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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)

DISCLOSEABLE TRANSACTION

DISPOSAL OF ENTIRE ISSUED SHARE CAPITAL IN A SUBSIDIARY

THE DISPOSAL

The Board announces that on 23 December 2022 (after trading hours), the Vendors, each of them being wholly owned subsidiaries of the Company, and the Purchaser entered into the Share Transfer Agreement, pursuant to which the Vendors agreed to sell to the Purchaser, and the Purchaser agreed to acquire from the Vendors, the entire issued share capital of the Disposed Company for a total consideration of HK\$100,000 in accordance with the terms and conditions thereof. The Completion has taken place upon the signing of the Share Transfer Agreement and the Disposed Company will cease to be a subsidiary of the Company.

IMPLICATION UNDER THE GEM LISTING RULES

As certain of the applicable percentage ratios under Rule 19.07 of the GEM Listing Rules in respect of the aggregate amount of the Disposal exceeds 5% but are less than 25%, the Disposal constitutes a discloseable transaction for the Company under Chapter 19 of the GEM Listing Rules. The Company is subject to reporting and announcement requirements but exempt from Shareholders' approval requirements under GEM Listing Rules.

THE DISPOSAL

The Board announces that on 23 December 2022 (after trading hours), the Vendors, each of them being wholly owned subsidiaries of the Company, and the Purchaser had entered into the Share Transfer Agreement, pursuant to which the Vendors agreed to sell to the Purchaser, and the Purchaser agreed to acquire from the Vendors, the entire issued share capital in the Disposed Company for a total consideration of HK\$100,000 in accordance with the terms and conditions thereof.

THE SHARE TRANSFER AGREEMENT

Major terms of the Share Transfer Agreement are set out below.

Date: 23 December 2022 (after trading hours)

Parties: (1) the Vendors; and
(2) the Purchaser.

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

Subject of the Disposal: The entire issued share capital of the Disposed Company, being the corporate vehicle behind Club Cubic Macau which had ceased operation since October 2021.

Consideration: HK\$100,000, which shall be made payable by the Purchaser to each of the Vendors on a 50/50 basis upon Completion.

The Consideration was determined after arm's length negotiations between the Purchaser and the Vendors, having considered that (1) the audited net liabilities of the Disposed Company as at 31 December 2021 is approximately HK\$36.9 million; (2) the unaudited net liabilities of the Disposed Company as at 30 June 2022 is approximately HK\$37.0 million; and (3) the appraised fair value of the Disposed Company as assessed by an independent valuer is nil as at 30 September 2022. The Directors considered that the Consideration is fair and reasonable and in the interests of the Group and the Shareholders as a whole.

Completion: The Completion shall take place immediately upon signing of the Share Transfer Agreement.

INFORMATION OF THE PARTIES

(i) The Disposed Company

The Disposed Company is an indirect wholly owned subsidiary of the Company. It is a limited private company incorporated in Macau. The Disposed Company is principally engaged in the operation of clubbing business in Macau, namely Club Cubic Macau, which had ceased operation since October 2021.

Set out below is the summary of the audited financial information of the Disposed Company for each of the financial years ended 31 December 2020 and 2021:

	For the year ended 31 December	
	2020	2021
	(audited)	(audited)
	<i>HK\$'000</i>	<i>HK\$'000</i>
Revenue	34,137	21,264
Gross profit	27,005	17,249
Net (loss) before taxation	(19,610)	(34,347)

(ii) The Vendors

The Vendors are Luk Hing Development and Luk Hing International which are wholly owned subsidiaries of the Company and are limited liability companies incorporated in the of British Virgin Islands. Immediately before the Disposal, the Vendors each hold 50% of the total issue share capital of the Disposed Company.

(iii) The Purchaser

The Purchaser is a limited private company incorporated in Macau which is wholly owned by Mr. Liu Liangfeng (劉亮峰). To the best of the Director's knowledge, information and belief having made all reasonable enquiry, each of the Purchaser and Mr. Liu Liangfeng (劉亮峰) is an Independent Third Party. The Purchaser is principally engaged in business management and investment.

INFORMATION OF THE GROUP

The Group is principally engaged in the food and beverage and entertainment industry. The Group's principal activities are operation of clubs and restaurants, organising music-related featured events as well as granting loans to entities in the food and beverage and entertainment industries.

REASONS FOR AND BENEFITS OF THE DISPOSAL

As a result of the global outbreak of the COVID-19 pandemic, tourism and customers spending continue to be impacted by significant travel bans, restrictions and quarantine requirements imposed by the government of Macau. The situation was unprecedentedly difficult for Club Cubic Macau due to the disrupted operating environments. The Disposed Company has been loss-making for the years ended 31 December 2020 and 31 December 2021 respectively. The Disposed Company was unable to continue the operation of Club Cubic Macau from 8 October 2021 due to disputes between COD Resorts Limited (“COD”), the cooperation partner of Club Cubic Macau and the Disposed Company in relation to Club Cubic Macau's operation at the Boulevard, City of Dreams, Macau. For further details in relation to the disputes between COD and the Disposed Company, please refer to the announcement of the Company dated 8 October 2021 and the interim report of the Company dated 9 August 2022.

Taking into consideration of the aforesaid, the Directors consider that the terms of the Disposal are on normal commercial terms and are fair and reasonable and the Disposal is in the interests of the Group and the Shareholders as a whole.

FINANCIAL IMPACT OF THE DISPOSAL

Upon Completion, the Disposed Company will cease to be a subsidiary of the Company and its financial results, asset and liabilities will no longer be consolidated into the financial statements of the Group.

As the total consideration received is HK\$100,000 under the Disposal, there is no material net proceed from the Disposal after deducting professional fee of the transaction.

It is estimated that the gain on disposal of the entire issued share capital of the Disposed Company calculated in accordance with the HKFRSs would be approximately HK\$16.2 million, comprising the Consideration less the carrying value and exchange reserve of the Disposed Company and after deducting the expenses directly attributable to the Disposal. The actual gain as a result of the Disposal to be recorded by the Group is subject to audit to be performed by the Company's auditor.

IMPLICATION UNDER THE GEM LISTING RULES

As certain of the applicable percentage ratios under Rule 19.07 of the GEM Listing Rules in respect of the aggregate amount of the Disposal exceeds 5% but are less than 25%, the Disposal constitutes a discloseable transaction for the Company under Chapter 19 of the GEM Listing Rules. The Company is subject to reporting and announcement requirements but exempt from shareholders' approval requirements under GEM Listing Rules.

DEFINITIONS

In this announcement, the following expressions have the following meanings:

“Board”	the board of Directors
“Company”	Luk Hing Entertainment Group Holdings Limited, a company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the GEM
“Completion”	completion of the Disposal in accordance with the Share Transfer Agreement, which shall take place immediately upon signing of the Share Transfer Agreement
“Consideration”	HK\$100,000, being the total consideration payable by the Purchaser to the Vendors under the Share Transfer Agreement
“Director(s)”	the director(s) of the Company
“Disposal”	the disposal by the Vendors of the entire issued share capital of the Disposed Company subject to and in accordance with the terms and conditions of the Share Transfer Agreement
“Disposed Company”	Luk Hing Investment Limited, a limited private company incorporated in Macau
“GEM”	the GEM of the Stock Exchange
“GEM Listing Rule(s)”	the Rules Governing the Listing of Securities on GEM
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong Dollars, the lawful currency of Hong Kong
“HKFRSs”	the Hong Kong Financial Reporting Standards issued by the Hong Kong Institutes of Certified Public Accountants

“Independent Third Party(ies)”	person(s) or company(ies) which is independent of the Company and its connected persons and is not a connected person of the Company
“Luk Hing Development”	Luk Hing Development Limited, a limited liability company incorporated in the British Virgin Islands, being a wholly-owned subsidiary of the Company
“Luk Hing International”	Luk Hing International Limited, a limited liability company incorporated in the British Virgin Islands, being a wholly-owned subsidiary of the Company
“Purchaser”	San Thai Fook Investment Limited, a limited private company incorporated in Macau
“Share Transfer Agreement”	the share transfer agreement dated 23 December 2022 entered into between the Vendors and the Purchaser in relation to the Disposal
“Shareholder(s)”	holder(s) of the issued share capital of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Vendors”	Luk Hing Development and Luk Hing International

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

Hong Kong, 23 December 2022

As at the date of this announcement, the executive Directors are Mr. Choi Yiu Ying, Mr. Choi Siu Kit and Mr. Yeung Chi Shing; the non-executive Director is Mr. Au Ka Wai; and the independent non-executive Directors are Mr. Chan Wai and Mr. Ip Hoi Fan.

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.