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**LH**

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  
DEEMED DISPOSAL OF EQUITY INTEREST IN A SUBSIDIARY**

**THE DEEMED DISPOSAL**

On 30 March 2020, LH Mandarin (an indirect wholly owned subsidiary of the Company and a direct wholly-owned subsidiary of L&B Mandarin) entered into the Subscription Agreements with the Subscribers, pursuant to which (i) the Subscribers conditionally agreed to subscribe for and LH Mandarin conditionally agreed to allot and issue 6,127,200 LH Mandarin Shares at the aggregate subscription price of HK\$6,127,200, and (ii) to provide the Shareholders' Loan to LH Mandarin. L&B Mandarin will also provide a shareholders' loan to LH Mandarin on a pro rata basis according to its shareholding in LH Mandarin upon Completion. As at the date of this announcement, LH Mandarin is an indirect wholly owned subsidiary of the Company and a direct wholly-owned subsidiary of L&B Mandarin. Upon Completion, the Company's effective interest in LH Mandarin will reduce from 100% to 23.33% thus constituting a deemed disposal of the Company, and LH Mandarin will also cease to be a subsidiary of the Company.

**IMPLICATIONS 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 Subscription exceeds 5% but are less than 25%, the Subscription 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 the Shareholders' approval requirements under GEM Listing Rules.

## **INTRODUCTION**

On 30 March 2020, LH Mandarin (an indirect wholly owned subsidiary of the Company and a direct wholly-owned subsidiary of L&B Mandarin) entered into the Subscription Agreements with the Subscribers, pursuant to which (i) the Subscribers conditionally agreed to subscribe for and LH Mandarin conditionally agreed to allot and issue 6,127,200 LH Mandarin Shares at the aggregate subscription price of HK\$6,127,200, and (ii) to provide the Shareholders' Loan to LH Mandarin. L&B Mandarin will also provide a shareholders' loan to LH Mandarin on a pro rata basis according to its shareholding in LH Mandarin upon Completion. As at the date of this announcement, LH Mandarin is an indirect wholly owned subsidiary of the Company and a direct wholly-owned subsidiary of L&B Mandarin. Upon Completion, the Company's effective interest in LH Mandarin will reduce from 100% to 23.33% thus constituting a deemed disposal of the Company, and LH Mandarin will also cease to be a subsidiary of the Company.

## **THE SUBSCRIPTION AGREEMENTS**

Major terms of the Subscription Agreements are set out below.

Date : 30 March 2020

Parties : (1) LH Mandarin, as issuer  
(2) Subscribers, as subscribers

### **Subscription and Shareholders' Loan**

The aggregate subscription price for Subscription of 6,127,200 LH Mandarin Shares is HK\$6,127,200. The subscription money is payable in two tranches in cash by the Subscribers in accordance with the terms and conditions of the Subscription Agreements.

Pursuant to the Subscription Agreements, each of the Subscribers shall provide additional funding in the form of the Shareholders' Loan of an aggregate sum of HK\$7,672,800 to LH Mandarin in proportion to their respective equity interest in LH Mandarin upon Completion. L&B Mandarin will also provide a shareholders' loan of HK\$2,335,200 to LH Mandarin on a pro rata basis according to its shareholding in LH Mandarin upon Completion. The shareholders' loan will be funded by internal resources of the Group.

The Subscription and the Shareholders' Loan were determined after arm's length negotiations between the parties with reference to the set up and establishment cost and general working capital of LH Mandarin and the parties' respective interests in LH Mandarin.

Upon the Completion, the number of issued LH Mandarin Shares, the Shareholders' Loan and the shareholding percentage shall be as follows:

<b>Subscribers</b>	<b>No. of issued shares</b>	<b>Shareholder's Loan (HK\$)</b>	<b>Approximate percentage of equity interest (%)</b>
L&B Mandarin	1,864,800	2,335,200	23.33%
Subscriber A	1,864,800	2,335,200	23.33%
Subscriber B	1,332,000	1,668,000	16.67%
Subscriber C	888,000	1,112,000	11.11%
Subscriber D	1,598,400	2,001,600	20.00%
Subscriber E	<u>444,000</u>	<u>556,000</u>	<u>5.56%</u>
Total	<u><u>7,992,000</u></u>	<u><u>10,008,000</u></u>	<u><u>100.00%</u></u>

*Note:* The subscription price is payable in two tranches and LH Mandarin has received the first tranche payment of the subscription price from all the Subscribers. On the date of the Subscription Agreements, LH Mandarin will allot and issue 1,533,334 LH Mandarin Shares to the Subscribers, being the shares for the first tranche payment already received by LH Mandarin. Upon Completion, a total of 6,127,000 LH Mandarin Shares will be issued.

### **Completion Conditions**

The Completion is conditional upon the fulfillment or waiver of the following completion conditions:

- (a) the Subscribers make payment to the Subscription and the Shareholders' Loan;
- (b) the Subscribers deliver to LH Mandarin a letter applying for the LH Mandarin Shares;
- (c) the Subscribers provide to LH Mandarin a certified copy of the resolution(s) of director(s) approving the respective Subscription Agreements and the transactions contemplated hereunder; and
- (d) all necessary consents, approvals, authorisations, waivers, or grant in accordance with any applicable laws, regulations or the articles of association to be obtained on the part of the Subscribers and their shareholders or on the part of LH Mandarin in respect of the Subscription and the transactions contemplated hereunder having been obtained and such consents, approvals, authorisations, waivers and grant not having been revoked prior to Completion.

## **INFORMATION OF THE PARTIES**

### **The Group**

The Group is principally engaged in the operation of clubbing business and restaurants.

### **LH Mandarin**

As at the date of the Announcement, LH Mandarin (is a company incorporated in Hong Kong on 28 April 2017, an indirectly wholly owned subsidiary of the Company and a direct wholly-owned subsidiary of L&B Mandarin) is principally engaged in operating the Company's new restaurant, namely "GaGiNang" in Harbour City, Hong Kong, which has commenced business at the end of January 2020.

The audited total assets value of LH Mandarin as at 31 December 2018 and the unaudited total assets value of LH Mandarin as at 31 December 2019 were approximately HK\$18,000 and HK\$46,360,000 respectively. The audited net liabilities of LH Mandarin as at 31 December 2018 and the unaudited net liabilities of LH Mandarin 31 December 2019 were approximately HK\$33,000 and HK\$2,340,000 respectively. The audited net loss before and after taxation of LH Mandarin for the year ended 31 December 2018 and the unaudited net loss before and after taxation of LH Mandarin for the year ended 31 December 2019 were approximately HK\$16,000 and HK\$2,300,000 respectively.

### **Subscriber A**

Deliciae Brands Limited is a limited liability company incorporated in the British Virgin Islands and is principally engaged in investment holding. Mr. Wong Ka Chun Allen, Mr. Chien David, Ms. Ho Jocelyn, Mr. Tang Lok Wah Joseph, Mr. Ng Kit Nang, Mr. Liang Ronald and Mr. Ching Hiu Yuen (collectively "Investors of Subscriber A") are shareholders and the ultimate beneficial owners of Subscriber A. Each Investor of Subscriber A is a private individual investor and has experience in investing in restaurant related business.

### **Subscriber B**

Mr. Chan Ting Lai is a private individual investor. He has indirect minority interest in Betula Profit Holdings Limited, an indirect non-wholly owned subsidiary of the Company, which engaged in restaurant business namely "HEXA" (a restaurant operated by the Group). He is also the ultimate beneficial owner of Investor B of the 1st tranche convertible promissory notes issued by the Company pursuant to the 1st tranche note purchase agreements dated 3 July 2019 which are convertible into shares of Luk Hing China (please refer to the circular of the Company dated 22 August 2019 for details).

### **Subscriber C**

Ming Yin Development Company Limited is a limited liability company incorporated in Hong Kong and is principally engaged in investment holding. Mr. Chan Po is the ultimate beneficial owner of Subscriber C. He is a private individual investor and has experience in investing in restaurant related business.

## **Subscriber D**

Able Well Investment Limited is a limited liability company incorporated in Hong Kong and is principally engaged in investment holding. Mr. Tang Kin Ming Newlson is the ultimate beneficial owner of Subscriber D. He is a private individual investor and engages in various investments. He has indirect minority interest in Betula Profit Holdings Limited, an indirect non-wholly owned subsidiary of the Company, which engaged in restaurant business namely “HEXA” (a restaurant operated by the Group).

## **Subscriber E**

Ms. Choy Lai Shan is a private individual investor and has experience in investing in restaurant related business.

Saved as disclosed above, as at the date of this announcement and to the best of the knowledge, information and belief of the Directors and having made all reasonable enquiries, the Subscribers and the ultimate beneficial owners of the Subscribers are Independent Third Party of the Company.

## **FINANCIAL IMPACT OF THE DEEMED DISPOSAL**

Upon the completion the Subscription, the Company’s effective interest in LH Mandarin will reduce from 100% to 23.33%, and LH Mandarin will cease to be a subsidiary of the Company. The financial results of LH Mandarin will no longer be consolidated in the financial statements of the Group.

The Company is expected to record an unaudited gain of approximately HK\$8,600,000 on the deemed disposal.

## **REASONS AND BENEFITS OF THE SUBSCRIPTION**

The Company has substantial experience in operation of restaurants. The Subscription allows the Company to expand its business with less capital injection. The introduction of new investors will enhance the working capital and broaden the capital base of LH Mandarin, which also indirectly reduce the financial pressure of the Company arising from the need for further capital investment and/or working capital in LH Mandarin’s operation and thus increase the Company’s financial flexibility.

The proceeds from deemed disposal will be used for the set up and establishment cost and general working capital of LH Mandarin.

The Directors consider the terms of the Subscription were negotiated at arm’s length basis and on normal commercial terms, which are fair and reasonable and in the interests of the Company and its Shareholders as a whole.

## IMPLICATIONS 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 Subscription exceeds 5% but are less than 25%, the Subscription 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 the 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”	the completion of the Subscription in accordance with the terms and conditions of the Subscription Agreements with Subscriber A, Subscriber B, Subscriber C, Subscriber D and Subscriber E respectively
“Director(s)”	the director(s) of the Company
“GEM Listing Rule(s)”	the Rules Governing the Listing of Securities on GEM
“GEM”	the GEM of the Stock Exchange
“Group”	the Company and its subsidiaries
“Independent Third Party(ies)”	party(ies) who is/are independent of the Company and its connected persons and is/are not a connected person(s) of the Company
“L&B Mandarin”	L&B Mandarin Limited, an indirect wholly-owned subsidiary of the Company incorporated under the laws of the British Virgin Islands
“LH Mandarin Shares”	ordinary share(s) of LH Mandarin of HK\$1.00 each
“LH Mandarin”	Luk Hing Mandarin Limited, an indirect wholly-owned subsidiary of the Company and a direct wholly-owned subsidiary of L&B Mandarin incorporated with limited liability under the laws of Hong Kong on 28 April 2017

“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
“Shareholder(s)”	holder(s) of the issued share capital of the Company
“Shareholders’ Loan”	the funding to be provided by the Subscribers in proportion to their shareholdings in LH Mandarin in the aggregate amount of HK\$7,672,800
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscriber A”	Deliciae Brands Limited, a limited liability company incorporated in British Virgin Islands and is principally engaged in investment holding. Subscriber A will hold approximately 23.33% of the shareholding of LH Mandarin after completion of its subscription agreement with LH Mandarin
“Subscriber B”	Mr. Chan Ting Lai is a private individual investor. Subscriber B will hold approximately 16.67% of the shareholding of LH Mandarin after completion of its subscription in LH Mandarin
“Subscriber C”	Ming Yin Development Company Limited, a limited liability company incorporated in Hong Kong and is principally engaged in investment holding. Subscriber C will hold approximately 11.11% of the shareholding of LH Mandarin after completion of its subscription agreement with LH Mandarin
“Subscriber D”	Able Well Investment Limited, a limited liability company incorporated in Hong Kong and is principally engaged in investment holding. Subscriber D will hold approximately 20.00% of the shareholding of LH Mandarin after completion of its subscription agreement with LH Mandarin
“Subscriber E”	Ms. Choy Lai Shan is a private individual investor. Subscriber E will hold approximately 5.56% of the shareholding of LH Mandarin after completion of its subscription in LH Mandarin
“Subscribers”	collectively Subscriber A, Subscriber B, Subscriber C, Subscriber D and Subscriber E

“Subscription” the subscription of 6,127,200 LH Mandarin Shares at an aggregate subscription price of HK\$6,127,200

“Subscription Agreements” five subscription agreements dated 30 March 2020 entered into between LH Mandarin and each of Subscriber A, Subscriber B, Subscriber C, Subscriber D and Subscriber E respectively in relation to the Subscription

By order of the Board  
**Luk Hing Entertainment Group Holdings Limited**  
**Choi Yiu Ying**  
*Chairman and Chief Executive Officer*

Hong Kong, 30 March 2020

*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 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](http://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](http://www.lukhing.com).*