
THIS PROSPECTUS IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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

If you have sold or transferred all your shares in Luk Hing Entertainment Group Holdings Limited, you should at once hand the Prospectus Documents to the purchaser(s) or the transferee(s) or to the bank, licensed securities dealer or other registered institution in securities or other agent through whom the sale or transfer was effected for transmission to the purchaser(s) or the transferee(s).

A copy of each of the Prospectus Documents, together with the documents specified in the paragraph headed "15. Documents delivered to the Registrar of Companies" in Appendix III to this Prospectus, has been registered by the Registrar of Companies in Hong Kong as required by Section 342C of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the laws of Hong Kong). The Registrar of Companies in Hong Kong, the Stock Exchange and the Securities and Futures Commission of Hong Kong take no responsibility for the contents of any of these documents.

Subject to the granting of listing of, and 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 in their nil-paid and fully-paid forms on the Stock Exchange or such other dates as determined by HKSCC and you should consult your stockbroker, a licensed dealer in securities, bank manager, solicitor, professional accountant or other professional adviser for details of those settlement arrangements and how such arrangements may affect your rights and interests. 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.

Hong Kong Exchanges and Clearing Limited, The Stock Exchange of Hong Kong Limited and Hong Kong Securities Clearing Company Limited take no responsibility for the contents of this Prospectus, 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 Prospectus.

This Prospectus, for which the directors of the Company collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM of The Stock Exchange of Hong Kong Limited 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 Prospectus 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 Prospectus misleading.

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LUK HING ENTERTAINMENT GROUP

LUK HING ENTERTAINMENT GROUP HOLDINGS LIMITED

陸慶娛樂集團控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 8052)

RIGHTS ISSUE ON THE BASIS OF ONE (1) RIGHTS SHARE FOR EVERY ONE (1) SHARE HELD ON THE RECORD DATE

Financial Adviser to the Company



建泉融資有限公司
VBG Capital Limited

Placing Agent and Underwriter



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

Shareholders and potential investors should note that the Rights Issue is conditional upon the fulfillment of the conditions referred to in the paragraph headed "LETTER FROM THE BOARD – RIGHTS ISSUE – Conditions of the Rights Issue and the Underwriting Agreement" in the Letter from the Board. Accordingly, the Rights Issue may or may not proceed. Shareholders and potential investors should exercise extreme caution when dealing in the Shares, and if they are in any doubt about their position, they should consult their professional advisers.

Shareholders should note that the Shares has dealt in on an ex-rights basis commencing from Wednesday, 5 July 2023 and that dealing in the Rights Shares in the nil-paid form will take place from Tuesday, 18 July 2023 to Tuesday, 25 July 2023 (both dates inclusive). Any Shareholder or other person dealing in Shares up to the date on which all conditions to which the Rights Issue is subject are fulfilled (which is expected to be on Friday, 11 August 2023), will accordingly bear the risk that the Rights Issue cannot become unconditional and may not proceed. Any Shareholder or other person contemplating selling or purchasing Shares, who is in any doubt about his/her/its position, is recommended to consult his/her/its own professional adviser.

It should be noted that the Underwriting Agreement contains provisions granting the Underwriter the right to terminate the obligations of the Underwriter thereunder on the occurrence of certain events including force majeure. These certain events are set out in the section headed "TERMINATION OF THE UNDERWRITING AGREEMENT". If the Underwriting Agreement is terminated by the Underwriter or does not become unconditional, the Rights Issue will not proceed.

The Rights Issue will proceed on a fully 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 and the Underwriting Agreement" in this Prospectus. In the event that the Rights Issue is not fully subscribed, any Unsubscribed Rights Shares will be placed to independent places on a best effort basis under the Placing. Any Unsubscribed Rights Shares which are not placed under the Placing will be fully underwritten by the Underwriter. 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.

14 July 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 of the Stock Exchange and no assurance is given that there will be a liquid market in the securities traded on GEM.

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EXPECTED TIMETABLE

Set out below is the expected timetable of the Rights Issue:

Event	Date and Time
First day of dealings in nil-paid Rights Shares	Tuesday, 18 July 2023
Latest time for splitting of PALs.	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
Latest time of placing of the Unsubscribed Rights Shares by the Placing Agent.	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
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

All times and dates stated in this Prospectus refer to Hong Kong local times and dates. Dates or deadlines specified in the expected timetable above are indicative only and may be extended or varied by the Company in agreement with the Underwriter and in accordance with the GEM Listing Rules. Any changes to the expected timetable will be published or notified to the Shareholders and the Stock Exchange as and when appropriate.

EXPECTED TIMETABLE

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

The Latest Time for Acceptance of and payment for the Rights Shares will not take place if:

1. typhoon signal No. 8 (or above);
2. “extreme conditions” caused by super typhoons as announced by the Government of the Hong Kong Special Administrative Region; or
3. a “black” rainstorm warning;
 - (i) is/are in force in Hong Kong at any local time before 12:00 noon and no longer in force after 12:00 noon on the date of the Latest Time for Acceptance. Instead the Latest Time for Acceptance will be extended to 5:00 p.m. on the same Business Day; or
 - (ii) is/are in force in Hong Kong at any local time between 12:00 noon and 4:00 p.m. on the date of the Latest Time for Acceptance. Instead the Latest Time for Acceptance will be rescheduled to 4:00 p.m. on the following Business Day which does not have either of those warnings in force in Hong Kong at any time between 9:00 a.m. and 4:00 p.m.

If the Latest Time for Acceptance does not take place on the currently scheduled date, the dates mentioned in this section may be affected. Announcement will be made by the Company in such event as soon as practicable.

DEFINITIONS

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

“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
“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 Previous Shares to 20,000 Shares
“Circular”	the circular of the Company dated 9 June 2023 in relation to, among other things, the Rights Issue, the Share Consolidation and the Change in Board Lot Size
“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 GEM of the Stock Exchange (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

DEFINITIONS

“connected person(s)”	has the meaning ascribed to it under the GEM Listing Rules
“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, 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 convened on Friday, 30 June 2023 to consider and, if thought fit, approve, among other things, the Share Consolidation and the Rights Issue
“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 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
“Latest Practicable Date”	5 July 2023, being the latest practicable date prior to the printing of this Prospectus for ascertaining certain information included in this Prospectus
“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

DEFINITIONS

“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 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
“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 Rights Shares (whether partially or fully) under the PALs or their renounces, or such persons who hold any nil-paid rights at the time such nil-paid rights are lapsed
“Non-Qualifying Shareholder(s)”	the Overseas Shareholder(s), including but not limited to the Shareholders whose registered addresses are in Malaysia and the PRC, whom the Directors, after making reasonable enquiries, 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

DEFINITIONS

“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 up to 274,128,000 Unsubscribed Rights Shares on a best effort basis by the Placing Agent 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 Placing Agent in relation to the Placing
“Poll Results Announcement”	the announcement of the Company dated 30 June 2023 in relation to, among other things, the poll results of the EGM
“PRC”	the People’s Republic of China, and for the purpose of this Prospectus, excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“Previous Shares”	then 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
“Prospectus”	the prospectus to be despatched to the Shareholders containing, among others, 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”	Thursday, 13 July 2023, being the date by reference to which entitlements of the Shareholders to participate in the Rights Issue were 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
“Rights Issue”	the proposed issue of the Rights Shares on the basis of one (1) Rights Share for every one (1) 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)”	274,128,000 new 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) of par value HK\$0.1 each in the share capital of the Company
“Shareholder(s)”	holder(s) of issued Share(s)
“Share Consolidation”	the consolidation of every ten (10) issued and unissued Previous Shares of par value HK\$0.01 each into one (1) Share of par value HK\$0.1 each, which took effect on 4 July 2023

DEFINITIONS

“Share Option(s)”	the share options to subscribe for Shares granted under the Share Option Scheme
“Share Option Scheme”	the share option scheme adopted by the Company on 18 October 2016
“Stock Exchange”	the Stock Exchange of Hong Kong Limited
“Subscription Price”	HK\$0.160 per Rights Share
“Takeovers Code”	the Hong Kong Code on Takeovers and Mergers
“Underwriter”	Sanston Financial Group Limited, a corporation licensed to carry on type 1 (dealing in securities) and type 4 (advising on securities) regulated activities under the SFO
“Underwriting Agreement”	the underwriting agreement dated 6 April 2023 entered into between the Company and the Underwriter in respect of the Rights Issue
“Underwritten Shares”	up to 274,128,000 Rights Shares 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 prospectus
“Welman”	Welman Investment Co. Ltd, a member of the Controlling Shareholder Group
“%”	per cent.

TERMINATION OF THE UNDERWRITING AGREEMENT

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.

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.

LETTER FROM THE BOARD

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LUK HING ENTERTAINMENT GROUP

LUK HING ENTERTAINMENT GROUP HOLDINGS LIMITED

陸慶娛樂集團控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 8052)

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 Directors:

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

14 July 2023

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

Dear Sir or Madam,

RIGHTS ISSUE ON THE BASIS OF ONE (1) RIGHTS SHARE FOR EVERY ONE (1) SHARE HELD ON THE RECORD DATE

INTRODUCTION

Reference is made to the Announcements, the Circular and the Poll Results Announcement of the Company in relation to, among other matters, the Share Consolidation, the Change in Board Lot Size, and the Rights Issue.

The purpose of this prospectus is to provide you with, among other things, further details on the Rights Issue, certain financial information and other general information of the Group.

LETTER FROM THE BOARD

RIGHTS ISSUE

The Board proposes to raise up to approximately HK\$43.9 million before expenses by way of a rights issue of 274,128,000 Rights Shares at the Subscription Price of HK\$0.160 each and on the basis of one (1) Rights Share for every one (1) Share held by the Qualifying Shareholders on the Record Date.

Rights Issue Statistics

Basis of the Rights Issue	:	one (1) Rights Share for every one (1) Share held by the Qualifying Shareholders
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	:	274,128,000 Shares
Number of Rights Shares to be issued pursuant to the Rights Issue	:	274,128,000 Rights Shares
		The aggregate nominal value of the Rights Shares will be up to HK\$27,412,800
Total number of Shares in issue upon completion of the Rights Issue	:	548,256,000 Shares
Gross proceeds from the Rights Issue	:	approximately HK\$43.9 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, the 274,128,000 Rights Shares proposed to be issued pursuant to the terms of the Rights Issue represent 50% of the total number of issued Shares as enlarged by the issue of the Rights Shares.

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).

LETTER FROM THE BOARD

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.

The Company despatched the Prospectus Documents containing, among other matters, details of the proposed Rights Issue, to the Qualifying Shareholders on the Prospectus Posting Date. The Company despatched the Prospectus (without the PAL(s)) to the Non-Qualifying Shareholders for their information only.

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

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

Basis of provisional allotments

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

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.

Rights of Overseas Shareholders

The Prospectus Documents were 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.

As at the Latest Practicable Date, there are four (4) Overseas Shareholders, the registered addresses of which are shown to be situated in the British Virgin Islands, Malaysia and the PRC.

LETTER FROM THE BOARD

Having made reasonable enquiries of the legal requirements regarding the feasibility of extending the Rights Issue to the Overseas Shareholders with registered addresses in the jurisdictions set out above (as shown in the register of members of the Company as at the Latest Practicable Date) in compliance with 17.41(1) of the GEM Listing Rules, including having consulted the Company's legal advisers as to the laws of the British Virgin Islands, Malaysia and the PRC, the Directors are of the view that:

- (i) if the proposed Rights Issue is made by the Company in Hong Kong and the Rights Issue is being made by the Company to the Shareholder(s) whose registered address is in the British Virgin Islands solely by the reason that they are existing Shareholder(s), there are no restrictions under securities law or other similar laws in the British Virgin Islands which would prevent the Company from including the Shareholder(s) in the Rights Issue. Therefore, the relevant overseas legal restrictions and requirements of the relevant regulatory body or Stock Exchange do not make it necessary or expedient to exclude the Overseas Shareholders with registered addresses in the British Virgin Islands from the Rights Issue and the Rights Issue will be offered to the Overseas Shareholders in the jurisdiction of British Virgin Islands; and
- (ii) the Prospectus Documents may be required to be registered or filed with or subject to approval by the relevant regulatory authorities in Malaysia and the PRC and thus the Company would need to take additional steps to comply with the regulatory requirements of the relevant regulatory authorities in Malaysia and the PRC. Thus, having considered the circumstances, the Directors are of the view that it is not expedient to extend the Rights Issue to such Overseas Shareholders taking into account that the time and costs involved in complying with the Malaysian and the PRC legal requirements will outweigh the possible benefits to the Company. Therefore, the Rights Issue would not be extended to such Overseas Shareholders in Malaysia and the PRC and such Overseas Shareholders shall be Non-Qualifying Shareholders. The Company will send the Prospectus (without the PAL) to the Non-Qualifying Shareholders for information only.

As at the Latest Practicable Date, save as otherwise disclosed above, there are no other Non-Qualifying Shareholders. The Company will continue to ascertain whether there are any other Overseas Shareholders at the Record Date and will, if necessary, make further enquiries with legal advisers in other overseas jurisdictions regarding the feasibility of extending the Rights Issue to such Overseas Shareholders as at the Record Date. The Company despatched the Prospectus to the Non-Qualifying Shareholders (if any) for their information only, but will not send any PAL to them.

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.

LETTER FROM THE BOARD

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 Previous 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 Previous 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 Previous Share as quoted on the Stock Exchange for the ten (10) consecutive trading days up to and including the Last Trading Day;
- (iv) a discount of approximately 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 Previous 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 Previous Share as quoted on the Stock Exchange on the Last Trading Day;

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- (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 Previous Share (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 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 Previous Share as quoted on the Stock Exchange for the five (5) consecutive trading days immediately prior to the Last Trading Day); and
- (viii) a discount of approximately 10.61% to the closing price of HK\$0.179 per Share 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 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 Prospectus. 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.

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 from 7 October 2022 to 6 April 2023 (being the Last Trading Day). 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.

LETTER FROM THE BOARD

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



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%

LETTER FROM THE BOARD

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 Share on 29 November 2022, 30 November 2022 and 5 December 2022 to the highest of HK\$0.26 per Share on 11 January 2023 and 7 February 2023 and the average Share price of HK\$0.18 per 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 31 October 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 Shares in issue on the date of allotment and issue of the Rights Shares. Holders of the fully paid Rights Shares will be entitled to receive all future dividends and distributions which may be declared, made or paid on or after the date of allotment and issue of the fully paid Rights Shares.

Stamp duty and other applicable fees

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

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

Subject to fulfilment of the conditions of the Rights Issue, share certificates for the fully paid Rights Shares are expected to be sent on or before 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.

LETTER FROM THE BOARD

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 has applied 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.

The nil-paid Rights Shares shall have the same board lot size as the Shares (i.e. 20,000 Shares in one board lot).

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 their 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.

LETTER FROM THE BOARD

Procedures for acceptance and payment or transfer

General

Any person (including, without limitation, agents, nominees and trustees) wishing to take up his/her/its rights under the Rights Issue must satisfy himself/herself/itself as to the full observance of the applicable laws of any relevant territory or jurisdictions including obtaining any requisite governmental or other consents, observing any other requisite formalities and paying any issue, transfer or other taxes and duties due in such territories or jurisdictions. The attention of Shareholders with registered addresses in any of the jurisdictions outside Hong Kong or who hold Shares on behalf of persons, and investors who are located or resided in, with such addresses is drawn to the paragraph headed “Rights of Overseas Shareholders” in this letter.

Completion and return of the PAL with a cheque or banker’s cashier order in payment for the nil-paid Rights Shares will constitute a warranty and representation to the Company, from such person, that all registration, legal and regulatory requirements of all relevant jurisdictions other than Hong Kong, in connection with the PAL and any applications under it, have been, or will be, duly complied with. For the avoidance of doubt, neither HKSCC nor HKSCC Nominees Limited is subject to any of the above representation or warranty.

The Company may treat as invalid any instruction which appears to the Company to have been despatched from any of the jurisdictions outside Hong Kong and which may involve a breach of the laws of the relevant jurisdictions; or otherwise appears to the Company may involve a breach of the laws of any jurisdiction; or if the Company or its agents believes the same may violate any applicable legal or regulatory requirement.

PAL – Acceptance, payment and transfer

A PAL is enclosed with this Prospectus which entitles the Qualifying Shareholders to whom it is addressed to subscribe for the number of the Rights Shares shown thereon. If a Qualifying Shareholder wishes to accept all the Rights Shares provisionally allotted to them as specified in the PAL, he/she/it must lodge the PAL in accordance with the instructions printed thereon with the Registrar, together with a remittance for the full amount payable on acceptance, so as to be received by no later than 4:00 p.m. on Friday, 28 July 2023 (or, under bad weather conditions, such later date as mentioned in the paragraph headed “Effect of bad weather and/or extreme conditions on the Latest Time for Acceptance of and payment for the Rights Shares” in the section headed “Expected Timetable” in this Prospectus). All remittances must be made in Hong Kong dollars by cheques which must be drawn on an account with, or by banker’s cashier orders issued by, a licensed bank in Hong Kong and made payable to “Luk Hing Entertainment Group Holdings Limited” and crossed “Account Payee Only”.

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It should be noted that unless the duly completed PAL, together with the appropriate remittance, has been lodged with the Registrar by no later than 4:00 p.m. (Hong Kong time) on Friday, 28 July 2023, whether by the original allottee or any person in whose favour the provisional allotment has been validly transferred, that provisional allotment and all rights and entitlement thereunder will be deemed to have been declined and will be cancelled. The Company may, at its sole and absolute discretion, treat a PAL as valid and binding on the person(s) by whom or on whose behalf it is lodged even if the PAL is not completed in accordance with the relevant instructions. The Company may require such incomplete PAL to be completed by the relevant applicant at a later stage.

If a Qualifying Shareholder wishes to accept only part of his/her/its provisional allotment or transfer part of his/her/its rights to subscribe for the Rights Shares provisionally allotted to him/ her/it under the PAL or transfer part or all of his/her/its rights to more than one person, the entire and original PAL must be surrendered and lodged for cancellation by no later than 4:30 p.m. on Thursday, 20 July 2023 to the Registrar, who will cancel the original PAL and issue new PALs in the denominations required. The new PALs will be available for collection from the Registrar, Tricor Investor Services Limited at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong, after 9:00 a.m. on the second Business Day after the surrender of the original PAL. It should be noted that Hong Kong ad valorem stamp duty is payable in connection with the transfer of your rights to subscribe for the relevant Rights Shares to the transferee(s) and the acceptance by the transferee(s) of such rights.

The Company reserves the right to refuse to register any transfer in favour of any person in respect of which the Company believes such transfer may violate applicable legal or regulatory requirements.

The PAL contains further information regarding the procedures to be followed for acceptance and/or transfer of the whole or part of the provisional allotment of the Rights Shares by the Qualifying Shareholders.

All cheques or banker's cashier orders will be presented for payment following receipt and all interest earned on such monies (if any) will be retained for the benefit of the Company.

Any PAL in respect of which the cheque or banker's cashier order is dishonoured on first presentation is liable to be rejected, and in that event the provisional allotment and all rights thereunder will be deemed to have been declined and will be cancelled. You must pay the exact amount payable upon application for the Rights Shares, and underpaid application will be rejected. In the event of overpaid application, a refund cheque, without interest, will be made out to you if the overpaid amount is HK\$100 or above. Completion and return of the PAL with a cheque or a banker's cashier order, whether by a Qualifying Shareholder or by any nominated transferee(s), will constitute a warranty by the applicant that the cheque or banker's cashier order will be honoured on first presentation. Without prejudice to the other rights of the Company in respect thereof, the Company reserves the right to reject any PAL in respect of which the cheque or banker's cashier order is dishonoured on first presentation, and in that event, the provisional allotment and all rights thereunder will be deemed to have been declined and will be cancelled.

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No action has been taken by the Company to permit the offering of the Rights Shares or the distribution of the Prospectus Documents in any territory or jurisdiction outside Hong Kong. Accordingly, no person receiving the Prospectus Documents in any territory or jurisdiction outside Hong Kong may treat it as an offer or invitation to apply for Rights Shares, unless in the relevant territory or jurisdiction where such an offer or invitation could lawfully be made without compliance with any registration or other legal or regulatory requirements. Subject as referred to below, it is the responsibility of anyone outside Hong Kong wishing to make an application for the Rights Shares to satisfy himself/herself/itself, before subscribing for the provisionally allotted Rights Shares, as to the full observance of the laws and regulations of all relevant territories and jurisdictions, including the obtaining of any governmental or other consents and to pay taxes and duties required to be paid in such territory or jurisdiction in connection therewith. Any acceptance of the offer of the Rights Shares by any person will be deemed to constitute a representation and warranty from such person to the Company that these local laws and requirements have been or will be fully complied with. For the avoidance of doubt, neither HKSCC nor HKSCC Nominees Limited will give, or be subject to, any of the above representation or warranty. If you are in doubt as to your position, you should consult your own professional advisers. The Company reserves the right to refuse to accept any application for the Rights Shares where it believes that doing so would violate the applicable securities legislation or other laws and regulations of any territory or jurisdiction. No application for Rights Shares will be accepted from any person who is a Non- Qualifying Shareholder.

If any of the conditions of the Rights Issue as set out in the paragraph headed “LETTER FROM THE BOARD – RIGHTS ISSUE – Conditions of the Rights Issue and the Underwriting Agreement” below is not satisfied, and/or not waived (where applicable) at or before 4:00 p.m. on Friday, 11 August 2023 (or such later time and date as may be agreed between the Company and the Underwriter), the monies received in respect of the relevant provisional allotment, without interest, will be returned to the Qualifying Shareholders or such other persons to whom the Rights Shares in the nil-paid form have been validly transferred or, in the case of joint acceptances, to the first-named person, by means of cheques despatched by ordinary post at the risk of such Qualifying Shareholders or such other persons to their registered addresses by the Registrar on Friday, 18 August 2023.

No receipt will be issued in respect of any application monies received.

Action to be taken by beneficial owners holding interests in Shares through CCASS

If you are a beneficial owner whose Shares are deposited in CCASS and registered in the name of HKSCC Nominees Limited, and you wish to subscribe for the Rights Shares provisionally allotted to HKSCC Nominees Limited in respect of your Shares, or sell the respective nil-paid Rights Shares or “split” those nil-paid Rights Shares and accept part of the provisional allotment and sell the remaining part, you should (unless you are a CCASS Participant) contact your Intermediary and provide your Intermediary with instructions or make arrangements with your Intermediary in relation to the applications.

LETTER FROM THE BOARD

Such instructions and/or arrangements should be given or made in advance of the relevant dates stated in the section headed “Expected Timetable” of this Prospectus and otherwise in accordance with the requirements of your Intermediary in order to allow your Intermediary sufficient time to ensure that your instructions are given effect. The procedure for acceptance, transfer and/or “splitting” by CCASS Participants of the Rights Shares provisionally allotted to CCASS stock accounts in respect of the Shares registered in the name of HKSCC Nominees Limited shall be in accordance with the “General Rules of CCASS”, the “CCASS Operational Procedures” and any other requirements of CCASS.

Beneficial owners who are CCASS Participants should contact CCASS and provide CCASS with instructions or make arrangements with CCASS in relation to the manner in which such beneficial owners’ interests in nil-paid Rights Shares should be dealt with.

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.

LETTER FROM THE BOARD

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

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

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

Conditions of the Rights Issue

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

The Underwriting Agreement contains detailed conditions and events which may cause the Underwriting Agreement to be terminated by the Underwriter. Please refer to the section headed “The Compensatory Arrangement” in this Prospectus 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.

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THE COMPENSATORY ARRANGEMENT

Placing Agreement

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

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

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

- Placing fee : The Company shall pay to the Placing Agent a placing commission of 3.0% of the actual gross proceeds from the subscription of the Unsubscribed Rights Shares, and the 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.

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- 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.
- Placees : The Unsubscribed Rights Shares shall only be offered (i) to institutional, corporate or individual investor(s) who and whose ultimate beneficial owner(s) shall be Independent Third Parties; and (ii) such that the Placing will not have any implications under the Takeovers Code and no Shareholder will be under any obligation to make a general offer under the Takeovers Code as a result of the Placing.
- Ranking of Unsubscribed Rights Shares : The Unsubscribed Rights Shares (when placed, allotted, issued and fully paid) shall rank pari passu in all respects among themselves and with the Shares then in issue.
- Placing condition : The Placing is subject to and conditional upon, inter alia, (i) the Listing Committee having granted the listing of, and permission to deal in, the Rights Shares; (ii) all necessary consents and approvals to be obtained on the part of each of the Underwriter and the Company in respect of the Underwriting Agreement 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.

LETTER FROM THE BOARD

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) regulated activities under the SFO whose ordinary course of business includes underwriting of securities and complies with the requirement under Rule 10.24A(1) of the GEM Listing Rules

As at the 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

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

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

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

Conditions of the Rights Issue and the Underwriting Agreement

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

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

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- (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 and warranties of the Company referred to in the Underwriting Agreement remaining true and accurate and not misleading in all material respects at all times and none of the undertakings of the Company referred to in the Underwriting Agreement having been breached;
- (i) there being no breach of the undertakings and obligations of the Company under the terms of the Underwriting Agreement; and
- (j) the Underwriting Agreement not being terminated by the Underwriter pursuant to the terms hereof on or before the Latest Time for Termination.

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

Termination of the Underwriting Agreement

- (1) If prior to the Latest Time for Termination, in the absolute opinion of the Underwriter:
 - (a) the success of the Rights Issue would be affected by:
 - (i) the introduction of any new regulation or any change in existing law or regulation (or the judicial interpretation thereof) or other occurrence of any nature whatsoever which may in the opinion of the Underwriter materially and adversely affect the business or the financial or trading position or prospects of the Group as a whole; or

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- (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 the Underwriting Agreement.

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

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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 of the Latest Time for Termination, unless with the prior written consent of the Underwriter, the Company shall not (except for the Consolidated Shares and the Rights Shares):

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

POSSIBLE ADJUSTMENT TO THE SHARE OPTIONS UNDER THE SHARE OPTION SCHEMES

As at the Latest Practicable Date, there are 21,846,154 outstanding Share Options, which are exercisable during the period from 2 October 2018 to 1 October 2028 at the exercise price of HK\$0.061 each. 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, 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).

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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 result announcement for the three-months 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, net loss of approximately HK\$48.9 million and cash and cash equivalents of approximately HK\$626,000.

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

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

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

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As disclosed in Appendix II of this prospectus, 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 based on 274,128,000 Rights Shares to be issued at the 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 as 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. Meanwhile the Directors are of the view that, the Group being principally engaged in the food and beverage industry, its business was significantly affected by the Covid-19 pandemic and therefore the Group's net current liability position was partially attributable to the 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;

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- (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 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.

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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 prospectus, 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.

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 Rights Issue which is for illustrative purpose only.

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Set out below is the shareholding structure of the Company (i) as at the Latest Practicable Date; and (ii) immediately after completion of the Rights Issue:

	As at the Latest Practicable Date		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 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 are taken up by the Underwriter	
	No. of Shares	Approximate %	No. of Shares	Approximate %	No. of Shares	Approximate %	No. of Shares	Approximate %
Shareholders								
Welmen (Notes 1, 2)	109,350,000	39.89%	218,700,000	39.89%	109,350,000	19.95%	109,350,000	19.95%
Trendy Pleasure Limited (“Trendy”) (Note 3)	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)	40,088,000	14.62%	80,176,000	14.62%	40,088,000	7.31%	40,088,000	7.31%
Mr. Yeung Chi Shing	1,800,000	0.66%	3,600,000	0.66%	1,800,000	0.33%	1,800,000	0.33%
Mr. Au Ka Wai	1,800,000	0.66%	3,600,000	0.66%	1,800,000	0.33%	1,800,000	0.33%
Places	-	0.00%	-	0.00%	274,128,000	50.00%	-	0.00%
Underwriter	-	0.00%	-	0.00%	-	0.00%	274,128,000	50.00%
Other public Shareholders	91,090,000	33.23%	182,180,000	33.23%	91,090,000	16.61%	91,090,000	16.61%
Total	274,128,000	100.00%	548,256,000	100.00%	548,256,000	100.00%	548,256,000	100.00%

Note:

- 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.
- 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. Mr. Yeung Chi Shing also directly holds 1,800,000 Shares. The aggregate Shares beneficially owned by Mr. Yeung Chi Shing is 111,150,000 Shares. Mr. Au Ka Wai also directly holds 1,800,000 Shares. The aggregate Shares beneficially owned by Mr. Au Ka Wai is 111,150,000 Shares.
- Trendy is wholly owned by Saint Lotus Cultural Development Group Co., Limited, which is wholly owned by Mr. Zhang Jianguang.
- 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.

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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.

EQUITY 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 as at the Latest Practicable Date:

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.

RISK FACTORS

In compliance with the GEM Listing Rules, the Company sets out below the risk factors of the Group for the Shareholders' attention. The Directors believe that there are certain risks involved in the operations of the Group which include, but are not limited to, the following:

Business risk

As at the Latest Practicable Date, the Group is primarily engaged in the operation of restaurants namely "HEXA" and "SIXA" in Hong Kong. As such, the business operation of the Group is highly dependent upon the performance of the food and beverage market in Hong Kong, which may be affected by various factors beyond the Group's control. In the event Hong Kong experiences any significant economic impact due to a pandemic, such as, COVID 19, imbalances in the local economy, disturbances in local financial markets or if more restrictive government policies on the food and beverage market, the business, results of operations and financial conditions of the Group may be materially and adversely affected.

LETTER FROM THE BOARD

Reliance on major suppliers

The ability to source quality food ingredients at competitive prices in a timely manner is crucial to our business. Our ability to maintain consistent quality and maintain our menu offerings across our restaurants depends in part upon our ability to acquire fresh food products and related supplies from reliable sources that meet our quality specifications and are in sufficient quantities. Disruption of our food supplies can occur for a variety of reasons, many of which are beyond our control, including but not limited to unanticipated demand, adverse weather conditions, natural disasters, diseases, cessation of operation of a supplier or unexpected production shortages. There is no assurance that our current supplies will always be able to meet our stringent quality control requirements in the future. If any of our suppliers do not perform adequately or otherwise fail to distribute products or supplies to us in a timely manner, we cannot assure you that we will be able to find suitable replacement suppliers on acceptable terms or within a reasonable time frame. Any failure to do so could increase our food costs and could cause shortages of food and other supplies at our restaurants that may cause us to remove certain items from the menus of one or more restaurants. Any significant changes to our menus for a prolonged period of time could result in a significant reduction in revenue during the time affected by the shortage and could adversely affect the dining experience of our customers.

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

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 prospectus). Accordingly, the Rights Issue may or may not proceed.

Any Shareholder or other person dealing in the 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 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).

GEM LISTING RULES IMPLICATIONS

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.

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As at the Latest Practicable Date, the Controlling Shareholder Group comprise of: (1) Welmen, which directly holds 109,350,000 Shares, representing approximately 39.89% 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. As disclosed in the Poll Results Announcement, the Rights Issue, the Underwriting Agreement and the transactions contemplated thereunder were approved by the Independent Shareholders 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.

ADDITIONAL INFORMATION

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

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

A. FINANCIAL INFORMATION OF THE COMPANY

The financial information of the Group for the three-month period ended 31 March 2023 and the three years ended 31 December 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 quarterly result announcement 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 31 May 2023, being the latest practicable date for the purpose of this indebtedness statement, the Group had the following indebtedness:

Other loans

As at 31 May 2023, being the latest practicable date for the purpose of this indebtedness statement prior to the date of this Prospectus, the Group had other loans of approximately HK\$34,975,000 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 31 May 2023, being the latest practicable date for the purpose of this indebtedness statement prior to the date of this Prospectus, 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	4,655
Within a period of more than one year but not exceeding two years	2,374
Within a period of more than two years but not exceeding five years	8,729
Over 5 years	4,165
	19,923
	19,923

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 31 May 2023, being the latest practicable date for the purpose of this indebtedness statement prior to the date of this Prospectus, the Group had lease liabilities of approximately HK\$10,695,000, which were unguaranteed and secured.

Amounts due to non-controlling interests

As at 31 May 2023, being the latest practicable date for the purpose of this indebtedness statement prior to the date of this Prospectus, the Group had amounts due to non-controlling interests of approximately HK\$9,887,000, 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 31 May 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 prospectus.

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.

As at Latest Practicable Date, the Directors are of the view that the Company's business is recovering from the relaxation of Covid-19 pandemic. The Directors are optimistic about the development prospect of the Hong Kong economy in the remaining period for the year ending 31 December 2023, and are confident about the growth potential of the food and beverage companies. As opportunities and challenges coexist, the Group will take measures to overcome challenges and capture opportunities, and remain prudent and pragmatic while actively exploring new concepts to strive for new development dimensions with high quality and profit growth.

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 results and 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.

Assuming no outstanding Share Options having been exercised on or before the Record Date

			Consolidated net tangible liabilities of the Group attributable to owners of the Company as at 31 December 2022 HK\$'000 (Note 1)	Consolidated net tangible liabilities of the Group attributable to owners of the Company after completion of the Rights Issue per Share HK\$ (Note 3)	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 HK\$ (Note 4)	Unaudited pro forma adjusted consolidated net tangible liabilities of the Group attributable to owners of the Company as at 31 December 2022 HK\$ (Note 5)
Consolidated net tangible liabilities of the Group attributable to owners of the Company as at 31 December 2022 HK\$'000 (Note 1)	Estimated net proceeds from the Rights Issue HK\$'000 (Note 2)	Unaudited pro forma adjusted consolidated net tangible liabilities of the Group attributable to owners of the Company after completion of the Rights Issue HK\$'000 (Note 3)				
			(71,731)	(30,910)	(0.31)	(0.06)

Based on 274,128,000 Rights Shares to be
issued at a Subscription Price of
HK\$0.160 per Rights Share

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 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) 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) 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 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 Prospectus 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**



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-3 of Appendix II to the prospectus dated 14 July 2023 (the “**Prospectus**”) 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-3 of Appendix II to the Prospectus.

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) 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 Prospectus* 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 Prospectus 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

14 July 2023

1. RESPONSIBILITY STATEMENT

This prospectus 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 prospectus 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 prospectus 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>
<u>1,000,000,000</u> Existing Shares	<u>100,000,000</u>
<i>Issued and fully paid:</i>	
<u>274,128,000</u> Existing Shares	<u>27,412,800</u>

(b) *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)*

<i>Authorised:</i>	<i>HK\$</i>
<u>1,000,000,000</u> Shares	<u>100,000,000</u>
<i>Issued and fully paid:</i>	
<u>548,256,000</u> 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 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	6,553,847	2 October 2018	HK\$0.061	<i>(Note 1)</i>
	6,553,847	2 October 2018	HK\$0.061	<i>(Note 2)</i>
	6,553,847	2 October 2018	HK\$0.061	<i>(Note 3)</i>
	<u>2,184,613</u>	2 October 2018	HK\$0.061	<i>(Note 4)</i>
Total	<u><u>21,846,154</u></u>			

Note:

- 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.
- 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.
- 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.
- 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	109,350,000 ordinary shares of the Company (L)	39.89%
	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	109,350,000 ordinary shares of the Company (L)	39.89%
	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	109,350,000 ordinary shares of the Company (L)	39.89%
		Personal interests	1,800,000 ordinary shares of the Company (L)	0.66%
	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	109,350,000 ordinary shares of the Company (L)	39.89%
		Personal interests	1,800,000 ordinary shares of the Company (L)	0.66%
	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. Mr. Yeung Chi Shing also directly holds 1,800,000 Shares. The aggregate Shares beneficially owned by Mr. Yeung Chi Shing is 111,150,000 Shares. Mr. Au Ka Wai also directly holds 1,800,000 Shares. The aggregate Shares beneficially owned by Mr. Au Ka Wai is 111,150,000 Shares.

- (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	109,350,000 ordinary shares (L)	39.89%
Yui Tak (<i>Note 2</i>)	Interest of a controlled corporation	109,350,000 ordinary shares (L)	39.89%
Ocean Concept (<i>Note 2</i>)	Interest of a controlled corporation	109,350,000 ordinary shares (L)	39.89%
Toprich (<i>Note 3</i>)	Interest of a controlled corporation	109,350,000 ordinary shares (L)	39.89%
Perfect Succeed (<i>Note 3</i>)	Interest of a controlled corporation	109,350,000 ordinary shares (L)	39.89%
Ms. Chan Ting Fai (<i>Note 4</i>)	Interest of spouse	109,350,000 ordinary shares (L)	39.89%

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	109,350,000 ordinary shares of the Company (L)	39.89%
	Personal Interest	1,800,000 ordinary shares of the Company (L)	0.66%
	Beneficial owner	1,605.56 ordinary shares of Welmen (L)	16.0556%
Ms. Lee Wan (<i>Note 6</i>)	Interest of spouse	111,150,000 ordinary shares (L)	40.55%
Trendy Pleasure Limited (“ Trendy ”) (<i>Note 7</i>)	Beneficial owner	30,000,000 ordinary shares (L)	10.94%
Saint Lotus Cultural Development Group Co., Limited (“ Saint Lotus ”) (<i>Note 7</i>)	Interest of a controlled corporation	30,000,000 ordinary shares (L)	10.94%
Mr. Zhang Jianguang (<i>Note 7</i>)	Interest of a controlled corporation	30,000,000 ordinary shares (L)	10.94%
Kenbridge Limited (“ Kenbridge ”) (<i>Note 8</i>)	Beneficial owner	12,150,000 ordinary shares (L)	4.43%
Mr. Poon Ching Tong Tommy (<i>Note 8</i>)	Interest of a controlled corporation	12,150,000 ordinary shares (L)	4.43%
Ms. Lau Sze Mun Charmaine (<i>Note 9</i>)	Interest of spouse	12,150,000 ordinary shares (L)	4.43%

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 prospectus:

- (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 Luk Hing Development Limited and Luk Hing International Limited as vendors and San Thai Fook Investment Limited as purchaser in respect of the transfer of the entire issued share capital of Luk Hing Investment Limited;
- (c) a tenancy agreement dated 15 August 2022 entered into between Harbour City Estates Limited as landlord and Betula Profit Holdings Limited as the tenant in respect of renewal of tenancy of the Group;
- (d) 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;
- (e) 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;
- (f) the Underwriting Agreement; and
- (g) the Placing Agreement.

9. EXPERT AND CONSENT

The following is the qualification of the expert or professional adviser who has given opinion or advice contained in this prospectus:

Name	Qualification
HLB Hodgson Impey Cheng Limited	Certified Public Accountants

As at the Latest Practicable Date, HLB Hodgson Impey Cheng Limited has given and has not withdrawn its written consent to the issue of this prospectus 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, HLB Hodgson Impey Cheng Limited did not have 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, HLB Hodgson Impey Cheng Limited did not have 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), 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 Room 1505, 15/F., Shun Tak Centre West Tower 168-200 Connaught Road Central Sheung Wan Hong Kong Mr. Lee Kun Yin Room 1505, 15/F., Shun Tak Centre West Tower 168-200 Connaught Road Central Sheung Wan Hong Kong
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
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.

Company Secretary

Mr. Lee Kun Yin (“**Mr. Lee**”) is the company secretary of the Company. Mr. Lee is a member of the Chartered Accountants in Australia & New Zealand and Hong Kong Institute of Certified Public Accountants.

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 Prospectus:

- (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 2022;
- (c) first quarter report of the Company for the three-month period ended 31 March 2023;
- (d) 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 Prospectus;
- (e) the material contracts referred to in the paragraph headed “8. Material contracts” in this appendix;
- (f) the written consents from the expert referred to in paragraph headed “9. Expert and Consent” of this appendix; and
- (g) this prospectus.

15. DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES

A copy of each of the Prospectus Documents and the written consent as referred to under the paragraph headed “Expert and Consent” in this Appendix, have been registered by the Registrar of Companies in Hong Kong pursuant to section 342C of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong).

16. BINDING EFFECT

The Prospectus Documents and all acceptances of any offer or application contained therein are governed by and shall be construed in accordance with the laws of Hong Kong. The Prospectus Documents shall have the effect, if an application is made in pursuance thereof, of rendering all persons concerned bound by all provisions (other than the penal provisions) of Sections 44A and 44B of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong), so far as applicable.

17. 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 prospectus and the accompanying form of proxy shall prevail over their respective Chinese texts.