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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
FORMATION OF JOINT VENTURE
AND
BUSINESS UPDATE**

DISCLOSEABLE TRANSACTION

On 1 August 2017, L&B Betula, Brilliant Hero, Guangdong Weikedor and the JV Company entered into the Subscription Agreements to form a joint venture for the operation of a Chinese restaurant and bar at the leased premises situated at Harbour City in Kowloon, Hong Kong.

Prior to the completion of the Transaction, the entire issued share capital of the JV Company is held by L&B Betula. The JV Company was set up for the purpose of operating Chinese restaurant and bar at the leased premises situated at Harbour City in Kowloon, Hong Kong. Upon completion of the Transaction, the JV Company will be owned as to 71%, 20% and 9% by L&B Betula, Brilliant Hero and Guangdong Weikedor respectively.

The parties expect that they will invest up to an aggregate maximum amount of HK\$25,000,000 into the JV Company, of which HK\$17,750,000 will be contributed by L&B Betula, an indirect subsidiary of the Group.

As the highest of the applicable Percentage Ratios is expected to exceed 5% but each of the applicable Percentage Ratios is less than 25%, the Transaction 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.

BUSINESS UPDATE

This announcement is also made pursuant to the Rule 17.10(2)(a) of the GEM Listing Rules, and Inside Information Provisions (as defined under the GEM Listing Rules) under Part XIVA of the Securities and Futures Ordinance (Chapter 571, Laws of Hong Kong).

As the Group enters the Chinese restaurant and bar business in Hong Kong, the Group incurred and expects to continue to incur substantial start-up and pre-opening costs, including but not limited to additional staff costs, rentals, commission and professional fees, as well as promotion expenses. Based on the information currently available to the Board and preliminary assessment by the Company which has not been confirmed or reviewed by the auditors of the Company, including but not limited to the unaudited consolidated results of the Group for the six months ended 30 June 2017, the operating expenses increased and are expected to continue to increase significantly in 2017 as compared with that of last year due to the aforesaid start-up and pre-opening costs, leading to the adverse impact to our 2017 results.

Shareholders of the Company and potential investors are urged to exercise caution when dealing in the shares and/or other securities of the Company.

DISCLOSEABLE TRANSACTION

The Board is pleased to announce that on 1 August 2017, L&B Betula, Brilliant Hero, Guangdong Weikedor and the JV Company entered into the Subscription Agreements to form a joint venture for the operation of a Chinese restaurant and bar at the leased premises situated at Harbour City in Kowloon, Hong Kong.

THE SUBSCRIPTION AGREEMENTS

The material terms of the Subscription Agreements are summarized below:

Date

1 August 2017

Parties

1. L&B Betula;
2. Brilliant Hero;
3. Guangdong Weikedor; and
4. JV Company.

To the best of the Directors' knowledge, information and belief and having made all reasonable enquiries, Guangdong Weikedor is held as to 99% by the controlling shareholder of Zhuhai Wei Chong and Zhuhai Wei Chong currently holds around 38.9% of Zhuhai Ruiye which operates and manages Club Cubic Zhuhai. For details please refer to the Company's announcement dated 2 June 2017.

Save as disclosed in this announcement, to the best of the Directors' knowledge, information and belief having made all reasonable enquiries, the investors of the JV Company and their ultimate beneficial owner are third parties independent of the Company and connected persons (as defined in the GEM Listing Rules) of the Company.

Subscription of JV Shares and Funding Commitments of the Parties

Prior to completion of the Transaction, L&B Betula held the entire issued share capital (being 300,000 JV Shares) of the JV Company. The JV Company was set up for the purpose of operating a Chinese restaurant and bar at the leased premises at Harbour City in Kowloon, Hong Kong.

Initial Commitment

Pursuant to the terms of the Subscription Agreements, the share capital of the JV Company shall initially be increased to 20,000,000 JV Shares. Each of L&B Betula, Brilliant Hero and Guangdong Weikedor shall subscribe for new JV Shares and contribute in cash to the JV Company in the following manner:

Investors	Number of JV Shares held prior to completion of the Subscription Agreements	Subscription of JV Shares	Subscription Amount (HK\$)	Number of JV Shares held after completion of the Subscription Agreements	Shareholding Percentage
L&B Betula	300,000	13,900,000	13,900,000	14,200,000	71%
Brilliant Hero	—	4,000,000	4,000,000	4,000,000	20%
Guangdong Weikedor	—	<u>1,800,000</u>	<u>1,800,000</u>	<u>1,800,000</u>	<u>9%</u>
Total	<u>300,000</u>	<u>19,700,000</u>	<u>19,700,000</u>	<u>20,000,000</u>	<u>100%</u>

Maximum Commitment

Pursuant to the terms of the Subscription Agreements, the shareholders of the JV Company have agreed to subscribe for additional JV Shares in proportion to their shareholding percentage subject to a maximum of 25,000,000 JV Shares. The table below illustrates the shareholding structure of the JV Company, assuming the shareholders of the JV Company have subscribed for the additional JV Shares and subject to a maximum of 25,000,000 JV Shares:

Investors	Subscription of additional JV Shares	Additional Subscription Amount (HK\$)	Number of JV Shares held	Shareholding Percentage
L&B Betula	3,550,000	3,550,000	17,750,000	71%
Brilliant Hero	1,000,000	1,000,000	5,000,000	20%
Guangdong Weikedor	<u>450,000</u>	<u>450,000</u>	<u>2,250,000</u>	<u>9%</u>
Total	<u><u>5,000,000</u></u>	<u><u>5,000,000</u></u>	<u><u>25,000,000</u></u>	<u><u>100%</u></u>

Accordingly, the maximum commitment of capital contribution to be made to the JV Company is currently estimated to be HK\$25,000,000, of which HK\$17,750,000 will be contributed by L&B Betula. The capital requirement of the JV Company was determined by arm's length negotiation between the parties taking into account the development plan and operation of the Chinese restaurant and bar at the leased premises in Harbour City in Kowloon, Hong Kong. Upon completion of the Transaction, the JV Company will be a subsidiary of the Company.

Completion shall take place after satisfaction of certain conditions precedent pursuant to the Subscription Agreements, including the payment of the subscription monies for the JV Shares by 31 August 2017.

The Company estimates that about 50%–60% of the Group's commitment of HK\$14,200,000 will be financed by the net proceeds from listing on GEM of the Stock Exchange in November 2016, under the implementation plan of "Expansion in regions other than Macau". The remaining balance is expected to be financed by the Group's internal resources and/or banking facilities.

BOARD OF DIRECTORS

The board of directors of the JV Company will consist of 2 directors, which are the directors of the Company.

REASONS FOR AND BENEFITS OF THE TRANSACTION

The Group is a premium clubbing and entertainment business operator, primarily engaged in operating Club Cubic located in the City of Dreams in Cotai, Macau and organising featured events.

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, discuss or sign memorandum of understanding or agreement.

The Board is of the view that the JV Company will pave way for great opportunities for the Group to extend its clubbing operations outside Macau as the Board believes that there is enormous business potential in Chinese restaurant, clubbing and entertainment business operations in Hong Kong.

The Board considers that terms of the Subscription Agreements are fair and reasonable and on normal commercial terms and that the Transaction is in the interest of the Company and the Shareholders as a whole.

INFORMATION ON THE COUNTER-PARTIES TO THE SUBSCRIPTION AGREEMENTS

Brilliant Hero is a company incorporated under the laws of British Virgin Islands and its beneficial owner is principally engaged in the business of investment holding.

Guangdong Weikedor is a company incorporated under the laws of PRC and its beneficial owner is principally engaged in the business of asset management, industrial investment and investment advisory service.

IMPLICATIONS OF THE TRANSACTION UNDER THE LISTING RULES

As the highest of the applicable Percentage Ratios is expected to exceed 5% but each of the applicable Percentage Ratios is less than 25%, the Transaction 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.

BUSINESS UPDATE

This announcement is also made pursuant to the Rule 17.10(2)(a) of the GEM Listing Rules, and Inside Information Provisions (as defined under the GEM Listing Rules) under Part XIVA of the Securities and Futures Ordinance (Chapter 571, Laws of Hong Kong).

As the Group enters the Chinese restaurant and bar business in Hong Kong, the Group incurred and expects to continue to incur substantial start-up and pre-opening costs, including but not limited to additional staff costs, rentals, commission and professional fees, as well as promotion expenses. Based on the information currently available to the Board and preliminary assessment by the Company which has not been confirmed or reviewed by the auditors of the Company, including but not limited to the unaudited consolidated results of the Group for the six months ended 30 June 2017, the operating expenses increased and are expected to continue to increase significantly in 2017 as compared with that of last year due to the aforesaid start-up and pre-opening costs, leading to the adverse impact to our 2017 results.

The Company is still in the process of finalising the interim results of the Group for the six months ended 30 June 2017 (“Interim Results”). The actual Interim Results may differ from the information contained in this announcement. Details of the Interim Results will be published around mid-August of 2017.

Shareholders of the Company and potential investors are urged to exercise caution when dealing in the shares and/or other securities of the Company.

DEFINITIONS

In this announcement, unless the context otherwise requires, the following expressions shall have the following meanings when used herein:

“Board”	the board of Directors
“Brilliant Hero”	Brilliant Hero Investments Limited, a company incorporated in the British Virgin Islands with limited liability
“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 board of the Stock Exchange
“Director(s)”	director(s) of the Company
“GEM”	Growth Enterprise Market
“GEM Listing Rules”	The Rules Governing the Listing of Securities on GEM
“Group”	the Company and/or any of its subsidiaries
“Guangdong Weikedor”	廣東唯客多資產管理有限公司, a company incorporated in the PRC with limited liability
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“JV Company”	Betula Profit Holdings Limited, a company incorporated under the laws of Hong Kong.
“JV Share(s)”	ordinary share(s) in the share capital of JV Company
“L&B Betula”	L&B Betula Limited, an indirect subsidiary of the Company incorporated in the British Virgin Islands with limited liability and whose shareholding is owned as to 80% and 20% by the Group and an independent third party respectively

“Percentage Ratio(s)”	the percentage ratio(s) as set out in Rule 20.07 of the GEM Listing Rules to be applied for determining the classification of a transaction
“PRC”	the People’s Republic of China, which for the purpose of this announcement, excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“Shareholders”	the holders of shares of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscription Agreements”	two subscription agreements dated 1 August 2017 entered into between (i) Brilliant Hero, L&B Betula and the JV Company; and (ii) Guangdong Weikedor, L&B Betula and the JV Company
“Transaction”	the subscription of JV Shares pursuant to the Subscription Agreements
“Zhuhai Ruiye”	Zhuhai Ruiye Bar Management Company Limited* (珠海銳燁酒吧管理有限公司) a limited liability joint venture established under the laws of the PRC
“Zhuhai Wei Chong”	Zhuhai Wei Chong Culture Broadcasting Company Limited* (珠海唯創文化傳播有限公司), a company incorporated with limited liability under the laws of the PRC
“%”	per cent.

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

Hong Kong, 1 August 2017

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 Ion Weng 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 Growth Enterprise Market 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.

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