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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)

DISCLOSEABLE TRANSACTIONS IN RELATION TO (I) THE CONVERTIBLE LOAN AGREEMENTS; AND (II) SUBSCRIPTION OF SHARES OF OASIS CAPITAL

CONVERTIBLE LOAN AGREEMENTS

The Board wishes to announce that on 10 June 2019 (after trading hours), Luk Hing Capital as borrower and the Company, as guarantor of Luk Hing Capital entered into the Convertible Loan Agreements with the Lenders pursuant to which Lender A, Lender B and Lender C agreed to make available to Luk Hing Capital the Convertible Loans with an aggregate principal amount of RMB8.0 million (equivalent to approximately HK\$9.08 million), at an interest rate of 9% per annum, with a term commencing from the date of this announcement until 36 months from opening of Club Cubic Zhuhai.

The Convertible Loan Agreements provide each of the Lenders at the end of the Convertible Loan Agreements with an option (exercisable at the discretion of each of the Lenders) to require Luk Hing Capital to repay the Convertible Loans to each of the Lenders or their nominees with shares of an affiliated company of Luk Hing Capital, provided that such affiliate shall be designated by Luk Hing Capital and such shares would result in Lender A, Lender B and Lender C holding 0.80%, 1.87% and 2.67% of the effective equity interests of the JV Company, respectively. As incentive to the Lenders to exercise the Conversion, the relevant Lender would be entitled to Bonus which is capped at 25% per annum on the principal amount of the Convertible Loans in accordance with the Interest Period, should such Lender exercises its right of Conversion.

Assuming all of the Lenders exercised the option to convert the principal amount of the Convertible Loans to shares in an affiliated company of Luk Hing Capital, the Conversion would have the effect of (i) disposing 5.34% of the Company's effective equity interests in JV Company; and (ii) Luk Hing Capital would pay the Bonus to the Lenders. The Conversion will constitute a discloseable transaction for the purposes of Chapter 19 of the GEM Listing Rules.

THE SUBSCRIPTION AGREEMENT

The Board is pleased to further announce that on the same date (after trading hours), Luk Hing Capital as subscriber entered into the Subscription Agreement with Oasis Capital as issuer, pursuant to which Luk Hing Capital conditionally agreed to subscribe for and Oasis Capital conditionally agreed to allot and issue the 9,080,000 shares of Oasis Capital for a total Consideration of RMB8.0 million (equivalent to approximately HK\$9.08 million).

In addition to the Subscription Agreement, Subscriber A, Subscriber B and Subscriber C also agreed to subscribe for shares in Oasis Capital. Upon Completion of all of the subscription agreements, the shareholding of Oasis Capital will be held as to 60.38%, 16.98%, 15.85%, 6.79% and 0.00001% by Luk Hing Capital, Subscriber A, Subscriber B, Subscriber C and the Existing shareholder, respectively and Oasis Capital will also become an indirect holding subsidiary of the Company. As Luk Hing WFOE and Oasis Capital currently holds 19.47% and 48.33% of the respective equity interests in the JV Company, the JV Company will also become an indirect subsidiary of the Company as a result of the Subscription.

LISTING RULES IMPLICATIONS

The Convertible Loan Agreements

As one or more of the applicable percentage ratios of the transactions contemplated under the Convertible Loan Agreements is greater than 5% but less than 25%, the Conversion constitutes a discloseable transaction of the Company under Rule 19.06(2) of the GEM Listing Rules and is subject to reporting and announcement requirements under Chapter 19 of the GEM Listing Rules.

As Subscriber B will become a substantial shareholder of Oasis Capital upon Completion and Lender B is an associate of Subscriber B, (i) the loan payable by Lender B under the Convertible Loan Agreement B constitutes financial assistance received by the Group and (ii) the Conversion under the Convertible Loan Agreement B constitutes a connected transaction for the Company under the GEM Listing Rules.

Pursuant to Rule 20.88 of the GEM Listing Rules, such financial assistance is fully exempt from reporting, announcement and independent shareholders' approval requirements as it is conducted on normal commercial terms or better, and it is not secured by the assets of the Group.

As the relevant percentage ratios of the Conversion under the Convertible Loan Agreement B is less than 25% and the total consideration in respect thereof is less than HK\$10,000,000 and the Conversion thereunder is on normal commercial terms, the Conversion thereunder is subject to the reporting and announcement requirements but exempt from the circular, independent financial advice and shareholders' approval requirements under Rule 20.74(2) of the GEM Listing Rules.

The Subscription Agreement

As one or more of the applicable percentage ratios of the transactions contemplated under the Subscription Agreement is greater than 5% but less than 25%, the Subscription constitutes a discloseable transaction of the Company under Rule 19.06(2) of the GEM Listing Rules and is subject to reporting and announcement requirements under Chapter 19 of the GEM Listing Rules.

CONVERTIBLE LOAN AGREEMENTS

On 10 June 2019 (after trading hours), Luk Hing Capital entered into the Convertible Loan Agreements on the same term with each of the Lenders. The aggregate principal amount of the Convertible Loan Agreements is RMB8.0 million (equivalent to approximately HK\$9.08 million).

Convertible Loan Agreement A

Date: 10 June 2019

Parties: The lender : Lender A
The borrower : Luk Hing Capital

Principal Amount: RMB1.2 million (equivalent to approximately HK\$1.36 million)

Convertible Loan Agreement B

Date: 10 June 2019

Parties: The lender : Lender B
The borrower : Luk Hing Capital

Principal Amount: RMB2.8 million (equivalent to approximately HK\$3.18 million)

Convertible Loan Agreement C

Date: 10 June 2019

Parties: The lender : Lender C
The borrower : Luk Hing Capital

Principal Amount: RMB4.0 million (equivalent to approximately HK\$4.54 million)

Principal Terms of the Convertible Loan Agreements

Each of the Convertible Loan Agreements contains the same terms and they are summarised as follows:

Fixed interest rate:	9% per annum
Term of the Convertible Loans:	commencing from the date of this announcement until 36 months from opening of Club Cubic Zhuhai
Opening of Club Cubic Zhuhai:	The opening of Club Cubic Zhuhai shall not be later than six months from the date of receipt of the full principal amount of the Convertible Loans by Luk Hing Capital
Interest Period:	The interest accrues from opening of Club Cubic Zhuhai to the end of the term of the Convertible Loans and the interest shall be payable in three installments
Use of the Convertible Loans:	The Convertible Loans shall be used for the purchase of fixed assets and renovation of Club Cubic Zhuhai and other daily business activities of the JV Company
Conversion right:	At the end of the term of the Convertible Loan Agreements, each Lender shall have the option to convert the Convertible Loans to shares of an affiliated company of Luk Hing Capital, provided that such affiliate shall be designated by Luk Hing Capital and such shares would result in Lender A, Lender B and Lender C holding 0.80%, 1.87% and 2.67% of the effective equity interests of the JV Company, respectively.
Guarantee:	The Company guarantees that the minimum interest payable to the Lenders shall be 9% per annum of the Convertible Loans in accordance with the Interest Period

Bonus to be paid if
Conversion takes place:

Should any of the Lenders elect to exercise the Conversion, Luk Hing Capital would be responsible for the payment of a Bonus calculated based on the formula as follows:

$$\text{Bonus} = \text{DP} \times \text{EI}\%$$

where:

DP : distributable net profits after taxation of the JV Company for the year

EI% : percentage of effective equity interest in the JV Company

The Bonus is subject to a cap of interest of 25% per annum on the principal amount of the Convertible Loans in accordance with the Interest Period

Information on the Lenders

Lender A

Lender A is a private individual investor.

Lender B

Lender B is a private individual investor and an associate of Subscriber B.

Lender C

Lender C is a company incorporated under the laws of Hong Kong and is principally engaged in investment holding.

As at the date of this announcement, to the best of the knowledge, information and belief of the Directors and having made all reasonable enquiries and save as disclosed above, Lender A is an Independent Third Party. Lender C and its ultimate beneficial owner is an Independent Third Party.

THE SUBSCRIPTION

The Board is pleased to further announce that on the same date (after trading hours), Luk Hing Capital as subscriber entered into the Subscription Agreement with Oasis Capital as issuer, pursuant to which Luk Hing Capital conditionally agreed to subscribe for and Oasis Capital conditionally agreed to allot and issue 9,080,000 shares of Oasis Capital for a total Consideration of RMB8.0 million (equivalent to approximately HK\$9.08 million).

The Subscription Agreement

Major terms of the Subscription Agreement are set out below.

Date: 10 June 2019

Parties: (1) Luk Hing Capital as subscriber; and
(2) Oasis Capital as issuer.

Consideration for Subscription

The Consideration for 9,080,000 shares of Oasis Capital is RMB8.0 million (equivalent to approximately HK\$9.08 million). The Consideration will be payable by Luk Hing Capital at Completion. The Company intends to finance the payment from the proceeds of the Convertible Loan Agreements. The Consideration of the Subscription Shares was based on the JV Agreement, pursuant to which Oasis Capital is required to contribute approximately RMB9.67 million to the registered capital of the JV Company.

Each of the other shareholders of Oasis Capital have already contributed or will contribute to the registered capital of the JV Company based on their pro-rata shareholding in the Oasis Capital, and Luk Hing Capital is required to inject approximately RMB5.84 million into Oasis Capital which will be used to settle its contribution to the registered capital of the JV Company. The remaining proceeds will also be injected to the JV Company.

Upon Completion, the number of issued shares and percentage of equity interest in Oasis Capital upon Completion shall be as follows:

	No. of issued shares	Percentage of equity interest (%)
Luk Hing Capital	9,080,000	60.38
Subscriber A	2,553,750	16.98
Subscriber B	2,383,500	15.85
Subscriber C	1,021,500	6.79
Existing Shareholder	<u>2</u>	<u>0.00001</u>
Total	<u><u>15,038,752</u></u>	<u><u>100</u></u>

Subscription Shares

Upon Completion, 9,080,000 subscription shares of Oasis Capital represent approximately 60.38% of the issued share capital of Oasis Capital as enlarged by the Subscription Shares and Oasis Capital will become an indirect subsidiary of the Company. Subscriber A, Subscriber B and Subscriber C also agreed to subscribe for shares in Oasis Capital, upon Completion of all of the subscription agreements, the shareholding of Oasis Capital will be held as to 60.38%, 16.98%, 15.85%, 6.79% and 0.00001% by Luk Hing Capital, Subscriber A, Subscriber B, Subscriber C and the Existing Shareholder, respectively.

Conditions Precedent

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

- (a) Luk Hing Capital and Oasis Capital have duly signed the Subscription Agreement;
- (b) the passing of resolution by the board of directors of Oasis Capital to approve the entering of Luk Hing Capital as a member holding 60.38% of the shareholding of Oasis Capital; and
- (c) the warranties given by Oasis Capital as set out in the Subscription Agreement remaining true and accurate and not misleading in all respects at the date of the signing of the Subscription Agreement and at Completion.

Completion

Subject to the fulfilment of all the conditions precedent set out above, the Completion shall take place on the Completion Date.

As Luk Hing Capital will hold 60.38% of the shareholding of Oasis Capital, Oasis Capital will become an indirect holding subsidiary of the Company. As Luk Hing WFOE and Oasis Capital currently holds 19.47% and 48.33% of the respective equity interests in the JV Company, the JV Company will also become an indirect subsidiary of the Company as a result of the Subscription.

Information on Oasis Capital

Oasis Capital is a company established under the laws of the Hong Kong with limited liability. To the best of the knowledge, information and belief of the Directors and having made all reasonable enquiries, apart from holding 48.33% of the equity interests of the JV Company, Oasis Capital is not currently engaged in any business activity and does not have any assets. The equity interests of the JV Company is held as to 19.47%, 48.33%, 6.20% and 26.00% as to Luk Hing WFOE, Oasis Capital, Zhuhai Wei Chong and New Jin Yi, respectively.

Financial Information of Oasis Capital

Set out below is the audited financial information of Oasis Capital for the two financial years ended 31 December 2017 and 2018 prepared in accordance with HKFRS:

	For the financial year ended	
	31 December	
	2017	2018
	<i>HK\$</i>	<i>HK\$</i>
Net loss before taxation and extraordinary items	16,427	14,410
Net loss after taxation and extraordinary items	16,427	14,410

The total asset and net liabilities values of Oasis Capital as at 31 December 2017 were nil and HK\$40,808, respectively. The total asset and net liabilities values of Oasis Capital as at 31 December 2018 were nil and HK\$55,218, respectively.

Financial Information of the 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
	<i>RMB</i>	<i>RMB</i>
Net loss before taxation and extraordinary items	0	0
Net loss after taxation and extraordinary items	0	0

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.

REASONS FOR AND BENEFITS OF THE CONVERTIBLE LOAN AGREEMENTS AND THE SUBSCRIPTION AGREEMENTS

As disclosed in the section headed “Future Plans and Use of Proceeds” of the prospectus of the Company dated 27 October 2016, the Company plans to expand in regions other than Macau through exploring potential cooperation partners and acquisition targets. The JV Company is established as a limited liability company in the PRC and is principally engaged in the operation and management of clubbing venue in Zhuhai which is known as Club Cubic Zhuhai.

The Board has taken into account the following factors in assessing the entering of the Convertible Loan Agreements and the Subscription Agreement:

- (i) the proceeds from the Convertible Loan Agreements and the Subscription Agreement will be used for the purchase of fixed assets and renovation for Club Cubic Zhuhai and other daily business activities of the JV Company;
- (ii) having compared the interest rate of loans available in the market, the fixed interest of 9% per annum is on normal commercial terms and is fair and reasonable;
- (iii) the Bonus which is capped at of 25% per annum on the principal amount of Convertible Loans for a term of three years under the Convertible Loan Agreements is only applicable when the Lenders elect to exercise the Conversion which provides incentive for Lenders to exercise the Conversion;
- (iv) the proceeds from the Convertible Loan Agreements provide external funds for the Company to finance the development of the JV Company and Club Cubic Zhuhai; and

- (v) the Subscription will result in Oasis Capital becoming an indirect subsidiary of the Company which in turn holds 48.33% of the JV Company, the principal activities of which are in line with the future business development of the Group (i.e. operation of Club Cubic Zhuhai).

Based on the above, the Directors are of the view that the terms of the Convertible Loan Agreements and the Subscription Agreement are on normal commercial terms and are fair and reasonable and in the interests of the Company and its shareholders as a whole.

LISTING RULES IMPLICATIONS

The Convertible Loan Agreements

Assuming all of the Lenders exercised the option to convert the principal amount of the loans under the Convertible Loan Agreements with shares in an affiliated company of Luk Hing Capital, the Conversion would have the effect of (i) disposing 5.34% of the Company's effective equity interests in JV Company; and (ii) Luk Hing Capital would pay the Bonus to the Lenders. The Conversion will constitute a discloseable transaction for the purposes of Chapter 19 of the GEM Listing Rules.

As one or more of the applicable percentage ratios of the transactions contemplated under the Convertible Loan Agreements is greater than 5% but less than 25%, the Conversion constitutes a discloseable transaction of the Company under Rule 19.06(2) of the GEM Listing Rules and is subject to reporting and announcement requirements under Chapter 19 of the GEM Listing Rules.

As Subscriber B will become a substantial shareholder of Oasis Capital upon Completion and Lender B is an associate of Subscriber B, (i) the loan payable by Lender B under the Convertible Loan Agreement B constitutes financial assistance received by the Group and (ii) the Conversion under the Convertible Loan Agreement B constitutes a connected transaction for the Company under the GEM Listing Rules.

Pursuant to Rule 20.88 of the GEM Listing Rules, such financial assistance is fully exempt from reporting, announcement and independent shareholders' approval requirements as it is conducted on normal commercial terms or better, and it is not secured by the assets of the Group.

As the relevant percentage ratios of the Conversion under the Convertible Loan Agreement B is less than 25% and the total consideration in respect thereof is less than HK\$10,000,000 and the Conversion thereunder is on normal commercial terms, the Conversion thereunder is subject to the reporting and announcement requirements but exempt from the circular, independent financial advice and shareholders' approval requirements under Rule 20.74(2) of the GEM Listing Rules.

The Subscription Agreement

As one or more of the applicable percentage ratios of the transactions contemplated under the Subscription Agreement is greater than 5% but less than 25%, the Subscription constitutes a discloseable transaction of the Company under Rule 19.06(2) of the GEM Listing Rules and is subject to reporting and announcement requirements under Chapter 19 of the GEM Listing Rules.

DEFINITIONS

“Board”	the board of Directors
“Bonus”	Please refer to the section headed “Principal Terms of the Convertible Loan Agreements” in this Announcement
“Club Cubic Zhuhai”	the operation of a clubbing venue in Zhuhai by the JV Company
“Company”	Luk Hing Entertainment Group Holdings Limited (stock code: 8052), a company incorporated in the Cayman Islands with limited liability, and the issued shares of which are listed on the GEM of Stock Exchange
“Completion”	the completion of the Subscription in accordance with the terms and conditions of the Subscription Agreement and the completion of the subscriptions of Oasis Capital with Subscriber A, Subscriber B and Subscriber C in accordance with the terms and conditions of their respective subscription agreements
“Completion Date”	the date when the Completion shall take place
“Consideration”	the consideration of RMB8.0 million (equivalent to approximately HK\$9.08 million) for the subscription payable by Luk Hing Capital to Oasis Capital under the Subscription Agreement in relation to the Subscription
“Convertible Loans”	the convertible loans of RMB1.2 million (equivalent to approximately HK\$1.36 million), RMB2.8 million (equivalent to approximately HK\$3.18 million) and RMB4.0 million (equivalent to approximately HK\$4.54 million) in the aggregate principal amount of RMB8.0 million (equivalent to approximately HK\$9.08 million) pursuant to the terms and conditions of the Convertible Loan Agreements

“Convertible Loan Agreement A”	the convertible loan agreement dated 10 June 2019 entered into between Luk Hing Capital and Lender A pursuant to which Lender A agreed to make available a convertible loan in the sum of RMB1.2 million (equivalent to approximately HK\$1.36 million) to Luk Hing Capital
“Convertible Loan Agreement B”	the convertible loan agreement dated 10 June 2019 entered into between Luk Hing Capital and Lender B pursuant to which Lender B agreed to make available a convertible loan in the sum of RMB2.8 million (equivalent to approximately HK\$3.18 million) to Luk Hing Capital
“Convertible Loan Agreement C”	the convertible loan agreement dated 10 June 2019 entered into between Luk Hing Capital and Lender C pursuant to which Lender C agreed to make available a convertible loan in the sum of RMB4.0 million (equivalent to approximately HK\$4.54 million) to Luk Hing Capital
“Convertible Loan Agreements”	Convertible Loan Agreement A, Convertible Loan Agreement B and Convertible Loan Agreement C
“Conversion”	the full conversion of the principal amount of the loans under the Convertible Loan Agreements (exercisable at the discretion of each of the Lenders) with shares of an affiliated company of Luk Hing Capital, provided that such affiliate shall be designated by Luk Hing Capital and the delivery of such shares would result in Lender A, Lender B and Lender C holding 0.80%, 1.87% and 2.67% of the effective equity interests of the JV Company, respectively
“Director(s)”	the directors of the Company
“DP”	distributable net profits after taxation of the JV Company for the year
“EI%”	percentage of effective equity interest in the JV Company
“Existing Shareholder”	the sole shareholder of Oasis Capital before completion of the subscription agreements of Luk Hing Capital, Subscriber A, Subscriber B and Subscriber C. The Existing Shareholder is also an Independent Third Party
“GEM”	Growth Enterprise Market
“GEM Listing Rule(s)”	The Rules Governing the Listing of Securities on GEM
“Group”	the Company and/or any of its subsidiaries
“HKFRS”	Hong Kong Financial Reporting Standard

“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Independent Third Party(ies)”	party(ies) who is independent of the Company and its connected persons and is not a connected person(s) of the Company
“Interest Period”	Please refer to the section headed “Principal Terms of the Convertible Loan Agreements” in this Announcement
“JV Agreement”	a legally binding joint venture agreement dated 2 June 2017 and entered into between the parties in relation to formation of the JV Company and as amended from time to time
“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, of which 19.47% equity interests of the JV Company is indirectly held by the Company. The remaining shareholdings are held as to 48.33%, 26.00% and 6.20% by Oasis Capital, New Jin Yi and Zhuhai Wei Chong respectively
“Lender A”	the lender under Convertible Loan A, a private individual investor and an Independent Third Party
“Lender B”	the lender under Convertible Loan B, a private individual investor and an associate of Subscriber B
“Lender C”	the lender under Convertible Loan C, a company incorporated under the laws of Hong Kong with limited liability and an Independent Third Party
“Lender(s)”	Lender A, Lender B and/or Lender C
“Luk Hing Capital”	Luk Hing Capital Limited, an indirect wholly-owned subsidiary of the Company incorporated with limited liability under the laws of Hong Kong
“Luk Hing 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 incorporated with limited liability under the laws of the PRC and a 19.47% equity holder of the JV Company
“New Jin Yi”	New Jin Yi Investment Company Limited, a company incorporated with limited liability under the laws of Macau and a 26.00% equity holder of the 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 48.33% equity holder of the JV Company
“PRC”	the People’s Republic of China
“PRC GAAP”	People’s Republic of China Generally Accepted Accounting Principles
“RMB”	Renminbi, the lawful currency of the PRC
“Subscriber A”	a limited liability company incorporated in BVI and a shareholder holding 16.98% of the shareholding of Oasis Capital after completion of its subscription in Oasis Capital. Subscriber A and its ultimate beneficial owners are Independent Third Parties
“Subscriber B”	a private individual investor and a shareholder holding 15.85% of the shareholding of Oasis Capital after completion of its subscription in Oasis Capital. Lender B is an associate of Subscriber B.
“Subscriber C”	a private individual investor and a shareholder holding 6.79% of the shareholding of Oasis Capital after completion of its subscription in Oasis Capital. Subscriber C is an Independent Third Party
“Subscription”	the subscription of 9,080,000 shares of Oasis Capital by Luk Hing Capital pursuant to the terms of the Subscription Agreement
“Subscription Agreement”	the subscription agreement dated 10 June 2019 entered into between the Luk Hing Capital as subscriber and Oasis Capital as issuer in relation to the subscription
“Subscription Shares”	9,080,000 shares of Oasis Capital to be allotted and issued by Oasis Capital to the Luk Hing Capital under the Subscription Agreement upon Completion

“Zhuhai Wei Chong”

珠海唯創文化傳播有限公司 (Zhuhai Wei Chong Culture Broadcasting Company Limited*), a company incorporated with limited liability under the laws of the PRC and a 6.20% equity holder of the JV Company

“%”

percent

By Order of the Board of
LUK HING ENTERTAINMENT GROUP HOLDINGS LIMITED
Choi Yiu Ying
Chairman and Chief Executive Officer

Hong Kong, 10 June 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.

* *For identification purposes only*