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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)

MAJOR TRANSACTION IN RELATION TO

- (I) ISSUANCE OF 1ST TRANCHE CONVERTIBLE PROMISSORY NOTES;
(II) PROPOSED ISSUANCE OF 2ND TRANCHE CONVERTIBLE
PROMISSORY NOTES;
(III) ADDITIONAL INVESTMENT IN ZHUHAI JV COMPANY;
AND
(IV) PROPOSED INVESTMENT IN GUANGZHOU JV COMPANY**

Reference is made to the announcements of Luk Hing Entertainment Group Holdings Limited (the “**Company**”) dated 2 June 2017 and 10 June 2019 (the “**Announcements**”) in relation to Zhuhai JV Company. Unless otherwise stated, capitalized terms used in this announcement shall have the same meanings as those defined in the Announcements.

ISSUANCE OF 1ST TRANCHE CONVERTIBLE PROMISSORY NOTES

The Board is pleased to announce that on 3 July 2019 (after trading hours), the Company, as issuer entered into the 1st Tranche Note Purchase Agreements, pursuant to which the Company agreed to issue and the 1st Tranche Investors have agreed on a best efforts basis, to purchase 1st Tranche Convertible Promissory Notes in the aggregate principal amount of approximately RMB16.0 million (equivalent to approximately HK\$18.16 million) with a term commencing from the date of such 1st Tranche Note Purchase Agreement until 36 months from opening of Club Cubic Zhuhai which will be operated by the Zhuhai JV Company.

PROPOSED ISSUANCE OF 2ND TRANCHE CONVERTIBLE PROMISSORY NOTES

The Company is also expected to enter into the 2nd Tranche Note Purchase Agreements on similar terms as the 1st Tranche Investors on or before 31 December 2019 with the 2nd Tranche Investors in the aggregate principal amount of approximately RMB24.0 million (equivalent to approximately HK\$27.24 million) with a term commencing from the date of such 2nd Tranche Note Purchase Agreement with the 2nd Tranche Investors until 36 months from opening of Club Cubic Guangzhou which will be operated by Guangzhou JV Company.

The aggregate principal amount of the Note Purchase Agreements to be entered into with the 1st Tranche Investors and the 2nd Tranche Investors will be approximately RMB40.0 million (equivalent to approximately HK\$45.4 million).

CONVERSION OF PRINCIPAL AMOUNTS UNDER THE CONVERTIBLE PROMISSORY NOTES INTO SHARES OF LUK HING CHINA

The Convertible Promissory Notes provide each of the Investors with an option (exercisable at the discretion of each of the Investors) to convert the principal amount of the Convertible Promissory Notes at any time after the date of such Convertible Promissory Note until the end of the term of the Convertible Promissory Notes. In the event that only Club Cubic Zhuhai has commenced business operation, the Investors shall have the right to convert the principal amount of the Convertible Promissory Notes to such percentage of shareholding of Luk Hing China which shall be calculated based on the Conversion Ratio of USD100,000 of the principal amount to 1.03% of shares of Luk Hing China, provided that Luk Hing China shall hold not less than 44.44% of the equity interest of Zhuhai JV Company.

In the event that both Club Cubic Zhuhai and Club Cubic Guangzhou have commenced business operations, the Investors shall have the right to convert the principal amount of the Convertible Promissory Notes to such percentage of shareholding of Luk Hing China which shall be calculated based on the Conversion Ratio of USD100,000 of the principal amount to 0.41% of shares of Luk Hing China, provided that Luk Hing China shall in turn hold not less than 44.44% and 60.0% of the respective equity interests of Zhuhai JV Company and Guangzhou JV Company. If Luk Hing China holds less than 60% of the equity interests of Guangzhou JV Company, such Conversion Ratio shall be adjusted in accordance with the Conversion Adjustment.

As incentive to the Investors to exercise the Conversion, the relevant Investor would be entitled to Type 1 Discretionary Bonus (provided if only Club Cubic Zhuhai has commenced business operation) or Type 2 Discretionary Bonus (provided if both Club Cubic Zhuhai and Club Cubic Guangzhou have commenced business operations) which are both capped at 40% per annum on the principal amount of the Convertible Promissory Notes, should such Investor exercises its right of Conversion.

Assuming all of the Investors exercised the Conversion and provided if both Club Cubic Zhuhai and Club Cubic Guangzhou commenced business operations, the Conversion would have the effect of (i) disposing 10.67% of the Company's effective equity interests in Zhuhai JV Company and 14.40% of the Company's effective equity interests in Guangzhou JV Company; and (ii) Luk Hing China would pay Type 2 Discretionary Bonus to the Investors.

ADDITIONAL INVESTMENT IN ZHUHAI JV COMPANY

The Board also resolved to increase the Group's investment in Zhuhai JV Company which is intended to operate Club Cubic Zhuhai by approximately RMB16.0 million (equivalent to approximately HK\$18.16 million). The proceeds from the 1st Tranche Convertible Promissory Notes are intended to be used to satisfy the Additional Investment.

PROPOSED INVESTMENT IN GUANGZHOU JV COMPANY

The Board also resolved to establish Guangzhou JV Company, a non-wholly owned subsidiary of the Company, for the operation and management of Club Cubic Guangzhou with an expected total investment of RMB50 million (equivalent to approximately HK\$56.75 million). The Board proposes the Group to invest RMB30 million (equivalent to approximately HK\$34.05 million) for development of Club Cubic Guangzhou. The proceeds from the 2nd Tranche Convertible Promissory Notes are intended to be used to satisfy the Proposed Investment and the remaining amount of the Proposed Investment in the sum of RMB6 million (equivalent to HK\$6.81 million) is expected to be funded by internal resources. The remaining RMB20 million (equivalent to approximately HK\$22.7 million) is expected to be contributed by the other shareholder of Guangzhou JV Company who is an Independent Third Party.

GEM LISTING RULES IMPLICATIONS

As one or more of the applicable percentage ratios of the Conversion is greater than 25% but less than 100%, the Conversion constitutes a major transaction of the Company under Rule 19.06 of the GEM Listing Rules and is subject to reporting, announcement and Shareholders' approval requirements under Chapter 19 of the GEM Listing Rules.

As the percentage ratios pursuant to the GEM Listing Rules applicable to the Additional Investment when aggregated with the initial capital contribution to Zhuhai JV Company in the sum of approximately RMB4.0 million (equivalent to approximately HK\$4.54 million) as announced by the Company on 2 June 2017, the capital contribution by Luk Hing Capital to Zhuhai JV Company in the sum of RMB8.0 million (equivalent to approximately HK\$9.08 million) as announced by the Company on 10 June 2019 and total investment to Zhuhai JV Company by other investors exceed 25% but is less than 100%, such aggregated amounts constitute a major transaction of the Company pursuant to Rule 19.06 of the GEM Listing Rules and is subject to the reporting, announcement and shareholders' approval requirements pursuant to Chapter 19 of the GEM Listing Rules.

As the percentage ratios pursuant to the GEM Listing Rules applicable to the Proposed Investment and total investment to Guangzhou JV Company by other investors exceed 25% but is less than 100%, the Proposed Investment constitutes a major transaction of the Company pursuant to Rule 19.06 of the GEM Listing Rules and is subject to the reporting, announcement and shareholders' approval requirements pursuant to Chapter 19 of the GEM Listing Rules.

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, no Shareholder or any of its close associates has any material interest in the Note Purchase Agreements and the transactions contemplated thereunder, the Additional Investment and the Proposed Investment, and therefore no Shareholder is required to abstain from voting if the Company were to convene an EGM for the approval of the above transactions. The Company has obtained a written approval from Welmen (the controlling shareholder of the Company holding 1,093,500,000 Shares, representing 60.75% of the issued share capital of the Company as at the date of this announcement) for approving the Note Purchase Agreements and the transactions contemplated thereunder, the Additional Investment and the Proposed Investment. Accordingly, the written approval from Welmen will be accepted in lieu of holding an EGM pursuant to Rule 19.44 of the GEM Listing Rules.

A circular containing, among other things, (i) details of the Note Purchase Agreement and the transactions contemplated thereunder; (ii) details of the Additional Investment; (iii) details of the Proposed Investment; (iv) the accountants' report of Zhuhai JV Company; and (v) the pro forma financial statements of the Enlarged Group will be despatched to the Shareholders, on or before 24 July 2019 (i.e. within 15 business days after the date of this announcement).

Reference is made to the announcements of Luk Hing Entertainment Group Holdings Limited (the "**Company**") dated 2 June 2017 and 10 June 2019 (the "**Announcements**") in relation to the Zhuhai JV Company. Unless otherwise stated, capitalized terms used in this announcement shall have the same meanings as those defined in the Announcements.

THE NOTE PURCHASE AGREEMENTS

On 3 July 2019 (after trading hours), the Company entered into the 1st Tranche Note Purchase Agreements with each of the 1st Tranche Investors in the aggregate principal amount of approximately RMB16.0 million (equivalent to approximately HK\$18.16 million).

The Company is expected to enter into the 2nd Tranche Note Purchase Agreements on or before 31 December 2019 with the 2nd Tranche Investors in the aggregate principal amount of approximately RMB24.0 million (equivalent to approximately HK\$27.24 million). The aggregate principal amount of the Note Purchase Agreements with the 1st Tranche Investors and the 2nd Tranche Investors will be approximately RMB40.0 million (equivalent to approximately HK\$45.4 million). The principal terms of the Note Purchase Agreements are summarised as follows:

	1st Tranche Note Purchase Agreements	2nd Tranche Note Purchase Agreements
Date	3 July 2019	On or before 31 December 2019
Parties	<ol style="list-style-type: none">1. the 1st Tranche Investors as investors. To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, the 1st Tranche Investors and their ultimate beneficial owners are Independent Third Parties and not connected with the Group.2. the Company, as issuer of the 1st Tranche Convertible Promissory Notes	<ol style="list-style-type: none">1. the 2nd Tranche Investors who are potential investors and they and their ultimate beneficial owners are expected to be Independent Third Parties and not connected with the Group;2. the Company as issuer of the 2nd Tranche Convertible Promissory Notes
Aggregate principal amount under the Convertible Promissory Notes	approximately RMB16.0 million (equivalent to approximately HK\$18.16 million)	approximately RMB24.0 million (equivalent to approximately HK\$27.24 million)
	The principal amount under the Convertible Promissory Notes will be paid to the Company at Completion.	
Use of proceeds under the Convertible Promissory Notes	The proceeds are intended to be used for the Additional Investment.	The proceeds are intended to be used for the Proposed Investment

**1st Tranche Note Purchase
Agreements**

**2nd Tranche Note Purchase
Agreements**

**Conditions to
Completion**

Completion is conditional upon:

- (i) Investors having obtained all necessary consents and approvals in respect of the Note Purchase Agreements and the issuance of the relevant tranche of Convertible Promissory Notes; and
- (ii) The Group having all necessary consents and approvals in respect of the Note Purchase Agreements and the issuance of the relevant tranche of Convertible Promissory Notes including the approval from the Hong Kong Stock Exchange.

THE CONVERTIBLE PROMISSORY NOTES

The terms of the 1st Tranche Convertible Promissory Notes were arrived at after arm's length negotiations between the Company and the 1st Tranche Investors. The Company is expected to issue the 2nd Tranche Convertible Promissory Notes to the 2nd Tranche Investors on same terms apart from the terms stated in the below. The terms are summarised as follows:

	1st Tranche Convertible Promissory Notes	2nd Tranche Convertible Promissory Notes
Principal amount	approximately RMB16.0 million (equivalent to approximately HK\$18.16 million)	approximately RMB24.0 million (equivalent to approximately HK\$27.24 million)
Fixed interest rate	9% per annum (the “ Fixed Interest ”)	
Term of the Convertible Promissory Notes	Commencing from the date of the 1st Tranche Note Purchase Agreement until 36 months from opening of Club Cubic Zhuhai.	Commencing from the date of the duly signed 2 nd Tranche Note Purchase Agreements until 36 months from opening of Club Cubic Guangzhou.
Opening of Club Cubic Zhuhai or Club Cubic Guangzhou	The opening of Club Cubic Zhuhai shall not be later than three months from the date of issue of the 1st Tranche Convertible Promissory Notes.	The opening of Club Cubic Guangzhou shall not be later than six months from the date of issue of the 2 nd Tranche Convertible Promissory Notes.

**1st Tranche Convertible
Promissory Notes**

**2nd Tranche Convertible
Promissory Notes**

Interest Period	The interest accrues from opening of Club Cubic Zhuhai to the end of the term of the 1 st Tranche Convertible Promissory Notes and interest shall be payable in four installments.	The interest accrues from opening of Club Cubic Guangzhou to the end of the term of the 2 nd Tranche Convertible Promissory Notes and the interest shall be payable in four installments.
Conversion right in the event only Club Cubic Zhuhai has commenced operation	The 1 st Tranche Investors shall have the right to convert the principal amount of the 1 st Tranche Convertible Promissory Notes to such percentage of shareholding of Luk Hing China which shall be calculated based on the Conversion Ratio of USD100,000 of the principal amount to 1.03% of shares of Luk Hing China, provided that Luk Hing China shall in turn hold not less than 44.44% of the equity interests of Zhuhai JV Company. Assuming all the 1 st Tranche Investors exercised the Conversion, the Conversion would have the effect of disposing 10.67% of the Company's effective equity interests in Zhuhai JV Company.	Not Applicable
Conversion right in the event both Club Cubic Zhuhai and Club Cubic Guangzhou have commenced operations	The Investors shall have the right to convert the principal amount of the Convertible Promissory Notes to such percentage of shareholding of Luk Hing China which shall be calculated based on the Conversion Ratio of USD100,000 of the principal amount to 0.41% of shares of Luk Hing China, provided that Luk Hing China shall in turn hold not less than 44.44% and 60.0% of the respective equity interests of Zhuhai JV Company and Guangzhou JV Company. If Luk Hing China holds less than 60% of the equity interests of Guangzhou JV Company, such Conversion Ratio shall be adjusted in accordance with the Conversion Adjustment. Assuming all the Investors exercised the Conversion, the Conversion would have the effect of disposing 10.67% of the Company's effective equity interests in Zhuhai JV Company and 14.40% of the Company's effective equity interests in Guangzhou JV Company.	

**1st Tranche Convertible
Promissory Notes**

**2nd Tranche Convertible
Promissory Notes**

Conversion Adjustment

$$\frac{\text{Principal}}{(\text{RMB}45.0 \text{ million/Ex.Rate}) \times 44.44\% + (\text{RMB}50.0 \text{ million/Ex.Rate}) \times Y (\%)} \times 30\%$$

Where:

Y = The percentage (%) of equity interests held by Luk Hing China in Guangzhou JV Company

RMB45.0 million refers to the expected total investment in Zhuhai JV Company

RMB50.0 million refers to the expected total investment in Guangzhou JV Company

Discretionary Bonus Should any of the Investors elect to exercise the Conversion, the Company would be responsible for the payment of Type 1 Discretionary Bonus or Type 2 Discretionary Bonus calculated based on the formula as follows:

Type 1

Discretionary Bonus (provided if only Club Cubic Zhuhai has commenced business operation):

$$= \frac{\text{principal amount of the 1st Tranche Convertible Promissory Note}}{\text{USD}100,000 \times 1.03\%} \times \text{the net profit of Luk Hing China}$$

Not Applicable

less the Fixed Interest

Type 2

Discretionary Bonus (provided if both Club Cubic Zhuhai and Club Cubic Guangzhou have commenced business operations):

$$= \frac{\text{principal amount of the relevant tranche Convertible Promissory Note}}{\text{USD}100,000 \times 0.41\%} \times \text{the net profit of Luk Hing China}$$

less the Fixed Interest

Cap of Discretionary Bonus Type 1 Discretionary Bonus and Type 2 Discretionary Bonus are subject to a cap of interest of 40% per annum on the principal amount of the Convertible Promissory Note in accordance with the Interest Period

**1st Tranche Convertible
Promissory Notes**

**2nd Tranche Convertible
Promissory Notes**

Redemption If any of the Investors elects not to exercise the Conversion, the entire principal amount of the Convertible Promissory Note shall be redeemed by the Company at a redemption amount equal to the entire principal amount of the Convertible Promissory Note together with Fixed Interests accrued thereon, subject to the Adjustment (the “**Redemption**”)

Adjustment The Redemption amount shall from time to time be adjusted in accordance with the following formula:

If and whenever the Company shall make any distribution of Discretionary Bonus to Investors, the redemption amount shall be:

$$A - B$$

where:

A = the total investment amount, being the principal of the Convertible Promissory Note

B = the actual amount paid out of discretionary bonuses

Information of the 1st Tranche Investors

Investor A

Investor A is a company incorporated under the laws of Singapore limited by shares.

Investor B

Investor B is a company incorporated under the laws of BVI with limited liability.

Investor C

Investor C is a company incorporated under the laws of Hong Kong with limited liability.

Investor D

Investor D is a company incorporated under the laws of Hong Kong with limited liability.

Investor E

Investor E is a company incorporated under the laws of Hong Kong with limited liability.

Investor F

Investor F is a company incorporated under the laws of Singapore limited by shares.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, the 1st Tranche Investors and their ultimate beneficial owners are Independent Third Parties and not connected with the Group.

ADDITIONAL INVESTMENT IN ZHUHAI JV COMPANY

Background

The Board also resolved to increase the Group's investment in Zhuhai JV Company by approximately RMB16 million (equivalent to approximately HK\$18.16 million). The proceeds from the 1st Tranche Convertible Promissory Notes are intended to be used to satisfy the Additional Investment.

The increase in investment

The total investment of Zhuhai JV Company before and after completion of the Additional investment is set out below:

No.	Shareholder	Before the Additional Investment		After the Additional Investment	
		Total Investment (paid up or committed to be paid up) (RMB million)	Percentage of total investment (%)	Total investment (paid up or committed to be paid up) (RMB million)	Percentage of total investment (%)
1	Luk Hing WFOE	3.894	19.47	20	44.44
2	Oasis Capital	9.666	48.33	13.25	29.44
3	Zhuhai Wei Chong	1.24	6.20	2.85	6.34
4	New Jin Yi	5.2	26.00	4.5	10.00
5	Shareholder A	NA	NA	1	2.22
6	Shareholder B	NA	NA	3.4	7.56
	Total	<u>20</u>	<u>100</u>	<u>45</u>	<u>100</u>

Zhuhai Wei Chong, New Jin Yi, Shareholder A and Shareholder B and their ultimate beneficial owners are Independent Third Parties and not connected with the Group. Oasis Capital is a non-wholly owned subsidiary of the Company.

Following completion of the Additional Investment, Zhuhai JV Company will remain an indirect subsidiary of the Company and the financial results of Zhuhai JV Company will be consolidated into the financial statements of the Company.

Information of Zhuhai JV Company

Zhuhai JV Company is established on 24 July 2017 as a joint venture limited liability company in the PRC and is principally engaged in the operation and management of Club Cubic Zhuhai. Renovation of Club Cubic Zhuhai has largely been completed and the Group expects the opening of Club Cubic Zhuhai in the third quarter of 2019.

Since its formation, a majority of the capital and loans received from shareholders of Zhuhai JV Company has been used in carrying out renovation and decoration of the venue. The Additional Investment was determined by the Board after due consideration of capital requirements for the renovation and the financial needs of Zhuhai JV Company to meet other expenses such as rental fees and administrative expenses in opening of Club Cubic Zhuhai.

Financial Information of Zhuhai JV Company

Set out below is the audited financial information of the JV Company for the two financial years ended 31 December 2017 and 2018 prepared in accordance with PRC GAAP:

	For the Financial year ended	
	31 December	
	2017	2018
	RMB	RMB
Net loss before taxation and extraordinary items	nil	nil
Net loss after taxation and extraordinary items	nil	nil

The total asset and net asset values of the JV Company as at 31 December 2017 were RMB8,145,000 and RMB5,134,000, respectively. The total asset and net asset values of the JV Company as at 31 December 2018 were RMB13,189,000 and RMB5,134,000, respectively.

PROPOSED INVESTMENT IN GUANGZHOU JV COMPANY

Guangzhou JV Company is proposed to be established as a limited liability company in the PRC as an indirect subsidiary of the Company and be principally engaged in the operation and management of Club Cubic Guangzhou.

The expected total investment in Guangzhou JV Company is RMB50 million (equivalent to approximately HK\$56.76 million), among which RMB30 million (equivalent to approximately HK\$34.05 million) to be contributed by the Company and RMB20 million (equivalent to approximately HK\$22.7 million) to be contributed by the other shareholder of Guangzhou JV Company who is an Independent Third Party.

The Proposed Investment will be funded by internal resources of the Group and proceeds from issuance of the 2nd Tranche Convertible Promissory Notes.

REASONS FOR AND BENEFITS OF THE ISSUANCE OF CONVERTIBLE PROMISSORY NOTES, THE ADDITIONAL INVESTMENT AND THE PROPOSED INVESTMENT

The Group is principally engaged in the operation of clubbing business and restaurants, with established leading position in the clubbing industry. The Board is of the view that the issuance of the Convertible Promissory Notes can alleviate the pressure of funds for the pre-opening cost of Club Cubic Zhuhai and Club Cubic Guangzhou. In the event that Investors exercises the Conversion, the issuance of Convertible Promissory Notes are also in line with the Company's business strategy, i.e. working with business partners or investors to mitigate risk exposure when expanding regions other than Macau. Zhuhai JV Company and Guangzhou JV Company provide a valuable investment opportunity for the Group to extend its clubbing business development portfolio. On the basis of rapid economic growth of Pearl River Delta, the Company has a strong faith that Zhuhai JV Company and Guangzhou JV Company will generate positive revenue with significant development potential. The Conversion potential of the Convertible Promissory Notes upon realization will bring considerable financial and cooperation benefit to the operation of Club Cubic Zhuhai and Club Cubic Guangzhou.

The Directors consider that the terms of the Note Purchase Agreement and the transactions contemplated thereunder, the Additional Investment and the Proposed Investment, are fair and reasonable, on normal commercial terms and in the interests of the Company and the Shareholders as a whole.

IMPLICATIONS UNDER GEM LISTING RULES

As one or more of the applicable percentage ratios of the Conversion is greater than 25% but less than 100%, the Conversion constitutes a major transaction of the Company under Rule 19.06 of the GEM Listing Rules and is subject to reporting, announcement and Shareholders' approval requirements under Chapter 19 of the GEM Listing Rules.

As the percentage ratios pursuant to the GEM Listing Rules applicable to the Additional Investment when aggregated with the initial capital contribution to Zhuhai JV Company in the sum of approximately RMB4.0 million (equivalent to approximately HK\$4.54 million) as announced by the Company on 2 June 2017, the capital contribution by Luk Hing Capital to Zhuhai JV Company in the sum of RMB8.0 million (equivalent to approximately HK\$9.08 million) as announced by the Company on 10 June 2019 and total investment to Zhuhai JV Company by other investors exceed 25% but is less than 100%, such aggregated amounts constitute a major transaction of the Company pursuant to Rule 19.06 of the GEM Listing Rules and is subject to the reporting, announcement and shareholders' approval requirements pursuant to Chapter 19 of the GEM Listing Rules.

As the percentage ratios pursuant to the GEM Listing Rules applicable to the Proposed Investment and total investment to Guangzhou JV Company by other investors exceed 25% but is less than 100%, the Proposed Investment constitutes a major transaction of the Company pursuant to Rule 19.06 of the GEM Listing Rules and is subject to the reporting, announcement and shareholders' approval requirements pursuant to Chapter 19 of the GEM Listing Rules.

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, no Shareholder or any of its close associates has any material interest in the Note Purchase Agreements and the transactions contemplated thereunder, the Additional Investment and the Proposed Investment, and therefore no Shareholder is required to abstain from voting if the Company were to convene an EGM for the approval of the above transactions. The Company has obtained a written approval from Welmen (the controlling shareholder of the Company holding 1,093,500,000 Shares, representing 60.75% of the issued share capital of the Company as at the date of this announcement) for approving the Note Purchase Agreements and the transactions contemplated thereunder, the Additional Investment and the Proposed Investment. Accordingly, the written approval from Welmen will be accepted in lieu of holding an EGM pursuant to Rule 19.44 of the GEM Listing Rules.

A circular containing, among other things, (i) details of the Note Purchase Agreement and the transactions contemplated thereunder; (ii) details of the Additional Investment; (iii) details of the Proposed Investment; (iv) the accountants' report of Zhuhai JV Company and (v) the pro forma financial statements of the Enlarged Group will be despatched to the Shareholders on or before 24 July 2019 (i.e. within 15 business days after the date of this announcement).

DEFINITIONS

In this announcement, unless the context otherwise requires, the following terms shall have the following meanings:

“1 st Tranche Convertible Promissory Notes”	the 1 st Tranche convertible promissory notes to be issued by the Company to the 1 st Tranche Investors pursuant to the 1 st Tranche Note Purchase Agreements
“1 st Tranche Investors”	Investor A, Investor B, Investor C, Investor D, Investor E and Investor F
“1 st Tranche Note Purchase Agreements”	the 1 st Tranche Note Purchase Agreements entered into between the Company and the 1 st Tranche Investors for purchase of the 1 st Tranche Convertible Promissory Notes
“2 nd Tranche Convertible Promissory Notes”	the 2 nd Tranche convertible promissory notes to be issued by the Company to the 2 nd Tranche Investors pursuant to the 2 nd Tranche Note Purchase Agreements
“2 nd Tranche Investors”	the 2 nd Tranche Investors who are potential investors and they and their ultimate beneficial owners are expected to be Independent Third Parties and not connected with the Group
“2 nd Tranche Note Purchase Agreements”	the 2 nd Tranche Note Purchase Agreements to be entered into between the Company and the 2 nd Tranche Investors for purchase of the 2 nd Tranche Convertible Promissory Notes

“Additional Investment”	the additional investment of RMB16 million (equivalent to approximately HK\$18.16 million) by the Group to Zhuhai JV Company
“Club Cubic Guangzhou”	operation of clubbing business to be set up in Guangzhou by Guangzhou JV Company
“Club Cubic Zhuhai”	operation of clubbing business to be set up in Zhuhai by Zhuhai JV Company
“Completion”	completion of the purchase of the 1 st Tranche Convertible Promissory Notes by the 1 st Tranche Investors and/or completion of the purchase of the 2 nd Tranche Convertible Promissory Notes by the 2 nd Tranche Investors
“Conversion”	conversion of the respective principal amount of the Convertible Promissory Note in accordance with the Conversion Ratio by each of the Investors as stipulated under the section headed “Convertible Promissory Notes” in this Announcement
“Conversion Ratio”	<p>(i) in the event only Club Cubic Zhuhai has commenced business operation, the conversion ratio would be USD100,000 of the principal amount of the Convertible Promissory Notes to 1.03% of shares of Luk Hing China; or</p> <p>(ii) in the event both Club Cubic Zhuhai and Club Cubic Guangzhou have commenced business operations, the conversion ratio would be USD100,000 of the principal amount of the Convertible Promissory Notes to 0.41% of shares of Luk Hing China</p>
“Conversion Adjustment”	please refer to the section headed “The Convertible Promissory Notes” in this Announcement
“Convertible Promissory Notes”	the 1 st Tranche Convertible Promissory Notes and the 2 nd Tranche Convertible Promissory Notes
“EGM”	extraordinary general meeting
“Guangzhou JV Company”	a limited liability company established under the laws of the PRC whose principal business is operation of clubbing business intended to be named “Club Cubic Guangzhou”
“Interest Period”	please refer to the section headed “Convertible Promissory Notes” in this Announcement
“Investor A”	a company incorporated under the laws of Singapore limited by shares and an Independent Third Party

“Investor B”	a company incorporated under the laws of BVI with limited liability and an Independent Third Party
“Investor C”	a company incorporated under the laws of Hong Kong with limited liability and an Independent Third Party
“Investor D”	a company incorporated under the laws of Hong Kong with limited liability and an Independent Third Party
“Investor E”	a company incorporated under the laws of Hong Kong with limited liability and an Independent Third Party
“Investor F”	a company incorporated under the laws of Singapore limited by shares and an Independent Third Party
“Investors”	the 1 st Tranche Investors and the 2 nd Tranche Investors
“Note Purchase Agreements”	the 1 st Tranche Note Purchase Agreements and the 2 nd Tranche Note Purchase Agreements
“Proposed Investment”	the proposed investment of RMB30 million by the Group in Guangzhou JV Company
“Shareholder A”	a company incorporated under the laws of Hong Kong with limited liability and an Independent Third Party
“Shareholder B”	a company incorporated under the laws of the PRC with limited liability and an Independent Third Party
“Type 1 Discretionary Bonus”	please refer to the section headed “Convertible Promissory Notes” in this Announcement
“Type 2 Discretionary Bonus”	please refer to the section headed “Convertible Promissory Notes” in this Announcement
“USD”	United States dollar, the lawful currency of the United States of America

“Welmen”	Welmen Investment Co. Ltd, a limited company incorporated in BVI on 30 November 2015
“Zhuhai JV Company”	珠海銳燁酒吧管理有限公司 (Zhuhai Ruiye Bar Management Company Limited*), a limited liability joint venture established under the laws of the PRC whose principal business is operation of clubbing business which is named “Club Cubic Zhuhai”
“%”	per cent

For the purpose of this announcement, unless otherwise specified, conversion of Renminbi, the lawful currency of the People’s Republic of China, into Hong Kong dollars, the lawful currency of Hong Kong, is based on the approximate exchange rate of RMB1.00 to HK\$1.135.

For the purpose of this announcement, unless otherwise specified, conversion of USD, the lawful currency of the United State of America, into Renminbi, the lawful currency of People’s Republic of China, is based on the approximate exchange rate of USD1.00 to RMB6.88.

By Order of the Board
Luk Hing Entertainment Group Holdings Limited
Choi Yiu Ying
Chairman and Executive Director

Hong Kong, 3 July 2019

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 Directors are Mr. Au Wai Pong Eric, Mr. Au Ka Wai and Ms. Poon Kam Yee Odilia; and the independent non-executive Directors are Mr. Lam Wai Chin Raymond, Mr. Chan Ting Bond Michael and Mr. Tse Kar Ho Simon.

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 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 Company Announcements” page for 7 days from the day of its posting. This announcement will also be published on the Company’s website at www.lukhing.com.

* For identification purposes only