2023/0512/2023051201539.pdf>);
- (ii) the audited consolidated financial information of the Group for the year ended 31 December 2022 is disclosed in the annual report of the Company for the year ended 31 December 2022 published on 2 April 2023, from pages 64 to 168 (<https://www1.hkexnews.hk/listedco/listconews/gem/2023/0402/2023040200059.pdf>);
- (iii) the audited consolidated financial information of the Group for the year ended 31 December 2021 is disclosed in the annual report of the Company for the year ended 31 December 2021 published on 30 March 2022, from pages 66 to 168 (<https://www1.hkexnews.hk/listedco/listconews/gem/2022/0330/2022033001684.pdf>);
- (iv) the audited consolidated financial information of the Group for the year ended 31 December 2020 is disclosed in the annual report of the Company for the year ended 31 December 2020 published on 25 March 2021, from pages 67 to 170 (<https://www1.hkexnews.hk/listedco/listconews/gem/2021/0325/2021032500452.pdf>).

B. STATEMENT OF INDEBTEDNESS

As at the close of business on 30 April 2023, being the latest practicable date for the purpose of this indebtedness statement, the Group had the following indebtedness:

Other loans

As at 30 April 2023, being the latest practicable date for the purpose of this indebtedness statement prior to the date of this Circular, the Group had other loans of approximately HK\$35,124,000 consisted of (i) defaulted convertible promissory notes; (ii) defaulted convertible loans; (iii) loan from directors; (iv) loan from shareholders and (v) loan from third parties, which were unsecured and bear interest at 0.1% per day to 5.25% per annum.

Bank loans

As at 30 April 2023, being the latest practicable date for the purpose of this indebtedness statement prior to the date of this Circular, the details of the outstanding bank loans of the Group were set out as follows:

	<i>HK\$'000</i>
The carrying amounts of bank loans that contain a repayment on demand clause but repayable:	
Within one year	4,803
Within a period of more than one year but not exceeding two years	2,370
Within a period of more than two years but not exceeding five years	8,860
Over 5 years	4,229
	<hr/>
	20,262
	<hr/> <hr/>

The Group's the bank loans bear interest rate range from 2.45% to 4.75% per annum. The bank loans of approximately HK\$5,100,000 was pledged by the financial assets at fair value through profit or loss and was guaranteed by the corporate guarantee of the Company.

Lease Liabilities

As at 30 April 2023, being the latest practicable date for the purpose of this indebtedness statement prior to the date of this Circular, the Group had lease liabilities of approximately HK\$11,516,000, which were unguaranteed and secured.

Amounts due to non-controlling interests

As at 30 April 2023, being the latest practicable date for the purpose of this indebtedness statement prior to the date of this Circular, the Group had amounts due to non-controlling interests of approximately HK\$10,085,000 which were unsecured, interest-free and repayable over one year.

Save as aforesaid or as otherwise disclosed herein, and apart from intra-group liabilities and normal trade payables in the ordinary course of the business, the Group did not have any debt securities issued and outstanding or agreed to be issued, bank overdrafts, loans or other similar indebtedness, liabilities under acceptances or acceptance credits, debentures, mortgages, charges, finance leases, hire-purchase commitments, guarantees or other material contingent liabilities at the close of business on 30 April 2023.

C. WORKING CAPITAL STATEMENT

The Directors, after due and careful consideration, are of the opinion that in the absence of unforeseeable circumstances, taking into account the financial resources available to the Group and the estimated net proceeds from the Rights Issue, the Group will have sufficient working capital for its present requirements for at least the next twelve (12) months following the date of this circular.

D. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors were not aware of any material adverse change in the financial or trading position of the Company since 31 December 2022, being the date to which the latest published audited consolidated financial statements of the Company were made up.

E. FINANCIAL AND TRADING PROSPECTS OF THE GROUP

The Group is principally engaged in food and beverage industry which include operation of restaurants as well as granting loans to entities in the food and beverage and entertainment industry.

Total revenue of the Group increased by 260.6% from approximately HK\$6.6 million in the first quarter of 2022 to approximately HK\$23.8 million in same period of 2023 as our restaurants have resumed to 90% of the pre-pandemic level of revenue performance after full resumption of cross-border travel.

Loss attributable to owners of the Company was approximately HK\$0.4 million in the first quarter of 2023 compared to that of approximately HK\$9.9 million in the same period of 2022. The significant decrease is primarily due to (i) the rebound of sale revenue in our restaurants; and (ii) operating expenses minimized in CUBIC SPACE+ after cessation of operation in October 2022.

The Company has been trying its best to explore fund-raising activities such as rights issue and share subscription/placing to meet its repayment obligations and improve the cash-flow for its business operations.

While the Company has repaid some of its outstanding debts by having successfully placed new Shares under general mandate to new investors in March 2023, the net liabilities of the Group had remained substantial and posed uncertainties relating to going concern basis of the Group.

Hence, the Directors consider that the proposed Rights Issue in the second and third quarters of 2023 represents an opportunity to settle 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.

The Group is relatively optimistic about its business and operations due to social restrictions being eased in many countries, leading to a rebound in domestic activities, border re-opening and resumption of international travel.

The Group will continue to monitor its costs closely while trying to maximise its revenue by providing first class services to its customers.

For illustrative purpose only, set out below is the unaudited pro forma statement of adjusted consolidated net tangible liabilities of the Group after completion of the Rights Issue. Although reasonable care has been exercised in preparing the unaudited pro forma financial information, Shareholders who read the information should bear in mind that these figures are inherently subject to adjustments and may not give a complete picture of the Group's financial positions for the financial periods concerned.

A. UNAUDITED PRO FORMA STATEMENT OF ADJUSTED CONSOLIDATED NET TANGIBLE LIABILITIES OF THE GROUP

The following is the unaudited pro forma statement of adjusted consolidated net tangible liabilities of the Group attributable to equity owners of the Company as at 31 December 2022 (the “**Unaudited Pro Forma Financial Information**”) which has been prepared by the directors of the Company in accordance with paragraph 7.31 of the Rules Governing the Listing of Securities on GEM of The Stock Exchange of Hong Kong Limited (the “**GEM Listing Rules**”), with reference to Accounting Guideline 7 “Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars” (“**AG 7**”) issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”), and on the basis of the notes set out below for the purpose of illustrating the effects of the Rights Issue on the unaudited consolidated net tangible liabilities of the Group as if the Rights Issue had taken place on 31 December 2022.

The Unaudited Pro Forma Financial Information is prepared for illustrative purpose only and based on the judgements, estimates and assumptions of the Directors, and because of the hypothetical nature, it may not give a true picture of the consolidated net tangible liabilities of the Group attributable to the owners of the Company as at the date to which it is made up or at any future date.

The following Unaudited Pro Forma Financial Information of the adjusted consolidated net tangible liabilities of the Group attributable to owners of the Company is prepared based on the consolidated net tangible liabilities of the Group attributable to owners of the Company as at 31 December 2022, extracted from the published annual report of the Group for the year ended 31 December 2022, with adjustment described below.

(2) Assuming full exercise of the outstanding Share Options by the Options Holders on or before the Record Date

			Consolidated net tangible liabilities of the Group attributable to owners of the Company as at 31 December 2022	Consolidated net tangible liabilities of the Group attributable to owners of the Company as at 31 December 2022 after taking into account of the Share Consolidation but prior to the completion of the Rights Issue per Share	Unaudited pro forma adjusted consolidated net tangible liabilities of the Group attributable to owners of the Company after completion of the Rights Issue	Unaudited pro forma adjusted consolidated net tangible liabilities of the Group attributable to owners of the Company as at 31 December 2022
Consolidated net tangible liabilities of the Group attributable to owners of the Company as at 31 December 2022	Estimated net proceeds from the Rights Issue	Unaudited pro forma adjusted consolidated net tangible liabilities of the Group attributable to owners of the Company after completion of the Rights Issue	Company as at 31 December 2022 before taking into account of the Share Consolidation but prior to the completion of the Rights Issue per Share	Company as at 31 December 2022 after taking into account of the Share Consolidation but prior to the completion of the Rights Issue per Share	Unaudited pro forma adjusted consolidated net tangible liabilities of the Group attributable to owners of the Company as at 31 December 2022	Unaudited pro forma adjusted consolidated net tangible liabilities of the Group attributable to owners of the Company as at 31 December 2022
HK\$'000 (Note 1)	HK\$'000 (Note 6)	HK\$'000	HK\$ (Note 3)	HK\$ (Note 4)	HK\$ (Note 7)	HK\$ (Note 7)

Based on 276,623,000 Rights Shares

to be issued at a Subscription

Price of HK\$0.160 per Rights

Share

(71,731)

41,221

(30,510)

(0.03)

(0.31)

(0.06)

Notes:

- (1) The consolidated net tangible liabilities of the Group attributable to owners of the Company as at 31 December 2022 is based on the consolidated net liabilities of the Group attributable to owners of the Company of approximately HK\$71,601,000, after deducting intangible assets of approximately HK\$130,000 as at 31 December 2022, extracted from the published annual report of the Group for the year ended 31 December 2022.
- (2) The estimated net proceeds from the Rights Issue are based on 274,128,000 Rights Shares to be issued (in the proportion of one (1) Rights Share for every one (1) Consolidated Share held as at the Rights Issue Record Date) at the Subscription Price of HK\$0.160 each per Rights Share, after deduction of the related expenses including, among others, placing commission and other professional fees of approximately HK\$3,039,000. The estimated net proceeds are approximately HK\$40,821,000.
- (3) The amount is calculated based on the consolidated net tangible liabilities of the Group attributable to the owners of the Company as at 31 December 2022 of HK\$71,731,000 and 2,290,400,000 shares in issue as at 31 December 2022 without taking into account of consolidation of every ten (10) issued Existing Shares as at 31 December 2022 of HK\$0.01 each into one Consolidated Shares of HK\$0.1 each (the "Share Consolidation").

- (4) The consolidated net tangible liabilities of the Group attributable to the owners of the Company per Share as at 31 December 2022 was HK\$0.31, which was based on the consolidated net tangible liabilities of the Group attributable to the owners of the Company as at 31 December 2022 of HK\$71,731,000, divided by 229,040,000 Consolidated Shares (equivalent to 2,290,400,000 Existing Shares immediately after the Share Consolidation having become effective).
- (5) The unaudited pro forma adjusted consolidated net tangible liabilities of the Group attributable to the owners of the Company as at 31 December 2022 immediately after completion of the Rights Issue per Share is determined based on the unaudited pro forma adjusted consolidated net tangible liabilities of the Group attributable to the owners of the Company after completion of Rights Issue of approximately HK\$30,910,000, divided by 503,168,000 Consolidated Shares which represents 229,040,000 Consolidated Shares (equivalent to 2,290,400,000 Existing Shares immediately after the Share Consolidation having become effective) in issue as at 31 December 2022 and 274,128,000 Rights Shares, assuming the Share Consolidation has become effective and the Rights Issue has been completed on 31 December 2022.
- (6) The estimated net proceeds from the Rights Issue of approximately HK\$41,221,000 is calculated based on 276,623,000 Rights Shares to be issued (in the proportion of one (1) Rights Share for every one (1) Consolidated Share held as at the Rights Issue Record Date) at the subscription price of HK\$0.160 per Rights Share, after deduction of the estimated related expenses of approximately HK\$3,039,000, assuming that the Rights Issue had been completed on 31 December 2022. The net proceeds from full exercise of the Share Options have not been reflected in the net proceeds from the Rights Issue as set out in the above table.
- (7) The unaudited pro forma adjusted consolidated net tangible liabilities of the Group attributable to the owners of the Company as at 31 December 2022 immediately after completion of the Rights Issue per Share is determined based on the unaudited pro forma adjusted consolidated net tangible liabilities of the Group attributable to the owners of the Company after completion of Rights Issue of approximately HK\$30,510,000, divided by 508,158,000 Consolidated Shares which represents 229,040,000 Consolidated Shares (equivalent to 2,290,400,000 Existing Shares immediately after the Share Consolidation having become effective) in issue as at 31 December 2022, 2,495,000 Consolidated Shares arising from the full exercise of the outstanding Share Options and 276,623,000 Rights Shares, assuming the Share Consolidation has become effective and the Rights Issue has been completed on 31 December 2022.
- (8) No adjustments have been made to the Unaudited Pro Forma Financial Information to reflect any trading results or other transactions of the Group entered into subsequent to 31 December 2022. On 17 March 2023, the Company completed the placing of 450,880,000 placing shares (equivalent to 45,088,000 Consolidated Shares immediately after the Share Consolidation having become effective) at the placing price of HK\$0.016 per placing share. The net proceeds from the placing, after deducting the related professional fees and expenses are approximately HK\$7,000,000. The placing of 450,880,000 placing shares, being a not adjusted subsequent event and not directly attributable to the Rights Issue, not be included as a pro forma adjustment. The number of 274,128,000 Rights Shares, 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) assumed in the presenting unaudited pro forma adjusted consolidated net tangible liabilities of the Group attributable to the owners of the Company as at 31 December 2022 per Share immediately after the completion of the Rights Issue is based on the actual number of shares in issue on the record date which took into the consideration of the placing of 450,880,000 shares (equivalent to 45,088,000 Consolidated Shares immediately after the Share Consolidation having become effective) on 17 March 2023.

The following is the text of a report, prepared for the purpose of incorporation in this circular and received from the independent reporting accountants, HLB Hodgson Impey Cheng Limited, Certified Public Accountants, in respect of the Unaudited Pro Forma Financial Information.

**B. INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE
COMPILATION OF UNAUDITED PRO FORMA FINANCIAL INFORMATION**

The following is the text of a report received from the reporting accountant, HLB Hodgson Impey Cheng Limited, Certified Public Accountants, Hong Kong, in respect of the Group's unaudited pro forma financial information for the purpose of incorporation in this circular.



31/F Gloucester Tower
The Landmark
11 Pedder Street
Central
Hong Kong

**INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE
COMPILATION OF UNAUDITED PRO FORMA FINANCIAL INFORMATION**

TO THE DIRECTORS OF LUK HING ENTERTAINMENT GROUP HOLDINGS LIMITED

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of Luk Hing Entertainment Group Holdings Limited (the “**Company**”) and its subsidiaries (hereinafter collectively referred to as the “**Group**”) prepared by the directors of the Company (the “**Directors**”) for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma statement of adjusted consolidated net tangible liabilities of the Group as at 31 December 2022 and related notes (the “**Unaudited Pro Forma Financial Information**”) as set out on pages II-1 to II-4 of Appendix II to the circular dated 9 June 2023 (the “**Circular**”) issued by the Company. The applicable criteria on the basis of which the Directors have compiled the Unaudited Pro Forma Financial Information are described on pages II-1 to II-4 of Appendix II to the Circular.

The Unaudited Pro Forma Financial Information has been compiled by the Directors to illustrate the impact of the proposed rights issue on the basis of one (1) Rights Share for every one (1) consolidated share of the Company held on the rights issue record date (the “**Rights Issue**”) on the Group's consolidated net tangible liabilities attributable to owners of the Company as at 31 December 2022 as if the Rights Issue had taken place at 31 December 2022. As part of this process, information about the Group's consolidated financial position has been extracted by the Directors from the Group's consolidated financial statements for the year ended 31 December 2022 on which an audit report has been published.

Directors' Responsibilities for the Unaudited Pro Forma Financial Information

The Directors are responsible for compiling the Unaudited Pro Forma Financial Information in accordance with paragraph 7.31 of the Rules Governing the Listing of Securities on GEM of The Stock Exchange of Hong Kong Limited (the “**GEM Rules**”) and with reference to Accounting Guideline 7 *Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars* (“**AG 7**”) issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”).

Our Independence and Quality Management

We have complied with the independence and other ethical requirements of the *Code of Ethics for Professional Accountants* issued by the HKICPA, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

The firm applies Hong Kong Standard on Quality Management 1, ‘*Quality Management for Firms that Perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services Engagements*’, which requires the firm to design, implement and operate a system of quality management including policies or procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting Accountants' Responsibilities

Our responsibility is to express an opinion, as required by paragraph 7.31(7) of the GEM Rules, on the Unaudited Pro Forma Financial Information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the Unaudited Pro Forma Financial Information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420 *Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Circular* issued by the HKICPA. This standard requires that the reporting accountants plan and perform procedures to obtain reasonable assurance about whether the Directors have compiled the Unaudited Pro Forma Financial Information in accordance with paragraph 7.31 of the GEM Rules and with reference to AG 7 issued by the HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the Unaudited Pro Forma Financial Information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the Unaudited Pro Forma Financial Information.

The purpose of Unaudited Pro Forma Financial Information included in the Circular is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the Group as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the event or transaction at 31 December 2022 would have been as presented.

A reasonable assurance engagement to report on whether the Unaudited Pro Forma Financial Information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the Directors in the compilation of the Unaudited Pro Forma Financial Information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- the related unaudited pro forma adjustments give appropriate effect to those criteria; and
- the Unaudited Pro Forma Financial Information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountants' judgment, having regard to the reporting accountants' understanding of the nature of the Group, the event or transaction in respect of which the Unaudited Pro Forma Financial Information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the Unaudited Pro Forma Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion:

- (a) the Unaudited Pro Forma Financial Information has been properly compiled on the basis stated;
- (b) such basis is consistent with the accounting policies of the Group; and
- (c) the adjustments are appropriate for the purposes of the Unaudited Pro Forma Financial Information as disclosed pursuant to paragraph 7.31(1) of the GEM Rules.

HLB Hodgson Impey Cheng Limited

Certified Public Accountants

Hong Kong

9 June 2023

Details of the Proposed Amendments to the existing Memorandum of Association and Articles of Association.

1. Clause 7 of Memorandum of Association

Existing Clause 7:

“7 The authorised share capital of the Company is HK\$100,000,000 divided into 10,000,000,000 shares of par value HK\$0.01 each with the power for the Company to increase or reduce the said capital and to issue any part of its capital, original or increased, with or without any preference, priority or special privilege or subject to any postponement of rights or to any conditions or restrictions; and so that, unless the condition of issue shall otherwise expressly declare, every issue of shares, whether declared to be preference or otherwise, shall be subject to the power hereinbefore contained.”

By deleting Clause 7 of the existing Memorandum of Association in its entirety, and replacing thereof the following new Clause 7:

“7 The authorised share capital of the Company is HK\$100,000,000 divided into 1,000,000,000 shares of par value HK\$0.10 each with the power for the Company to increase or reduce the said capital and to issue any part of its capital, original or increased, with or without any preference, priority or special privilege or subject to any postponement of rights or to any conditions or restrictions; and so that, unless the condition of issue shall otherwise expressly declare, every issue of shares, whether declared to be preference or otherwise, shall be subject to the power hereinbefore contained.”

2. Article 6 of the Articles of Association

Existing Article 6:

“6 The authorised share capital of the Company on the date of the adoption of these Articles is HK\$100,000,000 divided into 10,000,000,000 Shares of par value HK\$0.01 each.”

By deleting Article 6 of the existing Articles of Association in its entirety, and replacing thereof the following new Article 6:

“6 The authorised share capital of the Company on the date of the adoption of these Articles is HK\$100,000,000 divided into 1,000,000,000 Shares of par value HK\$0.10 each.”

1. RESPONSIBILITY STATEMENT

This circular, 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 circular 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 circular misleading.

2. SHARE CAPITAL AND OPTIONS

(a) Share Capital

The authorised and issued share capital of the Company (i) as at the Latest Practicable Date; (ii) immediately upon completion of the Share Consolidation and the Change in Board Lot Size but before the completion of the Rights Issue (assuming no other change in the number of issued Shares); and (iii) immediately after completion of the Rights Issue (assuming no other change in the number of issued Shares and full acceptance of Rights Shares by all Qualifying Shareholders) are set out as follows:

(a) *As at the Latest Practicable Date*

<i>Authorised:</i>	<i>HK\$</i>
10,000,000,000 Existing Shares	100,000,000
<u>10,000,000,000</u>	<u>100,000,000</u>
<i>Issued and fully paid:</i>	
2,741,280,000 Existing Shares	27,412,800
<u>2,741,280,000</u>	<u>27,412,800</u>

(b) *Immediately upon completion of the Share Consolidation and the Change in Board Lot Size but before the completion of the Rights Issue (assuming no change in the number of issued Shares)*

<i>Authorised:</i>	<i>HK\$</i>
1,000,000,000 Consolidated Shares	100,000,000
<u>1,000,000,000</u>	<u>100,000,000</u>
<i>Issued and fully paid:</i>	
274,128,000 Consolidated Shares	27,412,800
<u>274,128,000</u>	<u>27,412,800</u>

- (c) *Immediately upon completion of the Rights Issue (assuming no other change in the number of issued Shares and full acceptance of Rights Shares by all Qualifying Shareholders)*

Authorised: *HK\$*

<u>1,000,000,000</u> Consolidated Shares	<u>100,000,000</u>
--	--------------------

Issued and fully paid:

<u>548,256,000</u> Consolidated Shares	<u>54,825,600</u>
--	-------------------

The Rights Shares, when allotted and issued, shall rank pari passu in all respects with the Shares then in issue. Holder of the Rights Shares in their fully-paid form will be entitled to receive all future dividends and distributions which are declared, made or paid on or after the date of allotment and issue of the fully-paid Rights Shares.

Save as the Share Options, as at the Latest Practicable Date, the Company had no outstanding options, warrants or other securities in issue which are convertible into or giving rights to subscribe for, convert or exchange into, any Existing Shares or Consolidated Shares, as the case may be. The Company has no intention to issue or grant any convertible securities, warrants and/or options on or before the Record Date.

The Rights Shares to be issued will be listed on the Stock Exchange. No part of the share capital or any other securities of the Company is listed or dealt in on any stock exchange other than the Stock Exchange and no application is being made or is currently proposed or sought for the Shares or the Rights Shares or any other securities of the Company to be listed or dealt in on any other stock exchange.

(b) Share Options

Details of the outstanding Share Options as at the Latest Practicable Date were as follows:

Category/ Name of Grantee	Number of underlying Shares subject to outstanding Share Options	Date of grant	Exercise price (HK\$ per Share)	Exercise Period
Employees and Consultants	7,485,000	2 October 2018	HK\$0.061	<i>(Note 1)</i>
	7,485,000	2 October 2018	HK\$0.061	<i>(Note 2)</i>
	7,485,000	2 October 2018	HK\$0.061	<i>(Note 3)</i>
	<u>2,495,000</u>	2 October 2018	HK\$0.061	<i>(Note 4)</i>
Total	<u><u>24,950,000</u></u>			

Note:

1. Subject to fulfillment of the pre-determined vesting conditions, the share options shall be vested and exercisable from 2 October 2018 to 1 October 2028.
2. Subject to fulfillment of the pre-determined vesting conditions, the share options shall be vested and exercisable from 2 October 2019 to 1 October 2028.
3. Subject to fulfillment of the pre-determined vesting conditions, the share options shall be vested and exercisable from 2 October 2020 to 1 October 2028.
4. Subject to fulfillment of the pre-determined vesting conditions, the share options shall be vested and exercisable from 2 October 2021 to 1 October 2028.

Save as disclosed above, as at the Latest Practicable Date, the Company did not have any other options, warrants or other convertible securities or rights affecting the Shares and no capital of any member of the Group is under option, or agreed conditionally or unconditionally to be put under option as at the Latest Practicable Date.

As at the Latest Practicable Date, there was no arrangement under which future dividends are waived or agreed to be waived.

3. DISCLOSURE OF INTERESTS

(a) Directors and chief executive's interests in the Company and its associated corporations

Save as disclosed below, as at the Latest Practicable Date, none of the Directors or the chief executive of the Company had any interests or short positions in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which would have: (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including any interests or short positions which they were taken or deemed to have under such provisions of the SFO); or (b) pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) to be notified to the Company and the Stock Exchange pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules.

Name of Director/Chief Executive	Name of Group member/associated corporation	Nature of interest	Number and class of securities ⁽¹⁾	Approximate percentage of shareholding interest ⁽⁴⁾
Mr. Choi Yat Hon (Notes 2 and 3)	The Company	Interest of a controlled corporation, interest held jointly with another person	1,093,500,000 ordinary shares of the Company (L)	47.74%
	Welmen Investment Co. Ltd ("Welmen")	Interest of a controlled corporation	3,031.11 ordinary shares of Welmen (L)	30.3111%
		Beneficial owner	1,262.225 ordinary shares of Welmen (L)	12.62225%
Mr. Choi Siu Kit (Notes 2 and 3)	The Company	Interest of a controlled corporation, interest held jointly with another person	1,093,500,000 ordinary shares of the Company (L)	47.74%
	Welmen	Interest of a controlled corporation	3,031.11 ordinary shares of Welmen (L)	30.3111%
		Beneficial owner	1,262.225 ordinary shares of Welmen (L)	12.62225%

Name of Director/Chief Executive	Name of Group member/associated corporation	Nature of interest	Number and class of securities ⁽¹⁾	Approximate percentage of shareholding interest ⁽⁴⁾
Mr. Yeung Chi Shing (Note 2)	The Company	Interest held jointly with another person	1,093,500,000 ordinary shares of the Company (L)	47.74%
		Personal interests	18,000,000 ordinary shares of the Company (L)	0.79%
	Welmen	Beneficial owner	1,234.44 ordinary shares of Welmen (L)	12.3444%
Mr. Au Ka Wai (Note 2)	The Company	Interest held jointly with another person	1,093,500,000 ordinary shares of the Company (L)	47.74%
		Personal interests	18,000,000 ordinary shares of the Company (L)	0.79%
	Welmen	Beneficial owner	1,604.44 ordinary shares of Welmen (L)	16.0444%

Notes:

- (1) The letter “L” denotes the person’s long position in the shares of the Company or the relevant associated corporation.
- (2) On 2 March 2016, Mr. Choi Yat Hon, 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, details of which are set out in the Prospectus. On 20 August 2019, Mr. Yeung Bernard Sie Hong sold all his shares in Welmen to Mr. Choi Kuen Kwan (father of Mr. Choi Yat Hon and Mr. Choi Siu Kit). On 4 June 2020, Mr. Choi Kuen Kwan sold 50% and 50% of his shares in Welmen to Mr. Choi Yat Hon and Mr. Choi Siu Kit respectively. As such, pursuant to the acting in concert arrangement, each of Mr. Choi Yat Hon, Mr. Choi Siu Kit, Mr. Au Wai Pong Eric, Mr. Au Ka Wai and Mr. Yeung Chi Shing is deemed to be interested in 47.74% of the issued share capital of the Company held by Welmen.

- (3) 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 (“**Perfect Succeed**”), which is in turn owned as to 50% by Mr. Choi Yat Hon and as to 50% by Mr. Choi Siu Kit. By virtue of the SFO, each of Mr. Choi Yat Hon and Mr. Choi Siu Kit is deemed to be interested in 30.3111% of the issued share capital of Welmen held by Yui Tak and 47.74% of the issued share capital of the Company held by Welmen.
- (4) The “approximate percentage of shareholding interest” has not taken the 317,064,220 Consideration Shares into account as mentioned in the Company’s announcement dated 10 October 2022.

(b) Substantial shareholders and other persons’ interests in Shares and underlying Shares

Save as disclosed below, as at the Latest Practicable Date, the Company had not been notified by any corporation which or persons who (other than a Director or the chief executive of the Company) who had interests or short positions in the shares or underlying Shares, which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were required to be recorded in the register maintained by the Company pursuant to Section 336 of the SFO.

Name of shareholder	Nature of interest	Number and class of securities ⁽¹⁾	Approximate percentage of shareholding interest ⁽¹⁰⁾
Welmen	Beneficial owner	1,093,500,000 ordinary shares (L)	47.74%
Yui Tak (<i>Note 2</i>)	Interest of a controlled corporation	1,093,500,000 ordinary shares (L)	47.74%
Ocean Concept (<i>Note 2</i>)	Interest of a controlled corporation	1,093,500,000 ordinary shares (L)	47.74%
Toprich (<i>Note 3</i>)	Interest of a controlled corporation	1,093,500,000 ordinary shares (L)	47.74%
Perfect Succeed (<i>Note 3</i>)	Interest of a controlled corporation	1,093,500,000 ordinary shares (L)	47.74%
Ms. Chan Ting Fai (<i>Note 4</i>)	Interest of spouse	1,093,500,000 ordinary shares (L)	47.74%

Name of shareholder	Nature of interest	Number and class of securities ⁽¹⁾	Approximate percentage of shareholding interest ⁽¹⁰⁾
Mr. Au Wai Pong Eric (<i>Note 5</i>)	Interest held jointly with another person	1,093,500,000 ordinary shares of the Company (L)	47.74%
	Personal Interest	18,000,000 ordinary shares of the Company (L)	0.79%
	Beneficial owner	1,605.56 ordinary shares of Welmen (L)	16.0556%
Ms. Lee Wan (<i>Note 6</i>)	Interest of spouse	1,111,500,000 ordinary shares (L)	48.53%
Trendy Pleasure Limited (“ Trendy ”) (<i>Note 7</i>)	Beneficial owner	300,000,000 ordinary shares (L)	13.10%
Saint Lotus Cultural Development Group Co., Limited (“ Saint Lotus ”) (<i>Note 7</i>)	Interest of a controlled corporation	300,000,000 ordinary shares (L)	13.10%
Mr. Zhang Jianguang (<i>Note 7</i>)	Interest of a controlled corporation	300,000,000 ordinary shares (L)	13.10%
Kenbridge Limited (“ Kenbridge ”) (<i>Note 8</i>)	Beneficial owner	121,500,000 ordinary shares (L)	5.30%
Mr. Poon Ching Tong Tommy (<i>Note 8</i>)	Interest of a controlled corporation	121,500,000 ordinary shares (L)	5.30%
Ms. Lau Sze Mun Charmaine (<i>Note 9</i>)	Interest of spouse	121,500,000 ordinary shares (L)	5.30%

Notes:

- (1) The letter “L” denotes the person’s long position in the shares of the Company.
- (2) Welmen is owned as to 30.3111% by Yui Tak and Yui Tak is wholly owned by Ocean Concept. By virtue of the SFO, each of Yui Tak and Ocean Concept is deemed to be interested in 47.74% of the issued share capital of the Company held by Welmen.
- (3) Ocean Concept is owned as to 88.29% by Toprich and Toprich is wholly owned by Perfect Succeed, which is in turn owned as to 50% by Mr. Choi Yat Hon and as to 50% by Mr. Choi Siu Kit. By virtue of the SFO, each of Toprich, Perfect Succeed, Mr. Choi Yat Hon and Mr. Choi Siu Kit is deemed to be interested in 47.74% of the issued share capital of the Company held by Welmen.
- (4) Ms. Chan Ting Fai is the spouse of Mr. Choi Siu Kit. By virtue of the SFO, Ms. Chan Ting Fai is deemed to be interested in 47.74% of the issued share capital of the Company in which Mr. Choi Siu Kit is interested.
- (5) Mr. Au Wai Pong Eric resigned as a non-executive Director of the Company on 23 February 2022.
- (6) Ms. Lee Wan is the spouse of Mr. Au Wai Pong Eric. By virtue of the SFO, Ms. Lee Wan is deemed to be interested in 48.53% of the issued share capital of the Company in which Mr. Au Wai Pong Eric is interested.
- (7) Trendy is wholly owned by Saint Lotus and Saint Lotus is wholly owned by Mr. Zhang Jianguang. By virtue of the SFO, each of Saint Lotus and Mr. Zhang Jianguang is deemed to be interested in 13.10% of the issued share capital of the Company held by Trendy.
- (8) Kenbridge is wholly owned by Mr. Poon Ching Tong Tommy. By virtue of the SFO, Mr. Poon Ching Tong Tommy is deemed to be interested in 5.30% of the issued share capital of the Company held by Kenbridge.
- (9) Ms. Lau Sze Mun Charmaine is the spouse of Mr. Poon Ching Tong Tommy. By virtue of the SFO, Ms. Lau Sze Mun Charmaine is deemed to be interested in 5.30% of the issued share capital of the Company in which Mr. Poon Ching Tong Tommy is interested.
- (10) The “approximate percentage of shareholding interest” has not taken the 317,064,220 Consideration Shares into account as mentioned in the Company’s announcement dated 10 October 2022.

4. DIRECTORS’ INTERESTS IN CONTRACT AND ASSET

As at the Latest Practicable Date, none of the Directors had any interest, direct or indirect, in any assets which had been acquired or disposed of by or leased to any member of the Group, or were proposed to be acquired or disposed of by or leased to any member of the Group since 31 December 2022, the date to which the latest published audited accounts of the Group were made up.

There was no contract or arrangement entered into by any member of the Group, subsisting as at the Latest Practicable Date, in which any of the Directors was materially interested and which was significant in relation to the business of the Group as a whole.

5. DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had entered into or proposed to enter into any service contract with the Company or any of its subsidiaries which is not determinable by the Group within one year without payment of compensation (other than statutory compensation).

6. COMPETING INTERESTS

Saved as disclosed below, as at the Latest Practicable Date, none of the Directors or the controlling shareholders of the Company, neither themselves nor their respective close associates (as defined in the GEM Listing Rules) engaged in any business that competes or may compete, directly or indirectly, with the business of the Group or had any other conflicts of interest with the Group nor are they aware of any other conflicts of interest which any such person has or may have with the Group. The Controlling Shareholders have provided information necessary for annual review by our Company's independent non-executive Directors and the enforcement of the Deed of Non-competition. The Controlling Shareholders have provided written confirmation to the Company declaring compliance with the Deed of Non-competition. Our independent non-executive directors have reviewed and concluded their compliance with the Deed of Non-competition signed between controlling shareholders and the Company.

The controlling shareholders of the Company (the “**Controlling Shareholders**”) are interested in certain restaurant businesses in Macau (the “**Retained Macau Restaurant Business**”). Compared to the Group's current clubbing business in Macau, the Retained Macau Restaurant Business has different industry nature, opening business hours and target customers. Accordingly, our Directors are of the view that the Retained Macau Restaurant Business are clearly delineated from the Group's businesses and will not compete (either directly or indirectly) or are not likely to compete with the Group's businesses.

Mr. Choi Siu Kit, our executive Director and also controlling shareholder of the Company, is engaged in certain restaurant and bar business in Hong Kong before the Listing (the “**Retained HK Restaurant and Bar Business**”). Set out below are the details of his interests in the Retained HK Restaurant and Bar Business during the twelve-month period ended 31 December 2022:

Name of entity	Nature of interests
Mighty Force Catering Group Limited (Note)	Approximately 50% of issued share capital was held by Mr. Choi Siu Kit's spouse, who was also a director
Sham Tseng Chan Kee Roasted Goose Company Limited (Note)	Approximately 7.5% of issued share capital was held by Mr. Choi Siu Kit's spouse
Eastern Full Limited (Note)	Approximately 7.5% of issued share capital was held by Mr. Choi Siu Kit's spouse

Note: Operate/franchise restaurants with trading name of Sham Tseng Chan Kee in Hong Kong

As Mr. Choi Siu Kit had engaged the Retained HK Restaurant before the Group's Listing, such business are excluded from the Group and is not covered by the Deed of Non-competition entered between the Controlling Shareholders and the Company.

7. LITIGATIONS

As at the Latest Practicable Date, save as disclosed below, no member of the Group was engaged in any litigation, arbitration or claim of material importance and no litigation, arbitration or claim of material importance was known to the Directors to be pending or threatened against any member of the Group.

- (a) On 19 October 2021, the Company's subsidiary, Luk Hing Investment received a summons issued by COD Resorts Limited ("COD") (as plaintiff) against Luk Hing Investment (as defendant) and filed with Court of the Macau to such civil proceeding. COD alleged that Luk Hing Investment breached the contractual obligations of the Operating Agreement and Supplemental Agreement (the "Agreements") due to default of payment of the rental expenses and contingent rental expense during the year ended 31 December 2021. COD further understands that Luk Hing Investment, by failing to comply with its contractual obligations on a timely manner, the termination of the Agreements shall be deemed valid and effective and requested Luk Hing Investment to pay all the amounts claimed under the Agreements of approximately HK\$85,982,000 (equivalent to approximately MOP88,562,000) including the outstanding rental expenses, the rental expenses for the remaining contract terms, interest regards to the outstanding rental expenses, etc..

On 12 January 2022, an objection was filed by Luk Hing Investment to the Court to deny the amounts requested by COD as their request were onerous, excessive, disproportional and unreasonable. In addition, due to the termination of the Agreements, Luk Hing Investment filed a counterclaim in relation to the equipment held by Luk Hing Investment, that remained unrecovered in the former premises of Club Cubic Macau, Luk Hing Investment objected via credit offset and a counterclaim of the total amounts approximately HK\$5,805,000 (equivalent to approximately MOP5,979,000).

On 7 March 2022, COD filed the reply to objection of Luk Hing Investment to the Court. COD objected to the claim of credit offset and counterclaim of Luk Hing Investment in respect of the equipment, which remains unrecovered in the former Club Cubic Macau, claiming that such equipment was accounted as a cost of Luk Hing Investment, but immediately incorporated into the Club Cubic Macau, becoming COD the owner and proprietor of the said. COD objects to the arguments made by Luk Hing Investment and maintaining the amount as requested.

On 23 December 2022, Luk Hing Development Limited and Luk Hing International Limited, both being direct wholly-owned subsidiaries of the Company, had entered into share purchase agreement with San Thai Food Investment Limited to dispose of the entire issued share capital in Luk Hing Investment at the consideration of approximately HK\$100,000. The disposal was completed on 23 December 2022 and subsequent to which, Luk Hing Investment Limited ceased to be subsidiary of the Company. For further details, please refer to the announcement of the Company dated 23 December 2022.

- (b) On 11 October 2021, Zhuhai Ruiye, the Company's subsidiary, received an arbitration request issued by 珠海城市建設集團有限公司 (“**城建集團**”), the landlords of CUBIC SPACE+ and 珠海城建海韻資產經營管理有限公司 (“**城建海韻**”), the property management company of CUBIC SPACE+, alleged that Zhuhai Ruiye has breached the tenancy agreement of CUBIC SPACE+ in Zhuhai, the PRC. 城建集團 and 城建海韻 alleged that Zhuhai Ruiye had failed to pay the rental expense and building management fee for the period of October 2018 to August 2019 and February 2020 to April 2020, together with costs of the legal proceedings for approximately HK\$8,346,000 (equivalent to approximately RMB6,924,000). Zhuhai Ruiye submitted that the condition of the property was substandard quality at the delivery date and suffered substantial losses due to the leakage of the property. Zhuhai Ruiye applied for a counterclaim to the landlords and the property management company and requested waiver for the rental fee and building management fee for the above period and compensation for the losses due to the water leakage of the property, repairs and maintenances, labor costs together with costs of legal proceedings for approximately HK\$15,947,000 (equivalent to approximately RMB13,230,000). The arbitration committee requested Zhuhai Ruiye to provide the evidences of the substandard quality of the property and breakdown for the labor cost for further judgement.

On 7 September 2022, Zhuhai Arbitration Commission issued an Arbitration Award against the case between Zhuhai Ruiye, 城建集團 and 城建海韻. According to the Arbitration Award, Zhuhai Ruiye had to pay rental expenses to 城建集團 for the period of 24 January 2019 to 31 August 2019 which amounted for approximately HK\$1,932,000 (equivalent to approximately RMB1,726,000) and 50% of rental expenses of April 2020 which amounted for approximately HK\$140,000 (equivalent to approximately RMB125,000). Zhuhai Ruiye also had to pay the liquidated damages and penalties to 城建集團 which amounted for HK\$1,130,000 (equivalent to approximately RMB1,010,000) together with the costs of legal proceedings of approximately HK\$248,000 (equivalent to approximately RMB222,000). The amounts are included in other payables.

On 21 October 2022, the Company further announced that due to disputes between 城建集團 and 城建海韻 in relation to the operation CUBIC SPACE+ at landmark Zhuhai Grand Theatre, the Group would be unable to continue to operate CUBIC SPACE+ from 20 October 2022. As at the Latest Practicable Date, the Company is seeking legal advice in relation to its rights over the aforesaid matter, as well as certain employment disputes relating to the aforesaid matter, which, to the best of the knowledge of the Directors, concerned an amount of approximately RMB2.5 million.

8. MATERIAL CONTRACTS

Save as disclosed below, there are no material contracts (not being contracts entered into in the ordinary course of business) which have been entered into by any member of the Group within the two years immediately preceding the date of this circular:

- (a) a placing agreement dated 24 February 2023 entered into between the Company as issuer and Sanston Financial Group Limited as the placing agent, pursuant to which an aggregate of 450,880,000 placing shares at the placing price of HK\$0.016 per placing share were issued through general mandate;
- (b) a share transfer agreement dated 23 December 2022 entered into between the Company as vendor and San Thai Fook Investment Limited as purchaser (“San Thai Fook”) in respect of the transfer the entire issued share capital of Luk Hing Investment Limited;
- (c) a termination agreement dated 10 October 2022 entered into between Company as purchaser, Infinity Entertainment Group Limited as vendor and LC Capital Limited as guarantor, pursuant to which the Company agreed to terminate the acquisition of the shares of C45 Holdings Limited;
- (d) a tenancy agreement dated 15 August 2022 entered into between Wharf Realty Limited as landlord and Betula Profit Holdings Limited as the tenant in respect of renewal of tenancy of the Group;
- (e) a supplemental sale and purchase agreement dated 14 June 2022 entered into between the Company as purchaser, Infinity Entertainment Group Limited as vendor and LC Capital Limited as guarantor in respect of acquisition of the shares of C45 Holdings Limited;
- (f) a sale and purchase agreement dated 13 June 2022 entered into between the Company as purchaser, Infinity Entertainment Group Limited as vendor and LC Capital Limited as guarantor, pursuant to which the Company agreed to acquire the shares of C45 Holdings Limited;
- (g) the Underwriting Agreement; and
- (h) the Placing Agreement.

9. EXPERTS AND CONSENTS

The following is the qualification of the experts or professional advisers who have given opinion or advice contained in this circular (collectively, the “**Experts**”):

Name	Qualification
Silverbricks Securities Company Limited	a corporation licensed to carry out Type 6 (advising on corporate finance) regulated activity under the SFO
HLB Hodgson Impey Cheng Limited	Certified Public Accountants

As at the Latest Practicable Date, each of the above Experts has given and has not withdrawn its written consent to the issue of this circular with the inclusion herein of its letters or reports and the reference to its name in the form and context in which they respectively appear.

As at the Latest Practicable Date, none of the Experts had any shareholding in any member of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

As at the Latest Practicable Date, none of the Experts had any interest, direct or indirect, in any assets which had been acquired or disposed of by or leased to any member of the Group, or which were proposed to be acquired or disposed of by or leased to any member of the Group since 31 December 2022, being the date to which the latest published audited accounts of the Company were made up.

10. EXPENSES

The expenses in connection with the Rights Issue, including financial advisory fees, placing and underwriting commission (assuming the Rights Issue is not fully-subscribed and any Unsubscribed Rights Shares and NQS Unsold Shares), printing, registration, translation, legal and accountancy charges are estimated to be up to approximately HK\$3.0 million, which are payable by the Company.

11. CORPORATE INFORMATION AND PARTIES INVOLVED IN THE RIGHTS ISSUE

Board of Directors*Executive Directors*

Mr. Choi Yat Hon
(formerly known as Choi Yiu Ying)
(*Chairman and Chief Executive Officer*)
Mr. Choi Siu Kit
Mr. Patrick Ting

Non-executive Director

Mr. Au Ka Wai

Independent Non-executive Directors

Mr. Mr. Ip Hoi Fan
Mr. Wong Chung Wai
Mr. Tse Mei Ling

Audit committee

Ms. Tse Mei Ling (*Chairman*)
Mr. Au Ka Wai
Mr. Wong Chung Wai

Nomination committee

Mr. Choi Yat Hon
(formerly known as Choi Yiu Ying)
(*Chairman*)
Mr. Wong Chung Wai
Mr. Ip Hoi Fan

Remuneration committee

Ms. Tse Mei Ling (*Chairman*)
(appointed on 13 January 2023)
Mr. Wong Chung Wai
Mr. Ip Hoi Fan
Mr. Au Ka Wai

Registered office

Windward 3, Regatta Office Park
P.O. Box 1350
Grand Cayman KY1-1108
Cayman Islands

Head office and principal place of business in Hong Kong	Room 1505, 15/F., Shun Tak Centre West Tower 168-200 Connaught Road Central Sheung Wan Hong Kong
Authorised representatives	Mr. Choi Siu Kit Mr. Lee Kun Yin
Business address of all Directors and authorised representatives	Room 1505, 15/F., Shun Tak Centre West Tower 168-200 Connaught Road Central Sheung Wan Hong Kong
Company secretary	Mr. Lee Kun Yin
Compliance officer	Mr. Choi Siu Kit
Principle share registrar and transfer office	Ocorian Trust (Cayman) Limited Windward 3, Regatta Office Park P.O. Box 1350 Grand Cayman KY1-1108 Cayman Islands
Branch share registrar and transfer office in Hong Kong	Tricor Investor Services Limited 17/F, Far East Finance Centre 16 Harcourt Road Hong Kong
Principal banker	Bank of East Asia Limited 10 Des Voeux Road Central Hong Kong Bank of China Limited Macau Branch Avenida Doutor Mario Soares no.323, Bank of China Building, Macau
Auditors and reporting accountants of the Company	HLB Hodgson Impey Cheng Limited 31st floor, Gloucester Tower, The Landmark, 11 Pedder St, Central Hong Kong

Legal advisers to the Company	<i>As to Hong Kong law</i> Jingtian & Gongcheng LLP Suites 3203-3207, 32/F., Edinburgh Tower, The Landmark, 15 Queen's Road Central, Hong Kong
	<i>As to Macau law</i> Leong Hon Man Law Office Avenida da Praia Grande no.409, China Law Building, 12/F, Macau
	<i>As to Cayman Islands law</i> Appleby Suites 4201-03 & 12, 42/F, One Island East, Taikoo Place, 18 Westlands Road, Quarry Bay, Hong Kong
Financial adviser to the Company	VBG Capital Limited 21st Floor, Grand Millennium Plaza, 181 Queen's Road Central, Hong Kong
Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders	Silverbricks Securities Company Limited Unit 04-06, 10/F, Shun Tak Centre China Merchants Tower 168-200 Connaught Road Central Sheung Wan, Hong Kong
Placing Agent	Sanston Financial Group Limited 17/F., The L Place 139 Queen's Road Central Hong Kong

12. PARTICULARS OF THE DIRECTORS AND SENIOR MANAGEMENT**Executive Directors**

Mr. Choi Yat Hon, (with former names Choi Yiu Ying, Choi Siu Man and Choi Siu Ying (“**Mr. Simon Choi**”), aged 46, was appointed as our Director on 19 January 2016. He was re-designated as our executive Director and our chairman of the Board on 2 March 2016, and is primarily responsible for overall strategic planning and supervising daily operation of our Group. He has joined our Group as our chief executive officer since May 2010, with responsibilities to, among others, develop business plans, manage staff members, oversee daily operation and cost and budget control. He has also been a director of certain subsidiaries of the Group. Mr. Simon Choi is the chairman of the Nomination Committee of the Board.

Mr. Choi Siu Kit (“**Mr. John Choi**”), aged 45, was appointed as our Director on 30 November 2015. He was re-designated as our executive Director on 2 March 2016. He was also appointed as the compliance officer of our Company on 2 March 2016 and is currently the authorized representative of the Company. Mr. John Choi is primarily responsible for overall strategic planning and supervising marketing and entertainment aspects of our Group. He has joined our Group as our managing director since May 2010. He has been responsible for overseeing daily operation, developing business strategies, building client relationships and business reputation, liaising with suppliers and relevant government departments and implementing the overall business strategies. He has also been a director of certain subsidiaries of the Group.

Mr. Patrick Ting (“**Mr. Ting**”), aged 60, was appointed as our Director on 21 April 2023. He has held the top management position for the last 25 years, either as MD, COO and/or CEO at various companies. Since May 2022, Mr. Ting has been the CEO of Saudee Group Berhad which is amongst the largest and most progressive processed frozen food manufacturers in Malaysia, with a total workforce of 500 personnel, specialising in manufacturing of frozen processed food products such as burger patties, nuggets, sausages, meat balls and many others. Since July 2022, Mr. Ting has also been the Executive Director of Permaju Industries Berhad, a company which is listed on the Kuala Lumpur Stock Exchange (Bursa Malaysia) (stock code: 7080) since 9 November 1999.

Non-executive Directors

Mr. Au Ka Wai (“**Mr. Au**”), aged 46, was appointed as a non-executive Director of our company on 9 August 2018 and appointed as a member of each of the Audit Committee and the Remuneration Committee of the Board on 23 February 2022. Mr. Au is primarily responsible for overseeing management and strategic planning of our Group.

Independent non-executive Directors

Mr. Ip, Hoi Fan (“Mr. Ip”), aged 36, was appointed as an independent non-executive Director of the Company, a member of the Remuneration Committee and Nomination Committee of the Company on 6 May 2022. Mr. Ip obtained a degree in Bachelor of Engineering (Hons) in Building Engineering (Building Services Engineering) from The City University of Hong Kong in 2011. Mr. Ip is currently a director of Flowering Lighting, a LED trading company in Hong Kong. Mr. Ip has worked as an E&M Engineer at Shinryo (Hong Kong) Limited from 2011 to 2015. From 2015 to 2020, Mr. Ip was appointed as a LED lighting Senior Sales Manager at Supreme Pro International Limited.

Mr. Wong Chung Wai (“Mr. Wong”), aged 47, was appointed as an independent non-executive Director of the Company, a member of the Audit Committee, Remuneration Committee and Nomination Committee of the Company on 10 January 2023. Mr. Wong was educated at Monash University in Melbourne with a Degree in Civil Engineering and Masters in Business Systems (Information Technology). Upon graduation, he gained working experiences across industries such as construction, trading as well as manufacturing. Mr. Wong is currently the founder and director of K.S. Machinery (HK) Limited, a packaging machinery manufacturing and trading company while he held senior management position leading the sales team in a trading company which has its own manufacturing facilities in Southern China between 2004 and 2019.

Ms. Tse Mei Ling (“Ms. Tse”), aged 43, was appointed as an independent non-executive Director of the Company, the chairman of the Audit Committee and Remuneration Committee of the Company on 13 January 2023. Ms. Tse is a fellow member of Association of Chartered Certified Accountants with 20 years of experience in accounting and financial management. Ms. Tse is currently a financial controller of the NEFIN Group. She served as financial controller of Energy International Investments Holdings Limited, a company listed on the Main Board of The Stock Exchange of Hong Kong Limited (stock code: 353) between 2016 and 2018. Ms. Tse has also served as financial controller of the Company between 2012 and 2015.

13. AUDIT COMMITTEE

As at the Latest Practicable Date, the audit committee of the Board (the “**Audit Committee**”) comprised all of the independent non-executive Directors, namely Ms. Tse Mei Ling (the chairman of the Audit Committee), Mr. Au Ka Wai and Mr. Wong Chung Wai. The background, directorship and past directorship (if any) of each of the members of the Audit Committee are set out in the section headed “12. Particulars of the Directors and senior management” in this appendix. The primary duties of the Audit Committee include, among other things, reviewing and supervising the financial reporting process and internal control systems, as well as the overall risk management of the Group, reviewing the consolidated financial statements and the interim and annual reports of the Group, reviewing the terms of engagement and scope of audit work of the external auditor, and performing the corporate governance function.

14. DOCUMENTS ON DISPLAY

Copies of the following documents will be published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.lukhing.com) for 14 days from the date of this circular:

- (a) the Memorandum of Association and the Articles of Association of the Company;
- (b) the annual reports of the Company for each of the three financial years ended 31 December 2020, 2021 and 2022;
- (c) first quarter report of the Company for three-month period ended 31 March 2023;
- (d) the letter from the Board, the text of which is set out on pages 11 to 43 of this circular;
- (e) the letter from the Independent Board Committee, the text of which is set out on page 44 of this circular;
- (f) the letter from the Independent Financial Adviser, the text of which is set out on pages 45 to 71 of this circular;
- (g) the letter issued by the reporting accountants regarding the unaudited pro forma financial information of the Group, the text of which is set out in Appendix II to this circular;
- (h) the material contracts referred to in the paragraph headed “8. Material contracts” in this appendix;
- (i) the written consents from the Experts referred to in paragraph headed “9. Experts and Consents” of this appendix; and
- (j) this circular.

15. MISCELLANEOUS

- (a) As at the Latest Practicable Date, to the best knowledge of the Directors, there was no restriction affecting the remittance of profit or repatriation of capital of the Company into Hong Kong from outside Hong Kong.
- (b) As at the Latest Practicable Date, the Group had no exposure to foreign exchange liabilities.
- (c) In the event of any inconsistency, the English texts of this circular and the accompanying form of proxy shall prevail over their respective Chinese texts.

NOTICE OF EGM



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)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that an extraordinary general meeting (the “**Meeting**”) of Luk Hing Entertainment Group Holdings Limited (the “**Company**”) will be held at Shop 601, 6th Floor, Citygate, 20 Tat Tung Road, Tung Chung, Lantau, Hong Kong on Friday, 30 June 2023 at 11:00 a.m. (Hong Kong time), or at any adjournment thereof, for the purpose of considering and, if thought fit, passing (with or without amendment) the following resolutions:

ORDINARY RESOLUTIONS

1. “**THAT** subject to the satisfaction of the conditions set out in the letter from the board under the heading “Conditions of the Share Consolidation” in the circular of the Company dated 28 April 2023, with effect from the second business day immediately following the day of passing of this resolution, being a day on which the shares of the Company are traded on The Stock Exchange of Hong Kong Limited:
 - (a) every ten (10) issued and unissued shares of par value HK\$0.01 each in the share capital of the Company be consolidated into one (1) share of par value HK\$0.1 (each a “**Consolidated Share**”), and such Consolidated Share(s) shall rank pari passu in all respects with each other and have the rights and privileges and be subject to the restrictions in respect of ordinary shares contained in the articles of association of the Company (the “**Share Consolidation**”);
 - (b) immediately following the Share Consolidation, the authorised share capital of the Company be changed from HK\$100,000,000 divided into 10,000,000,000 shares of par value HK\$0.01 each in the share capital of the Company to HK\$100,000,000 divided into 1,000,000,000 Consolidated Shares of par value HK\$0.1 each;
 - (c) all fractional Consolidated Shares resulting from the Share Consolidation will be disregarded and will not be issued to holders of the same but all such fractional Consolidated Shares will be aggregated and, if possible, sold for the benefit of the Company in such manner and on such terms as the directors (the “**Directors**”) of the Company may think fit; and
 - (d) any one Director be and is hereby authorised to approve, sign and execute such documents and do and/or procure to be done any and all acts, deeds and things which in his/her opinion may be necessary, desirable or expedient to effect and implement this resolution.”

NOTICE OF EGM

2. “**THAT** conditional upon the passing of resolutions numbered 1 as set out above and subject to the conditions set out in the letter from the board under the heading “Conditions of the Rights Issue” in the circular of the Company dated 28 April 2023:
- (a) the allotment and issue of up to 274,128,000 new Consolidated Shares, credited as fully paid upon full payment of the Subscription Price (the “**Rights Shares**”), (assuming no change in the number of Consolidated Shares in issue on or before the Record Date (as defined below) and that no new Consolidated Shares (other than the Rights Shares) will be allotted and issued on or before completion of the Rights Issue) pursuant to an offer by way of rights to the shareholders of the Company (the “**Shareholders**”) at the subscription price of HK\$0.160 per Rights Share (the “**Subscription Price**”), in cash, on the basis of one (1) Rights Shares for every one (1) Consolidated Share held by the Shareholders (the “**Qualifying Shareholders**”) whose names appear on the register of members of the Company on 6 July 2023, or such other date as may be determined by the Company for determining entitlements of Shareholders to participate in the Rights Issue (as defined below) (the “**Record Date**”), as described in further details in a circular issued by the Company dated 28 April 2023 (a copy of which has been produced to the Meeting marked “A” and signed by the chairman of the Meeting for the purpose of identification), save for the Shareholders whose addresses as of the Record Date are outside of Hong Kong (if any) to whom the Directors, based on legal opinions to be provided by the legal advisers to the Company, consider it necessary or expedient not to offer the Rights Shares on account either of the legal restrictions under the laws of the relevant place(s) of their registered address(es) or the requirements of the relevant regulatory body(ies) or stock exchange(s) in such place(s) (the “**Non-Qualifying Shareholders**”), and on and subject to such terms and conditions as may be determined by the Directors (the “**Rights Issue**”), be and is hereby approved, confirmed and ratified;

NOTICE OF EGM

- (b) the underwriting agreement dated 6 April 2023 (the “**Underwriting Agreement**”) and entered into between the Company and Sanston Financial Group Limited (a copy of which has been produced to the Meeting marked “B” and signed by the chairman of the Meeting for the purpose of identification), in relation to the underwriting of 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), and the transactions contemplated thereunder be and are hereby approved, confirmed and ratified;
- (c) the placing agreement dated 6 April 2023 (the “**Placing Agreement**”) and entered into between the Company and Sanston Financial Group Limited (a copy of which has been produced to the Meeting marked “C” and signed by the chairman of the Meeting for the purpose of identification), in relation to the placing of the Rights Shares not subscribed by the Qualifying Shareholders and/or the Rights Shares which would otherwise has/have been provisionally allotted to the Excluded Shareholder(s) in nil-paid form that has/have not been sold by the Company at the placing price of not less than the Subscription Price on a best effort basis, and the transactions contemplated thereunder be and are hereby approved, confirmed and ratified;
- (d) the board of Directors or a committee thereof be and is hereby authorised to allot and issue the Rights Shares pursuant to or in connection with the Rights Issue notwithstanding that the same may be offered, allotted or issued otherwise than pro-rata to the existing Shareholders and, in particular, the Directors may make such exclusions or other arrangements in relation to any Non-Qualifying Shareholders, and to do all such acts and things or make such arrangements as it considers necessary, desirable or expedient to give effect to any or all other transactions contemplated in this resolution; and
- (e) any one or more Directors be and is/are hereby authorised to do all such acts, deeds and things, to sign and execute all such further documents or deeds and to take such steps as he/they may in his/their absolute discretion consider necessary, appropriate, desirable or expedient to carry out or to give effect to or in connection with the Rights Issue, the Underwriting Agreement, the Placing Agreement and the transactions contemplated thereunder.”

NOTICE OF EGM

SPECIAL RESOLUTION

As special business, to consider and, if thought fit, pass the following resolution as a special resolution of the Company:

3. “**THAT, AS A SPECIAL RESOLUTION**, the proposed amendments to the existing second amended and restated articles of association of the Company set out in Appendix III to the circular of the Company dated 28 April 2023 (the “**Proposed Amendments**”) of which this notice forms part be and are hereby approved and that the third amended and restated memorandum and articles of association of the Company which incorporate all the Proposed Amendments be and is hereby adopted as the new memorandum and articles of association of the Company in substitution for and to the exclusion of the existing second amended and restated memorandum and articles of association of the Company with effect from the effective date of the Share Consolidation, and that any one Director or company secretary of the Company be and is hereby authorised to do all things necessary to implement the adoption and arrange for the requisite filing of the third amended and restated articles of association and any special resolution passed in the Cayman Islands and Hong Kong.”

By order of the Board
Luk Hing Entertainment Group Holdings Limited
Choi Yat Hon
Chairman

Hong Kong, 9 June 2023

Registered office:

Windward 3, Regatta Office Park
P.O. Box 1350
Grand Cayman KY1-1108
Cayman Islands

Principal place of business in Hong Kong:

Room 1505, 15/F.,
Shun Tak Centre West Tower
168-200 Connaught Road Central
Sheung Wan
Hong Kong

Notes:

- (1) An eligible shareholder is entitled to appoint one or more proxies to attend, speak and vote in his/her stead at the Meeting (or at any adjournment of it) provided that each proxy is appointed to represent the respective number of shares held by the shareholder as specified in the relevant proxy forms. The proxy does not need to be a shareholder of the Company.
- (2) Where there are joint registered holders of any shares, any one of such persons may vote at the Meeting (or at any adjournment of it), either personally or by proxy, in respect of such shares as if he/she were solely entitled thereto but the vote of the senior holder who tenders a vote, whether in person or by proxy, will be accepted to the exclusion of the vote(s) of the other joint holders and, for this purpose, seniority shall be determined by the order in which the names stand in the register of members of the Company in respect of the relevant joint holding.
- (3) A proxy form for use at the Meeting or its adjourned Meeting is enclosed.

NOTICE OF EGM

- (4) In order to be valid, the completed proxy form must be received by the Hong Kong branch share registrar and transfer office of the Company, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong at least 48 hours before the time appointed (i.e. Wednesday, 28 June 2023 at 11:00 a.m.) for holding the Meeting or adjourned meeting (as the case may be). If a proxy form is signed by an attorney of a shareholder who is not a corporation, the power of attorney or other authority under which it is signed or a certified copy of that power of attorney or authority (such certification to be made by either a notary public or a solicitor qualified to practice in Hong Kong) must be delivered to the Hong Kong branch share registrar and transfer office of the Company together with the proxy form. In the case of a corporation, the proxy form must either be executed under its common seal or be signed by an officer or agent duly authorised in writing.
- (5) For the purposes of determining shareholders' eligibility to attend, speak and vote at the Meeting (or at any adjournment of it), the register of members of the Company will be closed from Monday, 26 June 2023 to Friday, 30 June 2023, (both dates inclusive), during which period no transfer of shares of the Company will be registered. To be eligible to attend, speak and vote at the above meeting (or at any adjournment of it), all properly completed transfer documents accompanied by the relevant share certificate must be lodged with the Hong Kong branch share registrar and transfer office of the Company, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong for registration not later than 4:30 p.m. on Friday, 23 June 2023.
- (6) The voting at the Meeting or its adjourned Meeting will be taken by poll.
- (7) If tropical cyclone warning signal No. 8 or above, or a "black" rainstorm warning or "extreme conditions after super typhoons" announced by the Government of Hong Kong is/are in effect any time after 7:00 a.m. on the date of the Meeting, the Meeting will be postponed. The Company will post an announcement on the website of the Company at www.hopelife.hk and on the website of the Stock Exchange at www.hkexnews.hk to notify the Shareholders of the date, time and place of the re-scheduled Meeting.

If a tropical cyclone warning signal No. 8 or above or a "black" rainstorm warning signal is lowered or cancelled at or before 7:00 a.m. on the date of the Meeting and where conditions permit, the Meeting will be held as scheduled.

The Meeting will be held as scheduled when an "amber" or "red" rainstorm warning signal is in force.

As at the date of this notice, the Directors are:

Executive Directors:

Mr. Choi Yat Hon (formerly known as Choi Yiu Ying) (*Chairman and Chief Executive Officer*)
Mr. Choi Siu Kit
Mr. Patrick Ting

Non-executive Director:

Mr. Au Ka Wai

Independent non-executive Directors:

Mr. Ip Hoi Fan
Mr. Wong Chung Wai
Ms. Tse Mei Ling