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LUK HING ENTERTAINMENT GROUP HOLDINGS LIMITED

陸慶娛樂集團控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 8052)

**(1) ISSUE OF CONVERTIBLE BONDS BY
A NON-WHOLLY-OWNED SUBSIDIARY;
AND**

**(2) MAJOR TRANSACTION RELATING TO DEEMED DISPOSAL
OF INTEREST IN A NON WHOLLY-OWNED SUBSIDIARY**

Financial Advisor



**建泉融資有限公司
VBG Capital Limited**

The Board is pleased to announce that on 14 July 2025, the Target Company, a non wholly-owned subsidiary of the Company, entered into the Subscription Agreement with the Subscriber, pursuant to which the Subscriber has conditionally agreed to subscribe for and the Target Company has conditionally agreed to issue Convertible Bonds in the aggregate principal amount of HK\$3,000,000.

The Convertible Bonds will be convertible into equity interests of the Target Company upon the terms and conditions specified in the Subscription Agreement. A summary of the principal terms of the Convertible Bonds is set out in the section headed “Principal terms and conditions of the Convertible Bonds” in this announcement. Upon full conversion and based on the Conversion Price of HK\$0.0247 per Conversion Share, 121,426,951 Conversion Shares, representing approximately 81% of the issued share capital of the Target Company as enlarged by the Conversion Shares (assuming there is no other change in the issued share capital of the Target Company from the date of this announcement and up to the date of conversion), will be allotted and issued to the Bondholder.

The issuance of the Convertible Bonds constitutes a deemed disposal of equity interest in a non-wholly owned subsidiary under Rules 19.29 of the GEM Listing Rules. As one or more of the applicable percentage ratios (as defined in the GEM Listing Rules) in respect of the issuance of Conversion Shares is more than 25% but are less than 75%, the issuance of Conversion Shares constitutes a major transaction of the Company and is therefore subject to reporting, announcement and Shareholder's approval requirements under Chapter 19 of the GEM Listing Rules.

Under Rule 19.44 of the GEM Listing Rules, written shareholders' approval for Subscription Agreement and the transactions contemplated thereunder may be obtained by way of shareholders' approval in lieu of holding a general meeting if (a) no Shareholder is required to abstain from voting if the Company were to convene a general meeting for the approval of the transactions; and (b) the written shareholders' approval has been obtained from a shareholder or a closely allied group of shareholders who together hold more than 50% of the voting rights at that general meeting to approve the transactions.

The Company has obtained the written approval from the closely allied group of Shareholders comprising of Welmen Investment Co. Ltd, Restoran Oversea (CST) Sdn Bhd and Kenbridge Limited, who are collectively beneficially interested in an aggregate of 280,488,000 Shares (representing approximately 51.16% of the entire issued share capital of the Company) as at the date of this announcement. As such, no general meeting will be convened for the approval of the Subscription Agreement and the transactions contemplated thereunder as is permitted under Rule 19.44 of the GEM Listing Rules.

PROPOSED ISSUE OF CONVERTIBLE BONDS

The subscription agreement

On 14 July 2025, Betula Profit Holdings Limited entered into the Subscription Agreement with the Subscriber.

Parties

- (1) Betula Profit Holdings Limited (as the issuer); and
- (2) Futian Asia Holdings Limited (as the Subscriber).

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, the Subscriber and its ultimate beneficial owners are Independent Third Parties.

Amount of the Convertible Bonds to be subscribed:

Pursuant to the Subscription Agreement, the Target Company has agreed to issue, and the Subscriber has agreed to subscribe for, the Convertible Bonds in the principal amount of HK\$3,000,000, which may be converted into 121,426,951 Conversion Shares based on the Conversion Price of HK\$0.0247 per Conversion Share in accordance with the terms and conditions of the Subscription Agreement.

Conditions precedent to the Subscription Agreement:

Completion is conditional on the fulfillment or (as the case may be) waiver of the following conditions:

- a) the passing of the necessary resolutions approving/ratifying (as the case may be) to approve the Subscription Agreement and the transactions contemplated thereunder and the issue of the Convertible Bonds; and
- b) the representation and warranties of the Company and Betula Profit Holdings Limited remaining true and accurate in all material respects and are not misleading as at the date of the Subscription Agreement and the date of Completion.

None of the above conditions can be waived. If any of the above conditions have not been fulfilled by 31 July 2025 (or such other date as the Parties may agree in writing), the Subscription Agreement will be automatically terminated and lapsed and none of the parties to the Subscription Agreement shall have any claim against the other in respect of the Subscription, save for any antecedent breaches thereof.

Completion of the Subscription

Completion shall take place on the Completion Date at 7:00 p.m., at which time the Subscriber shall deliver to the Company an application for all the Convertible Bonds in the form substantially set out in the Subscription Agreement accompanied by a cashier order issued by a licensed bank in Hong Kong in favor of the Company and/or its nominee(s) in the amount equal to the aggregate principal amount of HK\$3,000,000 payable for the Convertible Bonds or such evidence showing the aggregate principal amount payable for the Convertible Bonds has been transferred to the account of the Company.

PRINCIPAL TERMS AND CONDITIONS OF THE CONVERTIBLE BONDS

The terms and conditions of the Convertible Bonds were determined after arm's length negotiations between Betula Profit Holdings Limited and the Subscriber and are summarised below:

Issuer	:	Betula Profit Holdings Limited
Principal amount	:	HK\$3,000,000
Issue price	:	100% of the principal amount of the Convertible Bonds.

- Payment term** : HK\$2,000,000 shall be paid by the Subscriber on the date of the Subscription Agreement and HK\$1,000,000 shall be paid by the Subscriber on the Completion Date pursuant to the terms set out in the Subscription Agreement
- Ranking** : The Convertible Bonds will represent general, unsecured, unsubordinated, direct, and unconditional obligations of Betula Profit Holdings Limited, ranking equally among themselves and pari passu with all existing and future unsecured and unsubordinated obligations of the Target Company, except where any such obligations are accorded priority by mandatory provisions of applicable law.
- Conversion price** : A conversion price of HK\$0.0247 per Conversion Share at which the Bondholder shall subscribe for the Conversion Shares.
- Conversion price to be issued** : Based on the Conversion Price of HK\$0.0247 per Conversion Share, a total of 121,426,951 Conversion Shares will be issued upon the conversion of the principal amount of the Convertible Bonds in full, representing approximately 81% of the issued share capital of the Target Company as enlarged by the Conversion Shares (assuming there is no other change in the issued share capital of the Target Company from the date of this announcement and up to the date of conversion) on a fully diluted basis.
- Interest** : 10% per annum on the outstanding principal amount of the Convertible Bond, which shall be payable by the Target Company to the Bondholder on the maturity date.
- Maturity date** : Third anniversary date from the Completion Date.

INFORMATION ON THE COMPANY

The Company is an investment holding company incorporated in Cayman Islands. The Company and its subsidiaries are principally engaged in the food and beverage industry. Their principal activities are operation of restaurants as well as granting loans to entities in the food and beverage and entertainment industry.

INFORMATION ON THE SUBSCRIBER

The Subscriber is incorporated in the British Virgin Islands with limited liability, which is ultimately beneficially owned by Mr. Ye Hualong, who is a business owner and investor in the capital markets of Hong Kong and the PRC.

INFORMATION ON THE TARGET COMPANY

The Target Company is incorporated in Hong Kong with limited liability, which is a non-wholly owned subsidiary of the Company. The Target Company is principally engaged in the catering business by operation of restaurants in the food and beverage industry.

Set out below are the audited financial information of the Target Company for the two years ended 31 December 2024.

	For the year ended	
	31 December	
	2024	2023
	<i>HK\$</i>	<i>HK\$</i>
Revenue	59,812,000	72,948,000
(Loss)/profit before tax	(549,000)	8,248,000
(Loss)/profit for the year	(549,000)	8,065,000

Based on the audited consolidated management accounts of the Target Company as at 31 December 2024, the audited net liabilities of the Target Company amounted to approximately HK\$9.2 million.

REASONS FOR, AND BENEFITS OF, THE ISSUE OF THE CONVERTIBLE BOND AND USE OF PROCEEDS

Pursuant to the Company's ongoing business plans and strategic development of the Target Company, in particular the declining general working capital of the Group and the declining profitability of the Target Company, the Company has considered, among seeking for other investors, (i) a proposed fundraising or bank borrowing to fund the general working capital of the Group and the Target Company; and (ii) the proposed winding up of the Target Company so as to allow the Group to focus its internal resources on more profitable businesses.

Furthermore, in light of the current circumstances of the Target Company and the ongoing needs of funding for its general working capital, the Company had considered that it would not be in the best interest of the Group to obtain any bank borrowing and accumulate unnecessary finance costs and bearing a high interest burden pursuant to continuing a business model with declining profitability in the long run. While the Company had also considered other various fundraising such as open offer and rights issue, the Company was unable to identify willing placing agents or underwriters with favourable terms that would allow the Company to initiate such fundraising without resulting in unnecessary professional expenses incurred and unnecessary dilution impact to existing shareholders.

Pursuant to the Company's consideration in the proposed winding up of the Target Company, the Company anticipates potential contingent liabilities to be incurred as a result of procedures following a proposed winding up of the Target Company, which are anticipated to comprise of, among other things, the severance fee for the existing staff under the Target Group and other professional fees incurred following the winding up petition.

In the view that (i) the Subscription will allow the Group to further focus its efforts and internal resources on and refine its principally-engaged businesses; (ii) the Subscription will allow the Company to enjoy the benefits of the Target Company largely as an investment without creating any unnecessary financial burden to the Company with respect to alternative fundraising or potential contingent liabilities; and (iii) the proceeds from the Subscription will supplement the Company's general working capital and the respective growth of the Target Company may continue to be realized by the Group as an valuable investment, although the Subscription is not in the ordinary and usual course of business of the Group, the Directors consider that the Subscription and the transactions contemplated thereunder are in the interests of the Company and the Shareholders as a whole.

FINANCIAL EFFECTS OF THE ISSUE OF THE CONVERTIBLE BOND AND THE POSSIBLE SUBSEQUENT CONVERSION SHARES

Upon the issue of the Convertible Bonds in full, the total assets of the Group will be increased by an amount equal to the principal amount of the Convertible Bond

If the Convertible Bonds has not been converted by the date of its maturity, the Group will incur interest expenses calculated at 10% per annum on the outstanding principal amount of the Convertible Bond. In the event that the Convertible Bond is fully converted at the Conversion Price, the equity interest held by the Company in Betula Profit Holdings Limited would decrease to approximately 13.2%.

The actual gain or loss as a result of the deemed disposal to be recorded by the Group upon the conversion of the Convertible Bonds is subject to any changes to the unaudited financial information on the Completion Date and the review by the auditors of the Company upon finalisation of the consolidated financial statements of the Group.

FUND RAISING EXERCISE BY THE COMPANY IN THE PAST TWELVE MONTHS

The Company did not conduct any equity fund raising activities in the past twelve months before the date of this announcement.

LISTING RULES IMPLICATIONS

The issue of the Conversion Shares will be deemed to be a disposal of interest in the Target Company by the Company under the Listing Rules. As more than one of the applicable percentage ratios (as defined under the Listing Rules) in respect of the deemed disposal are more than 25% but all such ratios are less than 75%, the deemed disposal constitutes a major transaction for the Company under Chapter 19 of the Listing Rules and is subject to reporting, announcement and Shareholder's approval requirements under Chapter 19 of the GEM Listing Rules.

GENERAL

Pursuant to Rule 19.41(a) of the Listing Rules, a circular containing, among other things, (i) the details of the Subscription Agreement and the transactions contemplated thereunder; and (ii) other information required to be included in the circular under the requirements of the Listing Rules will be despatched on or before 31 July 2025.

DEFINITIONS

Unless the context otherwise requires, capitalised terms used in this announcement shall have the following meanings:

“Board”	the board of Directors of the Company
“Bondholder”	holder of the Convertible Bonds
“Company”	Luk Hing Entertainment Group Holdings Limited, a company incorporated in the Cayman Islands with limited liability, the issued shares of which are listed on GEM (Stock Code: 8052)
“Convertible Bonds”	the 10% interest bearing Convertible Bond in the principal amount of HK\$3,000,000 to be issued by the Targe Company to the Subscriber pursuant to the Subscription Agreement
“Conversion Price”	the conversion price of HK\$0.0247 per Conversion Share at which the Bondholder may subscribe for the Conversion Shares
“Conversion Share(s)”	new Share(s) to be issued upon exercise of the conversion rights attaching to the Convertible Bond pursuant to the terms and conditions of the Subscription Agreement and the Convertible Bond
“Director(s)”	the director(s) of the Company
“Group”	the Company and its subsidiaries

“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	The Hong Kong Special Administrative Region of the People’s Republic of China
“Independent Third Party(ies)”	any person(s) or company(ies) and their respective ultimate beneficial owner(s) whom, to the best of the Directors’ knowledge, information and belief having made all reasonable enquiries, is or are not a connected person(s) of the Company within the meaning of the Listing Rules
“GEM Listing Rules”	Rules governing the Listing of Securities on GEM, as as amended, modified, and supplemented from time to time
“Share(s)”	ordinary shares of the Company
“Shareholder(s)”	holder(s) of the Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscriber”	Futian Asia Holdings Limited, a company incorporated in the British Virgin Islands with limited liability, which is ultimately beneficially owned by Mr. Ye Hualong, who is a business owner and investor in the capital markets of Hong Kong and the PRC
“Subscription”	the proposed subscription by the Subscriber for the Convertible Bond pursuant to the Subscription Agreement
“Subscription Agreement”	the subscription agreement dated entered into between the Target Company and the Subscriber in relation to the Subscription
“Target Company”	Betula Profit Holdings Limited, a company incorporated in Hong Kong with limited liability and an indirect non wholly-owned subsidiary of the Company
%	per cent

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

Hong Kong, 14 July 2025

As at the date of this announcement, the executive Directors are Mr. Choi Siu Kit and Mr. Ying Kan Man; and the independent non-executive Directors are Ms. Tse Mei Ling, Mr. Lynch Stephen Joseph Chor and Ms. Woo Man Hung.

This announcement, for which all the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the GEM of the Stock Exchange for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief, the information contained in this announcement is accurate and complete in all material respects and not misleading or deceptive and there are no other matters the omission of which would make any statement herein or this announcement misleading.

This announcement will remain on the Stock Exchange's website at www.hkexnews.hk, in the case of the announcement, on the "Latest Listed Company Information" page of the GEM for 7 days from the day of its posting. This announcement will also be published on the Company's website at www.lukhing.com.