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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)

UPDATE ANNOUNCEMENT

IN RELATION TO

(I) ISSUANCE OF 2ND TRANCHE CONVERTIBLE PROMISSORY NOTES;

(II) ADDITIONAL INVESTMENT IN ZHUHAI JV COMPANY; AND

(III) INVESTMENT IN GUANGZHOU JV COMPANY

The Company wishes to update its shareholders of the latest development on the major transactions involving (i) the issuance of 1st Tranche Convertible Promissory Notes; (ii) the proposed issuance of 2nd Tranche Convertible Promissory Notes; (iii) the Additional Investment in Zhuhai JV Company and (iv) the Proposed Investment in Guangzhou JV Company.

Reference is made to the announcements of Luk Hing Entertainment Group Holdings Limited (the “**Company**”) dated 3 July 2019, 24 July 2019 and 13 August 2019 (the “**Announcements**”). Unless otherwise stated, capitalized terms used in this announcement shall have the same meanings as those defined in the Announcements.

THE 2ND TRANCHE NOTE PURCHASE AGREEMENT

On 7 August 2019, the Company entered into the 2nd Tranche Note Purchase Agreements with the 2nd Tranche Investor in the principal amount of approximately RMB24.0 million (equivalent to approximately HK\$27.24 million).

The principal terms of the 2nd Tranche Note Purchase Agreements are summarised as follows:

Date	7 August 2019
Parties	<ol style="list-style-type: none">1. the 2nd Tranche Investor as investor. The 2nd Tranche Investor is Investor C who is also a 1st Tranche Investor who invested in RMB1.3 million of the 1st Tranche Convertible Promissory Note. To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, the 2nd Tranche Investor and its ultimate beneficial owner are Independent Third Parties and not connected with the Group2. the Company, as issuer of the 2nd Tranche Convertible Promissory Notes
Aggregate principal amount under the Convertible Promissory Notes	approximately RMB24.0 million (equivalent to approximately HK\$27.24 million)
Expected payment date	Shall be paid at completion on or before 31 December 2019
Use of proceeds under the Convertible Promissory Notes	The proceeds are intended to be used for the Guangzhou Investment

Pursuant to the 2nd Tranche Note Purchase Agreement, the Company will issue, and the 2nd Tranche Investor will purchase for the 2nd Tranche Convertible Promissory Notes. For details of the 2nd Tranche Note Purchase Agreement and the 2nd Tranche Convertible Promissory Notes, please refer to the paragraphs headed "The Note Purchase Agreements" and "The Convertible Promissory Notes" in the announcement of the Company dated 3 July 2019.

ADDITIONAL INVESTMENT IN ZHUHAI JV COMPANY

In relation to the transaction of the “Additional Investment of Zhuhai JV Company” disclosed in the announcement of the Company dated 3 July 2019, the Board is pleased to announce that on 19 July 2019, Zhuhai WFOE, an indirect subsidiary of the Company, entered into the Zhuhai JV Agreement with Oasis Capital, Zhuhai Wei Chong, New Jin Yi, Guangzhou Baohui and Zhuhai Zhisheng pursuant to which the parties agreed to inject further investment in the form of capital contribution and shareholder’s loan into Zhuhai JV Company.

The Group will increase its 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.

For details of the Addition Investment, please refer to the paragraph headed “Additional Investment in Zhuhai JV Company” in the announcement of the Company dated 3 July 2019.

INVESTMENT OF GUANGZHOU JV COMPANY

In relation to the transaction of the “Proposed Investment in Guangzhou JV Company” disclosed in the announcement of the Company dated 3 July 2019, the Board is pleased to announce that on 19 July 2019, Guangzhou PRC Company, an indirect subsidiary of the Company and a wholly-owned subsidiary of Guangzhou WFOE, entered into the Guangzhou JV Agreement with Guangzhou JV Partner in respect of the formation of Guangzhou JV Company in the PRC.

Guangzhou JV Agreement

The major terms of Guangzhou JV Agreement and further information on the business of Guangzhou JV Company are set out as follows:

Date: 19 July 2019

Parties: (i) Guangzhou PRC Company; and
(ii) Guangzhou JV Partner;

To the best of the Directors’ knowledge, information and belief and having made all reasonable enquiries, as at the Latest Practicable Date, Guangzhou JV Partner and its respective ultimate beneficial owners are third parties independent of the Company and not the connected persons of the Company.

Scope of Business: The expected principal business of Guangzhou JV Company is the operation and management of Club Cubic Guangzhou. The scope of business of Guangzhou JV Company includes but not limited to the provision of food and beverage services, engagement in retail and trading business and organisation of featured events.

Registered Capital: RMB20 million. Guangzhou PRC Company and Guangzhou JV Partner agreed to inject RMB12 million and RMB8 million respectively, being the capital contribution to registered capital on or before 31 December 2019.

Expected total Investment Amount and Capital Commitment: RMB50 million, which was determined after arm's length negotiations by all parties to the Guangzhou JV Agreement based on the need to finance the business contemplated under the Guangzhou JV Agreement.

Of the total investment amount of RMB50 million, it is agreed that RMB30 million will be contributed by Guangzhou PRC Company and RMB20 million will be contributed by Guangzhou JV Partner.

The amount of shareholders' loans, capital contribution to registered capital and percentage of equity interest in Guangzhou JV Company are as follows:

No.	Shareholder	Capital contribution to registered capital (RMB million)	Shareholders' Loans (RMB million)	Percentage of equity interest (%)
1	Guangzhou PRC Company	12	18	60
2	Guangzhou JV Partner	8	12	40
	Total	20	30	100

Profit Sharing: The profits will be distributed among the shareholders of Guangzhou JV Company in accordance with the stipulated proportion by unanimous written resolution or ordinary resolution in shareholders' meeting

Board Composition: The board of directors of Guangzhou JV Company shall consist of five (5) directors, of which three (3) will be appointed by Guangzhou PRC Company and two (2) will be appointed by Guangzhou JV Partner.

In relation to the RMB30 million to be contributed by Guangzhou PRC Company, RMB24 million will be funded by way of issuance of the 2nd Tranche Convertible Promissory Notes and RMB6 million will be funded by way of internal resources.

In consideration of the above, the Directors are of the view that the establishment of Guangzhou JV Company is in line with the Group's business objectives to expand the Group's coverage in offering premium clubbing and entertainment experience to the PRC under the "Club Cubic" brand name and to broaden the business spectrum of the Group. The Group expects the establishment of Guangzhou JV Company would be similar to the establishment of Zhuhai JV Company.

For details of the Guangzhou Investment, please refer to the paragraph headed "Proposed Investment in Guangzhou JV Company" in the announcement of the Company dated 3 July 2019.

IMPLICATIONS UNDER GEM LISTING RULES

Issuance of the 2nd Tranche Convertible Promissory Notes

Assuming the 2nd Tranche Investor exercised the Conversion, the Conversion would have the effect of (i) disposing 14.40% equity interests in Luk Hing China and (ii) Luk Hing China would pay Type 2 Discretionary Bonus to the 2nd Tranche Investors.

As one or more of the applicable percentage ratios of the Conversion is greater than 25% but less than 75%, 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.

Additional Investment in Zhuhai JV Company

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.

Investment of Guangzhou JV Company

As the percentage ratios pursuant to the GEM Listing Rules applicable to the Guangzhou Investment exceed 25% but is less than 100%, the Guangzhou 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 Guangzhou 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 abovementioned transactions. 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.

As disclosed in the announcement of the Company dated 3 July 2019, the circular is originally expected to be despatched on or before 24 July 2019 (i.e. within 15 business days after publication of such announcement). As disclosed in the announcement of 13 August 2019, the Company has applied and the Stock Exchange has granted further extension of the waiver to the Company to extend the date of despatch of the circular to a date on or before 23 August 2019.

Accordingly, 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 Guangzhou 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 23 August 2019.

DEFINITIONS

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

“2 nd Tranche Investor”	Investor C, a company incorporated under the laws of Hong Kong with limited liability and an Independent Third Party
“Guangzhou Baohui”	廣州寶輝文化發展有限公司 (Guangzhou Baohui Culture Development Company Limited*), a company established with limited liability under the laws of the PRC and a 2.22% equity holder of Zhuhai JV Company
“Guangzhou Investment”	the investment of RMB30 million by the Group in Guangzhou JV Company
“Guangzhou JV Agreement”	a legally binding joint venture agreement dated 19 July 2019 and entered into between Guangzhou PRC Company and Guangzhou JV Partner in relation to formation of Guangzhou JV Company
“Guangzhou JV Company”	廣東麒天文化發展有限責任公司 (Guangdong Haotian Culture Development Co., Ltd.*), a limited liability joint venture established by Guangzhou PRC Company and Guangzhou JV Partner under the laws of the PRC whose principal business is operation of clubbing business which is named “Club Cubic Guangzhou”. The equity interests of Guangzhou JV Company is proposed to be held as to 60% and 40% by Guangzhou PRC Company and Guangzhou JV Partner respectively

“Guangzhou JV Partner”	廣東潤澤商業管理有限公司 (Guangdong Runze Business Management Co., Ltd*), a company established under the laws of the PRC with limited liability and an Independent Third Party
“Guangzhou PRC Company”	珠海市陸慶麒天餐飲管理有限公司 (Zhuhai Luqing Haotian Restaurant Management Co., Ltd.*), an indirect wholly-owned subsidiary of the Company and a wholly owned subsidiary of Guangzhou WFOE established with limited liability under the laws of the PRC
“Guangzhou WFOE”	珠海橫琴陸慶樺霖文化產業有限公司 (Zhuhai Hengqin Luqing Hualin Cultural Industry Co., Ltd.*), an indirect wholly-owned subsidiary of the Company established with limited liability under the laws of the PRC
“Luk Hing China”	Luk Hing Group Development (China) Limited, an indirect wholly-owned subsidiary of the Company incorporated with limited liability under the laws of Hong Kong
“New Jin Yi”	New Jin Yi Investment Company Limited, a company incorporated with limited liability under the laws of Macau and a 10% equity holder of Zhuhai JV Company
“Oasis Capital”	Oasis Capital International Limited (海都國際有限公司), a company incorporated with limited liability under the laws of Hong Kong and a 29.44% equity holder of Zhuhai JV Company
“Zhuhai JV Agreement”	a legally binding joint venture agreement dated 19 July 2019 and entered into between Luk Hing China, Oasis Capital, Zhuhai Wei Chong, New Jin Yi, Guangzhou Baohui and Zhuhai Zhisheng in relation to the operation of Zhuhai JV Company
“Zhuhai Wei Chong”	珠海唯創文化傳播有限公司 (Zhuhai Wei Chong Culture Broadcasting Company Limited*), a company established with limited liability under the laws of the PRC and a 6.34% equity holder of Zhuhai JV Company

- “Zhuhai WFOE” 珠海陸慶文化發展有限公司 (Zhuhai Luk Hing Cultural Development Company Limited*), an indirect wholly-owned subsidiary of the Company established with limited liability under the laws of the PRC and a 44.44% equity holder of Zhuhai JV Company
- “Zhuhai Zhisheng” 珠海市智隕商務諮詢有限公司 (Zhuhai City Zhisheng Commercial Consultancy Company Limited*), a company established with limited liability under the laws of the PRC and a 7.56% equity holder of the Zhuhai JV Company

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.

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

Hong Kong, 14 August 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