

Our Ref: 8L04561608

14 July 2023

PRIVATE & CONFIDENTIAL

The Board of Directors
Luk Hing Entertainment Group Holdings Limited
Room 1505, 15/F, Shun Tak Centre West Tower
168-200 Connaught Road Central
Sheung Wan
HONG KONG

Dear Sirs,

**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.

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

香港中環畢打街11號置地廣場告羅士打大廈31字樓

TEL: +(852) 2810 8333 **FAX:** +(852) 2810 1948 **EMAIL:** hic@hic.com.hk

電話：+(852) 2810 8333 傳真：+(852) 2810 1948 電子郵件：hic@hic.com.hk

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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.

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Reporting Accountants' Responsibilities (continued)

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.

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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

Kwok Tsz Chun

Practicing Certificate Number: P06901

Hong Kong

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 audited 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)	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	Consolidated net tangible liabilities of the Group attributable to owners of the Company as at 31 December 2022 before taking into account of the Share Consolidation but prior to the completion of the Rights Issue per Share 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 immediately after completion of the Rights Issue per Share HK\$ (Note 5)
Based on 274,128,000 Rights Shares to be issued at a Subscription Price of HK\$0.160 per Rights Share					
(71,731)	40,821	(30,910)	(0.03)	(0.31)	(0.06)

Notes:

- (1) The consolidated net tangible liabilities of the Group attributable to owners of the Company as at 31 December 2022 is based on the consolidated net liabilities of the Group attributable to owners of the Company of approximately HK\$71,601,000, after deducting intangible assets 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.