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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
PROVISION OF SHAREHOLDERS' LOAN
TO AFFILIATED COMPANY**

PROVISION OF SHAREHOLDERS' LOAN

On 16 September 2020 (after trading hours), L&B Mandarin and the JV Company Shareholders, as lenders, entered into the Shareholders' Loan Agreement with the JV Company, as borrower, pursuant to which, L&B Mandarin and the JV Company Shareholders have agreed to grant an additional interest-free shareholders' loan to the JV Company in the amount of HK\$2,000,000 in proportion to their shareholding interests in the JV Company. As L&B Mandarin will increase its shareholding interests of the JV Company from 23.33% to 29.73%, L&B Mandarin will grant an additional loan in the sum of HK\$1,235,200 to the JV Company.

Prior to the date of this announcement, L&B Mandarin has already provided an interest-free shareholders' loan in the sum of HK\$2,335,200 in proportion to its then shareholding interests in the JV Company. When aggregated with the previous shareholders' loan provided by L&B Mandarin to the JV Company prior to the date of the provision of this shareholder's loan, the aggregate sum amounted to HK\$3,570,400.

GEM LISTING RULES IMPLICATIONS

As certain of the applicable percentage ratios under Rule 19.07 of the GEM Listing Rules in respect of the aggregate amount of the Shareholders' Loan granted to the JV Company exceeds 5% but are less than 25%, the grant of the Shareholders' Loan, on an aggregate basis, constitutes a discloseable transaction for the Company under Chapter 19 of the GEM Listing Rules.

INTRODUCTION

Reference is made to the announcement of the Company dated 30 March 2020 (the “Disposal Announcement”) in relation to the deemed disposal of equity interest in a subsidiary. Pursuant to Disposal Announcement, L&B Mandarin agreed to provide a shareholders’ loan of HK\$2,335,200 to the JV Company on a pro rata basis according to its then shareholding interests (approximate percentage of shareholding interests of L&B Mandarin at the time of the Disposal Announcement was 23.33%) in the JV Company. L&B Mandarin will increase its approximate percentage of shareholding interests in the JV Company to 29.73% and agreed to provide an aggregate shareholders’ loan of HK\$3,570,400 (the aggregate amount of the Shareholders’ Loan will be increased from HK\$10,008,000 to HK\$12,008,000) on a pro rata basis according to its shareholding interests in the JV Company.

PROVISION OF SHAREHOLDERS’ LOAN

On 16 September 2020 (after trading hours), L&B Mandarin and the JV Company Shareholders, as lenders, entered into the Shareholders’ Loan Agreement with the JV Company, as borrower, pursuant to which, L&B Mandarin and the JV Company Shareholders have agreed to grant an additional interest-free shareholders’ loan to the JV Company in the amount of HK\$2,000,000 in proportion to their shareholding interests in the JV Company. As L&B Mandarin will increase its shareholding interests of the JV Company from 23.33% to 29.73%, L&B Mandarin will grant an additional loan in the sum of HK\$1,235,200 to the JV Company.

Prior to the date of this announcement, L&B Mandarin has already provided an interest-free shareholders’ loan in the sum of HK\$2,335,200 in proportion to its then shareholding interests in the JV Company. When aggregated with the previous shareholders’ loan provided by L&B Mandarin to the JV Company prior to the date of the provision of this shareholder’s loan, the aggregate sum amounted to HK\$3,570,400.

Shareholders’ Loan Agreement

The principal terms of the Shareholders’ Loan Agreement are summarised as follows:

Date of agreement : 16 September 2020
Lenders : L&B Mandarin, and the JV Company Shareholders
Borrower : the JV Company

Principal amount of the Shareholders' Loan :

Name of shareholder	Previous shareholders' loan (HK\$)	Previous shareholdings	Proposed change in shareholdings	Additional shareholders' loan (HK\$)	Proposed new Shareholdings	Total (HK\$)
L&B Mandarin	2,335,200	23.33%	6.40%	1,235,200	29.73%	3,570,400
Shareholder A	2,335,200	23.33%	0	466,600	23.33%	2,801,800
Shareholder B	1,668,000	16.67%	4.30%	849,700	20.97%	2,517,700
Shareholder C	1,112,000	11.11%	0.98%	339,900	12.09%	1,451,900
Shareholder D	2,001,600	20.00%	(20%)	(2,001,600)	0	0
Shareholder E	556,000	5.56%	5.82%	810,000	11.38%	1,366,000
Shareholder F	<u>0</u>	<u>0</u>	2.5%	<u>300,200</u>	<u>2.5%</u>	<u>300,200</u>
Total	<u>10,008,000</u>	<u>100%</u>		<u>2,000,000</u>	<u>100%</u>	<u>12,008,000</u>

Interest : The shareholders' loan bears no interest.

Repayment : The shareholders' loan is repayable on demand by the lenders.

Security : The shareholders' loan is unsecured.

FUNDING OF THE SHAREHOLDERS' LOAN

The Group will finance the Shareholder's Loan from the internal resources of the Group.

INFORMATION ON THE JV COMPANY

The JV Company is a company incorporated in Hong Kong which is principally engaged in operating a restaurant, namely "GaGiNang" in Harbour City, Hong Kong, which has commenced business at the end of January 2020.

INFORMATION ON THE GROUP AND L&B MANDARIN

The Group is principally engaged in the operation of clubbing business and restaurants. L&B Mandarin is an indirectly wholly-owned subsidiary of the Company principally engaged in investment holding.

INFORMATION ON THE JV COMPANY SHAREHOLDERS

Shareholder 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 Shareholder A”) are shareholders and the ultimate beneficial owners of Shareholder A. Each Investor of Shareholder A is a private individual investor and has experience in investing in restaurant related business.

Shareholder 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).

Shareholder 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 Shareholder C. He is a private individual investor and has experience in investing in restaurant related business.

Shareholder E

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

Shareholder F

Mr. Lee Kam Shing 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 JV Company Shareholders and the ultimate beneficial owners of the JV Company Shareholders are Independent Third Party of the Company.

REASONS FOR ENTERING INTO THE SHAREHOLDERS' LOAN

The performance of the JV Company was affected by the coronavirus disease and the shareholders of the JV Company are required to provide additional shareholders' loan to the JV Company for general working capital purposes. Since Shareholder D intends to exit the JV Company, some of the existing shareholders of the JV Company and Shareholder F agreed to take up the shareholding interests of Shareholder D. As a result, L&B Mandarin will increase its shareholding interests in the JV Company and accordingly, a larger portion of the Shareholders' Loan.

The Directors considered that provision of the Shareholders' Loan will facilitate the JV Company in meeting its operating needs. The terms of the Shareholders' Loan Agreement were determined after arm's length negotiations between the shareholders of the JV Company.

Although the Shareholders' Loan bears no interest, given that the JV Company is an associate of the Company, the Company is able to share the potential benefit from the performance of the JV Company. In addition, the Shareholders' Loan under the Shareholders' Loan Agreement is to be provided by all the shareholders of the JV Company on a pro rata basis according to their shareholding interests in the JV Company. As such, the Directors are of the view that the terms of the Shareholders' Loan Agreement are fair and reasonable and in the interest of the Company and the 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 Shareholders' Loan granted to the JV Company exceeds 5% but are less than 25%, the grant of the Shareholders' Loan, constitutes a discloseable transaction for the Company under Chapter 19 of the 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
“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

“JV Company”	Luk Hing Mandarin Limited, a company incorporated in Hong Kong of which 29.73% shareholding interests of the JV Company is held by L&B Mandarin. The remaining shareholding interests are held by the JV Company Shareholders
“JV Company Shareholders”	Shareholder A, Shareholder B, Shareholder C, Shareholder E and Shareholder F holding together 70.27% shareholding interests in the JV Company, whose ultimate beneficial owners are Independent Third Parties
“L&B Mandarin”	L&B Mandarin Limited, an indirect wholly-owned subsidiary of the Company incorporated under the laws of the British Virgin Islands
“Shareholder(s)”	holder(s) of the issued share capital of the Company
“Shareholder A”	Deliciae Brands Limited, a limited liability company incorporated in British Virgin Islands and is principally engaged in investment holding. Shareholder A will hold approximately 23.33% of the shareholding interests in the JV Company
“Shareholder B”	Mr. Chan Ting Lai is a private individual investor. Shareholder B will hold approximately 20.97% of the shareholding interests in the JV Company
“Shareholder C”	Ming Yin Development Company Limited, a limited liability company incorporated in Hong Kong and is principally engaged in investment holding. Shareholder C will hold approximately 12.09% of the shareholding interests in the JV Company
“Shareholder D”	Able Well Investment Limited, a limited liability company incorporated in Hong Kong and is principally engaged in investment holding. Shareholder D will exit the JV Company and will not hold any shareholding interests in the JV Company
“Shareholder E”	Ms. Choy Lai Shan is a private individual investor. Shareholder E will hold approximately 11.38% of the shareholding interests in the JV Company
“Shareholder F”	Mr. Lee Kam Shing is a private individual investor. Shareholder F will hold approximately 2.5% of the shareholding interests in the JV Company

“Shareholders’ Loan”	the funding to be provided by the shareholders of the JV Company in proportion to their shareholding interests in the JV Company in the aggregate amount of HK\$12,008,000. L&B Mandarin has agreed to grant a shareholders’ loan in the amount of HK\$3,570,400 on a pro rata basis according to its shareholding interests in the JV Company. Detailed breakdown of the Shareholders’ Loan was set out under the section headed “Shareholders’ Loan Agreement” in this announcement
“Shareholders’ Loan Agreement”	the loan agreement dated 16 September 2020 and entered into between L&B Mandarin, the JV Company Shareholders and the JV Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

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

Hong Kong, 16 September 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. Chan Ka Yin, Mr. Tang Tsz Tung 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, 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.